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Zambia

Contents

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Introduction

The Zambian environment continues to be characterised by political and economic uncertainties. On the political side, this half-year period has been dominated by continuing attempts by the Government to weaken the opposition and by the opposition to miscredit the Government. Two major reshuffles in Government took place between February and May. The political debate has focussed on the issue of constitutional review and on the future of the remaining parastatals, notably the electricity company ZESCO and the Zambia National Bank of Commerce (ZANACO). The economy continues to be weak, but a better than expected harvest for the year sheds a gleam of hope. Negotiations with potential buyers of Konkola Copper Mines (KCM) were initiated during the period. It also appears that a solution for how to proceed with ZESCO and ZANACO has eventually been found. In April, Zambia held her second Annual Poverty Conference, and preparations have since started for submission of the first report on the implementation of the Poverty Reduction Strategy Paper (PRSP).

The proposed Country Strategy for the Swedish development co-operation with Zambia for the period 2003–2007 was approved by the Board of the Swedish International Development Co-operation Agency (Sida) in December, and submitted to the Swedish Ministry for Foreign Affairs in February 2003. Approval of the Strategy is expected in mid-2003. Co-ordination between donors and harmonisation with Government systems have taken a centre stage in Zambia during the past six months. The Harmonisation in Practice (HIP) initiative was launched and a Framework for HIP Actions was signed by the Government and seven donors, including Sweden, in March 2003.

1. Political Development and Regional Outlook

One and a half years after the national elections in December 2001 the petitions on the legality of the presidential elections continue to be processed in court. During the period, some damaging testimony against President Mwanawasa himself has been heard in the Supreme Court. It is clear that this legal challenge to the President has hampered the work of the Government and to some extent prevented it from focussing on pressing development issues.

The questioned legality of the elections has led not only the opposition parties but also powerful non-partisan groups to repeatedly call for fresh elections. In April, three of Zambia's largest church bodies advised the President to resign. Mwanawasa has responded to these "ill-advice" with irritation, and has kept underlining that he will wait for the decision by the Supreme Court.

In February, the President undertook a major reshuffle in Government. The reshuffle was expected, but controversial in respect of some of the appointees. In a bid to create what the President refers to as "a Government of National Unity", a number of opposition politicians were appointed Ministers and deputy Ministers. This move has undoubtedly caused a lot of internal problems for the opposition parties. Although most of the opposition members who accepted the President's offer were quickly expelled from their respective parties, it is clear that Mwanawasa's government reshuffle has led to splits within the opposition.

A second reshuffle – even more controversial – was made by the President in May. This reshuffle, which forms part of President Mwanawasa's corruption crusade, saw the removal of both the Vice-President and the Minister for Finance and National Planning from their posts. Both of the out-going Ministers had been implicated in corrupt activities. The vital post as Minister of Finance is presently still vacant. As his new Vice-President Mwanawasa appointed Pastor Nevers Mumba, a former opposition politician who had recently resigned from one of the smaller opposition parties to join the ruling MMD. The debate now centres around whether Mwanawasa has acted against the constitution in respect of this appointment, as Nevers Mumba stood for Presidency in the 2001 Elections. Two of the opposition parties are currently considering moving a motion in Parliament to impeach the President as a consequence of this.

The ruling MMD has also experienced increasing difficulties in keeping the party united. Former president Chiluba's loss of immunity in February and subsequent trials have created serious divisions within the party, especially between central levels and pro-Chiluba MMD-politicians in the Luapula province, some of whom have recently been suspended. The infighting has also led to rumours in media about groups within MMD plotting to topple Mwanawasa.

During the period, a closer tie between UNIP and MMD was forged, as President Mwanawasa decided to award the first President, Dr. Kenneth Kaunda, the Grand Order of the Eagle of Zambia – the highest and most prominent award in the country. The ceremony was held at State House in January, in the presence of i.a. President Mugabe of Zimbabwe and President Nujoma of Namibia. Most Zambians welcomed the award. Kaunda is today a popular man in the Zambian society and receives the benefits accrued to a well-respected elderly State's man.

The most debated political issue beside the creation of the new Government has been the constitutional review process. In April, President Mwanawasa appointed 41 people to the Constitutional Review Commission, CRC, which will "examine and recommend the elimi-nation of provisions which are perceived to be discriminatory in the constitution". This is the fourth commission to review the constitution since independence in 1964.

