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Investing in rural people

Kingdom of Eswatini

Country Strategic Opportunities Programme

2022-2027

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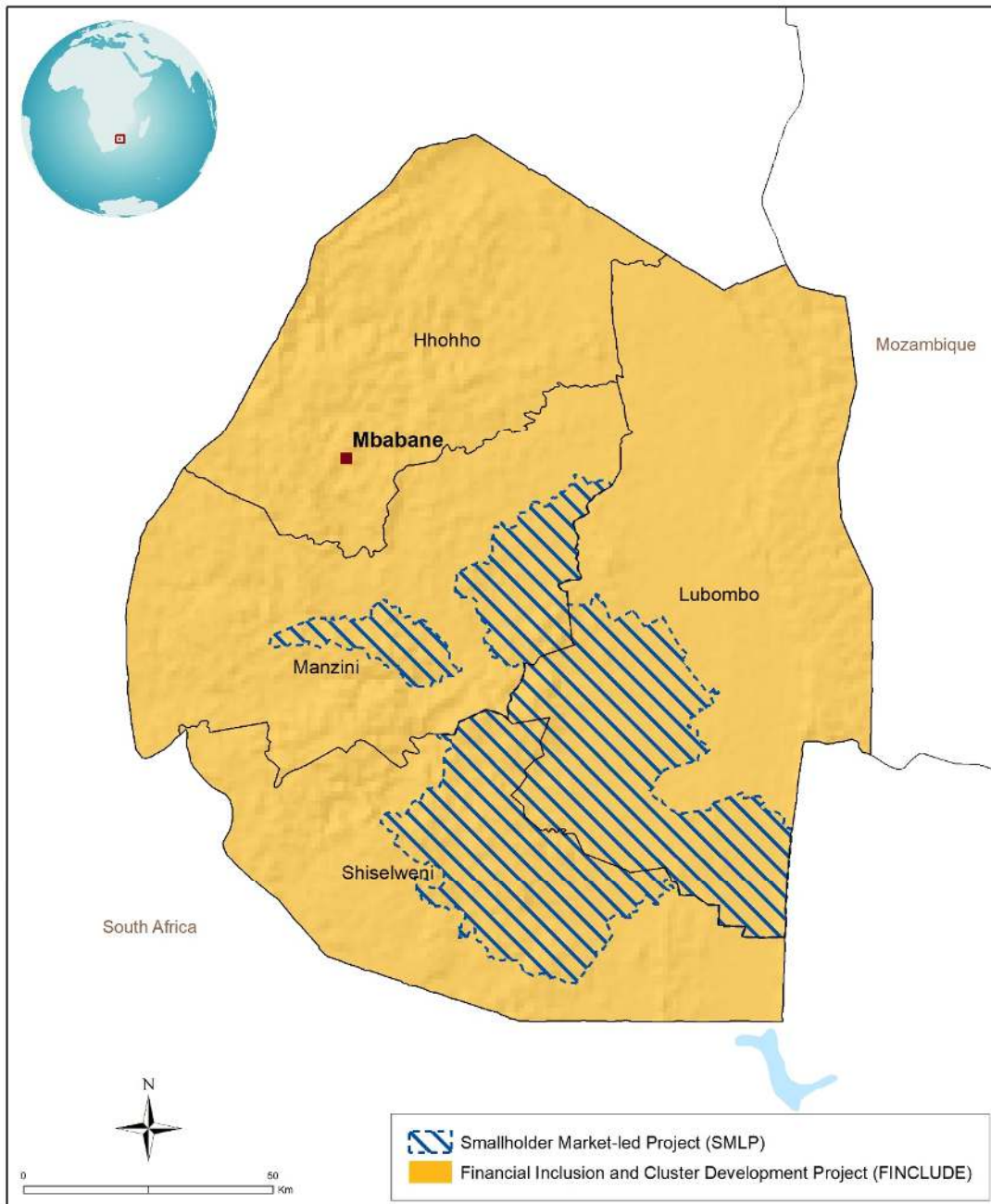
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Abbreviations and acronyms

CLPE	country-level policy engagement
COSOP	country strategic opportunities programme
CSPE	country strategy and programme evaluation
FFR	Financial Facility for Remittances
FINCLUDE	Financial Inclusion and Cluster Development Project
ICT4D	Information and communications technologies for development
IFAD12	Twelfth Replenishment of IFAD's Resources
M&E	monitoring and evaluation
SAPEMP	Smallholder Agricultural Productivity Enhancement and Marketing Project
SHF	smallholder farmer
SMLP	Smallholder Market-led Project

Map of IFAD-funded operations in the country



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 02-12-2021

Executive summary

1. IFAD has maintained a strong partnership with the Kingdom of Eswatini since its first engagement in 1985. This country strategic opportunities programme (COSOP) 2022-2027, builds on this partnership and sets out IFAD's strategy in support of the Government's goal of strengthening agricultural productivity and eradicating rural poverty.
2. Despite some progress in poverty reduction, Eswatini's economic growth over the past decade has declined, falling from 5.7 per cent in 2012 to 2.2 per cent in 2019.¹ Increasing fiscal deficits, the impact of the 2015/2016 drought and Eswatini's suspension from eligibility under the United States' African Growth and Opportunity Act and from the European Free Trade Association from 2015 to 2017 have contributed to growth stagnation. This has been exacerbated by the COVID-19 pandemic, which led to a 2.6 per cent decline in GDP per capita in 2020,² and similarly low growth rates are expected in 2021.
3. Agriculture sustains the livelihoods of about 75 per cent of Eswatini's population and supplies raw materials to key agroprocessing and manufacturing industries. Despite the sector's potential to boost exports, promote import substitution, generate employment and enhance product diversification, it faces several constraints. These include climate change threats and environmental degradation, combined with low productive capacity, inadequate access to finance, limited access to markets and weak value chains.
4. The COSOP's theory of change is premised on the understanding that the alleviation of rural poverty in Eswatini will require the provision of support to resource-constrained households to develop profitable and sustainable livelihood activities. It envisages the graduation of smallholder farmers from subsistence production to commercially oriented farming and the development of off-farm rural enterprises. This will require a mix of interventions that are adapted to the circumstances, needs and interests of diverse segments of the population, especially youth.
5. The COSOP is aligned with Eswatini's National Development Strategy, 2022 Vision and other key sectoral policies in its commitment to overcome rural poverty.
6. The COSOP's goal is to reduce rural poverty and improve sustainable food and nutrition systems through inclusive, resilient agricultural commercialization and complementary off-farm income opportunities. It is underpinned by two strategic objectives (SOs).
 - (i) **SO1:** Improved food systems, through increased climate-resilient productivity, food security and nutrition for resource-constrained smallholder farmers.
 - (ii) **SO2:** Increased commercialization of smallholder farming through asset and capacity-building support to enable smallholders to graduate to off-farm agroenterprises.
7. The menu of interventions, to be provided, primarily during the financing cycles of the Twelfth and Thirteenth Replenishments of IFAD's Resources (IFAD12 and IFAD13), will include loan-financed rural investment projects, grant support for capacity-building and support for policy development and South-South and Triangular Cooperation.

¹ World Bank, *GDP growth (annual %) – Eswatini*. (2021). <https://data.worldbank.org/indicator/NY.GDP.MKTP.Kd.zg?locations=SZ>.

² Ibid.

Kingdom of Eswatini

Country Strategic Opportunities Programme

I. Country context and rural sector agenda: key challenges and opportunities

1. **Political context.** The Kingdom of Eswatini attained independence in 1968 and is the only absolute monarchy in Africa. The current sovereign, His Majesty King Mswati III, appoints the Cabinet and some of the members of the national legislature. During 2021, Eswatini experienced periods of political instability, following pro-democracy protests and civil unrest,³ bringing uncertainty to the investment climate. Youth unemployment and underemployment coupled with limited decent work opportunities, a situation aggravated by the impacts of the COVID-19 pandemic, are key causes of social instability.
2. Eswatini is a landlocked country of 17,363 km², bordered by Mozambique and South Africa. Its macroeconomic stability is influenced by economic trends in South Africa and by variable annual allocations from the Southern African Customs Union, the amount of which has declined in recent years.
3. **Economic development.** Eswatini's macroeconomic structural transformation has been slow in recent years, with limited diversification beyond the manufacturing and services sectors, which account for 36 per cent and 52 per cent of GDP, respectively. Eswatini's economic growth has declined over the past decade, falling from 5.7 per cent in 2012 to 2.2 per cent in 2019.⁴ There is also a need for fiscal adjustments, given increasing fiscal deficits. The impact of the 2015/2016 drought and the country's suspension from eligibility under the United States' African Growth and Opportunity Act from 2015 to 2017 and from the European Free Trade Association contributed to the economic stagnation, as did concerns over workers' rights and the outbreak of foot-and-mouth disease in the country.
4. **COVID-19.** COVID-19 has exacerbated downward economic trends. Following quarantine border closures with South Africa, GDP growth declined further, dropping from 2.2 per cent in 2019 to -1.6 per cent in 2020. An additional 65,800 people were estimated to be living below the poverty line and more than 8,400 were laid off in 2020 as a result of the pandemic.⁵
5. **Medium-term outlook (appendix II).** While the outlook is relatively positive, with real GDP growth expected to increase by 1.5 per cent in 2021, significant uncertainty and downside risks remain. If medium-term fiscal adjustment plans are not implemented, public debt will rise further, undermining macroeconomic stability.
6. **Agriculture sector and rural economy.** Agriculture contributed 9.1 per cent to Eswatini's GDP in 2020, having declined from 10.1 per cent in 2010.⁶ In 2019, agricultural products made up 34 per cent of exports from Eswatini and the bulk of these went to South Africa (66 per cent).⁷ Reflecting the lack of diversity in agricultural production, 80 per cent of the export income derived from the sector was from the cultivation of sugar. Agricultural produce made up 19.6 per cent of Eswatini's imports, with 73 per cent coming from South Africa.⁸

³ Economist Intelligence Unit, *Eswatini* (2022). <https://country.eiu.com/eswatini>.

⁴ World Bank (2021).

⁵ United Nations Development Programme (UNDP), *Rapid Socioeconomic Assessment of COVID-19 in Eswatini* (2020).

⁶ Statista, *Swaziland: Distribution of gross domestic product (GDP) across economic sectors from 2010 to 2020* (December 2021).

⁷ World Trade Organization, *Eswatini and the WTO – Eswatini Merchandise Trade* (2020).

⁸ *Ibid.*

7. Agriculture sustains the livelihoods of about 75 per cent of Eswatini's population of 1.6 million. This sector has the potential to become more commercialized, produce high-value crops (baby vegetables, potatoes, onions, carrots, sugar beans, and soybeans), improve income and create employment. However, the sector faces several challenges, including high vulnerability to climate change (especially drought), low productivity, high post-harvest losses, lack of capacity and limited access to finance by smallholder farmers (SHFs). Job creation in agroprocessing is also limited by low production, limited access to markets and weak value chains.
8. **Poverty.** Despite progress in poverty reduction,⁹ Eswatini faces high levels of unemployment and inequality,¹⁰ with nearly 59 per cent of the population living below the national poverty line and 20 per cent below the extreme poverty line.¹¹ Poverty is highest in rural areas, where 70 per cent of the population are classified as poor.¹² Women-headed households, youth, older people, people living with HIV/AIDS and people with disabilities are the most vulnerable social groups and the most adversely affected by poverty.
9. **HIV/AIDS.** Eswatini has the highest prevalence of persons living with HIV in the world (27 per cent). Although the annual rate of new infections has dropped by more than 75 per cent in the past two decades, in 2020 there were an estimated 200,000 persons with HIV; an estimated 35 per cent of women aged 15 to 49 are HIV positive.¹³ The high number of persons living with HIV has lowered labour productivity, increased household vulnerability and deepened poverty. There are an estimated 53,000 orphans (aged 0 to 17 years) whose parents have died of HIV/AIDS.
10. **Climate change.** Eswatini is particularly vulnerable to climate change impacts and variable weather patterns, since 80 per cent of its agricultural production is rainfed.¹⁴ Historical data reveal that annual mean temperatures increased by 3° C in all agroecological zones from 1961 to 2000, with a further projected rise of 1.5° C to 2.5° C from 2046 to 2065,¹⁵ along with more erratic rainfall patterns and increased frequency and intensity of droughts and floods, all of which will have severe impacts on agriculture and food security.
11. **Natural resources management.** Eswatini's natural resources are threatened by overexploitation and unsustainable land use practices. Land degradation is leading to a loss of productivity, ecosystem service, and income for local communities.
12. **Food security and nutrition.** Eswatini is a food deficit country and a net importer of food. Moderate and severe food insecurity affect 63 and 30 per cent of the population, respectively, while 16 per cent are chronically food insecure.¹⁶ The 2020 Global Hunger Index ranked Eswatini seventy-fourth out of 107 countries, with a score of 20.3,¹⁷ reflecting a level of hunger that is serious. Eswatini experiences the double burden of malnutrition (23.6 per cent prevalence of stunting in children under 5) and obesity (26.2 per cent of adult females are obese).¹⁸

⁹ The poverty head count ratio declined from 69 per cent in 2000 to 58.9 per cent in 2016. World Bank (2021).

¹⁰ Estimated to be 51.4. World Food Programme, *Eswatini Country Strategic Plan (2020-2025)* (2020).

¹¹ Government of the Kingdom of Eswatini *Swaziland Household Income and Expenditure Survey. Findings Report* (2018).

¹² Ibid.

¹³ Joint United Nations Programme on HIV/AIDS (UNAIDS), *Eswatini, Country Factsheet* (2021).

¹⁴ Government of Eswatini, Ministry of Tourism and Environmental Affairs (MTEA), *National Climate Change Policy* (2016).

¹⁵ MTEA, *Eswatini Green Climate Fund Country Programme* (2021).

¹⁶ UNDP (2020). Global Hunger Index, *Eswatini (Swaziland)* (2021). <https://www.globalhungerindex.org/eswatini.html>.

¹⁷ Ibid.

¹⁸ Global Nutrition Report, *Country Nutrition Profiles – Eswatini* (2020).

13. **Youth.** Youth aged 15 to 35 make up approximately 30 per cent of the population,¹⁹ and 73 per cent of young people live in rural areas.²⁰ Youth have limited access to land, credit, inputs and work-related networks, among other employment constraints. While child labour is extensive,²¹ over 45 per cent of youth are unemployed and have limited prospects for finding sustainable work.
14. **Women.** Despite formal progress in advancing gender equality, most women in rural areas still struggle to gain access to land, financial services, extension services and markets. Women have lower workforce participation rates,²² are subject to patriarchal social relations, gender-based violence and unequal gender norms and are more deeply affected by shocks and hunger.²³

II. Government policy and institutional framework

15. The Government of Eswatini focuses on the expansion of commercial agricultural production, through clustering of small-scale producers, anchored by large commercial farming enterprises. This approach aims to facilitate access to finance, inputs and extension support, while creating economies of scale in agricultural goods production for domestic and export markets.
16. The Government of Eswatini has an array of strategic plans, which underscore the importance of agriculture, including the National Development Plan (2018/19-2022/23) and the Agriculture Strategic Plan (2018-2023). These plans emphasize the need for increased agricultural production, improved marketing and value addition in the sector to improve food and nutrition security. However, land tenure arrangements adversely affect farmers' ability to borrow, expand or dispose of land and limit women's and youth's access to land, thereby undermining their potential contribution to commercial agricultural production.
17. Eswatini's Strategic Road Map (2019-2022) presents a medium- to long-term focus on increased import substitution and export of agricultural produce.²⁴ However, a gap remains in capacity-building for producers to encourage an export and import substitution orientation. Import substitution and export promotion will require improved production and domestic supply chains.
18. The National Financial Inclusion Strategy (2017-2022) provides a framework for greater financial inclusion in the agriculture sector and for the commercialization of small-scale farming. However, the provision of inclusive and appropriately designed finance for rural women and youth-led enterprises remains a constraint to their commercial progress.
19. The National Climate Change Policy (2016) aims to mainstream climate adaptation practices into the agriculture sector, and to contribute towards the country's commitments under the United Nations Framework Convention on Climate Change and global greenhouse gas emission reductions targets. The Climate Change Bill, expected to be enacted into law, aims to promote climate resilience and inclusive low-carbon green growth.

¹⁹ Ministry of Sports, Culture and Youth Affairs (2020). Eswatini National Youth Policy (2020).

²⁰ Macrotrends, *Eswatini Youth Unemployment Rate 1991-2021* (2021). <https://www.macrotrends.net/countries/SWZ/eswatini/youth-unemployment-rate>.

²¹ Appendix IV, para.19, Social, Environmental and Climate Assessment Procedures – background study.

²² The country had a score of 0.567 and ranked 143 out of 162 in the 2019 Gender Inequality Index. UNDP, *Gender Inequality Index* (2020). <https://hdr.undp.org/en/content/gender-inequality-index-gii>.

²³ Kingdom of Eswatini Vulnerability Assessment Committee, *Annual Vulnerability Assessment and Analysis Report* (2019).

²⁴ A National Development Strategy to be finalized in 2022 will replace the current strategy documents. High-level COSOP consultations revealed that the country's priorities for the next period will focus on agricultural import substitution, increased exports and greater financial inclusion, among others.

20. The National Disaster Risk Reduction Policy and National Resilience Strategy and Disaster Risk Reduction Action Plan (2017-2021) focuses on monitoring, and an early warning system is already operational throughout the country.²⁵
21. The Eswatini National Youth Policy (2020) recognizes the need for youth equity and inclusion. A forthcoming youth employment strategy will set out measures necessary to promote youth employment and entrepreneurship.
22. The Ministry of Agriculture, the lead government agency in the sector, is supported by five state-owned entities: the National Agricultural Marketing Board, the National Maize Corporation, the Eswatini Water and Agricultural Development Enterprise, the Eswatini Dairy Board and the Eswatini Cotton Board. However, coordination between the different entities is inadequate and potential synergies in their interventions are often lost, particularly in maximizing market opportunities for SHFs.

III. IFAD engagement: lessons learned

23. Independent Office of Evaluation of IFAD (IOE) conducted a country strategy and programme evaluation (CSPE)²⁶ of IFAD-funded projects in Eswatini from 2000 to 2020, together with project evaluations and review mission reports, which provided valuable lessons for the formulation of this country strategic opportunities programme (COSOP).
24. The CSPE recommendations relate to: (i) addressing fundamental constraints that prevent smallholders, youth and women from achieving sustainable livelihoods; (ii) implementing joint initiatives as efficiently and effectively as possible; and (iii) ensuring that monitoring and evaluation (M&E) and procurement systems are fundamental pillars of project design.
25. Further lessons learned, and addressed in the COSOP, are as follows:²⁷
 - (i) **Targeting.** There is a need for accurate targeting and differentiated support for project beneficiaries, particularly youth, persons living with HIV, and persons with disabilities and households with a low asset base, which are unable to develop sustainable rural enterprises.²⁸ To address the high prevalence of HIV infection, it is important to tackle underlying causes and risky cultural practices.
 - (ii) **Community participation.** The participatory chiefdom development planning experience under the Smallholder Market-led Project (SMLP) demonstrates that active participation of communities in the design and implementation of rural development interventions is central to their success.
 - (iii) **Employment creation for youth.** Eswatini's youth have little interest in agriculture, as it appears to offer limited opportunities for economic advancement. Commercially oriented agriculture and off-farm employment creation opportunities (including micro, small and medium-sized enterprises [MSMEs]) should be considered as entry points for youth inclusion.²⁹
 - (iv) **Promoting institutional financial awareness.** Financial institutions in Eswatini often lack appreciation of the dynamics of agribusinesses and are risk-averse in supporting small and medium-sized enterprises. Capacity-building in risk assessment and client-specific product development will be essential in advancing financial inclusion in the sector.³⁰

²⁵ A new strategy is currently under development.

²⁶ IFAD, IOE, *Kingdom of Eswatini Country Strategy and Programme Evaluation, Draft Report* (2021).

²⁷ Further lessons learned are included in the SECAP report.

²⁸ IFAD, *Kingdom of Swaziland – Financial Inclusion and Cluster Development – Final project design report* (2018).

²⁹ Eswatini COSOP consultations (2021).

³⁰ IFAD, IOE, Kingdom of Eswatini – Rural Finance and Enterprise Development Programme – Project Performance Evaluation (2019).

