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Invertir en la población rural

## Reino de Eswatini

### Programa sobre Oportunidades Estratégicas Nacionales

(2022-2027)

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Para **examen**

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## Equipo encargado de la ejecución del COSOP

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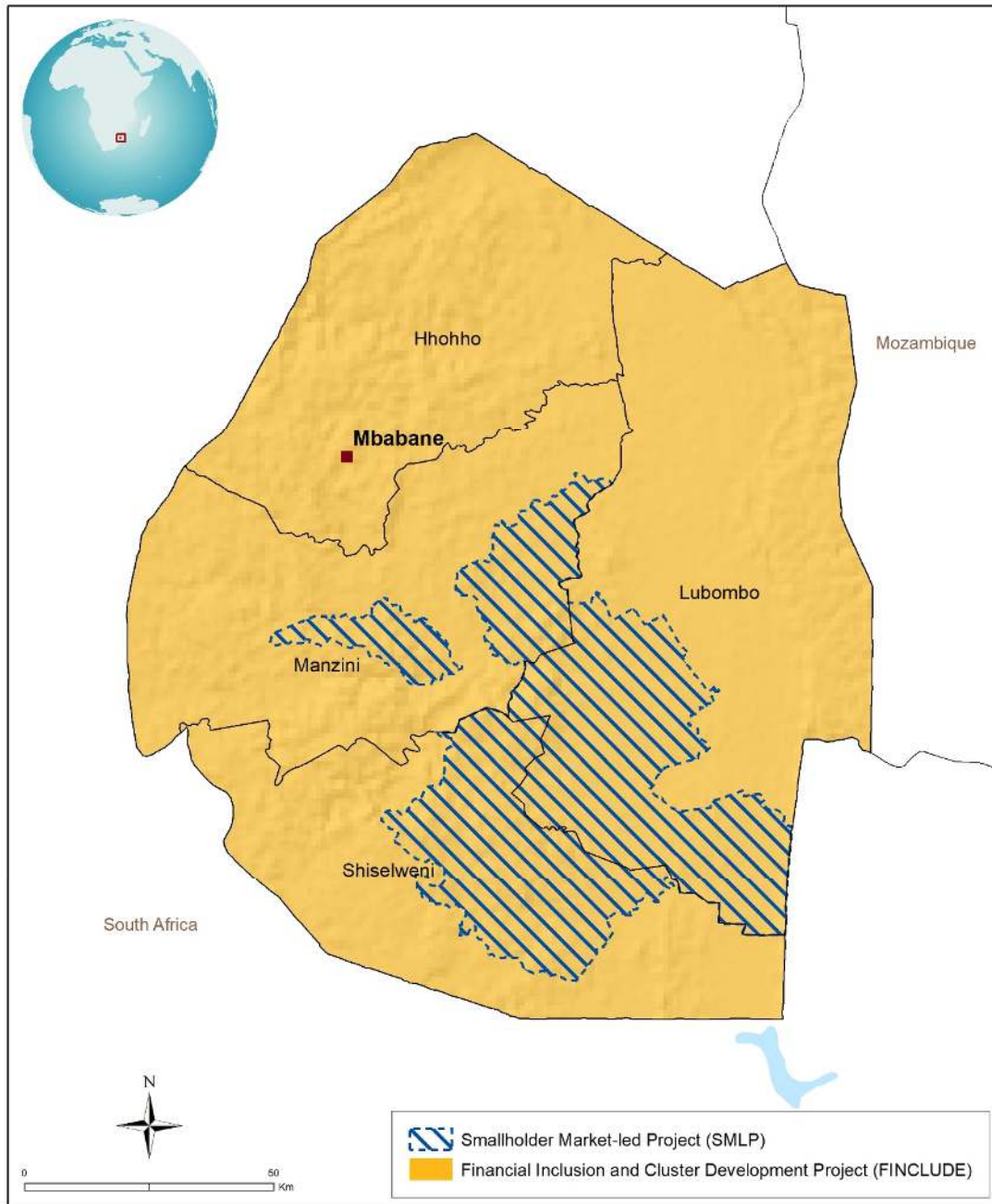
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## **Acrónimos y siglas**

COSOP	programa sobre oportunidades estratégicas nacionales
EEPP	evaluación de la estrategia y el programa en el país
FAO	Organización de las Naciones Unidas para la Alimentación y la Agricultura
FFR	Fondo de Financiación para Remesas
FIDA12	Duodécima Reposición de los Recursos del FIDA
FIDA13	Decimotercera Reposición de los Recursos del FIDA
PESAC	Procedimientos del FIDA para la Evaluación Social, Ambiental y Climática
PIB	producto interno bruto
PNUD	Programa de las Naciones Unidas para el Desarrollo
SyE	seguimiento y evaluación

## Mapa de las operaciones financiadas por el FIDA en el país



Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.

Mapa elaborado por el FIDA | 02-12-2021

## Resumen

1. El FIDA y el Reino de Eswatini (en adelante, Eswatini) han colaborado estrechamente desde 1985. Este programa sobre oportunidades estratégicas nacionales (COSOP) para el período 2022-2027 se funda en esa asociación y establece la estrategia del FIDA en apoyo al objetivo del Gobierno de fortalecer la productividad agrícola y erradicar la pobreza rural.
2. A pesar de haberse logrado algunos avances en la reducción de la pobreza, en el último decenio el crecimiento económico del país cayó del 5,7 % en 2012 al 2,2 % en 2019<sup>1</sup>. El estancamiento económico también se vio agravado por el aumento del déficit fiscal, las consecuencias de la sequía de 2015-2016, así como por la suspensión de Eswatini como beneficiario de la Ley de los Estados Unidos sobre Crecimiento y Oportunidad en África entre 2015 y 2017 y de la Asociación Europea de Libre Comercio. A su vez, la situación se deterioró aún más con la pandemia de COVID-19 que en 2020 ocasionó una caída de -2,6 % en el producto interno bruto (PIB) per cápita<sup>2</sup> y que se prevé conducirá a tasas igualmente bajas en 2021.
3. La agricultura constituye el medio de vida de alrededor del 75 % de la población y suministra materia prima a las principales industrias de agroelaboración y fabricación. Si bien el sector tiene potencial para impulsar las exportaciones, promover la sustitución de las importaciones, generar empleo y contribuir a la diversificación de la producción, también enfrenta varias dificultades. Entre ellas cabe destacar las amenazas del cambio climático y la degradación ambiental, agravadas por una magra capacidad productiva, un acceso inadecuado a la financiación, un acceso limitado a los mercados y cadenas de valor débiles.
4. La teoría del cambio utilizada en el COSOP se basa en el entendido de que el alivio de la pobreza rural requerirá que se preste apoyo a los hogares de escasos recursos para que puedan desarrollar medios de vida rentables y sostenibles. Contempla la graduación de los pequeños productores para pasar de la agricultura de subsistencia a la agricultura con fines comerciales y al desarrollo de empresas rurales no agrícolas. Esto requerirá una combinación de intervenciones adaptadas a las circunstancias, las necesidades y los intereses de los distintos segmentos de la población, especialmente de los jóvenes.
5. El COSOP se ajusta a la Estrategia Nacional de Desarrollo de Eswatini, el documento Visión 2022 y otras políticas sectoriales fundamentales que expresan el compromiso de erradicar la pobreza rural.
6. La meta del COSOP es reducir la pobreza rural y mejorar los sistemas alimentarios y nutricionales sostenibles por medio de una comercialización agrícola resiliente e inclusiva y de oportunidades complementarias para la generación de ingresos no agrícolas. Se apoya en los objetivos estratégicos siguientes:
  - i) **Objetivo estratégico 1:** Mejorar los sistemas alimentarios mediante el aumento de la productividad resiliente al cambio climático, la seguridad alimentaria y la nutrición de los pequeños productores de escasos recursos.
  - ii) **Objetivo estratégico 2:** Incrementar la comercialización de la agricultura en pequeña escala mediante la creación de activos y capacidad para que los pequeños productores puedan crear agroempresas fuera de las explotaciones agrícolas.

<sup>1</sup> Banco Mundial (2021): Crecimiento del PIB (% anual) - Eswatini.  
<https://datos.bancomundial.org/indicador/NY.GDP.MKTP.Kd.zg?locations=SZ>

<sup>2</sup> *Ibid.*

7. Las intervenciones que se llevarán a cabo —en principio a través de los ciclos de financiación de la Duodécima y Decimotercera Reposición de los Recursos del FIDA (FIDA12 y FIDA13)— comprenderán proyectos de inversión rural financiados mediante préstamos y apoyo mediante donaciones para la creación de capacidad, así como respaldo para la formulación de políticas y la cooperación Sur-Sur y triangular.

## Reino de Eswatini

### Programa sobre Oportunidades Estratégicas Nacionales

#### I. Contexto del país y programa del sector rural: principales desafíos y oportunidades

1. **Contexto político.** El Reino de Eswatini obtuvo su independencia en 1968 y es la única monarquía absoluta de África. El actual soberano, Su Majestad el Rey Mswati III, designa al Gabinete y a algunos de los miembros de la legislatura nacional. Durante 2021, el país sufrió períodos de inestabilidad política tras las protestas en favor de la democracia y los disturbios civiles registrados<sup>3</sup>, lo que generó una incertidumbre que afectó el clima de las inversiones. Las principales causas de la inestabilidad social son el desempleo y el subempleo entre los jóvenes y las escasas oportunidades de empleo digno, todo ello agravado por el impacto de la COVID-19.
2. Eswatini es un país sin litoral con una superficie de 17 363 km<sup>2</sup>, que limita con Mozambique y Sudáfrica. Su estabilidad macroeconómica depende en gran medida de las tendencias económicas de esta última y de las asignaciones anuales variables de la Unión Aduanera de África Meridional, cuyo monto ha disminuido en los últimos años.
3. **Desarrollo económico.** En los últimos años, la transformación estructural de la macroeconomía de Eswatini ha sido lenta, con una diversificación limitada en los sectores manufacturero y de los servicios, que representan el 36 % y el 52 % del PIB, respectivamente. Durante el último decenio, el crecimiento económico del país cayó del 5,7 % en 2012 al 2,2 % en 2019<sup>4</sup>. Dado el aumento del déficit fiscal, también se observa la necesidad de un ajuste fiscal. El estancamiento económico se vio agravado por las consecuencias de la sequía de 2015-2016 y la suspensión del país como beneficiario de la Ley sobre Crecimiento y Oportunidad en África entre 2015 y 2017 y de la Asociación Europea de Libre Comercio, así como por los problemas relativos a los derechos de los trabajadores y el brote de fiebre aftosa.
4. **COVID-19.** La COVID-19 agravó las tendencias de deterioro económico. Tras el cierre de las fronteras con la República de Sudáfrica, el crecimiento del PIB cayó aún más y pasó del 2,2 % en 2019 a -1,6 % en 2020. Las estimaciones indicaron que en 2020 unas 65 800 personas vivían por debajo del umbral de pobreza y más de 8 400 perdieron sus empleos debido a la pandemia<sup>5</sup>.
5. **Perspectivas a medio plazo** (apéndice II). Si bien las perspectivas son relativamente positivas y para 2021 se prevé un crecimiento del PIB del 1,5 %, la incertidumbre y los riesgos de deterioro siguen siendo importantes. De no aplicarse planes de ajuste fiscal a mediano plazo, la deuda pública continuará aumentando y afectará la estabilidad macroeconómica.
6. **Sector agrícola y economía rural.** Mientras que en 2010 la agricultura aportaba el 10,1 % al PIB de Eswatini, en 2020 la contribución del sector fue del 9,1 %<sup>6</sup>. En 2019, los productos agrícolas constituían el 34 % de las exportaciones del país, cuyo principal destino era la República de Sudáfrica (66 %)<sup>7</sup>. El 80 % de los ingresos por exportación de la producción agrícola

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

<sup>4</sup> Banco Mundial (2021).

