

# Country strategy for development cooperation

## Zambia

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REGERINGSKANSLIET

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# COUNTRY STRATEGY FOR ZAMBIA

## 2003-2007

### Executive summary

Poverty in Zambia is deep-rooted and widespread. Targeted, focused intervention at all levels and in all sectors of society are essential if Zambia is to achieve UN Millennium Development Goals and improve the living standards of its citizens. Conclusions from the Performance Analysis and Country Analysis as well as the strategies set out in Zambia's Poverty Reduction Strategy Paper (PRSP) indicate that Swedish development cooperation with Zambia is relevant in its present form and contributes to poverty reduction in that country. Recent measures aimed at the further democratisation of Zambian society coupled with efforts to improve economic performance have encouraged closer consultation and deeper dialogue. This should enable Sweden and Zambia to move their partnership agenda forward on the basis of mutual understanding, democratic values and respect for human rights, and to conclude a development cooperation agreement for the forthcoming strategy period. The basis of agreement presupposes a high level of ambition and assumes renewed determination on the part of the Zambian government to implement economic, political and social reforms. Swedish development cooperation should be distinguished by Zambian ownership and involvement at every level.

The overall objective of Swedish development cooperation with Zambia in the period 2003–2007 will be to contribute to poverty reduction in accordance with the governing principles underlying Swedish development policy. Thus Swedish assistance shall support programmes and projects designed to remove obstacles that tend to create or reinforce poverty. Particular importance will be given to efforts to counteract the HIV/AIDS epidemic and its social and economic impact. Development cooperation shall promote equitable economic growth, democratic development and respect for human rights, social development, including gender equality, and improved food security. Main cooperation areas will include health, sustainable agriculture, democratic governance, development of the private sector, including the energy sector, and urban development. Support for policy development and institutional capacity building will be key features of Swedish support.

The main difference between the current strategy and the proposed strategy for 2003–2007 is the greater prominence given in the latter to the HIV/AIDS problem. The Zambian government's own efforts to reverse the negative trend in this domain will be central to the dialogue and serve as a guide for Swedish involvement. Support for the public administration sector will be stepped up as part of efforts to promote democratic governance. Particular attention will be devoted to the development of follow-up systems and procedures for pro-poor budgeting. Greater emphasis will be placed on measures targeted at the urban poor in view of the rapid growth of poverty in urban and peri-urban areas.

The following issues will occupy a central place in the *overall policy dialogue* in the coming strategy period: (i) implementation of the PRSP, with particular emphasis on economic growth and diversification, HIV/AIDS, democratisation and political and economic governance, (ii) combating corruption, and (iii) ownership and improved Zambia-led donor coordination. All dialogue must be based on a common recognition of democratic values.

Existing programmes should be the first to benefit from any additional funds accruing as a result of increased allocations to Zambia during the strategy period. Budget support may be examined as a possible option during the strategy period. This should be done in close cooperation with other donors and be linked to the implementation of the PRSP.

Total Swedish support for the three-year period 2003–2005 is estimated at approximately SEK 600 million. Not included in this amount are budget support if provided, regional programmes, the StartSouth (StartSyd) Programme, International Training Programmes, support for Swedish NGOs (80/20 funding ratio) or humanitarian aid. The country strategy will be operationalised on the basis of annual country plans and followed up through half-yearly reports and follow-up mechanisms developed as part of the Harmonisation in Practice (HIP) initiative.

The guidelines set out in the strategy are designed to harmonise with the proposals laid down in the government's new bill, Common Responsibility: Swedish Policy on Global Development (2002/03:122), now before the Swedish Riksdag (parliament). The Riksdag is expected to vote on the bill before the end of 2003.

## **1. The country and development cooperation**

### **Conclusions of the Country Analysis**

- 1.1 Poverty in Zambia has reached alarming levels. Although the country inherited a strong economy at independence in 1964, Zambia today ranks among the poorest countries in the world. An estimated 73 per cent of the population live in income poverty, unable to satisfy one or more basic needs, such as access to healthcare and education, sufficient food, clean water, clothes and housing. Because of their material situation, the poor are particularly hard hit by drought, sickness and economic shocks when these occur. They are highly vulnerable to environmental hazards, pollution and natural catastrophes and suffer more than other social classes from environmental degradation. Poverty is also an obstacle to the full enjoyment of civil and political rights; poor people lack the power to make independent decisions or take an active part in political life.
- 1.2 Although poverty is more widespread in the countryside than in the cities, statistics show that it is spreading rapidly to urban areas. Women are generally poorer than men and live in considerably worse conditions. Child poverty has risen markedly in the last decade, mainly as a result of HIV/AIDS. The epidemic is far advanced and its impact on Zambian society will continue to grow. More than 20 per cent of people belonging to the economically active age group are HIV-positive. Average HIV prevalence rates range from 15 per cent in rural areas to just under 30 per cent in the cities. The number of AIDS-related deaths is estimated at 99,000 per year. Apart from refugees and migrants, the most vulnerable groups are made up of women, young people and children.
- 1.3 Many factors combine to make a country poor. In Zambia's case, weak political and economic governance followed by economic recession aggravated by a global economic downturn, unrest in the region and the increasingly damaging effects of the HIV/AIDS epidemic have all contributed to the country's growing poverty and deteriorating social

conditions. Poverty in Zambia can thus be explained by a combination of problems many of which are structural in character. Achieving the millennium development goals and improving living conditions for the majority of the population will require intervention at every level and in all sectors of society, predicated on a long-term, genuine commitment to Zambia's development aspirations from donors and other players as well as from the Zambian government itself. Strategic choices must be made to ensure that the limited resources available have the widest possible impact on poverty and contribute to the improvement of social conditions.

