APRIL 2004 • EMBASSY OF SWEDEN, ZAMBIA

Sida Country Report 2003

Zambia

Table of Contents

Published by Sida 2004
Department for Africa
Production: Printed by Edita Sverige AB, 2004
Art. no.: SIDA3886en
This publication can be downloaded/ordered from www.sida.se/publications

1. Summary

Poverty levels are high in Zambia, and the fight against poverty, thus, remains one of the country's greatest challenges. Zambia's Poverty Reduction Strategy (PRS) is a sound frame-work for combating poverty, but public expenditure does not yet clearly reflect PRS priorities. Public sector management reforms are called for in order to turn the PRS into an effective and efficient tool for poverty reduction. Some progress in this regard has been recorded in 2003, notably through the application of a Medium Term Expenditure Framework for the budget preparations 2004, efforts to establish an Integrated Financial Management System and efforts to develop a comprehensive programme for public financial management reforms.

On the political side, the year 2003 has witnessed two major reshuffles in government and an effort by opposition Members of Parliament to impeach President Mwanawasa. The public debate has been dominated by the issue of constitutional review, the future of the remaining parastatals, the national Indaba, and the ongoing court cases against former president Chiluba and other people alleged to have been involved in the so called National Matrix of Plunder. The economy continues to be fragile. The growth target for 2003 was exceeded and inflation came down to around 17%. However, due to a budget overrun linked to higher than projected civil service wage awards, domestic borrowing increased and Zambia failed to get a new Poverty Reduction and Growth Facility in place and, consequently, failed to reach the HIPC completion point in 2003.

The Country Strategy for the Swedish development co-operation with Zambia 2003-2007 was approved by the Swedish government in September 2003, and an overall development co-operation agreement subsequently entered into between Zambia and Sweden. The Harmonisation In Practice (HIP) initiative was launched in early 2003. Donor co-ordination, harmonisation and alignment with government policies and priorities have remained high on the agenda throughout the year.

2. Strategic Country Development Trends

2.1 Poverty Reduction: Overall Trends and Perspectives

Poverty and PRSP Implementation

Zambia is ranked as one of the poorest nations of the world and it is estimated that more than 70% 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. The pandemic has reached an advanced stage and is increasingly affecting all parts of the Zambian society. The overall HIV/AIDS prevalence rate is 16%, but the infection rates vary between rural and urban areas, between age groups and between the genders. The urban population is harder hit (23%) than those living in rural areas (11%). For urban women in the age group 30–39 years, the rate of infection has reached an alarming 40%. AIDS-related deaths are estimated at almost 100 000 per year. Women, youth and children, together with refugee and migrant populations, are the most vulnerable groups.

The national plan for how to combat poverty is set forth in Zambia's Poverty Reduction Strategy Paper (PRSP). 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 PRSP has been included in a broader medium-term strategic development framework, the Transitional National Development Plan (TNDP), adopted in February 2003.

The establishment of a framework for PRSP monitoring continues to be a challenge. In September 2003 government presented a proposal for following-up of the PRSP/TNDP implementation. The new system is built on a revival of the sectoral and thematic groups that were formed as part of the process of preparing the PRSP. These groups, called Advisory Groups, will be charged with the task of reviewing results and budget allocations to priority sectors and areas, as set forth in the PRSP.

This proposed system offer potential for improved dialogue between the government and various stakeholders in respect of PRSP monitoring. However, by the end of 2003, the new system had not yet been operationalised.

The development of the Annual PRSP Progress Report is a related issue. Originally due in September 2003, the Report has been deferred to a later date. A draft was circulated in November 2003, and Government is now working to incorporate the comments received from stakeholders. The lack of a comprehensive monitoring system, including a system for identifying the poverty impact of expenditures across the budget, adds to Zambia's difficulties in producing the Progress Report. Dialogue is ongoing between the government and donors on how assistance could be provided in this area.

Despite the absence of a final Progress Report, it may probably be concluded that limited success has been recorded in terms of actual poverty reduction in Zambia during 2002-2003. The National Budget, in theory, gives priority to poverty reduction measures, including spending in priority social sectors, such as education and health. However, in practice actual expenditures have fallen short of targets. For 2003, this is partly related to the difficulties surrounding the execution of the annual budget (see 2.2 below), but it is also a consequence of persistent weaknesses in public sector management.

The PRSP, generally, contains sound strategies for making progress towards the Millennium Development Goals (MDGs), particularly in the areas of health and education, where existing strategic sector plans have the potential for contributing to promoting universal primary education (MDG 2), gender equity (MDG 3), reducing child and maternal mortality (MDG 4 and 5) and combating malaria and other diseases (MDG 6). The National HIV/AIDS Strategic Framework constitutes a good basis for addressing the challenges posed by the epidemic (MDG 6). The PRSP, however, is weaker in terms of ensuring environmental sustainability (MDG 7). Despite the focus on growth as an essential means to improve incomes, concerns have been raised regarding Zambia's possibilities of making progress against MDG 1 – eradicating extreme poverty and hunger – as the vulnerability, hunger and malnutrition aspects in the PRSP is perceived to be less strong.

The Response to HIV/AIDS

The National Aids Council (NAC), which was made a statutory body by an Act of Parliament on 31 December 2002, is mandated to co-ordinate the multi-sectoral response to HIV/AIDS in Zambia. This is a challenging but important task, given the substantial funding that is forthcoming to Zambia in support of the fight against HIV/AIDS. In 2003, the Global Fund on HIV/AIDS, TB and Malaria signed three grant agreements with the Central Board of Health, Churches Health Association of Zambia, Zambia National AIDS Network, and the Ministry of Finance and National Planning, for interventions with a bearing on HIV/AIDS, TB and Malaria. Another large grant for HIV/AIDS interventions, the World Bank-funded Zambia National Response to HIV/AIDS (ZANARA) project, came forth during 2003. Under the project, which was officially launched in August 2003, the Bank will provide a total contribution of USD 42 million for five years to Zambia. In addition to this, several bilateral donors are providing funding to HIV/AIDS-related projects and activities. The need for a strengthening of Zambia's institutional capacity to handle and co-ordinate these aid flows have been more and more accentuated during 2003.

Food Security

Following the disastrous food security situation in 2001/02, major efforts were made by the Government of Zambia, the UN agencies, donors and NGOs to provide seed and fertiliser to farmers for the agricultural season 2002/03. Aided by favourable climatic conditions this resulted in a doubling of the harvest of cereals to about 1.3 million MT. Zambia thereby attained food security at national level, and was able to export to neighbouring countries and also sell maize to the World Food Programme (WFP). However, as pointed out by the Minister for Agriculture and Co-operatives, this year's harvest cannot be qualified as a "bumper harvest", as depicted in the media, as average yield levels are still very low. Interventions by Government in agricultural markets are a complicated matter, which has caused disruption and concern in the past, and risk continuing to do so. The agriculture season 2003/04 has had a reasonably good start, but it is still unclear how the difficulties in selling last season's harvest and accessing agricultural inputs, as experienced by farmers this year, will affect their actions. It may possibly lead to a reduction in area planted.