- (v) **Simplicity of design.** Complex projects, involving different sectoral approaches and institutional arrangements, and multiple interventions are difficult to implement.³¹
- (vi) **Complementarity in portfolio.** There is a need for complementarity in the design and implementation of successive projects, such as those aimed at strengthening financial inclusion and developing rural enterprises and value chains.³²

IV. Country strategy

A. Comparative advantage

26. IFAD has established a strong partnership with the Government of Eswatini over more than three and a half decades and has the following comparative advantages:
- (i) IFAD is the only international financial institution and United Nations agency that invests exclusively in extensive rural development projects, benefiting poor rural households.
 - (ii) IFAD has demonstrated its capacity to successfully mobilize partners to cofinance rural development projects.
 - (iii) IFAD-financed projects are developed together with the Government, fully aligned to national priorities and implemented by government ministries.
 - (iv) Emphasis on participatory design and implementation of IFAD-funded projects has been instrumental in capacity-building to enable communities to develop plans necessary to guide public investments in agriculture and rural development (Lower Usuthu Smallholder Irrigation Development Project).³³

B. Target group and targeting strategy

27. **Target groups.** IFAD support will focus on three target groups:
- (i) Category 1: Medium and small entrepreneurs with the capacity to become sustainable commercial farmers, who need technical and/or financial assistance to do so.
 - (ii) Category 2: Smallholders meeting their basic needs, who remain vulnerable to exogenous shocks, requiring assistance to build resilience.
 - (iii) Category 3: Poor, resource-constrained rural and peri-urban dwellers in need of support to strengthen their resilience and food and nutrition security.
28. **Targeting strategy.** Interventions will be national in scope but will focus on locations with high poverty rates and nutrition insecurity with potential for coordinated investments. Specific packages will cater to the needs of each category of beneficiaries. The focus in category 2 will be on transitioning SHFs from subsistence to profitable, commercially oriented livelihoods; linkages between private sector outgrowers and/or offtakers will be prioritized. Category 3 beneficiaries will be offered opportunities to become food and nutrition secure through production-based interventions.
29. Quotas will be established for the engagement of women (at least 40 per cent), youth (40 per cent) and persons with disabilities (8 per cent) in project activities. Persons living with HIV will be among the beneficiaries and they will benefit from empowering interventions. The targeting of youth, especially those in the hardest to reach areas, will be prioritized. The COSOP will target approximately

³¹ IFAD, IOE, *Eswatini CSPE* (2021).

³² IFAD, *Eswatini COSOP consultations* (2021).

³³ IFAD, *FINCLUDE Report* (2018).

52,000 individuals and will thus have the potential to reach about 318,000 beneficiaries,³⁴ based on an average rural household size of six.

C. Overall goal and strategic objectives

30. The COSOP goal, which is aligned with IFAD implementation strategies emanating from the 2021 United Nations Food Systems Summit and with Eswatini's Food Systems Summit national pathway, is to reduce rural poverty and improve sustainable food and nutrition security among resource-constrained households through inclusive, resilient agricultural commercialization and complementary on-and-off-farm income opportunities. Programmes and projects implemented under the COSOP will place special emphasis on biodiversity conservation and on the inclusion of youth and women. The COSOP, which will contribute to the achievement of Sustainable Development Goals 1, 2, 5, 8 and 13, is underpinned by two strategic objectives (SOs) and by the cross-cutting themes of youth, gender, climate change and nutrition.
31. **SO1: Improved food systems, through increased climate-resilient productivity, food security and nutrition for resource-constrained SHFs.** Based on a food systems approach, SO1 will focus on factors that constrain the climate-resilient productivity and nutrition of SHFs operating at subsistence level. With a specific focus on the inclusion of women, it will promote farming technologies appropriate to their asset base and needs and will include climate change adaptation, biodiversity conservation and other mitigation practices necessary to enhance household nutrition.
32. **SO2: Increased commercialization of smallholder farming, through asset and capacity-building support to enable smallholders to graduate to off-farm agroenterprises.** SO2 will assist SHFs with the assets and capacity-building necessary to graduate from subsistence agriculture to market-oriented enterprises. This will include an emphasis on clustering of SHF production, financial inclusion, support for climate-smart agroprocessing, facilitation of market access for smallholders and strengthening of value chains for high-value crops.
33. **Theory of change (appendix XI).** The COSOP's theory of change is premised on the understanding that alleviation of rural poverty in Eswatini will require increased, climate-resilient productivity, enhanced biodiversity conservation,³⁵ and food security of SHFs, together with increased commercialization of the smallholder sector and income-earning opportunities for rural women and youth. The theory of change envisages the progressive graduation of smallholders from subsistence production to commercially oriented farming and the development of off-farm rural enterprises. This will require a mix of interventions that are adapted to the circumstances, needs and interests of diverse segments of the population, especially youth.
34. **Youth.** The COSOP will place specific emphasis on developing the entrepreneurial skills of young people, both in commercial agriculture and in off-farm enterprises (including MSMEs). Support will be tailored to the specific needs of older and younger, female and male youth and will include training, mentoring and facilitating access to resources and finance aimed at generating decent and sustainable employment.
35. **Gender.** The COSOP will mainstream gender equality at all levels of the project cycle and promote employment opportunities and the economic empowerment of women of different ages in project interventions. Measures to be considered will

³⁴ SECAP report, paras. 150-153.

³⁵ SECAP report.

include facilitating women's access to land and productive resources, equitable decision-making and reducing the workload of women.

36. **Climate change.** Support will be provided for climate adaptation interventions with mitigation co-benefits, including climate-smart agricultural practices, climate and weather information systems, renewable energy, sustainable land management practices, efficient water use, climate-proofing rural infrastructure and provision of climate-focused financial products by financial institutions. IFAD will work with the Government, its development partners and the private sector in pursuit of this objective.
37. **Nutrition.** Income and production pathways will be employed to promote improved food and nutrition security.³⁶ Nutrition education and water, sanitation and hygiene (WASH) messaging will accompany both pathways. The gender-climate-nutrition nexus will be explored to maximize nutrition impact. Post-harvest loss reduction interventions will be considered in new projects.

D. Menu of IFAD interventions

38. **Loans and grants.** Two investment projects are ongoing in Eswatini: SMLP, which will close in 2022, and the Financial Inclusion and Cluster Development Project (FINCLUDE), which will close in 2025. This COSOP will include a new project under IFAD12, the Smallholder Agricultural Productivity Enhancement and Marketing Project (SAPEMP), and another one, subject to availability of IFAD13 funding.

Table 1
IFAD lending portfolio for the COSOP period (2022-2027)

<i>Project</i>	<i>Objective</i>
SMLP (ongoing) <ul style="list-style-type: none"> US\$21.1 million 2017-2022 	Enhance food and nutrition security and incomes among smallholder producer families, through diversified agricultural production and market linkages.
FINCLUDE (ongoing) <ul style="list-style-type: none"> US\$38.56 million 2019-2025 	Increase returns from sustainable farm and non-farm enterprises through resilient links to markets and access to appropriate financial services.
SAPEMP (IFAD12 pipeline) <ul style="list-style-type: none"> US\$9.07 million, subject to IFAD12 performance-based allocation system (PBAS) allocation 2023-2029 	Reduce poverty and food and nutrition insecurity by strengthening performance of targeted commodity value chains to enhance efficiency of food systems through increased farm productivity, innovation, market integration, agroprocessing, exports and resilience.
Financial inclusion project (IFAD13 indicative pipeline) <ul style="list-style-type: none"> Amount to be determined (TBD) 2025-2031 	Focus on financial inclusion, based on results of FINCLUDE.

39. **Regional grants.** Regional grants will be mobilized to complement IFAD-financed projects. Currently Eswatini is benefiting from a grant from Strengthening Nutrition in Agri-food Systems in East and Southern Africa through Root and Tuber Crops and implemented by the International Potato Center.
40. **Information and communications technologies for development (ICT4D).** IFAD will provide technical assistance in the use of ICT4D, which will include the use of digital technologies in monitoring climate change and mitigating its impacts.
41. **Rural Poor Stimulus Facility (RPSF).** Eswatini is currently implementing two RPSF grants to build resilience against the impact of COVID-19. The first grant (US\$304,000) is implemented by the Food and Agriculture Organization of the United Nations (FAO), while the second grant (US\$371,000) is part of the financing for SMLP.

³⁶ Nutrition-sensitive interventions will be aligned with the national nutrition mainstreaming strategy.

42. **Private Sector Financing Programme (PSFP).** Where appropriate, the PSFP will be mobilized to elicit the support of private sector investors in promoting youth employment, women's empowerment, environmental sustainability, and climate resilience of SHFs.
43. **Financial Facility for Remittances (FFR).** FINCLUDE is already benefiting from an FFR grant. Further collaboration with FFR will be explored.
44. **Country-level policy engagement (CLPE).** In addition to the CSPE recommendations, the following areas have been identified for CLPE during the COSOP period: (i) support for an integrated agricultural marketing strategy that ensures greater coordination between state-owned entities in the sector and the development of value chains and import substitution; (ii) engagement on the need for macroeconomic transformation and fiscal adjustment; (iii) building capacity in participatory ecosystems management and biodiversity conservation at local and national levels; (iv) sharing models and best practices enabling women's and youth's access to agricultural land; and (v) sharing models and best practices on effective inclusion of youth.
45. **Capacity-building.** Capacity-building and technical support in scarce skills areas such as those relating to market integration, commodity value chain development and M&E will be provided to government officials, in consultation with participating ministries. Consideration will also be given to capacity-building for national financial institutions in risk assessment and in development of client-specific products, which will advance financial inclusion among small-scale commercial farmers.
46. **Knowledge management.** Knowledge management will employ innovative approaches for the collection and analysis of robust evidence to support implementation, CLPE and scaling up of interventions. This will include use of digital tools for beneficiary participation in knowledge generation. Activities will include systematic production and dissemination³⁷ of knowledge management products on key themes of this COSOP. South-South and Triangular Cooperation (SSTC) will be leveraged as appropriate.
47. **SSTC.** SSTC will be fostered with new and existing bilateral partners to support key areas, such as gender equality and women's empowerment (Kenya); irrigation models (Zimbabwe); renewable energy technologies for SHFs; indigenous chickens (Cambodia); cluster development (Nepal); and climate change issues (South Africa).
48. **Communication and visibility.** Strategies will be developed, including engagement through internet and local media (radio, television and newspapers), both to educate and showcase the impact of the country programme in improving the lives of rural people in Eswatini.

V. Innovations and scaling up for sustainable results

49. **Innovations.** The COSOP will aim to introduce technological innovations in project design and implementation. These will include geospatial tools for targeting and M&E, green post-harvest systems, climate-smart technologies and digital tools for record-keeping, mobile remittance transfers, marketing and advisory services.
50. **Scaling up.** Scaling up is an integral approach in IFAD's country programme in Eswatini. Successful interventions from past and ongoing projects, such as youth targeting, participatory development approaches, biodiversity conservation and land rehabilitation, will be scaled up.

³⁷ Lesson-sharing events, exchange visits, multi-stakeholder platforms, policy dialogues and media events.

VI. COSOP implementation

A. Financial envelope and cofinancing targets

51. For IFAD12, the PBAS allocation to Eswatini amounts to US\$9,070,000, which will be allocated to the new SAPEMP. It is assumed that a similar indicative allocation will be granted under IFAD13. Eswatini is also eligible for Borrowed Resources Access Mechanism (BRAM) resources. The Government has indicated that it could seek BRAM resources, if needed, to support the implementation of key priorities within the framework of its agriculture strategies and plans.

Table 2

IFAD financing and cofinancing of ongoing and planned projects
(Millions of United States dollars)

Project	IFAD financing	Cofinancing		Cofinancing ratio
		Domestic	International	
Ongoing				
SMLP	10.1	7.2	7.2	1:1.42
FINCLUDE	9.2*	24.2	5.0	1:3.17
Planned				
SAPEMP (IFAD12)	9.07	7.8	3.0	1:1.19
Financial inclusion project (IFAD13)	TBD	TBD	TBD	TBD
Total	28.37	39.2	15.2	1:97

*Includes an FFR grant of US\$ 0.3 million.

52. The Eswatini country programme is also expected to continue benefiting from international climate funding from the Global Environment Facility (GEF). A joint proposal (IFAD and FAO) for the Green Climate Fund (GCF) is under preparation, for the implementation of climate activities under FINCLUDE.

B. Resources for non-lending activities

53. This COSOP includes interventions in support of CLPE (para. 44) and SSTC (para. 47). Additional funding for such activities will be sought from IFAD's relevant funding sources, such as the China-IFAD SSTC Facility.

C. Key strategic partnerships and development coordination

54. **Strategic partnerships.** Strong partnerships have been developed with several key government ministries.³⁸ Other development partners include United Nations agencies, civil society organizations, academic institutions and the private sector for implementation support and CLPE. Further key strategic partnerships are foreseen for climate and environment financing (GEF, GCF); financial inclusion (commercial banks); cofinancing and analytical support (African Development Bank, World Bank and the European Union); research and innovation (International Livestock Research Institute and International Potato Center); and infrastructure (OPEC Fund for International Development).
55. **Development Coordination.** This COSOP's SOs are aligned with Eswatini's United Nations Sustainable Development Cooperation Framework (UNSDCF) 2021-2025 priorities (climate financing, policies and regulations to promote private sector investment and climate-smart agriculture). This was confirmed through consultations with the United Nations Resident Coordinator and members of the United Nations country team (UNCT). This COSOP has been endorsed by the Resident Coordinator. IFAD will continue to strengthen its participation in the UNCT and its contribution to the UNSDCF.

³⁸ See appendix IV.

56. **Collaboration with Rome-based agencies.** Further collaboration with FAO is foreseen in promoting climate-proofed farming practices and in strengthening national capacity in e-extension and e-commerce. IFAD will also collaborate with the World Food Programme on nutrition-sensitivity programming and will link SHFs to the Home-grown School Feeding Programme to assist them in commercializing their production and increase household incomes.

D. Beneficiary engagement and transparency

57. **Beneficiary engagement.** Participatory development will continue to be prioritized during project design and in M&E system development. Engagements with beneficiaries during supervision missions will be recorded, and their feedback will be considered in improving overall performance under the COSOP.
58. **Transparency.** Transparency will be enhanced by publishing the names of grant recipients, displaying IFAD grievance redress mechanisms on project websites and disseminating project supervision and completion reports. These reports will include data on implementation progress and expenditure, audit reports and financials on project websites.
59. **Grievance redress mechanisms (GRMs).** GRMs will be put in place for new IFAD investments. Project-level GRMs will bring together traditional institutional project mechanisms and tools for all project stakeholders.

E. Programme management arrangements

60. All IFAD loan-financed projects will be implemented through designated project management units comprising representatives of implementing partners in Eswatini. The potential to merge management of SAPEMP and the proposed financial inclusion project will be explored. The Regional Director and the Country Director for Eswatini will provide guidance on IFAD's investments and oversee the implementation of the COSOP. COSOP implementation will also receive technical support from IFAD's Regional Office in Nairobi and the Multi-Country Office in South Africa as well as headquarters.

F. Monitoring and evaluation

61. This COSOP will place emphasis on the design and implementation of effective M&E systems. This includes the establishment of baselines prior to project interventions, beneficiary surveys and agreement on indicators and targets between all implementing partners. Geospatial tools and digital systems will be used to augment conventional M&E methods.
62. In addition to regular project supervision missions, COSOP midterm reviews, and other reviews undertaken where required, will assess progress and enable any necessary adjustment.

VII. Risk management

Table 3
Risks and mitigation measures

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Political/governance Further civil unrest leads to uncertain investment climate.	Substantial	Focus on employment and economic inclusion of youth.
Macroeconomic Slow economic structural transformation and failure to implement fiscal adjustment plans leads to GDP decline, increased public debt and macroeconomic instability.	Medium	CLPE support for measures to accelerate structural transformation and implement fiscal adjustment plans.
Sector strategies and policies Inefficiencies in government system readiness, resource allocation and adherence.	Medium	Support inclusive evidence-based policy/strategy dialogue and design processes and capacity-building where required.
Institutional capacity Turnover of trained staff.	Substantial	Promotion of effective human resources management. Staff incentivization through training and learning events.
Portfolio Start-up delays, slow disbursements, low implementation of the annual workplan and budget.	Medium	Detailed start-up plans Training in procurement, financial management and M&E.
Fiduciary – financial management Lack of financial management capacity; low budget credibility; weak cash flow forecasting and inadequate liquidity level; local currency deterioration; lack of a suitable accounting/reporting system; inadequate external scrutiny.	Substantial	Competitive recruitment of project coordinating unit key roles. Training on IFAD’s fiduciary practices. Early start of budget consolidation based on sharp scrutiny for realistic estimates. Enhanced disbursement process based on cash flow forecasting through quarterly interim financial reporting. Suitable accounting software in place (including a budget module) and reporting capacity aligned with IFAD’s requirements. Funds ring-fenced into special accounts (United States dollars); prudent use of operational “call” accounts in local currency. Audit services mainly provided by private firms or national audit office.

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
<p>Fiduciary – procurement Lack of national standard bidding documents; incomplete sharing of procurement data; medium risk of corruption (based on the 32/100 Transparency International score for Eswatini in 2021); low implementation rate of procurement plans and procurement delays caused by issues relating to non-compliance with IFAD Project Procurement Guidelines COVID-19 and low capacity of procurement staff; weak contract management.</p>	Substantial	<p>IFAD to provide capacity-building through remote/in-country technical assistance and training on project procurement. This will include integrating the BUILD PROC programme, developed jointly by IFAD and the International Training Centre of the International Labour, as a strategic tool to build in-country procurement capacity.</p> <p>IFAD-financed projects to be included in IFAD No Objection Tracking Utility System and contract monitoring tool to improve the quality of procurement processes and contract management, respectively.</p> <p>The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and relevant national anticorruption laws will apply to all projects, vendors and third parties.</p> <p>Eswatini's Public Procurement Regulatory Agency is currently drafting standard bidding documents and has sought IFAD's help for this purpose. IFAD-funded projects have developed their own templates in compliance with IFAD's requirements.</p>
<p>Environment and climate Land and rangeland; degradation; deforestation; extreme weather events; and unpredictable rainfall patterns.</p>	Medium	Promote climate-smart agricultural practices and weather information systems, climate-proof infrastructure, sustainable land management practices and climate insurance.
<p>Social Gender relations affecting sustainability of female beneficiary engagement, empowerment and household advancement.</p> <p>Opportunity to target youth being missed.</p>	<p>Medium-High</p> <p>High</p>	<p>Use methodologies to strengthen household cohesion and joint planning. Adopt lessons learned from FINCLUDE's social mentoring programme.</p> <p>Creation of specific demand, outreach strategies and support packages to ensure that opportunities are attractive and meet the expectations of youth.</p>
<p>Other COSOP-specific risks COVID-19.</p>	High	Integrate WASH into agriculture and processing; adopt ICT4D solutions; e-extension/e-commerce; social media-based trainings; and promote good agricultural practices, food quality and safety.
Overall	Medium	

COSOP results management framework

Country strategy alignment	Government Priority Areas	Related SDG UNDAF Outcome	Key results for COSOP: Reduce poverty by empowering poor rural men, women and youth to shape the transformation of the agricultural sector and promote rural development which enhances their resilience to shocks			
			Strategic objectives	Lending and non-lending activities* for the COSOP period	Outcome indicators	Milestone indicators (at CMR, CCR)
National Agricultural Investment Plan (NAIP)						
Programme 1: Natural Resources Management <i>Aligned with:</i> <ul style="list-style-type: none"> • CAADP Pillar I • Eswatini CAADP Compact 2010 • MDG 7: Environmental sustainability • NDS and Vision 2022 • CASP 2005 • National Environment Policy • Eswatini Environmental Action Plan • National Irrigation Policy 2005 • National Forest Policy 2003 • National Water Policy 2009 and Water Resources Master Plan • Draft national land policy 	Well Managed Natural Resources and Environmental Sustainability	15, 13, 12, 7,17	SO1: Improved food systems, through increased climate resilient productivity, food security and nutrition for resource-constrained smallholder farmers	Lending/investment activities - FINCLUDE: the project supports Climate resilient decision making and investment under component 3. - GEF/GCF/AF financing - SAPEMP: will focus on improving productivity, improved marketing, and value addition, reducing postharvest losses and improving nutrition of supported smallholder farming households.	Smallholder farmers have enhanced capacities to sustainably manage the environment and adapt to climate change Households adopt environmentally sustainable and climate resilient practices/technologies Climate finance mobilised from the GEF/GCF/AF and/or private sector Average yield per hectare of food crops increased Post-harvest losses reduced Number of food secure smallholder farming households increased Livestock off-take rates increase among smallholder farmers Increase in average income per household from sale of livestock and livestock products	90% of supported smallholder farmers have enhanced capacities to sustainably manage the environment and adapt to climate change 50% of supported households adopt environmentally sustainable and climate resilient practices/technologies 30M USD climate finance mobilised from the GEF/GCF/AF and/or private sector Uptrend in average crop yields of >5% per annum Post-harvest losses decline by 80% Households reporting food shortage for >2 months declines to no more than 20% of total 90% of supported persons/households reporting an increase in livestock offtake 20% Increase in average income per household from sale of livestock and livestock products
Programme 2: Food Supply and Reducing Hunger Aligned with: <ul style="list-style-type: none"> • CAADP Pillar III • Eswatini CAADP Compact 2010 • MDG 1: Eradicate poverty and hunger 	Increased agriculture production, improved marketing, and value addition in the sector to improve food and nutrition security	2, 8				