Most opposition parties and NGOs reject the CRC because of concern that Mwanawasa, like Kaunda and Chiluba before him, will play the key role in both selecting the participants and in deciding on whether or not to accept the commission's recommendations, as per provisions in the Inquiries Act. The biggest opposition party, UPND, and NGO-coalitions such as Oasis Forum, Afronet, NGOCC and ZIMA, have all declined to sit on the CRC, though some individual members of these organi-sations have accepted the offer in their personal capacity.
Their position is that a Constituent Assembly with a broader and popularly based representation should be established and given the power to adopt a new Constitution. They also demand that Part III of the Constitution – the Bill of Rights – should be included in the review, and that the Inquiries Act should be amended to allow for a submission of the final report not only to the Government, but also to civil society groups and other stakeholders.

The dispute about the constitutional review process peaked in early May when Oasis Forum encouraged people to protest against the process every Friday by honking their horns and wearing green ribbons (mirroring the anti Third Term Campaign in 2001). The Police met these plans by warning anyone participating to be arrested and charged with creating a public nuisance. Not much has been seen or heard of this campaign, however, and it has not prevented fairly constructive talks to be held between the NGOs and the President.

Regional Outlook

On the regional scene it can be noted that Zambia did not join the group of ten African countries which, in March, signed the peer-review mechanism for assessing the NEPAD countries' performance in areas such as democracy and human rights. Zambia has not shown much enthusiasm for this initiative. The Government has expressed diplomatically polite support for it, while at the same time pointing to Zambia's "unique set of constraints", which NEPAD needs to take into consideration.

The continued violent conflicts in the Great Lakes region and the peace in Angola continue to have a direct effect on the Zambian society in the form of refugees either coming or going. During the period, Angolan and Rwandan refugees have started to be repatriated. The continuing war in the DRC has led to new refugees entering Zambian territory during the past six months.

The deteriorating situation in Zimbabwe continues to impact on Zambia. In mid-2002, Zambia introduced a ban on 14 common goods imported from Zimbabwe, citing unfair compe-tition as the main reason. Zimbabwe made a formal complaint with reference to the agreements made under COMESA. In December 2002, the ban was revoked by Zambia and an alternative devise was implemented. Zimbabwean products are now subject to VAT based on the parallel exchange rate value of the Zimbabwean dollar; a measure that is more in line with COMESA commitments.

During the period, Zambia has also started to prepare for the upcoming negotiations of Economic Partnerships Agreements (EPAs) with the European Union. Zambia will negotiate under the umbrella of either COMESA or SADC.

2. Economic Development

2002 was a difficult year for Zambia. The forecasted annual real GDP growth rate of 4,3% was revised downwards to 3,6% in early December as a consequence mainly of the impact of the 2002 drought on agriculture production and uncertainties in the mining industry. At the same time, rising food prices led the Government to adjust the annual inflation forecast upwards, from 13% to 16%. The Kwacha depreciated from around ZKK 3 900: USD 1 to ZKK 4 400: USD 1 in December, giving an average exchange rate of about 4 300 to the dollar. A sharper fall in the value of the currency was prevented through a weakened dollar and interventions by the Bank of Zambia in the foreign-exchange markets and by an increase in the reserve-ratio requirements.

The actual figures for the 2002 were announced in connection to the Budget Speech, which was held on 31 January 2003. It turned out that even with the revised figures, Zambia had scored below the forecasts. The real GDP growth reached 3% (which is somewhat higher than the forecast of 2,8% by the Economist Intelligence Unit), the year-end inflation rate stood at almost 27% (non-food inflation rate around 17%), leaving the average inflation rate for the year at 22%. The domestic deficit reached 3,3% of GDP against a target of 3%.

For 2003, Zambia has set herself an ambitious agenda. The annual growth target for the year is 4%, the inflation rate is set at 18% and the fiscal deficit is to be reduced to 1,55% of GDP. Due to a better-than-expected harvest for 2003 and slightly increased production in the mining industry coupled with an anticipated rise in copper prices during the year, Zambia might prove to do reasonably well in terms of the projected growth figure. However, the forecasted inflation rate is not likely to be met, nor is the fiscal deficit target. This is mainly due to spending pressures and poor fiscal management, where the latter is compounded by the delayed introduction of a Medium-Term Expenditure Framework (MTEF). The first MTEF is, however, expected to be used in the preparation of the 2004 budget, and will cover the period 2004–2006. It is expected that this will introduce more realistic spending plans at the same time as the links between Government priorities and the budget are made more explicit.