At household level the food security situation is still worrisome. The first report from the Food Security, Health and Nutrition Information Systems indicates that 34% of the surveyed households had run out of staple food by August 2003, and over 50% of children under five years old were suffering from chronic malnutrition (stunting).

Sustainable Development

Zambia does not as yet have a coherent policy on the environment and sustainable development. However, there is a National Environmental Action Plan (NEAP) of 1994, on the basis of which environmental programmes are implemented. NEAP identifies five main environmental issues; viz. soil degradation, water pollution and inadequate sanitation, deforestation, wildlife depletion and air pollution. Unsustainable agricultural activities – including deforestation and slash-and burn agriculture, which leads to soil fertility losses – are largely responsible for the current land degradation in the country. Zambia presently holds the highest deforestation record in the world, losing 850,000 hectares per annum. Poaching, over-fishing, use of inappropriate fishing methods and charcoal burning are other major concerns.

The mining industry is of significant environmental concern, particularly in terms of water pollution. In 2003, a major project, the Copperbelt Environmental Project, aimed at addressing environmental problems in Zambia's main mining area, was prepared. Financiers of the project include the World Bank and the Nordic Development Fund.

Gender
Regarding the rights of women and gender equality, Zambia took an important step in establishing, a couple of years ago, the Gender in Development Division (GIDD) within the Office of the President. A National Gender Policy was subsequently formulated and during 2003, work was carried out with a view to come up with an implementation plan for the policy. Some actions have been taken to narrow the gender gaps and promote non-discrimination in social areas, such as education and health. At the same time, however, not much has happened in terms of women's participation in decision-making bodies. The government, however, has committed itself to ensure 30% female occupation of higher decision-making positions in the public service by the year 2005.

Zambia is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), but the provisions of the convention has not been included in domestic laws. Although the Constitution prohibits discrimination on the basis of sex, this is not necessarily mirrored in customary law, which governs matters such as inheritance and land rights, and which is the legal framework that most Zambians are affected by. Violence against women is still widespread, but few cases are reported to the police.

The various legal reforms initiated by the government in 2003, notably the Constitutional Review process and the electoral and land reforms, are seen as an opportunity to influence the repealing/amendment and incorporation of gender sensitive laws in Zambia.

2.2. Macro-economic Development

Economic Performance

Zambia's broad economic objectives for 2003 included to achieve a growth target of 4%, reduce the average annual inflation rate to 17,9%, build up gross international reserves equivalent to 1,9 months of imports and reduce the domestic fiscal deficit to 1,55% of GDP. Another goal was to reach the HIPC completion point by December 2003. Due to a better-than-expected harvest in 2003, favourable international copper prices, increased production in the mining industry and good performance of the manufacturing, tourism and service industries, Zambia managed to do fairly well with respect to some of these targets. However, in terms of the HIPC completion point, the outcome was disappointing.

Preliminary figures for 2003 show that the economy grew by 4,3% and that inflation had come down to 17,2% in December (from 26,7% in December 2002), mainly as a result of the fall in food prices and the relative stability of the Kwacha. The international reserves equalled 1,3 months of import and, thus, fell short of target.

As a result of the budget overrun 2003, which arose largely as a consequence of the higher than projected civil service wage awards during the year, Zambia did not manage to get a new IMF Poverty Reduction and Growth Facility (PRGF) agreement in place for 2003 (a new PRGF was originally planned for mid-2003) and, therefore, did not manage to reach HIPC completion point in December 2003, as originally envisaged. Zambia is currently on a so-called Staff Monitored Programme (SMP) with the IMF. Successful performance under this programme is critical for Zambia, as it is key to getting a new PRGF in place and eventually reach HIPC completion point and, thereby, qualify for a $3.8 billion debt write off out of the $6,5 billion foreign debt. The SMP will be followed up during the first quarter of 2004.

Contrary to target, domestic borrowing increased significantly during the year; from 3% of GDP in 2002 to 5% of GDP in December 2003. The larger than expected expenditures on the wage bill, the need to cover the retrenchment costs for workers in the Roan Antelope Mining Corporation of Zambia (RAMCOZ) to enable a privatisation of the company (see below) and the drying up of balance of payment support from donors as a consequence of the failure by Zambia to reach agreement with the IMF on the new PRGF, contributed to the growth in domestic debt. It is expected that the cost for internal debt service will be higher than the cost for external debt service in 2004. The increased spending on the wage bill also affected expenditures in priority sectors, such as the Poverty Reduction Programmes (PRP), which were below budget in 2003.

The main goal for Zambia in 2004 will be to reach agreement on a new PRGF with the IMF around June 2004 and to achieve HIPC completion before the end of the year. This is an important but challenging task given the unpopular measures that are likely to be required to reach the goal. However, even if Zambia reaches HIPC completion point, the foreign debt burden will still be unsustainable. The problem is further compounded by the growth in domestic debt. Voices are now being raised for additional/increased debt relief to Zambia, outside of that provided by the HIPC process.

Key Reform Processes

The preparations for the budget for 2004 have been characterised by reform. For the first time the national budget is being formulated within the context of a Medium-Term Expenditure Framework (MTEF); in this case covering 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. A new system, Activity Based Budgeting (ABB), is also being used in this year's budget preparations. The purpose of the ABB is to explicitly link budget allocations to service delivery and outputs. Although initial problems can be expected in applying the new systems and principles, these are important steps towards a more efficient and transparent budget preparation and follow-up process. In 2003, work was also undertaken to establish an Integrated Financial Management and Information System (IFMIS) within government.

MTEF, IFMIS and ABB all form part of government's ambition to make progress in the area of public financial management. Further work to this end has been made during the year, notably be establishing a joint government-donor technical committee, charged with the task of developing a comprehensive programme document for intensified public financial management reforms. The final programme document is expected to be ready for appraisal in mid 2004. An agreement in principle to provide pooled funding in support of the implementation of the programme has been reached by some donors, including Sweden. Preparations are also ongoing to develop a successor programme to the World Bank-funded Public Service Capacity Building Project (PSCAP), focussing specifically on right-sizing and pay reform in the civil service.

Privatisation

Progress was registered under the privatisation programme in 2003. Zambia Railways Ltd was concessioned and with respect to the Zambia National Bank of Commerce (ZANACO), it was eventually agreed that 49% of the shareholding be offered to a private investor, who would also be given control over the management of the company. In early 2003, government officially moved away from its previous stand to concession the power utility, ZESCO, and instead decided, in May 2003, that the utility should be commercialised. The World Bank, the government and ZESCO subsequently agreed on a road map outlining the steps to be taken during 2003–2004 for the utility to operate as a commercial company.

Positive developments have also taken place with regard to the Konkola Copper Mines Plc (KCM), from which Anglo American Corporation withdrew in early 2002, and RAMCOZ. The year 2003 saw negotiations being initiated with an Indian company, Sterlite Industries, for the acquisition of shares in KCM and a deal being closed with a Swiss company, J & W Investments, regarding the acquisition of 85% of the shares in RAMCOZ. The negotiations pertaining to KCM are expected to be finalised in early 2004.