#### *Zambia's development policy and priorities*

- 1.4 Zambia's Poverty Reduction Strategy Paper (PRSP) was adopted by the government in May 2002. The paper, which covers the period 2002–2004, incorporates an overall plan for tackling poverty inside the country. It applies a multi-dimensional perspective to poverty which is then used as a basis for exploring different ways of combating the problem. A high premium is placed on measures designed to stimulate economic growth in recognition of the difficulty of waging a successful war on poverty under a stagnant economy. The PRSP also emphasises that economic growth and sustainable human development are predicated on good governance – both in terms of technical efficiency and democratic observance – characterised by participation in the political process by Zambia's citizens, and transparency and accountability on the part of its government.
- 1.5 Thus measures designed to promote economic growth and create jobs – thereby boosting tax revenues which can then be used to step up provision of basic social services – are central to the PRSP. Growth must be as broadly-based as possible and promote income generation and equity. The PRSP also points to the need for more rational and cost-effective use of development assistance and internally generated resources, e.g. through better budget preparation, allocation and implementation and more efficient and effective accounting systems in the public administration. The strategy paper also includes a renewed commitment to the democratisation of decision-making and justice for all.
- 1.6 Agriculture, tourism, transport and energy are identified as key sectors of economic growth, to be driven by the private sector. Agriculture is regarded as the most important sector in view of its potential – as a source of income and in terms of food security – for improving living conditions among the poor. It is also seen as the sector with the greatest potential for diversifying the Zambian economy away from mining. In the sphere of social development, education, health and HIV/AIDS are identified as key areas for increased investment. The PRSP assumes that GDP will grow by 4 per cent per year in real terms. Growth rates of between 5 and 8 per cent were initially posited but these estimates were revised downwards in light of problems besetting the mining industry and the severe impact of the HIV/AIDS epidemic on the economy as a whole. If growth is to be maintained, natural resources, on which some of the identified growth sectors are dependant, must be managed sustainably.
- 1.7 The PRSP drafting process was characterised by broad participation. Consultations included provincial representatives, members of parliament and representatives of civil society and the donor community. Problems in connection with follow-up procedures and performance evaluation nevertheless remain a serious concern which the government, donors and civil society will need to pay attention to. Implementation of the rather ambitious development plans will pose a challenge, particularly in view of the country's weak institutional systems and limited capacity. These problems are further aggravated by the HIV/AIDS epidemic,

which will affect Zambia's ability to fully implement the strategies and plans set out in the PRSP.

- 1.8 Zambia has also drawn up a broader strategic framework for development in the medium term, the Transitional National Development Plan (TNDP), of which the PRSP forms part. The PRSP/TNDP might help promote stronger Zambian ownership of the overall development process. It can also serve as a platform for improved donor coordination under strengthened Zambian leadership, lead to more poverty-oriented resource allocation and provide a basis for improved monitoring of government expenditure and its effect on poverty development in the country.
- 1.9 The approach to development, growth and poverty reduction embodied in the PRSP corresponds closely to the Swedish view. Thus Sweden and Zambia are seen as sharing the same perception of poverty and how to tackle it. Sweden intends to use the PRSP as a point of departure for development intervention in the coming strategy period and as a basis for future dialogue on development cooperation.

#### *Poverty reduction – prospects and challenges*

- 1.10 The aftermath of the general election of 2001 saw the establishment of a new political landscape and the emergence of a new environment offering opportunities for continued democratisation of the country. The Mwanawasa government has taken the first steps towards constitutional, parliamentary and electoral reform. Such reforms are crucial to the further democratisation of the Zambian polity. However, weak institutions and fragile political parties are obstacles to rapid development in this respect. The new government also appears committed to tackle corruption, one of the biggest threats to economic as well as democratic development in Zambia. Among other measures, the government has lifted the immunity of former president Chiluba, set up an authority to combat money laundering and appointed a working group to investigate past corruption scandals. It is too early to determine whether these measures are genuinely intended as a first step towards greater transparency, accountability and accessibility in the government administration. If this is indeed the case, they represent a significant advance for democracy in Zambia. Development in this sphere will have a strong bearing on the scope and direction of Swedish support.
- 1.11 Although the Zambian constitution and other legislative provisions conform with international conventions on human rights, practical implementation is deficient. Lack of basic resources such as transport, proper gaol cells and court-rooms, as well as uncertainty as to the real independence of the courts, poses a major problem for the Zambian police force and judiciary. Successful promotion of human rights will be predicated on constitutional reforms, institution building measures and credible implementation and follow-up mechanisms.
- 1.12 Economic stability and growth in real terms are crucial to Zambia's development prospects. Encouraging signs include debt relief under the Highly Indebted Poor Countries (HIPC) initiative and the privatisation in March 2000 of the country's copper mines, previously a major drain on scarce government resources. Real GDP growth for 2000 and 2001 was 3.5 per cent and 5.2 per cent respectively, mainly due to strong growth in the mining, manufacturing and service industries.

- 1.13 Despite the encouraging trends of recent years, the Zambian economy continues to suffer from uneven growth rates, high inflation, a low domestic savings ratio and high real interest rates. The situation might be aggravated by the Anglo American Corporation pullout from the biggest mining company in the country's privatised mining industry. This could precipitate lower GDP growth, a drop in export revenues, unemployment and falling investment levels, at least in the short and medium term. The need to broaden Zambia's economic base has become increasingly evident. The government is actively seeking new investors to replace the Anglo American Corporation. Most Swedish companies operating in Zambia are sub-contractors in the mining industry.
- 1.14 There are further signs of a sharp rise in the budget deficit in 2003 following an expansive pay settlement between the government and unions representing government employees. This could further increase inflationary pressure and push up interest rates.
- 1.15 Despite debt relief under the HIPC initiative, the debt situation in Zambia remains critical; its foreign debt currently stands at USD 6.1 billion. Higher growth rates, judicious use of existing resources combined with a restrictive borrowing policy and adherence to HIPC terms will be essential if Zambia is to get its debt down to manageable levels. The country was initially expected to reach the HIPC completion point by December 2003. Because of the anticipated budget deficit, however, the date has been put forward to June/July 2004.
- 1.16 The 1990s saw the implementation of a series of structural adjustment reforms in Zambia. Though essential to the achievement of macroeconomic stability and a healthy economy, the reforms also led to cuts in public sector spending, negatively affecting the government's ability to deliver basic social services and ensure observance of fundamental rights. However, Zambia has since made serious efforts to increase social welfare expenditure as a share of the national budget. This rose from 22 per cent in 1991 to 36 per cent in 2000/2001. Despite this, however, Zambia has not succeeded in providing the majority of its population with basic social services. The government's ability to protect the economic, social and cultural rights of the Zambian people has actually deteriorated in the past few years, mainly due to increased pressure on the system as a whole. A major contributory factor is the HIV/AIDS epidemic. Additional burdens and increased needs naturally place a severe strain on a system already lacking in sufficient resources to keep it running.
- 1.17 The education sector, which has been under-financed for many years, has also been hard hit by the HIV/AIDS epidemic; teachers make up the fourth largest group of HIV carriers in the country. Despite support extended as part of a Sector-Wide Approach (SWAp) aimed at making primary education (school years 1–7) universally available, the situation continues to give cause for concern. Successful implementation of the education programme set out in the PRSP will require a substantial increase in funding. In 2000, spending on education as a share of the national budget was increased from the previous year's figure of 6 per cent to 19.5 per cent. Pressure on the education sector is so intense, however, that long-term development will require financing by the donor community.
- 1.18 The damaging impact of HIV/AIDS will be increasingly evident over the coming five years. The epidemic will affect Zambia's ability to reduce poverty and boost growth. Weak institutional capacity and limited human resources are contributory factors. Wide-ranging institutional and structural reforms in the public sector will be necessary if Zambia is to improve service delivery and strengthen the management of public finances. Such reforms will also be needed to ensure greater democratic control of the public sector, extend government accountability and fight corruption. Effective use of development assistance and

internally generated resources will require continued institutional development and capacity building generally and with particular application to the budget process. This will involve measures aimed at strengthening the drafting process as well as budget management and follow-up.

