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Introduction

The year 2002 in Zambia has been characterised by political and economic uncertainties, coupled with the effects of a severe drought towards the end of the year. The public debate has been dominated by five main issues; the withdrawal by Anglo American Corporation from one of the largest mining companies in Zambia in early 2002; the election petitions lodged by opposition parties; President Mwanawasa's anti-corruption campaign; Zambia's non acceptance of Genetically Modified relief maize; and – towards the end of the year – an increasingly negative attitude towards the privatisation/concessioning of the remaining parastatals, notably the electricity company ZESCO, the Zambia National Bank of Commerce (ZANACO) and the telecommunication company ZAMTEL. The political and economic developments in the region, including regional initiatives such as NEPAD and the AU, are important to Zambia's development prospects, but have to a certain extent been overshadowed by the internal political situation.

The year 2002 also saw the completion of the *Zambian Poverty Reduction Strategy Paper (PRSP)*, which was approved by Cabinet and endorsed by the Boards of the World Bank and the IMF in May. During the year, government has also embarked on the development of a broader medium-term strategic development framework, the *Transitional National Development Plan (TNDP)*, of which the PRSP forms part. The TNDP is to be launched in December 2002.

1. Political Development and Regional Outlook

The aftermath of the December 2001 elections has indicated that these may have opened another phase in Zambian political history. In spite of the Chiluba government's efforts at undermining free and fair elections, these effectively broke the political stronghold of the ruling MMD party, and for the first time since the country reverted to plural politics, presented an opportunity for change for the majority of the Zambian people. More than 70% of the voters voted for other parties and candidates than the MMD and its presidential candidate, Levy Mwanawasa. However, the electoral system, opposition disunity, and possible electoral fraud helped MMD to maintain the Presidential post.

The election malpractice led to several election monitoring groups declaring the elections not free and fair, for example the EU Observation Mission. It also led to opposition parties lodging a number of petitions regarding the conduct of the polls on all three levels – presidential, parliamentary and local. The court procedures on the parliamentary election petitions have led to the nullification of the election results in some constituencies. The presidential petitions, which are still being processed in court, have dominated Zambian political life for the whole of 2002 and may result in new presidential elections being held in 2003.

The Mwanawasa government has tried to meet the challenge of having a questioned legitimacy and a rather weak power base by taking strong action against corruption, which undoubtedly is one of the greatest obstacles to democratic development in Zambia. The most radical steps have been the decisions to try to lift Chiluba's immunity (still processed in court), set up an anti-money laundering authority and form a task force for investigation of some of the major corruption scandals.

Steps have also been taken by the new government towards some institutional reforms, which are all crucial for the change of the system of government in a democratic direction. Both civil society organisa-

tions and the donor community have stated that they are prepared to support the reform programmes provided the government can prove commitment and produce effective and well thought through project plans. To date, government seems inclined to take on parliamentary and constitutional reform, but more reluctant to do anything far-reaching about local democracy and the deficient electoral management system.

If the present political situation is to become the opportunity for change mentioned above it is crucial that women participation increases and the political parties be strengthened. Political development during 2002 does not give much hope, however. The ruling MMD is plagued by internal fighting between the Mwanawasa and the Chiluba factions, whereas the opposition parties continue to be weak. Although some improvements can be seen, women continue to be highly under-represented in decision-making bodies. Out of the 22 full cabinet ministers in Mwanawasa's cabinet only 3 are women. In the National Assembly only 19 of the 150 elected MPs are women (compared to 16 before the elections). On local level the situation is even worse: out of more than 1200 local councillors only 91 women candidates won seats in the December 2001 local elections.

The failure of the political parties to play their role as the citizens' voice makes the civil society organisations the leading agents for advocating for democratic reforms, free and fair elections, respect for human rights etc. This led the former government to attack NGOs (and donors supporting the NGOs) and accuse them of being disguised political parties. There are some signs that the Mwanawasa government has a less negative view on the NGOs.

It is difficult to assess whether the human rights situation has improved or not during 2002. Refusal to even accept parliamentary processing of opposition members' media bills shows that the Mwanawasa government is not ready to go very far to strengthen the protection of the freedoms of the press, expression and information. Cases of forced evictions of hundreds of squatters, violent police attacks on demonstrators and police brutality in general show that violations of human rights are still common. The situation points to the need for measures to strengthen institutions and mechanisms of human rights enforcement and monitoring, such as the Human Rights Commission, the Judiciary and the Police Service. Effective action, in turn, presupposes that the government is committed to fulfilling its obligations to observe and protect human rights.