Amongst the general public, an increasingly negative attitude towards privatisation as such has been noted during the year. This is echoed also by trade unions and some members of Cabinet and Parliament.

2.3 Political Development, Good Governance and Human Rights

The December 2001 elections effectively broke the political stronghold of the ruling Movement for Multiparty Democracy (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 winning presidential candidate, Levy Mwanawasa. Thus, the government coming into power in early 2002 had an unusually week power base and, moreover, was from the beginning questioned by many groups in the Zambian society for gaining power through the use of irregular and fraudulent means.

President Mwanawasa has continued in 2003 to try to meet these challenges by pursuing what is referred to as the New Deal Policy, characterised by strong actions against corruption, which is undoubtedly one of the greatest obstacles to democratic development in Zambia. Another strategy has been to try to create a Government of National Unity by inviting the opposition to join the government. A step in that direction was taken in February 2003 when Mwanawasa appointed a number of opposition politicians to Ministers, deputy Ministers and other positions. It was followed, in August, by the appointment of the leader of one of the smaller opposition parties, reverend Nevers Mumba, as vice-president. A third step along this line was the holding of a huge national conference in October, the Indaba, to discuss key economic and political issues for the future development of Zambia.

However, these moves have not led to less political discord between government and the opposition. It has, rather, caused internal problems, both within the ruling MMD and the opposition parties affected by the moves. This, in turn, may have aggravated the mistrust between the political opponents. Two years after the 2001 elections, Zambian politics is still dominated by continuing attempts by the government to weaken the opposition and by the opposition to miscredit the government.

One underlying cause of the mistrust is the petition on the legality of the presidential elections, lodged by three opposition presidential candidates just after the 2001 elections. The petitions are still being processed in court. During 2003, some damaging testimony against prominent individuals, including President Mwanawasa himself, has been heard in the Supreme Court. It is obvious that this legal challenge to the President has hampered the work of the government and to some extent prevented it from focussing on some pressing development issues.

The questioned authority of President Mwanawasa has led not only the opposition parties, but also powerful non-partisan groups, to repeatedly calling for fresh elections. In April 2003, three of the country's largest church bodies advised the President to resign. Mwanawasa has continued to respond to these "ill advice" with irritation and has kept underlining that he would wait for the Supreme Court's decision.

Another, more serious, attempt at ousting Mwanawasa was made in August 2003 when a group of opposition Member of Parliaments (MPs) managed to place an impeachment motion against the President in Parliament. The opposition legislators accused the President of, among other things, violating the constitution through appointing a former presidential candidate (Mumba) as vice-president. The motion, which would have needed support of two thirds of the MPs, was however thrown out by 92 votes to 57.

The vote on the impeachment motion illustrates that MMD during 2003 has managed to regain power by causing split within the opposition. Through winning a number of by-elections the ruling party has also secured a majority in Parliament. In spite of this seemingly successful development, MMD has experienced increasing difficulties in keeping the party united. Former president Chiluba's loss of immunity and subsequent arrest in February 2003 created serious divisions within the party, especially between central level and pro-Chiluba MMD-politicians in the provinces. The infighting led to some leading provincial party officials being suspended and also caused rumours in the media about groups within MMD plotting to topple Mwanawasa.

The most debated political issue beside the creation of the new government has been the constitutional review process. In April 2003, President Mwanawasa appointed 41 people to the Constitutional Review Commission, CRC, which will "examine and recommend the elimination 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 to accept the commission's recommendations as per provisions in the Inquiries Act. Leading NGOs and NGO-coalitions have all declined to sit on the CRC. Their position is that a Constituent Assembly with a much broader and popularly based representation should be established and be 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 government's acceptance of some of these demands has not been considered sufficient and the CRC, therefore, remains without representation of a large part of civil society.

Another issue, provoking debate and raising critical questions, surfaced towards the end of the year, as it was alleged that the Director of Public Prosecution (DPP) was not neutral in representing the State's case against Chiluba and some of his closest allies in Court, which worked to the benefit of those accused of having been involved in the so-called National Matrix of Plunder. The DPP was eventually suspended from his duties, and an independent tribunal set up to investigate the matter. The result of the tribunal's work is expected to be presented in early 2004.

The year 2003 has seen some steps in the right direction regarding the human rights situation. The constitutional review process, and the parallel electoral reform process are, despite some weaknesses, signs of an emerging political will on the part of the government to meet its obligation to observe the fundamental political and civil rights. Other steps taken during 2003 include the passing in Parliament of two important media bills: one on the creation of an Independent Broadcasting Authority and one on the transformation of the Zambia National Broadcasting Corporation from a government to a public media corporation. If implemented, these two acts will have far-reaching implications for the freedom of the media in Zambia. In order for these two acts to reach its full impact, however, the Freedom of Information Bill, which was withdrawn by government, has to be reintroduced and passed in 2004. It remains to be seen whether the Mwanawasa government is prepared to take that bold step towards more freedom of expression and information.

The year 2003 in Zambia has not seen many changes in terms of the rights to life and security of person, the right not to be subjected to torture and cruel and inhuman treatment etc. One small step was the passing in Parliament of a bill forbidding corporal punishment. However, there have been further cases of forced evictions of squatters, violent police attacks on demonstrators and police brutality in general. 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, the Police Service and the Prisons Service.

2.4 Regional Outlook

The Government of Zambia has welcomed the establishment of the African Union (AU) and the NEPAD initiative, including the peer review mechanism for assessing member countries' performance in areas such as democracy and human rights under the latter. However, it may be noted that Zambia did not join the group of ten African countries which, in March 2003, signed the peer-review mechanism under NEPAD. In general terms, it seems 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.

Under COMESA, Zambia was part of the summit of Heads of States and Governments in 2003 that agreed to negotiate the Economic Partnership Agreement (EPA) under the new Cotonou Agreement with the European Union as Eastern and Southern Africa (ESA). These negotiations will be launched in February 2004. During the year, Zambia also continued its participation in the ongoing work on the roadmap for the establishment of a COMESA Customs Union, which included finalising work on a common external tariff (CET) and rules of origin.

In 2003, Zambia was also supposed to amend its tariff schedule in line with the phasing down of Schedule B, as outlined in the SADC trade protocol. However, due to budget implications, which i.a. were considered to jeopardise the attainment of the HIPC completion point, this was postponed to be effectuated in two phases, starting July 2004.

The deteriorating situation in Zimbabwe clearly poses difficult challenges and threats, to Zambia as well as to other African countries, particularly in terms of the political stability in the region. At the Commonwealth Summit in Nigeria 2003, President Mwanawas, like many other African leaders, came out strongly against the decision by the Commonwealth to continue the suspension of Zimbabwe. The policy of the Government of Zambia is that of improved and intensified dialogue with Zimbabwe in order to resolve the problems.

In terms of economic impact, the Zimbabwe situation is affecting Zambia in two ways. On the one hand, an influx of cheap goods from Zimbabwe threatens to out-compete local producers, which has previously prompted government to taken action against what is cited as unfair competition. On the other hand, Zambia is now exporting agriculture produce (notably maize) to Zimbabwe and there has been a marked upswing in tourism on the Zambian side of the Victoria Falls. Farmers from Zimbabwe are also crossing the boarder to find new land in Zambia. As a consequence of this, agriculture production, notably tobacco production, is expected in rise significantly in the coming years. Government has officially welcomed the Zimbabwean farmers, but critical voices are also being raised.