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<ul style="list-style-type: none"> • NDS 2022 • CASP 2005 • Food Security Policy 2005 • PRASP 2007 					<p>Persons provided with targeted support to improve their nutrition</p> <p>Per centage of women reporting minimum dietary diversity (MDDW)</p>	<p>30,000 households provided with targeted support to improve their nutrition</p> <p>80% of supported women reporting MDDW</p>
<p>Programme 3: Improved Access to Markets and Value Chains</p> <p>Aligned with:</p> <ul style="list-style-type: none"> • CAADP Pillar II • Eswatini CAADP Compact 2010 • NDS and Vision 2022 • CASP 2005 • Economic Recovery Strategy 2011 	<p>Enhanced and Dynamic Private Sector Supporting Sustainable and Inclusive Growth</p> <p>Efficient Economic Infrastructure Network</p>	<p>8, 17</p> <p>9, 8, 17</p>	<p>SO2: Increased commercialisation of smallholder farmers, through assets and capacity support to graduate onto off-farm agro-enterprises.</p>	<p>Lending/investment activities</p> <p>FINCLUDE: has a youth target group of 60% and works through the cluster model of organizing farmers to increase their access to finance and markets.</p> <p>SAPEMP: the project has focus on improving both productivity and market linkages of smallholder farmers.</p>	<p>Increase in per centage of rural households undertaking commercial agriculture</p> <p>Volume and value of agricultural exports increased</p> <p>Volume and value of agricultural imports decreased</p> <p>Value of agricultural commodities marketed under quality accreditation systems</p> <p>Increase in the proportion of farmers with access to financial services needed to engage in commercial activities</p> <p>Proportion of farmers marketing their produce (crop and livestock) through farmer groups /associations</p> <p>Proportion of farmers selling their produce on supply contracts/formal agreements with the private or public sector</p>	<p>80% of supported rural households/persons reporting an increase in income from agriculture</p> <p>50% increase in volume and value of agricultural exports (food products) from supported farmers</p> <p>Trade statistics show x% downtrend in volume and value of agricultural imports (food products)</p> <p>Gross value of commodities marketed under accreditation systems increased by 40%</p> <p>30% increase in farm households/persons reporting using rural financial services</p> <p>60% of supported farmers marketing their produce (crop and livestock) through farmer groups/associations</p> <p>60% of supported farmers selling their produce on supply contracts/formal agreements with the private or public sector</p>

<p>Programme 4: Agricultural Research, Extension, Training and Education</p> <p>Aligned with:</p> <ul style="list-style-type: none"> • CAADP Pillar IV • Eswatini CAADP Compact 2010 • NDS and Vision 2022 • CASP 2005 • National Agricultural Research Policy 2012 	<p>Enhanced Social and Human Capital Development</p>	<p>1, 2, 3, 4, 5,17</p>			<p>Adoption of appropriate methods of farming increased</p> <p>Number of skilled agricultural practitioners (farmers, researchers, extension workers) increased</p> <p>Capacities a the social capital of rural women and men, individually and collectively have been built, and expanded or strengthened</p> <p>Decent jobs created for the youth</p>	<p>Per centage of persons/households reporting adoption of new/improved inputs, technologies or practices</p> <p>Increase in number of extension publications and training materials for farmers</p> <p>Numbers of farmers, and extension workers trained in income-generating activities, financial literacy or business management</p> <p>6600 decent jobs created for the youth</p>
<p>Programme 5: Agriculture Knowledge Management System</p> <p>Aligned with:</p> <ul style="list-style-type: none"> • CAADP Pillar IV • Eswatini CAADP Compact 2010 • NDS and Eswatini Vision 2022 • CASP 2005 	<p>Enhanced Efficient Public Service Delivery that Respects Human Rights, Justice and the Rule of Law</p>	<p>16, 5, 17</p>		<p>Lending/investment activities</p> <ul style="list-style-type: none"> - FINCLUDE – youth targeting - SAPEMP – generation of evidence for informing the formulation of a more integrated agricultural marketing strategy that ensures greater coordination and synergy between state-owned entities in the sector and focuses on the development of value chains and resilient domestic supply chains 	<p>Policy analysis documents produced and disseminated to inform policy making.</p>	<p>6 evidence-based policy-relevant knowledge products produced and disseminated</p>

				<p>Non-lending/non-project activities</p> <ul style="list-style-type: none"> - SSTC with Kenya and other countries in the region on issues of gender, models and best practices enabling women and youth's access to land - China – IFAD SSTC Facility 		
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Transition scenarios

A. Transition Scenarios

The purpose of this Appendix is to offer an understanding of likely and possible country trajectories and to identify the possible implications of these for IFAD's country program, over the COSOP period.

Table 1: Projections for key macro-economic and demographic variables

Case	Baseline³⁹ [i.e. with satisfactory implementation of the Eswatini medium-term fiscal adjustment plans, with less focus on private sector investments and growth]	Alternative Scenario⁴⁰ [i.e. with successful implementation of structural reforms alleviating constraints to private investment and growth]
Avg. GDP growth (%) (2021-2023)	1.1	1.7
Public debt (as % of GDP) (2021-2023)	51.5	49.4
Debt service ratio (2021)	69.6	n.a.
Inflation rate (%) (2021)	4.8	4.0
Rural population ⁴¹	1,106,000 (2021) 1,188,000 (2027) Annual growth rate: -0.29% (2020-2025)	
Investment Climate for rural business	2/6 <ul style="list-style-type: none"> • World Bank Doing Business: ranked 121 out of 190 countries. • As the crisis abates, the government will scale up structural reform implementation to facilitate private investment and support more inclusive and stronger growth. The objective is to create an enabling business environment notably by leveraging the Recovery Strategy and the 2019 National Development Plan. Eswatini has already made progress in that direction by easing the launching of a business through free online services for name reservation and business registration. Moreover, Eswatini increased the transparency of dealing with construction permits by publishing regulations. Finally, accessing electricity is now faster thanks to the increased availability of materials for external connections works. 	
Vulnerability to shocks	3/6 <ul style="list-style-type: none"> • Eswatini remains vulnerable to significant endogenous and exogenous shocks. Indeed, the country is highly exposed to trade shocks, including higher oil import bills. More specifically, Eswatini is heavily reliant on the situation in South Africa, which it depends on for about 70% of its imports and 65% of exports. Moreover, the Eswatini lilangeni is pegged at par with the South African rand, further strengthening the bond between the two countries. Finally, Eswatini remains exposed to natural disasters, such as floods or droughts. 	

There are two foreseen scenarios for the medium-term economic outlook:

→ **Baseline Scenario** i.e. with satisfactory implementation of Eswatini's medium-term fiscal adjustment plans, with less focus on private sector investments

- COVID-19 is severely affecting Eswatini's economy, while the country is already facing economic challenges, and the government has begun fiscal consolidation efforts. While the country's policy response has been timely and proactive, the economic shock and containment policies are leading to a severe recession with important social costs.
- The economic outlook remains fragile and highly dependent on continued fiscal adjustment and the implementation of structural reforms. Assuming a gradual

global recovery, including in the Republic of South Africa (RSA), and the lifting of domestic containment measures, growth is expected to rebound to 1.4% in 2021. The IMF foresees that growth will remain subdued in the short term as the Government implements its fiscal consolidation plans before stabilizing at around 2.0% over the medium term. Under this scenario, inflation is foreseen to reach 4.8% in 2021, but is expected to remain below 5% in the medium term, supported by appropriate monetary policies.

- In terms of the debt situation, the joint IMF-World Bank Debt Sustainability Analysis (DSA) indicates that Eswatini's risk of external debt distress would remain low, despite the additional domestic spending needs related to COVID-19 and the repayment of the country's arrears. Public debt is expected to remain sustainable, peaking at around 52.5% of GDP in FY23/24, before declining slowly. Nevertheless, annual gross financing needs would remain high at about 19.4% of GDP, leading to continued financing vulnerabilities. Finally, the slowdown in South Africa will adversely affect future SACU revenue, thus generating extra budget and external financing strains.

→ **Alternative Scenario** i.e. with successful implementation of structural reforms focusing on alleviating constraints to private investment and growth.

- Under this scenario, real GDP growth is foreseen to increase by 1.5% in 2021, driven by a rebound in the industry. Manufacturing recovered thanks to a peak in export demand following the easing of lockdown measures in the region. However, although domestic revenue collection recovered, total government revenue dropped in 2021, following the decline in SACU revenues. Moreover, the recent political unrest has led to unbudgeted public spending to contain the protests' impact.
- The World Bank and the IMF forecast that the economy should rebound modestly in 2021 and 2022, as it recovers from the shocks induced by COVID-19 and political unrest. Moreover, inflation is expected to increase in 2021, partly due to rising oil and domestic administered prices but would remain at about 4% in the medium term.
- Though the second-round effects of the pandemic are anticipated to manifest through a further reduction in SACU revenues in 2022, the fiscal deficit is projected to fall in the medium term as domestic revenues recover and authorities start to implement their three-year Fiscal Adjustment Plan.
- In terms of the debt situation, Eswatini's risk of external debt distress would remain low under this scenario, even though debt levels will remain high in the medium term as the country continues to borrow, responding to domestic challenges. The current account surplus is further projected to decline in 2022, partly reflecting declining SACU revenues.

Risks to the medium-term outlook. The outlook is subject to *significant uncertainty and downside risks*. Indeed, the impact of COVID-19 continues to be subject to important uncertainties and remains a significant risk to the medium-term outlook. A slow rollout of the vaccination campaign would hinder the economy's recovery. Under both scenarios, economic prospects critically depend on the government's ability to implement the medium-term fiscal adjustment plans. If adjustment plans are not fully implemented, domestic arrears and public debt would rise further, and financing pressures would exacerbate, adversely affecting growth and undermining macroeconomic stability. External shocks could exacerbate these vulnerabilities. Lower external demand, especially a protracted recession in South Africa, would negatively affect the economic recovery and reduce SACU revenue, weakening the fiscal and external positions. Finally, Eswatini remains vulnerable to weather extremes such as droughts and floods.

The most likely scenario would be the Alternative Scenario.

B. Projected Implications for IFAD's country program

(a) Lending terms and conditions

- IFAD 12 ending Terms for Eswatini are Ordinary terms
- In line with projected implications for the lending terms and conditions, if the country remains in the alternative scenario, it is likely that the country would opt for a full utilization of its IFAD12 PBAS allocations. It is, nonetheless, foreseen that it may be challenging for the Government to meet domestic counterpart funding commitments, under such a scenario, given that domestic resources could be channelled to other priority sectors such as health.

(b) COSOP priorities and products

- Although it is foreseen that Eswatini will remain within the "Alternative Scenario" for part of the COSOP period, which could make the authorities focus on other priority areas (e.g. in health) than agriculture, it is not foreseen that the country would not request another investment project from IFAD, under IFAD12, or a top-up of an already existing project. Government officials consulted in the formulation of the COSOP emphasised the importance of agricultural development in the post-Covid economic recovery of the country and stressed the need to increase commercialisation in the sector, increase the production of high-value crops, and strengthen value chains. IFAD's support for these endeavours was highly welcomed.

(c) Co-financing opportunities and partnerships

- The IFAD country programme is expected to continue benefiting from international climate funding from the Global Environment Facility (GEF). A joint proposal (IFAD/FAO) for the Green Climate Fund (GCF) is under preparation, for the implementation of climate activities of FINCLUDE.
- Key strategic partnerships are foreseen for climate and environment financing (GEF, GCF); financial inclusion (commercial banks); project co-financing and analytical support (African Development Bank, World Bank and European Union); research and innovation (International Livestock Research Institute and International Potato Center); and infrastructure (OPEC Fund for International Development).

Agricultural and rural sector issues

Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
Access to finance	Subsistence farmers Emerging farmers Medium scale commercial farmers Women and youth interested in agro-processing and other off-farm enterprises Finance institutions Communication services Government	<ul style="list-style-type: none"> There is a need for seasonal financing of farmers' input purchases but challenges remain in how this can be accessed and how the risks of such finance to poor farmers can be mitigated. 	<ul style="list-style-type: none"> Provide de-risking financial instruments Provide financial literacy training Provide direct financial support to farmers and other VC players Promote green financial inclusion
Agronomic practices	Subsistence farmers Emerging farmers Medium scale commercial farmers	<ul style="list-style-type: none"> Productivity in Eswatini's smallholder sector will not improve unless farmers make greater use of improved inputs, especially improved seed varieties and fertilizer Use of improved inputs is currently very low in Eswatini. Low adoption is driven by weak demand and supply. Demand for improved inputs is often limited, either because farmers lack knowledge of the inputs or lack the resources to purchase them. At the same time, supply of improved inputs may be limited, because incentives to provide them are lacking 	<ul style="list-style-type: none"> Educate farmers and avail improved seed technologies Promote conservation agriculture Provide support services to smallholder producers, including input packs
Post-harvest technologies	Subsistence farmers Emerging farmers Medium scale commercial farmers Large scale commercial farmers Sugar estates Horticulture farmers	<ul style="list-style-type: none"> Challenges in accessing knowledge on post-harvest losses management. 	<ul style="list-style-type: none"> Promote the use of improved storage technologies (cereals, legumes, vegetables) Invest in construction and operation of produce aggregation centres (pack houses) in strategic locations Promote green processing technologies in partnership with private sector and government.
Natural resources management	Subsistence farmers Emerging farmers Medium scale commercial farmers Large scale commercial farmers Sugar estates Government Depts	<ul style="list-style-type: none"> Environmental degradation that causes, among other things, soil nutrient depletion, soil erosion, destruction of water catchment areas, and salinization Relative scarcity of water, both for human basic needs and for direct production in irrigation agriculture What is the contribution of solar power to the agricultural sector and impacts on natural resources management 	<ul style="list-style-type: none"> Promote soil conservation practices to reduce land degradation and improve fertility Make efficient use of water resources Invest in upscaling small and medium sized earth dam program Promote on-the-field water harvesting techniques. Continue to investigate the adaptation of local conditions to conservation agriculture.
Livestock husbandry practices	Subsistence farmers Emerging farmers Medium scale commercial farmers Beef farmers Dairy farmers Agri-entrepreneurs	<ul style="list-style-type: none"> Livestock sub-sector contributes 51% GDP Majority of livestock farmers – smallholder Marketing of livestock – low off take rates of 7% Given that Eswatini is a small country, with relatively large livestock population and limited arable land suitable for intensive crop production, and extensive communal land suitable for livestock grazing, crop livestock integration 	<ul style="list-style-type: none"> Capacitate crop & livestock extension services Provide breed improvement services Support establishment of farmer/private sector breeders associations and establish partners locally and internationally Improve institutional arrangements for sustainable rangeland management

Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
	Feeds Industry Veterinary services Livestock research services	could serve as the basis for sustainable intensification of agriculture	<ul style="list-style-type: none"> Upscale feed and fodder production and utilization Promote adoption of different models of integrated crop-livestock systems
Climate change and resilience	Smallholder farmers Commercial farmers Sugar estates Government Depts (Met Dept.)	<ul style="list-style-type: none"> Eswatini has made good progress in improving access to water for agriculture. Recent evidence shows that smallholders have benefited from public irrigation schemes, although to a lesser extent than commercial farmers 	<ul style="list-style-type: none"> Develop climate-proofed agricultural infrastructure Provide climate information & advice Government should continue investing in irrigation schemes that are oriented to high value crops grown by smallholder farmers, especially including horticultural crops.
Participation of youth, women, PLHIV, PWD in agri-business	All households, including women and youth. Agri-entrepreneurs Transporters Communication services	<ul style="list-style-type: none"> Youth lack access to productive resources, financial products and markets and have limited experience. They display limited interest agricultural activity as it is associated with subsistence agriculture and poverty. Effective engagement with youth will require understanding their incentives, stimulating their interest in commercial agriculture. Constraints faced by women because of their low level of de facto and de jure rights to land and other resources, as well as discrimination in access to financial services and other means of production Insufficient allocation of labor to their own land during labour peaks for some farmers because of poverty, forgoing valuable increases in their harvest, as shortages of food drive them to work for others Human health issues, including but not restricted to the HIV/AIDS and COVID-19 pandemics 	<ul style="list-style-type: none"> Employ communication strategies and media channels specifically designed to generate interest among the youth. Facilitate youth access to land and develop support packages that respond to their circumstances and needs. Facilitate access by women, youth, PLHIV, and PWD to productive assets
Farmer associations (Farmer groups)	Farmer groups/associations Agri-entrepreneurs Transporters Communication services	<ul style="list-style-type: none"> Expanding the knowledge and skills of farmers will be crucial for modernizing and developing smallholder agriculture in Eswatini, as well as empowering them to act more effectively in their own interests Farmers' organizations are a foundation for a better integration of smallholders in markets, e.g. Through the establishment of contract farming arrangements with commercial farmers and other agribusiness Farmers to be empowered to understand the options available and take best informed decision in changing environment. 	<ul style="list-style-type: none"> Strengthen management capacity of farm enterprises Support farmer clusters and group development Ensure farmers groups/associations participate in the formulation of agricultural policies and legislation Promote important information (climate, prices, pests and diseases, and markets) access to farmer groups
SME agro-processing	The youth (females & males) Rural entrepreneurs Agri-entrepreneurs Micro and small enterprises	<ul style="list-style-type: none"> The agro-processing sector features few value-adding initiatives, for example agro-processing, packaging, and promotion of value chains. These are due to lack of established producer-market linkages and partnerships; a sub-optimal environment for promoting local investment in agro-industry; weak producer organizations; limited technical, business and marketing management skills of rural entrepreneurs; lack of access to market information; and a scarcity of qualified service providers 	<ul style="list-style-type: none"> Promote agro processing MSEs for women and youth Promote labor-saving technologies: The high prevalence of HIV/AIDS has led to a sharp decline in the labor supply available for on-farm agricultural work in Eswatini. Commission studies designed to identify labor-saving technologies that may be suitable for use by smallholder farmers and MSE in Eswatini

Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
Access to novel agricultural technologies and innovations	The youth (females & males) Rural entrepreneurs Agri-entrepreneurs	<ul style="list-style-type: none"> Declining effectiveness of public agricultural research Poor linkages between research and extension 	<ul style="list-style-type: none"> Support research to develop, test and release technologies and innovations Modernize agricultural research – promote digital agriculture Promote use of ICT4D to improve agricultural production processes Promote technologies such as vertical farms particularly for women and youth who are constrained with access to land
Adoption of bio-fortified crops	Subsistence farmers Emerging farmers Medium scale commercial farmers Research services Extension Services Agri-entrepreneurs Communication services	<ul style="list-style-type: none"> Eswatini undertook a Zero Hunger Strategic Review in 2018 to analyze the current food and nutrition situation, as well as to identify strategies and programs for ending hunger by 2030. The prevalence of stunting among children under 5 years of age has declined from 25.5% to 19.9% meaning the country is now within the world food security requirement of below 20%, however more effort needs to be done to achieve a single digit per centage 	<ul style="list-style-type: none"> Promote bio-fortified foods (such as maize, beans, vegetables) Increase the consumption of diversified foods across the lifecycle with more focus on the vulnerable groups
Access to extension services	Subsistence farmers Emerging farmers Research services Extension Services Communication services	<ul style="list-style-type: none"> Declining effectiveness of public agricultural extension Poor linkages between research and extension Establishment of a demand-driven extension system will allow technology development and diffusion efforts to more efficiently respond to the priority needs of smallholders. 	<ul style="list-style-type: none"> Capacitate crop & livestock extension services Improve the outreach and efficiency of extension services for targeted producers Modernize public agricultural extension services Promote a demand-driven priority setting mechanism to ensure that extension services are responsive to actual needs
Nutrition knowledge	All households Women and youth Agri-entrepreneurs Communication services	<ul style="list-style-type: none"> Lack of awareness of biofortified foods Low women dietary diversity score 	<ul style="list-style-type: none"> Improve knowledge and attitudes of the population on healthy eating and appropriate food choices Nutrition education Promote income generation interventions to support other household nutritional needs
Management of social and economic risks in agriculture	All households Extension Services Communication services Government Dept Development Agencies	<ul style="list-style-type: none"> Rural households in Eswatini face specific social risks including HIV/ AIDS, gender inequality, and the effects of migration. Unaddressed these can threaten beneficiary engagement in livelihood activities. Production and sales cycles are long by the standards of other small businesses (exacerbating climate, pest, price, and transaction risks; leading to significant seasonality in labor use, cash flow, food availability, prices, and risks; and affecting whole communities and their economies); 	<ul style="list-style-type: none"> Embed specific activities to empower beneficiaries to manage common social risks. Support beneficiaries in managing and economic risks
Market access and Transportation	Finance institutions Government	<ul style="list-style-type: none"> The absence, in many cases, of markets because of low purchasing power in the domestic market and poor access to global markets caused by trade distortions 	<ul style="list-style-type: none"> Develop climate resilient market access roads
Marketing infrastructure	Communication services Finance institutions Government Development agencies	<ul style="list-style-type: none"> Output markets are weak because of poor infrastructure, limited surpluses (caused by lack of credit), and consequent disincentives for private trade 	<ul style="list-style-type: none"> In order to improve the crop production there is need to strengthen the value chains for each priority commodity and improve the vertical and horizontal coordination within the chain to improve information flow, support services, value addition, capacity building and regulation.

Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
		<ul style="list-style-type: none"> Production and marketing of staple crops, vegetables and horticulture is largely not regulated and characterized by a large number of small uncoordinated producers Inadequate capacity of both crops and livestock producers, and lack of investment support for infrastructure development for production and marketing 	<ul style="list-style-type: none"> Improvement of marketing in the beef cattle value chain Improvement of marketing in the dairy value chain
GAP Standards /Certification services improved	Government Standards association	<ul style="list-style-type: none"> Need to strengthen animal health and veterinary support to combat animal diseases and improve food safety standards Standards for agricultural products prevailing in international markets are often too high for small-scale farmers to meet—assuming they even know about them. At the same time, Eswatini does not have its own standards for local and imported products. places 	<ul style="list-style-type: none"> Capacitate farmers and processors in compliance with GAP Standards Fast-track approval of the regulations of the VPH Act and enforce its implementation to ensure compliance to food safety standard
Access to viable markets by farmers & processors	All households Agri-entre-entrepreneurs Transporters Communication services	<ul style="list-style-type: none"> Seasonal nature of crop production, subsidies and imports of same products from other countries, all end up distorting incentives for producers. The is need to improve institutional arrangements for employment of production resources, improvement of animal husbandry, provision of animal health services, and improved access to local and international markets, stimulated by increased private sector investment. 	<ul style="list-style-type: none"> Promote market intelligence and brokering for farmers/processors
Farm enterprise management	The youth (females & males) Rural entrepreneurs Agri-entre-entrepreneurs Micro and small enterprises	<ul style="list-style-type: none"> Challenges with farm management efficiency for smallholder farmers 	<ul style="list-style-type: none"> Strengthen management capacity of farm enterprises
ICT enhanced – Digital agriculture	All households Agri-entre-entrepreneurs Transporters Research services Extension Services Communication services	<ul style="list-style-type: none"> Lack of reliable data needed for decision making 	<ul style="list-style-type: none"> Promote Agricultural -ICT infrastructure and services for women, youth, PLH, PWD Strengthen agricultural information systems An information system that regularly collects, stores and disseminates data on crop and livestock production An information system that regularly collects, stores and disseminates information on market conditions for inputs and outputs A system that regularly collects, stores, and disseminates information on adoption and use of improved technologies
Access to land	Youth Women Government departments Development agencies Private sector	<ul style="list-style-type: none"> Land tenure arrangements adversely affect farmers' ability to borrow, expand, dispose of land, and this serves as disincentive to improve land. 	<ul style="list-style-type: none"> Advocate for access to land (developed and ready for use) by women and youth. Support the organization of women and youth into groups to facilitate access to land managed by local authorities.
Resilience to COVID-19	Farmers groups Government departments Healthy sector Development agencies Private sector	<ul style="list-style-type: none"> COVID-19 pandemic has adversely affected the agricultural sector in Eswatini Resilience options for sustaining agricultural development beyond COVID-19 pandemic are absent 	<ul style="list-style-type: none"> Adjust agricultural program to adapt to the effects of the COVID-19 pandemic. Measures to consider could include adjusting beneficiary contributions to access project support, as relevant.

Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
			<ul style="list-style-type: none"> Invest in use of digital technology that has been enhanced during the COVID-19 pandemic, to benefit the agricultural sector and others.
Agricultural Sector Integration	Farmers groups Government departments Development agencies Private sector	<ul style="list-style-type: none"> Relatively weak collaboration and partnerships between institutions investing in agriculture and rural development (government, development partners, UN Agencies, private sector, academia) is hindering stimulation of agricultural technological advancement, productivity and competitiveness Weak commercialization of the smallholder farm sector in Eswatini 	<ul style="list-style-type: none"> Promote stronger collaboration and partnerships with the government, development agencies, the private sector and farmer groups, in order to create effective linkages necessary for the stimulation of technological advancement, productivity and competitiveness of the agricultural sector.

SECAP background study

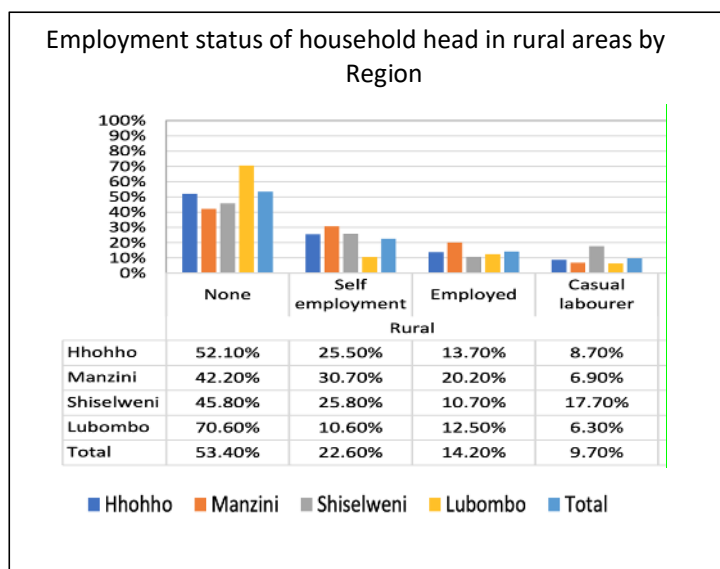
Introduction

1. This Social Environment and Climate Assessment Procedure (SECAP) outlines the COSOP's strategic orientation on social, environmental and climate change issues in Eswatini for the period from 2022-2027. It provides a situational analysis and describes the trends, policy and regulatory frameworks, and strategic actions to mainstream environment, climate change, nutrition, youth, and gender, and to track climate financing.
2. The COSOP is fully aligned with key Government strategies and plans including the Strategic Road Map 2019-2022, the National Agricultural Investment Plan, the National Gender Policy, the National Youth Policy. It is also aligned with IFAD's 2016-2025 Strategic Framework, IFAD's Strategy and Action Plan on Environment and Climate Change 2019-2025¹, and the Sustainable Development Goals (SDG). It also aligned to the IFAD12 Replenishment objectives of strengthening the resilience and livelihoods of all rural people together with increasing national capacity to deliver on the Paris Agreement goals on climate change and attainment of the SDGs.
3. This SECAP is based on an extensive literature review which included Government reports (institutional, policy and programme documents), IFAD strategy papers, action plans, project assessments and reviews, and the Independent Office of Evaluation's, Country Strategy and Programme Evaluation report of 2021 and the Food Systems Summit Dialogues. It is also informed by reports produced by multilateral agencies and other development partners, and by comprehensive consultations with key stakeholders in the government, the private sector, and civil society, and by the views of ordinary citizens.

Part 1 - Situational analysis and main challenges

4. **Demography.** Eswatini is home to approximately 1.3 million people, 76 per cent of whom live in the rural areas. It has a life expectancy of 60.2 years of age² and an average household size of eight people in the rural areas³.
5. The country is divided into four administrative regions⁴ and the majority of people (62 per cent) live in two of these, Manzini and Hhohho, which also include the most economically active segments of the population. Urbanization rates have remained relatively stable over the past 30 year. The population is largely homogenous and there are no *indigenous groups* residing in the country.
6. **Human development.** Ninety-six per cent of the population is literate with little significant variation between men and women or between rural and urban areas⁵. Thirty-four per cent of the population have attended at least some secondary education. Eswatini ranks 138/189 in the Human Development Index and is thus ranked in the category of medium human development country⁶.
7. **Rural livelihoods.** Subsistence agriculture is the primary livelihood activity for the rural population of Eswatini. Forty-three per cent of households in the country cultivate cash crops vegetables, legumes or fruits⁷, but the bulk of agricultural production (predominantly maize) is rainfed. Increasing incidence of drought, limited access to inputs, agricultural extension services, mechanization and other labor-saving technologies, together with high post-harvest losses, low access to financial services and markets, limit smallholder production, productivity and profitability.
8. In 2020 around 80 per cent of households had access to arable land although there were variations across regions with the lowest access in Lubombo (70 per cent)⁸. Of those who had access to land in 2019, only 12% cultivated more than 2ha. Land under cultivation was highest in Hhohho (19%) and lowest in Lubombo (6%)⁹.

9. Livestock farming is an integral part of Swazi culture and livelihood systems. Fishing is a further contributor to livelihoods, but it is only common in areas close to hydropower and irrigation dams. Over-fishing, the poor siting of ponds, and environmental degradation are problems which confront fish farming¹⁰.
10. Drought, irregular rains, rising food prices, and the loss of employment (or loss of a household breadwinner) constitute the principal shocks to rural livelihood strategies¹¹ and disproportionately affect those of the poor. Households in these situations are often compelled to forego assets to address immediate household needs including the purchase of food¹².
11. Climate change and environmental degradation pose significant threats to the agriculture sector. Serious livestock losses and crop failure have occurred due to recurrent droughts, the worst of which occurred in 2016 and resulted in severe food insecurity in the rural areas. The agroecology of the different regions of Eswatini determines the extent to which smallholder farmers are dependent on rainfed agriculture and this constraint, together with associated supply and demand factors, serve to trap smallholders in low yield subsistence agriculture.
12. Most smallholder farming (arable agriculture and livestock keeping) takes place on Swazi Nation Land, which is subject to severe land degradation due to weak community based natural resource management regimes. Climate change and extreme weather events such as drought, cyclones, floods, heat waves, and climate-associated pests and diseases pose a significant threat to the future of agricultural production. Poverty is a major contributing factor to the low adaptive capacity of rural Eswatini to climate shocks and climate variability. Climate resilience has been found to be lowest among the poor, female headed households and vulnerable groups.
13. In addition to agriculture, rural livelihood strategies include, by order of importance, salaries or wages, small businesses, casual labour, remittances, and social welfare grants.¹³ In 2016-17 54.3 per cent of households received remittances, most of which originated from other parts of the country¹⁴.
14. **Labour force participation and employment.** In 2017 51 per cent of people over 15 years of age were economically inactive. Employment rates for women are substantially lower than for men (36 per cent vs. 47 per cent respectively)¹⁵, reflecting the fact that more women are self-employed¹⁶. Labour force participation is highest among people aged 25 to 59 years¹⁷.

Figure 1: Employment status of household head in rural areas by region

Source: Kingdom of Eswatini, (2020)⁴²

15. The largest employment sectors are services, followed by manufacturing and agriculture. Amongst people employed in these sectors 52 per cent are men and 48 per cent are women. The most common employment sectors for men are services, agriculture, forestry and fishing, administration/defence, and construction. While the services sector is also the primary source of employment for women, they are also engaged in a variety of sectors including manufacturing, education, accommodation and food services, healthcare, and social work¹⁸. Just over 27 per cent of Swazi households are engaged in entrepreneurial activities¹⁹.
16. The Micro, Small and Medium Enterprises (MSME) sector, which has the potential create off-farm employment, is generally underdeveloped in Eswatini and is dominated by wholesale and retail enterprises. Major challenges facing the development of MSMEs are the lack of access to credit/financing; access to markets; regulatory compliance requirements; and unclear policies and legislation. Although the banking sector, composed of four commercial banks (Nedbank, Standard Bank, First National Bank and Swazi Bank), is well capitalized, banks are risk averse when serving rural MSMEs, smallholders, and particularly the poorest strata of the population.
17. The COVID-19 pandemic had a major impact on employment in the first half of 2020 with 53.4 per cent of the rural population reporting that they were out of work, 22.6 per cent that they were self-employed, 9.6 per cent that they were in casual employment, and only 14.2 per cent that they were in formal employment. Lubombo, the poorest region in the country, recorded the highest rates of unemployment, which were almost 20 points higher than the national average²⁰. Thirty per cent of rural households surveyed in the 2020 Vulnerability Assessment reported that a household member had lost employment due to the COVID pandemic.
18. **Migration.** In-country migration is common. Manzini is the most common migration destination accounting for 44 per cent of all in-migration. Sixty per cent of internal migrants are women. Migration is more frequent among people with secondary education and above, and for people who have never married. The main

causes for migration by order of importance are employment, marriage, family reunification and education. There are no substantial differences of employment between in-migrants and non-migrants across the country²¹. Migration to South Africa has been ongoing for years and it is estimated that more resulting in more Emaswati living in South Africa than in Eswatini²².

19. **Child labour.** Eswatini has ratified all international conventions on child labour and established laws and regulations yet gaps such as the absence of a minimal age to work in all areas outside of the industrial setting still exist. In 2020, 11.7 per cent of children aged 5-14 worked and another 13 per cent combined work and school. Among these children who are engaged in the worst forms of child labour, often associated to child trafficking²³. Children are only obliged to attend primary school; in a context of high rural poverty levels this opens the door to children transitioning from being students to being bread winners.

Socio-economic situation and underlying causes

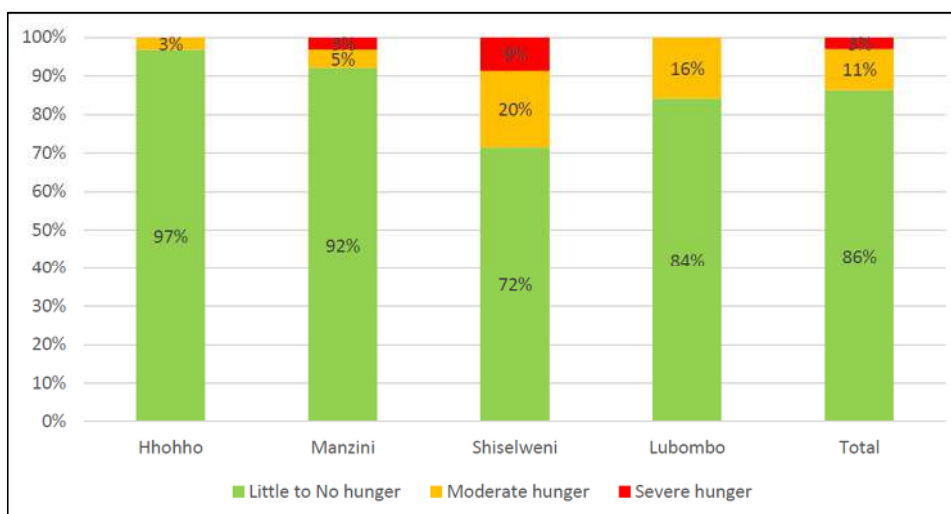
20. **Poverty.** Data from 2017 indicate that 70.2 per cent of the rural population are poor with 25.1 per cent of households living in extreme poverty²⁴. There are variable poverty trends across regions and between 2010 and 2017 there was a decrease in Hhohho and Manzini and an increase in the Shiselweni and Lubombo regions. Regional poverty rates are as follows: Hhohho 54.08 per cent, Manzini 51.47 per cent, Shiselweni 67.26 per cent and Lubombo 71.53 per cent.
21. Rural poverty in Eswatini is primarily caused by the lack of profitable income generating opportunities and decent jobs and reliance on low yield agriculture, living in isolated areas, high dependency ratios, gender inequality and HIV/AIDS.
22. Poor people face multiple deprivations, including poor access to nutritious food, arable land, water for consumption and production, sanitation, electricity, quality roads, markets, education, skills training and community infrastructure²⁵.
23. **Gender inequality and women empowerment.** Eswatini has made important strides in advancing the protection of women's rights in recent years. It has also made advances in areas such as the school attendance of girls, which is now higher than that of boys' from secondary school onwards²⁶.
24. Swazi women assume a wide array of reproductive and productive responsibilities and play a prominent role in caring for their families, in providing food for their children, and in household agricultural activities. However, social norms limit women's access to productive resources such as land, agricultural inputs, extension and financial services²⁷. Once they adopt their husband's last name married women cannot request land from chiefs without their husband's consent. Although men may allot women small portions of land to cultivate, household land is passed on from fathers to sons.
25. Without adaptive and mitigatory measures it is expected that climate change will have an increasingly negative impact on rural women who are the primary producers of household food. About 49.44 per cent of households in Eswatini are headed by women²⁸. Consequently, without investments that facilitate access to water, fuel, and other productive inputs, women's workload and burden will continue to increase.
26. At the household level, decisions on the disposal of income (particularly that earned by men) and the use of assets are typically made by men. This is because women's participation and influence in decision-making processes at both household and community level is limited.
27. The lack of male labour due to migration and prevailing gender norms contribute to the gender gap in agricultural production.

28. Gender inequality, in all of its forms, renders women more susceptible to, and more deeply affected by, shocks and hunger than their male counterparts²⁹. Eswatini ranks 143/162 countries in the 2019 gender inequality index, with a value of 0.567. The measurement reflects gender inequality in reproductive health, empowerment, and economic activity, and translates in the loss of human development due to gender inequality³⁰.
29. **Gender based violence** is widespread in Eswatini and primarily affects girls and women with 48% of women reporting having experienced sexual violence at some point in lie. One in three females have experienced some form of sexual violence by the age of 18³¹. Boyfriends and husbands are the prime perpetrators of sexual violence in Eswatini³². The country passed a bill on Sexual Offences and Domestic Violence in 2015 enacted in 2018. Work has also been done to develop a National Strategy for the Prevention and Response to Violence. Multi sector referral systems are being established at national and regional level. The health sector is also integrating capacities to deal with cases of sexual violence³³.
30. **Youth** in Eswatini (defined as being aged 15-35 years) make up approximately 30 per cent of the country ´s population³⁴. Seventy-three per cent of Swazi youth live in the rural areas with the majority (64 per cent living) in the Hhohho and Manzini regions³⁵.
31. Youth lack land, capital, and access to finance to engage in agriculture. Furthermore, because agriculture is associated with poverty parents often encourage their children to move away from agriculture and out of the rural areas.
32. While access to secondary and tertiary education has increased in the recent decades the economy has not succeeded in creating sufficient jobs for educated youth to enter the labour force. Thirty-two per cent of economically active youth in the country are unemployed (47.1 per cent in rural areas). Youth unemployment and poverty is one of the biggest economic challenges facing Eswatini³⁶ and this has been aggravated by the COVID pandemic. The frustration and disillusionment of young people is also believed to be one of the contributory factors behind recent protests and civil unrest.
33. Youth are not a homogeneous, however, and their social circumstances are shaped by age, gender, and education. Younger youth (15-25 approx.) have less access to assets and services and less life experience and skills. They are among the poorest social groups in Eswatini, as they struggle to access decent employment options. Young youth migrate mainly within the country to areas with perceived promises of employment and progress.
34. Young rural women face higher unemployment rates than their male counterparts (43.6 per cent among males vs. 51.2 per cent among females). They are highly exposed to HIV, early pregnancies and sexual harassment as a result of poverty and vulnerability. Young female youth thus carry the double burden age-related and gender-specific vulnerabilities (referred to above).
35. The situation of older youth (approx. 26-35) is relatively better than that of their younger peers. Older youth tend to settle or have found, after substantial struggle, a way to make ends meet, even if with meagre income, lack of employment security and limited potential for prosperity. Older youth often opt to migrate within the country or abroad.
36. Under this COSOP, youth wishing to establish on- and off-farm enterprises will receive the same type of support as other beneficiaries together with additional services, mentoring, and confidence building. Existing studies (SPDAs) point to the potential of investments in key value chains generating jobs. Contributing towards addressing mismatches between youth skillsets and labour market requirements is supported value chains is likely to also constitute an opportunity for IFAD to facilitate rural youth access to decent jobs. Details in all of these areas will need to

be carefully assessed at project design phase. Potential opportunities being facilitating linkages and strategy building between vocational training centres, private sector employers and employment agencies, among others, on the basis of what youth may require: training, mentorship, internships apprenticeships.

37. **Marginalised/vulnerable groups.** People with the highest level of vulnerability and lowest access to opportunities include people infected or affected by HIV/AIDS (especially those with poor health and/or a large number of dependents), very poor households and people with disabilities (PWDs).
38. Eswatini has the highest HIV prevalence rate in the world (27 per cent amongst people aged 15-49)³⁷. HIV/AIDS is the second most common cause of death across all regions of the country³⁸ and it has led to an increase in the number of orphans, in dependency rations, and in the number of women headed households.
39. HIV prevalence is higher among women (32.5 per cent) than men (20.4 per cent). Young women are especially vulnerable and more than half of women aged 30-44 live with the virus³⁹.
40. It is estimated that about 18 per cent of Swazi citizens live with a disability⁴⁰. The large majority of PWD live in the rural areas of the country where most are poor and dependent on social grants. Systemic exclusion exacerbates the situation of PWD⁴¹.
41. **Food and nutrition security.** Eswatini has a high level of food insecurity (27 per cent) with Lubombo (35 per cent) and Shiselweni (28 per cent) most affected (Figure 2)⁴². The prevalence of moderate and severe food insecurity touches 63 and 30 per cent of the population respectively⁴³, while 16 per cent per cent are chronically food insecure⁴⁴. The 2020 Global Hunger Index ranked Eswatini 74th out of 107 countries with a score of 20.3⁴⁵. This reflects a level of hunger that is serious. The major drivers of food insecurity and malnutrition in Eswatini are high food prices due to low productivity⁴³ and heavy reliance on imports, high levels of poverty, the impacts of climate change, and poor attitudes and knowledge about nutritious food consumption.