- 1.19 It is generally recognised that the Zambian government lacks sufficient capacity to fulfil its role in terms of policy development and implementation. Though high-quality policy documents exist, these are not implemented effectively mainly owing to debilitated public institutions, limited capacity and weak governance. In some areas, important policy documents are lacking altogether, while in others existing documents need to be brought into line with prevailing conditions. If policies are to be developed and applied effectively, players outside the public sector must have the capacity to act as pressure groups, advocacy and watchdog organisations and/or service providers. Support for policy development and institutional capacity building both in and outside the government sector will therefore continue to be vital to development efforts in Zambia.
- 1.20 The regional situation will also have an impact on Zambia's growth and development prospects. Although economic prospects for domestic producers have improved to some extent as a result of Zambian membership of the Common Market for Eastern and Southern Africa (COMESA) and the South African Development Community (SADC), local producers have come under increased competitive pressure. The peace process in Angola and improved prospects for peace in the Democratic Republic of Congo are positive signs in an otherwise conflict ridden region. The deteriorating situation in Zimbabwe is a cause for concern, however. It is likely that the region as a whole will continue to suffer from political and economic instability and uncertainty throughout the coming five-year period. Major risks include drought and climatic variation, which pose a significant threat to prospects for growth, poverty reduction and food security in the region as a whole. However, Zambia is expected to pursue a peaceful, democratic development policy and not contribute to further destabilisation of the region.
- 1.21 Recognising the immense importance of trade for growth and poverty reduction, Zambia has implemented a series of trade reforms. These have resulted in a relatively liberal trade regime. The reforms were implemented following Zambia's accession to the World Trade Organization (WTO) and the regional organisations COMESA and SADC. However, Zambia is unable to benefit fully from WTO membership owing to difficulties in implementing the relevant agreements. With regard to the forthcoming Economic Partnership Agreement (EPA) negotiations between the EU and regions in the ACP, limited government and private sector capacity to deal with trade-related issues will make it difficult for Zambia to play a constructive part in the talks.
- 1.22 The PRSP emphasises that increased investment is essential to economic growth in Zambia. Although the government has stepped up efforts to stimulate national and foreign private investment, the private sector is still experiencing difficulties. Access to capital and financial services is limited, particularly for smaller entrepreneurs. Insufficient support measures designed to promote business development is a further problem.
- 1.23 In conclusion, many of the factors preventing Zambia from successfully reducing poverty and improving the living conditions for the rural and urban poor remain. However, Zambia appears to be making renewed efforts to strengthen democratic governance and pursue economic policies aimed at benefiting a large majority of the population. The relative

economic stability and growth recorded in the last two or three years, along with privatisation of the mines and debt relief under the HIPC initiative, are also encouraging developments. Moreover, the Zambian government is now showing a renewed if somewhat belated commitment to fighting HIV/AIDS, mainly through the recently established National HIV/AIDS/STD/TB Council. Thus there are indications the prospects for poverty reduction in Zambia over the next five years will be better than they have been in the past, assuming improvements in the management of government finances and the achievement of a balanced central government budget in 2003 and beyond.

## Conclusions of the performance analysis

### General conclusions

- 1.24 The country strategy for Swedish development cooperation with Zambia now in force covers the period 1999–2001. However, it has been extended to the end of 2002. The strategy's overall aim is to actively promote (i) deeper and broader democracy, and (ii) poverty reduction through economic growth, economic stability and social development, including gender equality.
- 1.25 On the whole, conditions in Zambia during the strategy period were not favourable to development cooperation. This had a detrimental effect on efforts to achieve the long-term goals set out in the strategy. The period was marked by economic and political instability. At the same time, weak ownership combined with corruption and lack of trust between the government and the donor community made it difficult to establish a meaningful partnership for development and poverty reduction. As a result, Zambia and Sweden did not sign a cooperation agreement for the strategy period. Paradoxically, however, positive results were achieved and effective partnerships formed at sectoral and individual project level, thereby ensuring that combined Swedish support contributed to Zambia's development efforts even though its effect has yet to show up in the general social and economic indicators for the country as a whole. The HIV/AIDS epidemic has had a detrimental impact on prospects for poverty reduction as well as on the results achieved.
- 1.26 The areas covered by ongoing development cooperation between Zambia and Sweden are agriculture, health, energy, development of the private sector and democratic governance. Support is also provided for pilot projects in the urban development sector. The total allocation for Zambia for the period 1999–2002 amounted to SEK 633 million. The funds were disbursed as shown in Tables 1 and 2 below.

**Table 1. Swedish development cooperation with Zambia – disbursements in 1999-2001. SEK million.**

Health	178
Agriculture	149
Infrastructure, private sector, and urban development	92
Democratic governance	47
Other	6
TOTAL	472

**Table 2. Swedish development cooperation with Zambia – disbursements in 2002. SEK million.**

Health	65.5
Agriculture	51.0
Infrastructure, private sector, and urban development	27.5
Democratic governance	13.5
Other	3,5
TOTAL	161.0

- 1.27 Swedish support to the health sector has contributed to improvements in the health system and increased access to basic services. In the agricultural sphere, Swedish assistance has helped to promote greater crop diversification, decentralised seed production, the adoption of improved farming techniques and new methods for developing profitable agribusiness. The last two activities have been designated national models. However, Swedish support has had little impact at government policy level. Support for the private sector in the form of institutional capacity building has contributed to the development of a favourable business climate for micro-finance providers. Sweden also played a part in the privatisation (concession) of Zambia Railways Ltd. In the energy sphere, Swedish support has contributed to the development of policies and regulatory frameworks for the sector. Support for democratisation has helped boost political participation, maintain public debate over political issues and improve access by poor people to the courts and legal services. A strategy complete with measures for the promotion of democratic governance was drawn up in 2000.
- 1.28 Integration of cross-sectoral issues such as gender equality, the environment and children into various programmes was fairly successful, although more could have been done, particularly in connection with children's rights. However, it should be pointed out that cross-sectoral issues were not deemed relevant to all projects.
- 1.29 Combating HIV/AIDS was not declared an objective in the 1999–2001 country strategy. Nor was it identified as a mainstream issue. However, Swedish support in the health sector served as a catalyst for the establishment of an institutional framework for combating HIV/AIDS. This is regarded as an essential development in Zambia's struggle to contain the epidemic and limit its devastating effect.
- 1.30 In conclusion, the measures supported by Sweden as part of the current programme are deemed to be of importance in the fight against poverty and to prospects for growth in Zambia.