The 2003 budget includes measures to increase domestic revenue, and improvements are projected from the collection of both domestic VAT and non-tax revenue. Although Zambia's forecasts for revenue collection were fairly close to the outturn for 2002, shortfalls might occur. During the decade 1990–2000, domestic revenue has, in fact, fluctuated between 16% and 21,6% of GDP. However, it should be noted that 43% of the budget is expected to be financed from external revenue, and fluctuations in the disbursement of donor funds will, thus, have a major impact on revenue projections.

The withdrawal by Anglo American from the largest privatised copper mines in Zambia, the Konkola Copper Mines Limited (KCM), which took place in early 2002, created substantial uncertainties in the Zambian economy. During 2002, KCM was restructured and Government continued its search for a new strategic investor for the company. In May 2003, the government announced that it had short-listed five potential buyers of KCM, and that negoti-ations were going to be initiated with the preferred bidder; Sterlite Industries, based in London. According to statements, Sterlite has offered to take up 51% of the shares in KCM and fund a major investment programme for the company. The outcome of the negotiations is yet to be confirmed.

During the past six-month-period, a heated public debate has been ongoing over the future of the remaining parastatals, notably the electricity company ZESCO and the Zambia National Bank of Commerce (ZANACO). The sale of 51% of the ZANACO shares forms part of IMF's structural conditionalities for the Zambia programme and the concessioning of ZESCO is a trigger for the HIPC completion point, scheduled for December 2003. An increasingly negative attitude towards the privatisation programme has been recorded, both from the general public, trade unions, Parliament and from some members of Cabinet. In respect of ZANACO, it has eventually been agreed that 49% of the shareholding be offered to a private investor, who would also be given control over the management of the company. This is a more expensive solution for Zambia, as a discount on the offer from the private investors is expected due to the fact that Government remains the majority shareholder. It appears, however, that a non-majority sale was the only option available to Government given the strong public pressure in this matter.

The same pressure has been seen in respect of ZESCO. As a consequence, Government is now moving away from its previous stand to concession the company. Instead, a commerci-ali-sation programme is being designed. This is said to include measures to safeguard the company from political interference, to which it has been amply exposed in the past. The World Bank visited Zambia in early May to appraise the new plans. Indications are that the Bank is reasonably positive to the programme proposed by Zambia. The IMF is currently preparing for a new Poverty Reduction and Growth Facility (PRGF), which is expected to be discussed by the IMF Board in June 2003. It remains to be seen whether Zambia's position on the two parastatals will impact on the Fund's approval of the new PRGF.

The relationship with the Fund and the Bank are of crucial importance to Zambia, not least in the context of HIPC. Zambia is expected to receive debt relief totalling USD 3.8 bn over the next 22 years (starting from January 2001). With debt relief, Zambia's average debt service figure for the period 2002 to 2019 amounts to USD 138 million, as compared to a figure of USD 354 million without debt relief. It has been pointed out by Government and civil society alike, however, that despite this substantial reduction, Zambia's debt situation remains unsustainable. The same also goes for the critical situation in respect of Zambia's domestic debt. Interest charges on domestic debt – which is made up of i.a. treasury bills and bonds, arrears to suppliers, the public sector pension fund and contingent liabilities linked to parastatals – was only slightly below the cost of external debt service in 2002; USD 125 million as compared to USD 137 million. The figure for 2002 represents an increase of 118% as compared to the figure for 2001, indicating a deeply worrying trend in terms of domestic borrowing.

3. Social Development

3.1 Poverty

Poverty reduction remains the greatest challenge to Zambia. In response to this, Zambia has developed a Poverty Reduction Strategy Paper (PRSP) for the period 2002–2004, which approved by government and endorsed by the Boards of the IMF and the World Bank in May 2002. As part of the PRS-and the HIPC-processes, Zambia is supposed to hold annual poverty conferences to follow up on the progress of the PRSP and the implementation of Poverty Reduction Programmes (PRPs). The second such Annual Poverty Conference was held in April this year.

During the Conference, a presentation of a review of the implementation of PRPs in selected provinces was made by a member of the independent HIPC monitoring team. This report revealed that allocations for poverty reduction programmes are arbitrary and sometimes ineffective (i.e. funds are allocated to the wrong things) and that too little money is allocated for meaningful poverty reduction. Some of the problems identified in connection to this included insufficient involvement of communities in identifying poverty reduction projects, the lack of a system within Government to ensure that money for PRP is efficiently used, and political use of (HIPC) funds; the latter with a special reference to the election year 2001.

Zambia has now started preparations for submission of the first report on the implementation of the PRSP. This work is likely to be challenging, however, as the monitoring framework is still not properly developed.