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. The continuing war in the DRC has led to new refugees entering Zambian territory during 2003. However, Angolan and Rwandan refugees started to be repatriated during the year. The voluntary repatriation program of Angolan refugees, which constitute the majority of Zambia's refugee population, was launched in July 2003. A total of 18 140 refugees were repatriated during the year. The exercise is expected to continue with doubled efforts in May 2004, after the rainy reason. 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 in December 2002 to allow for further consultations.

2.5 Development Co-operation and Partnership

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 United Kingdom and Sweden. In 2003, a framework for HIP actions was 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. Sweden and the Netherlands were assigned the role of co-ordinators for the initiative on the donor side up to 30 June 2003. This function has since been assumed by Norway and DfID.

The HIP initiative, which is carried out under Zambian leadership, has received considerable interest from other donors and from the general public. It has prompted debate and further work on the issue of co-ordination, harmonisation and alignment with government policies and priorities. One example of this is a report on improved donor co-ordination in Zambia, financed by the World Bank. This work has been overseen by a Steering Committee, chaired by the Ministry of Finance and National Planning, and with members drawn from the World Bank, UNDP, DfID, Norway and Sweden. It is expected that this report, together with the experiences from the HIP initiative, will assist in shaping the future of donor co-ordination and harmonisation in Zambia during the coming year.

Progress has been made in the area of joint dialogue with government on issues of major importance for the development co-operation with Zambia. During 2003, the main issues in this regard have been the development of a comprehensive programme for public expenditure management reforms, the need for continued civil service reforms, focusing mainly on pay-reform and right-sizing of the civil service, PRSP monitoring and issues relating to the postponement of an IMF PRGF and the HIPC completion point.

Budget support has also been on the agenda during 2003. A study on the possibilities for providing such support, financed by DfID in line with one of the HIP Action Framework, was presented in autumn 2003. The observations from this report fed into the discussions around the budget support to be provided by the European Commission (EC). The EC budget support, amounting to 110 million, was approved in December 2003. An additional amount of 7 million is allocated by the EC for capacity building and technical assistance for the social sectors and the Ministry of Finance and National Planning in the areas of public financial management, PRSP monitoring and information systems. It is expected that the EC framework will be built upon if and when bilateral donors decide to provide direct budget support to Zambia. At the moment, the main focus for the bilaterals, e.g. the HIP group of donors, is on support to strengthen the system for public financial management, including improved budget preparation, execution and follow-up.

The World Bank's Comprehensive Development Framework provides a picture of the focus areas of Zambia's main development partners. Excerpts from the framework, covering bilateral donors, the UN family and the international financial institutions only, are attached as Annex 1.

3. The Swedish Development Co-operation

In November 2001, Sweden started the preparations for a new Country Strategy for the development co-operation with Zambia for the period 2003–2007. After a consultative drafting process, involving the Government of Zambia, a Zambian Reference Group and staff at Sida Headquarters and at the Swedish Ministry for Foreign Affairs, the Country Strategy was submitted to Sida for approval in late 2002, and subsequently submitted to the Swedish Ministry for Foreign Affairs. The Strategy was formally approved by the Swedish government in September 2003. An overall Development Co-operation Agreement was negotiated and entered into with the Government of Zambia on 2 December 2003.

The overall objective of the Country Strategy is to contribute to poverty reduction in Zambia. The areas of support are health, sustainable agriculture, democratic governance, private sector development, energy, and urban development. Some of the key strategic choices made as part of the strategy process include an increased focus on interventions with a bearing on the HIV/AIDS epidemic, an ambition to get more involved in the area of public expenditure management and an increased attention to the situation of the urban poor in light of the rapid growth in poverty levels in urban and peri-urban areas.

The three key areas identified for overall policy dialogue during the strategy period are (i) the implementation of the PRSP, with a special emphasis on economic growth and diversification, HIV/AIDS, the democratisation process and political and economic governance; (ii) anti-corruption efforts; and (iii) owner-ship and Zambian-led donor co-ordination.

3.1 Strategic Assessment and Considerations

The objectives and focus of the Country Strategy for 2003-2007 were arrived at based on a thorough analysis of the challenges and prospects for development in Zambia in a five-year-perspective. Most of the trends and key processes that have characterised the year 2003 in Zambia were identified in the Country Strategy and its related documents, and have thus influenced the design and main features of the current country programme. In light of this, it is concluded that the objectives, focus and overall issues for dialogue, as set forth in the Country Strategy, remains relevant. No revision of the strategic choices has been called for during 2003.

3.2 Overall Country Programming Review

Relevance

As stated above, and based on the economic, political and social situation in Zambia as witnessed during 2002 and 2003, the country programme is considered relevant in its present form. The country programme is also considered to be well in line with Sida's strategic priorities. The main focus of the Country Strategy is poverty reduction, and its point of departure is the Zambian PRSP. This document has been analysed on the basis of Sida's concept and definitions of poverty. Harmonisation and improved donor co-ordination is high on the development agenda in Zambia, and Sweden, together with the other HIP signatories and also other donors, notably the World Bank, UNDP and Germany, have contributed actively to this.

Efforts are being undertaken to increase the administrative efficiency in the development co-operation programme, particularly in the field of support to civil society organisations. The collaboration under the HIP and other co-ordination initiatives may further contribute to administrative efficiency through sharing of documents and analytical work, co-funding arrangements, silent partnerships, joint agreements, etc.

The increased focus on HIV/AIDS and urban development within the country programme is in line with the strategic issues identified by Sida's Africa Department. Conflict, peace building and post-conflict issues do not feature prominently in the Zambia programme. However, support is provided to two regional programmes with a bearing on refugees; one which focuses on building bridges between refugees and the local communities surrounding refugee camps, and one which focuses on refugees and HIV/AIDS. In addition, Swedish support is provided to the Dag Hammarskjöld Centre for Peace, Good Governance and Human Rights.

Portfolio Review, Disbursement and Forecasts

In 2003, a total of SEK 151,5 million was disbursed under the Zambia programme, amounting to 99% of the disbursement ceiling for Zambia (SEK 153 million, or appr. $20 million). The allocation for 2004 amounts to SEK 175 million (appr. $22,3 million), including administrative costs. The indicative allocation presented by Sida's Africa Department for 2005 amounts to SEK 215 million ($28,7 million).

In health and agriculture, there are two major sector agreements governing the Swedish contribution, amounting to SEK 273 million (health) for 4 years (2002–2005) and SEK 140 million (agriculture) for 3 years (2003–2005). In the area of democratic governance, urban development, energy, and private sector development a number of small to medium sized projects are being supported. The democratic governance portfolio holds the largest number of projects. Efforts are however made to increase the administrative efficiency in this area, e.g. by exploring collaboration with different umbrella organisations and other donors (e.g. the HIP group), and by extending the length and increasing the size of the agreements.

