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KINGDOM OF SWAZILAND

COUNTRY STRATEGIC OPPORTUNITIES PROGRAMME

For: Review

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

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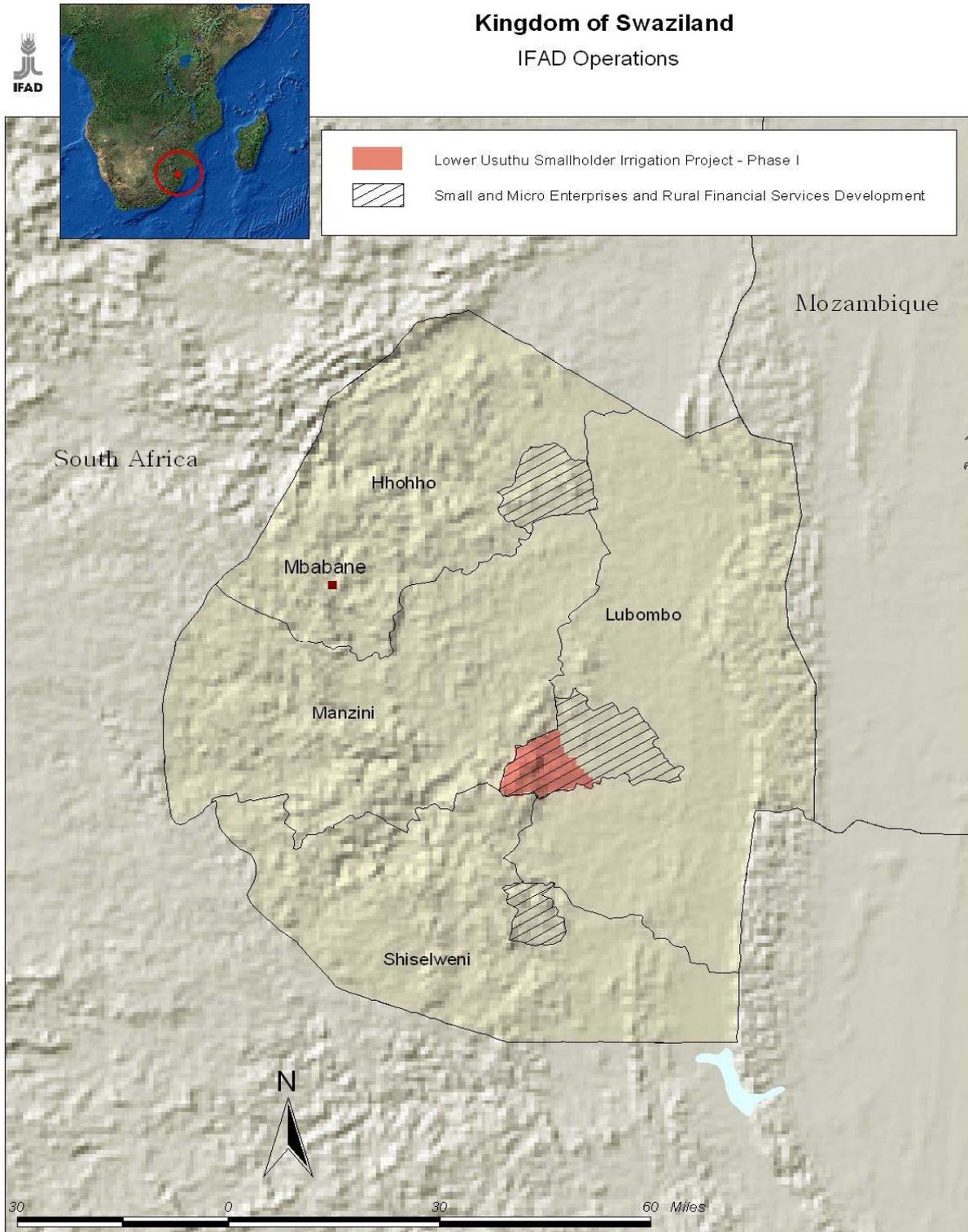
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ABBREVIATIONS AND ACRONYMS

COSOP	country strategic opportunities programme
LUSIP	Lower Usuthu Smallholder Irrigation Project
PBAS	performance-based allocation system
PRSAP	Poverty Reduction Strategy and Action Plan
SME	small and medium-sized enterprise
SNL	Swazi Nation Land
SWEEP	Swaziland Enterprise and Entrepreneurship Programme

MAP OF IFAD OPERATIONS IN THE COUNTRY



Source: IFAD

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

SUMMARY OF COUNTRY STRATEGY

1. IFAD assistance to Swaziland targets rural poor men and women and, in particular, the 70% of the population living on what is known as Swazi Nation Land; of these people, 76% are poor. Within the target group, the focus is on those people who are self-employed, paid seasonal employees and subsistence producers, all of whom exhibit poverty levels over 60%. Organizations implementing IFAD-supported activities would directly target beneficiaries using their own methodologies. The nature of such organizations and the services they provide are such that their clients are within the IFAD target group. Such services are normally unattractive for more well off households.

2. The Government of Swaziland Poverty Reduction Strategy and Action Plan has been developed around six pillars, which form the thematic areas for poverty reduction: (a) maintain macroeconomic stability as a framework for growth, income redistribution and transformation; (b) accelerate economic growth based on broad participation for effective poverty reduction; (c) empower the poor to generate income and reduce inequalities; (d) distribute the benefits of growth fairly through fiscal policy to reduce social inequity, poverty and deprivation; (e) improve the quality of life of the poor; and (f) improve governance and strengthen institutions.

3. Three strategic objectives identified in the country strategic opportunities programme (COSOP) have been agreed upon with the Government of Swaziland and fit within IFAD's mandate, as their achievement would contribute to reducing the very high levels of poverty in rural areas and improving food security and the livelihoods of the rural poor. The objectives are: (a) **land and water**: to work towards helping rural poor households gain access to and productively use land and water, including the provision of related services; (b) **finance, enterprise development and markets**: to create access to financial and marketing services to enable the rural poor households to establish new, and develop existing, micro, small and medium-sized enterprises that are sustainable; and (c) **empowerment and legal rights**: to encourage the full participation of the rural poor, particularly women and youth, in rural development so as to benefit in their own right, including through access to the means of production.

4. The strategic objectives of the COSOP are relevant for the following reasons: (a) many smallholders are poor because they lack access to sufficient resources, land and irrigation water, markets and financial services; (b) landholdings are small, and, because the cropping pattern is dominated by maize under rainfed conditions, production is low, especially due to recurring droughts; (c) access to irrigation is not available for all, but there may be alternatives and also opportunities for adding value (e.g. marketing and processing) to rainfed crops using conservation agriculture; and (d) similarly, there are opportunities to develop new micro and small-scale off-farm enterprises. However, all such initiatives require access to services, especially marketing and financial services. Overlying the above is the minority status of women, which prevents women from fully participating in rural development activities in their own right. The strategic objectives are closely linked to the pillars of the country's Poverty Reduction Strategy and Action Plan and the associated government strategies that support each of the pillars, as well as the priorities of the United Nations Development Assistance Framework.

5. There are several areas that are linked to the strategic objectives of the COSOP where action of a policy nature is needed. For example, draft policies remain to be finalized, approved and subsequently implemented (e.g. the national land policy and draft national gender policy), and others have been approved, but their implementation is in the early stages (National Policy of the Kingdom of Swaziland on the Development of Small and Medium Enterprises, as well as the national NGO policy). In addition, the Government (the Ministry of Finance and the Central Bank) needs to introduce enabling legislation for non-bank financial institutions, but it needs to avoid providing grant funds that individuals may use to develop enterprises that are solely for private gain.

6. The Strategic Framework provides the basis for the development of an IFAD country programme in Swaziland. The country programme would provide the cohesive, interlinked platform for IFAD projects in the country, creating synergy among activities so as to realize the COSOP strategic objectives through impact enhancement, knowledge management, policy dialogue, innovation and partnerships.

7. The implementation of IFAD projects would take advantage of the potential for partnerships with other donors (particularly the United Nations Development Programme, the World Food Programme, the United States Agency for International Development and the European Union) and the private sector, and would also involve discussion of policy issues with the Government and other partners. The arrangements for monitoring the COSOP would include annual reporting and workshops associated with the project supervision process, a mid-term review and a self-evaluation.

8. The current performance-based allocation for Swaziland is US\$1.0 million per year. Even with significant improvements in both portfolio implementation performance and rural sector performance, this level of resource allocation is likely to remain unchanged mainly due to the small population size. The scope and objectives of the COSOP are commensurate with the resources available under the country programme and from the ongoing project and future loans and grants.

THE KINGDOM OF SWAZILAND

COUNTRY STRATEGIC OPPORTUNITIES PROGRAMME

I. INTRODUCTION

1. IFAD approved the first country strategic opportunities paper (COSOP) for Swaziland in 1999, and this country strategic opportunities programme will cover the five-year period from 2007 to 2011. The COSOP preparation process involved the following steps. First, an initial country strategy and opportunities mission¹ visited Swaziland from 2 to 13 April 2006. The mission held discussions with the principal secretaries and senior staff of relevant ministries, the Minister of Enterprise and Employment, the chief executive officers and staff of parastatal companies, the director of the National Emergency Response Committee of HIV/AIDS, representatives of the NGO sector, development partner agencies, private-sector organizations and project staff from the Lower Usuthu Smallholder Irrigation Project – Phase I (LUSIP) and the Komati Downstream Development Project. Also, the mission met farmers during visits to the Lower Usuthu and Komati project areas.

2. Following these discussions, a wrap-up meeting under the chairmanship of Ministry of Finance and including representatives of some of the above agencies discussed a first draft of the COSOP results framework, which was revised to form the basis of the draft COSOP. This COSOP was developed with the active participation of the beneficiaries, key government ministries, the NGO community, United Nations and development partners, and the private sector and has been widely distributed, and its contents and objectives were endorsed during a stakeholder workshop on 21 June 2006. Subsequently, the Eastern and Southern Africa Division of the Programme Management Department finalized the COSOP, taking into account the recommendations of the stakeholder workshop. Appendix I provides additional details on this process and the participants.