During 2002, the Nordic countries initiated a monitoring exercise with respect to the World Bank and the IMF support to the PRSP process in Zambia. The final report, which was submitted in February 2003, concludes that, although it is somewhat premature to draw any firm conclusions given the short life of the Zambian PRSP, alignment could be detected particularly by the IMF because of its macro focus through HIPC and the PRGF and its monitoring of the budget and actual disbursements. Alignment at the sector level, where the Bank largely operates, was concluded to be more coincidental at this point in time.

By mid-2003, the Bank and the Fund are expected to have prepared the basic frame-works for their continuing support to Zambia. The Fund is preparing a new PRGF for Board approval and the Bank is working on its new Country Assistance Strategy (CAS) and undertaking supporting studies, such as the Poverty and Social Impact Assessment (PSIA), that are important in informing the CAS itself. The Bank and the Fund are, thus, for the first time laying the foundation for their continuing support to Zambia in full light of the PRSP.

3.2 HIV/AIDS

The Government made the National Aids Council (NAC) a statutory body by an act of Parliament on 31 December 2002, and mandated it to co-ordinate the multi-sectoral response to HIV/AIDS in Zambia. This was a much-needed move and the NAC has subsequently been strengthened with some new forces, although it is still not fully staffed to fulfil its important role.

The main task for the Government, NAC and Co-operating partners over the last six months has been to handle the application and the negotiations with the Global Fund on HIV/AIDS, TB and Malaria (GFATM). Much work has gone into developing plans and proposing and agreeing on the flow of funds. It was finally agreed with the GFATM that there would be four principal recipients, the Central Board of Health for the public health sector, the Churches Health Association of Zambia (CHAZ) for the faith based organisations, the Zambia National AIDS Network (ZNAN) for other NGOs and the Ministry of Finance for line ministries. The appoint-ment of a Local Fund Agent was an issue of much debate and subject to a number of misunder-standings. However, these were clarified in the beginning of the year, and a consul-tancy firm, Price Waterhouse Coopers, was given the mandate to perform these functions.

The Swedish Embassy in Lusaka embarked on a process of identifying priority areas for support to HIV/AIDS related activities. An Idea Memo was developed and subsequently discussed in the Embassy Project Assessment Committee in April, 2003. It has become increasingly evident that the Embassy is in serious need of a work place policy in relation to HIV/AIDS. While following the ongoing process at headquarters level, the Embassy, in co-operation with the Regional HIV/AIDS Team based in Lusaka, decided to contract a Zambian organisation, CHAMP, to assist the Embassy with information, education and guidance on policies for sensitisation, treatment and care. CHAMP's work is intended as an input to other embassies' work, as well as to the work that is currently being done by Sida-S in co-operation with the Ministry for Foreign Affairs in Stockholm.

3.3 Food Security and Agriculture Development

A general increase in food (maize) production, as compared to the previous season, has been reported across the country. Surveys conducted by FAO and WFP revealed that the 2002/2003 cropping season recorded an average yield-increase of 30% above the previous season. For maize, the yields in the 2002/2003 season have reached a long-term average of 800,000 to 1,000,000 MT per year. The reported yield-increase has primarily been attributed to favourable rainfall pattern, both in quantity and distribution. Timely distribution of agriculture inputs by relief agents and government institutions and adoption of recommended farming practices such as conservation farming have also contributed to the observed yield increases. While the general picture looks bright, there have also been incidences of isolated pockets of poor yields attributed to localised droughts and floods.

The Government has, as a response to recurrent shortfalls in food production and to stabilise prices, prepared a successor to the Food Reserve Agency (FRA) called the Crop Marketing Authority (CMA). It is proposed to have a similar mandate as the original intentions of FRA i.e. it will be the buyer of last resort (primarily of maize) and will manage a strategic food reserve. However, most of the major donors, as well as Parliament, which reversed the bill to the Government, have serious concerns about the structure proposed for the CMA. The primary one is that politicising, mismanagement and corruption might, just like in the case of FRA, be the downfall of CMA.

Following the CMA proposal, Government has recently declared that there will be a fixed minimum floor price for maize grain at approximately USD 6.40/50 kg bag (USD 130/ MT). This will primarily benefit what is termed as disadvantaged remote areas. Government contends that this policy decision will safeguard small-scale farmers from exploitation. This announcement has, however, received mixed reactions from the private sector. A majority of them feel that Government is going back on its policy of liberalisation by not allowing market forces to determine the price of the commodity. In addition, the announcement of maize price to the exclusion of other crops has called into question Government's commitment to crop diversification as a means of improving food security. With this demonstrated bias towards maize, it is a shared concern that the coming season is likely to see a significant decline in the production of other crops whose marketing is not assured.