Core-support is fairly common in the area of democratic governance, but, overall, project-type support still dominates. However, the actual amount of money that is allocated to programme support is quite substantial, due to the size of the allocation for the basket-funding arrangement in the health sector. In all areas of co-operation, efforts are made to apply a holistic and programme-type approach in the design of new interventions.

3.3 Follow-up of Country Programme Performance

HIV/AIDS

In April 2003, a memo on Swedish support to fight HIV/AIDS in Zambia was developed, in line with the ambition to increase the support to HIV/AIDS related interventions, as set forth in the Country Strategy. The aim of the memo was to identify priority areas for direct Swedish interventions. Programmes targeting youth and refugees were identified as priority areas, as well as institutional capacity building to strengthen Zambia's capacity to respond to the challenges posed by the pandemic. In November 2003, a mainstreaming seminar was held for all programme officers at the Embassy. The conclusions from the mainstreaming seminar, together with the focus-areas for direct HIV/AIDS support, will together form the internal strategy document for how to support the fight against HIV/AIDS. It is expected that the strategy will be ready in early 2004.

In line with the strategic choices made in the memo on direct HIV/AIDS support, the Embassy initiated collaboration with two youth organisations, Edusport and Youth Media during 2003. Preparations for support to the institutional capacity building of the National Aids Council were also undertaken. Support to Edusport was given for scaling up the Kicking Aids Out project; an advocacy project mainly targeted at children between 9 and 14 as well as at adolescent girls. Initial support was given to Youth Media to enable them carry out an evaluation of the Trendsetters Project; a youth reproductive health newspaper targeted at the age group 15 to 25, in preparation for possible scaling-up in 2004. Both Edusport and Youth Media use edutainment for behaviour change communication.

Health

The health sector faced a number of challenges during 2003. The main one was the re-tendering of the management contract for Medical Stores Limited (MSL), the drug storage- and distribution organisation in Zambia. The openness and transparency of this process were seen as key to all health partners for the future success of the sector programme. Many issues surfaced during the year and the process was hampered by a number of obstacles, but by the end of 2003, there was no doubt that the Ministry of Health had done its utmost to ensure a correct and transparent tendering process.

From a sector programme perspective, the operationalisation of an expanded pooled funding mechanism to include hospitals was a major achievement during the year. Sweden, together with the Netherlands and DfID, made its first contribution to the expanded pool in mid 2003. The partners in the health sector undertook a Mid-Term Review (MTR) of the National Health Strategic Plan 2001–2005 in October-November 2003. Notwithstanding the cumbersome process around assembling the consultancy team, the Review also pointed at serious problems in the sector, in particular the lack of human resources and the mixed picture in terms of health outcomes. While some indicators, such as immunisation levels, have improved (coverage increased from 58% in 1999 to 73% in 2002), maternal mortality has increased even further, to an unacceptable 729 per 100 000. HIV/AIDS has hit the health sector particularly hard, and the system is now challenged to provide anti-retroviral drugs (ARVs) through the public health facilities; an important but costly reform. Based on the results of the MTR, the human resource situation and reduction in maternal mortality (MDG 5) linked to the health sectors' response to gender specific needs in general, will be key issues in the policy dialogue for Sweden in the coming year.

The Swedish agreement is in its mid-term. Following the expansion of the pooled funding mechanism for the sector programme, Sweden decided, through consultations with Head-quarters and with the approval of the Embassy project committee, to support the hospitals in Zambia with an additional SEK 15 million per year. The total Swedish contribution to the health sector now amounts to SEK 75 million annually. Preparations for support to adolescent health through the Planned Parenthood Association of Zambia (PPAZ) were initiated in 2003. The support provided under the institutional collaboration components, mainly in health economics and in supporting training institutions, have functioned well during the year.

Agriculture

A new bilateral agreement on support to the agricultural sector came into effect on 1 January 2003. The majority of the activities will be implemented under the Agricultural Support Programme (ASP). This Programme aims at improving the livelihoods of small-scale farmer households in terms of increased food security and increased income though the sale of agricultural products. It operates in 20 districts and 4 provinces of Zambia and will involve some 20 000 farmers. After a mobilisation and inception period activities finally started in earnest by June 2003. Although information on results is still scarce, interest from farmers has exceeded expectations. The main problem experienced during the first year was the quality of the fieldwork by the Extension Officers of the Ministry of Agriculture and Co-operatives (MACO), as these lacked skills in facilitation and business promotion. This problem has been addressed e.g. by increasing the training provided to Extension Officers.

A second area of co-operation envisaged under the agreement is support to the Policy and Planning Department of MACO. Work relating to the formulation of a project document for such support was carried out in early 2003, but during the Annual Review in May it was decided to await the adoption of the new National Agricultural Policy (NAP) before finalising the discussions on future support to the Ministry. Finally, a third project was included in the support to agriculture development, namely a pilot project on export of organic agricultural product as part of the regional Sida programme Export Promotion of Organic Products from Africa (EPOPA). Support to this initiative was decided upon in December 2003.

At national level, the key issues for the coming year will be the adoption of NAP, monitoring of the agricultural section of the PRSP and improved donor co-ordination. Regarding the Agricultural Support Programme emphasis will be on analysis of results and fine-tuning. In the food security area continued dialogue and co-ordination will be needed with particular emphasis on issues of linking relief and development interventions, as well as combating chronic food insecurity and the particular needs of households affected by HIV/AIDS.

During 2003, Finnida has made significant progress in trying to improve co-ordination amongst donors, notably the HIP group, in the highly fragmented environmental sector. Sweden has participated in these co-ordination meetings, although no specific environmental projects are being supported. Instead, Swedish efforts have been directed towards practically integrating and mainstreaming environmentally sound land management practices in projects in the agriculture sector. Examples of this include the promotion of conservation farming and other improved land management techniques by ASP and Smallholder Access to Processing, Extension and Seeds (SHAPES). Moreover, to reduce excessive dependence on chemicals, ASP has funded biological control (use of living insects to control the pest) of the cassava mealybug as an alternative to chemical control. ASP and SHAPES have also supported maintenance and multiplication of traditional varieties (landraces), thereby contributing to the conservation of the much-needed biodiversity.

Good Governance and Human Rights

Swedish support during 2003 continued to focus on four areas, namely increased political participation; equal access to justice; increased independence of the media; and transparency and accountability.

In the area of increased political participation, an important event during the year was the decision to provide support, jointly with other donors, to stage two of the Parliamentary Reform Project (PRP). The objective of second phase of PRP is to increase the independence and effectiveness of the National Assembly as a representative agent of oversight, change and reform in the democratic governance system of Zambia. During the year, support was also provided towards a study tour for a group of eight Members of Parliament to Sweden with the main objective of providing wide exposure to Zambian parliamentarians on issues pertaining to gender.

As part of the attempts at making the implementation of the strategy for Sweden's support to Democratic Governance in Zambia more effective and less time consuming, the Embassy has been looking into the possibility of providing support to civil society organisations through Swedish NGOs functioning as umbrella organisations. Two Swedish NGOs were supported during the year, namely Diakonia for its Social and Economic Justice and Conflict Transformation programme for a one-year pilot-period and Save the Children Sweden for its programme on Children's Rights in Zambia for a two-year-period. Preparations for a continued support to Diakona under a new three-year-agreement were initiated towards the end of the year.