II. COUNTRY CONTEXT

A. Economic, Agricultural and Rural Poverty Context

Country Economic Background

3. The Kingdom of Swaziland is landlocked; it has a land area of 17,364 km² and is bordered by Mozambique to the east and the Republic of South Africa to the north, west and south. Swaziland's population was 1.1 million in 2003, giving a population density of 64 persons per km²; 76% of the population lives in rural areas. According to the United States Census Bureau, population growth has slowed rapidly since the mid-1990s because of the HIV/AIDS pandemic; the bureau forecasts that the population will start to decline in 2006. Politically and administratively, Swaziland is ruled by a monarchy and operates a legal system based on parallel Roman-Dutch law and Swazi customary law.

4. With a per capita income of US\$1,350 in 2003, Swaziland is a lower- middle-income economy. However, between 1994 and 2004, GDP growth per capita slowed, averaging only 0.3% per annum, compared with 3.6% per annum during the previous decade. Drought, HIV/AIDS, the end of the multi-fibre agreement, lower levels of foreign investment and increasing unemployment were all contributory causes. The economy now faces three further challenges. First, with the change to the European Union sugar regime, starting in 2006, the price Swaziland receives for its sugar exports to the European Union, the major market, will decline adversely, thereby affecting Swaziland's export

¹ The mission had the following members: Michael Rayner, mission leader and institutions and rural development specialist, Ides de Willebois, IFAD country programme manager for Swaziland and Louise McDonald, IFAD programme assistant.

earnings. Second, government revenues from the Southern African Customs Union, which accounts for 50% of government revenue, will continue to stagnate as tariffs are reduced in line with World Trade Organization and other multilateral commitments on trade liberalization. Third, bureaucratic corruption is on the high side, particularly in large government contracts. In the first seven months of 2005, consumer price inflation was 4.1% per annum. The debt service ratio is low – 1.6% of the value of exports of goods and services – while aid per capita was US\$23.5 in 2003. Appendix II provides further details.

Rural Poverty

5. Despite relatively high per capita GDP, income distribution is quite skewed. According to the Swaziland Household Income and Expenditure Survey (SHIES) of 2001, the latest data, the richest 20% consumed 56.4% of the national income compared to 4.3% for the poorest 20%. The corresponding Gini index, a measure of inequality, was high, 0.51, but inequality in urban areas was greater than in rural areas. According to the survey distribution data, the income per head of the poorest 60% of the population is around US\$556, i.e. less than the average GDP per capita for sub-Saharan Africa. Data from the survey in 1995 showed that paid and self-employment accounted for 75% of the income of the rural poor compared with farming, at 12%.

6. With such a skewed income distribution, it is not surprising that the same survey recorded high levels of poverty, with 69% of the total population living below the income poverty level, and 37% in extreme poverty (i.e. below the food poverty line).² In rural areas, the corresponding figures were higher: 76% and 43%, respectively. Extreme poverty in rural areas is nearly double that found in urban areas (20%). The poverty gap and the severity of poverty were almost twice as large in rural Swaziland as in urban areas. Although poverty levels varied somewhat between the administrative and ecological regions of the country (61% to 81%), high levels of poverty were found throughout rural Swaziland. High levels of poverty were accompanied by high rates of unemployment, and the 2001 survey recorded that 34% of the rural labour force was jobless. Overall, 47% of households with an employed household head were poor. Households in which the heads were employed as non-seasonal workers had the lowest incidence of poverty, 36%, whereas 77% of those engaged in subsistence agriculture were poor. Poverty was higher among households headed by women – 63% compared with 53% for man-headed households.³

7. Other indicators also point to a high and increasing level of poverty. With a United Nations Development Programme (UNDP) human development index of 0.498, Swaziland ranked 147th out of 177 countries in 2003, compared with 117th in 1994, and is now classified as a low human development country. Swaziland's human development index ranking is now 47 places lower than its ranking (by UNDP) in terms of GDP, lower than in 1975 and lower than the average for sub-Saharan Africa. Following rapid economic and social development in Swaziland in the 1970s and 1980s, the country's human development index rose steadily from 0.530 in 1975 before peaking at 0.624 in 1990, but declining rapidly thereafter. In terms of the human poverty index, Swaziland, with a value of 52.9%, ranks 97th out of 103 developing countries for which the index has been calculated.

8. Key social indicators are now most unfavourable and declining. Average life expectancy is now 32.5 years, the lowest in the world, and still declining, which is a reflection of the incidence of HIV/AIDS. According to the government survey of pregnant women, 42.6% were HIV positive in 2004, and 56% in 2005. There will be 120,000 orphans by 2010. Boys born between 2000 and 2005 have a 9% probability of surviving to age 65; the comparable figure for girls is 12%.

² Due to differences in methodology, these figures are not directly comparable with those from the 1995 SHIES, which recorded 66% of the population living below the poverty line and 48% living below the food poverty line.

³ It is unclear how these figures reconcile with the overall figure of 69% of the population living below the poverty line.

9. The adjusted maternal mortality rate is 370 per 100,000 live births; infant mortality is 105 per 1,000 live births, and the under-5 mortality rate is 153 per 1,000 live births, while 48% of the population does not have access to an improved water source. In 2003, 21% of adults were illiterate; 3.5% of children were not enrolled in school in 1999, and the figure is expected to increase to 30% by 2015.

10. The gender development index is 0.485, and Swaziland ranks 115th out of 140 countries, while the gender empowerment measure places Swaziland 54th out of 80 countries for which data are available. Swaziland scores well in terms of the proportion of women professional and technical workers (61%). However, in all other respects, women are seriously disadvantaged. Tradition accords them the status of minors, which denies them access to assets and productive resources in their own right, especially in respect of inheritance and succession.

11. Many structural factors are responsible for the high prevalence of poverty. Among those factors raised by the poor during the Participatory Poverty Assessment of 1997 and the *tinkhundla*⁴ consultations in 2001 were the chronic drought, accompanied by crop failure, the death of domestic animals, and the lack of drinking water; lack of adequate agricultural land; isolation from mainstream markets and information sources; limited options for the diversification of opportunities for income-generation; and lack of competitive skills acquired through education. Tradition disadvantages women. These factors trap the poor in poverty and militate against recovery. In addition, the limited resource base and the lack of competitiveness in the global environment narrow the scope for generating increased incomes.

12. Orphans, child-headed households and HIV/AIDS-affected households, the elderly and retirees, destitute and street children, widowed women and the disabled are considered the most vulnerable groups in Swaziland. For these groups, social protection schemes are crucial in order to safeguard their welfare. The 2003 Millennium Development Goals Country Report noted that Swaziland was unlikely to meet seven of eight Millennium Development Goal targets, including reducing the proportion of people living in extreme poverty by 50% or halting and reversing the spread of HIV/AIDS by 2015. The assessment noted that, for most targets, the supportive environment is described as only weak, though improving.

Agricultural and Rural Sector Performance

13. Swaziland is predominantly an agricultural and rural society; agriculture and forestry accounted directly for 12% of GDP in 2003. Agriculture provides the raw material for about 33% of the value added of the manufacturing sector, while the processing of agricultural products accounts for the majority share of manufacturing GDP; thus, in aggregate, agriculture is the mainstay of the Swazi economy and the source of the majority of exports. Growth in the agricultural sector has been low or negative over the last 20 years, i.e. -0.4% per annum (1984-1994); however, during the last ten years, it showed modest growth of 1.4% per annum (1994-2004). Drought has been a major factor in the low levels of growth. Growth has also suffered from the structural constraints inherent in the former marketing and pricing policies and, more recently, because of the incidence of HIV/AIDS. Households rely on agricultural output either as smallholders or as employees of large-scale farms; one third of the total population engages in some form of agricultural activity. The large-scale farm sector relies on irrigation, and the use of water from rivers is governed by international agreements with South Africa and Mozambique.

14. Arable land accounts for about 10% of the land area; 37% is under irrigation. Land in Swaziland is held or used under two systems of tenure: Title Deed Land and Swazi Nation Land (SNL). The former is individually or corporately owned and is used for commercial farming under

⁴ A *tinkhundla* is a non-partisan system that blends the traditional Swazi and modern Westminster systems.

irrigation (mostly sugar cane and fruit), ranching and forestry; it covered 527,000 ha in 1992/1993 (latest data) on 359 farms. The latter is held in trust for the nation by the King and is administered by the chiefs. SNL accounts for about 75% of all land in the country and consists of grazing lands, forests and agricultural land. Individual rights of use are held for the last type; communities use the remaining land as a common resource. About 90,400 households live on SNL, of which 78,000 undertake some cultivation. Only 10% of agricultural SNL is used for crop production; the balance is used for grazing. The average rural household has eight members; 32% of these households are woman-headed. Most cultivate a small area of rainfed crops, and 76% are living below the poverty line (the figure is 69% for Title Deed Land). Production is declining due to a loss of labour due to AIDS. Households with one AIDS sufferer produce 50% less than normal (as an enterprise employing over 750 rural women, Gone Rural, found in their study in 2005). Holdings are small, and 92% of households cultivate less than 1 ha, and only around 700 holdings are more than 5 ha. Crop production on SNL accounts for only around 8% of agricultural GDP. Swazi Nation Land, unlike Title Deed Land, cannot be used as collateral. Farmers on SNL therefore generally lack access to commercial finance. Maize dominates the cropping pattern (86%), followed by cotton (5%). Livestock ownership is very skewed and is not a prime activity among IFAD's target group; therefore, livestock is not directly targeted. However, land-use plans, livestock and grazing rights are included as these are a major issue also in policy dialogue.

B. Policy, Strategy and Institutional Context

National Institutional Context

15. Swaziland recognizes that good governance is crucial for promoting macroeconomic stability, growth and the role of the private sector. The private sector must operate in an enabling environment to identify and exploit investment opportunities in all sectors without any obstacles. Weak and poor governance compromises the delivery of services and benefits to those who need them most because the influence of powerful interest groups affects and prejudices policies and programmes, while transparency and accountability disappear and the poor become invisible, voiceless, powerless and unprotected. There is need to strengthen institutions and processes of accountability, the administration of law and justice and public sector management and foster the participation of the poor in decision-making through the decentralization of governance, stamping out corruption, and the protection of human rights.