The season has not been very favourable to the livestock sector. The industry continued to perform below expectation primarily due to disease outbreaks. Generally, a decline in livestock populations has been reported across the country.

3.4 Refugees

Presently, Zambia hosts about 300 000 refugees, the majority of whom are Angolans. About 128 000 of these are spon-taneous settlers not under the mandate of UNHCR. Many of the Angolan refugees have been living in Zambia since the 1970s.

Following a cease-fire agreement signed between the government and the UNITA rebels in April 2002 more than 90,000 Angolans have returned home spontaneously. UNHCR is now working on the implementation of a voluntary repatriation programme for Angolan refugees and expects to organise the first repatriations at the end of the rainy season in May or June 2003. In preparation for this, UNHCR and the governments of Angola and Zambia decided on a legal framework for voluntary repatriation in November 2002, which included provisions for a tax waiver, amnesty, go-and-see visits to home villages, transport, accommodation, family reunification and reintegration.

A survey carried out in Zambia in February 2003 indicates that up to 60 percent of the estimated 210,000 Angolan refugees living in Zambia are willing to return home in 2003. The results of the Zambia survey, however, differed sharply from camp to camp. UNHCR calculates that about 70 000 refugees may wish to stay even if peace prevails in Angola. However, the parliamentary bill to govern the issue of rights and citizenship of the possible long-staying refugees was withdrawn from parliament on 18 December 2002 to allow for further consultations after it was rejected by the opposition due to fears of infiltration. The opposition argued that combatants from neighbouring war-torn countries could also take advantage of the refugee bill. This bill would have enabled refugees to apply for citizenship on an individual basis.

In mid-January, an agreement was also signed between UNHCR and the Governments of Zambia and Rwanda regarding repatriation of the around 5,000 Rwandan refugees living in Zambia. The Zambian position is that Rwanda is considered safe for return. This view is, however, not shared by the refugees. In February, Rwandan refugees claimed that they were being harassed and forced to return home by the Zambian authorities although the situation there was not safe for them.

Sweden is one of the donors supporting the Zambian Initiative (ZI), which was developed by the Zambian Government during the course of 2002, with the support of UNHCR. The Swedish support focuses on HIV/AIDS awareness training. One of the aims of the initiative is to seek to change the perception that refugees are a burden on their host communities. A similar contribution has also been provided to the International Organisation for Migration (IOM) in support of HIV/AIDS activities among refugees in Ukwimi refugee camp 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 Harmonisation in Practice Initiative

In December 2002, the Harmonisation In Practice (HIP) initiative was launched in Zambia. The objective of the initiative is to contribute to enhanced aid effectiveness and efficiency in Zambia through improved donor co-ordination and harmonisation with Government procedures. Seven donor countries are presently involved in HIP; Denmark, Finland, Ireland, the Netherlands, Norway, the UK and Sweden. During the period, a framework for HIP actions has been developed and agreed with the Government of Zambia. The framework was signed in March 2003, in connection to a visit to Zambia by the Director Generals of the seven countries' development co-operation organisations.

The initiative, which is carried out under the leadership of Zambia, has received considerable interest from other donors and from the general public. Sweden and the Netherlands have been assigned the role of co-ordinating the initiative on the donor side up to 30 June 2003, whereafter this function will be assumed by Norway and DfID. A first Progress Report has been submitted to the meeting of the Director Generals in Reykjavik in June.

4.2 Country Strategy Process

In November 2002, the Embassy submitted its final draft of the proposed new Country Strategy for the development co-operation with Zambia during the period 2003–2007. The document was approved by the Board of Sida in December, and submitted to the Swedish Ministry for Foreign Affairs in February 2003. Some revisions in the proposed text has been made as a consequence of the HIP Initiative, implying that harmonisation and donor co-ordination features more prominently. This is also reflected in the proposed draft Overall Development Co-operation Agreement, which might be signed with Zambia as a result of the Strategy process.

4.3 Democratic Governance

The Swedish support in the field of democratic governance continues to be guided by the Strategy for Support to Democratic Governance in Zambia. In the area of political participation, Sweden together with three other donors, commissioned an evaluation of the election support. The final evaluation report highlights the overall quality of the engagement by the donor community in Zambia during the 2001 electoral process and identifies lessons learnt for future support.