*The experience of other donors*

- 1.31 Poverty reduction is defined as the main objective of the cooperation programmes of all the major aid donors active in Zambia. The World Bank's efforts in this sphere include promoting a stable economic environment, providing balance of payment support, supporting privatisation of state-owned companies and contributing to the creation of a favourable environment for the private sector. The Bank also extends support for measures aimed directly at poor and vulnerable groups, as well as measures designed to enhance efficiency and improve management in the public sector. The investment lending portfolio covers the agricultural, transport, health, energy and urban water supply sectors. A credit has also been extended to the Social Investment Fund, which supports capacity building at local and district level. The UN family has recently drawn up a strategy document – a Country Assistance Framework – for Zambia for 2002–2006. The strategy comprises three main areas: good governance, HIV/AIDS and the environment, with gender equality, ICT and advocacy mainstreamed in all of them.
- 1.32 The African Development Bank's strategy for Zambia for 2002–2004 focuses on poverty reduction and effective economic governance. Main areas targeted include agriculture, water and sanitation and economic governance. Important cross-sector issues include gender equality, governance, the environment and HIV/AIDS.
- 1.33 The EC's Country Strategy Paper for 2001–2007 singles out two key sectors: transport, and institutional development and capacity building. Provision is also made for support at macroeconomic level. Assistance is also extended to other areas, referred to as non-focal interventions. These include health, education and HIV/AIDS. Support for health and education is also provided by other member states (UK and the Netherlands). Norway focuses on education, transport, wildlife and good governance. The latter comprises political and economic governance with a strong emphasis on anti-corruption measures. Assistance provided by the UK Department for International Development (DFID) is concentrated in four areas: good governance, sustainable living conditions, health/education and HIV/AIDS. Policy dialogues and advocacy are important elements of this programme. Japan has focused mainly on infrastructure projects and agriculture-related support, but also extends support for smaller projects at local level. USAID supports democracy and governance-promoting interventions, agriculture and health. HIV/AIDS-related measures feature prominently in the programme. Zambia receives balance of payments and budget support from the World Bank, the IMF and Japan, in addition to the EC.
- 1.34 There is virtual unanimity among donors that poor political and economic governance are the root cause of widespread poverty in Zambia. Most players acknowledge that their programmes have had a limited impact on poverty, regardless of their focus. It is generally conceded that project-oriented support has encouraged the creation of parallel structures, severely draining government capacity. At the same time, there has been a general reluctance to adopt a sector-wide approach to funding in light of the institutional weaknesses in the government administration and the absence of efficient, reliable systems for follow-up and evaluation.
- 1.35 As regards future support, the World Bank has underlined the importance of a revision of Zambia's debt situation and debt management, strengthening the public administration and promoting good governance generally, boosting economic diversification and scaling up the response to HIV/AIDS. The Bank also calls for greater focus on capacity building measures. The UN family emphasises that Zambia is one of the few African countries actually to ratify all existing international human rights instruments as well as all major international

conventions on the environment. However, implementation remains poor. It is generally agreed that more and deeper reform at all levels – economic, political, social, cultural and environmental – will be needed if Zambia is to continued progress in compliance with the human rights.

- 1.36 Good governance and anti-corruption measures in the public sector are of major concern to the EC, the DFID, Norway and the Netherlands. However, in view of recent developments in Zambia, mainly in connection with governance and anti-corruption measures, the DFID considers that budget support may become an option in the not too distant future. The EC has recently resumed its budget support programme, after freezing payments for a time. All four donors regard the PRSP process as crucial to Zambia's future efforts to reduce poverty, but recognise that related follow-up and budgeting issues still pose a serious challenge. Following a critical assessment of prospects for future cooperation by Norway in 2002, Zambia was confirmed as one of seven 'focus' countries for Norwegian development cooperation. In 1996, the Netherlands suspended development of new programmes. The suspension has now been lifted in response to improvements in Zambia's public finances and the privatisation of the country's copper mines.

#### *Donor coordination*

- 1.37 A harmonisation initiative, Harmonisation in Practice (HIP), was adopted in 2002 by the Nordic countries, the UK, the Netherlands and Ireland. Its aim is to enhance the effectiveness and efficiency of development cooperation with Zambia through improved donor coordination – based on division of labour, silent partnerships, joint financing of consultancy funds – and harmonised procedures such as planning, follow-up, reporting, etc. The initiative is predicated on Zambian ownership and Zambian systems and procedures. An HIP action framework was signed in March 2003. Proposed measures includes the framing of a development assistance policy for Zambia, emphasis on the sector-wide approach (SWAp) model, joint financing and principles/preparation for budget support. Efforts to launch these activities are under way. The ambition is to include other donors in the initiative (see Appendix for a summary of HIP donors' respective development programmes in Zambia, from Harmonisation of Donor Practices for Aid Effectiveness in Zambia by Saasa & Claussen, March 2003).

### **Sector-specific conclusions**

#### *Agriculture*

- 1.38 Sweden played an important part in the implementation of Zambia's Agriculture Sector Investment Programme (ASIP). Swedish support for the period 1999–2002 was aimed at promoting profitable and environmentally sustainable agriculture through (i) improved crop cultivation and food management, and (ii) entrepreneurial training for people involved in small-scale agriculture-related business ventures. The programme, which had an annual budget of approximately SEK 47 million, was composed of independent but mutually supporting sub-programmes.
- 1.39 The performance analysis concluded that the sub-programmes were successful in disseminating new techniques and in providing education and training to farmers and other stakeholders. It is considered that the conservation farming techniques promoted by the programme will help stimulate economic growth and contribute to environmental sustainability by improving crop productivity while at the same time enhancing soil fertility

and maintaining forest resources. HIV/AIDS-stricken communities also stand to benefit from the higher yields generated at reduced labour inputs and nutritious crops which can be harvested earlier in the season. The agribusiness sub-programme was able to report higher incomes for farmers soon after its inception. ASIP has now been replaced by the Agriculture Commercialisation Programme (ACP), to which a special policy on gender equality has been linked.

- 1.40 Support has been provided to the planning department of the Ministry of Agriculture in recognition of the fact that growth and development in this sector is largely dependent on the application of sound policies and strategies. However capacity at the ministry is still limited, mainly due to inconsistent policies and structural deficiencies. Despite the limited results achieved in terms of policy support, this function remains vital to the future of the agricultural sector in Zambia.
- 1.41 With regard to the programme as a whole, it is clear that the poverty analysis, linked to a coherent, explicit gender equality perspective, must be strengthened and that food security issues must be tackled more explicitly within the framework of an enterprise-oriented approach to agricultural activities.
- 1.42 The new government appears to be more strongly committed than its predecessor to transforming agriculture into an efficient sector capable of sustaining the country's food needs and boosting incomes. The Agriculture Consultative Forum (ACF), an institutionalised forum for consultation and information exchange, has also given stakeholders an opportunity to become involved in the development of the agricultural sector. The donor community and the planning department meet regularly to discuss issues of current interest. However, project coordination should be improved to prevent overlapping and the development of incompatible strategies.