<sup>5</sup> Programa de las Naciones Unidas para el Desarrollo (PNUD) (2020): *Rapid Socioeconomic Assessment of COVID-19 in Eswatini*.

<sup>6</sup> Statista (diciembre de 2021): Swaziland: Distribution of gross domestic product (GDP) across economic sectors from 2010 to 2020.

<sup>7</sup> Organización Mundial de Comercio (2020): Eswatini Merchandise Trade.

procedían del cultivo de azúcar, lo que pone de relieve la falta de diversificación del sector. Por otro lado, los productos agrícolas representaban el 19,6 % de las importaciones del país y el 73 % de ellas procedían de la República de Sudáfrica<sup>8</sup>.

7. La agricultura constituye el medio de vida de aproximadamente el 75 % de la población, que es de 1,6 millones de habitantes. Este sector podría aumentar la comercialización, producir cultivos de alto valor (hortalizas pequeñas, papas, cebollas, zanahorias, frijoles y soja), incrementar los ingresos y generar empleo. No obstante, enfrenta varias dificultades, tales como una alta vulnerabilidad al cambio climático (especialmente a las sequías), baja productividad, elevadas pérdidas posteriores a las cosechas, falta de capacidad y escaso acceso a la financiación por parte de los pequeños productores. La creación de empleo en la agroelaboración también es limitada porque la producción es baja, el acceso a los mercados es magro y las cadenas de valor son deficientes.
8. **Pobreza.** A pesar de haber logrado avances en la reducción de la pobreza<sup>9</sup>, Eswatini enfrenta elevados niveles de desempleo y desigualdad<sup>10</sup>, con casi un 59 % de la población por debajo del umbral nacional de pobreza y un 20 % por debajo del umbral de pobreza extrema<sup>11</sup>. La pobreza es mayor en las zonas rurales, donde el 70 % de la población se considera pobre<sup>12</sup>. Los grupos sociales más vulnerables y más afectados por la pobreza son los hogares encabezados por mujeres, los jóvenes, las personas ancianas, las personas que viven con VIH/sida y las que padecen discapacidad.
9. **VIH/sida.** Eswatini tiene la mayor prevalencia del mundo en cuanto al número de personas que viven con VIH/sida (27 %) Si bien en los últimos 20 años la tasa anual de nuevos infectados cayó en más del 75 %, en 2020 el número de personas en esta situación ascendía a 200 000; aproximadamente el 35 % de las mujeres de entre 15 y 49 años de edad son VIH positivas.<sup>13</sup> El elevado número de personas que padecen esta enfermedad ha reducido la productividad de la fuerza de trabajo, ha incrementado la vulnerabilidad de los hogares y ha profundizado la pobreza; se estima que hay 53 000 huérfanos (de 0 a 17 años) cuyos padres han fallecido a causa del VIH/sida.
10. **Cambio climático.** Eswatini es especialmente vulnerable a los efectos del cambio climático y la variabilidad del clima porque el 80 % de su producción agrícola es de secano<sup>14</sup>. Los datos históricos señalan que entre 1961 y 2000 la temperatura anual media subió 3°C en todas las zonas agroecológicas, y se prevé que entre 2046 y 2065 subirá de 1,5°C a 2,5°C más<sup>15</sup>, junto con una mayor imprevisibilidad de las precipitaciones, el aumento de la frecuencia y la intensidad de las sequías y las inundaciones, todo lo cual tendrá un grave impacto en la agricultura y la seguridad alimentaria.
11. **Gestión de los recursos naturales.** Los recursos naturales de Eswatini se ven amenazados por la explotación excesiva y la aplicación de prácticas no sostenibles en el uso de las tierras. La degradación de las tierras está ocasionando una pérdida de productividad, servicios ecosistémicos e ingresos para las comunidades locales.

<sup>8</sup> *Ibid.*

<sup>9</sup> El índice de recuento de la pobreza cayó del 69 % en 2000 al 58,9 % en 2016. Banco Mundial (2021):

<sup>10</sup> Se estima en 51,4 %. Programa Mundial de Alimentos (2020): "Plan estratégico para Eswatini (2020-2025)".

<sup>11</sup> Gobierno del Reino de Eswatini (2018): Swaziland Household Income and Expenditure Survey. Findings Report

<sup>12</sup> *Ibid.*

<sup>13</sup> Programa Conjunto de las Naciones Unidas sobre el VIH/Sida (ONUSIDA) (2021): Eswatini, Country Factsheet.

<sup>14</sup> Gobierno de Eswatini, Ministerio de Turismo y Asuntos Ambientales (2016): *National Climate Change Policy*.

<sup>15</sup> Ministerio de Turismo y Asuntos Ambientales (2021): Eswatini Green Climate Fund Country Programme.



12. **Seguridad alimentaria y nutrición.** Eswatini es un país con déficit de alimentos e importador neto de estos. La inseguridad alimentaria moderada y grave afectan al 63 % y al 30 % de la población, respectivamente, mientras que el 16 % padece una inseguridad alimentaria crónica<sup>16</sup>. En el Índice Global del Hambre de 2020, Eswatini ocupa el puesto 74 entre 107 países y tiene una puntuación de 20,3<sup>17</sup>, lo cual pone de relieve que el nivel de hambre es grave. Además, enfrenta la doble carga de la malnutrición (el 23,6 % de retraso del crecimiento entre los niños menores de 5 años) y la obesidad (el 26,2 % de las mujeres adultas son obesas).<sup>18</sup>
13. **Jóvenes.** Los jóvenes de entre 15 y 35 años constituyen aproximadamente el 30 % de la población<sup>19</sup> y el 73 % de los jóvenes viven en las zonas rurales<sup>20</sup>. Tienen un acceso limitado a las tierras, al crédito, a los insumos y a las redes relacionadas con el trabajo, entre otros obstáculos en materia de empleo. Al mismo tiempo que existe mucho trabajo infantil<sup>21</sup>, más del 45 % de los jóvenes están desempleados y tienen pocas oportunidades de encontrar trabajo sostenible.
14. **Mujeres.** A pesar del progreso formal en materia de igualdad de género, la mayor parte de las mujeres de las zonas rurales tiene dificultades para acceder a las tierras, los servicios financieros, los servicios de extensión y los mercados. Las mujeres tienen menores tasas de participación en la fuerza de trabajo<sup>22</sup>, están sujetas a relaciones sociales patriarcales, sufren violencia de género y las consecuencias de normas de género desiguales, y se ven mucho más afectadas por las crisis y el hambre<sup>23</sup>.

## II. Marco institucional y de políticas públicas.

15. El Gobierno de Eswatini presta especial atención a la ampliación de la producción agrícola comercial, mediante la agrupación de productores en pequeña escala, con el apoyo de grandes empresas agrícolas comerciales. Este enfoque tiene por finalidad facilitar el acceso a la financiación, a los insumos y al apoyo a través de la extensión, creando al mismo tiempo economías de escala en la producción de bienes agrícolas, para el mercado nacional y la exportación.
16. El Gobierno tiene un abanico de planes estratégicos que hacen hincapié en la importancia de la agricultura, entre ellos, el Plan Nacional de Desarrollo (2018-2019 y 2022-2023) y el Plan Estratégico para la Agricultura (2018-2023). Estos planes subrayan la necesidad de incrementar la producción agrícola, mejorar la comercialización, y agregar valor al sector para reforzar la seguridad alimentaria y nutricional. No obstante, los mecanismos de tenencia de la tierra afectan negativamente la capacidad de los productores para obtener préstamos y ampliar o disponer de las tierras, además de limitar el acceso de las mujeres y los jóvenes a ellas socavando así su posible contribución a la producción agrícola comercial.
17. La Hoja de Ruta Estratégica de Eswatini para 2019-2022 hace hincapié en la sustitución de las importaciones y el aumento de la exportación de productos agrícolas en el mediano al largo plazo<sup>24</sup>. Sin embargo, sigue habiendo carencias en

<sup>16</sup> PNUD (2020). Índice Global del Hambre (2021): Eswatini (Swaziland). <https://www.globalhungerindex.org/eswatini.html>.

<sup>17</sup> *Ibid.*

<sup>18</sup> Global Nutrition Report (2020): Country Nutrition Profiles. Eswatini.

<sup>19</sup> Ministerio de Deportes, Cultura y Juventud (2020): *Eswatini National Youth Policy 2020*.

<sup>20</sup> Macrotrends (2021): Eswatini Youth Unemployment Rate 1991-2021.

<https://www.macrotrends.net/countries/SWZ/eswatini/youth-unemployment-rate>.

<sup>21</sup> Procedimientos del FIDA para la Evaluación Social, Ambiental y Climática (PESAC), apéndice IV, párrafo 19.

<sup>22</sup> En 2019, en el índice de desigualdad de género el país tuvo una puntuación de 0,567 y se ubicó en el puesto 143 entre 162 países. PNUD (2020): Índice de desigualdad de género. <https://hdr.undp.org/en/content/gender-inequality-index-gii>.

<sup>23</sup> Comité de Evaluación de la Vulnerabilidad del Reino de Eswatini (2019): *Annual Vulnerability Assessment & Analysis Report*.

<sup>24</sup> La Estrategia Nacional de Desarrollo que terminará de formularse en 2022 sustituirá los documentos de estrategia vigentes. Las consultas de alto nivel del COSOP revelaron que las prioridades del país para el próximo período girarán en torno a la sustitución de las importaciones agrícolas, el aumento de las exportaciones y una mayor inclusión financiera, entre otras.

la creación de capacidad entre los productores para contribuir a la sustitución de las exportaciones y las importaciones. La sustitución de las importaciones y la promoción de las exportaciones requerirá la mejora de la producción y de las cadenas de suministro nacionales.

18. La Estrategia Nacional de Inclusión Financiera para 2017-2022 ofrece un marco para la profundización de la inclusión financiera en el sector agrícola y para la comercialización de la agricultura en pequeña escala. No obstante, la falta de una financiación inclusiva y diseñada adecuadamente para las mujeres y las empresas de los jóvenes de las zonas rurales sigue representando un obstáculo para su progreso económico.
19. Los objetivos de la Política Nacional de Cambio Climático (2016) son incorporar sistemáticamente prácticas de adaptación al cambio climático en el sector agrícola y contribuir a los compromisos del país en virtud de la Convención Marco de las Naciones Unidas sobre el Cambio Climático, así como a las metas de reducción de emisiones de gases de efecto invernadero a nivel mundial. Se prevé la aprobación de una Ley sobre Cambio Climático con el fin de promover la resiliencia al cambio climático y un crecimiento inclusivo y ecológico que genere bajas emisiones de carbono.
20. La Estrategia Nacional de Resiliencia y la Política y el Plan de Acción de Reducción del Riesgo de Desastres (2017-2021) se centran en el seguimiento y ya se encuentra en funcionamiento un sistema de alerta temprana en todo el país<sup>25</sup>.
21. En la Estrategia Nacional de Juventud de Eswatini (2020) se reconoce la necesidad de equidad e inclusión para los jóvenes. Está en elaboración la Estrategia de Empleo Juvenil, que establecerá las medidas necesarias para promover el empleo y la actividad empresarial de los jóvenes.
22. El Ministerio de Agricultura (principal organismo público del sector) se apoya en cinco entidades estatales, a saber: la Junta Nacional de Comercialización Agrícola, la Corporación Nacional del Maíz, la Empresa de Desarrollo del Agua y la Agricultura, la Junta del Sector Lácteo, y la Junta del Sector del Algodón. Sin embargo, la coordinación entre las distintas entidades es inadecuada y con frecuencia se pierden las posibles sinergias entre sus intervenciones, especialmente a la hora de maximizar las oportunidades de comercialización para los pequeños productores.