During the period, the first stage of the Parliamentary Reform Project (PRP) was imple-mented, including the constituency offices pilot projects in 11 constituencies. The PRP is supported by Sweden together with four other donors.

Sweden continued to support activities in the area of equal access to justice through long-term partnerships with the Legal Resource Foundation and other civil society organisations that provide free legal advice and litigation for the poor; especially women and children. An agreement has been signed with Save the Children Sweden for support to child rights organisations. Co-operation has also been initiated with the Swedish umbrella organisation Diakonia regarding capacity building and support to Zambian NGOs.

Sweden has also provided support to the Government of Zambia through the Ministry of Legal Affairs for the elaboration of Zambia's initial state report on the United Nations Covenant on Economic, Social, and Cultural Rights. The Report was finalised in April and has been trans-mitted to the United Nations. During this period, further planning relating to support to a juvenile justice project was carried out jointly with Zambian stakeholders such as the Police, the Judiciary, the Permanent Human Rights Commission and NGOs.

Sweden recognises the importance of strengthened freedom and independence of the media, which is manifested through the continued Swedish support to Zambia Independent Media Association (ZIMA). ZIMA has been instrumental in advocating for the media reform bills, two of which were passed in Parliament in early 2003.

Activities in the field of transparency and accountability were supported through civil society organisations such as Afronet and Transparency International Zambia (TI). Both of these organisations play important roles as watchdogs and catalysts in the promotion of integrity and good governance in Zambia.

During the period, the Embassy has been following up on the work made in connection to the recommendations set forth in the Public Expenditure and Financial Accountability Review (PEMFAR), elaborated during autumn 2002. A plan for implementation is being developed, together with a budget for the same. Support to the implementation of PEMFAR recommendations forms part of the agreed HIP Action Framework.

4.4 Health

By the end of 2002, a decision was taken to widen the scope of the District Basket (the Sector Programme joint funding mechanism) to also include hospitals, starting 1 January, 2003. The Central Board of Health (CBoH) is taking the lead in this and has embarked on a needs assessment of the hospital sector. The CBoH is also working towards streamlining the flow of funds to and through the sector in order to reduce the number of accounts held at various levels. In the Sector Programme, the partners are jointly preparing for the Mid Term Review, that is envisaged to take place in June–July, 2003 and the Terms of Reference for the review are being finalised at present.

The process of contracting out the management function of Medical Stores Limited (MSL) has been an important task in the sector over the past six months. The present contract is expiring in October 2003, and a new tender process is under way. Given the mismanaged and flawed procurement that took place in 1997–98, this process is being closely monitored by all co-operating partners. The process so far has been open and transparent and co-operating partners have provided technical assistance in order to ensure the best possible deal for the Government.

The Health Sector Committee and Biannual meetings were held as planned in April, 2003. The trend that started in 2002 of focussing on results and services rather than on purely financial accountability has continued and is appreciated by all partners. It should be seen as an indication that the Sector Programme is moving towards a more mature stage.

4.5 Natural Resources

Six projects previously supported by Sweden were phased out during the period. Closing down logistics were put in place, which included the handing-over of assets to the successor programme – the Agricultural Support Programme (ASP) – and to the Zambian Government. Comprehensive reports, outlining experiences and lessons learnt, including recommendations for ASP to take on board as a way forward, were compiled and presented in an open forum.

ASP was launched in February 2003 and is currently operating in four provinces covering 20 districts. ASP's objectives are improved household food security and increased incomes for the rural people through agricultural activities. All key personnel have been recruited and have moved to their respective workstations. Induction training courses have been conducted and all necessary procurements have been undertaken. A draft Inception report was submitted in May.

The draft National Agriculture Policy (NAP), which underwent a rigorous process of consultations, was submitted to Cabinet for adoption in late 2002. The document has, however, been withdrawn with reference to the lack of inclusion of co-operatives and irrigation components in the policy. This development has raised concerns with many stakeholders in the sector. For Sweden, the NAP has a bearing on the implementation of the ASP and the proposed support to the Policy and Planning Department of the Ministry of Agriculture and Co-operatives. The absence of a policy has rendered the industry vulnerable to uncoordinated and erratic political interventions.

4.6 Energy and Private Sector Development

Energy

Zambia has taken one step further on the rural electrification agenda as a World Bank proposal on the creation of a Rural Electrification Agency has received a lot of interest and political commitment during the last months. The rural electrification working group, which has received a small support from Sweden, is currently working towards the set-up of the Agency. The Agency will, among other things, be responsible for the Rural Electrification Fund and the overall development of rural electrification. Sweden has expressed its interest in supporting the formation of the Agency and is discussing the Terms of Reference with the Ministry of Energy and Water Development.