### *Health*

- 1.43 Swedish support for the health sector forms part of a sector programme whose overall objective is to provide equity of access to quality health care as close to the family as possible. The budget for Swedish support for the period 1999–2002 amounted to approximately SEK 50 million per year, 2001 excepted. Support was provided under three main headings: (i) budget support for primary healthcare at district level, (ii) institutional capacity development, and (iii) support for sexual and reproductive health and rights.
- 1.44 Donor coordination in the health sector continued to improve throughout the period. The performance analysis, echoed by a number of joint reviews, noted a gradual increase in healthcare provision at district level. Support under the programme mainly benefits people seeking primary care. An important result of the sectoral programme's basket funding mechanism is greater funding predictability. This has enabled districts to plan and budget realistically and encouraged them to use the planning and budgeting processes as tools for prioritising resource allocations.
- 1.45 Turning to other components of Swedish health sector support, the performance analysis shows that institutional development efforts undertaken in cooperation with sister organisations have yielded significant results in terms of strengthening Zambian organisations. However, these results have been more pronounced in the training and health economics projects than in the project targeting youth health.

- 1.46 The performance analysis also concludes that the current model of sector budget support at district level combined with capacity building measures aimed at key institutions in the health sector constitutes an effective funding mechanism and should continue to be used in connection with Swedish support.

#### *Democratic governance*

- 1.47 Support for democratic governance and human rights in Zambia comes under a special strategy adopted by Sida in May 2000. The strategy identifies four project objectives for Swedish support: (i) increased and broader political participation, (ii) equal access to justice, (iii) strengthened freedom and independence of the media, and (iv) strengthened accountability and transparency of public expenditure. Approximately SEK 60.5 million was disbursed in 1999–2002.
- 1.48 According to the performance analysis, the special strategy for democratic governance has served as a tool for structuring and guiding Sweden's efforts in this area. It has also played a significant part in strengthening donor coordination, with more common guidelines, less risk of overlapping and reduced strain on Zambian development cooperation institutions and NGOs as a result.
- 1.49 Although it is more difficult at this stage to draw firm conclusions about programme and project objectives, joint donor support for voter and civic education programmes in the run-up to the 2001 general election is thought to have resulted in increased and broader participation. Swedish support for legal advice centres run by NGOs has also contributed to improved access to legal assistance among the poorer sections of the community. However, if Swedish support is to have a wider, sustainable impact, continued efforts forming part of a well structured, focused programme will be necessary in the coming strategy period.

#### *Development of the private sector, including energy*

- 1.50 In the private sector, support has been provided to promote sustainable access to financial services for the poor. Assistance to small and medium-size enterprises in the form of advice, training and credit facilities has also been provided. Limited support has been extended to the Lusaka Stock Exchange and the Securities and Exchange Commission (SEC). Funding has also been made available in connection with the privatisation of Zambia Railways Ltd. (ZRL) through concessioning. A total of SEK 75 million was paid out during the period.
- 1.51 Swedish support has been instrumental in the development of best practices in the micro-finance sector and contributed to the creation of a regulatory framework for micro-finance institutions. The concessioning of ZRL has been completed. However, support for small and medium-size enterprises through cooperation with Swedish companies has proved less successful.
- 1.52 The scale of Swedish support for private sector development in Zambia is too small to have had a direct effect on the Zambian economy. Macroeconomic instability is still a major hindrance to growth and development in this sector. Other obstacles include shortage of entrepreneurial and managerial skills, limited access to capital and financial crowding out due to government borrowing. Another key factor is the HIV/AIDS epidemic, which has resulted in higher rates of absenteeism, increased medical and burial costs, and lower productivity.

Continued intervention in this area is regarded as essential as a flourishing private sector will further efforts to diversify the economy and achieve sustainable, pro-poor growth.

- 1.53 Swedish-Zambian cooperation in the energy sector has been dictated primarily by ongoing energy reforms and plans to boost capacity in the electricity supply industry in order to stimulate more rapid economic growth. Payments in this sector in 1999–2002 totalled approximately SEK 38.5 million.
- 1.54 During the strategy period, Sweden took an active part in two significant institutional development projects, both of which have been completed: (i) the creation of an independent energy regulator, and (ii) the establishment of an environmental unit in the state-owned power company ZESCO. Both entities are now operating well without significant external support.
- 1.55 Support for the energy sector is deemed to have been effective on the whole, despite delays in project and programme implementation. It is concluded that future energy support in Zambia should be aimed at further reforms in the sector and at efforts to improve access to electricity supply services, particularly in rural areas.

#### *Urban development*

- 1.56 A pilot project involving cooperation with the Planning Department of the Lusaka City Council is currently under way. The aim here is to help poor city dwellers in matters concerning security of tenure and enhance the Council's capacity in this area. The project has a specific focus on women. A total of SEK 5.7 million was disbursed during the period.
- 1.57 The results achieved to date are considered promising. At institutional level, support has been allocated for training, capacity building and procurement of equipment in an effort to set up an efficient, fully functional property register. A model that will ensure simpler, cheaper and speedier land delivery process is currently under development. At field level, project activities are in progress in one of Lusaka's squatter areas. Owing to institutional weaknesses in the administrative departments of Lusaka City Council, however, implementation has taken longer than planned and the project has been delayed. Further strengthening of the Council's organisation and human resource capacity will be needed if improvements with regard to the security of tenure and the land delivery process are eventually to be extended to include all unplanned settlements in Lusaka.

## *International Training Programmes*

- 1.58 In 1999–2002, a total of 305 Zambians took part in International Training Programmes organised by Sida. Subject areas included democracy and human rights, community planning, social services, infrastructure and public administration. Some 25 per cent of those taking part were women. The courses were perceived as relevant and were highly appreciated by the Zambian participants, according to the Performance Analysis.

## **2. Future development cooperation**

### **Overall objective**

- 2.1 The proposed overall objective for Swedish development cooperation with Zambia in the period 2003–2007 is to contribute to poverty reduction, in accordance with the basic premise underlying Sweden's policy on development cooperation. To achieve this goal, Swedish cooperation shall support efforts to remove obstacles that create or reinforce poverty. Particular importance shall be attached to measures designed to counteract the effects – both economic and social – of the HIV/AIDS epidemic. Development cooperation shall promote equitable economic growth, democratic governance, social development, including gender equality, and greater food security. Cooperation shall be based on mutual understanding, democratic values and respect for human rights. Swedish development cooperation should be distinguished by Zambian ownership and involvement at every level of activity.

### **Specific objectives**

- 2.2 The specific objectives for the coming strategy period are:
- To contribute to the creation of an environment that will foster sustained pro-poor economic growth and creates opportunities for the rural and urban poor to improve and enhance their living conditions.
  - To contribute to the expansion of a functioning welfare system which provides equal rights and equal access to good-quality social services and safety nets for the rural and urban poor.
  - To contribute to the promotion of democratic governance and the development of a society in which the state accepts its responsibility to respect, protect and provide all men, women and children with their civil, political, economic, social and cultural rights.