16. A major factor affecting most institutions is the lack of clarity over roles and responsibilities that have an impact on growth opportunities. The Government often takes the roles and responsibilities that rightly belong to the private sector or with NGOs, thereby creating conflicts of interest in delivering an enabling environment. In addition, the Government and NGOs both have limited capacity, especially the skills base and knowledge, while NGOs also suffer from lack of access to information and resources. Donors are relied upon for financial resources, with the implication that sustainability is threatened because funding ends before activities are completed due to initial capacity constraints. Meanwhile, the private sector finds itself in direct competition with the Government, especially in enterprise development. Currently, based on the new constitution approved in 2005, many (policy) initiatives have started to change the institutional and policy environment and to improve the institutional environment.

National Rural Poverty Reduction Strategy

17. The draft Poverty Reduction Strategy and Action Plan (PRSAP) was circulated in March 2005, and the final process of consultations is under way. The PRSAP is a key element of the National Development Strategy (1997-2022), and the process of preparing the PRSAP has been highly participatory, emphasizing inputs from the poor themselves and involving the traditional structures at the *tinkhundla* level throughout the country, as well as NGOs, the private sector and the Government.

The overall goal is to reduce poverty by 50% by 2015 (i.e. to 35%) and to eradicate it completely by 2022. This is clearly a very ambitious goal and will require fundamental reforms and a change in the development approach.

18. The Poverty Reduction Strategy and Action Plan (PRSAP) is developed around six pillars, which form the thematic areas for poverty reduction: (a) maintain macroeconomic stability as a framework for growth, income redistribution and transformation; (b) accelerate economic growth based on broad participation for effective poverty reduction; (c) empower the poor to generate income and reduce inequalities; (d) distribute the benefits of growth fairly through fiscal policy to reduce social inequity, poverty and deprivation; (e) improve the quality of life of the poor; and (f) improve governance and strengthen institutions. These pillars are expected to provide the necessary stimulus for the economy to grow, which is a prerequisite for poverty reduction, without which incomes cannot grow and there cannot be any sustainable redistribution. Growth depends on the creation of an enabling environment, as well as timely and proper interventions in certain sectors, especially agriculture. This must be accompanied by equal participation (so that there is no discrimination), macroeconomic stability, human capital development, reduced vulnerability and good governance; thus, all institutions are strengthened to improve service delivery and the protection of human rights.

19. The Government and development partners recognize the many challenges facing Swaziland, and the PRSAP is seen as a change and a start to breaking with past poor performances and negative trends. With a new constitution in place and many new policies being developed, there are clear indications of positive change and the making of a modern state, including acceptance and involvement of civil society. IFAD will position itself in this positively changing environment and integrate with the United Nations and other development partners in supporting the Government and the people of Swaziland so that they may succeed and overcome the many challenges ahead.

Harmonization and Alignment

20. The Government of Swaziland and development partners have established a close interrelationship and are providing programmed support and contributing towards achieving the many national goals and the Millennium Development Goals. Efforts are being made to support the principles of harmonization and alignment, as agreed in the Paris Declaration, by focusing on systematic support for recipient-owned plans for the attainment of development results, the increased use of national administration systems and more coordinated and predictable actions among multiple aid donors. Through this COSOP, IFAD is positioning itself within this context; activities will be harmonized and aligned with country systems and development partner programmes. IFAD resources are disbursed through the budget, using national procedures and systems that are implemented by national institutions and organizations.

21. While positioned to support the PRSAP, IFAD has been actively involved with other financing partners during the appraisal and subsequent implementation of Lower Usuthu Smallholder Irrigation Project (LUSIP) – Phase I, which caused IFAD to lead a joint appraisal mission involving the African Development Bank, the Development Bank of Southern Africa, the Arab Bank for Economic Development in Africa and the European Commission. These financing partners, together with the Government, the European Investment Bank and the International Cooperation and Development Fund (Taiwan), are financing LUSIP – Phase I.

22. Apart from the LUSIP financing partners, the main donor agencies that operate and have a presence in Swaziland are the European Union, the United States Agency for International Development and United Nations agencies. The United Nations Development Assistance Framework (UNDAF) for 2006-2010 has been prepared with the involvement of all the United Nations agencies with a presence in Swaziland; the value of UNDAF assistance is US\$104.4 million. While IFAD assistance is not directly part of UNDAF financing, close coordination is possible due to the size and

small number of donors in the country. This COSOP is aligned and entirely complementary to UNDAF. HIV/AIDS programmes represent 32% of the value of the expected UNDAF assistance; food security and basic services, largely World Food Programme food aid, account for a further 43%. Included in the governance component (US\$4.3 million) is assistance to help the Government modernize parts of the legal framework. The strategic objectives of this COSOP can complement the European Union programmes and the United States Agency for International Development-assisted Swaziland Enterprise and Entrepreneurship Programme (SWEEP). Under the emerging IFAD country programme, United Nations integration will be actively pursued, as well as partnerships with the other development partners and the private sector, to generate synergies and build on complementarities that contribute to achieving the objectives of the PRSAP.

III. LESSONS LEARNED FROM IFAD'S EXPERIENCE IN SWAZILAND

A. Past Results, Impact and Performance

23. IFAD has financed three projects in Swaziland with loans totalling SDR 22.7 million provided on IFAD's intermediate terms. Two of the projects have closed (the Smallholder Credit and Marketing Project and the Smallholder Agricultural Development Project), while LUSIP-Phase I is ongoing. The loan for LUSIP (SDR 11.9 million) was approved in December 2001 and became effective in January 2004. Construction of the main dam has just started, and the total cost of the project is now estimated at US\$131.6 million, excluding the credit requirements, which could be about US\$25 million. Following the Job Creation Summit in August 2005 and at the request of the Ministry of Finance, IFAD is designing a grant of US\$0.2 million for micro and small enterprises and rural financial services development in Swaziland. The experience gained as a result could inform the design of a possible future programme.

24. During the period of the first COSOP (1999-2006), IFAD's strategy in Swaziland was based on the need to transform Swazi Nation Land (SNL) agriculture through agricultural intensification (irrigation and the use of improved technologies and purchased inputs) and marketing. The strategic objectives were to enable SNL farmers to organize themselves to seize opportunities for higher-value crop production and livestock husbandry so as to take advantage of local, regional and international market opportunities. To this end, the thrust of IFAD's short- to medium-term assistance to Swaziland was directed to: (a) addressing the organizational weaknesses associated with smallholders and, especially, SNL operators by promoting strong civil societies and community-driven development; the marketing process involved strengthening the linkages between the smallholder subsector and the private sector in order to encourage and promote investment in agriculture; and (b) targeting support for public-sector institutions so as to enhance their technical and managerial capacity to plan, organize, implement (in coordination with other groups) and monitor the progress of approved activities.

25. During the period of the first COSOP, IFAD assistance to Swaziland involved the completion of the Smallholder Agricultural Development Project (the loan closed on 30 September 2002), the design of LUSIP-Phase I and, most recently, the preparation of the small grant proposal – a pilot proposal covering rural finance and microenterprise development.

B. Lessons Learned

26. The two closed projects made positive contributions by encouraging the diversification of crops, particularly by promoting drought-resistant crops and vegetable gardens, thereby improving crop yields and increasing farmer participation in small-scale irrigated agriculture, as well as boosting farm incomes and food security. The use of groups was also tried for the development of small-scale irrigation, marketing practices, and credit and savings. All these areas had some impact during the programme, but did not prove to be sustainable, mainly due to the lack of capacity of NGOs and the

public sector. However, a number of shortcomings and constraints have persisted, notably including low capacity in the public sector for implementation, inadequate marketing channels and unreliable rural financial services.

27. Major lessons learned over the last 23 years from IFAD's operations in the country include the need to: (a) avoid complex implementation arrangements, including those for the provision of necessary technical assistance, and enhance civil society-NGO capacity and participation in implementation; (b) enhance the level of beneficiary and community interest-group formation, cohesion and participation in development activities, e.g. through farmer associations; (c) improve access to irrigation water among smallholders and for water management, support crop diversification in irrigated areas and reduce drought vulnerability by increasing and diversifying the incomes of SNL farmers by supporting activities that add value to their on-farm and off-farm production in response to market demand, as well as rainfed crops, e.g. conservation agriculture; (d) support irrigated vegetable production so as to lead to significant improvement in smallholder incomes, standards of living and food self-sufficiency; (e) encourage the banking sector to offer services to SNL farmers, not only for sugar cane, and strengthen the non-bank rural financial system by promoting the development of voluntary savings and credit groups and other financial intermediaries; (f) tackle the HIV/AIDS pandemic through programmes that reduce risky behaviour among vulnerable groups, increase the services available for the people affected (including HIV testing, voluntary counselling and antiretroviral treatment), improve the national capacity to respond to the pandemic and strengthen the safety nets for vulnerable people; and (g) increase the involvement of civil society and the private sector given the high proportion of the population that is HIV positive and the growing difficulty of raising the capacity of public sector institutions because staff are dying prematurely due to AIDS.

IV. IFAD COUNTRY STRATEGIC FRAMEWORK

A. IFAD's Comparative Advantage at the Country Level

28. IFAD's comparative advantage in Swaziland stems from two sources. The first is the knowledge of the key local determinants for successful rural development. This knowledge has been gained from working with the rural population both in the development of the downstream (or on-farm) activities associated with irrigation development and, more generally, in supporting in the provision of support services (e.g. finance, marketing, etc.) to groups of SNL smallholders and others engaged in micro or small enterprises for whom little assistance has been available. The second source is the experience gained from working in similar environments elsewhere in the region to develop improved marketing and financial services for rural areas, to support in the establishment and development of micro, small and medium-sized enterprises and to empower women.

29. Under these circumstances, continuing IFAD support for smallholders in the command areas of irrigation schemes, for other SNL farmers and for existing or new micro or small enterprises is appropriate. Such an approach would help rural poor households increase their incomes and reduce the incidence of poverty. In addition, support for the providers of the financial and marketing services needed by these enterprises (on-farm and non-farm) and to help women participate fully in rural development in their own right would complement these activities.

30. Activities aimed directly at raising the incomes of the poor by improving their productivity support the implementation of the PRSAP and complement the activities of major donor programmes in Swaziland that are addressing the HIV/AIDS pandemic, including through the provision of food aid (e.g. for school meals and to support training). IFAD's comparative advantage in Swaziland is entirely consistent with IFAD's Strategic Framework, which emphasizes increasing access to financial services and markets and strengthening the capacity of the rural poor and their institutions. It is also consistent with the regional strategy, which also includes improving access to and the management of land and water and creating a better knowledge and information system.