Regional Outlook

The deteriorating political, environmental and economic situation in Zimbabwe has presented Southern African leaders with several difficult challenges and threats, particularly in terms of the political stability in the region. So far, the Mwanawasa government has taken up a wait-and-see attitude towards the situation. However, some effects of the same are already being felt in Zambia, e.g. by Zimbabwean traders flooding the Zambian market with cheaply priced products, thereby outcompeting the local business community. The Zambian government reacted in April 2002 by banning import of a range of Zimbabwean products. No retaliatory action has as yet been implemented by Zimbabwe.

During the year, Zimbabwean white farmers have started to cross the border to find new land in Zambia. The Zambian government has officially welcomed this move, and has stated that this will contribute to increased commercial farming in Zambia and, thereby, to job creation, export revenues and improved food production, which, in turn, will lead to increased economic growth and improved food security. However, critical voices are also being raised, the main fear being stated as "importation" of a possible future racial problem from Zimbabwe.

Zambia has been affected by the wars in Angola and the Democratic Republic of Congo, particularly in terms of increased inflows of refugees to the country. Currently, Zambia hosts about 300 000 refugees.

The majority is Angolan, the rest originate from the Democratic Republic of Congo, Rwanda, Burundi and Somalia. With the death of Jonas Savimbi in February 2002, Angolan refugees have started to return home from the camps in the Western Province.

Zambia's role as chair of the Organisation for African Unity (OAU) came to an end in 2002. With regard to the establishment of the African Union (AU), the Mwanawasa government has so far kept a relatively low profile. The same goes for the recently launched NEPAD initiative. It appears as if the Zambian government sees the regional co-operation bodies – SADC and COMESA – as more important for the country's development, at least for the near future.

2. Economic Development

Zambia's overall economic performance has been disappointing during the past decades. The GDP growth rate fell from an average of 1.6% in the 1970s to 0.3% in the 1990s. At the same time, inflation rates increased, domestic savings continued to be low, the current account deficit increased and the exchange rate was unstable and overvalued. This, in combination with a population growth above the GDP growth rate, has resulted in a decline in the per capita income over the past decades. In addition to the macroeconomic instability – which also acts as a deterrent to private sector investments – the poor performance of the copper industry and the slow pace of the privatisation programme in regard to some inefficient but key public enterprises, have been identified as main contributors to the meagre growth in Zambia.

However, macroeconomic performance since 2000 has been slightly more encouraging. The economy picked up following the privatisation of the state-owned copper mines, ZCCM, in March 2000. The ensuing strong performance of the mining, manufacturing and service sectors led to a real GDP growth rate of 3.5% in 2000 and 5.2% in 2001. At the same time, fiscal and monetary performance was satisfactory. Inflation, which stood at 30% towards the end of 2000, came down to below 18.5% in year-end 2001.

Despite the positive trends during the past two years, the Zambian economy continues to be troubled. The situation may be aggravated by the withdrawal by Anglo American from the largest post-privatisation copper mine in Zambia, the Konkola Copper Mines Limited (KCM), which took place in early 2002. This could potentially lead to a significant decrease in GDP growth, diminishing export earnings and falling investment levels, at least in the short- to medium-term, as it will take time for the alternative growth sectors to fill the gap in export revenue and employment expected to result from declining mining activities.

The government is trying to solve the issue, and during 2002 a deal was negotiated with Anglo American, whereby KCM's continued operations are secured up till mid-2003. Meanwhile, the government is actively pursuing the search of another strategic investor who would be willing to move in and take KCM over. Whether this attempt will be successful remains to be seen and will largely depend on the development of the copper prices on the world market. However, some positive signs are being noted. Copper production has in actual fact picked up during 2002, and there is evidence that some of the smaller mines are doing well on the Copperbelt. This might positively influence any decision on new or further investments in the mining sector in Zambia. It has recently been announced that some 40 firms have shown interest in taking KCM over.