### **III. Actuación del FIDA: enseñanzas extraídas**

23. La formulación del presente COSOP se sirvió de las valiosas enseñanzas extraídas de la evaluación de la estrategia y el programa en el país (EPP) realizada por la Oficina de Evaluación Independiente del FIDA (IOE)<sup>26</sup> en relación con los proyectos financiados por este en Eswatini entre 2000 y 2020, además de las lecciones derivadas de las evaluaciones de los proyectos y los informes de las misiones de examen.
24. Las recomendaciones formuladas en la EPP se refieren a lo siguiente: i) la atención de los principales obstáculos que impiden a los pequeños productores, los jóvenes y las mujeres desarrollar medios de vida sostenibles; ii) la ejecución de las iniciativas conjuntas del modo más eficiente y efectivo posible, y iii) la garantía de que los sistemas de seguimiento y evaluación (SyE) y de adquisición y contratación constituyan los pilares fundamentales del diseño de los proyectos.
25. Las demás enseñanzas extraídas, e incorporadas al COSOP, son las indicadas a continuación<sup>27</sup>.

<sup>25</sup> Actualmente se está elaborando una nueva estrategia.

<sup>26</sup> FIDA (2021): "Kingdom of Eswatini Country Strategy and Programme Evaluation, Draft Report".

<sup>27</sup> En el informe sobre los PESAC se incluyen otras enseñanzas extraídas.

- i) **Focalización.** La focalización debe ser más precisa y debe prestarse un apoyo diferenciado a los beneficiarios de los proyectos, en particular a los jóvenes, las personas que viven con el VIH, las personas con discapacidad y los hogares que poseen una base de activos reducida, que no tienen posibilidad de desarrollar empresas rurales sostenibles<sup>28</sup>. Para hacer frente a la elevada prevalencia del VIH es importante abordar las causas profundas del problema y las prácticas culturales que entrañan riesgos.
- ii) **Participación de la comunidad.** La experiencia de planificación participativa del desarrollo de los territorios tribales en el Proyecto de Producción en Pequeña Escala Impulsada por el Mercado demuestra que la participación activa de las comunidades en el diseño y la ejecución de las intervenciones de desarrollo rural es fundamental para lograr ese objetivo.
- iii) **Creación de empleo para los jóvenes.** Los jóvenes de Eswatini no tienen mucho interés por la agricultura porque ofrece pocas oportunidades de progreso económico. La agricultura con orientación comercial y las oportunidades de creación de empleo no agrícola (incluidas las microempresas y las pequeñas y medianas empresas (mipymes)) deberían tomarse en consideración como punto de entrada para la inclusión de los jóvenes<sup>29</sup>.
- iv) **Fortalecimiento de los conocimientos de las instituciones financieras.** Las instituciones financieras de Eswatini a menudo presentan una comprensión escasa de la dinámica de los agronegocios y una aversión al riesgo a la hora de apoyar a las pequeñas y medianas empresas. La creación de capacidad en materia de evaluación de riesgos y desarrollo de productos específicos para los clientes será esencial para dar impulso a la inclusión financiera en el sector.<sup>30</sup>
- v) **Simplicidad en el diseño.** Los diseños complejos, con diferentes enfoques sectoriales y disposiciones institucionales, y las intervenciones múltiples son difíciles de ejecutar<sup>31</sup>.
- vi) **Complementariedad en la cartera de proyectos.** Es preciso que exista complementariedad en el diseño y la ejecución de los sucesivos proyectos, como, por ejemplo, aquellos orientados a fortalecer la inclusión financiera y desarrollar las empresas rurales y las cadenas de valor<sup>32</sup>.

## IV. Estrategia en el país

### A. Ventaja comparativa

26. El FIDA ha establecido una sólida asociación con el Gobierno de Eswatini que ya lleva más de 35 años y tiene las siguientes ventajas comparativas:
- i) El Fondo es la única institución financiera internacional y el único organismo de las Naciones Unidas que invierte exclusivamente en proyectos de desarrollo rural de amplio alcance que benefician a los hogares pobres de las zonas rurales.
  - ii) El Fondo ha demostrado su capacidad para conseguir asociados con los que cofinanciar proyectos de desarrollo rural.

<sup>28</sup> FIDA (2018): "Kingdom of Swaziland – Financial Inclusion and Cluster Development – Final project design report".

<sup>29</sup> Consultas del COSOP de Eswatini (2021).

<sup>30</sup> FIDA (2019): *Kingdom of Eswatini – Rural Finance and Enterprise Development Programme – Project Performance Evaluation*.

<sup>31</sup> FIDA (2021): "Evaluación de la estrategia y el programa en el país para Eswatini".

<sup>32</sup> FIDA (2021): Consultas del COSOP de Eswatini.

- iii) Los proyectos financiados por el FIDA se formulan conjuntamente con el Gobierno, en total consonancia con las prioridades nacionales, y son ejecutados por los ministerios gubernamentales.
- iv) El énfasis en el diseño y la ejecución participativos de los proyectos financiados por el FIDA ha sido fundamental para capacitar a las comunidades de modo que puedan formular los planes necesarios para guiar las inversiones públicas en la agricultura y el desarrollo rural (Proyecto de Riego de Pequeñas Explotaciones en la Cuenca Baja del Río Usuthu)<sup>33</sup>.

## **B. Grupo objetivo y estrategia de focalización**

27. **Grupos objetivo.** El apoyo del FIDA se concentrará en tres grupos objetivo organizados del siguiente modo:
- i) la categoría 1 estará integrada por los pequeños y medianos empresarios con capacidad para llevar adelante una producción comercial sostenible, que necesiten asistencia técnica y/o financiera para lograrlo;
  - ii) la categoría 2 agrupará a los pequeños productores que logren satisfacer sus necesidades básicas, pero que sean vulnerables a los factores externos y precisen asistencia para reforzar su resiliencia, y
  - iii) la categoría 3 estará conformada por los habitantes pobres y de bajos recursos de las zonas rurales y periurbanas que necesiten apoyo para fortalecer su resiliencia y seguridad alimentaria y nutricional.
28. **Estrategia de focalización.** Las intervenciones serán de alcance nacional pero se concentrarán en las zonas donde existan mayores tasas de pobreza e inseguridad nutricional y donde sea posible realizar inversiones coordinadas. Se prepararán conjuntos de medidas específicas para atender las necesidades de cada categoría de beneficiarios. En relación con la categoría 2 se prestará especial atención a la transición de los pequeños productores para que pasen de la subsistencia al desarrollo de medios de vida rentables con orientación comercial. En tal sentido, se dará prioridad al establecimiento de vínculos entre los productores por contrata del sector privado y/o los compradores. Los beneficiarios de la categoría 3 tendrán la oportunidad de alcanzar la seguridad alimentaria y nutricional por medio de intervenciones basadas en la producción.
29. Se establecerán cuotas para la participación de las mujeres (40 % como mínimo), los jóvenes (40 %) y las personas con discapacidad (8 %) en las actividades de los proyectos. Las personas con VIH también se contarán entre los beneficiarios y se verán favorecidas por intervenciones orientadas a su empoderamiento. Se dará prioridad a los jóvenes, especialmente en las zonas de más difícil acceso. El COSOP beneficiará aproximadamente a 52 000 personas y, de ese modo, podrá favorecer a unos 318 000 beneficiarios<sup>34</sup>, si se calcula que un hogar rural consta de seis personas en promedio.

## **C. Meta general y objetivos estratégicos**

30. La meta general del COSOP es reducir la pobreza rural y mejorar la seguridad alimentaria y nutricional entre los hogares de escasos recursos por medio de la comercialización agrícola inclusiva y resiliente y de oportunidades complementarias de generación de ingresos agrícolas y no agrícolas. Esta meta se ajusta a las estrategias de ejecución del FIDA y deriva de la Cumbre de las Naciones Unidas sobre los Sistemas Alimentarios además de ser coherente con la vía nacional definida en el marco de esta última. Los programas y proyectos ejecutados en el marco del COSOP harán especial hincapié en la conservación de la biodiversidad y la inclusión de los jóvenes y las mujeres. El COSOP —que

<sup>33</sup> FIDA (2018): "FINCLUDE Report".

<sup>34</sup> Informe sobre los PESAC, párrafos 150-153.

- contribuirá a la consecución de los Objetivos de Desarrollo Sostenible (ODS) 1, 2, 5, 8, y 13— se funda en dos objetivos estratégicos y en los temas transversales de juventud, género, cambio climático y nutrición.
31. **Objetivo estratégico 1: mejorar los sistemas alimentarios mediante el aumento de la productividad resiliente al cambio climático, la seguridad alimentaria y la nutrición de los pequeños productores de escasos recursos.** Aplicando un enfoque basado en los sistemas alimentarios, este objetivo estratégico se centrará en los factores que limitan la productividad resiliente al cambio climático y la nutrición de los pequeños productores que llevan adelante una producción de subsistencia. Con especial atención a la inclusión de las mujeres, promoverá tecnologías agrícolas adecuadas a su base de activos y sus necesidades, e incluirá la adaptación al cambio climático, la conservación de la biodiversidad y otras prácticas de mitigación necesarias para contribuir a la nutrición de los hogares.
  32. **Objetivo estratégico 2: incrementar la comercialización de la agricultura en pequeña escala mediante la creación de activos y capacidad para que los pequeños productores puedan crear agroempresas fuera de las explotaciones agrícolas.** Este objetivo permitirá ayudar a los pequeños productores con la creación de activos y capacidad que necesitan para graduarse y pasar de la agricultura de subsistencia a la creación de empresas orientadas al mercado. Esto comprenderá el énfasis en la formación de agrupaciones en la producción en pequeña escala, la inclusión financiera, el apoyo a la agroelaboración climáticamente inteligente, la facilitación del acceso a los mercados para los pequeños productores, así como el fortalecimiento de cadenas de valor para los cultivos de alto valor.
  33. **Teoría del cambio** (apéndice XI). La teoría del cambio del COSOP se basa en el entendido de que el alivio de la pobreza rural en Eswatini requerirá el incremento de la productividad resiliente al cambio climático, la mejora de la conservación de la biodiversidad<sup>35</sup> y la seguridad alimentaria de los pequeños productores, junto con el aumento de la comercialización en este sector y de las oportunidades de generación de ingresos para las mujeres y los jóvenes del ámbito rural. La teoría prevé la graduación progresiva de los pequeños productores para pasar de la producción de subsistencia a la agricultura orientada al comercio y el desarrollo de empresas rurales no agrícolas. Esto requerirá una combinación de intervenciones adaptadas a las circunstancias, las necesidades y los intereses de los distintos segmentos de la población, especialmente de los jóvenes.
  34. **Jóvenes.** El COSOP pondrá especial énfasis en el desarrollo de las competencias empresariales de los jóvenes, tanto en relación con la agricultura comercial como con las empresas no agrícolas (incluidas las mipymes). El apoyo se ajustará a las necesidades específicas de los jóvenes de mayor y de menor edad, hombres y mujeres, e incluirá la capacitación, el asesoramiento personalizado y la facilitación del acceso a los recursos y la financiación destinados a generar empleo digno y sostenible.
  35. **Género.** El COSOP incorporará la igualdad de género en todos los niveles del ciclo de los proyectos y promoverá las oportunidades de empleo y el empoderamiento económico de las mujeres de distintas edades en las intervenciones de los proyectos. Algunas de las medidas que se contemplarán serán la facilitación del acceso de las mujeres a las tierras y los recursos productivos, la equidad en la adopción de decisiones y la reducción de la carga de trabajo de las mujeres.
  36. **Cambio climático.** Se prestará apoyo a las intervenciones de adaptación al cambio climático que generan beneficios para la mitigación, como pueden ser, por ejemplo, las prácticas agrícolas climáticamente inteligentes, los sistemas de

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<sup>35</sup> Informe sobre los PESAC.

información sobre el clima y el tiempo, la energía renovable, las prácticas sostenibles de gestión de las tierras, el uso eficiente de los recursos hídricos, la infraestructura rural resistente al cambio climático, y la oferta de productos financieros centrados en el clima por parte de las instituciones financieras. El FIDA colaborará con el Gobierno, sus asociados en el desarrollo y el sector privado en favor de este objetivo.