Figure 2: Household hunger scale by region

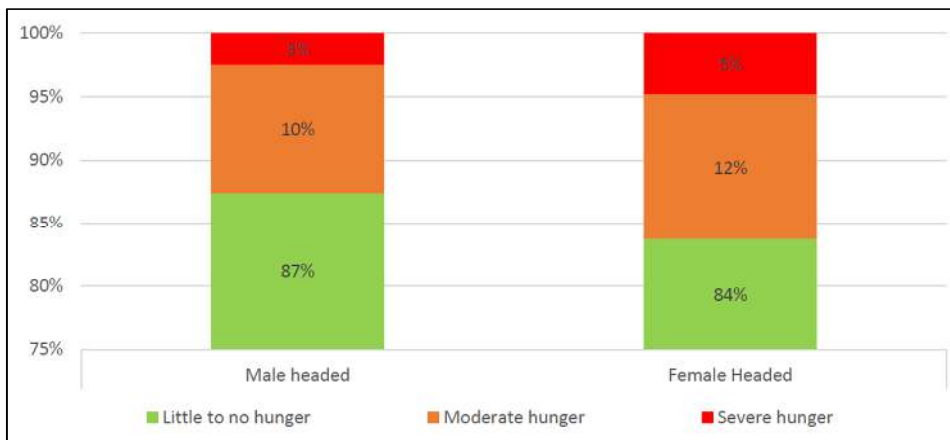


Source: EVAC Annual Assessment 2018

42. Eswatini is unable to meet its national and dietary requirements for grain and protein sources and is a net importer of food⁴⁶. Smallholder farmers are the predominant food producers, but due to limited production capacity they are

unable to produce enough to meet national food requirements. Hence, the country relies on imports to meet the requirements for maize, animal source foods and vegetables. The high levels of imports and cross border trade drive food prices and limit food access by the rural poor and vulnerable segments of the population. Women headed households have higher levels of hunger compared to male headed households (Figure 3).

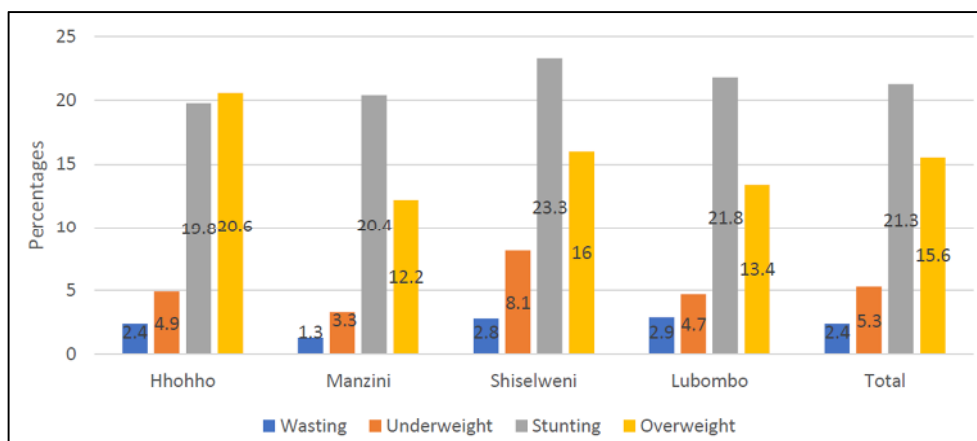
Figure 3: Household Hunger Score by Head of Household



Source: EVAC Annual Assessment 2018

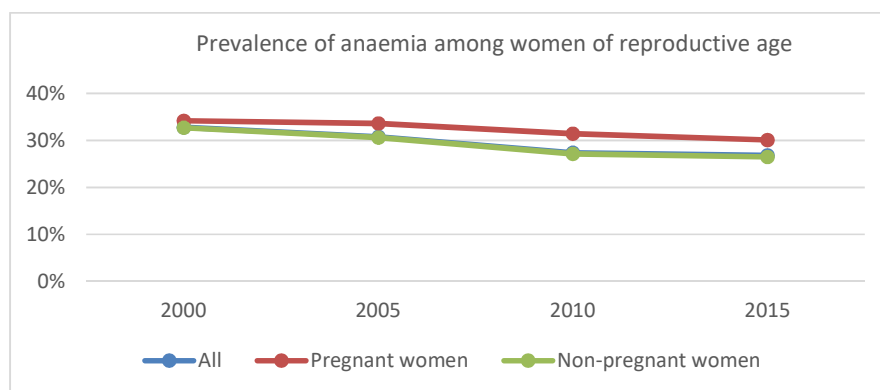
- 43. Eswatini experiences the double burden of malnutrition (with concomitant rural undernutrition), and urban obesity. Under-5 stunting is 21.3 per cent, with Shiselweni exhibiting the highest rates of stunting (23.3%) and underweight at 8.1%⁴⁷. Figure 4 shows high levels of obesity (15.6 per cent) with Hhohho having the highest rates of overweight people (20.6 per cent)⁴⁸.

Figure 4: Prevalence of Malnutrition in children below the age of 5



Source: EVAC Annual Assessment 2018

- 44. Undernutrition costs the country up to US\$92 million per year – 3.1 per cent of GDP⁴⁹. Micronutrient deficiencies are high in Eswatini and 30.7 per cent of women of reproductive age are anemic⁵⁰ (Figure 5). Adult female obesity is worsening and is currently 26.2 per cent, which is higher than the regional average of 18.4 per cent⁵¹.

Figure 5: Prevalence of anaemia among women of reproductive age

Source: Global Nutrition Report, 2018

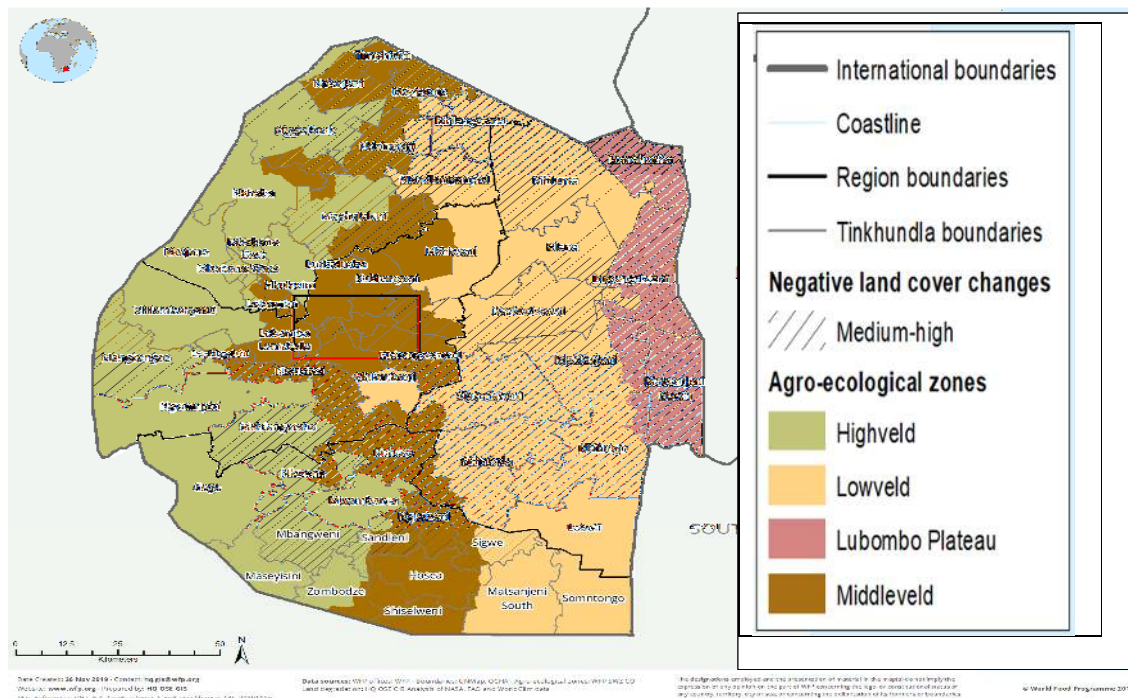
45. **Drivers of food insecurity and malnutrition.** The impacts of climate change including drought (e.g. El Nino in 2016⁵²) and dry spells, extreme rainfall and floods (e.g. cyclone Eloise in 2021), and reduced flow of major rivers among other impacts, lead to the reduced availability of agricultural water and reduced crop productivity which contribute to a decline in household food and nutrition security and compromised nutrition outcomes⁵³.
46. Poor post-harvest management practices and facilities across the country result in combined food losses of about 30 per cent in all value chains, and up to 50 per cent losses in some value chains⁵⁴. These losses impact household incomes and combined with high levels of poverty and inequality, contribute to food insecurity and malnutrition in Eswatini⁵⁵.
47. In the impact of the COVID-19 pandemic in 2020-2021 further reduced the income of rural and urban household by disrupting supply chains, and leading to increased commodity prices (due to low levels of domestic stock), and heightened national and household food insecurity⁵⁶.
48. According to the National Emergency Response Mitigation and Adaptation Plan (NERMAP) 2016-2022, there is low and decreasing access to diverse nutritious foods and water, which combined with poor food preparation and utilization knowledge and practices, is likely to result in increased micronutrient deficiencies, particularly among pregnant women and children under the age of five⁵⁷.
49. **Environmental health and access to health services.** Only 69 per cent of Eswatini's population have access to basic water services with up to 11 per cent still practicing open defecation⁵⁸. Only 42 per cent of rural dwellers have access to safe water and sanitation and up to 67 per cent rely on rivers and unprotected wells for their household water supply, thus exposing themselves to a high risk of disease and malnutrition⁵⁹. Using handwashing as a proxy indicator only 24 per cent of the per cent of the population could be considered to practice hygiene⁶⁰.

Environment and climate context, trends and implications

50. **Agroecological zones (AEZs).** Eswatini has four AEZs (Highveld, Middleveld, Lowveld and Lubombo Plateau), running from North to South. Each has well-defined vegetation, climatic patterns, topography, and soils.
51. The mountainous Highveld is in the west of the country, with an elevation of between 910 and 1 830 metres above sea level. Commercial forests and subsistence farming (maize monocrops, legumes, etc.) comprise the main vegetation cover in this area. However, agricultural productivity is hampered by

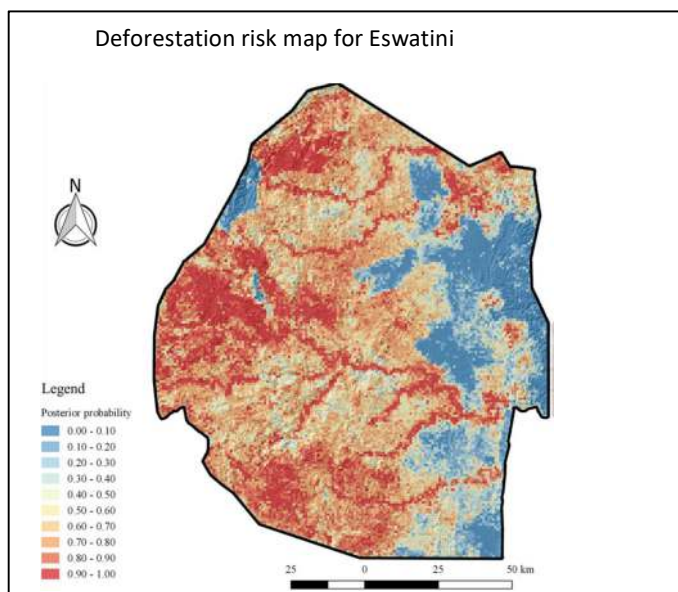
- low soil fertility and high soil acidity. During summer, there is sufficient fodder for livestock but during winter fodder is insufficient to meet local needs.
52. The Middleveld is characterised by a sub-tropical climate and an average annual rainfall of 762 to 1193 mm. The region is densely populated, with fertile valleys together with areas of low fertility and high acidity, making it suitable for a variety of crop species including maize, groundnuts, legumes, sorghum, cassava, etc. It also has a mixture of palatable and unpalatable grass species, but livestock generally require supplemental feeding for 3 to 4 months during winter. Protected nature reserves such as Mantenga and Milwane reserves are situated in this AEZ⁶¹.
 53. The Lowveld in the East has semi-arid and arid climatic conditions, occupying 40 per cent of the country’s total land mass. The area is dry with higher temperatures than in other parts of the country. The soils are moderately weathered, and vegetation is mainly comprised of shrubs together with drought tolerant crops or crops grown under irrigation (e.g. sugarcane, citrus, cotton etc.). The grass/fodder species found in the Lowveld are sufficient and palatable to support livestock during the summer and the winter. The Hlane and Mlawula nature reserves are also situated in this AEZ.
 54. The Lubombo Plateau, in the extreme East, covers an area of 1 321.2km² at an altitude of 700 metres above sea level. Grain crops and legumes such as maize, legumes, sorghum, sweet potato, cassava, and cotton are grown here⁶².
 55. Figure 4 below shows land cover changes in the different AEZs between 2001-2016.

Figure 1: Agroecological zones and land cover change in Eswatini



56. **Environment and natural resources.** Eswatini is endowed with a wide array of natural resources that include arable land, rangelands, mineral deposits (including

- gold, coal, and diamonds), wildlife, forests, livestock, scenic terrain, and rich cultural resources among others. As the economy is largely driven by the natural resource base it is especially vulnerable to climate change and climate variability both of which have had a significant impact on the agricultural sector and other sectors in recent years. Environmental degradation in the form of land degradation is also a major concern, especially on communal land and rangelands⁶³.
57. **Land.** The land mass of Eswatini is comprised predominantly of hills, mountainous terrain, and sloping plains. About 69 per cent of land area is used for agriculture, with 10 per cent used as arable land, 1 per cent under permanent crops, and 58 per cent under pasture⁶⁴. About 1,476 km² of the land exhibits patterns of land degradation and declining agricultural productivity.
 58. Land in Eswatini faces pressure from agricultural expansion, overgrazing, deforestation, soil erosion, uncontrolled fires, and invasive alien species among others. Communal land and rangelands are constantly under the threat of severe degradation resulting from overgrazing, overstocking, and soil erosion and leading to the “tragedy of the commons”. Land degradation impacts ecosystem services, agricultural productivity, and livelihoods adversely.
 59. Eswatini has set a target to achieve land degradation neutrality by 2030 and aims to achieve this through increased afforestation and reforestation, the promotion of agroforestry, the rehabilitation of degraded land, and the implementation of sustainable land management practices⁶⁵. In recent years, the Government has piloted such earth observation tools as the Land Degradation Surveillance Framework (LDSF), remote sensing, and geographical information systems (GIS), to identify land degradation hot spots and monitor the extent of degradation and soil health more accurately.
 60. **Forest resources.** The forestry sector plays a critical role in Eswatini’s economy (primarily through the export of timber) and provides employment to a large section of the population. Forests play a significant role in sustaining ecosystems and in providing medicinal, cultural, and spiritual benefits to local communities.
 61. Eswatini has eight types of forests including montane and highland acacia woodlands, indigenous bushveld, mixed woodlands, and plantation forests.⁶⁶ In the years between 2000 and 2020 the country lost 22 per cent of its forest cover which is the equivalent of 49.0Mt of CO₂⁶⁷. Forest degradation (see Figure 6 below) in Eswatini is caused by such factors as deforestation resulting from the expansion of agricultural land (particularly for sugarcane production), wildfires, or the harvesting of fuelwood⁶⁸. Interventions such as afforestation, agroforestry, renewable energy alternatives, and sustainable land management practices can help conserve forest resources.
 62. **Water resources.** The demand for water in Eswatini is expected to increase by 28 per cent by 2050. This is likely to be further exacerbated by climate change, in that variable climate, unreliable rainfall patterns, and extreme weather events all contribute to water scarcity and stress. Eswatini’s administrative capital Mbabane, has already experienced severe water shortages in recent years due to the El Niño phenomenon. The Shiselweni and Lubombo regions have also experienced prolonged drought conditions and it is projected that the streamflow of rivers will decrease by 40 per cent by 2050, negatively impacting groundwater reserves particularly in the Lowveld⁶⁹. Investments in water harvesting and water treatment at household level, smallholder irrigation, the rehabilitation of dams and water sources, and the promotion of integrated catchment management will assist in mitigating water scarcity in rural areas⁷⁰.

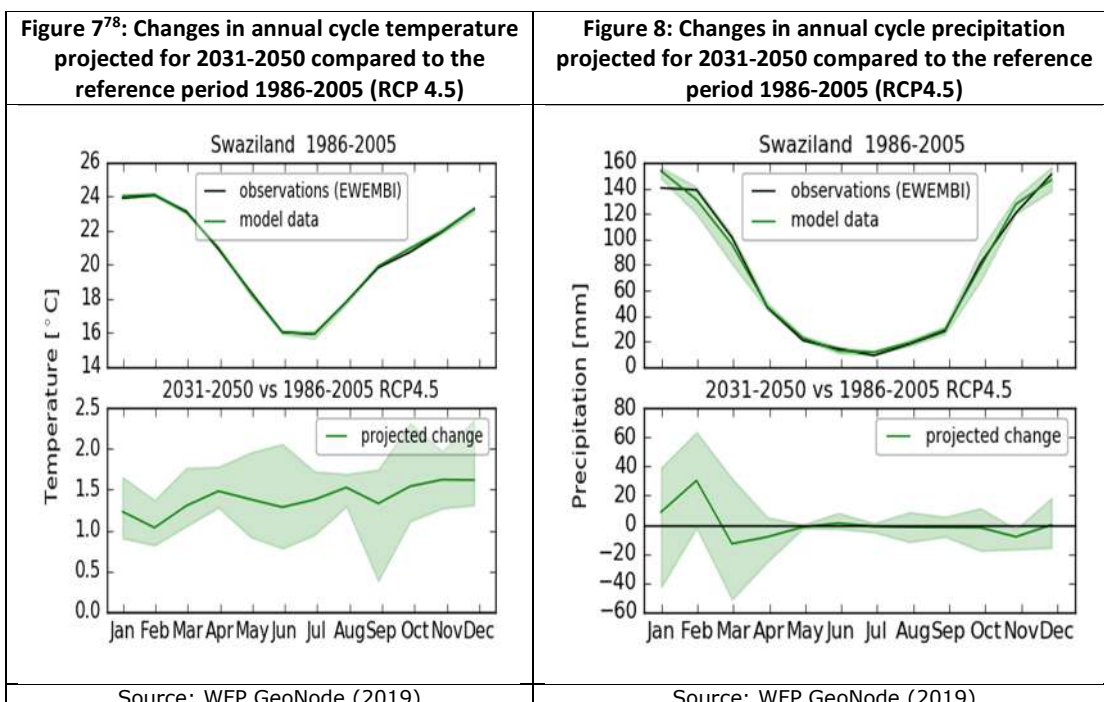
Figure 2: Deforestation risk map for Eswatini

Source: MTEA, 2018

63. **Energy.** In 2018, 78 per cent of the population had access to electricity. In rural areas, biomass, particularly fuelwood, is the primary source of fuel for household cooking and heating and the primary source of self-generated electricity in the sugar, pulp, and sawmill industries. An over reliance on fuel wood in rural areas is one of the leading causes of deforestation. It is anticipated that a reduction in streamflow will reduce the amount of water available for the generation of hydropower.
64. The energy sector emits 31 per cent of total GHGs emissions in Eswatini. The National Energy Policy of 2018 recognises the need for promotion of renewable energy alternatives to advance its low carbon development pathway⁷¹ and the country is committed to generating 50 per cent its electricity from renewable energy. Promotion of renewable energy alternatives such as solar technologies in rural areas will reduce over reliance on fuel wood, reduce GHGs emissions, and provide electricity.
65. **Biodiversity and ecosystems.** Biodiversity is an important resource for Eswatini. Uses are consumptive (i.e. food, fibre, fuel, shelter, medicine) and non-consumptive (ecosystem services, in some cases, and the tourism industry). The likely impacts of heat stress and prolonged droughts on forest plantations include more frequent outbreaks of fires, shifts in species composition, location and size, and changes in the type, location and intensity of pests and other pathogens. On the other hand, forest and savannah fires contribute to climate change, both by causing loss of vegetation and soils that serve as carbon stocks and by releasing carbon to the atmosphere by burning. This may result in significant ecosystem changes, affecting biodiversity through the spread of invasive species and bush encroachment. Recurrent droughts and flash floods are likely to affect the diversity of floral and faunal species significantly⁷². Promoting investments in agroforestry, reforestation and afforestation, wetlands reclamation, and a landscape approach will contribute to biodiversity conservation.
66. **Climate change.** The Kingdom of Eswatini has a largely subtropical climate with hot and wet summers and cold and dry winters; it ranges from a sub-humid and temperate climate in the Highveld to a semi-arid and warm one in the Lowveld. There is high inter-annual variation in precipitation, which results in periods of flash flooding or drought. Mean annual rainfall ranges from 1,500 mm in the northern

Highveld to 400 mm in the southern Lowveld and varies considerably from year to year⁷³. The country is vulnerable to extreme weather events such as droughts, heat waves, hailstorms, and floods.