In order to achieve the overall objective, HIV/AIDS must be mainstreamed into all Swedish development cooperation projects and programmes. The Zambian government's own efforts to reverse the negative HIV/AIDS trend will be central to the dialogue and serve as a guide for Swedish involvement.

## **Strategic considerations**

- 2.3 The Country Analysis notes that although numerous obstacles to poverty reduction remain, there now appears to be a renewed commitment on the part of the Zambian government to combat poverty and pursue the strategies laid down in the PRSP. Of particular significance in this connection is the government's new, unequivocal undertaking to improve effectiveness and efficiency in the public sector, a commitment which includes efforts to combat corruption. These declarations of intent, in addition to previously adopted measures aimed at further democratisation, have created a framework for increased consultation and deeper dialogue between Zambia and the donor community.
- 2.4 Taken together, the above conclusions suggest that Sweden and Zambia now have an opportunity to move the partnership agenda forward, and enter into a cooperation agreement for the coming strategy period based on mutual understanding, democratic values and respect for human rights. Such an agreement would promote greater Zambian ownership of the total Swedish development contribution while improving Zambia's capacity to factor in donor resources more accurately over longer periods. The agreement reflects a high level of ambition and assumes continued determination on the part of the Zambian government to implement economic, political and social reforms.
- 2.5 In view of the favourable trends outlined above and assuming implementation of the PRSP by the Zambian government, the feasibility of extending budget support to Zambia in the coming strategy period can now be assessed. This will be done in close cooperation with other bilateral donors currently contemplating or already extending budget support in accordance with the relevant guidelines, as well as with the EC, the World Bank and the IMF.
- 2.6 If budget support is approved during the strategy period, this should preferably form part of a coordinated undertaking financed in cooperation with other donors and extending over several years. The aim is to support Zambian efforts to reduce poverty and stimulate economic growth, in accordance with the PRSP. The principles governing budget support and existing SWAp programmes should be mutually compatible. Institutional and human targeted capacity building measures aimed at strengthening financial management and accounting, follow-up and control systems at government level will be important areas for Swedish support, whether or not budget support is granted.
- 2.7 Sweden will continue to promote Zambian-led donor coordination and Zambian ownership of the development process through instruments such as the PRSP. The issue of ownership will be addressed in dialogue with the government. Sweden will continue to take an active part in concretising the donor coordination initiative taken by the Nordic countries, the UK, the Netherlands and Ireland. Central premises here will be Zambian ownership and Zambian systems and procedures.
- 2.8 Sweden will seek to shift from project to programme type support where appropriate. Where sector programmes exist, Sweden will participate actively in the policy dialogue and make use of existing basket funding arrangements.
- 2.9 The HIV/AIDS epidemic will clearly continue to impact all sectors of Zambian society during the strategy period. It will affect implementation of all Swedish support and pose a serious obstacle to Zambia's development efforts. In 2003–2007, HIV/AIDS will be given greater prominence in Swedish-Zambian development cooperation programme than in the past. Work

in this area has already begun. As HIV/AIDS is not solely a health issue, efforts will be made to mainstream it into Swedish-funded projects and programmes in Zambia where appropriate. A strategy for Swedish support in relation to HIV/AIDS will be drawn up in the first year of the strategy period.

- 2.10 The Country Analysis concludes that Zambia's institutional and human resources are limited, a situation now greatly exacerbated by the HIV/AIDS epidemic. Lack of capacity affects the government's ability to fulfil its primary function, to frame and implement policy. It also hampers the Zambian parliament's ability to approve or reject government policy and to scrutinise government activities. Moreover, lack of capacity also affects the ability of non-governmental organisations to fulfil their roles as service providers, advocacy groups and watchdogs. Accordingly, support to policy development and institutional and human capacity building, both within and outside the government sector, will be key areas for Swedish development cooperation during the coming strategy period. Partnership and harmonisation between donor organisations will be needed in order to avoid unduly high transaction costs and the over-burdening of debilitated systems.
- 2.11 To ensure continuity of focus, existing programmes should be the first to benefit from any additional funds accruing as a result of increased allocations to Zambia during the strategy period. Where new areas are contemplated, expanded support for the social sectors will be considered. This applies particularly to education, in view of the millennium development goals and the existence of a functioning SWAp programme. Education is also a priority area in the PRSP. In the event of expansion in this area, the possibility of partnerships with other donors active in the sector – NORAD in particular – will be explored.
- 2.12 According to the Country Analysis, the system of public procurement in Zambia is likely to remain weak in the short and medium term. Procurement using Swedish funds will therefore be subject to Swedish procurement regulations and provisions in sectors where there are no SWAp programmes or joint financing mechanisms. Where Sweden provides support to a SWAp (at present only in the health sector) and where all parties have agreed to use Zambia's procurement system, the aim will be to strengthen the system while using it. This in turn will require targeted institutional capacity building measures within the framework of overall support in order to increase openness, transparency and accountability within the procurement system.
- 2.13 To successfully combat poverty in its manifold dimensions, Sweden must endeavour to incorporate cross-sectoral issues in development cooperation programmes and projects. Particular emphasis will be placed on democratic governance, the environment, gender equality, children and HIV/AIDS. Mainstreaming of selected cross-sectoral issues will form part of the preparation, assessment and follow-up of the various Swedish-Zambian development cooperation programmes.
- 2.14 In the event of material changes in the conditions and scope for closer partnership between Zambia and Sweden and/or implementation of the development cooperation programme as such, a review of the programme as set out in the country strategy will be made.

### **Key dialogue issues**

- 2.15 The intended cooperation agreement between Zambia and Sweden should serve as a starting point for an in-depth, more structured dialogue on issues relating to development, growth and

human rights. An agreement will also provide a basis for dialogue on important issues of governance, such as parliament's active participation in the budget process and the establishment of priorities in this area, management and control of government finances, the ongoing reform of the public administration and matters relating to government transparency and accountability. Prominence should be given to democratic values and to the country's overall strategy for combating HIV/AIDS. The will to change on the part of the Zambian government and the measures taken by it are decisive factors for Swedish development cooperation and should be highlighted accordingly.

- 2.16 Key areas of the *overall policy dialogue* during the coming strategy period will be: (i) implementation of the PRSP, with particular emphasis on economic growth and diversification, HIV/AIDS, democratisation and political and economic governance, (ii) fighting corruption, and (iii) ownership and improved Zambia-led donor coordination.
- 2.17 At *sector level*, the dialogue will address the need for an agricultural policy which is clearly linked to the PRSP and its implementation and which takes account of such aspects as food security and sustainable agriculture. The relevance of the agricultural sector to economic growth will also be stressed. In the health sector, Sweden will continue to highlight democracy, human rights and gender equality as key aspects in the development of healthcare systems in the country. The dialogue will also address other issues that from time to time may be deemed relevant.
- 2.18 Dialogue will also be conducted under EU auspices in accordance with the principles set out in the Cotonou Agreement. The EU is currently engaged in a political dialogue with Zambia under the terms of Article 8 of the agreement.