37. **Nutrición.** Se emplearán vías de producción y generación de ingresos para promover la mejora de la seguridad alimentaria y nutricional<sup>36</sup>. Ambas vías irán acompañadas de la difusión de mensajes relativos a la educación en materia de nutrición y al agua, el saneamiento y la higiene. Se considerará el nexo entre género, clima y nutrición para maximizar el impacto en este último aspecto. En los proyectos nuevos se contemplará la posibilidad de realizar intervenciones para reducir las pérdidas posteriores a las cosechas.

#### D. Gama de intervenciones del FIDA

38. **Préstamos y donaciones.** En Eswatini hay dos proyectos de inversión en curso: el Proyecto de Producción en Pequeña Escala Impulsada por el Mercado, que culmina en 2022, y el Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones, que cerrará en 2025. El presente COSOP incluirá un proyecto nuevo en el marco de la FIDA12 —el Proyecto de Mejora de la Productividad Agrícola y la Comercialización para los Pequeños Productores— y otro sujeto a la disponibilidad de financiación de la FIDA13.

Cuadro 1

##### Cartera de préstamos del FIDA para el período del COSOP (2022-2027)

<i>Proyecto</i>	<i>Objetivo</i>
<b>Proyecto de Producción en Pequeña Escala Impulsada por el Mercado (en curso)</b> <ul style="list-style-type: none"> <li>• USD 21,1 millones</li> <li>• 2017-2022</li> </ul>	Mejorar la seguridad alimentaria y nutricional y los ingresos de las familias de los pequeños productores, por medio de la producción agrícola diversificada y los vínculos con los mercados.
<b>Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones (en curso)</b> <ul style="list-style-type: none"> <li>• USD 38,56 millones</li> <li>• 2019-2025</li> </ul>	Incrementar las ganancias de las empresas agrícolas y no agrícolas sostenibles mediante vínculos resilientes con los mercados y el acceso a servicios financieros adecuados.
<b>Proyecto de Mejora de la Productividad Agrícola y la Comercialización para los Pequeños Productores (en tramitación para la FIDA12)</b> <ul style="list-style-type: none"> <li>• USD 9,07 millones con arreglo al sistema de asignación de recursos basado en los resultados (PBAS) en la FIDA12</li> <li>• 2023-2029</li> </ul>	Reducir la pobreza y la inseguridad alimentaria y nutricional mediante la obtención de mejores resultados en las cadenas de valor de los productos básicos para contribuir a la eficiencia de los sistemas alimentarios gracias al aumento de la productividad, la innovación, la integración de los mercados, la agroelaboración, las exportaciones y la resiliencia.
<b>Proyecto de Inclusión Financiera (cartera indicativa para la FIDA13)</b> <ul style="list-style-type: none"> <li>• Monto por determinarse</li> <li>• 2025-2031</li> </ul>	Atender especialmente la inclusión financiera, sobre la base de los resultados del Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones.

39. **Donaciones regionales.** Se movilizarán donaciones regionales para complementar los proyectos financiados por el FIDA. En Eswatini, actualmente se está ejecutando el proyecto Fortalecimiento de la Nutrición en los Sistemas Agroalimentarios de África Oriental y Meridional mediante el Cultivo de Raíces y Tubérculos, que se financia con una donación (FoodSTART África) y es ejecutado por el Centro Internacional de la Papa.

<sup>36</sup> Las intervenciones que tengan en cuenta la nutrición serán coherentes con la estrategia nacional de incorporación sistemática de este aspecto.

40. **Tecnologías de la información y las comunicaciones para el desarrollo.** El FIDA prestará asistencia técnica en el uso de estas tecnologías, lo cual comprenderá el empleo de tecnologías digitales en el seguimiento del cambio climático y la mitigación de sus efectos.
41. **Mecanismo de Estímulo para la Población Rural Pobre.** Eswatini está ejecutando dos donaciones de este mecanismo para fomentar la resiliencia al impacto de la COVID-19. La primera de ellas (USD 304 000) es ejecutada por la Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO), y la segunda (USD 371 000) forma parte de la financiación para el Proyecto de Producción en Pequeña Escala Impulsada por el Mercado.
42. **Programa de Participación del Sector Privado en la Financiación.** Cuando corresponda, se utilizará este programa para movilizar el apoyo de inversores del sector privado en la promoción del empleo juvenil, el empoderamiento de las mujeres, la sostenibilidad ambiental y la resiliencia de los pequeños productores al cambio climático.
43. **Fondo de Financiación para Remesas (FFR).** El Proyecto de Producción en Pequeña Escala Impulsada por el Mercado ya está utilizando una donación del FFR. Se estudiará la posibilidad de otras colaboraciones con este fondo.
44. **Actuación en materia de políticas a nivel nacional.** Además de las recomendaciones formuladas en la EEP, se han señalado las siguientes esferas para la actuación en materia de políticas a nivel nacional durante el período que abarca el COSOP, a saber: i) el apoyo a una estrategia integrada de comercialización agrícola que garantice una mayor coordinación entre las entidades estatales del sector y contribuya al desarrollo de cadenas de valor y a la sustitución de las importaciones; ii) la actuación vinculada a la necesidad de una transformación macroeconómica y un ajuste fiscal; iii) la creación de capacidad en la gestión de los ecosistemas participativos y en la conservación de la biodiversidad a nivel local y nacional; iv) el intercambio de modelos y mejores prácticas que permitan a las mujeres y los jóvenes acceder a tierras agrícolas, y v) el intercambio de modelos y mejores prácticas para la inclusión eficaz de los jóvenes.
45. **Creación de capacidad.** Las actividades de creación de capacidad y apoyo técnico en relación con las competencias que resultan deficientes —por ejemplo, en integración de los mercados, desarrollo de las cadenas de valor y SyE— estarán a cargo de funcionarios del Gobierno, en consulta con los ministerios participantes. También se considerará la posibilidad de fomentar la capacidad de las instituciones financieras nacionales en la evaluación de los riesgos y el desarrollo de productos específicamente adaptados a sus clientes, lo que contribuirá a la inclusión financiera de los productores comerciales en pequeña escala.
46. **Gestión de los conocimientos.** En la gestión de los conocimientos se emplearán enfoques innovadores para la recopilación y el análisis de datos empíricos sólidos con el fin de prestar apoyo a la ejecución, la actuación en materia de políticas a nivel nacional y la ampliación de las intervenciones. En este sentido, se utilizarán herramientas digitales para la participación de los beneficiarios en la generación de conocimientos. Las actividades comprenderán la creación y difusión sistemáticas<sup>37</sup> de productos de conocimiento sobre los temas clave de este COSOP. Siempre que resulte adecuado se aprovechará la cooperación Sur-Sur y triangular.

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<sup>37</sup> Intercambio de enseñanzas, visitas de intercambio, plataformas de múltiples partes interesadas, diálogos sobre políticas y eventos de medios de comunicación.

47. **Cooperación Sur-Sur y triangular.** Se fomentará la cooperación Sur-Sur y triangular con asociados bilaterales nuevos y ya existentes para impulsar aspectos tales como igualdad de género y empoderamiento de las mujeres (Kenya); modelos de riego (Zimbabwe); tecnologías de energía renovable para los pequeños productores; aves de corral autóctonas (Camboya); desarrollo de agrupaciones (Nepal) y cuestiones relativas al cambio climático (República de Sudáfrica).
48. **Comunicación y visibilidad.** Se formularán estrategias que comprenderán la participación a través de Internet y los medios de comunicación locales (radio, televisión y periódicos), tanto para educar como para mostrar cómo contribuye el programa en el país a mejorar la vida de la población de las zonas rurales.

## V. Innovaciones y ampliación de escala para el logro de resultados sostenibles

49. **Innovaciones.** El presente COSOP pretende introducir innovaciones tecnológicas en el diseño y la ejecución de los proyectos. Algunas de esas innovaciones comprenderán el uso de herramientas geoespaciales para la focalización y el SyE, sistemas posteriores a la cosecha ecológicos, tecnologías climáticamente inteligentes, y herramientas digitales adicionales para llevar registros, realizar transferencias de remesas por telefonía móvil, comercialización, y servicios de asesoramiento.
50. **Ampliación de escala.** La ampliación de escala forma parte del enfoque del programa del FIDA en el país. Se ampliará la escala de las intervenciones exitosas de proyectos anteriores y en curso, tales como la focalización en los jóvenes, los enfoques de desarrollo participativos, la conservación de la biodiversidad y la rehabilitación de las tierras.

## VI. Ejecución del COSOP

### A. Recursos financieros y metas de cofinanciación

51. Para la FIDA12, la asignación destinada a Eswatini con arreglo al PBAS asciende a USD 9 070 000, monto que será destinado al nuevo Proyecto de Mejora de la Productividad Agrícola y la Comercialización para los Pequeños Productores. Para la FIDA13 se presupone que se otorgará una asignación indicativa similar. Eswatini también cumple con los requisitos para acceder al Mecanismo de Acceso a Recursos Ajenos. El Gobierno ha indicado que podría solicitar dichos fondos, dependiendo de las necesidades, a fin de atender las prioridades clave en el marco de sus estrategias y planes para la agricultura.

Cuadro 2

**Financiación del FIDA y cofinanciación para los proyectos en curso y previstos**  
(en millones de USD)

Proyecto	Financiación del FIDA	Cofinanciación		Coeficiente de cofinanciación
		Nacional	Internacional	
<b>En curso</b>				
Proyecto de Producción en Pequeña Escala Impulsada por el Mercado	10,1	7,2	7,2	
Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones	9,2*	24,2	5,0	1:1,42 1:3,17
<b>Previstos</b>				
Proyecto de Mejora de la Productividad Agrícola y la Comercialización para los Pequeños Productores (FIDA12)	9,07	7,8	3,0	1:1,19
Proyecto de Inclusión Financiera (FIDA13)	Por determinar	Por determinar	Por determinar	Por determinar
<b>Total</b>	<b>28,37</b>	<b>39,2</b>	<b>15,2</b>	<b>1:97</b>

\*Incluye una donación en el marco del FFR por valor de USD 0,3 millones.



52. Se prevé que el programa del FIDA en Eswatini también continuará recibiendo financiación internacional para el clima del Fondo para el Medio Ambiente Mundial (FMAM). Se está preparando una propuesta conjunta (del FIDA y la FAO) destinada al Fondo Verde para el Clima a fin de llevar a cabo actividades vinculadas con el clima en el marco del Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones.

### **B. Recursos destinados a actividades no crediticias**

53. El presente COSOP incluye intervenciones en apoyo a la actuación en materia de políticas a nivel nacional (párrafo 44) y la cooperación Sur-Sur y triangular (párrafo 47). Para esas actividades se procurará obtener financiación adicional de las fuentes de financiación pertinentes del FIDA, como, por ejemplo, el Mecanismo de cooperación Sur-Sur y triangular entre China y el FIDA.

### **C. Principales asociaciones estratégicas y coordinación del desarrollo**

54. **Asociaciones estratégicas.** Se han establecido sólidas asociaciones con varios ministerios del Gobierno<sup>38</sup>. Otros asociados en el desarrollo son los organismos de las Naciones Unidas, las organizaciones de la sociedad civil, las instituciones académicas, y el sector privado para el apoyo a la ejecución y la actuación en materia de políticas a nivel nacional. Se prevé el establecimiento de otras asociaciones estratégicas importantes orientadas a la financiación para el clima y el medio ambiente (FMAM, Fondo Verde para el Clima); la inclusión financiera (bancos comerciales); el apoyo en materia de cofinanciación y análisis (Banco Africano de Desarrollo, Banco Mundial y Unión Europea); la investigación y la innovación (Instituto Internacional de Investigación en Ganadería y Centro Internacional de la Papa), y la infraestructura (Fondo de la OPEP para el Desarrollo Internacional).
55. **Coordinación del desarrollo.** Los objetivos estratégicos de este COSOP se ajustan a las prioridades establecidas en el Marco de Cooperación de las Naciones Unidas para el Desarrollo Sostenible relativo a Eswatini para 2021-2025 (financiación para el clima, políticas y reglamentaciones para promover las inversiones del sector privado y la agricultura climáticamente inteligente). Esta coherencia fue confirmada mediante consultas con el Coordinador Residente de las Naciones Unidas, que dio su respaldo al presente documento, y ratificada por los integrantes del equipo de las Naciones Unidas en el país. El FIDA continuará fortaleciendo su participación en el equipo de las Naciones Unidas en el país y su contribución al mencionado Marco de Cooperación.
56. **Colaboración con los organismos con sede en Roma.** Se prevé continuar colaborando con la FAO en la promoción de prácticas agrícolas resistentes al cambio climático así como en el fortalecimiento de la capacidad nacional en materia de extensión y comercio electrónicos. El FIDA también colaborará con el Programa Mundial de Alimentos en una programación que tenga en cuenta la nutrición, y vinculará a los pequeños productores con el programa de alimentación escolar con productos locales a fin de ayudarlos a comercializar su producción e incrementar los ingresos de los hogares.