B. Strategic Objectives

Strategic Framework

31. Given the extent and causes of rural poverty in Swaziland and IFAD's comparative advantage, three strategic objectives have been agreed upon with the Government. Achieving these objectives would contribute to reducing the very high levels of poverty in rural areas and improving food security and the livelihoods of the rural poor. Supporting the Poverty Reduction Strategy Plan and United Nations Development Assistance Framework, the objectives to be realized are:

- (a) **Land and water:** to work towards helping rural poor households gain access to and productively use land and water by including the provision of related services to such households;
- (b) **Finance, enterprise development and markets:** to create access to financial and marketing services to enable rural poor households to establish new, and develop existing, micro, small and medium enterprises that are sustainable; and
- (c) **Empowerment and legal rights:** to encourage full participation by the rural poor, particularly women and youth, in rural development so they can benefit in their own right, including through access to the means of production.

32. Strategic objective (a) is especially aimed at those people who are vulnerable and marginalized, including woman-headed households, young men, HIV/AIDS-affected households, orphans and farmer organizations. This objective is a part of the ongoing development of irrigation, with a focus on diversification in crops, small stock, small processing and non-farm activities. This strategic objective requires that the draft land policy be approved and implemented, that constitutional rights be implemented and that the water management strategy be finalized and implemented. Given the high level of policies involved, the objective states that these aspects should be "worked towards" as progress is likely to be slow. Support for the rural poor, with a particular focus on women and young people, in the development of income-generating activities, be they for niche markets or mainstream activities, including agro-processing, is to be pursued through strategic objective (b). The full success of this objective requires supportive legislation and will also depend on the approval and implementation of the draft land policy so as to secure ownership and enable the use of SNL as collateral. Objective (c) focuses on the empowerment of women and young men so that they are able to generate their own incomes, especially for food and income security. Both groups have minority status under traditional practices, and this limits their abilities and motivation.

33. The strategic objectives are relevant for reducing rural poverty for the following reasons. First, overlying all the strategic objectives is the minority status of women and young men, which prevents them from fully participating in rural development activities in their own right. Empowering women and young people is therefore a key strategic objective for IFAD and is the foundation for strategic objective (c). Second, in the case of strategic objective (a), smallholders living on SNL are poor because they lack access to sufficient resources, land, irrigation water and financial and market services. Landholdings are small, and, because the cropping pattern is dominated by maize under rainfed conditions, production is low, especially due to recurring drought. Access to irrigation is not available for all, but there may be alternatives (conservation agriculture) and also opportunities for adding value (e.g. marketing, agro-processing) to rainfed crops and livestock. Strategic objective (b) acknowledges that there are opportunities to develop new micro and small-scale on- and off-farm enterprises. Such initiatives require access to services, especially marketing and financial services. Due to the gravity of the pandemic, HIV/AIDS mitigation is integrated as a standard practice. In the Swaziland rural context, drought vulnerability is clearly a very important issue. Within the strategic thrusts, the equitable development of the utilization and management of irrigated land, the piloting of

alternative crops and of the alternative utilization of crops, e.g. biofuel (from sugar cane), and the establishment of small rural enterprises will be supported.

34. The Strategic Framework provides the basis for the development of an IFAD country programme in Swaziland. The country programme would provide the cohesive, interlinked platform for IFAD projects in Swaziland by creating synergy among activities so as to realize the COSOP strategic objectives through impact enhancement, knowledge management, policy dialogue, innovation and partnerships. Currently, the Lower Usuthu Smallholder Irrigation Project (LUSIP) is active and has the goal of reducing poverty and improving standards of living through commercialization and the intensification of agriculture by integrating smallholder farmers into the commercial economy through the provision of irrigation infrastructure and the sustainable improvement of the environment and health (including HIV/AIDS mitigation) in the project area. From IFAD's perspective, the project is mainly focused on support for smallholders to promote equitable access to land and water, commercial crop production and diversification, and health and gender issues so as to achieve strategic objectives (a) and (c) aimed at land and water, empowerment and legal rights.

35. In addition, following a request by the Government, IFAD is designing a small country grant to support pilot activities in order to gain experience in increasing income- and employment-generation through the development and establishment of rural micro and small enterprises and improved access to rural finance. This will provide the basis for a new loan-funded project tentatively scheduled for 2008 in support of strategic objectives (b) and (c) aimed at finance, enterprise development and markets, as well as empowerment and legal rights. These activities would form the operational basis for the country programme to realize the three strategic objectives. As a good example of synergy under the country programme, both LUSIP and the proposed grant will necessitate policy dialogue with the Government, particularly on issues of the status of women and the implementation of general law, land, water, finance and health as it relates to the impact of HIV/AIDS on the target group.

C. Opportunities for Innovation

36. Given the limited resources available to Swaziland under the performance-based allocation system (PBAS), IFAD will focus on innovative approaches and activities by creating linkages and partnerships with other development partners to achieve synergies and forge and use natural complementarities. Through strategic objective (a), IFAD will support appropriate technical innovations, including crop diversification, so as to improve productivity and the delivery of services to the rural poor. The recently drafted national adaptation strategy (with support from the European Union) could provide directional guidance; for example, options were identified in the development of cotton, alfalfa and paprika (and vegetables in general). The search for improved access to rural finance and new income-generating activities through strategic objective (b) will focus on the development of microfinance and access to credit, the development of a savings culture and market information and support the Government in providing an enabling environment for small businesses. The principles of using readily available natural resources as well as traditional skills as a base tend to be productive, as this builds upon existing skills and knowledge; such activities should be pursued when establishing new enterprises. In support of empowerment and legal rights, participatory approaches will be promoted, as well as efforts to create, at the grass-roots level, an awareness of rights and cultural barriers to the enjoyment of rights. The results emerging during the COSOP implementation period – from projects, from other donor partners' activities and from elsewhere in the region (for example, neighbouring KwaZulu-Natal in South Africa) – will serve as a further basis for identifying promising options. Once a potentially suitable innovation is identified, the process would involve: (a) testing the innovation; (b) assessing the results and determining if they are useful; and (c) adopting the innovation and replicating it through IFAD-supported interventions for mainstreaming by the Government, development partners, civil society and the private sector.

37. At an organizational level, an approach that could possibly have wider use is a model for the production of handicraft products that involves women working from home to fulfil specific orders. For the provision of financial services for micro and small enterprises, the small grant that IFAD is currently designing can be expected to provide some lessons and may help identify possible innovations that can subsequently be included in IFAD assistance to Swaziland. In addition, IFAD is in touch with the other providers of services to micro, small and medium-sized enterprises (Ministry of Enterprises and Employment [various initiatives], the United States Agency for International Development-supported SWEEP and the European Union microprojects), as well as the private sector (Gone Rural and Swazi Indigenous Products), to exchange results and replicate or extend any innovative approaches that might be identified during the period of the COSOP. Finally, other sources of innovation might include other IFAD-assisted marketing and rural finance initiatives in the Eastern and Southern Africa Regions.

38. Of particular note is the need to develop enterprises that use traditional skills or locally accessible natural resources. This not only reduces the costs to the participants, but also builds on their existing skill and information base, thereby giving participants a comparative advantage in the establishment of the market. By developing options at the local level, IFAD's target group, especially women, orphans and HIV/AIDS-affected households, are able to participate, while maintaining their other family responsibilities.

D. Targeting Strategy

39. IFAD assistance to Swaziland would target rural poor women, men and, in particular, the 70% of the population living on SNL, of which 76% are poor. As already noted, this group is the poorest segment of the population living in rural areas. Within this group, IFAD would target especially the self-employed, paid seasonal employees and subsistence producers, all of which show poverty levels of over 60%. Two of the three strategic objectives (land and water, and finance, enterprise development and markets) focus on the rural poor, which includes woman-headed households, while the other one (empowerment and legal rights) would target women and youth to address their minority status and enable them to participate and benefit fully in development in their own right.

40. The IFAD target group is characterized by the most vulnerable and marginalized, including women, young men, HIV/AIDS-affected households, orphans, child-headed households and subsistence producers. These people generally have no access to finance, natural resources (land or water), or decision-making processes, and their legal rights are extremely limited due to either the lack of policies or the lack of implementation of the policies. The poor, on the other hand, are smallholders and small processors whose issues are similar, but they have small incomes. The least poor are affected by the lack of access to finance, which hinders their value-adding activities and diversification, be it crops or small stock. They have no organizations or associations.

41. Organizations implementing IFAD-supported activities would target beneficiaries directly. In the case of the provision of irrigated land, LUSIP is identifying target-group households in the project area and facilitating their participation as members of farmer organizations that would have access to irrigated land for the production of sugar cane and other crops. Where IFAD assistance supports service providers (e.g. the Women's Finance Trust and the Swaziland Development Finance Corporation) under the forthcoming proposed small grant and during subsequent project assistance, these organizations would seek their clients following their own methodologies for focusing on the rural poor. The nature of these organizations and the services they provide is such that their clients are from the IFAD target group. Such services are unattractive for more well-off households.

42. The impact of HIV/AIDS on the economic viability of the country cannot be underestimated. Other United Nations agencies (United Nations Development Programme and the World Food Programme) play a major role in this area, and IFAD country activities are closely related to their

work. LUSIP is already involved with the Food for Work Programme of the World Food Programme, while United Nations Development Programme has activities across the entire country. This is seen as critical to support the development of livelihood strategies that will support IFAD's target groups (in particular women and orphans), which have heavy responsibilities in meeting family needs and the associated health costs.

E. Policy Linkages

43. The analysis of the rural sector and the ongoing portfolio completed for the PBAS gave an average of 2.88 per unit from the 12 combined scores, which suggests that, in broad terms, the quality of the country's current policy and institutional framework for rural development is "moderately unsatisfactory" (the third lowest category). The policy dialogue needs under the COSOP will be derived from the PBAS analysis and matched with the strategic objectives of the Poverty Reduction Strategy Action Plan (PRSAP) and those of IFAD. Based on experiences under the country programme, IFAD will contribute to the policy dialogue by striving to assure the inclusion of issues relevant for rural poverty reduction.