The Embassy entered into a three-year-agreement with Mindolo Ecumenical Foundation (MEF) for hosting the Dag Hammarskjöld seminar and activities on peace and conflict resolution. 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, major events during the year included the entering into of a three-year-agreement with the Paralegal Alliance, which is a consortium of four non governmental organisations, who's goal is to improve the human rights situation in Zambia by promoting equal access to justice, especially for the poor and marginalised. The Embassy also entered into a two-year-agreement with the Judiciary of the Republic of Zambia, with the objective of contributing to creating an efficient and effective administration of justice, which will uphold the rule of law and human rights. The project involves purchase of furniture for the new court complex and institutional capacity development. Continued support was provided to civil society organisations that provide legal advice for the poor, especially women and children. Support was also given to the Institute of Human Rights, Intellectual Property and Development Trust (HURID) which provided support to the Zambia Police Human Rights Programme through human rights training programmes and human rights mainstreaming through curriculum development.

In line with the Harmonisation in Practice Initiative (HIP), the Embassies of Norway and Sweden agreed to co-ordinate and harmonise their support to media organisations. A first step to this effect was the joint support to MISA Zambia (formerly Zambia Independent Media Association, ZIMA) and the Media Trust Fund, MTF. Both donors had been planning long-term support to these two non-governmental media organisations. It was considered most appropriate for Sweden to take over the financial responsibility of support to MISA-Zambia (through amending and extending the current agreement to include also the amount originally planned to be provided by Norway) while Norway will do the same for MTF. The agreement signed with MISA Zambia is for a three-year-period.

Transparency and accountability activities have been supported through, for example, Transparency International Zambia (TI-Zambia) and 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.

The key issue for dialogue with partners is how the capacity of the civil society organisation in terms of programme and financial management can be strengthened. This has been necessitated by the fact that some of the organisations have grown rapidly and the management systems in place have not expanded to match the growth of the organisation and the increased financial support they are receiving. This issue is also being discussed with the other donors in the different donor co-ordination groups for joint action.

Private Sector Development

During 2003, the Bank of Zambia (BoZ), with support from Sida and USAID, prepared draft regulations for the microfinance industry. Many practitioners and donors active in the sector viewed the initial draft to be too stringent for an industry still in its infancy. However the process continued to be consultative with BoZ posting the comments to the draft regulations on its website. A stakeholders' meeting was held where the summarised comments and regulations were discussed in greater detail. BoZ embarked on provincial tours late in the year to sensitise practitioners and other stakeholders across Zambia. BoZ hopes to present a final set of regulations to the Minister of Finance in 2004. An extension of the Swedish support was agreed upon in December 2003.

The Association of Microfinance Institutions in Zambia (AMIZ) maintained its critical role in developing the microfinance industry. In 2003 it was very active in lobbying BoZ in relation to the draft regulations. It also responded to topical issues such as holding meetings and consultations over government plans to tax NGO profits. In addition, AMIZ continued to attract support from various donors. The development and installation of a client register was completed during the year and AMIZ began developing a business plan for 2004–2007. AMIZ significantly increased its income from membership fees although income from training and other services showed a negative trend. According to AMIZ, this negative trend was the result of the poor performance of many of its members due to the depressed economic environment.

Despite its efforts to reduce costs and increase outreach, Pride Zambia (PZ) struggled to meet its benchmarks in 2003. The board therefore contracted an independent consultant to prepare a restructuring plan to reduce the size of PZ's operations and increase its efficiency. The restructuring plan will be finalised in early 2004. PZ managed to secure additional donor funding from Cordaid and Hivos, mainly tied to training and upgrading of the management information system.

The ILO business development services (BDS) project commenced in the last quarter of 2003. Most of the activities centred around administrative issues such as staffing of the BDS office and procuring the necessary equipment. However, an assessment of the market for BDS commenced late in the year and the project team also begun planning a business-to-business exhibition for 2004.

The year 2003 was an important year for Zambia Railways Ltd (ZRL). As the second concession in Zambia, the freight agreement between the government and the concessionaire, Railway Systems of Zambia, was signed in February while the passenger agreement was signed in December. The concession agreement is a 20-year agreement that will, if successful, yield $253 million to the Zambian Government through fixed and variable fees. GRZ will remain as the owner of all railway assets and the remaining Zambia Railways Ltd will be responsible for monitoring of the concession agreement. Actual hand-over to the concessionaire took place in December 2003. The Swedish support, covering a Management Contract, support to the Board of ZRL and policy related support, thereby came to an end. It is envisaged that Zambia will request for further support during 2004 for e.g. monitoring of the concession agreement.

A Private Sector Assessment was carried out during the year with the objective of identifying future areas of Swedish interventions. The report was finalised towards the end of the year and will constitute an input in the development of a private sector strategy for the future collaboration with Zambia in this area.

Energy

The development of the energy sector during 2003 was characterised by two major events; the decision to commercialise ZESCO and the amendments of the Electricity Bill and the Energy Regulation Bill and the enactment of the new Rural Electrification Bill. On the development co-operation side, one annual review and one semi-annual review have been held between Sida, the Embassy in Lusaka and the stakeholders within the sector. The discussions between Sida and the co-operating partners have mainly been about the status of ZESCO and how to move the Rural Electrification Agenda forward.

The Power Rehabilitation Programme (PRP) continued and most of the rehabilitation of the infrastructure was completed during the year. However, the PRP-programme also experienced some delays in the implementation which in turn affected the Sida supported Supervision of the Rehabilitation of Kafue Gorge project. The support to the rehabilitation of the hydropower station was therefore extended to mid-2006 to allow for the last activities of the rehabilitation to take place.

The new support to the Energy Regulation Board (ERB) became effective in May 2003. The support aims at strengthening the regulator's institutional capacity, but also its competence in the area of electricity pricing and within the regional association of regulators.

The support to the Ministry of Energy and Water/Department of Energy (DoE) to implement the pilot project Providing Electricity Services using Photovoltaic Solar Systems through Energy Service Companies (ESCOs) in Rural Areas in Zambia continued during the year with further capacity building of the ESCOs in financial management and technical issues. A financial review of the project was carried out in June and the study recommended Sida to extend the project during 2004 to enable the ESCOs to procure additional panels in order to facilitate for the companies to be financially sustainable.

The support to ZESCO and the Institutional Capacity Building project came to an end in 2003. The draft final report shows that the implementation has run smoothly and that the programme has been received positively by ZESCO. The sub-project on Work Safety resulted in lesser work-related accidents and the Occupational Health and HIV/AIDS awareness project assisted in the formulation of an HIV/AIDS policy for the company.

The Rural Electrification Agenda was further pursued during 2003. The Department of Energy together with donors such as Sida and the World Bank, commenced the preparations for a programme called Increased Access to Energy Services, aiming at increasing the access to energy services in rural and peri-urban areas. As part of the preparations, a Sida-financed study trip to Uganda was undertaken for key staff at the DoE, ERB and ZESCO. The trip was a joint effort between the Swedish embassies in Kampala, Dar es Salaam and Lusaka and proved to be beneficial for the delegations from all three countries.