The real GDP growth rate for 2002, which was originally forecasted at 4,3%, has been revised downwards to 3,6%, reflecting mainly the impact of the drought on agricultural production. The Economist Intelligence Unit (EIU) forecasts an even lower figure for the year, 2,8%. Rising food prices have pushed inflation upward during the year, and the annual inflation target has been adjusted from 13% to 16%. However, this target is considered optimistic, and the EIU forecasts a figure of around 22%. Due to low copper prices, the poor harvest in 2000/01 and the ensuing need for food imports, the Kwacha has depreciated against the USD, falling to ZKK 4 600:USD1 in November 2002 (as compared to around ZKK 3900:USD1 in January 2002).

The budget deficit has widened in the last few years, despite government's stated commitment to reduce it. The target for 2002 is set at 3% of GDP, which is considered optimistic in light of expected increases in government spending as a result of the food crisis, overruns in the public wage bill and the uncertainties relating to donor funding towards the budget.

In end-May 2002, the IMF approved disbursement of USD 64 million under the Poverty Reduction and Growth Facility (PRGF) and agreed to UDS 150 million in debt relief under HIPC. Expenditure under the latter has however been slower than expected during the year, mainly due to capacity constraints. In November 2002, another USD 53,8 million was authorised under the PRGF, together with USD 152 million in debt relief. The impact on future PRGF and HIPC disbursements from the increasingly negative attitude in Zambia vis-à-vis the privatisation of some of the remaining parastatals, notably ZANACO and ZESCO, remains to be seen. The sale of 51% of the ZANACO shares forms part of IMF's structural conditionalities for the programme in Zambia.

The World Bank released USD 50 million under the floating tranche of its Fiscal Sustainability Credit in June 2002. Structural conditionalities include the privatisation and reform of oil sector entities, the concessioning of Zambia Railways Ltd and the concessioning of ZESCO, where the latter is also a trigger for the HIPC completion point, expected to be reached in December 2003.

3. Social Development

3.1 Poverty

Zambia is today ranked as one of the poorest nations of the world and it is estimated that an alarming 73% of the Zambians live in income poverty. Poverty reduction thus continues to be the greatest challenge facing Zambia. Although poverty is more prevalent in rural areas than in urban areas, statistics show that poverty is rapidly urbanising. Women are poorer and experience more deplorable conditions than men. Child poverty has increased significantly during the past decade, mainly as a result of HIV/AIDS. During the reporting period, Zambia has experienced a hunger situation because of the drought in most parts of the country and this has led to further poverty among the poor and vulnerable.

The national plan for how to combat poverty is set forth in Zambia's Poverty Reduction Strategy Paper (PRSP), approved by government and endorsed by the Boards of the IMF and the World Bank in May 2002. The PRSP, which covers the period 2002–2004, applies a multi-dimensional perspective on poverty, and explores the avenues for reducing poverty in this context. The PRSP identifies agriculture, tourism, transport and energy as key sectors for economic growth, and education, health and HIV/AIDS as key areas for increased social investment. Good governance is recognised as an essential element of any strategy for economic growth and sustainable human development.

The implementation of the PRSP will be challenging, both from a financial point of view and in terms of limited institutional and human capacity available in Zambia. The HIV/AIDS pandemic also adds to this and is likely to frustrate Zambia's efforts to fully implement the poverty reduction strategy as set forth in the PRSP. Sweden and other donors have indicated a willingness to support poverty monitoring and expenditure tracking under the PRSP, and some initial proposals in this respect have been put forth during the period.

3.2 HIV/AIDS

The HIV/AIDS pandemic continued to plague all sectors of society throughout the year. A National HIV/AIDS Secretariat has been established, but the organisation continued to suffer from severe shortages of staff throughout 2002. Many donors have come forward to assist but co-ordination has been lacking and the issue of the Secretariat not being a legal entity has severely hampered the process. This latter problem was rectified in November 2002, when Parliament passed the government's HIV/AIDS Bill.

Substantial funding is forthcoming to Zambia in support of the fight against HIV/AIDS. Zambia's proposal to the Global Fund for HIV/AIDS, TB and Malaria was accepted during the year and the World Bank changed its HIV/AIDS loan to a full grant. DFID had a major mission to design a large HIV/AIDS programme and many other bilateral partners are willing to assist in various ways. However, there is an urgent need for leadership and co-ordination of these efforts and the resources to be provided.