67. Eswatini’s Nationally Determined Contributions (NDCs) seek to promote a low carbon and climate resilient development pathway for the country. The NDCs emphasise adaptation actions with mitigation co-benefits. Adaptation options are prioritised for the agriculture, water and biodiversity sectors. The country seeks to reduce its GHGs emissions by 20 per cent by 2030 from the 2010 baseline. The agriculture sector’s contribution to GHGs emissions is 33 per cent.
68. **Climate trends.** Historical data reveal that temperatures have increased by more than 3°C between 1961 and 2000 in all AEZs. The onset of rainfall has been delayed since 1980, with rains ending earlier over most of the country. Most changes in precipitation and increasing temperature are observed in the Western and Northern parts of the country, increases in the number of days without rain occur mainly in the Southern part, while most wet extremes are experienced in the Eastern area⁷⁴.
69. **Climate Projections.** Projections based on the RCP4.5 scenario (Graphs 1 and 2) indicate that both minimum and maximum temperatures will increase in all seasons and in all agro-ecological zones in the country. Temperatures in Eswatini are expected to rise by between 1.5°C and 2.5°C during the period from 2046 to 2065⁷⁵. Heatwaves and warm nights are projected to dramatically increase Westward and Northward respectively. The highest temperature increases occur over the Highveld and northern Lowveld and primarily before onset of the rains. Over this period, rainfall patterns are expected to become more uncertain and erratic, resulting in a greater frequency and an intensification of droughts and floods⁷⁶. Such climatic changes will have a severe negative impact on the agricultural sector.
70. Predictions by the IPCC indicate that future droughts will be longer, more intense and frequent⁷⁷. GHG emissions from all sectors (energy, industrial processes, agriculture, waste, and Land Use, Land Use Change and Forestry) are projected to increase to 33.4 million tonnes of CO2 equivalent by 2030.



71. **Vulnerability and impacts of climate change.** Eswatini's exposure, sensibility, and ability to adapt to the impacts of climate change ranks 129th out of 181 countries, 32nd in terms of vulnerability, and 74th in terms of readiness to adapt⁷⁹. Eswatini is considered to be highly vulnerable to climate change impacts, and was ranked 137 out of 181 countries in the 2020 ND-GAIN Index⁸⁰.
72. Changes in precipitation trends will trigger changes in crop varieties, planting dates, and cropping patterns. It is predicted that yields for staple cereals, especially maize, will fall by 1.34 per cent across the country by 2040 relatively to 1995 (median risk). The Shiselweni and Lubombo regions and the drier parts of Manzini and HhoHho are the most vulnerable to climate change⁸¹. Climate variability and change are also likely to impact livestock farming adversely. Projected increases in temperature are likely to result in heat stress, which reduces animal activity, foraging and growth, impedes their reproduction, and increases mortality by changing vector and disease transmissions. The likely impacts of heat stress and prolonged droughts on forest plantations include more frequent outbreaks of fires, shifts in species composition, location and size, and changes in the type, location and intensity of pests and other pathogens⁸².
73. Climate change is likely to affect water availability and use of water resources due to changes in precipitation and run-off patterns. Overall warming and drying will increase the frequency of droughts and floods in the country. The loss of tree cover to provide fuelwood is a major contributor to degradation, GHG emissions and climate change⁸³.
74. Without adequate mitigation and adaptation measures the effects of climate change on livelihood activities (both cropping and livestock rearing), and on forests and associated income generating activities will be significant. Unaddressed, these impacts will have a significant impact on the rural population and will exacerbate the breath and depth of poverty.

Part 2 -Institutions and legal framework

Institutions

75. **Government institutions.** The Ministries of Agriculture, Finance, Tourism and Environmental Affairs (MTEA), and Tinkhundla Administration and Development are the most important government stakeholders in IFAD-funded projects in Eswatini. The Ministry of Agriculture supports production related activities. A major gap remains in capacity building of producers to ensure the export orientation of SHF to substitute imports and providing investment support for production, processing and marketing infrastructure. The National Marketing and Agricultural Board (Namboard) is responsible for facilitating markets for farmers and assisting them in the processing, storage, transportation, distribution and sale of scheduled products. Questions about the effectiveness of Namboard in linking SHFs to markets were raised by various stakeholders in the preparation of this SECAP.
76. **Private sector** investment in agricultural is predominantly in the sugar industry. The National Maize Corporation, however, has supported SMLP beneficiaries by providing extension services and market information. Further private sector involvement has the potential to develop value chains which will incorporate smallholder farmers.
77. **Environment and Climate Change.** MTEA coordinates environmental and climate development projects on behalf of the government and builds partnerships with development partners. It also hosts the Global Environment Facility (GEF) and Green Climate Fund (GCF) focal points. There is a Climate Change Unit in the Ministry's Meteorology Department. The Department of Meteorology is responsible for the collection, analysis and dissemination of weather and climate data. The Eswatini Environment Authority (EEA) supports the MTEA in the development of environmental standards, legislation, and guidelines, including the preparation and

implementation of national environmental plans. The Department of Forestry develops and implements policies and regulations in the forestry sector. Extension services and tree growing support to farmers are also provided by the Department. The Eswatini National Trust Commission is mandated to protect and conserve the country's natural heritage and implement policies on biodiversity.

78. **The National Disaster Management Agency** is charged with averting and/or reducing the impacts of natural disasters (such as drought or floods) through a national disaster management system. The system is designed to increase preparedness and mitigation, and to reduce vulnerability of the population to shocks. The Agency is also responsible for monitoring risks, undertaking research, building early warning systems, and the dissemination of information.
79. **At community level** IFAD has engaged with a range of community-based development groups, faith-based organizations⁴⁵, women and youth groups, farmer organizations (such as ESNAU) and cooperatives, savings groups and loan associations, and credit cooperatives. Groups of people living with HIV/AIDS (PLHIV) and PWDs have been established to lobby for and facilitate access to income generating opportunities and services. The buy-in of community leaders, as occurs in the Chiefdom Development Committees supported by SMLP, is paramount for the success of development interventions. Such organisations hold the potential to become development champions, promoting social inclusion, and supporting innovation and transparency.
80. **The donor community.** IFAD's engagement with development agencies and donors in Eswatini includes Rome-based agencies (WFP and FAO), other United Nations agencies (UNICEF, UNDP etc.).
81. **Social Issues.** The Ministry of Sports, Culture and Youth Affairs and associated parastatals (the Youth Enterprise Revolving Fund and the National Youth Council) are responsible for state policies and programmes supporting opportunities for Swazi youth. The Disability Unit in the Department of Social Welfare (Office of the Deputy Prime Ministers Office) is responsible for the coordination of policies and programmes aimed at providing equitable opportunities to PWDs. The National Emergency Response Council on HIV and AIDS directs, and coordinates, country level interventions related to HIV/AIDS. Child Labour issues are overseen by the Ministry of Labour and Social Security.
82. **Nutrition.** The National Nutrition Council is responsible for coordination and implementation of nutrition actions and programmes in the country. The Department of Home Economics in the Ministry of Agriculture is the custodian of the National Nutrition Mainstreaming Strategy and is responsible for coordinating implementation of the strategy. Collaboration with IFAD will strengthen the delivery of nutrition education and Social Behaviour Change Communication. The Department of Non-Communicable diseases in the Ministry of Health supports nutrition programmes in the country and particularly the monitoring of nutrition interventions and targets.

Policy and regulatory frameworks

83. **Environmental Management** Act of 2002 (Act No 5 of 2002) provides a framework for environmental protection and management, and the integrated management of natural resources. The Eswatini Environment Authority oversees the Eswatini Environment Fund that provides finances for environmental protection in the country. The Act also provides guidance on the conduct of strategic environmental assessments and environmental impact assessments as well as on the issuance of licences or permits for the use of natural resources.

84. **National Climate Change Policy** of 2016 provides a framework for the management of climate change in Eswatini. The enhancement of climate resilience, adaptation and mitigation are core principles underpinning the policy. The policy also seeks to: enhance the application of climate and weather information as well as early warning systems; building national capacity in climate research, analysis and modelling; improve climate knowledge by downscaling global and regional models; building the agro- meteorological network; strengthening national capacity to utilise earth observation tools; enhance national capacity in measurement, reporting and verification of GHGs and climate change actions; education and public awareness on climate change and actions; and integration of gender perspectives in climate change planning and actions. The policy identifies various sources of climate financing, including the national budget, GCF, GEF, Adaptation Fund, bilateral and multilateral donors, private sector and carbon markets.
85. **Nationally Determined Contributions (NDCs)**. Eswatini has ratified the Paris Agreement and submitted its Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC). The NDCs aim to ensure a low carbon and climate resilient development pathway for the country. The NDCs seek to reduce GHG emissions by 20 per cent by 2030 from the business- as-usual scenario of 2010.
86. Eswatini's national adaptation actions are expected to be delivered through the country's National Adaptation Plan (NAP), which was to be developed in 2020. The plan aims to broadly address climate risks, reduce vulnerability to climate change, build adaptive capacities and resilience, and integrate climate change in policies, sectors and programmes. The country's climate actions are focused on vulnerable sectors such as agriculture, biodiversity and ecosystems, and water.
87. The main mitigation action at national level is to develop a robust national GHGs inventory, a credible baseline and emissions trajectory, and a comprehensive measurement, reporting and verification (MRV) system. In the energy sector, the proposed mitigation action is the use of renewable energy options such as waste, solar, and bagasse⁸⁴.
88. **Land Degradation Neutrality Targets**. Eswatini has ratified the United Nations Convention to Combat Desertification (UNCCD) and has set Land Degradation Neutrality (LDN) Targets with the goal of becoming land degradation neutral by 2030. The key LDN interventions are increasing afforestation/agroforestry, SLM practices soil organic carbon stocks, and land rehabilitation.
89. **National Biodiversity Strategy and Action Plan (NBSAP 2)**. Eswatini has developed its second NBSAP in line with the requirements of the UN Convention on Biodiversity Strategic Plan and Aichi goals. The current NBSAP builds on lessons learnt from the 1st NBSAP and has developed a biodiversity action plan, which is a matrix that identifies strategic biodiversity initiatives, targets, baselines, indicators, the costing of interventions, and agencies responsible for their implementation. The priority areas for the second NBSAP are improving the status of the country's biodiversity by reducing threats and pressures, safeguarding ecosystems, and encouraging sustainable utilization of resources.
90. **Gender and women**. The National Gender Policy of 2010 provides guidelines to redress inequities between men and women along with strategies for their implementation, monitoring and evaluation.
91. **Youth**. The Eswatini National Youth Policy of 2020 emphasizes the need for youth equity and inclusion, involvement and participation, empowerment, and sustainability. A Youth Employment Strategy is being developed and is expected set out the mechanisms needed to promote youth employment and entrepreneurship.

92. **PWDs.** National Disabilities Policy of 2013, the National Disabilities Plan of Action 2015-2020, and the National Disability Act of 2018, constitute the key documents guiding Government efforts to meet the needs and protect the rights of PWDs. The Action Plan aims to ensure that all national policies and development programmes mainstream disability and promote the social inclusion of PWDs.
93. **HIV/AIDS.** The Regional strategy for HIV prevention, treatment and care and sexual and reproductive health and rights among key populations; National Multi-Sectoral Strategic Framework 2018-2023; and the National HIV Prevention Policy provide a policy framework for curtailing the spread of HIV/AIDS and resource allocation to reduce HIV related deaths.
94. **Child Labour.** The National Children 's Act of 2009 represents the policy framework of the Children's Protection and Welfare Act, which aims to promote the rights of children, protect children from all types of abuse and exploitation, including child labour, and improve the quality of education. The Children's Protection and Welfare Act and Section 97 of the Employment Act apply minimum age protections to children working in industrial undertakings, however these do not cover children working in domestic and agricultural work (they constitute gaps yet to be addressed).
95. **Food and nutrition.** The National Development Strategy (Vision 2022) outlines strategies to advance food security through investment in food production, processing and marketing techniques, and infrastructure. This will be further supported by a Food and Nutrition Policy which is currently under preparation. The National Nutrition Mainstreaming Strategy, developed in collaboration with SMLP, provides a framework for ensuring nutrition sensitive agricultural investment in the country. This COSOP's nutrition interventions will align with and contribute to the implementation of the strategy. Partnerships with government and UN agencies will be explored for this purpose.

Programmes and partnerships

96. The following partnerships which will be pursued during this COSOP will provide a platform for coordination of interventions, collaboration, sharing and learning.
97. **Integrated value chain development.** IFAD will explore opportunities to collaborate with the Rome-based agencies (FAO and WFP), government owned entities (such as Namboard and the National Maize Corporation), and private sector organisations, in the strengthening of agricultural value chains in specific sectors.
98. **Land tenure security.** Country-level policy engagement collaboration will be sought key ministries and development partners (FAO) to improve land tenure security among key target groups, including youth and women and especially female headed households.
99. **Financial Inclusion.** The Centre for Financial Inclusion is a key partner for FINCLUDE and new collaborative projects will be explored to improve access to financial services among poor households, women and youth.
100. **Women and gender equality.** UNWOMEN, the FAO, and other national and international organizations working on women 's empowerment will be engaged to share lessons learnt and best practices, including those relating to the implementation of GALS in support of policy development.
101. **Youth empowerment.** IFAD will liaise with the MoA, the Ministry of Youth Affairs, the National Youth Council, as well as chieftdom and Tinkundla based representatives and other entities working at local level, to share lessons learnt, and to coordinate interventions on the empowerment of youth. The Youth Enterprise Revolving Fund provides grants to youth seeking to become entrepreneurs or to upscale their enterprises. The Fund enables youth to access

subsidised capital in the absence of collateral. Catalyze is an important partner for youth business development services provision. Important lessons can be drawn from the experience of Catalyze and the Youth Fund and potential synergies can be explored with organisations.

102. **Local healthcare centres offering HIV services.** IFAD supported projects in Eswatini implemented under the COSOP 2022-2027 will establish coordination mechanisms with healthcare centres in the areas of intervention to assess if and how projects can disseminate information to target groups on available clinical services.
103. **Nutrition.** The Government of Eswatini, in collaboration with FAO and WFP, are implementing the Home-Grown School Feeding Programme (HGSFP). IFAD, under SMLP and FINCLUDE, will aim to establish linkages with the HGSFP to provide reliable markets for smallholder farmers, stimulate production, and increase incomes which, in turn, will improve household access to diverse foods. The Department of Home Economics expressed interest in receiving IFAD support in the development of the national nutrition social and behaviour change communication strategy.
104. **Environment and Climate Change.** IFAD supported programmes and projects will seek to establish partnerships with development agencies in the country providing support for integrated environmental management and climate mitigation and adaptation actions. These would include FAO, UNEP, UNDP, AfDB and the World Bank. Opportunities also exist to partner with the private sector and financial institutions on the provision of climate focused financial products. Ongoing collaboration with the Ministry of Tourism and Environmental Affairs will continue under this COSOP. Opportunities to collaborate with other agencies on environment and climate financing from the GEF, GCF and Adaptation Fund will be explored at project level.

Part 3 - Strategic recommendations

105. **Lessons learned.** The following lessons have been drawn from IFAD 's experience in Eswatini:
106. **Targeting.** Youth need to receive all the support provided to other groups plus additional elements such as increased assistance to rural, young and poor aspiring entrepreneurs access to seed capital, among others.
107. **Strengthening of value chains.** The development of sector-based value chains is essential in maximising the productivity of small-scale farmers, creating off-farm employment, increasing agricultural exports, and in promoting import substitution.
108. **Reduction of social risks.** The impact and sustainability of projects are enhanced when common social risks (such as HIV, gender inequality, the absence of land tenure security for youth and women, high drop-out levels, and urban migration), are identified and addressed as part of project design
109. **The importance of domestic agriculture.** Disruptions in food supply chains and loss of income due to the COVID-19 pandemic demonstrated the importance of household gardens in providing access to fresh, diverse and nutritious foods, such as vegetables, legumes, and fruit, in the face of shocks.
110. **The need to reduce high food losses.** Improved food production will not be sufficient to improve household income and food security without a commensurate reduction in post-harvest losses.
111. **Nutrition impacts.** The scaling up and sustainability of nutrition interventions requires strengthening of the country's capacity to promote better access to more nutritious food, to increase awareness and knowledge of the important health

outcomes of nutritious food, and to effectively monitor the nutrition outcomes of projects and programmes.

112. **Climate adaptation and mitigation.** Investment in such activities as irrigation, water harvesting, crop diversification, climate and weather information, biodiversity conservation, land rehabilitation, agroforestry, early warning systems, drought tolerant species, climate resilient infrastructure, renewable energy and climate smart agricultural practices, have proven critical in reducing farmers' vulnerability to climate shocks and in enhancing their food security and livelihoods.
113. **Innovation in the use of technology.** The application of earth observation tools such as remote sensing and GIS have proven useful in mapping natural resources, monitoring land use practices, land use planning, and in the determination of environmental degradation hotspots. To make optimal use of the tools, more investments in capacity building are required at project level as well within government agencies.

Strategic orientation

114. The expected overall objective of the COSOP is to propel growth in agricultural production and productivity to improve food security, create wealth, reduce rural poverty, and contribute to the GDP without undermining the environment and natural resource base, while improving the resilience of smallholder farmers. To achieve this, the COSOP will serve as a platform to promote social inclusion by empowering poor and resource constrained smallholders, including women and youth, while at the same time deepening climate adaptation and mitigation, environmental protection, and resilience.
115. Programmes and projects under the 2022-27 COSOP will contribute towards gender equality and women's empowerment, youth empowerment, the integration of vulnerable groups such as PWDs and PLHIV; improve nutrition especially among women, children, elderly and vulnerable groups; improve nutrition monitoring and evaluation systems, nutrition education and campaigns; facilitate access to weather and climate information; support climate-informed production decisions; Good agricultural practices (GAP) and landscape rehabilitation; promote waste management and valorisation; reduce post-harvest losses; strategically support the development of value addition while promoting environmental hygiene; promote decent work and workplace safety; support agricultural extension and advisory services, community action planning processes; and improve climate-resilient marketing ecosystems, among others.
116. Projects under this COSOP IFAD will aim to increase the capacity of institutions that are engaged in the implementation of rural development activities at the level of local communities. This will include government departments and implementing agencies such as the CFI, ESWADE, National Nutrition Council, and chiefdom development committees, amongst others. These local institutions are of considerable importance as they are rooted in communities and have contextual knowledge of the challenges, which they face, and the interventions which could improve their livelihoods.
117. IFAD investments in Eswatini can contribute to the country's ambition to become land degradation neutral by 2030. Agricultural production and productivity in Eswatini are limited by land degradation, which manifests through soil erosion, declining soil fertility, deforestation etc. As per the LDN targets, IFAD's investments in sustainable land management (SLM) practices such as soil and water conservation measures, agroforestry, afforestation, conservation agriculture and integrated soil fertility management through the SMLP/CSARL and FINCLUDE projects contribute to increased agricultural productivity, food security and better livelihoods for smallholders. Future investments should continue to support the country's land degradation neutrality targets through investments in SLM measures to increase productivity, food security, GHGs, and increasing soil carbon stocks.

118. Eswatini's NDCs can be achieved through mitigation and adaptation actions as well by reducing the vulnerability and enhancing the resilience of smallholder farmers. Current IFAD investments through SMLP/CSARL and FINCLUDE contribute to the country's adaptation priorities through crop diversification, land rehabilitation, agroforestry, conservation agriculture, drought tolerant varieties and species, biodiversity conservation, micro irrigation, and rainwater harvesting among others. These interventions reduce farmers' vulnerability to climate change and increase their resilience. Renewable energy options, such as solar, contribute to mitigation priorities and are being promoted under FINCLUDE and SMLP/CSARL. Future IFAD investments will focus on climate adaptation options with co-mitigation benefits.
119. Future investments could address the country's NBSAP 2 priorities through investments in ecosystems management and biodiversity conservation, as well as by capacity building at local and national levels. The ongoing SMLP/CSARL projects have shown that interventions such as wetlands restoration, afforestation, agroforestry, and the fencing off gazetted conservation areas have positive biodiversity conservation outcomes.
120. The Government of Eswatini has expressed interest in IFAD's support in the development of a national framework and strategy for climate information services in the country.