As part of the Increased Access to Energy Services project and to further facilitate for the expansion of energy to the rural areas, it was decided through the enactment of a Rural Electrification Bill that Zambia will establish a Rural Electrification Authority (REA) and a Rural Electrification Fund (REF). Sida has during the year been engaged in discussions with the DoE on how Swedish support could be provided for the preparation of the formation of the REA/REF. In late December 2003, a request for such support was submitted to the Embassy.

Urban Sector Development
The support to Lusaka City Council (LCC) and the Land Tenure Initiative Project was completed in June. The final report concludes that competence development in mainly technical areas has been carried out within various departments of LCC. Among other things, a new archive and registrar has been developed at LCC and an ortophoto map of Chaisa Compound was prepared. The newly acquired knowledge and tools was thereafter applied in an adjudication process in the pilot area of Chaisa where about 40% of the inhabitants received their occupancy licenses during the project.

The country strategy proposes that Sida should increase its support to the urban sector in Zambia. To get guidance on the design of the support a pre-feasibility study was commissioned in March 2003 and a team of consultants was contracted to meet with stakeholders, donors and government officials. The result of the study was thereafter discussed internally and some of the recommendations were taken into account in the Strategy for Urban Sector Development Support in Zambia that was developed by Sida/INEC and the Embassy in Lusaka. One mission on a planned support to Spatial Planning and Related Legislation and one mission to prepare the future support to LCC were conducted in December 2003, in line with the strategic areas for support identified in the Strategy. The preparations for the extended support to the sector will continue in 2004.

International Training Programmes
In 2003, Zambia was invited to 47 training programmes out of 75 sponsored by Sida. A total of 90 people (19 women and 71 men) attended programmes as follows:

a) Governance, Democracy and Human Rights (12)
b) Social Services, Health, Education and Community Planning (5)
c) Enabling Environment, Public Institutions and Services (25)
d) Infrastructure Telecommunications, Energy and Transport (9)
e) Industrial Production, Management and Technology (7)
f) Agricultural Production and Distribution (5)
g) Environment, Land Use and Natural Resources Management (27)

Representatives of two Swedish course organisers visited Lusaka during the year to prepare and/or follow-up on their training programmes.

3.4 Sida Support to Regional Co-operation Programmes of Relevance for Zambia

The major regional co-operation programmes with a bearing on Zambia include the support to the establishment of the Zambezi River Commission (ZAMCOM), the ILO-run Start and Improve Your Business (SIYB) programme and the newly developed Expand Your Business (EYB) initiative, which is a management development programme targeting growth oriented entrepreneurs. In addition, the work initiated in 2003 with regard to the options for private sector participation in the Tanzania Zambia Railways Authority (TAZARA), which is financed by Sida through the Public-Private Infrastructure Advisory Facility (PPIA) managed by the

World Bank, will also be important for Zambia. The activities of the regional HIV/AIDS team, hosted by the Embassy in Lusaka, have been of considerable importance and value for the Embassy, not least in light of the strong focus on HIV/AIDS in the Country Strategy for the development co-operation with Zambia.

The Embassy has been handling two regional programmes relating to refugees, namely the Zambian Initiative (ZI), an area based integrated rural development programme aimed at developing refugee hosting areas in Western province, and a collaboration with the International Organisation for Migration (IOM) in support of HIV/AIDS activities among refugees in the Ukwimi refugee camp in Eastern Province. In 2003 it was agreed that the regional HIV/AIDS team will support the next phase for the Ukwimi project.

A request from the Kafue Gorge Regional Training Centre on Promotion of Training of Female Technicians was received by the Embassy during 2003 and is being appraised by Sida-Stockholm for possible support from the regional allocation account.

3.5 Office and Administrative Issues

Resources and staff

Out of the delegated budget of SEK 6,4 million, 98% was utilised during 2004. The Embassy, including the regional HIV/AIDS Team, was fully staffed as from mid 2003. The Programme Officer for Agriculture Development finished his assignment in July and was replaced in August. The Programme Officer for Democracy and Human Rights returned to Sida-Stockholm in December, and will be replaced in April 2004. The NPO for Private Sector Development finished her assignment in December and will be replaced in January 2004.

During 2003 the sent-out staff consisted of:

– Ambassador and Third Secretary (Ministry for Foreign Affairs)
– Counsellor/Economist and Head of Administration
– Three Programme Officers
– Counsellor/Head of HIV/AIDS Team
– Three Regional Advisors – HIV/AIDS Team, whereof one seconded by NORAD
– One junior professional expert/BBE- HIV/AIDS Team.

During 2003 the locally employed staff consisted of:

– Five National Programme Officers (NPO), whereof one for the HIV/AIDS Team
– One Swedish Programme Officer (financed from the Embassy's own budget)
– One Accountant and one Cashier/Social Secretary
– Two Secretaries (whereof one for the HIV/AIDS Team) and one Archivist (part time),
– One Receptionist, one Clerk, three Drivers and two Housekeepers.
– A Swedish trainee was working at the HIV/AIDS Team for six months.

Measures for Quality Assurance and Competence Development

The Embassy received full delegation from Sida for the development co-operation funds in accordance with the approved 2003 Country Plan for Zambia. The regional HIV/AIDS Team for Africa is fully integrated into the administrative routines of the Embassy. The Working Regulations/ Local Administrative Manual was reviewed in early 2003 to reflect this situation.

In order to comply with the quality requirements of the full delegation, the Embassy has i.a formed an Embassy Project Appraisal Committee (EPAC), and established a controller function. The controller function is shared between the Head of Administration (administrative control) and the Counsellor/Economist (operations control). Routines for quarterly updating of projections in PLUS, as well as routines for financial control of contributions, have been established and worked well during the year. Seminars have been arranged for the staff, in co-operation with Sida-Stockholm, on subjects such as Rating, PLUS, Sida's Procurement Guidelines, Sida at Work, Communication and Massmedia training, as well as an introduction to Sida's new overall policy document, Perspectives on Poverty and the Swedish government's new Policy for Global Development. The Embassy has also organised a full day seminar for all staff on anti-corruption, and has finalised its internal Anti-Corruption Strategy. An internal Environment Plan has also been elaborated.

During the year, the Embassy, in co-operation with the Regional HIV/AIDS Team, also contracted a Zambian organisation to assist the Embassy with information, education and guidance on policies for HIV/ AIDS-related sensitisation, treatment and care. This work is intended as an input to other Swedish embassies' work, as well as to the work that is currently being done by Sida in co-operation with the Ministry for Foreign Affairs in Stockholm on the HIV/AIDS workplace policy.

Changes, Needs, Bottlenecks and Major Events

A major event during the year was the regional conference organised by Sida's Africa Department in November. The Embassy in Lusaka hosted the conference, which covered topics of critical importance for the future of the Swedish development co-operation as such, as well as issues of relevance for the offices in the Africa region.

The integration of the HIV/AIDS Team into the Embassy is a positive development. It, however, implies an additional strain on the administrative resources of the Embassy. So far, the Embassy has been able to handle the increased needs, but with increasing activities by the Team, this situation may change in 2004.