Sweden participated in the DFID Design Mission and a report was presented to an HIV/AIDS seminar, organised by Sweden and held in June, 2002. The seminar was an important input in the Swedish Country Strategy process, where HIV/AIDS and the fight against the pandemic have been key themes. A contribution was made to Edusport's campaign "Kicking Aids Out" during the period, enabling three football teams from Zambia to take part in football tournaments for young people in Sweden and Norway.

3.3 Food Security

Two consecutive years of adverse weather conditions have resulted in low crop production. Poor cultivation practices and lack of diversified crop production have worsened the situation. As a consequence, an estimated 2.9 million Zambians are currently faced with starvation. The most affected are the rural people of Southern and Eastern Provinces. Mealie meal prices are so exorbitant that the urban poor cannot afford to buy the food, despite its availability. In total, 630,000Mt of maize were estimated as the national deficit. This figure included livestock feed and national strategic reserves. Food relief operations are basically on track but were delayed due to a recent ban from Government on genetically modified (GMO) food import. The ongoing relief operations to remote areas are at risk as some parts already are inaccessible by road due to the commencing rains.

3.4 Refugees

If Angola remains peaceful, UNHCR has estimated that about 40 000 Angolans will return to their country voluntarily in 2003 and another 20 000 in 2004, with the assistance of UNHCR. However, about 128 000 refugees are spontaneous settlers not under the UNHCR mandate, and some of the refugees in older camps have been living in Zambia since the 1970s. UNHCR calculates that about 70 000 refugees may wish to stay even if peace prevails in Angola. The issue of rights and citizenship of the long stayers is currently debated in Zambia and the government has announced that it will present a Refugee Bill to the Parliament, which will enable refugees to apply for citizenship on an individual basis.

With widespread poverty in the country, Zambia has urged the donor community to ensure that programmes designed to meet the refugees' humanitarian needs also take into account the needs of the host community. This "Zambian Initiative" (ZI) has been developed over the year and implementation is now starting, with contributions from USA, Denmark, Japan and UNHCR. Sweden is also supporting the ZI, with a focus on HIV/AIDS related programmes.

During the year, a contribution was also provided to the International Organisation for Migration (IOM) in support of a project on HIV/AIDS activities among refugees in Eastern Province. Both the IOM project and the support to ZI are financed under the regional allocation for Africa.

4. Development Co-operation

4.1 The Country Strategy Process

In early 2002, Sweden embarked on a strategic planning process to develop a new Country Strategy for the development co-operation with Zambia for the period 2003–2007. This process has dominated the internal work of the Swedish Embassy in Lusaka during the year. As part of the process, an internal five-day-seminar was held in February 2002, with participants from both the Embassy and from Sida in Stockholm. One day was devoted to the PRSP, with invited guest-speakers from Zambia, including government, civil society, academicians and private sector representatives. A Zambian Reference group was established in February 2002 with the objective of advising the Embassy on all matters pertaining to the analytical work to be undertaken as part of the Country Strategy process. The group has met formally four times during the period February – November 2002.

A Hypothesis Paper was submitted to Sida in mid March. High-level consultations with the Government of Zambia took place on 4 June, led by the Head of the Africa Department of Sida and the Secretary to the Treasury of the Ministry of Finance and National Planning (MoFNP) respectively. In connection to the high-level discussions, an HIV/AIDS seminar was also organised. The formal instruction to Sida to initiate a full Country Strategy process along the lines of the Hypothesis Paper was submitted by the Swedish Ministry for Foreign Affairs in late June, following the High-level consultations.

Stakeholders' meetings took place in Stockholm in September, in which the Embassy participated. Drafts of the three country strategy documents, namely the Country Analysis, the Performance Analysis and the Country Strategy were reviewed by the Peer-Review Group at Sida-Stockholm in late October and by the Heads of Department and the Director General of Sida in mid-November. The final documents were submitted to the Sida Board in late November for approval in a Board meeting to be held on 6 December. The internal work has been carried out according to plan, and the Country Strategy documents are expected to be submitted to the Swedish government in early 2003. The Country Strategy has been shared with the Government of Zambia.