Strategic actions and targeting

121. The context of rural Eswatini requires that specific attention be directed towards the key youth categories – male and female, younger youth (15-24 years) and older youth (25-35 years) – based on their unique circumstances (to address high levels of youth unemployment), women (given the high number of women headed households), nutrition (to address pervasive malnutrition in a context also highly affected by HIV), along with environment and climate change (due to progressively challenging conditions that limit production and productivity and land degradation). Strategic interventions to be considered in the context of this SECAP for the management of social and environmental issues include the following:
122. Ensuring transparent and inclusive project management in planning, beneficiary selection, implementation, monitoring and evaluation, and in the establishment of linkages between smallholders and off-takers/out-growers, as a means to effectively avoid elite capture and ensure beneficial outcomes for all relevant stakeholders.
123. Assessing the entry, performance and sustainability barriers faced by different target groups in all IFAD supported interventions and establishing measures to address them.
124. Understanding the heterogeneity of youth will be crucial to promote inclusive youth empowerment; focusing on the increased involvement of rural youth as beneficiaries, entrepreneurs, and service providers, as well as in value chains.
125. Employing gender sensitive approaches to promote women's empowerment and address gender inequality, promote economic empowerment of women of different ages in project interventions, facilitate women's access to productive resources, and equitable decision-making and reduced workloads for women.
126. Promoting participatory and inclusive local development planning and project implementation. Ensuring that the voices of youth and women are heard, and their interests and needs considered constitutes the foundation to instil socially inclusive local development.
127. To increase crop productivity in the face of environmental degradation and climate change, it is recommended that investments are aligned with the country's NDCs, LDN and NBSAP targets. Interventions should include SLM and climate smart practices such as soil and water conservation measures, agroforestry, conservation

- tillage, soil fertility management, micro-irrigation, and utilisation of climate and weather information. The livestock sector will need focused investments in fodder production, selective breeding, water access, rangeland management and stock control to reduce rangeland degradation caused by overgrazing and overstocking. Investments in animal husbandry, selective breeding, quality feed, herd management, and manure management will improve livestock performance and contribute to GHGs emissions reduction.
128. Given the country's vulnerability to climate change and extreme weather events, the selection of crop varieties and livestock species will need to be informed by their adaptability to local climatic conditions. The promotion of intercropping, crop diversification, drought tolerant and early maturing crop varieties (common staples such as beans), should be given consideration, especially in the Eastern parts of country. Investments in irrigation will be key to increasing productivity in the crop and livestock sectors, particularly in the drier regions, will stimulate increased production of horticultural products and will increase farmers' incomes.
 129. Opportunities to enhance climate adaptation and mitigation actions in line with the NDCs can be pursued along value chains at production, post harvest, processing, and marketing stages. Interventions could include the promotion of renewable energy options, energy efficiency, post harvest loss reduction, and water efficient technologies. Climate proofing rural infrastructure, such as irrigation schemes and dams, could also be considered as a means to enhance productivity and climate resilience.
 130. Investments to reduce environmental degradation at a landscape level will be made through community-based approaches coordinated through chiefdoms and could include soil erosion control measures, reforestation, wetlands restoration, agroforestry, and rangelands management.
 131. Climate finance for Eswatini is likely to come in through the GEF 8, GCF, and the Adaptation Fund. The supplementary funds will be blended into the loan portfolio and finance specific interventions around key focal areas, namely, biodiversity conservation and ecosystem management, climate mitigation and adaptation, climate resilience, and sustainable land management. The GEF 8 cycle may offer an opportunity to co-finance the planned new loan investment and should be pursued. The GCF also offers potential for providing climate financing for new operations. The country has not yet accessed funds from the Adaptation Fund and this could be another potential source of financing to explore under IFAD 12. Partnership building with the private sector and financial institutions will be key to leverage additional co-financing and to promote climate focused financial products.
 132. **Geographic targeting.** The COSOP will be national in scope but will be based on the clustering of beneficiaries in specific localities. Special attention will be paid to regions and chiefdoms offering suitable agroecological and market conditions to enable resource constrained smallholders to engage in commercially viable, profitable and sustainable income generating activities. Locations with high poverty rates, but with potential for the establishment of multiple, coordinated investments and linkages between out-growers and/or off-takers, will be prioritised.
 133. **Direct targeting of beneficiaries.** The focus of IFAD support will be on three target groups. The first of these (Category 1.) will consist of micro and small entrepreneurs that need either or technical and financial assistance to become sustainable commercial farmers (10-20%). The second (Category 2.) will be households who already meet their minimal needs but who remain vulnerable to exogenous shocks and require assistance to build resilience into their farming systems and to support them to become commercially productive (40-60%). The third group (Category 3.) will comprise poor, resource constrained rural smallholders and peri-urban dwellers in need of support to strengthen their resilience and food and nutrition security (20-30%) with interventions mostly

around production for households to become food secure. Beneficiaries in each of these categories will include men and women of different ages, women headed households, people living with HIV, and people with disabilities. The exact number of vulnerable households supported will be determined by their prevalence in the community and projects will work in close contact with PLHIV support groups and PWD associations in this process.

134. The COSOP will target approximately 52,000 individuals and will thus have the potential to reach about 318,000 beneficiaries, based on an average rural HH size of six.
135. Interventions in support of PLHIVs will include those aimed at improving nutrition and at sensitizing communities to minimize the stigmatization which restricts access to gainful employment. Interventions will also target child headed households and households where elderly people have had to assume responsibility for parenting orphans.
136. The targeting quotas of PWDs, and the forms of intervention introduced, will be informed by the type and prevalence of disabilities in a project area⁴⁶. Greater social inclusion will be achieved by identifying points along the value chain where PWDs can be integrated into agricultural value chains.

Table 1: Targeting figures

Project	Direct Beneficiaries	Employees (x1.5) approx	Total
Finclude	18,500	9,000	27,500
SAPEMP	17,000	7,500	24,500
TOTAL	35,500	16,500	52,000

137. Investments under this COSOP will focus on poor and entrepreneurial households in Category 2, who need to build their productivity, income and resilience. However, investments will also provide support to poorer food insecure members of target communities to address their essential needs. Micro and small entrepreneurs will be targeted to attract or further develop local markets for specific products and thus support the commercial engagement of smallholders in profitable markets. The proportions allocated to each category reflect the socio-economic stratification of the country's population. In each project differentiated support packages will be designed considering the specific situation of each target group and opportunities confirmed by each project. Participatory planning and community involvement will assure that expected targeting strategies for each project are duly implemented, and in all cases avoid elite capture. Efforts will be made to offer opportunities to both younger and older youth, striving for proportionality.
138. **Targeting measures.** Targeting measures to be considered under all projects and programmes include direct targeting, together with enabling, empowering, procedural and operational measures.
139. *Direct targeting measures* will include the establishment of quotas for the participation of women and youth participation between 40 – 60% (depending on the intervention); ensuring that interventions respond to the needs and priorities of beneficiaries and align with their capacities.
140. *Enabling measures* will be introduced to equip management staff and service providers to effectively manage socially inclusive programmes and projects.
141. *Empowering measures* will include the integration, throughout the project cycle, of community members who are generally excluded from decision making and broader development processes (the poor, women, youth and PWDs).

142. *Procedural measures* will be integrated to ensure that all potential beneficiaries are able to take advantage of opportunities supported under this COSOP and that all processes are fair, participatory, inclusive, and transparent.
143. *Operational measures* will aim to ensure that staff engaged in programmes and projects have the necessary expertise, experience and ability to effectively manage the social and environmental issues outlined in this SECAP.
144. Projects under this COSOP will develop Grievance Redress Mechanisms based on existing government systems.
145. All IFAD investments will actively discourage the use of child labour in agriculture as a form of paid or unpaid employment.
146. IFAD has a no tolerance policy on sexual harassment as well as sexual exploitation and abuse and will ensure that this is communicated to project implementers and beneficiaries.

Monitoring and Evaluation

147. This COSOP will place considerable emphasis on the design and implementation of robust results-based M&E systems. This will include the establishment of baselines prior to the commencement of project interventions, beneficiary surveys, and agreement on indicators and targets between all implementing partners. Geo-spatial tools and digital systems will be used to augment conventional M&E methods.
148. Intervention specific indicators will be identified and used to monitor the social and environmentally relevant activities. Monitoring responsibilities will be assigned to specific units, which will be guided by schedules setting out the format and frequency of monitoring activities.
149. Beneficiaries will be involved in the selection of indicators through participatory processes and, where appropriate, in the monitoring of interventions an approach which under SMLP has proven to be effective in building local ownership of interventions. Such interactions will be integral to the stakeholder consultation plans developed for each project.
150. Quantitative M&E data will be augmented by qualitative studies to deepen understanding of the factors that might progress or constrain the impact of project interventions.

*** **

References

Agreement at completion point

Agreement at Completion Point

A. Introduction

1. This is the first country strategy and programme evaluation (CSPE) in the Kingdom of Eswatini, conducted by FAD's Independent Office of Evaluation (IOE). The CSPE aimed at: (i) assessing the results and performance of the IFAD strategy and programme in Eswatini; and (ii) generating findings and recommendations for the future partnership between IFAD and the Government of Eswatini for enhanced development effectiveness and rural poverty alleviation. Furthermore, the CSPE also intended to inform the formulation of the third Eswatini results based COSOP, under elaboration in 2021.
2. The CSPE covered the period 2000-2021 and assessed the four IFAD strategic documents developed for the country and the performance of the four lending operations and of the non-lending activities implemented over two decades. The CSPE also analysed the role and contribution of IFAD and the Government to the design and management of the overall country programme.
3. This agreement at completion point (ACP) contains recommendations based on the evaluation findings presented in the CSPE report, as well as proposed follow-up actions as agreed on by IFAD and the Government of Eswatini. The ACP is signed by the Government of Eswatini (represented by the Principal Secretary for the Ministry of Finance) and IFAD Management (represented by the Associate Vice-President of the Programme Management Department). The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme (COSOP) for the Kingdom of Eswatini. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the IFAD Management.

B. Recommendations and proposed follow-up actions

4. **Recommendation 1. IFAD should address through its strategy and programme in Eswatini the fundamental constraints that prevent rural smallholder producers, women and youth, from achieving more sustainable livelihoods.** Most prominent issues that require attention include access to land, dependency on imported inputs for agriculture and livestock, and strengthening and empowerment of producers' organizations in both irrigated and rain-fed agriculture.
5. **Proposed follow-up:** The draft COSOP (2022-2027) recognises women and youth as well as other vulnerable groups such as people living with disabilities as particularly important target groups for current and future projects. Projects under this COSOP such as the Financial Inclusion and Cluster Development Project (FINCLUDE) and the new concept that is under elaboration identify not only innovative strategies to target these groups but also differentiated support to enhance their income earning opportunities and ensure sustainability of their livelihoods. Lessons from the ongoing country programme have provided a better understanding of the profiles and needs of youth, which better informs targeting and retention of this group. Youth interventions in the current programme include SMLP's engagement of a specific youth business development service provider to identify concrete entry points for youth in agricultural value chains. FINCLUDE developed a detailed analysis of the youth dividing them by gender and into

younger (15-25 years old) and older (26-35 years old) youth to design more tailor-made support. The FINCLUDE youth communication strategy is focused on changing the mind-set of youth and to stimulate interest in agriculture and related enterprises. Furthermore, the new COSOP recognises the importance of skilling of the youth to enable them to participate gainfully in their enterprises of choice. The Eswatini country programme continues building on these approaches with specific interventions that support the interests and talents of the youth.

5. The issue of women and youth's access to land in rural Eswatini has been identified in the draft COSOP as one of the focus areas for policy engagement. Initiatives towards increasing women and youth's access to land will include work with Chiefdom Development Planning structures at project inception on models and best practices on women and youth's access to agricultural land. The Smallholder Market-led Project and Climate-Smart Agriculture for Resilient Livelihoods (SMLP-CSARL) addressed issues of access to land through the Chief's letters of consent and mapping of land resources using GIS and remote sensing has helped the project identify land use systems, natural resources and land degradation hot spots, thus assisting chiefdoms in the allocation of land. Opportunity to scale up these innovations and to increase land access for youth and women will be explored in the new project.
7. Addressing the dependence on imported inputs is an important consideration for the new design. The findings of the Government of Eswatini-commissioned Commodity Sector Development Plan value chain studies, ongoing consultations with national stakeholders and analysis of current supply chains for inputs will inform specific interventions in this regard.
8. Capacity building for smallholder producers and their integration in the value chains is a key focus of the COSOP. The cluster approach under the FINCLUDE project is a way to organize producers, which is beginning to show some early results. Lessons from this approach will be used in the design future interventions. The new design takes farmer organisation to the next step by taking a value chain approach and seeking to address constraints along the entire commodity value chain to facilitate expansion opportunities for smallholder producers.

Responsible partners: IFAD, the Government of Eswatini and Project teams

Timeline: Ongoing until end of the new COSOP 2027.

9. **Recommendation 2. IFAD should further engage, at a minimum in an advocacy and advisory role, in addressing the emerging threats to the livelihoods of smallholder producers who have their holdings in the LUSIP I PDA.** IFAD and the Government should collaborate to develop a programme aimed at tackling the challenges faced by the producers of irrigated sugar cane and other crops in the LUSIP I PDA, so as to avoid the collapse of the scheme and of the livelihoods of those who depend on it. The programme development should be followed by an effort to leverage resources for its implementation.
10. **Proposed follow-up:** The Government of Eswatini and IFAD will undertake an in-depth evaluation of the obtaining situation with regards to challenges faced by the producers of irrigated sugar cane and other crops in the LUSIP I PDA. Based on the evaluation, specific interventions will be designed to improve economic viability for the beneficiaries and technical capacity for management of the associated infrastructure. Actions will include linking the farmers who have their holdings in the LUSIP I PDA with new agricultural programmes for sustainability of the scheme and livelihoods of those who depend on it.

Responsible partners: The Government of Eswatini and IFAD

Timeline: By December 2023.

11. **Recommendation 3. IFAD and the Government of Eswatini, drawing on the rich lessons learned over time, should define which are the most efficient and effective implementation arrangements for their joint initiatives, that will also allow smallholder producers to benefit the most.** The thrust of this recommendation entails an explicit discussion with the Government about the advantages and disadvantages of the various implementation arrangements deployed so far, to identify what will be the best approach that maximises positive results for the intended target population. The currently on-going projects represent an opportunity for contributing to the development of an efficient and effective model of collaboration across Government-level organizations, parastatals and other stakeholders.

12. **Proposed follow-up:** In development of the new design of and future projects, IFAD and the government of Eswatini will review the implementation arrangements of the current and previous projects and design a robust structure to improve delivery and overall efficiency. IFAD and the government of Eswatini will organize a workshop to discuss the implementation arrangements of past and current projects considering various aspects such as effectiveness, sustainability, technological and methodological innovations as well as value for money, to identify aspects in each model that can be incorporated in new projects and those that need to be improved. Outcomes of the workshop will inform more effective and relevant implementation arrangements for the new and future projects to ensure efficient implementation to the end that smallholder producers including men, women, youth obtain sustainable benefits.

Responsible partners: The Government of Eswatini and IFAD

Timeline: The workshop will be conducted by July 2022.

13. **Recommendation 4. Project monitoring and evaluation systems and procurement units should be considered fundamental pillars of project management and be adequately staffed and capacitated to perform in an effective and efficient manner.** IFAD should continue to provide enhanced support on these topics during implementation, while project management units should ensure the necessary follow-up. The project M&E systems should also consider including indicators that contribute to the Government's own databases.

14. **Proposed follow-up:** To improve monitoring and evaluation (M&E) systems and practices IFAD is taking a two-pronged approach of i) strengthening national capacities in M&E through increased technical support and adequate staffing of M&E units; and ii) focusing on improving M&E systems and tools. From project inception, competent M&E staff will be recruited with attention to the adequacy of staffing in each M&E unit including relevant data management support staff. On capacity strengthening, IFAD will continue to invest in early and ongoing capacity building, rolled out through highly competent consultants that are made available for ongoing implementation support; as well as trainings and workshops which are provided periodically and as needed. IFAD also facilitates learning and exchange of best practices and innovation in M&E with other countries through south-south-triangular cooperation. Currently a collaboration between FINCLUDE and the Rural Enterprise and Remittances Project (RERP) project in Nepal introduced the Innovative digital farmer diary tool for participatory monitoring and collection of production-related data. The tool also facilitates improved frequency, timeliness, accuracy and management of farm-level data. Additionally, the current country programme introduced M&E innovations which include geotagged M&E data. Recognising that a link between project and government M&E systems is not

Intuitive, going forward IFAD and government will collaborate more closely for a more deliberate link for sustainability and to support agriculture information systems at government level. The collaboration with government will also provide an opportunity for improving quality and timeliness of data.

- 15. To improve procurement processes, in 2020 IFAD migrated to an online system NOTUS which has greatly increased efficiency and minimised mistakes. To ensure that procurement processes are not needlessly protracted, IFAD conducts regular follow-up of the implementation of the procurement plans and provides continuous technical support and capacity building. The recruitment of qualified and competent staff will be supported by staff retention systems to ensure that the developed capacities continue to benefit the country programme without procurement staffing gaps that slow-down implementation progress.

Responsible partners: IFAD, the Government of Eswatini and the project teams

Timeline: Ongoing until end of the new COSOP 2027

Signed by:

Ms Sizakele P. Dlamini

Principal Secretary for the Ministry of Finance in the Kingdom of Eswatini

_____  Date: 04/03/22

and

Mr Donal Brown

Associate Vice-President

Programme Management Department

International Fund for Agricultural Development

_____  Date: 10/03/2022



COSOP preparation process

1. The preparation of the COSOP was delayed by two events: the first was the restriction on travel imposed in the first half of 2021 by the COVID lockdown, and the second was a mid-year restriction on travel imposed as result of civil unrest. Notwithstanding these two constraints, the development process was able to proceed, albeit in two phases. The first phase ran from 19 April to 31 May 2021 and consisted of a review of key policy, strategy, and programme documents together with consultation with a wide range of stakeholders including key government ministries (Ministry of Agriculture, Ministry of Tinkhundla and Administration and the Ministry of Tourism and Environmental Affairs), UN partner agencies in Eswatini (FAO and WFP), IFAD project personnel in Eswatini (SMLP and FINCLUDE), representatives from relevant private sector organisations and financing institutions. The objective of this phase 1 was to gather contextual information on the status of rural development and rural poverty in Eswatini to inform the strategic direction and objectives of the COSOP. The development of the COSOP was initiated concurrently with the development of the Country Strategy and Programme Evaluation.
2. Due to the restrictions in place at the time, all consultations were conducted virtually using online conferencing platforms. The minutes of meetings were recorded to ensure that all stakeholder inputs were taken into consideration in the development of the COSOP. A participatory approach was adopted to elicit input from key stakeholders in the public and private sectors and to ensure their buy-in for the new COSOP. The stakeholders engaged in the consultation process are listed in table 1. The COSOP drafting began soon after the first phase of consultations and continued until 30 June 2021 and a first (internal) was produced on 31 July 2021.
3. The second phase of the COSOP preparation process commenced in October 2021. This consisted of an in-country mission to Eswatini and further consultations with key government partners and other key stakeholders (donor agencies, private sector organisations, community-based organisations etc.) who have previously partnered with IFAD in the delivery of programmes or who may do so in future. Focus Group Discussions were also held with farmers (women, men, and youth) and with the local Community Development Committee in the Nceka district. This was augmented by a series of on-line interviews in instances where it was not possible to consult with stakeholders in person. A formal draft of the COSOP was completed on 2 December 2021.
4. The UN-RC and UNCT were consulted during the preparation of this COSOP. The UN-RC endorsed the COSOP and commended its alignment to the UNSDCF, particularly in terms of the strategic objectives/target groups and with the outcomes as outlined under Results Group 4 in the UNSDCF.
5. **Formulation team.** Ms Jaana Keitaanranta - CD & Team Leader (IFAD, ESA); Mr Chris Tapscott (Rural Development Specialist and Lead Consultant); Mr Munhamo Chisvo (Rural Development Specialist); Ms Chiqui Arregui (Social Inclusion and Community Development Specialist); and Ms Farai Gwelo (Knowledge Management, Policy Engagement and Nutrition Specialist, consultant); Ms Edith Kirumba (Climate, Environment and Safeguards Specialist (IFAD, ECG)), Ms Joyce Njoro (Nutrition and Social Inclusion Specialist, IFAD, ECG); Mr Alessandro Neroni (Procurement Specialist, IFAD); Mr Julian Astarloa (Global Engagement, Partnerships and Resource Mobilization Specialist, IFAD), Mr Carlo Spinello (Financial Management Specialist, IFAD).