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<sup>38</sup> Véase el apéndice IV.

## **D. Participación de los beneficiarios y transparencia**

57. **Participación de los beneficiarios.** Continuará dándose prioridad al desarrollo participativo en el diseño de los proyectos y en la formulación de los sistemas de SyE. Se grabará la interacción con los beneficiarios durante las misiones de supervisión para luego tener en cuenta sus opiniones en la mejora del COSOP en general.
58. **Transparencia.** Se contribuirá a la transparencia mediante la publicación de los nombres de los receptores de las donaciones y los mecanismos para la resolución de reclamaciones en los sitios web de los proyectos. Allí también se difundirán los informes de supervisión y los informes finales de los proyectos, que incluirán los datos sobre la marcha y los gastos de la ejecución, los informes de auditoría y la información financiera.
59. **Mecanismos para la resolución de reclamaciones.** Se establecerán mecanismos para la resolución de reclamaciones en relación con las nuevas inversiones del Fondo. A nivel de los proyectos estos mecanismos combinarán los mecanismos institucionales tradicionales y herramientas para todas las partes interesadas.

## **E. Disposiciones de gestión del programa**

60. Todos los proyectos del FIDA financiados mediante préstamos se ejecutarán por conducto de unidades de gestión de los proyectos integradas por representantes de los asociados en la ejecución en Eswatini. Se estudiará la posibilidad de fusionar la gestión del Proyecto de Mejora de la Productividad Agrícola y la Comercialización para los Pequeños Productores con la del Proyecto de Inclusión Financiera propuesto. La Directora Regional y la Directora en el País ofrecerán orientación sobre las inversiones del FIDA y supervisarán la ejecución del COSOP, que también recibirá apoyo técnico de la oficina regional del FIDA en Nairobi, la oficina multipaís ubicada en la República de Sudáfrica y la Sede.

## **F. Seguimiento y evaluación**

61. El presente COSOP hará hincapié en el diseño y la aplicación de sistemas de SyE eficaces, lo cual comprende el establecimiento de valores de referencia previos a las intervenciones de los proyectos, la realización de encuestas a los beneficiarios, y la determinación de indicadores y metas entre todos los asociados en la ejecución. Se utilizarán herramientas geoespaciales y sistemas digitales para complementar los métodos de SyE convencionales.
62. Los progresos y los ajustes necesarios se determinarán no solo en función de las misiones ordinarias de supervisión de los proyectos, sino también teniendo en cuenta los exámenes de mitad de período del COSOP y otros exámenes efectuados según se requiera.

## VII. Gestión de riesgos

Cuadro 3  
Riesgos y medidas de mitigación

<i>Riesgos</i>	<i>Calificación del riesgo</i>	<i>Medidas de mitigación</i>
<b>Políticos/gobernanza</b> Disturbios civiles que ocasionan un clima de incertidumbre para las inversiones.	Considerable	Énfasis en el empleo y la inclusión económica de los jóvenes.
<b>Macroeconómicos</b> Lentitud en la transformación estructural de la economía y no aplicación de planes de ajuste fiscal, lo que conduce al deterioro del PIB, el aumento de la deuda pública y la inestabilidad macroeconómica.	Medio	Apoyo a la actuación en materia de políticas a nivel nacional para acelerar la transformación estructural y aplicar los planes de ajuste fiscal.
<b>Estrategias y políticas sectoriales</b> Ineficiencia en la preparación de los sistemas gubernamentales, la asignación de recursos y el cumplimiento.	Medio	Apoyo al diálogo sobre políticas y estrategias basado en datos empíricos inclusivos, así como a los procesos de diseño y creación de capacidad según corresponda.
<b>Capacidad institucional</b> Rotación del personal capacitado.	Considerable	Promoción de una gestión eficaz de los recursos humanos. Incentivos al personal mediante actividades de capacitación y aprendizaje.
<b>Cartera</b> Retrasos en la puesta en marcha, lentitud de los desembolsos y baja tasa de ejecución de los planes de trabajo anuales y presupuestos.	Medio	Planes de puesta en marcha detallados Capacitación en adquisición y contratación, gestión financiera y SyE
<b>Fiduciarios: gestión financiera</b> Falta de capacidad en materia de gestión financiera; escasa credibilidad de los presupuestos; previsión deficiente del flujo de efectivo y nivel de liquidez inadecuado; deterioro de la moneda local; falta de un sistema de contabilidad/presentación de informes adecuado; escrutinio externo inadecuado.	Considerable	Contratación por concurso para las principales funciones de las unidades de coordinación de los proyectos.  Capacitación en materia de prácticas fiduciarias del FIDA.  Inicio temprano de la consolidación de los presupuestos sobre la base de un escrutinio estricto para obtener estimaciones realistas.  Mejor proceso de desembolso basado en la previsión del flujo de efectivo mediante la presentación de informes financieros provisionales cada trimestre.

<i>Riesgos</i>	<i>Calificación del riesgo</i>	<i>Medidas de mitigación</i>
		<p>Utilización de software contable adecuado (con un módulo para presupuestos) y capacidad de presentación de informes alineada con los requisitos del FIDA.</p> <p>Fondos en cuentas especiales independientes (en dólares de los Estados Unidos); uso prudente de cuentas operacionales "a la vista" en moneda local.</p> <p>Prestación de servicios de auditoría principalmente por empresas privadas o la oficina nacional de auditoría.</p>
<p><b>Fiduciarios: adquisiciones y contrataciones</b> Falta de documentos de licitación nacionales normalizados; presentación incompleta de datos sobre adquisiciones y contrataciones; riesgo medio de corrupción (sobre la base de la puntuación de 32/100 otorgada al país por Transparency International en 2021); baja tasa de ejecución de los planes de adquisiciones y contrataciones y retrasos causados por el incumplimiento de las Directrices del FIDA para la adquisición de bienes y la contratación de obras y servicios en el ámbito de los proyectos; COVID-19 y escasa capacidad del personal dedicado a las adquisiciones y contrataciones; gestión de contratos deficiente.</p>	Considerable	<p>El FIDA ofrecerá oportunidades de creación de capacidad mediante asistencia técnica a distancia o en el país y capacitación en materia de adquisiciones y contrataciones en los proyectos, incluida la integración del programa de creación de capacidad BUILDPROC (asociación entre el FIDA y el Centro Internacional de Formación de la Organización Internacional del Trabajo), como herramienta estratégica para desarrollar la capacidad en esta materia dentro del país.</p> <p>Los proyectos financiados por el FIDA se incluirán en el sistema de seguimiento de las declaraciones de conformidad y la herramienta para supervisar la marcha de los contratos, con el fin de mejorar la calidad de los procesos de adquisición y contratación y la gestión de los contratos, respectivamente.</p> <p>La Política revisada del FIDA en materia de Prevención del Fraude y la Corrupción en sus Actividades y Operaciones y las leyes nacionales pertinentes de lucha contra la corrupción se aplicarán a todos los proyectos, proveedores y terceros.</p> <p>El organismo público de Eswatini encargado de regular las adquisiciones y contrataciones está preparando documentos de licitación nacionales normalizados y solicitó la ayuda del FIDA a tales efectos. Los proyectos financiados por el FIDA han elaborado sus propios modelos de conformidad con los requisitos de la institución.</p>
<p><b>Medio ambiente y clima</b> Tierras y pastizales, degradación, deforestación, fenómenos meteorológicos extremos, regímenes de precipitaciones imprevisibles.</p>	Mediano	<p>Promoción de prácticas agrícolas climáticamente inteligentes y sistemas de información sobre el clima, infraestructura resistente al cambio climático, prácticas sostenibles para la gestión de las tierras, y seguros contra el clima</p>

<i>Riesgos</i>	<i>Calificación del riesgo</i>	<i>Medidas de mitigación</i>
<p><b>Sociales</b></p> <p>Efectos negativos de las relaciones de género en la sostenibilidad de la participación de las beneficiarias, su empoderamiento y la prosperidad de los hogares</p> <p>Pérdida de oportunidades para beneficiar a los jóvenes.</p>	<p>Medio-alto</p> <p>Alto</p>	<p>Uso de metodologías para fortalecer la cohesión de los hogares y la planificación conjunta. Adopción de las enseñanzas extraídas del programa de asesoramiento social del Proyecto de Inclusión Financiera y Desarrollo de Agrupaciones</p> <p>Creación de demanda específica, estrategias de difusión y medidas de apoyo para garantizar que las oportunidades sean atractivas y satisfagan las expectativas de los jóvenes</p>
<p><b>Otros riesgos específicos del COSOP COVID-19.</b></p>	<p>Elevado</p>	<p>Integrar los aspectos relativos al agua, el saneamiento y la higiene en la agricultura y la elaboración</p> <p>Adopción de soluciones de las tecnologías de la información y las comunicaciones para el desarrollo</p> <p>Extensión y comercio electrónicos</p> <p>Actividades de capacitación a través de medios de comunicación social</p> <p>Promoción de buenas prácticas agrícolas, y calidad e inocuidad de los alimentos</p>
<p><b>General</b></p>	<p><b>Medio</b></p>	

## 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)
<b>National Agricultural Investment Plan (NAIP)</b>						
<b>Programme 1: Natural Resources Management</b>  <i>Aligned with:</i> <ul style="list-style-type: none"> <li>• CAADP Pillar I</li> <li>• Eswatini CAADP Compact 2010</li> <li>• MDG 7: Environmental sustainability</li> <li>• NDS and Vision 2022</li> <li>• CASP 2005</li> <li>• National Environment Policy</li> <li>• Eswatini Environmental Action Plan</li> <li>• National Irrigation Policy 2005</li> <li>• National Forest Policy 2003</li> <li>• National Water Policy 2009 and Water Resources Master Plan</li> <li>• Draft national land policy</li> </ul>	Well Managed Natural Resources and Environmental Sustainability	15, 13, 12, 7,17	<b>SO1:</b> 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
<b>Programme 2: Food Supply and Reducing Hunger</b>  <b>Aligned with:</b> <ul style="list-style-type: none"> <li>• CAADP Pillar III</li> <li>• Eswatini CAADP Compact 2010</li> <li>• MDG 1: Eradicate poverty and hunger</li> </ul>	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"> <li>• NDS 2022</li> <li>• CASP 2005</li> <li>• Food Security Policy 2005</li> <li>• PRASP 2007</li> </ul>					<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><b>Programme 3: Improved Access to Markets and Value Chains</b></p> <p><b>Aligned with:</b></p> <ul style="list-style-type: none"> <li>• CAADP Pillar II</li> <li>• Eswatini CAADP Compact 2010</li> <li>• NDS and Vision 2022</li> <li>• CASP 2005</li> <li>• Economic Recovery Strategy 2011</li> </ul>	<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><b>SO2:</b> 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><b>Programme 4: Agricultural Research, Extension, Training and Education</b></p> <p><b>Aligned with:</b></p> <ul style="list-style-type: none"> <li>• CAADP Pillar IV</li> <li>• Eswatini CAADP Compact 2010</li> <li>• NDS and Vision 2022</li> <li>• CASP 2005</li> <li>• National Agricultural Research Policy 2012</li> </ul>	<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><b>Programme 5: Agriculture Knowledge Management System</b></p> <p><b>Aligned with:</b></p> <ul style="list-style-type: none"> <li>• CAADP Pillar IV</li> <li>• Eswatini CAADP Compact 2010</li> <li>• NDS and Eswatini Vision 2022</li> <li>• CASP 2005</li> </ul>	<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"> <li>- FINCLUDE – youth targeting</li> <li>- 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</li> </ul>	<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"> <li>- 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</li> <li>- China – IFAD SSTC Facility</li> </ul>		
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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**