4.2 Democratic Governance

During the reporting period Sweden has continued to implement the Strategy for Support to Democratic Governance in Zambia 2000–2002. An internal mid term review of the implementation of the strategy was conducted. Initial discussions were held with the Diakonia and Save the Children offices in Pretoria on future co-operation for support to Zambian NGOs.

In the area of political participation, Sweden, together with other donors, provided support to the December 2001 elections. Sweden has also been active in the commissioning of the evaluation of the donor election support. The evaluation will focus on the overall quality of the engagement by the donor community in the Zambian 2001 electoral process, with a view to identify lessons learnt for future support.

During the period under review, Sweden, jointly with other donors, entered into an agreement to support the first stage of the parliamentary reform process in Zambia. The objective of stage one is to develop a long-term project plan, based on parliament's own comprehensive reform agenda of November 2000. Within the Swedish-funded agricultural sector programme, support was also provided to a project aimed at promoting increased political participation, known as the farmer group empowerment project. Furthermore, continued support was given to a number of NGO's promoting increased political participation, particularly for women.

In the area of equal access to justice Sweden has supported the University of Zambia, School of Law, in the development of teaching materials. Continued support was provided to civil society organisations that provide legal advice for the poor, especially women and children.

Support was extended to the Zambia Independent Media Association (ZIMA), one of the organisations which have been instrumental in advocating for three media reforms namely; the introduction of an independent broadcasting authority, a freedom of information act, and the reformation of the Zambia National Broadcasting Corporation (ZNBC). The efforts to promote independent and free media also included support to local radio stations.

Transparency and accountability activities have been supported through, for example, Transparency International Zambia (TI- Zambia) and the Inter African Network for Human Rights and Development (Afronet), who play the role of watchdogs and catalysts in the promotion of integrity and good governance in Zambia.

In the area of economic governance, Sweden and Norway took the initiative to jointly commission a stocktaking exercise of the various reform processes that are ongoing in Zambia with respect to public expenditure and financial management. The draft report was discussed jointly by a group of donors in May 2002. The IDASA Budget Research project was finalised during the period, and the final report was presented in a seminar in November 2002.

A draft report of the Public Expenditure Management and Financial Accountability Report (PEMFAR), undertaken jointly by the Government of Zambia and the World Bank, was presented in a two-day-workshop in Lusaka in September. Sweden and some other donors expressed a willingness to support the implementation of the recommendations put forth in the draft report, preferably under a basket-funding mechanism. A final report is expected towards the end of the year.

4.3 Health

The work to expand the health sector support programme finally resulted in a decision being made in October, 2002 to widen the scope of the District basket and to establish a Hospital Basket starting 1 January, 2003. This was a major achievement and a welcome step after almost a year of rather slow progress in the various technical working groups that were established in the end of 2001.

Health Sector Committee and Biannual meetings have been held as planned throughout the year with only minor delays. Important to note is that finally, the reports/meetings are starting to focus on health indicators and service delivery, rather than just on financial accountability and reporting.

During the first half of 2002, a major problem appeared in the Sector Programme. It was discovered that a tender for vehicles for the districts, using District basket funds, had been mismanaged. Firm action was taken by all co-operating partners in the sector, culminating in the Ambassadors writing a letter to the Minister and setting conditions for clarifying the issue before any new Basket funds could be released. The Ministry acted swiftly and the flow of funds could continue during the latter half of 2002. However, this incident clearly showed the need for a strengthened procurement system in the sector and the need to work together closely in monitoring, evaluation and audit.

A new Swedish Health Sector Support Agreement was signed on 31 December, 2001. Through this Agreement, the support increased from 50 to 60 MSEK per year and the share going to the District basket grew from 60 to 70% (i.e. 42 MSEK annually).

The remaining 30% are allocated for institutional capacity building, to the Ministry of Health and the Central Board of Health. A tender for continued support to the University of Zambia, Department of Economics in the area of Health Economics, was awarded to the Institute for Health Economics in Lund. The training institutions collaboration with the Karolinska Institute also continued and a new agreement was signed during the first half of 2002.

4.4 Natural Resources

The Swedish support to the agricultural sector during 2002 continued to focus on improved household food security and increased incomes from agricultural activities. Specifically, the support promoted use of sustainable land management techniques, multiplication and use of improved traditional seeds, and training in farming as a business.