The Embassy has during the year actively pursued the need for a work place policy for Swedish Embassies/Field Office staff on HIV/AIDS with the Ministry for Foreign Affairs and Sida-Stockholm. As yet, no policy has been adopted by the Ministry and Sida. The urgent need for such a policy remains.

Annex 1

Comprehensive Development Framework (from the World Bank's CAS)

Zambia's Development Partners and their Activities (Bilateral donors, the UN family and IFIs only)

Partner		Governance	Macroeconomic	Agriculture	Industry	Tourism	Mining	Education	Health	Water & Sanitation	Energy	Transport &	HIV/AIDS, Gender,	Monitoring & Evaluation
UNDP	United Nations	√	√							√		√	√	√
UNHCR		√	√	√					√				√	
UNICEF		√						√	√	√			√	
WHO		√						√	√				√	
ILO		√	√					√					√	
UNFPA								√	√				√	
UNAIDS													√	
WFP				√				√	√				√	
Canada	Bilateral Donors	√		√					√	√			√	
Denmark		√	√					√	√	√		√	√	√
EU		√	√	√	√	√	√	√	√		√	√	√	√
France				√		√		√		√				
Finland		√		√				√						
Germany (GTZ)		√		√					√	√			√	√
Ireland		√						√	√	√			√	
Japan (JICA)		√		√				√	√	√		√	√	√
Netherlands		√						√	√				√	
Norway		√	√	√		√		√				√	√	
Sweden		√		√	√				√		√		√	
UK (DFID)		√	√	√				√	√				√	√
US (USAID)		√		√	√	√		√	√		√		√	
AfDB	IFI		√	√				√		√			√	
IMF			√											
World Bank		√	√	√	√	√	√	√	√	√	√	√	√	√

World Bank Source: Zambia PRSP 2002 – 2004, Ministry of Finance and National Planning and Economic Management Department. Based on data collected from a sample of partners.

Annex 2

KEY FACTS – REPUBLIC OF ZAMBIA 2003

(source: Economist Intelligence Unit – EIU – Zambia 2003, and UNDP Human Developmetn Report 2003)

Area:	752 612 sq m (9 provinces). Landlocked with 8 neighbouring countries
Population:	10,4 million (where of 45 % under 15 years)
Official language:	English

Political Structure

Head of State:	President Patrick Levy Mwanawasa
National Assembly:	150 elected members and 8 members appointed by the President. 19 are women (12 %).

Elections

Presidential and Parliamentary elections:	Every fifth year.
Local Government elections:	Every third year. Last tripartite elections took place 27 December 2001.
Political parties represented in the Parliament:	Movement for Multiparty Democracy (MMD), United Party for National Development (UPND), United National Independence Party (UNIP), Forum for Democracy and Development (FDD), Heritage Party, Zambian Republic Party and Patriotic Front.

Economic Indicators	**2002 (EIU)**	**2003 (EIU)**
Currency: Kwacha (1 USD)	4 300	4 700
GDP/capita USD:	380	470
GDP growth:	2,3 %	4,3 % *
Consumer price inflation:	26,7 % *	17,2 % *
Export of goods (fob) MUSD:	920	998,6
Import of goods (fob) MUSD:	1157	- 1098,7
Current account balance:	- 265	- 259,1
External debt USD billion:	6,5 *	
Domestic debt USD bilion:	1,1 *	1,3 *

Social Indicators

Population growth:	2,9 % (estimated to decline to 2% by 2010)
Ethnic groups:	70 (Bemba, Tonga, Nyanja, Lozi dominate)
Poverty level:	73 – 80 % under 1 USD/day
Rural/urban population:	50/50. In Lusaka+ suburbs more than 2 mill.
Human Development Index (2002):	No 153 (out of 173 countries)
WHO Health Index (2001):	No 188 (out of 191 countries)
Life expectancy at birth:	41,4 years
HIV positive (15–49 age group):	16% (12 % in urban, 11% in rural areas)
Health budget (of GDP):	3%
Adult literacy:	Average 71% (women 61%, men 82%). Lower in age group 14–20 than in age group 20-30)
Education budget (of GDP):	2,5%

* Ministry of Finance and National Planning – budget speech 2004

Annex 3

Swedish disbursements, actual and projected, to Zambia for the period Jan 2003 – December 2005 in SEK (USD 1 = SEK 7,5)

Sector	Partner	2003 (actual)	2004 (projected)	2005 (projected)
Health Sector Support (SWAp and institutional capacity building)	Gov	59 000 000	75 000 000	75 000 000
Agriculture Support Programme	Gov	41 700 000	48 000 000	49 000 000
Democratic Governance	Gov/Non-gov	19 200 000	30 000 000	34 000 000
Private Sector Development	Gov/Non-gov	11 000 000	10 000 000	12 000 000
Energy	Gov	10 200 000	12 000 000	14 000 000
Urban Development	Gov/Non-gov	1 600 000	3 000 000	6 000 000
Other (programme development, targeted HIV/AIDS support)	Gov/Non-gov	2 700 000	5 000 000	7 000 000
Adminstrative Costs	N/A	6 100 000	7 700 000	7 700 000
TOTAL SEK		151 500 000	190 700 000	204 700 000
TOTAL USD		20 000 000	25 400 000	27 300 000
Allocation		153 000 000	175 000 000	215 000 000
Overplanning		N/A	9%	N/A

Note 1: Disbursements and projections exclude programmes financed by the regional vote.
Note 2: Figures for 2004–2005 under Democratic Governance include planned support to PRSP monitoring and public expenditure management reforms.

Annex 4

Strategic Documents 2003

Country Report Zambia, December 2003, The Economist Intelligence Unit, 2003.

Demographic and Health Survey Zambia – 2001-2002, June 2003. Central Statistical Office, Lusaka, Zambia.

Food Security, Health and Nutrition Information System, August 2003. Central Statistical Office, Lusaka, Zambia.

Government Strategy and Action Plan for Public Service Management and Capacity building for 2004-2008, September 2003, Republic of Zambia.

Harmonisation of Donor Practices for Aid Effectiveness in Zambia, O. Saasa and J. Clausen, February 2003.

Mid Term Review Report from the Health Sector, November 2003 (draft).

Transitional National Development Plan (TDNP)/Poverty Reduction Strategy Paper (PRSP) Implementation and Monitoring Framework, Ministry of Finance and National Planning, August 2003.

World Bank and IMF support to the PRSP in Zambia, R. Fuller, February 2003.

Zambia - Human Development Report 2003. ”Eradication of Extreme Poverty and Hunger in Zambia: an agenda for enhancing the achievement of the Millennium Development Goals”. 2003, UNDP, Lusaka.

Zambia – Public Expenditure Management and Financial Accountability Review, The World Bank, November 2003.

Zambia – The Challenge of Competitiveness and Diversification, The World Bank, January 2003.

Zambia’s First PRSP Implementation Progress Report for the Period January 2002 – June 2003, First Draft, Ministry of Finance and National Planning, October 2003.

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

SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
sida@sida.se, www.sida.se