<b>Case</b>	<b>Baseline<sup>39</sup></b> [i.e. with satisfactory implementation of the Eswatini medium-term fiscal adjustment plans, with less focus on private sector investments and growth]	<b>Alternative Scenario<sup>40</sup></b> [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 <sup>41</sup>	1,106,000 (2021) 1,188,000 (2027) Annual growth rate: -0.29% (2020-2025)	
Investment Climate for rural business	<b>2/6</b> <ul style="list-style-type: none"> <li>• World Bank Doing Business: ranked 121 out of 190 countries.</li> <li>• 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.</li> </ul>	
Vulnerability to shocks	<b>3/6</b> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	

#### 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"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Provide de-risking financial instruments</li> <li>Provide financial literacy training</li> <li>Provide direct financial support to farmers and other VC players</li> <li>Promote green financial inclusion</li> </ul>
Agronomic practices	Subsistence farmers Emerging farmers Medium scale commercial farmers	<ul style="list-style-type: none"> <li>Productivity in Eswatini's smallholder sector will not improve unless farmers make greater use of improved inputs, especially improved seed varieties and fertilizer</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Educate farmers and avail improved seed technologies</li> <li>Promote conservation agriculture</li> <li>Provide support services to smallholder producers, including input packs</li> </ul>
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"> <li>Challenges in accessing knowledge on post-harvest losses management.</li> </ul>	<ul style="list-style-type: none"> <li>Promote the use of improved storage technologies (cereals, legumes, vegetables)</li> <li>Invest in construction and operation of produce aggregation centres (pack houses) in strategic locations</li> <li>Promote green processing technologies in partnership with private sector and government.</li> </ul>
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"> <li>Environmental degradation that causes, among other things, soil nutrient depletion, soil erosion, destruction of water catchment areas, and salinization</li> <li>Relative scarcity of water, both for human basic needs and for direct production in irrigation agriculture</li> <li>What is the contribution of solar power to the agricultural sector and impacts on natural resources management</li> </ul>	<ul style="list-style-type: none"> <li>Promote soil conservation practices to reduce land degradation and improve fertility</li> <li>Make efficient use of water resources</li> <li>Invest in upscaling small and medium sized earth dam program</li> <li>Promote on-the-field water harvesting techniques.</li> <li>Continue to investigate the adaptation of local conditions to conservation agriculture.</li> </ul>
Livestock husbandry practices	Subsistence farmers Emerging farmers Medium scale commercial farmers Beef farmers Dairy farmers Agri-entrepreneurs	<ul style="list-style-type: none"> <li>Livestock sub-sector contributes 51% GDP</li> <li>Majority of livestock farmers – smallholder Marketing of livestock – low off take rates of 7%</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Capacitate crop &amp; livestock extension services</li> <li>Provide breed improvement services</li> <li>Support establishment of farmer/private sector breeders associations and establish partners locally and internationally</li> <li>Improve institutional arrangements for sustainable rangeland management</li> </ul>

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"> <li>Upscale feed and fodder production and utilization</li> <li>Promote adoption of different models of integrated crop-livestock systems</li> </ul>
Climate change and resilience	Smallholder farmers Commercial farmers Sugar estates Government Depts (Met Dept.)	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Develop climate-proofed agricultural infrastructure</li> <li>Provide climate information &amp; advice</li> <li>Government should continue investing in irrigation schemes that are oriented to high value crops grown by smallholder farmers, especially including horticultural crops.</li> </ul>
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"> <li>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.</li> <li>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</li> <li>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</li> <li>Human health issues, including but not restricted to the HIV/AIDS and COVID-19 pandemics</li> </ul>	<ul style="list-style-type: none"> <li>Employ communication strategies and media channels specifically designed to generate interest among the youth.</li> <li>Facilitate youth access to land and develop support packages that respond to their circumstances and needs.</li> <li>Facilitate access by women, youth, PLHIV, and PWD to productive assets</li> </ul>
Farmer associations (Farmer groups)	Farmer groups/associations Agri-entrepreneurs Transporters Communication services	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>Farmers to be empowered to understand the options available and take best informed decision in changing environment.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen management capacity of farm enterprises</li> <li>Support farmer clusters and group development</li> <li>Ensure farmers groups/associations participate in the formulation of agricultural policies and legislation</li> <li>Promote important information (climate, prices, pests and diseases, and markets) access to farmer groups</li> </ul>
SME agro-processing	The youth (females & males) Rural entrepreneurs Agri-entrepreneurs Micro and small enterprises	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Promote agro processing MSEs for women and youth</li> <li>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.</li> <li>Commission studies designed to identify labor-saving technologies that may be suitable for use by smallholder farmers and MSE in Eswatini</li> </ul>

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"> <li>Declining effectiveness of public agricultural research</li> <li>Poor linkages between research and extension</li> </ul>	<ul style="list-style-type: none"> <li>Support research to develop, test and release technologies and innovations</li> <li>Modernize agricultural research – promote digital agriculture</li> <li>Promote use of ICT4D to improve agricultural production processes</li> <li>Promote technologies such as vertical farms particularly for women and youth who are constrained with access to land</li> </ul>
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"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Promote bio-fortified foods (such as maize, beans, vegetables)</li> <li>Increase the consumption of diversified foods across the lifecycle with more focus on the vulnerable groups</li> </ul>
Access to extension services	Subsistence farmers Emerging farmers Research services Extension Services Communication services	<ul style="list-style-type: none"> <li>Declining effectiveness of public agricultural extension</li> <li>Poor linkages between research and extension</li> <li>Establishment of a demand-driven extension system will allow technology development and diffusion efforts to more efficiently respond to the priority needs of smallholders.</li> </ul>	<ul style="list-style-type: none"> <li>Capacitate crop &amp; livestock extension services</li> <li>Improve the outreach and efficiency of extension services for targeted producers</li> <li>Modernize public agricultural extension services</li> <li>Promote a demand-driven priority setting mechanism to ensure that extension services are responsive to actual needs</li> </ul>
Nutrition knowledge	All households Women and youth Agri-entrepreneurs Communication services	<ul style="list-style-type: none"> <li>Lack of awareness of biofortified foods</li> <li>Low women dietary diversity score</li> </ul>	<ul style="list-style-type: none"> <li>Improve knowledge and attitudes of the population on healthy eating and appropriate food choices</li> <li>Nutrition education</li> <li>Promote income generation interventions to support other household nutritional needs</li> </ul>
Management of social and economic risks in agriculture	All households Extension Services Communication services Government Dept Development Agencies	<ul style="list-style-type: none"> <li>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.</li> <li>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);</li> </ul>	<ul style="list-style-type: none"> <li>Embed specific activities to empower beneficiaries to manage common social risks.</li> <li>Support beneficiaries in managing and economic risks</li> </ul>
Market access and Transportation	Finance institutions Government	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Develop climate resilient market access roads</li> </ul>
Marketing infrastructure	Communication services Finance institutions Government Development agencies	<ul style="list-style-type: none"> <li>Output markets are weak because of poor infrastructure, limited surpluses (caused by lack of credit), and consequent disincentives for private trade</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>

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



Priority Issue	Affected target group	Major issues/challenges	Proposed actions needed
			<ul style="list-style-type: none"> <li>Invest in use of digital technology that has been enhanced during the COVID-19 pandemic, to benefit the agricultural sector and others.</li> </ul>
Agricultural Sector Integration	Farmers groups Government departments Development agencies Private sector	<ul style="list-style-type: none"> <li>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</li> <li>Weak commercialization of the smallholder farm sector in Eswatini</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>

## SECAP background study

### Introduction

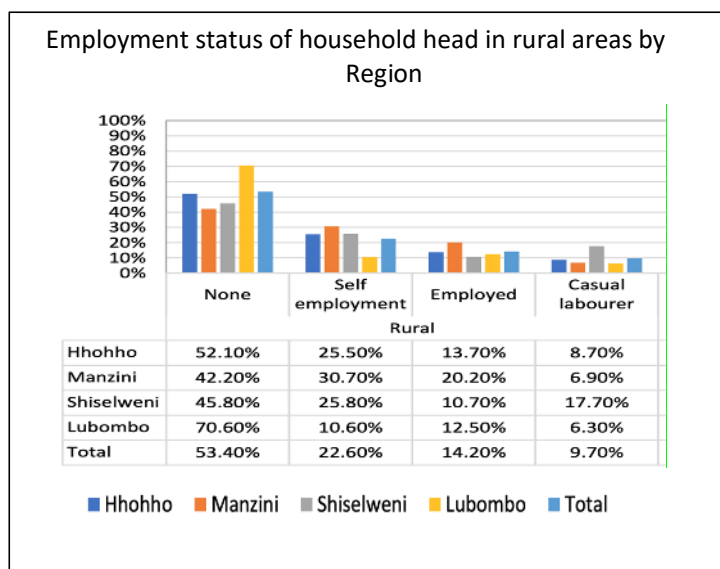
1. This Social Environment and Climate Assessment Procedure (SECAP) outlines the COSOP's strategic orientation on social, environmental and climate change issues in Eswatini for the period from 2022-2027. It provides a situational analysis and describes the trends, policy and regulatory frameworks, and 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 2019-2025<sup>i</sup>, 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 age<sup>ii</sup> and an average household size of eight people in the rural areas<sup>iii</sup>.
5. The country is divided into four administrative regions<sup>iv</sup> 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 areas<sup>v</sup>. 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 country<sup>vi</sup>.
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 fruits<sup>vii</sup>, 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)<sup>viii</sup>. 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%)<sup>ix</sup>.

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 farming<sup>x</sup>.
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 strategies<sup>xi</sup> 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 food<sup>xii</sup>.
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 Emaswati 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.<sup>xiii</sup> In 2016-17 54.3 per cent of households received remittances, most of which originated from other parts of the country<sup>xiv</sup>.
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)<sup>xv</sup>, reflecting the fact that more women are self-employed<sup>xvi</sup>. Labour force participation is highest among people aged 25 to 59 years<sup>xvii</sup>.

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



Source: Kingdom of Eswatini, (2020)<sup>42</sup>

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 work<sup>xviii</sup>. Just over 27 per cent of Swazi households are engaged in entrepreneurial activities<sup>xix</sup>.
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 average<sup>xx</sup>. 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 country<sup>xxi</sup>. 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 Eswatini<sup>xxii</sup>.