The Conservation Farming Unit (CFU) and Land Management and Conservation Farming (LM&CF) projects have vigorously promoted the use of conservation farming techniques (CF) in their project areas as well as through various other initiatives such as the recent FAO interventions on drought rehabilitation. The benefits of conservation farming have been widely accepted, particularly by farmers in the drought stricken areas of Southern and Eastern Provinces.

The Multiplication and Distribution of Seed and Planting material (MDSP) and Small Holder Access to Processing Extension and Seeds (SHAPES) projects continued to promote diversified crop production. Drought tolerant crops such as cassava, sweet potato, sorghum and millet were extensively promoted in the drought prone Southern province. Accelerated on-farm seed multiplication resulted in improved accessibility to improved seed of traditional crops by rural farmers. The impact of the current drought is reportedly less devastating in households with diversified crop production. Crop processing and packaging were scaled up during the year.

Interventions by the Economic Expansions in Outlying Areas (EEOA) project have resulted in an increased number of saving groups and out-grower scheme managers. The facilitation approach promoted by EEOA, which stresses farming as a business, is employed by a large number of agricultural projects within the country. EEOA has trained a considerable number of core agricultural extension staff from the Ministry of Agriculture and Co-operatives (MACO) in Participatory Extension Approaches.

The support to the Policy and Planning Branch (PPB) of MACO has not yielded the desired results of effective co-ordination of fragmented donor supported agricultural projects. Policy inconsistencies continue to dominate the agricultural sector. The operations of the public extension system have deteriorated primarily due to low and erratic government funding. This is despite government identifying agriculture as a priority sector.

A new coherent Agricultural Support Programme (ASP), covering the period 2003–2005, and focusing on seeds, land management and farming as a business, was developed during 2002. ASP builds on past positive experiences and will replace the current Swedish supported agricultural projects as from January 2003. The overall objective of ASP is poverty reduction through improved household food security and increased incomes from agriculture activities. The Programme will operate in four provinces covering a total of 20 districts and will be implemented by an independent consultant in close co-operation with MACO and other Zambian organisations active in the agriculture sector. A tendering process for the consultancy services to be provided was carried out during October/November 2002.

The National Agricultural Policy (NAP) is still awaiting Cabinet approval, as well as the Agricultural Commercialisation Programme (ACP), which forms part of NAP.

In May 2002, Sida-Stockholm commissioned a study relating to the implementation of the international environmental conventions to which Zambia is a party. The study concludes that the most important conventions to Zambia are the Convention to Combat Desertification (CCD), the Convention on Biodiversity (CBD) and the Wetlands Convention (Ramsar). It was further concluded that the new ASP and the Swedish support to improved agriculture policies have several potential links to these Conventions.

4.5 Private Sector Development

The co-operation with the Bank of Zambia (BOZ) regarding the development of a Microfinance Regulatory and Supervisory Framework continued during the year. The main activities have been the drafting of the regulations and consultations with stakeholders through focus group discussions. The draft regulations have also been presented to the World Bank in Washington and to other Central Banks in Eastern and Southern Africa. The drafted documents will be circulated for comments by the main stakeholders in the beginning of next year and sent to the MoFNP for approval in mid-2003.

The activities of the Association of Microfinance Institutions of Zambia (AMIZ) to strengthen the microfinance (MF) sector have been on-going during the year. AMIZ has produced newsletters and also hosted workshops on pertinent MF issues. The association has taken part in the consultative process led by the Bank of Zambia on the Regulatory and Supervisory framework. A library and information centre at the AMIZ premises will be ready and open to the public by the end of the year. The main challenge facing AMIZ is its ability to be sustainable in the future. Much of its income is generated through membership fees and service fees together with donor funding. AMIZ has prepared a sustainability plan which will be assessed by Sweden before the end of year 2002.

After long discussions and preparations the Pride Zambia (PZ) Business Plan for June 2002–June 2005 was finally approved by Sweden and a three-year agreement with PZ was signed in August 2002. The agreement consists of a loan and a grant agreement and is performance based, implying that PZ is obliged to meet certain benchmarks to receive further funding. A number of other donors were approached for co-funding during the year but no firm commitments have been received from potential donors during the reporting period. PZ has an average of 3500 clients, whereof the majority is women. Drought, reduced mining activities and the food crisis have affected the repayment rate, which currently stands at 90%. Pride Zambia will actively try to improve the repayment rate, seek new clients and introduce new products in the coming year.