The Solar Panel Project is coming to an end in December this year and Sweden has received a request for further support to the purchase of additional solar panels. A consultant has been contracted to make a review of the project, focusing on financial viability and sustainability, and, on the basis of these findings, assess the request for additional solar panels. The consultant will present the recommendations in June.

The support to ZESCO, which includes two components; institutional capacity building and supervision of the rehabilitation of Kafue Gorge, has continued during the period. The Swedish consultants have been collaborating with a Zambian NGO on HIV/AIDS training for peer educators within the company. More than 80 peer educators have been trained and a follow-up on the programme will take place later on this year. The top managers have been to Sweden for training on management issues, including financial management and change management. The supervision of the rehabilitation of Kafue Gorge has, albeit delayed, continued, and the credit from the World Bank financing of the rehabilitation has finally been extended until December 2004.

Implementation of the support to the Energy Regulation Board (ERB) started during the period. An inception report, including a plan of operations, will be presented in August and the support is envisaged to, among other areas, encompass electricity market restructuring and electricity tariff setting. It is foreseen that ERB will play an important role in the formation of the Rural Electrification Agency.

Private Sector Development

The freight agreement on the concessioning of Zambia Railways Ltd (ZRL) was signed by the Government of Zambia and a private Consortium on 14 February 2003 after a long period of negotiations. The concessioning agreement may yield USD 253 Million to Government during a 20-year-period depending on the future turnover of the company. The actual hand-over to the concessionaire is expected to take place in August/September.

The long-term specific agreement with Zambia on support to the restructuring of ZRL came to an end in March. It was concluded that the overall goal for the support had been accomplished through the concessioning. Government has submitted a request for additional support to managerial services and advise during the initial post-concessioning period. Sweden has responded positively to this, and an agreement to the same effect was signed in May. The agreement will remain valid until March 2004.

The Bank of Zambia has prepared draft regulations and schedules for the microfinance sector. The initial reaction by practitioners and donors active in the sector is that the regulations are too stringent for an industry still in its infant stages. The Bank of Zambia has welcomed comments by stakeholders and will hold nation-wide consultations on the draft. The draft regulations have helped donors to co-ordinate more strategically within microfinance with four donors – DfID, USAID, the EU and Sweden – presenting collaborative comments to the regulations.

The Association of Microfinance Institutions in Zambia (AMIZ) continues to play a critical role in developing the microfinance industry. AMIZ hosted a workshop where its members commented extensively on the draft regulations. It also participated in donor discussions on the draft regulations. However, as AMIZ's role and importance has increased, so has its workload. A Sustainability Plan has been developed by AMIZ that outlines plans to make the secretariat sustainable. AMIZ aims to increase revenue by linking membership rates to loan portfolio, widening its membership base, gradually reducing subsidies on training and charging fees on other services such as use of its databases or documentation.

Having received disbursements from the loan and grant agreement, Pride Zambia (PZ) continues to operate in a tough economic environment. Although this has affected PZ's operations and its ability to meet the benchmarks; PZ still remains one of the market leaders in the microfinance industry today. PZ is working hard to improve its performance mainly by reducing costs through phasing out expatriate staff, recruiting senior local management staff and undertaking a critical branch analysis with a view to restructure its operations.

A three-year agreement has been signed between the ILO and Sweden to support business development services for micro and small enterprises (MSEs). Rather than working directly with the MSEs, the project office will work with service providers to the MSEs to help them provide better services to their clients.

4.7 Urban Development

During the period, an extension of the support to the Lusaka City Council (LCC) and the Land Tenure Initiative up to June 2003 was formalised. The support during the extended period has been focusing on training of more staff at the City Council to allow the Council to handle a full-scale replication of the project. A two-day seminar on the project was held in Lusaka and attracted a lot of interest and participation of several representatives from other Councils and Municipalities.

A pre-feasibility study on Urban Development in Zambia has been carried out by a team of consultants. The report is still in a draft format and has been distributed to various stake-holders to allow them to comment on the report.

4.8 International Training Programmes

In 2003, Sida will sponsor a total number of 75 International Training Programmes. Zambia has been invited to courses in the following fields:

a) Governance Democracy and Human Rights
b) Social Services, Health, Education and Community Planning,
c) The Enabling Environment, Public Institutions and Services,
d) Infrastructure, Telecommunications, Energy and Transport,
e) Industrial production, Management and technology
f) Environment, Land Use and natural Resources Management and
g) Agricultural production and Distribution.