44. There are several policies linked to the strategic objectives in which action of a policy nature is needed to support the achievement of the objectives:

- (a) **Land and water.** Approve and implement the draft national land policy and finalize the water management strategy with LUSIP support.
- (b) **Finance, enterprise development and markets.** The Government should: (i) not provide grant funds, e.g. rural development funds, that individuals can use to develop enterprises that are solely for private gain; (ii) introduce (through the Ministry of Finance and the Central Bank) enabling legislation for non-bank financial institutions; (iii) implement the approved national NGO policy; and (iv) implement the national policy of the Kingdom of Swaziland on the development of small and medium-sized enterprises (SMEs). The proposed small grant and subsequent project support would promote this policy agenda.
- (c) **Empowerment and legal rights.** The Government should: (i) implement the constitutional rights of women; and (ii) approve and implement the draft national gender policy, so that women and youth have access to resources in their own right (e.g. land and credit). LUSIP, the proposed small grant and subsequent project support would promote this policy agenda.

45. The above policies have been drafted, and two have been approved: the national NGO policy and the national policy of the Kingdom of Swaziland on the development of SMEs, although implementation has only just started. The NGO policy document formalizes Government-NGO relationships and recognizes the roles each can play. The NGO policy seeks to: (a) provide a definition of an NGO to be used as a criterion for their registration with the Ministry of Home Affairs; (b) establish formal procedures for the registration of NGOs with the Government; (c) establish criteria and procedures whereby NGOs can receive financial assistance from the Government and make arrangements for monitoring NGO activities so financed; and (d) institute a forum through which NGOs and the Government may communicate. The policy assigns the key role to the Ministry of Home Affairs, which is to set up an NGO desk and a national NGO committee. The National Policy of the Kingdom of Swaziland on the Development of Small and Medium Enterprises is a comprehensive document that provides the framework for government assistance for the development of SMEs and provides for some rationalization in government support for SME development under the leadership of the SME unit in the Ministry of Enterprise and Employment, but which is currently spread between 16 of the 17 ministries.

46. The SME policy document notes that providing funds to small businesses through direct government intervention is problematic. Experience elsewhere shows that the Government should not provide development funds as grants that can be used to finance enterprises for private gain as this distorts the market for credit and is open to rent-seeking; nor should the Government be actively pursuing private enterprise activities. The policy document recognizes the need for the development of the microfinance institution sector, including new financial products, and improved regulation of the microfinance institution sector by the Central Bank. Both are necessary to meet the future needs of micro, small and medium entrepreneurs. The Ministry of Finance recognizes the need to introduce appropriate enabling legislation for non-bank financial institutions so these institutions can develop and act as effective financial intermediaries for SMEs. At present, SMEs find it difficult to access finance from commercial banks, while other sources of funds are government parastatals, NGOs, or similar membership organizations (e.g. savings and credit groups initiated by groups like the Women's Finance Trust and the United Nations Children's Fund). While the latter can only mobilize savings from their membership, government parastatals do not mobilize savings and are unable to operate as financial intermediaries.

47. Despite widespread support, the draft national land policy prepared in 1999 has not yet been approved. The draft land policy would include provision for: (a) gender equity in land allocation and the protection of property rights; (b) the use of Swazi Nation Land as collateral for loans, thereby helping to overcome one of the constraints faced by smallholders, i.e. their inability to access credit to finance agricultural intensification and diversification; and (c) the introduction of an efficient, effective and comprehensive system of land administration, including livestock issues.

48. The draft gender policy focuses on conserving the positive and mitigating the negative aspects of Swazi tradition and culture in order to promote equal opportunities and rights for both men and women in all aspects of development. The low status of women in Swaziland is entrenched both through cultural practices and common law. Certain laws (customary and common laws), especially those pertaining to marriage, the community of property, inheritance and succession, need to be harmonized so that women and girls may exercise their constitutional rights accordingly. Women need to be able to have access to land and credit in their own right and should not be dependent on male relatives to access these resources.

49. IFAD will seek to support these policy changes through the implementation of the country programme and the activities of the projects being supported during the COSOP period (LUSIP, the small country grant under design and subsequent projects). IFAD support for the establishment of the NGO forum, the upgrading of the gender coordinating unit in the Ministry of Home Affairs to a directorate and the proposed gender commission could form part of this approach. IFAD programmes would also collaborate with other development partners working in the SME sector (e.g. the European Union and the United States Agency for International Development-supported Swaziland Enterprise and Entrepreneurship Programme [SWEPP]), as well as the private sector.

50. The results of IFAD-supported projects and programmes, as shown by results and impact management system indicators and a systematic documentation and dissemination of the lessons learned would be used to assist the Government to update the PRSAP and rural poverty strategy.

V. PROGRAMME MANAGEMENT

A. COSOP Management

51. The arrangements for monitoring the COSOP would include: (a) the process of annual reporting by the country programme manager on COSOP implementation using aggregated reports based on the results and impact management system and an adapted country programme issues sheet; (b) a COSOP mid-term review scheduled for the end of 2009; and (c) a COSOP evaluation, which would take the form of a self-evaluation at the end of 2011. IFAD will undertake annual country programme implementation review workshops as part of the supervision and implementation support processes. The workshops would focus on the progress made in bringing about the policy and institutional changes included in the COSOP results framework.

B. Country Programme Management

52. The country programme aims to link all IFAD-funded activities in Swaziland and increase and improve on the impact by creating synergies through planned complementarity, enhancing the impact on the strategic thrusts and contributing to the Government's PRSAP. To achieve this at the country level, a country programme management team will be formed, consisting of relevant project staff, government officials, grant recipients, service providers, smallholder representatives and other stakeholders/partners to regularly meet, discuss progress and results and agree on next steps. This team would operationalize at the country level the implementation of the COSOP priorities, realizing IFAD programme impact, knowledge management, policy dialogue, innovation and partnerships, supported by the IFAD country programme manager.

53. A crucial element during implementation is supervision, especially for implementation support. Following a 2006 Governing Council decision, IFAD's supervision options have been broadened. Under the new operating model, supervision policy and guidelines are being revised. Based on work in progress, the supervision modality for Swaziland would be flexible. Continuing with the current cooperating institution (the United Nations Office for Project Services), especially for fiduciary control and support, IFAD would take a larger responsibility for regular implementation support under the country programme, including the engagement of national institutions to provide focused and specific support to the country teams.

C. Partnerships

54. A number of partnerships are intended to assist in the achievement of each strategic objective, including enhancing innovation, policy dialogue, knowledge management and impact. The "Partnerships" column in the Strategic Framework lists the agencies, government, NGOs, donors and private sector actors that have been identified for each strategic objective. Three types of partnerships are envisaged. The first type involves agencies that would implement IFAD-financed projects or programmes, and the second involves those undertaking complementary activities. The third type involves those ministries with a policy and/or legislative role in providing the enabling environment necessary to realize the strategic objectives. Further details on these partnerships are given below. For complementary activities, the table separately shows partnerships that are in the country and those that are regional.

Table 1: Partnerships

Strategic Objective	Enabling Policy Environment	Project or Programme Implementation	Complementary Activities or Programmes
A. Land and Water	Ministry of Agriculture and Cooperatives Ministry of Natural Resources Ministry of Health and Welfare	SWADE (with financing from AfDB, EIB, EU, BADEA, ICDF, IFAD and DBSA), NGOs, Swaziland Environment Authority	WFP EU (diversification, innovation) Swaziland Environment Authority IFAD projects in the region
B. Finance, Enterprise Development and Markets	Ministry of Enterprise and Employment Ministry of Finance Ministry of Home Affairs, NGO Desk	SEDCO, FINCORP and other private banks NGOs, e.g. IMBITA Private sector production and marketing organizations Providers of business development services	CANGO, EU microprojects, USAID SWEEP, UNICEF, Gone Rural, Swazi Indigenous Products, IFAD marketing and rural finance projects in the region, Rural Finance Network, Eastern and Southern Africa
C. Empowerment and Legal Rights	Ministry of Justice and Constitutional Affairs Ministry of Home Affairs, Gender Unit Ministry of Regional Development and Youth, Women in Development Department	Women in Law in Southern Africa and other NGOs	CANGO UNDP

SWADE = Swaziland Water and Agricultural Development Enterprise. SEDCO = Small Enterprise Development Company. FINCORP = Swaziland Development Finance Corporation. CANGO = Coordinating Assembly of NGOs.

55. During the COSOP, partnerships with the Ministry of Natural Resources, the Ministry of Agriculture and Cooperatives, the Ministry of Enterprise and Employment and the Ministry of Home Affairs will be crucial for realizing the strategic objectives. For project or programme implementation, the Swaziland Water and Agricultural Development Enterprise (SWADE), the private sector, microfinance institutions and NGOs will be the key players. There are also opportunities for collaboration with the United States Agency for International Development-supported SWEEP and the European Union microprojects in relation to SME development, as well as with IFAD-supported activities in the region in marketing, rural finance and irrigation development. Responding to the ongoing United Nations integration process, IFAD will develop links with in-country United Nations agencies so as to become a part of the United Nations country team and contribute to achieving United Nations Development Assistance Framework objectives.

D. Knowledge Management and Communication

56. Under the country programme, knowledge management would involve the following activities. First, the monitoring and evaluation system of the ongoing IFAD-assisted project, LUSIP, will provide regular information on the progress towards, in particular, the provision of irrigated land and associated services to those people living on Swazi Nation Land. Second, the regular supervision of LUSIP by the United Nations Office for Project Services, the associated IFAD implementation support, the mid-term review and the project completion review would generate additional lessons learned in respect of achieving the strategic objective for land and water. The information generated would be disseminated to project participants, the Government, NGOs and the donor community by presenting the mid-term and project completion review findings at workshops during or at completion. The country programme will develop a communication-for-development approach, making the results available through the review reports, the Internet, or via printed media, whether produced by IFAD or others (e.g. www.ruralpovertyportal.org, regional newsletters, regional focal points and the web site of the Swaziland Government).

57. Similarly, the implementation of the proposed small country grant for micro and small enterprises and rural financial services development should provide useful experiences and lessons learned that may subsequently be fed into the design of the future programme of IFAD assistance. Knowledge management in respect of the new project would follow the same approach as was taken

in LUSIP; information would be generated using the same processes so as to measure progress towards achieving the strategic objectives.