The privatisation of Zambia Railways Ltd (ZRL) through concessioning continued during the reporting period. After a bidder's conference was held in August last year, four prospective concessionaires showed interest in the company. Negotiations are about to be finalised with one private consortium. The concession

is positive and includes substantial future investments in infrastructure and rolling stock by the concessionaire. The agreement between Zambia and Sweden has been prolonged to accommodate the signing of the freight concession agreement between Zambia and the concessionaire, and to allow for a hand-over period of three months. The signing of the concession agreement was scheduled for late November 2002, but has been delayed. The impact on the concessioning of ZRL from the recent negative attitudes towards privatisation in Zambia will be closely monitored. Positive signals have been received from the Zambia Privatisation Agency in respect of the successful completion of the concessioning process.

4.6 Urban Development

The Land Tenure Initiative, which includes institutional co-operation with Lusaka City Council and a field project in Chiasa, Lusaka, has been extended during the reporting period and will come to an end in mid 2003. The co-operation with LCC has included counterpart training, capacity building and certain equipment for setting up a well functioning property register. At the field level the project has been focusing on community participation in all matters related to defining property through a carefully devised adjudication process. The field activities have included an awareness campaign about the importance of secure tenure. Information has been given through meetings, posters and drama group performances. TOR for the design of a more comprehensive Urban Development Programme in Zambia was developed towards the end of the reporting period.

4.7 The Energy Sector

During the period, the Swedish energy sector co-operation with Zambia has primarily been guided by the sector reform efforts under the 200 MSEK Power Rehabilitation Programme (PRP) funded by the World Bank. In addition to upgrading of physical facilities, the programme also includes components for facilitation of private sector participation in the power sector, where a concessioning/privatisation of the national energy utility ZESCO is identified as a key process. Two out of three projects funded by Sweden during the period form part of the PRP, namely technical assistance to the Rehabilitation of Kafue Gorge and Institutional Capacity Building of ZESCO. The prospects for a more fundamental reform process with regard to ZESCO might prove challenging in light of the recent statements made by government on this issue.

The Solar Panel Pilot Project is ongoing and has attracted international attention. A model for expanding the project nationally has been presented by the Ministry of Energy and Water Development (MEWD).

During the period, Sweden provided a small contribution to the MEWD-appointed working group assigned the task to clarify the priorities in the rural energy sector. Technical assistance to the group's work is provided by USAID. After several delays, the group announced its first meeting towards the end of the reporting period. Sweden has also indicated a willingness to support institutional capacity of the Ministry in the area of rural energy. Terms of Reference for such support was submitted by MEWD during the period.

4.8 International Training Programmes

During 2002, Zambia was invited to 58 International Training Programmes (ITP). A total of 74 participants were selected (14 female and 58 male). Courses in the following fields were attended:

- a) Governance, Democracy and Human Rights,
- b) Social Services, Health, Education and Community Planning.

- c) Enabling Environment and Public Institutions services
- d) Infrastructure, Telecommunications, Energy and Transport,
- e) Industrial Production, Management and Technology,
- f) Agricultural production and Distribution, and,
- g) Environment Land use and Natural resources Management.

Three ITP organisers visited Zambia during 2002 to meet with this year's participants in courses on Strategic Insurance Management, Public Service Management, and Local Democracy respectively. In May/June 2002, the Swedish Postal Management College held a first phase of the ITP training programme Universal Postal Service in Lusaka for 25 participants drawn from Zambia, Ghana, Eritrea and Malawi. In late June, an exchange programme for the Universal Postal Management was conducted, in which two Swedish nationals from the Swedish Postal Services visited the Zambian Postal Services. In August 2002, the Institute for Further Education of Journalists held a two-week Training of Trainers seminar in Lusaka with participants from Zambia, Malawi, Tanzania, South Africa, Mozambique, Angola and Mauritius.

In late October 2002, a two-day seminar for participants in the 2000 and 2001 training courses was held in Lusaka. A total of 23 participants attended out of a target group of 25. The seminar was successful, and the outcome of the same has been compiled in a report that has been submitted to the ITP division of Sida-Stockholm.