In the first quarter of 2003, Zambia has been invited to 46 International Training Programmes and 43 participants have been selected to attend

(8 women and 35 men). Representatives of three Swedish course organisers have visited Lusaka to prepare and/or follow-up on their training programmes.

5. Embassy Administration

Since 1 January 2003, the Embassy in Lusaka is a fully delegated Embassy. In order to meet the requirements of the new and extended delegation, and in light of the fact that the Regional HIV/AIDS Team is integrated within the Embassy, administrative, and financial and quality assurance routines have been revised during the period. An Embassy Project Appraisal Committee (EPAC) has been established, which has had two meetings during the past six months. Revised Working Regulations, including the Local Administrative Manual, have also been elaborated.

The reconstruction of the Embassy's guest flats into an office for the regional HIV/AIDS Team, was completed during the period. The office was inaugurated at the end of January in the presence of a representative from the Swedish Property Board.

During the period, the National Programme Officer (NPO) for Private Sector Development and the secretary for the development co-operation have returned from maternity leave, and one Swedish Programme Officer has been temporarily employed by the Embassy for Energy and Urban Development. Two new staff members have been recruited to the Regional HIV/AIDS Team: one NPO for Communication and one assistant. One of the Embassy drivers tragically passed away in February, and has been replaced by a new driver.

The Embassy is now fully staffed, with the exception of one Junior Associate Expert (BBE), who is expected to arrive in July 2003 to work for the HIV/AIDS Team. The Swedish Programme Officer for Natural Resources is leaving in June and will be replaced in August.

A number of staff training seminars have been organised, covering Sida's Procurement Guidelines, Rating (both organised by Sida-S), HIP and the Harmonisation agenda, and Zambia's report to the UN on the implementation of the Convenant on Economic, Social and Cultural Rights. A training session on registration of documents and archives will be held in early June. All staff is at present participating in an 8 week's seminar (meetings once per week) on HIV/AIDS awareness and prevention.

During the period, some staff members have also participated in courses abroad, organised by Sida-S. The NPO for Private Sector Development participated in a joint donor seminar in Maputo on PRSP, the

NPO for the HIV/AIDS-Team visited Sida, Stockholm for introductory training, including Sida's communication policy. The accountant and the cashier participated in a course on direct bookkeeping at Sida-Stockholm.

In May, the HIV/AIDS focal persons from the Swedish and Norwegian Embassies in Africa met for a three-day-conference in Lusaka, organised by the HIV/AIDS Team.

6. Summary of Disbursements as per May 2003 and Projections for 2003 in SEK

USD 1 = 7,8 SEK

Sector	Actual as at 31/05/03	Projected 2003
Health Total	**11 900 000**	**70 500 000**
Health Service Delivery Basket	10 500 000	31 500 000
Hospital Basket	0	15 000 000
Institutional Capacity Building	1 400 000	17 000 000
HIV/AIDS programmes	0	3 000 000
Unallocated and Follow-up	0	4 000 000
Agriculture Total	**21 400 000**	**45 500 000**
Land Mgmt & Conservation	1 370 000	0
Econ. Expansion in Outlying Areas	3 100 000	0
Agriculture Support Programme	16 700 000	44 000 000
Organic Exports Promotion		1 000 000
Planning/Follow-up	230 000	500 000
Democratic Governance Total	**7 570 000**	**17 630 000**
Zambian NGOs	3 390 000	8 950 000
Swedish Umbrella Organisations	4 180 000	4 180 000
Parliament		1 000 000
Government		3 500 000
Energy and Private Sector Total	**5 260 000**	**28 000 000**
Kafue Gorge Rehab Supervision	770 000	4 900 000
Solar Pilot Project	445 000	2 700 000
ZESCO Institutional Development	1 250 000	2 300 000
ERB Institutional Development	690 000	2 500 000
ZRL (old support + post concession)	755 000	2 900 000
Assoc. of Micro Finance Institutions		500 000
Bank of Zambia		2 000 000
Pride Zambia	1 350 000	5 400 000
Business Development Services		2 300 000
Other planned		2 500 000
Urban Development Total	**520 000**	**4 000 000**
Land Tenure Initiative	520 000	1 000 000
Urban Development Programme		3 000 000
Others incl PDF and Manning	**3 200 000**	**10 370 000**
Grand Total SEK	**49 850 000**	**176 000 000**
USD	6 400 000	22 600 000

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

Sida

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