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Strategic partnerships

<i>Partnering Functions</i>	<i>Partners/Networks/ Platforms</i>	<i>Specific Results and Outcomes from Partnership</i>	<i>Justification for Partnership</i>	<i>Monitoring and Reporting (to be completed for CRR and CCR)</i>
Mobilize co-financing	<ul style="list-style-type: none"> AfDB, World Bank, EU 	<ul style="list-style-type: none"> Co-financing of agricultural sector commodity plan agreements Analytical work 	Synergy and increased coverage	
	<ul style="list-style-type: none"> FAO 	<ul style="list-style-type: none"> Financial support to farmers and other VC players 	Support Government and private sector to implement the agricultural sector commodity agreements	
	<ul style="list-style-type: none"> MTEA, GEF, GCF 	<ul style="list-style-type: none"> Promote green financial inclusion Climate proofing farming and processing 	Mobilisation of climate funds	
	<ul style="list-style-type: none"> MoA, CIP, DARS 	<ul style="list-style-type: none"> Dissemination of new OFSP varieties in Eswatini 	New varieties of sweet potatoes	
	<ul style="list-style-type: none"> OPEC Fund 	<ul style="list-style-type: none"> Infrastructure development 	Infrastructure development	
Strengthening private sector engagement	<ul style="list-style-type: none"> Renewable energy firms 	<ul style="list-style-type: none"> Supply green technologies for crop and livestock production, processing and transportation to markets Train farmers and processors on their use 	Environmental sustainability	
	<ul style="list-style-type: none"> National Maize Corporation 	<ul style="list-style-type: none"> Provide market for legume producers Store and sell grains to farmers for on-farm feed processing 	Guarantee market for farmers	
	<ul style="list-style-type: none"> NAMBOARD 	<ul style="list-style-type: none"> Offer supply agreements to horticultural farmers Train horticultural farmers on Good Agricultural Practices (GAP) including post-harvest management. Offer extension support Support farmer groups 	Extension support and market access strengthened	
Engaging in policy and influencing development agendas	<ul style="list-style-type: none"> Ministry of Agriculture ESNAU FAO 	<ul style="list-style-type: none"> Commercialisation of smallholder agriculture Catalysing the role of women, youth, PLHIV, PWD in rural transformation policy setting Women and youth's access to land 	Enhance social inclusion, and access by the rural poor and marginalised to productive resources (including land, finance and machinery for production and processing)	
Enabling coordinated country-led processes	<ul style="list-style-type: none"> FAO, WFP 	<ul style="list-style-type: none"> Align to national development priorities Generate evidence and avail global good practices to improve national development policies and plans Complement government efforts in market-oriented production, small-scale irrigation, marketing infrastructure 	Enhanced coordination and synergy with government efforts	
	<ul style="list-style-type: none"> Ministry of Health and Eswatini National Nutrition Council 	<ul style="list-style-type: none"> Creating environment for the provision of food and nutrition services in project areas Nutrition-sensitive value-chains 	Mainstreaming nutrition security	
	<ul style="list-style-type: none"> Ministry of Agriculture ESWADE CFI 	<ul style="list-style-type: none"> Strengthen policies for commercialisation of agriculture 	Implementation of project interventions and policy dialogue support	

<i>Partnering Functions</i>	<i>Partners/Networks/ Platforms</i>	<i>Specific Results and Outcomes from Partnership</i>	<i>Justification for Partnership</i>	<i>Monitoring and Reporting (to be completed for CRR and CCR)</i>
	<ul style="list-style-type: none"> Eswatini National Agricultural Union NAMBoard / SEDCO / FINCORP 	<ul style="list-style-type: none"> Support farmer clusters and group development through national policy Ensure farmer groups/associations participate in the formulation of agricultural policies and legislation Enhance market linkages for farmers through national policies / programmes Pack houses 	Improve farmer access to markets	
	<ul style="list-style-type: none"> The Ministry of Finance Ministry of Tinkhundla Administration and Development Ministry of Economic Development Ministry of Tourism and Environmental Affairs ESWADE CFI ESNAU NAMBoard. 	<ul style="list-style-type: none"> Align to national development priorities Generate evidence and avail global good practices to improve national development policies and plans 	Enhanced coordination and synergy with government efforts	
Enabling coordinated country-led processes	<ul style="list-style-type: none"> FAO, WFP 	<ul style="list-style-type: none"> Align to national development priorities Generate evidence and avail global good practices to improve national development policies and plans Complement government efforts in market-oriented production, small-scale irrigation, marketing infrastructure 	Enhanced coordination and synergy with government efforts	
Developing and Brokering Knowledge and Innovation	<ul style="list-style-type: none"> CIP, DARS 	<ul style="list-style-type: none"> Generate and share technologies, innovations and good practices (improved breeds, climate-sensitive farming, improved NRM, water-harvesting, processing and storage) 	Strengthen learning culture, resilience, productivity	

South-South and Triangular Cooperation strategy

I. Introduction

1. South-South and Triangular Cooperation (SSTC) is recognized as a key area of work in IFAD's Strategic Framework 2016-2025 and a priority area for the Eleventh and Twelve Replenishment of IFAD's Resources (IFAD 11 and IFAD12). The elaboration of the SSTC approach in this COSOP was prepared in collaboration with the SSTC Unit in the Global Engagement, Partnership and Resource Mobilization Division in IFAD, IFAD's South Africa hub and the Government of Eswatini. This annex summarizes the main points captured.

II. Opportunities for rural development investment promotion and technical exchanges

2. The Government of Eswatini is already active in SSTC activities and has expressed its willingness to further pursue such activities in the new COSOP period.
3. Illustrative of this interest the Government's participation in a workshop entitled "Inclusive value chains bringing prosperity to rural areas –experiences from Eswatini, Brazil, Cambodia and China" which took place in April 2021. The workshop presented an opportunity to share knowledge and experiences on successes, lessons learned and innovations in indigenous chicken, pig, and goat value chains in the different countries.
4. The country has also signed a number of Memoranda of Understanding (MOUs) and agreements, which are at different stages of implementation. In collaboration with the World Vegetable Centre, Eswatini is implementing the Taiwan-Africa Vegetable Initiative (TAVI), which aims to safeguard vegetable biodiversity for food & nutrition security in Africa. It is a three-year project to make use of and conserve African vegetable biodiversity to address malnutrition by increasing the production and consumption of nutritious vegetables.
5. There have been several examples of international collaboration, including the following: are the Seed Potato Production Project, the King's Dairy Farm—Royal Corporation Assistance Project and the Sweet Potato Production and Marketing Project, all of which are supported by the Taiwan International Cooperation and Development Fund. The Seed Potato Production Project established a seed potato propagation system, a seed potato inspection and certification system, and a seed potato supply system. The King's Dairy Farm—Royal Corporation Assistance Project provided technical assistance at the king's dairy farm in cooperation with the King's Office in Masundvini and the Sweet Potato Production and Marketing Project assisted farmers to launch farmers' associations and to establish a marketing strategy that can be transferred to farmers, thereby ensuring that the operations of the project remain sustainable.
6. Additionally, there are numerous cooperation projects in the agricultural sector that have been proposed with a number of countries namely: Angola, Algeria, Argentina, Belarus, Botswana, DRC, Egypt, Iran, Libya, Malawi, Mozambique, Republic of Korea, Russia, South Sudan, and Zambia (TBC).

III.SSTC engagement rationale

7. Eswatini recognizes and appreciates the comparative advantage provided by working with IFAD, which offers access to a wide range of experiences, lessons and knowledge from other countries in the African continent and globally.
8. During the COSOP consultations, SSTC was identified as an important mechanism to create new linkages among countries that share or have shared similar

challenges, to exchange knowledge, technologies and innovative solutions and to build mutually beneficial capacities and sustainable long-term relationships. While there are already many SSTC activities in place, Eswatini, for the initial part of the COSOP period, will be more of a recipient than a provider in SSTC relationships. As it strengthens its engagement in this modality, the Government will explore ways of sharing lessons learned and knowledge with other countries in the region and further afield.

9. In the context of the present COSOP, IFAD will support Eswatini in the implementation of its SSTC activities, in particular with the support of the South Africa Regional Hub as well as the established SSTC and Knowledge Center in Addis Ababa (Ethiopia). Additionally, the network of contacts and experience of the Global Engagement, Partnership and Resource Mobilization Division (GPR) will greatly assist the implementation of the SSTC related activities.

IV. Partnerships and initiatives

10. The identification of concrete SSTC activities will continue during the entire COSOP period. During the consultation process, representatives of the Eswatini Government expressed an interest in SSTC activities focusing on agricultural production technologies, strengthening livestock value chains, fisheries, food processing and value addition for agricultural produce, creation of market linkages, innovations around food security, water management and climate resilience. In addition, Eswatini is keen on learning from good practices on implementation such as M&E, capacity development, knowledge management, procurement and targeting.
11. Based on the consultations and the above-mentioned areas of focus, different strategies will be implemented:
 - a) **Interactions and exchange with IFAD funded projects** with good practices in the prioritized areas or in the same phase of implementation and struggling with similar issues. Some already identified programmes and areas of focus are: i) the Zimbabwe country programme (irrigation and water management, climate change adaptation); ii) Mozambique country programme (nutrition mainstreaming); and iii) Rwanda country programme (smallholder irrigation technologies, good agricultural practices, value addition); iv) Nepal country programme (Cluster development).
 - b) **Experience and knowledge exchange with projects funded by other donors.** As part of its strategic partnership building, the IFAD country programme in Eswatini is constantly exploring innovations and best practices in Eswatini and neighbouring countries, which could be the subject of knowledge exchanges. Among such projects/programmes are included the multi-country FoodStart programme by International Potato Centre (CIP) implemented in Eswatini, Mozambique, Madagascar, Rwanda and Tanzania focusing on use of roots and tuber crops both for food security and for income generation. As part of experience and knowledge exchange, lesson sharing and exchange of good practices will be promoted with a special focus on youth and methods of communication that will attract the youth to agricultural and rural enterprise development. This may include incentives to increase youth participation and involvement.
 - c) **Bilateral partners.** Deepening collaboration with existing bilateral partners, and concluding the negotiations to engage in exchanges on key areas such as food processing (Egypt), rural technology (China, India, Indonesia), rural water (India, Namibia), Nutrition (India, Brazil) and Climate issues (South Africa).

V. Conclusion

12. The new COSOP offers considerable opportunity for Eswatini to advance its SSTC agenda in a more structured and results oriented manner. The Government is aware of the considerable number of good practices and new technologies that other countries have to offer and is keen to acquire outside knowledge in areas that are emerging as development priorities for the country.
13. Eswatini is currently primarily a recipient of support in the SSTC partnerships. However, with progression of its development programmes, the country will be able to leverage its experiences and serve as a provider of knowledge and best practices, sharing its own experience lifting its youth, women, and men out of poverty through agriculture and rural transformation. The experiences of the SMLP in organising community-based development plans, in particular, would be of interest to many developing countries.

Country at a glance

Country Portfolio Summary

Region	East & Southern Africa	Member of Country Groups :	
Country	Eswatini	Least Developed country	No
Current Financing Terms	Ordinary	Low-income, food deficit	No
Ranking all Countries	77	HIPC DI Eligible	No
Ranking within region	15		

Country Indicator	Value	Year	Source
Agriculture, value added (% of GDP)	0.00	2017	World Bank
GNI per capita, Atlas method (current US\$)	2,960.00	2017	World Bank
Human development index (HDI) value	0.59	2017	UNDP
Population, total	1,367,254.00	2017	World Bank
Rural population	1,044,240.00	2017	World Bank

Key Dates	
Last RB-COSOP Approved AVP/PMD	
First Project Approved	21 Apr 1983
Last Project Approved	21 Jul 2018

IFAD Interventions	Number of Projects	IFAD Approved USD ('000)
Available for Disbursement	2	19,050
Financial Closure	4	34,260
Total IFAD commitment	6	53,310

IFAD Interventions Summary								
Project Number	Financing Instrument ID	Currency	Approved Amount	Disbursed	Loan/Grant Status	Project Status	Board Approval	Cooperating Institution
1100000121	1000001978	XDR	5,700,000	97%	Fully Repaid	Closed	21 Apr 1983	AFDB
1100000323	1000002202	XDR	5,100,000	87%	Fully Repaid	Closed	06 Apr 1993	AFDB
1100001159	1000002480	XDR	11,900,000	92%	Closed	Closed	06 Dec 2001	IFAD_NB
1100001373	1000002790	USD	200,000	90%	Closed	Closed	17 Dec 2008	IFAD
1100001373	1000003263	XDR	4,050,000	86%	Closed	Closed	17 Dec 2008	IFAD
1100001665	2000001127	XDR	360,000	74%	Disbursable	Disbursable	22 Apr 2015	IFAD
1100001665	2000001126	EUR	8,550,000	56%	Disbursable	Disbursable	22 Apr 2015	IFAD
2000001804	2000002471	USD	8,950,000	31%	Disbursable	Disbursable	21 Jul 2018	IFAD

Projects in Pipeline		
Current Phase	Number of Projects	IFAD Proposed Financing USD ('000)
Total	0	0

Financial management issues summary

COUNTRY	Eswatini	COSOP	Programme: 2022-2027
A. COUNTRY PORTFOLIO PERFORMANCE			
Country – FM KPIs:			
<i>FM Inherent Risk:</i>	Substantial	<p>Governance.</p> <ul style="list-style-type: none"> The inherent country risk is deemed <i>substantial</i>. In 2020, the <i>Transparency International</i> score of Eswatini was 33 (substantial risk) which places the country in 117th position (declining vs 2018) out of 179 countries. According to the <i>Mo Ibrahim Index (2019)</i>, measuring governance performance Eswatini is a medium policy performer. Eswatini ranked 37 out of 55 African countries showing a slow improvement trend in the last decade, including the sub-dimension Accountability & Transparency and Anti-corruption. The Government has put in place national and sectoral policy and legal frameworks conducive to good governance and respect for human rights. These include the <i>Public Finance Management Act (2017)</i>, the <i>National Anti-corruption Policy (2012)</i>, the Promulgation of the <i>Small Claim Court Act (2012)</i>, and the <i>Sexual Offences and Domestic Act (2018)</i>; as well as establishment of the <i>Anti-Corruption Commission</i>, and the <i>Commission for Human Rights and Public Administration</i> and the <i>Public Service Procurement Unit</i>. <p>Public Financial Management (PFM)⁴⁷.</p> <ul style="list-style-type: none"> The last PEFA (2011) identified PFM challenges on planning, forecasting and commitment control, cash management, and weaknesses in the procurement system. Eswatini promulgated a new Public Finance Management Act in 2017. In 2018, the AfDB's <i>Country Policy and Institutional Assessment (CPIA)</i> maintained the same score as in 2014 on PFM noting only marginal improvements on transparency and accountability. In 2019, the AfDB's <i>Country Fiduciary Risk Assessment (CFRA)</i> rated as <i>substantial</i> the inherent fiduciary risk associated with the use of national PFM system to administer aid funds. Government embarked on implementing the Integrated Financial Management Information System (IFMIS) with the support of the EU and the World Bank as 	
<i>Country Disbursement Ratio (rolling-year)</i>	20.4%		
<i>Outstanding Ineligible Expenditure</i>	none		
<i>Outstanding Advances (Projects in Expired Status)</i>	none		
<i>Applicable PBAS cycle:</i>	IFAD12		
<i>PBAS draft allocation</i>	USD 9.07 million		
<i>IFAD12:</i>			
<i>PBAS allocation IFAD11:</i>	-		
<i>Pledge IFAD12:</i>	USD 40 k		
<i>Pledge IFAD11:</i>	USD 25 k (paid)		
Debt sustainability⁴⁸.			
<ul style="list-style-type: none"> Eswatini has no access to external financial markets, and external debt is mostly in the form of concessional loans from multilateral lenders for development projects; With external financing limited to project loans, rising gross financing needs have resulted in a rise in the share of domestic debt from about 48% of total public debt in FY15/16 to about 68% in FY19/20, including central bank advances and domestic arrears. The COVID-19 pandemic has magnified Eswatini's existing economic and social challenges, leading to a sharp decline in growth and large financing needs. To address the urgent financing needs to mitigate the economic and social impacts of COVID-19, the country received: - US\$106.9 million under the IMF Rapid Financing Instrument (RFI); - US\$6 million as IDA loan. Inflation is expected to increase to 4.1% in 2020 as temporary inflation pressures from the depreciation of the exchange rate and rent increases are only partially offset by falling oil prices and economic slack. Beyond the short-term objectives, the authorities remain committed to implement their medium-term fiscal consolidation plan to stabilize public debt and restore fiscal external buffers. As per IMF/WB DSA (07/2021) Eswatini's debt distress is deemed <i>sustainable subject to risks</i>. Public debt is projected below the stress threshold, peaking at around 53 per cent of GDP in FY23/24, 			

before starting to decline.		part of the effort to improve the management of and accountability for public finances.					
Corporate Disbursement Ratio Methodology considers ASAP, AFD, IFAD, KFW and SPA financing sources only.							
CURRENT LENDING TERMS		PBAS11 on Ordinary terms					
NEXT LENDING TERMS		PBAS12 on Ordinary terms (Category 2) + eligible for BRAM					
B. PORTFOLIO, FM RISK & PERFORMANCE							
Existing Portfolio:							
Project	Financing instrument	FLX Status (2)	Lending Terms	Currency	Amount (million)	%Disbursed	Completion date
SMLP	200000112600	DSBL	ORDINARY TERMS EUR	EUR	8.55	67.98	30/03/2022
	200000112700	DSBL	LOAN COMPONENT GRANTS	XDR	0.36	74.17	30/03/2022
	200000158500	DSBL	ECD GRANTS	USD	7.2	46.99	30/03/2022
	200000387700	DSBL	SUPPLEMENTARY FUNDS GRANTS – (RPSF facility)	USD	0.37	0	30/03/2022
FINCLUDE	200000247100	DSBL	ORDINARY TERMS USD	USD	8.95	30.92	29/09/2025
Project	Project FM Inherent Risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds		
SMLP	Moderate	Moderately Satisfactory	Highly satisfactory	Moderately Unsatisfactory	Satisfactory		
FINCLUDE	Moderate	Moderately Satisfactory	Not Specified ⁴⁹	Moderately Satisfactory	Satisfactory		
Update on On-going Portfolio.							
-SMLP is approaching completion on March 2022 with moderately unsatisfactory disbursement. Low expenditure on Works, due to delays in the procurement process, is expected to lead to project extension.							
-Covid-19 restriction and recent civil unrest (2021) have partially caused a slowdown of implementation at both SMLP and FINCLUDE. Despite this, FINCLUDE, at its 2 nd year of implementation is progressing satisfactorily.							
-Portfolio quality of FM is moderately satisfactory: improvements are mainly needed for realistic budget estimates and monitoring. In order to facilitate this, the upgrade of the accounting software for effective automated reporting must be completed soon.							
Use of Country Systems.							
The fiduciary risk of using national PFM systems for managing externally funded programmes is substantial ⁵⁰ . The implementation of the PFM Act 2017 is still at an early stage with the bulk of the related regulations not yet approved nor issued. Main challenges to country-system dimensions are: (BUDGET) budget credibility is challenged by weak project management, poor commitment controls and growing arrears. (TREASURY) a Treasury Single Account to improve cash management is not in place yet and accounts of donor financed projects are normally excluded from the treasury consolidation process. (ACCOUNTING/REPORTING) current Treasury Accounting System (TAS), which has been operating for several decades, uses outdated technology and does not incorporate an accounts payable module: although ministries prepare quarterly budget to actual comparison reports, Treasury does not consolidate these into a government wide position; donor project accounting is generally conducted outside of the TAS,							

with the concomitant banking independent of Treasury; replacement of TAS by new IFMIS is ongoing. (AUDIT) The Auditor General has a constitutional mandate to audit the public accounts of Eswatini for all offices, courts and authorities of the Government. The office is affiliated to the International Organisation of Supreme Audit Institutions-INTOSAI. The audit of state owned enterprises is out-sourced to private audit firms, as is the audit of sub national governments. Some donor-financed projects are audited by the AG's office, although with considerable delays.

However, *on-going IFAD funded projects* (SMLP, FINCLUDE) have managed to maintain a **moderate** fiduciary risk profile by partially aligning to national systems. PMUs are normally established within semi-autonomous government institutions (i.e. ESWADE, CFI) under the aegis of the line Ministry-LPA and follow their procedures, namely:

- staff is a mix of personnel externally recruited as well as seconded by the institution.
- Project budget is mainstreamed in the institution's budget and incorporated in the country's budget system for monitoring. Projects follow both IFAD-GoE guidelines in budget preparation/monitoring. Timelines are not conflicting.
- Project funds are maintained at designated accounts, in USD, at the Central Bank of Eswatini, and transferred first to operating 'call' accounts (earning interests) in LC at a commercial bank, then to operational accounts for payment disposals. It is recommended sharp use of 'call' accounts vs potential deterioration of local-to-foreign currency.
- Accounting is embed in the host institution-LPA accounting system which uses an off-the shelf accounting software (i.e. SUN; AccPacc) and which submits required data to the line ministry to prepare quarterly reports comparing actual expenditure against the budget. Accounting is performed based on IPSAS/IFRS standard, cash basis.
- Project accounts are also aggregated in monthly/quarterly project financial reports for sharing with IFAD/Borrower.
- The internal audit unit of the Institution-LPA is responsible to provide the internal audit service.
- The external audit is carried out by Private firms (ISA standards). However, it will be further explored the capacity of the Office of the Auditor General to cover the audit.
-

New Projects are expected to adopt similar FM arrangements. Main areas of FM risk and relevant mitigating actions are:

- *Risk of lack of FM capacity.* ACTION: Competitive recruitment for key roles at PMU level. Provide orientation and capacity building training for all the PCU finance team (and cascaded at implementing institutions) on IFAD financial management and reporting systems to be carried out by FMD.
- *Risk of low budget credibility arising during implementation.* ACTION: Early start of budget consolidation, sharp scrutiny for realistic estimates, effective budget-module installed to monitor deviations.
- *Risk of inadequate liquidity/idle funds.* ACTION: roll-out IFAD Disbursement Reform
- *Risk of weak financial control over implementation progress.* ACTION: Suitable accounting software in place (including IFMIS customization, where possible), with effective budget module and reporting capacity aligned to IFAD's minimum requirements.
- *Risk of deterioration of local currency.* ACTION: Funds ring-fenced into Special Accounts (USD); sharp use of operational "call" accounts (LC).
- *Risk of timel/adequate external scrutiny.* ACTION: Audit services mainly provided by private firms, further exploration of capacity at National Audit Office.

In particular, IFAD Disbursement Reform, through enhanced *Interim Financial Reporting (IFR)* represent an opportunity to inject realism into budgeting through tighter cash forecasting and effective monitoring of quarterly performance. This will require capacity building through IFAD implementation support/training on FM practices.

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Theory of Change