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 trafficking<sup>xxiii</sup>. 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**

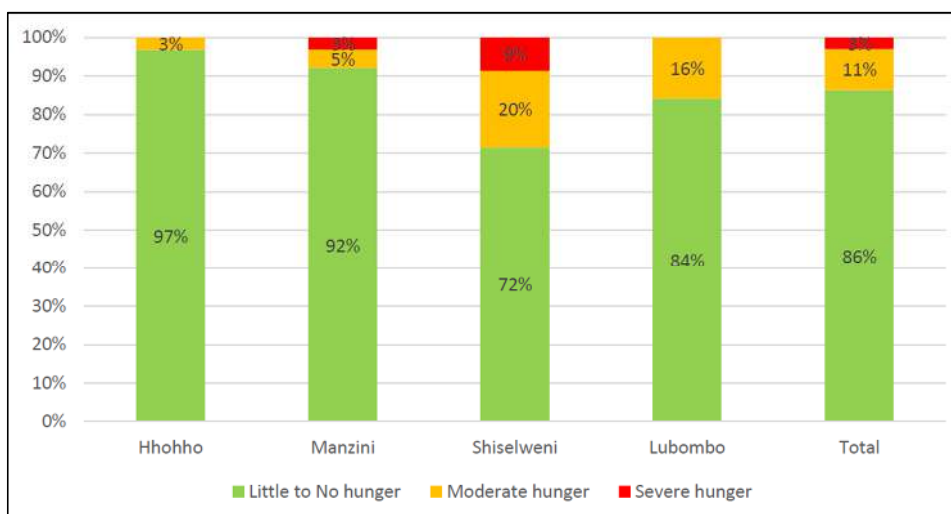
20. **Poverty.** Data from 2017 indicate that 70.2 per cent of the rural population are poor with 25.1 per cent of households living in extreme poverty<sup>xxiv</sup>. There are variable poverty trends across regions and between 2010 and 2017 there was a decrease in Hhohho and Manzini and an increase 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 infrastructure<sup>xxv</sup>.
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 onwards<sup>xxvi</sup>.
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 services<sup>xxvii</sup>. 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 women<sup>xxviii</sup>. 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 counterparts<sup>xxix</sup>. 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 inequality<sup>xxx</sup>.
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 18<sup>xxxi</sup>. Boyfriends and husbands are the prime perpetrators of sexual violence in Eswatini<sup>xxxii</sup>. 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 violence<sup>xxxiii</sup>.
30. **Youth** in Eswatini (defined as being aged 15-35 years) make up approximately 30 per cent of the country ´s population<sup>xxxiv</sup>. Seventy-three per cent of Swazi youth live in the rural areas with the majority (64 per cent living) in the Hhohho and Manzini regions<sup>xxxv</sup>.
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 Eswatini<sup>xxxvi</sup> 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)<sup>xxxvii</sup>. HIV/AIDS is the second most common cause of death across all regions of the country<sup>xxxviii</sup> and it has led to an increase in the number of orphans, in dependency ratios, 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 virus<sup>xxxix</sup>.
- 40. It is estimated that about 18 per cent of Swazi citizens live with a disability<sup>xl</sup>. 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 PWD<sup>xli</sup>.
- 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)<sup>xlii</sup>. The prevalence of moderate and severe food insecurity touches 63 and 30 per cent of the population respectively<sup>xliii</sup>, while 16 per cent per cent are chronically food insecure<sup>xliv</sup>. The 2020 Global Hunger Index ranked Eswatini 74<sup>th</sup> out of 107 countries with a score of 20.3<sup>xlv</sup>. 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 productivity<sup>43</sup> 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**

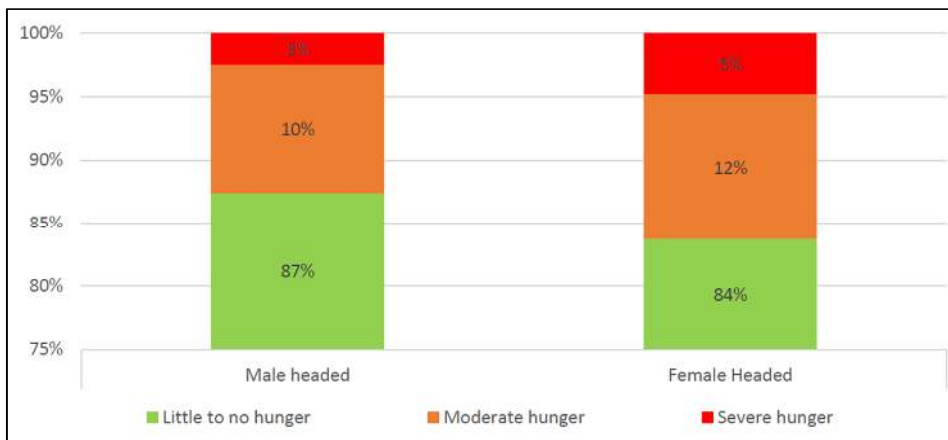


Source: EVAC Annual Assessment 2018

- 42. Eswatini is unable to meet its national and dietary requirements for grain and protein sources and is a net importer of food<sup>xlvi</sup>. 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).

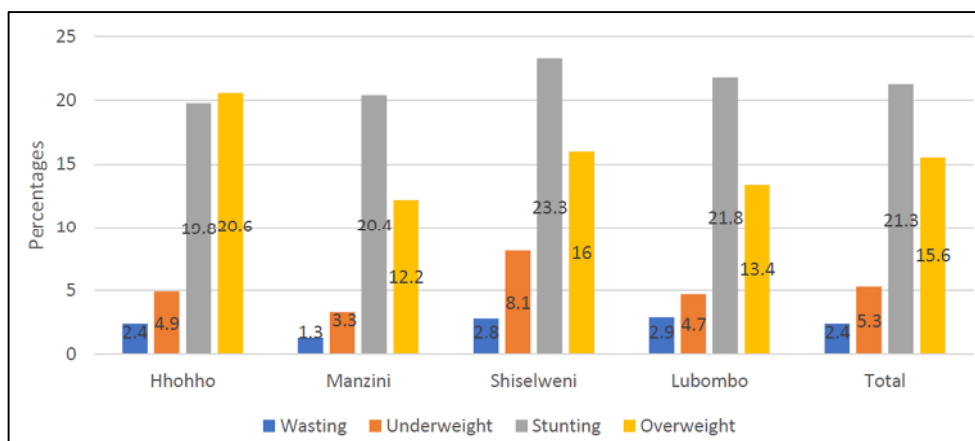
**Figure 3: Household Hunger Score by Head of Household**



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%<sup>xlvii</sup>. Figure 4 shows high levels of obesity (15.6 per cent) with Hhohho having the highest rates of overweight people (20.6 per cent)<sup>xlviii</sup>.

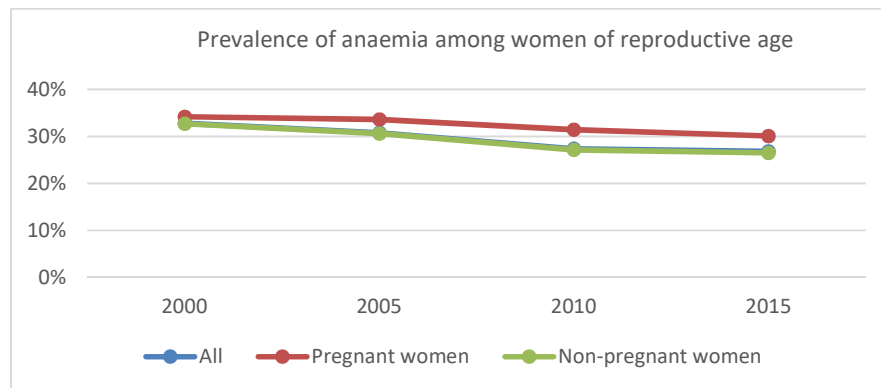
**Figure 4: Prevalence of Malnutrition in children below the age of 5**



Source: EVAC Annual Assessment 2018

- 44. Undernutrition costs the country up to US\$92 million per year – 3.1 per cent of GDP<sup>xlix</sup>. Micronutrient deficiencies are high in Eswatini and 30.7 per cent of women of reproductive age are anemic<sup>l</sup> (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 cent<sup>li</sup>.



**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 2016<sup>lii</sup>) 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 outcomes<sup>liii</sup>.
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 chains<sup>liv</sup>. These losses impact household incomes and combined with high levels of poverty and inequality, contribute to food insecurity and malnutrition in Eswatini<sup>lv</sup>.
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 insecurity<sup>lvi</sup>.
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 five<sup>lvii</sup>.
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 defecation<sup>lviii</sup>. 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 malnutrition<sup>lix</sup>. Using handwashing as a proxy indicator only 24 per cent of the per cent of the population could be considered to practice hygiene<sup>lix</sup>.

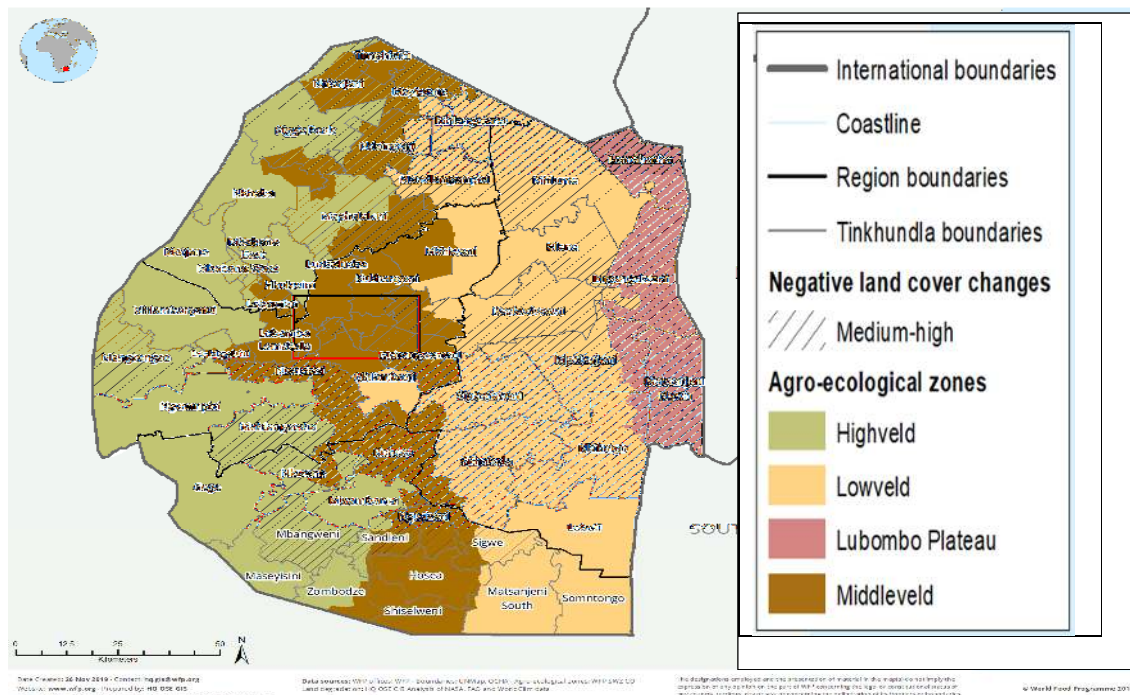
### **Environment and climate context, trends and implications**

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 AEZ<sup>lxii</sup>.
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 1 321.2km<sup>2</sup> 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 here<sup>lxii</sup>.
55. Figure 4 below shows land cover changes in the different AEZs between 2001-2016.

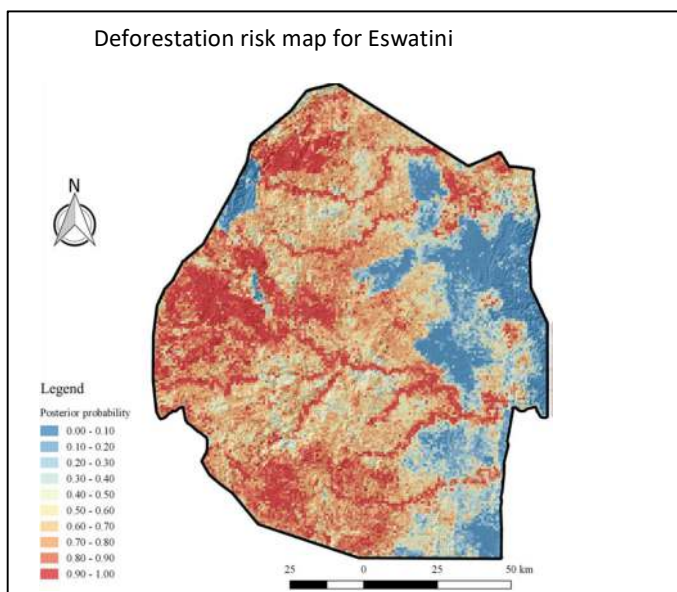
**Figure 1: Agroecological zones and land cover change in Eswatini**



Source: FINRES (2020)<sup>44</sup>

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 rangelands<sup>lxiii</sup>.
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 pasture<sup>lxiv</sup>. About 1,476 km<sup>2</sup> 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 practices<sup>lxv</sup>. 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.<sup>lxvi</sup> 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 CO<sub>2</sub><sup>lxvii</sup>. 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 fuelwood<sup>lxviii</sup>. 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 Lowveld<sup>lxix</sup>. 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 areas<sup>lxx</sup>.