### **Cooperation areas**

- 2.19 The Country Analysis concludes that the causes of poverty are manifold and that factors contributing to the creation or perpetuation of poverty are present in all sectors and at all levels of Zambian society. In light of this fact, and on the basis of the conclusions contained in the Performance Analysis and the priorities set out in the PRSP, it is concluded that Swedish development cooperation with Zambia is relevant in its present form and contributes to poverty reduction. Swedish support for the development process in Zambia shall be focused on areas where Zambian ownership can be sustained, where the political will to development is present and where Swedish know-how and experience can be deployed. Most of the sectors currently receiving Swedish assistance already have solid structures, established procedures and coordination mechanisms in place for the cooperation. Where these are lacking or deemed to be weak, Sweden will take steps to improve the situation.
- 2.20 During 2003–2007, Swedish support will thus continue to focus on good governance and human rights with a view to promoting the further democratisation of Zambian society. Sweden will also actively support Zambia's continued efforts to achieve macro-economic stability and growth, mainly through support for the agricultural and energy sectors, but also through funding for private and financial sector development. As social development and measures aimed at increasing food security are central to efforts to improve the living standards of the poor, these will continue to receive support, mainly in the form of assistance to the agricultural and health sectors. Living conditions among the urban poor will also receive increased attention. The introduction of modern information and communication technology will be considered in cooperation areas where its use is deemed advantageous.

- 2.21 The main difference between the current strategy and the proposed strategy for 2003–2007 is the greater prominence given in the latter to the HIV/AIDS problem. Support for the public administration sector will be stepped up as part of efforts to promote democratic governance. Particular attention will be devoted to the development of follow-up systems and procedures for pro-poor budgeting. Greater emphasis will be placed on measures targeted at the urban poor in view of the high occurrence of HIV/AIDS and the rapid growth of poverty in urban and peri-urban areas.
- 2.22 It is considered that the above measures will contribute to the achievement of the overall objectives of Swedish development cooperation with Zambia in the coming strategy period. It should be borne in mind, however, that the objectives and their fulfilment must be seen in a longer-term perspective than that applying to the strategy. The Swedish programme is in line with the priorities set out in the PRSP and, if implemented, will contribute to the fulfilment of the UN millennium development goals. It has also been designed to complement interventions by other donors, and joint financing will be applied in several cases. Coordination mechanisms are in place in all sectors except for urban development, an area which, to date, has only received limited support from Sweden, and where the principal players have so far been NGOs funded by other donors.

#### *HIV/AIDS*

- 2.23 The possibility of increasing support to combat HIV/AIDS during the strategy period – primarily by mainstreaming the issue in all existing programmes – will be closely and actively examined. However, there is also a need for programmes focusing specifically on the problem. Flexible funding will therefore be made available for strategic HIV/AIDS interventions throughout the strategy period. These will include preventive action as well as care and measures aimed at mitigating the effects of the epidemic.

#### *Economic growth*

- 2.24 The PRSP states that in order to achieve the objectives of economic growth and poverty reduction, the former must be at once sustainable and pro-poor. Attainment of *sustainable, pro-poor economic growth* will in turn require measures designed to promote a climate favourable to private enterprise – embracing domestic and foreign investors – in Zambia. Such measures could include support in the sale of agricultural products, the reform and privatisation of state-owned companies, and improved access to infrastructural services, including ICT. They could also include support for improved pro-poor access to sustainable financial services and funding for enterprise development targeted especially at the urban and rural poor. Developments in the mining sector following the Anglo American Corporation pullout in January 2002 will be closely monitored and analysed as the situation unfolds. If a satisfactory solution to the ownership issue is not found quickly, Anglo American's withdrawal could seriously hamper economic growth and the achievement of fiscal and monetary policy targets, and thereby impair Zambia's efforts to reduce poverty. Opportunities to stimulate and supplement Swedish private sector investment through development cooperation should be exploited. Such interventions must be based on Zambia's actual needs.
- 2.25 A policy paper on support for the private sector, including financial sector development, will be drawn up during the strategy period. The possibility of delivering trade-related technical and capacity building support will be examined. Gender equality issues will be taken into

consideration and special attention will be given to the impact of the HIV/AIDS epidemic in the business environment. Sweden will continue to promote donor coordination in this sector, particularly in connection with micro-financing activities.

- 2.26 During the strategy period, special importance will be attached to support for Zambia's agricultural development policy. Efforts shall include measures to boost institutional capacity. The aim of Swedish support in this area is to improve living conditions for small-scale farming households through *improved food security* and increased income from the sale of agricultural produce. It is considered that this will help make the rural and urban poor less vulnerable. The aim of Zambia's Agriculture Commercialisation Programme (ACP) is to help broaden Zambia's economic base. The new techniques and cultivation methods being applied under the programme are expected to have further favourable impacts on the environment and HIV/AIDS-stricken local communities. Support for policy development will be determined within the ACP framework. Consideration will be given to men and women's specific needs and all planning will be based on active participation and empowerment.
- 2.27 If vital policy changes covering aspects of food security and sustainable agriculture are not implemented in the agricultural sector within a reasonable timeframe, the sector's contribution to poverty reduction is likely to be limited. If this proves to be the case, Swedish support will be reviewed. Special efforts to improve donor coordination are called for in view of poor coordination between projects and programmes in the agricultural sector.
- 2.28 Support measures in the energy sphere will focus on further reforms in the sector and on improving the energy supply in rural areas, the latter through support for the design and implementation of a rural energy strategy and support for rural electrification. This approach, which combines reform measures and a focus on increased outreach, is regarded as a vital contribution to pro-poor economic growth. During the strategy period, Sweden will actively promote improved energy sector donor coordination under Zambian leadership.

### *Social development*

- 2.29 Swedish support for the health sector will continue to be provided as part of the ongoing health reform process, and thereby help achieve the overall sector objective – to ensure equity of access to quality healthcare as close to the family as possible. The support will help reduce vulnerability and poverty by improving the health of the population as a whole. It is also considered a condition for sustained economic growth in the long term.
- 2.30 Sweden will continue to play an active part in the SWAp programme and support efforts to expand the basket funding mechanism to include e.g. hospitals. An increase in support for the health sector during the strategy period should be possible. This is regarded as justified – in view of the very substantial needs in the sector and the growing strain placed on the system by the HIV/AIDS epidemic – and feasible since the mechanisms for financing and follow-up are already in place. However, it will require measures on the part of the Zambian government to restructure the sector and to meet the increased demands placed on the system by the HIV/AIDS epidemic.
- 2.31 Urban development support will be expanded during the strategy period as part of the endeavour to create a healthier, more tolerable environment for the urban poor. Measures will be guided by a strategy paper, to be drawn up. Possible interventions include continued institutional cooperation with municipal authorities on the development of a city-wide land

delivery process (security of tenure and site allocation), squatter upgrading, waste disposal and finance for housing improvement. Synergies between the urban development programme and private sector development programme should be sought and exploited, particularly in connection with pro-poor financial services. Popular participation and empowerment will be promoted and links established between urban development support and the democratic governance programme.