58. The third activity in support of knowledge management would be undertaken during one of the implementation support missions. IFAD would hold an annual country programme review workshop that would review the performance of the IFAD country programme and the progress towards achieving the strategic objectives and disseminating experiences and lessons learned. This workshop would also provide an opportunity to discuss policy issues with the Government and with representatives of the United Nations and development partner community, civil society and the private sector in Swaziland.

E. PBAS Financing Framework

59. The performance-based allocation system (PBAS), as defined by IFAD, including the recently approved change to the use of a population factor of 45%, does not materially alter the relative position of Swaziland as a minimum allocation country due to its small population of 1.1 million. Therefore, country performance has no influence on the PBAS annual allocation, and no scenarios can be developed. The PBAS analysis is used as a tool for the policy dialogue requirement (as reflected under chapter IV, Policy Dialogue). Overall, the scoring for Swaziland in PBAS areas is poor, with most receiving a below-average score. Dialogue between the Government and rural organizations received the lowest rating (1.5), which has then had a follow-on effect in the other areas. For example, investment in rural business and access to agricultural research and extension all scored 2.2, while access to land and water for agriculture received 2.4. There would appear to be little focus by the Government on rural development in general. In addition, this is reflected through policies that have been drafted, but not approved (e.g. the land policy), or approved, but not implemented (e.g. constitutional rights). The Government could significantly increase the ratings by addressing these issues. This COSOP is designed to assist the Government in doing so within the strategic areas defined. Policy dialogue will therefore focus on strategic objectives (a) land and water, (b) finance, enterprise development and markets, and (c) empowerment and legal rights, in support of the Government reaching its PRSAP objectives.

F. Risks and Risk Management

60. The strategic objectives cover key areas in which action is required if IFAD assistance is to contribute to reducing the very high levels of poverty in rural areas, in particular, among those people living on SNL. In the light of the rather unsatisfactory performance of IFAD-assisted interventions in the past, there are clearly significant risks. The following table summarizes the risks and measures for the mitigation and management of the risks.

Table 2: Risks and Risk Mitigation and Management

Strategic Objective	Risks	Mitigating and Management Actions
Land and Water	Achieving policy and institutional changes related to parallel legal systems Drought Policy and institutional issues relating to land and resettlement Economic	Intensive project supervision is necessary to encourage policy dialogue and the implementation of decisions LUSIP is providing access to irrigated land LUSIP is working with traditional authorities to ensure that beneficiaries participate and benefit fully Advocate the approval and implementation of the draft land policy IFAD is assessing the opportunities for crop diversification
Finance, Enterprise Development and Markets	Government continues to allow regional development funds to provide grants to finance activities that are for private gain Insufficient capacity to implement these policies Failure to introduce appropriate enabling legislation for non-bank financial institutions Contractual arrangements for marketing	Encourage the Government to develop sustainable rural financial services and develop appropriate legislation Develop strong partnerships with other partners, civil society and the private sector Monitor the implementation of policies during project implementation Contractual arrangements with private sector organization(s) can be terminated and alternative organizations found
Empowerment and Legal Rights	Full participation in rural development Constitutional rights not implemented Gender policy not approved	Encourage the government to continue its information campaign noted in PRSAP With partners, encourage the implementation of constitutional rights and the approval and subsequent implementation of the gender policy

APPENDIX I

COSOP CONSULTATION PROCESS

1. The initial Country Strategy and Opportunities mission visited Swaziland from 2 to 13 April 2006 to start the process of preparing the Country Strategy and Opportunities Programme with the Government. The Mission had wide ranging discussions with the Principal Secretaries and senior staff of the relevant Ministries, the Chief Executive Officers and staff of parastatal companies, representatives of the NGO sector, donor agencies with a representation in Mbabane, private sector organizations and project staff. The Mission also held discussions with the Minister of Enterprise and Employment. The mission also met with farmers during visits to the Lower Usuthu Smallholder Irrigation Project – Phase I and the Komati Project.

2. All these discussions focussed on the options and opportunities for IFAD assistance to Swaziland during the next 5-6 years in response to the needs of the Poverty Reduction Strategy and Action Plan (PRSAP) in line with IFAD's Strategic Framework, Regional Strategy Paper and mandate.

3. The organizations involved were the following:

- Ministries: Finance; Economic Planning and Development; Agriculture and Co-operatives; Enterprise and Employment; Natural Resources and Energy; Home Affairs and Regional Development and Youth;
- Parastatals: the Small Enterprise Development Company, the Swaziland Development Finance Corporation and the Swaziland Water and Agricultural Development Enterprise Ltd;
- NGO sector: the Co-ordinating Assembly of NGOs, the Women's Finance Trust and the NGO Women in Law in Southern Africa;
- Multilateral donors: the European Union, UNDP, UNICEF and WFP;
- Project staff from: the EU Supported Micro-projects and the USAID Swaziland Enterprise and Entrepreneurship Programme; and
- Private sector: the Swaziland Employers Federation and Chamber of Commerce and the handicraft production and marketing company Gone Rural.

4. Following these discussions there was a wrap-up meeting under the chairmanship of the Ministry of Finance, which discussed a first draft of the COSOP Results Framework. Those represented at that meeting were: the Ministries of Finance; Enterprise and Employment; Natural Resources and Energy; the Co-ordinating Assembly of NGOs; the Swaziland Water and Agricultural Development Enterprise; and the USAID Swaziland Enterprise and Entrepreneurship Program.

5. This meeting revised the draft COSOP Results Framework which then formed the basis of the draft COSOP which will be distributed to all concerned agencies on prior to the Stakeholder Workshop.

Stakeholder Workshop

6. The draft COSOP has been discussed during a Stakeholder Workshop¹ in Mbabane on 21 June 2006. The Acting Principal Secretary for the Ministry of Finance opened the workshop stressing the importance of poverty reduction in the rural areas as a priority for the Government. A total of 37 participants from various Ministries, NGOs, the private sector and donor partners were represented.

¹ The COSOP workshop mission was undertaken by Louise McDonald, IFAD programme assistant, and Tony Peacock, irrigation engineer and rural development specialist.

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The workshop gave clear support for the three strategic objectives. Issues of access to land, water, finance, markets and information were of primary concern however it was noted that if existing policies and strategies were approved and implemented many of these issues would be resolved. Legal rights therefore were viewed as a priority if IFAD target groups are to be empowered. To achieve this requires that people be informed and educated on their rights if they are to actively participate in society and their future. The workshop highlighted the willingness of the various sectors to work together to achieve poverty reduction.

APPENDIX II

COUNTRY ECONOMIC BACKGROUND

SWAZILAND

Land area (km² thousand) 2003 1/	17	GNI per capita (US\$) 2003 1/	1 350
Total population (million) 2003 1/	1.11	GDP per capita growth (annual %) 2003 1/	0.6
Population density (people per km²) 2003 1/	64	Inflation, consumer prices (annual %) 2003 1/	7
Local currency	Lilangeni (SZL)	Exchange rate: US\$ 1 =	SZL 6.14
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	2.4	GDP (US\$ million) 2003 1/	1 845
Crude birth rate (per thousand people) 2003 1/	35	Average annual rate of growth of GDP 2/ 1983-1993	7.5
Crude death rate (per thousand people) 2003 1/	19	1993-2003	3.1
Infant mortality rate (per thousand live births) 2003 1/	105	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	43	% agriculture	12
Number of rural poor (million) (approximate) 1/	n/a	% industry	52
Poor as % of total rural population 1/	n/a	% manufacturing	40
Total labour force (million) 2003 1/	0.41	% services	36
Female labour force as % of total 2003 1/	36	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	25
School enrolment, primary (% gross) 2003 1/	98 a/	Household final consumption expenditure, etc. (as % of GDP)	66
Adult illiteracy rate (% age 15 and above) 2003 1/	19 a/	Gross domestic savings (as % of GDP)	9
Nutrition		Balance of Payments (US\$ million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	905
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	30 a/	Merchandise imports 2003 1/	1 030
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	10 a/	Balance of merchandise trade	-125
Health		Current account balances (US\$ million)	
Health expenditure, total (as % of GDP) 2003 1/	6 a/	before official transfers 2003 1/	-265 a/
Physicians (per thousand people) 1/	0.2 a/	after official transfers 2003 1/	-46 a/
Population using improved water sources (%) 2002 2/	52	Foreign direct investment, net 2003 1/	44
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	52	Cash surplus/deficit (as % of GDP) 2003 1/	-1 a/
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	20 a/	Total external debt (US\$ million) 2003 1/	340
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	393 a/	Present value of debt (as % of GNI) 2003 1/	26
Food production index (1999-01=100) 2003 1/	102	Total debt service (% of exports of goods and services) 2003 1/	2
Cereal yield (kg per ha) 2003 1/	1 160	Lending interest rate (%) 2003 1/	15
Land Use		Deposit interest rate (%) 2003 1/	8
Arable land as % of land area 2003 1/	10 a/		
Forest area as % of total land area 2003 1/	30 a/		
Irrigated land as % of cropland 2003 1/	37 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

COUNTRY STRATEGY AND OPPORTUNITIES RESULTS MANAGEMENT FRAMEWORK

Table 1: Alignment with the Poverty Reduction Strategy and Action Plan

Country Alignment		Country Strategy and Opportunities Results			
Alignment with the Six Pillars of the Poverty Reduction Strategy and Action Plan (PRSAP)	Government's Key Strategies ^a for Each Pillar of the PRSAP	Strategic Objectives	Outcome Indicators ^b and Milestones for the Strategic Objectives (from Projects and/or Programmes)	Specific Policy/ Institutional Reform Ambitions Related to the Strategic Objectives	Partnerships
3. Empower the poor to generate income and reduce inequalities.	Land tenure Irrigation – SNL Production (rural) Pricing reforms Diversification SMEs, cottage industries, industrial development Self employment Expand extension services Rural infrastructure Natural resource management	A. Land and Water: Poor smallholders, including women headed households and young men gain access to land, water and related services.	No. of farmers started crop diversification in areas where IFAD is active No. of households (male and female headed) provided with irrigated land. Area of irrigated land provided. No. and type of related services provided. Access to land and water has increased in areas where IFAD is active	Government implements the LUSIP design, including all downstream activities, following the agreed participatory approaches. Support Government to approve and commence implementation of the Draft National Land Policy. Contribute to the preparation of the National Water Master Plan. Encourage the establishment of a Department of Water Affairs in the Ministry of Natural Resources.	SWADE (AfDB, EIB, EU, BADEA, ICDF and DBSA) Ministry of Agriculture and Co-operatives Ministry of Natural Resources Ministry of Health and Welfare Swazi Environmental Authority EU WFP IFAD water projects in the region

^a Noting that many of the strategies (Participatory planning, SMEs, Diversification, Market liberalisation, financial reforms, etc., particularly focus on IFAD's target group, especially women and young men for legal rights, orphans/HIV/AIDS affected households, vulnerable and marginalized groups, smallholders, small processors, and so forth.