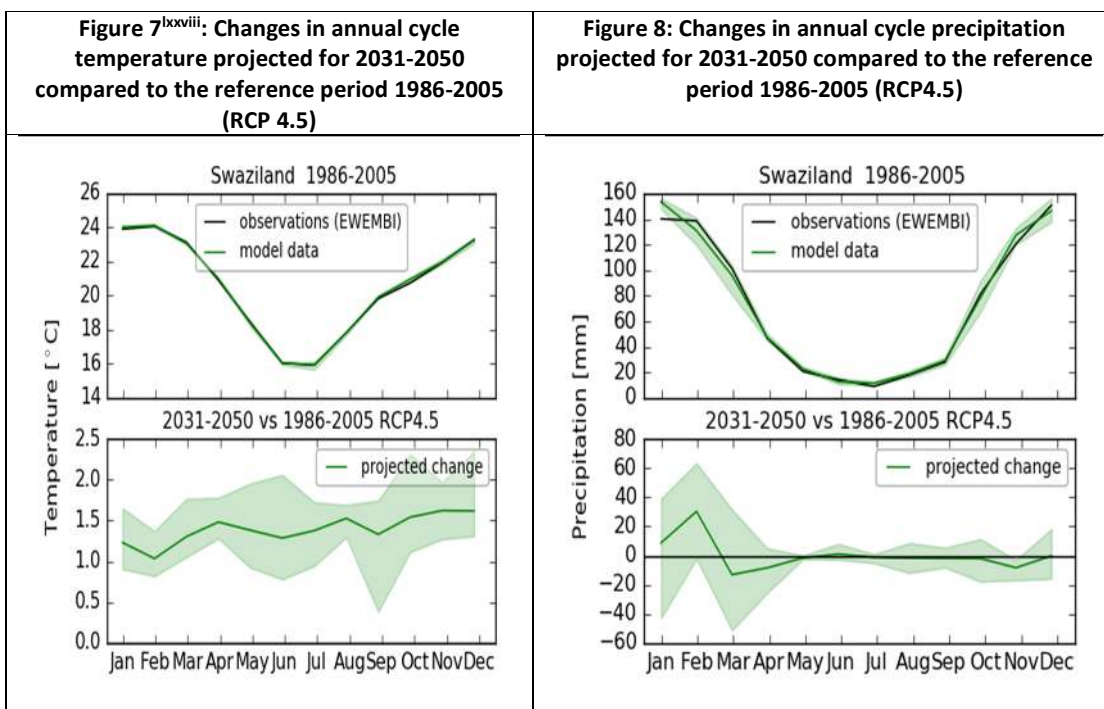
**Figure 2: Deforestation risk map for Eswatini**

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 pathway<sup>lxxi</sup> 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 Emaswati. 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 significantly<sup>lxxii</sup>. 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 year<sup>lxxiii</sup>. 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 area<sup>lxxiv</sup>.
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 2065<sup>lxxv</sup>. 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 floods<sup>lxxvi</sup>. 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 frequent<sup>lxxvii</sup>. 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.



Source: WFP GeoNode (2019)

Source: WFP GeoNode (2019)

71. **Vulnerability and impacts of climate change.** Eswatini's exposure, sensibility, and ability to adapt to the impacts of climate change ranks 129<sup>th</sup> out of 181 countries, 32<sup>nd</sup> in terms of vulnerability, and 74<sup>th</sup> in terms of readiness to adapt<sup>lxxxix</sup>. Eswatini is considered to be highly vulnerable to climate change impacts, and was ranked 137 out of 181 countries in the 2020 ND-GAIN Index<sup>lxxx</sup>.
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 change<sup>lxxxix</sup>. 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 pathogens<sup>lxxxii</sup>.
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 change<sup>lxxxiii</sup>.
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 organizations<sup>45</sup>, 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 bagasse<sup>lxxxiv</sup>.
  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 1<sup>st</sup> 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 area<sup>46</sup>. 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.

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## References

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## 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).

**Table 1: Persons Consulted on the new COSOP and New Design for Eswatini**

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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>
<b>Mobilize co-financing</b>	<ul style="list-style-type: none"> <li>AfDB, World Bank, EU</li> </ul>	<ul style="list-style-type: none"> <li>Co-financing of agricultural sector commodity plan agreements</li> <li>Analytical work</li> </ul>	Synergy and increased coverage	
	<ul style="list-style-type: none"> <li>FAO</li> </ul>	<ul style="list-style-type: none"> <li>Financial support to farmers and other VC players</li> </ul>	Support Government and private sector to implement the agricultural sector commodity agreements	
	<ul style="list-style-type: none"> <li>MTEA, GEF, GCF</li> </ul>	<ul style="list-style-type: none"> <li>Promote green financial inclusion</li> <li>Climate proofing farming and processing</li> </ul>	Mobilisation of climate funds	
	<ul style="list-style-type: none"> <li>MoA, CIP, DARS</li> </ul>	<ul style="list-style-type: none"> <li>Dissemination of new OFSP varieties in Eswatini</li> </ul>	New varieties of sweet potatoes	
	<ul style="list-style-type: none"> <li>OPEC Fund</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure development</li> </ul>	Infrastructure development	
<b>Strengthening private sector engagement</b>	<ul style="list-style-type: none"> <li>Renewable energy firms</li> </ul>	<ul style="list-style-type: none"> <li>Supply green technologies for crop and livestock production, processing and transportation to markets</li> <li>Train farmers and processors on their use</li> </ul>	Environmental sustainability	
	<ul style="list-style-type: none"> <li>National Maize Corporation</li> </ul>	<ul style="list-style-type: none"> <li>Provide market for legume producers</li> <li>Store and sell grains to farmers for on-farm feed processing</li> </ul>	Guarantee market for farmers	
	<ul style="list-style-type: none"> <li>NAMBOARD</li> </ul>	<ul style="list-style-type: none"> <li>Offer supply agreements to horticultural farmers</li> <li>Train horticultural farmers on Good Agricultural Practices (GAP) including post-harvest management.</li> <li>Offer extension support</li> <li>Support farmer groups</li> </ul>	Extension support and market access strengthened	
<b>Engaging in policy and influencing development agendas</b>	<ul style="list-style-type: none"> <li>Ministry of Agriculture</li> <li>ESNAU</li> <li>FAO</li> </ul>	<ul style="list-style-type: none"> <li>Commercialisation of smallholder agriculture</li> <li>Catalysing the role of women, youth, PLHIV, PWD in rural transformation policy setting</li> <li>Women and youth's access to land</li> </ul>	Enhance social inclusion, and access by the rural poor and marginalised to productive resources (including land, finance and machinery for production and processing)	
<b>Enabling coordinated country-led processes</b>	<ul style="list-style-type: none"> <li>FAO, WFP</li> </ul>	<ul style="list-style-type: none"> <li>Align to national development priorities</li> <li>Generate evidence and avail global good practices to improve national development policies and plans</li> <li>Complement government efforts in market-oriented production, small-scale irrigation, marketing infrastructure</li> </ul>	Enhanced coordination and synergy with government efforts	
	<ul style="list-style-type: none"> <li>Ministry of Health and Eswatini National Nutrition Council</li> </ul>	<ul style="list-style-type: none"> <li>Creating environment for the provision of food and nutrition services in project areas</li> <li>Nutrition-sensitive value-chains</li> </ul>	Mainstreaming nutrition security	
	<ul style="list-style-type: none"> <li>Ministry of Agriculture</li> <li>ESWADE</li> <li>CFI</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen policies for commercialisation of agriculture</li> </ul>	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"> <li>Eswatini National Agricultural Union</li> <li>NAMBoard / SEDCO / FINCORP</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Support farmer clusters and group development through national policy</li> <li>Ensure farmer groups/associations participate in the formulation of agricultural policies and legislation</li> <li>Enhance market linkages for farmers through national policies / programmes</li> <li>Pack houses</li> </ul>	Improve farmer access to markets	
	<ul style="list-style-type: none"> <li>The Ministry of Finance</li> <li>Ministry of Tinkhundla Administration and Development</li> <li>Ministry of Economic Development</li> <li>Ministry of Tourism and Environmental Affairs</li> <li>ESWADE</li> <li>CFI</li> <li>ESNAU</li> <li>NAMBoard.</li> </ul>	<ul style="list-style-type: none"> <li>Align to national development priorities</li> <li>Generate evidence and avail global good practices to improve national development policies and plans</li> </ul>	Enhanced coordination and synergy with government efforts	
<b>Enabling coordinated country-led processes</b>	<ul style="list-style-type: none"> <li>FAO, WFP</li> </ul>	<ul style="list-style-type: none"> <li>Align to national development priorities</li> <li>Generate evidence and avail global good practices to improve national development policies and plans</li> <li>Complement government efforts in market-oriented production, small-scale irrigation, marketing infrastructure</li> </ul>	Enhanced coordination and synergy with government efforts	
<b>Developing and Brokering Knowledge and Innovation</b>	<ul style="list-style-type: none"> <li>CIP, DARS</li> </ul>	<ul style="list-style-type: none"> <li>Generate and share technologies, innovations and good practices (improved breeds, climate-sensitive farming, improved NRM, water-harvesting, processing and storage)</li> </ul>	Strengthen learning culture, resilience, productivity	

## **South-South and Triangular Cooperation strategy**

### **I. Introduction**

6. 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**

7. 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.
8. 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.
9. 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.
10. 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.
11. 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**

12. 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.
13. 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.

14. 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**

15. 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.
16. 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**

17. 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.
18. 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	<b>Member of Country Groups :</b>	
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
<b>Total IFAD commitment</b>	<b>6</b>	<b>53,310</b>

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
<b>A. COUNTRY PORTFOLIO PERFORMANCE</b>			
<b>Country – FM KPIs:</b>			
<i>FM Inherent Risk:</i>	<b>Substantial</b>	<p><b>Governance.</b></p> <ul style="list-style-type: none"> <li>The inherent country risk is deemed <i>substantial</i>.</li> <li>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.</li> <li>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 &amp; Transparency and Anti-corruption.</li> <li>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>.</li> </ul> <p><b>Public Financial Management (PFM)<sup>47</sup>.</b></p> <ul style="list-style-type: none"> <li>The last PEFA (2011) identified PFM challenges on planning, forecasting and commitment control, cash management, and weaknesses in the procurement system.</li> <li>Eswatini promulgated a new Public Finance Management Act in 2017.</li> <li>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.</li> <li>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.</li> <li>Government embarked on implementing the Integrated Financial Management Information System (IFMIS) with the support of the EU and the World Bank as</li> </ul>	
<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)		
<b>Debt sustainability<sup>48</sup>.</b>			
<ul style="list-style-type: none"> <li>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;</li> <li>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.</li> <li>The COVID-19 pandemic has magnified Eswatini's existing economic and social challenges, leading to a sharp decline in growth and large financing needs.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>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,</li> </ul>			



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.							
<b>CURRENT LENDING TERMS</b>	PBAS11 on Ordinary terms						
<b>NEXT LENDING TERMS</b>	PBAS12 on Ordinary terms (Category 2) + eligible for BRAM						
<b>B. PORTFOLIO, FM RISK &amp; PERFORMANCE</b>							
<b>Existing Portfolio:</b>							
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 <sup>49</sup>	Moderately Satisfactory	Satisfactory		
<b>Update on On-going Portfolio.</b>							
-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 <sup>nd</sup> 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.							
<b>Use of Country Systems.</b>							
The fiduciary risk of using national PFM systems for managing externally funded programmes is <b>substantial</b> <sup>50</sup> . 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.
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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