4.9 CG-Meeting and Donor Co-ordination

A CG meeting was held in Livingstone on 7–10 July between the donors and government. A pre-meeting with civil society was held in Lusaka on 6 July. The 2002 CG was considered successful and a total amount of USD 1,3 billion was pledged. Sweden pledged support to the tune of around USD 17 million for the year 2002, and indicated a similar amount for the year 2003.

Consultations between the donors took place in order to prepare for the CG-Meeting on the donor side. A proposal for improved donor co-ordination under Zambian leadership was floated, and is currently being followed up. Sweden is an active member of several donor co-ordination groups at technical/sector level, as well as of an overall donor co-ordination group, lead by UNDP. In addition, Sweden participates in an informal and smaller like-minded donor co-ordination group.

During the period, an initiative was taken at headquarters level to improve donor co-ordination and promote harmonisation between a group of donors in Zambia, namely Denmark, DFID, Finland, Ireland, the Netherlands, Norway and Sweden. Preparations along the lines of the initiatives are now being undertaken by the missions in Lusaka. The Netherlands and Sweden are joint co-ordinators of the initiative both at headquarters level and in Zambia.

A joint Nordic follow-up on how the World Bank and the IMF are working with and adapting their programmes to the Zambian PRSP was also initiated during the period. Sweden is co-ordinating this exercise on behalf of the four Nordic missions present in Zambia.

5. Embassy Administration

After the many vacancies during 2001, the Embassy has been fully staffed during most of 2002 (except for a programme officer on Energy and Urban Development). The Regional HIV/AIDS Team moved from Harare to Lusaka in September. The guest flats at the Embassy are under reconstruction to be used as offices for the HIV/AIDS Team. Internal routines and regulations have been modified to accommodate the work of the HIV/AIDS-Team. In connection with the International AIDS Day, the offices will be formally inaugurated on 3 December.

Other events include the visit of Sida's Quality Assurance Team in November. The purpose of the Team's visit was to assess the potential for the Embassy becoming one of the embassies with full delegation of authority as from 2003, in line with Sida's Field vision.

The direct "on-line" bookkeeping has been introduced, several computers have been upgraded and a modern switchboard has been installed during the reporting period.

Most staff has participated in capacity building activities, organised both internally and externally. Internal training courses have been held on the Human Rights Conventions and Drafting of Decisions.

6. Summary of Disbursements 2002 (as at 30/11/02) and Projections for 2003 in SEK

USD 1 = 9,3 SEK

Sector	Actual 2002 as at 30 November	Projected 2003
Health Total	53 650 000	67 600 000
Health Service Delivery	42 000 000	42 000 000
Organisation & Management Del.		
Sexual & Reproductive Health	230 000	3 000 000
Unallocated and Follow-up	420 000	4 500 000
Institutional Capacity Building	11 000 000	18 100 000
Agriculture Total	45 800 000	48 000 000
Policy and Planning	1 300 000	2 500 000
Multiplication/Distrib. of Seeds	4 300 000	
Land M'Ment & Conservation	1 4 500 000	
ZNFU Conservation Farming	2 800 000	
Econ.Expansion Outlying Areas	18 500 000	
Planning/Follow-up	400 000	1 500 000
SHAPES	4 000 000	
Agriculture Support Programme		44 000 000
Governance Total	8 000 000	18 900 000
Democracy and Human Rights	8 000 000	18 900 000
Energy Sector Total	6 430 000	16 100 000
Kafue Gorge Rehab Supervision	2 300 000	3 500 000
Rural Elec & Solar Pilot Project	2 150 000	2 600 000
ZESCO Institutional Development	1 700 000	3 000 000
ERB Institutional Development	280 000	2 300 000
Other Planned		4 700 000
Urban Development Total	1 400 000	8 500 000
Land Tenure Initiative	1 400 000	1 500 000
Urban Development Programme		7 000 000
Private Sector Development Total	11 800 000	14 980 000
Zambia Railways Concessioning	5 800 000	1 500 000
Assoc. MicroFinance Insts- AMIZ		490 000
Bank of Zambia		2 000 000
Pride Zambia	6 000 000	5 040 000
Business Dev't Services		3 000 000
Other planned		2 950 000
Others incl PDF and Manning	8 500 000	10 000 000
Grand Total SEK	135 580 000	184 080 000
USD	14 600 000	19 800 000



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