#### *Democratic governance*

- 2.32 During the strategy period, Sweden will support measures aimed at promoting democratic governance. A special Swedish democratic governance strategy, drawn up in 2000, will continue to provide a basis for interventions in this area. Key areas, which will be raised with the Zambian government, are the strategy's four project objectives: (i) increased and broadened political participation, (ii) ensured equal access to justice, (iii) strengthened freedom and independence of the media, and (iv) strengthened accountability and transparency of public expenditure.
- 2.33 In recognition of the immense importance of this last objective, support will be provided for measures relating to public expenditure, financial management, pro-poor budgeting and, in the wider sense, support for the development of strong, transparent and accountable administrative and judicial institutions, at both central government and district level. Efforts will be made to ensure that interventions in the sphere of public financial management are compatible at sector as well as national level. These measures are essential if Zambia is to achieve the objectives of democratic governance, growth and poverty reduction.
- 2.34 Increased efforts will also be made to identify and support measures aimed at upholding and promoting rights of the child. Efforts to enhance the effectiveness of interventions in the sphere of democratic governance will be supported. Sweden should seek to ensure that democracy and human rights continue to receive attention and are mainstreamed in programmes and projects in other sectors, particularly agriculture, health and urban development. Sweden will continue to work for improved coordination between donors and Zambian cooperation partners, both governmental and non-governmental.
- 2.35 It is expected that Zambia will continue to take part in regional programmes and initiatives, and funds for their implementation may be allocated to the embassy in Lusaka. At present, these programmes include projects and measures to combat drug trafficking and initiatives in connection with the refugee situation, with a special focus on HIV/AIDS. Other interventions might include activities funded under the humanitarian aid vote. Zambia may also benefit from the StartSouth (StartSyd) programme and from regional capacity building initiatives. The International Training Programme will remain a vital tool for capacity development and the exchange of experience between Zambia, Sweden and other developing countries.

#### **Follow-up of the country strategy**

- 2.36 It is essential that the country strategy be implemented in continuous dialogue with the Zambian government. The PRSP implementation process shall guide Swedish priority setting during the period, as must the Zambian government's own measures and aims. Zambian ownership within the context of cooperation is essential and Swedish practices and procedures must be adapted accordingly.

- 2.37 There is a good chance that government and donor processes can be brought into line behind the PRSP. Swedish development cooperation should be designed to support PRSP priorities, and the instruments, strategies, procedures and approaches used should be harmonised with Zambian government planning and budget periods. Continued measures aimed at ensuring that the donor community acts in a coordinated, unified manner – *inter alia* through the HIP initiative involving the Nordic countries, the UK, the Netherlands and Ireland – are a vital part of these efforts. Bilateral interventions will also be examined in the light of the multilateral support to which Sweden contributes through institutions such as the World Bank and the UN system. Strategic connections and points of contact should be identified and utilised wherever possible.
- 2.38 Follow-up of the country strategy is to be coordinated with the annual review of Zambia's PRSP to avoid duplication of effort and ensure real conformity with its provisions. Over time, Swedish accounting and auditing standards should be based on Zambia's own follow-up and auditing systems as far as possible. Sweden must be closely involved – along with other donors – in the PRSP review process in order to actively assess the feasibility of adapting the annual country strategy to that process. In the long run, this will also reduce the need for integrated bilateral consultations on Swedish development assistance and lead to their eventual replacement with dialogues involving other donors.
- 2.39 The possibility of budget support may be examined during the strategy period. Its provision should be linked to well established follow-up systems, so that the effectiveness and outcome of planned interventions can be assessed and funds applied as accurately and correctly as possible.
- 2.40 Promotion of the Swedish resource base continues to be important. If the exchange of experience, know-how and expertise and resources among development cooperation players, the business community and government bodies concerned with import and export promotion is to be turned to account, consultation and cooperation are essential. Support for local NGOs active in Zambia will also continue to be important. This will require special follow-up and evaluation mechanisms.
- 2.41 Follow-up and evaluation should be regarded as crucial to the implementation of the country strategy. This will be operationalised on the basis of annual country plans and followed up through half-yearly reports and follow-up mechanisms developed as part of the Harmonisation in Practice (HIP) initiative. Particular efforts should be made to develop methods for collecting information on the outcome of interventions and their long-term impact.
- 2.42 The country strategy will run for five years and its implementation hinges on development in Zambia, particularly in the political sphere. Sida shall provide the Swedish Ministry for Foreign Affairs with advance information regarding the estimated annual volume of development cooperation support and all major interventions. It is also required to consult with the Ministry ahead of any decisions involving important matters of principle.

### **3. Financial and administrative aspects**

- 3.1 The staffing schedule proposed in connection with its plan of operations for 2003 will enable the embassy in Lusaka to implement development cooperation with Zambia in accordance

with the proposals set out in 2003–2007 country strategy, provided that any increase in the appropriation is handled as stipulated in the strategy. The increased focus on HIV/AIDS proposed in the strategy will be covered by support from the regional HIV/AIDS team in Lusaka and through the two programme officers for health that the embassy has at its disposal.

- 3.2 The total volume of Swedish support to Zambia for the three-year period (2003–2005) is estimated at approximately SEK 600 million, excluding possible budget support, funding for regional programmes, the StartSouth (StartSyd) programme, International Training Programmes, support through Swedish NGOs (80-20 funding ratio) and humanitarian aid. Given that Zambia is currently in the final stages of HIPC negotiations, concessional loans and guarantees may be used as instruments for financing Zambian development efforts during the strategy period.

**Table 3. Indicative disbursement figures per sector for development cooperation with Zambia, 2003–2005 (provided funding is available and subject to the considerations and conditions set out in the strategy)**

<b>Sector</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Healthcare incl. HIV/AIDS measures	70 000 000	80 000 000	90 000 000
Agriculture	46 000 000	48 000 000	50 000 000
Democracy/Human rights	18 000 000	25 000 000	28 000 000
Trade and industry, and energy	27 000 000	28 000 000	35 000 000
Urban development	4 000 000	8 000 000	10 000 000
Other *	10 000 000	11 000 000	12 000 000
<b>TOTAL</b>	<b>175 000 000</b>	<b>200 000 000</b>	<b>225 000 000</b>

\* Includes costs for Zambian programme officers and home based staff covered by the activity-based appropriation. The post also covers funds for programme development.



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