^b Outcome indicators relate to both the on-going and future portfolio.

Country Alignment		Country Strategy and Opportunities Results			
Alignment with the Six Pillars of the Poverty Reduction Strategy and Action Plan (PRSAP)	Government's Key Strategies ^a for Each Pillar of the PRSAP	Strategic Objectives	Outcome Indicators ^b and Milestones for the Strategic Objectives (from Projects and/or Programmes)	Specific Policy/ Institutional Reform Ambitions Related to the Strategic Objectives	Partnerships
		<p>B. Finance, Enterprise Development and Markets: Financial and marketing services are strengthened and able to support rural poor men and women establish new, and develop further, existing micro, small and medium-scale enterprises that are sustainable.</p>	<p>No. of financial service providers who are operationally and financially sustainable.</p> <p>Range of relevant financial services available for micro and small-scale enterprises.</p> <p>Access to credit has become easier in areas where IFAD is active</p> <p>No. of enterprises accessing marketing services.</p> <p>No. of new products marketed.</p> <p>No. and % of enterprises established and/or expanded operating after 5 years.</p> <p>No. of enterprises graduating from micro to small scale.</p> <p>New entrepreneurial activities have started in the rural areas in areas where IFAD is active</p> <p>Household incomes of the rural poor have increased in areas where IFAD is active</p>	<p>Promote the introduction of enabling legislation for non-bank financial institutions researched/ introduced.</p> <p>Provide support to implement the approved National NGO Policy.</p> <p>Provide support to implement the approved National Policy of the Kingdom of Swaziland on the Development of Small and Medium Enterprises.</p> <p>Advocate that Government grant funds are not available to finance the development of enterprises that are solely for private gain.</p> <p>Encourage the private sector starts to provide the technical and management support required by the rural enterprises.</p>	<p>Ministry of Enterprise and Employment Ministry of Home Affairs Ministry of Finance</p> <p>SEDCO FINCORP NGOs e.g. IMBITA Providers of business development services Private sector production and marketing organizations, e.g. Gone Rural</p> <p>CANGO EU – Micro-projects USAID supported SWEEP UNICEF</p> <p>IFAD marketing projects in the region IFAD rural finance projects in the region Rural Finance Network Eastern and Southern Africa</p>

Country Alignment		Country Strategy and Opportunities Results			
Alignment with the Six Pillars of the Poverty Reduction Strategy and Action Plan (PRSAP)	Government's Key Strategies ^a for Each Pillar of the PRSAP	Strategic Objectives	Outcome Indicators ^b and Milestones for the Strategic Objectives (from Projects and/or Programmes)	Specific Policy/ Institutional Reform Ambitions Related to the Strategic Objectives	Partnerships
6. Improve governance and strengthen institutions.	Constitutional governance Decentralisation Accountability Transparency Participation in planning and implementation Upholding laws Human rights	C. Empowerment and Legal Rights : Women and young people are empowered and able to participate fully in rural development and to benefit in their own right.	No. of women and young people allocated land. No. of women and young people establishing and managing enterprises. No. of women and young people reporting an increased participation in household and community decision making. Processes for approval and or implementation of policies and strategies have started-completed	Provide support to the implementation of the constitutional rights for women and young men. Support that women and young men have access to resources in their own right e.g. land, credit. Advocate for approval and commence implementation of the Draft National Gender Policy.	Ministry of Justice and Constitutional Affairs Ministry of Home Affairs, Gender Unit Ministry of Regional Development and Youth – Women in Development Dept. CANGO Women in Law in Southern Africa and other NGOs UNDP

Table 2: Alignment with UNDAF Framework and IFAD Strategies

UNDAF Priorities	COSOP Strategic Objectives (from Table 1)	Alignment with IFAD Strategic Framework Objectives	IFAD Strategy for Poverty Reduction in Eastern and Southern Africa – Strategic Thrusts
		Enabling the Rural Poor to Overcome their Poverty	
Reduction of Poverty Food Security Basic Social Services HIV/AIDS	A. Poor smallholders, including women headed households gain access to irrigated land and services.	Improving Equitable Access to Productive Natural Resources and Technology	Improving Access to and Management of Land and Water
Reduction of Poverty Food Security	B. Financial and marketing services are strengthened and able to support rural poor men and women establish new, and develop further, existing micro, small and medium-scale enterprises that are sustainable.	Increasing Access to Financial Services and Markets Improving equitable Access to Productive Natural Resources and Technology	Promoting Efficient and Equitable Market Linkages Developing Rural Financial systems Creating a Better Knowledge Information and Technology System
Reduction of Poverty Food Security Governance	C. Women are empowered and able to participate fully in rural development and to benefit in their own right.	Strengthening the Capacity of the Rural Poor and their Organizations	

APPENDIX IV

POVERTY ANALYSIS

I. INTRODUCTION

1. The state and dynamics of poverty in Swaziland are derived from the two most recent household income and expenditure surveys conducted in 1995 and 2001¹, a Participatory Poverty Assessment carried out in 1997 and consultations with communities at all *Tinkhundla* undertaken in 2001. These sources provide the only relatively recent data relating to poverty in Swaziland and were used to underpin the preparation of the draft Poverty Reduction Strategy (PRSAP), which was released in 2005 and for which the final consultations were ongoing in April 2006.

2. The overall policies and strategies in the PRSAP were derived from a careful study of: who are the poor in Swaziland, their social and economic characteristics, spatial distribution, how they are coping, why they are trapped in poverty, what opportunities they have and the constraints they face in their struggle to recover from the poverty trap.

3. The overall policies and strategies in the PRSAP were derived from a careful study of: who are the poor in Swaziland, their social and economic characteristics, spatial distribution, how they are coping, why they are trapped in poverty, what opportunities they have and the constraints they face in their struggle to recover from the poverty trap.

II. DEFINITION OF POVERTY

4. Distinguishing the poor from the non-poor is based on two poverty lines established from the Swaziland Household Income and Expenditure Survey (SHIES) of 1995 and updated in 2001. The lower poverty line measures the income sufficient to buy food yielding 2 100 calories per capita per day. The upper poverty line measures the income required to buy food requirements plus an allowance for essential non-food expenditures such as basic clothing, heating and lighting.

5. The poor in Swaziland are those people without adequate income to buy the minimum amount of food necessary to sustain a normal and active life (set at 2 100 calories per person per day), and to acquire basic non-food requirements for a decent living, while the extreme poor are those living below the food poverty line. These definitions are referred to as the income poverty. Along with inadequate income, the poor also suffer from poor living conditions, social deprivations and isolation (referred to as human poverty). The Participatory Poverty Assessment of 1997 identified these deprivations to include poor conditions of housing and clothing, as well as lack of access to basic education, which leads to illiteracy. Other characteristics of human poverty are vulnerability to: ill health and lack of access to health care, economic dislocation, displacement, disasters, exposure to ill treatment by agencies of the state and society, and powerlessness to influence key decisions affecting their lives. Income and human poverty are related. Income poverty leads to human poverty, which in turn locks the poor in a continuing cycle of poverty.

III. INCIDENCE OF POVERTY

A. National Level

6. In 1995 the incidence of poverty using the lower poverty line was 48%. Using the upper poverty line, gave a poverty incidence of 66%. As there were differences in the methodology used in 2001 the results of the two surveys are not strictly comparable, although the overall approach was the same. The SHIES of 2001 revealed that the incidence of poverty was 69% using the upper poverty

¹ Data seems to refer to 2001 but the report is entitled Swaziland Household Income and Expenditure Survey 2000-2001.

line and 37% using the lower poverty line. An increase in the proportion living below the poverty line is quite possible as the GDP per capita increased by 0.2% per annum between 1990 and 2003. Given the above figures, it is highly unlikely that the Millennium Development Goal target to halve poverty by 2015 will be achieved; hence the PRSAP proposals for sound economic management leading to a broad based accelerated growth during the remaining period of the National Development Strategy, which ends in 2022. In addition, government has to commit itself to the re-distribution of income and improved service delivery for vulnerable groups.

B. Sources of Income for the Poor

7. According to the SHIES of 1995 paid and self-employment, rather than farm income, is the main source of income for the rural poor². In 1995 the rural poor generated 75% of their income from wages and self-employment in business compared to farm income, which provided 12%. Other sources of income were remittances (2%) and other income (9%). These findings show that the labour market has been the main source of income for the poor and that they need the right skills to find the jobs. Prospects for employment in the country and in neighbouring countries, especially South Africa are, however, have declined. In 1990, there were 16 500 Swazi migrant workers employed in the South African mines compared to about 13 000 in 1997. Also, the slowdown in foreign direct investment domestically, has led to stagnation in employment in the urban sector. Nonetheless, even among the employed, a substantial number are seasonally employed and living below the poverty line. Table 1 shows the extent of poverty by employment status. Overall 47% of those employed live below the poverty line. Unsurprisingly those with paid non-seasonal employment experience the least poverty, 38%.

Table 1: Poverty Status among Employed Heads of Households – 2001

Employment Status	% of Households with Employed Heads	Poverty Rate (%)
Paid seasonal	5	62
Subsistence	8	77
Self-employed	23	60
Paid non-seasonal	62	38
Total		47

C. Spatial Distribution of Poverty

8. There are some disparities in poverty prevalence among the four regions of the country, between rural and urban areas, and between the different ecological zones. Regionally, the prevalence of poverty in 2001 was greatest in Shiselweni with 76% followed by Lubombo with 73%, very closely followed by Manzini with 70% and Hhohho 61%. Ecologically, Lubombo plateau had the highest poverty level of 81% compared to Middle and Lowveld each with 71% and the Highveld with 64%. According to SHIES 2001 the prevalence of poverty in rural areas was 76% compared to 50% in urban areas and for extreme poverty the corresponding figures were 43% and 20% respectively.

9. According to the 1997 Census social dimensions of poverty also vary from region to region and between rural and urban areas. Lubombo had the lowest literacy rate of 73.1% compared to Manzini, which had 87.2%, Hhohho 82.2%, and Shiselweni 79.8%. Adult literacy was 90% in urban areas compared to 78.3% in rural areas.

² Unfortunately the 2000/01 SHIES does not include comparable data.

D. Poverty and Inequality

10. Income distribution in Swaziland is highly skewed with little change between 1995 and 2001. In 2001 the richest 20% consumed 56% of national income while the poorest 20% consumed only 4.3%. The Gini coefficient was 0.507 in 1995 and remained unchanged in 2001 at 0.51. An average person in the richest quintile commands more than 13 times the consumption expenditure of the average person in the poorest 20% of the population. Income inequality is highest in Hhohho and lowest in Shiselweni, the poorest region, implying that incomes there are very low but not so highly differentiated. The poverty gap and severity are much higher on Swazi Nation Land (SNL) compared with Title Deed Land and in towns. In parallel to the inequality in the distribution of incomes, key assets such as land and cattle were found to be unequally distributed, even among smallholder farmers on SNL. Skewed income distribution severely counters economic expansion and increases poverty. The policy implication of these differences is that any economic growth in the country needs to be shared more equally if the goal of overcoming poverty is to be realised. The 2005 UNDP Human Development Report gave a value of 0.60 for the Gini Coefficient, one of the highest in the world, although the source of the data is unclear.

11. Differences in income distribution are partly structural and a result of policies that bypass the poor. Ecological factors (such as drought) and differences in natural resource endowments are structural and difficult to reverse in the short-term. Income generation disparities arising from past policies need to be corrected by providing increased support and opportunities for the poor. Such interventions should include access to land, improvements in marketing arrangements and infrastructure, credit schemes, and a regional development/ equalisation fund.

E. Social Characteristics of Poverty

12. Poverty is strongly related to social characteristics of the population including education and health standards, access to safe water and sanitation, and family size. The analysis below explains these relationships.

Employment and Poverty

13. Employment generates income and hence reduces poverty. The incidence of poverty is therefore, not surprisingly, strongly correlated with the status and nature of employment. As Table 1 shows poverty prevalence is highest, 77%, among households whose heads depend on the subsistence economy, largely agriculture and lowest, 36%, among paid non-seasonal employees. Furthermore, the poor in rural areas derive 75% of their income from employment and 12% from farming (SHIES, 1995). Empowering the poor to find employment and creating employment opportunities are critical for reducing poverty. Increased commercial agricultural production and providing the poor with the right skills to enter the labour market as well as start their own productive enterprises are all important.

Gender and Poverty

14. Poverty and gender are strongly correlated; in 2001 63% of female-headed households are poor and lack productive assets compared to 52% of their male counterparts³. For this reason, the PRSAP has mainstreamed gender issues.

³ It is difficult to reconcile this figure with an overall incidence of poverty of 69%.

Education and Poverty

15. The last two SHIES have confirmed that there is a strong relationship between education and poverty. The prevalence of poverty was 71% among the illiterate people compared to 30% among households headed by persons with primary school education. The level of education of the head of a household determines the economic opportunities for the household and the level of poverty. The policy implication of this relationship is the need to concentrate on providing basic education.

Number of Children and Poverty

16. Poverty is more prevalent among households with larger families. Poor people traditionally have large families and the dependency ratio is usually higher for the core-poor than for a non-poor family. Households with four or more children had a poverty prevalence of 81% in 2001 compared to 51% for families with one child. Looking after many children burdens parents with school fees, health care and feeding, and the poor end up providing less of these basic necessities. Support for family planning and management of the fertility rate are important for reducing poverty.

Vulnerability and Poverty

17. Orphans, the elderly and retired, destitute and street children, widowed women and the disabled are the most vulnerable groups in Swaziland. SHIES 1995 recorded a poverty prevalence of 76% for households headed by a person who was retired, while the corresponding figure for SHIES 2001 was 65%. The incidence of poverty in 1995 among the retired and elderly was 83% and the elderly (men and women) were the poorest group. For these groups, social protection schemes rather support for income generation are crucial in order to safeguard their welfare.

Water Supply, Sanitation and Poverty

18. In 2001, poverty among households with safe sources of drinking water was lower than for those using other sources. Poverty prevalence was 68-73% among households using water from rivers, canals, and wells compared to those using indoor piped water (24%). As with water supply, poverty was higher among households using unsafe sanitation. Households using the bush (characteristic of rural areas) exhibited a much higher incidence of poverty, 78% in 2001, compared with 23% for those using flush toilets. These findings explain the rationale behind the high priority accorded by Government to providing safe drinking water and sanitation facilities.

Marital Status and Poverty

19. Widows, regardless of their age, are poorer than their married counterparts. This is especially true where the husbands were the breadwinners. SHIES 1995 found that the incidence of poverty was 73% among widows compared to 70% for married women and 51% for unmarried women.

Life Expectancy

20. Swaziland's achievements in terms of life expectancy are mixed. Life expectancy rose from 46 years in 1976 to 56 years in 1986 and to 60 years in 1997, but has plummeted to 32 years under the impact of HIV/AIDS and is forecast to be 27 years in 2010. HIV/AIDS prevalence rose from 3.9% in 1992 to 56% in 2005 according to the Government survey of ante-natal women, the highest in the world. The impact of HIV/AIDS has more reversed all the gain in life expectancy over the previous 25 years and is having a serious negative impact on the economy. The Literacy rate rose from 70.1% in 1986 to 79% in 2002.

IV. CAUSES OF POVERTY IN SWAZILAND

21. Many structural factors are responsible for the high prevalence of poverty in the country. Among those raised by the poor during the Participatory Poverty Assessment of 1997 and the *Tinkhundla* consultations were the chronic drought accompanied by crop failure, death of domestic animals, and lack of drinking water; lack of adequate agricultural land; isolation from mainstream markets and information sources; limited options for diversification of opportunities for income generation; and lack of competitive skills acquired through education. For women, tradition accords them a minority status that denies them access to assets and productive resources. These factors trap the poor in poverty and militate against recovery. In addition, a limited resource base and external competition in a global environment limits the scope for increased income.

V. POVERTY REDUCTION GOAL

22. The twin goals of the PRSAP are: (i) reduction of the incidence of poverty from 69% in 2001 to 30% by 2015 and to eliminate it altogether by 2022 thus fulfilling the Vision and aspirations of the people of Swaziland; and (ii) raising the quality of life of all people in Swaziland to levels aspired in the National Development Strategy and encouraging them to participate in the growth of their country.

RURAL POVERTY AND AGRICULTURAL/RURAL SECTOR ISSUES

Priority Areas	Major Issues	Actions Needed
Rural Poverty	<ul style="list-style-type: none"> • High levels of rural poverty with 76% living below the poverty line and 43% below the food poverty line i.e. extremely poor • Agricultural growth has been too low, 1.4% p.a. between 1994-2004, to reduce poverty • HDI falling and now lower at 0.498 than in 1975 • High levels of HIV/AIDS infection, (56% of pregnant women tested positive in 2005), with reduced labour availability but an increasing number of dependents 	<ul style="list-style-type: none"> • Adopt the policies for pro-poor economic growth in the PRSAP and create wage employment and non-land based self-employment enterprises • Improve rural infrastructure and government service provision • Tackle the HIV/AIDS pandemic through programmes to reduce risky behaviour by vulnerable groups, increase the services available for people affected, improve the national capacity to respond to the pandemic and strengthen the safety nets for vulnerable people
Crop and livestock production	<ul style="list-style-type: none"> • Recurrent droughts have adversely affected smallholders in rainfed areas where maize accounts for 86% of the cropped area • Lack of incentive to invest as no security of tenure for crop production and unable to access formal credit as SNL cannot be used as collateral • Grazing land over stocked as a communal resource • Farmers lack technical knowledge 	<ul style="list-style-type: none"> • Provide access to irrigated land where feasible and economic • Approve and implement the Draft National Land Policy allowing 99 year leases for SNL which can be used as collateral for loans • Support for the provision of agricultural support services (private and public)
Income Diversification	<ul style="list-style-type: none"> • Little knowledge of potential agricultural and off-farm income diversification opportunities • Lack of access to appropriate rural financial services, markets, marketing information and trading skills • Difficult access to input supplies and trading of farm and non-farm produce 	<ul style="list-style-type: none"> • Promote flow of information for on and off-farm income diversification opportunities • Support the development of SMEs based on farm and non-farm products • Increase the availability of rural financial services by developing MFIs and savings and credit organizations • Build linkages with the private sector to identify market opportunities • Provide training to farmers in trading skills
Local Organizations	<ul style="list-style-type: none"> • The poor have few local level organizations that can benefit the members and act on their behalf 	<ul style="list-style-type: none"> • Support the establishment and development of groups where these can be to the financial advantage of their members e.g. for marketing, procurement of inputs, irrigation, accessing finance etc.
Status of Women	<ul style="list-style-type: none"> • Customary law gives women the status of minors • A higher poverty rate among women headed households than those headed by men • Women Lack of “Reproductive Rights” • Vulnerability to domestic violence 	<ul style="list-style-type: none"> • Revise laws pertaining to marriage in community of property, inheritance, and succession so women and girls can exercise their constitutional rights accordingly • Enable women to gain access to land and to credit in their right without relying on their fathers or husbands • Support the establishment of Gender Department of the Ministry of Home Affairs • Include gender awareness training in all staff and farmer training • Target women when providing skills training

DONOR ACTIVITIES AND KEY PARTNERSHIP OPPORTUNITIES^a

Donor / Agency	Nature of Project / Programme	Project / Programme Coverage	Status	Partnership Opportunities
AfDB, EU, EIB, DBSA, BADEA, ICDF and IFAD	Lower Usuthu Smallholder Irrigation Project (LUSIP) – Phase I being implemented by SWADE at an estimated cost of US\$... million.	Project includes the construction of dams, canals etc. and 6 500 ha of smallholder irrigation development for .. households.	On-going	IFAD is financing the downstream development (agricultural development, resettlement etc.) and has a partnership with the other financiers to provide irrigated land and associated services to the rural poor.
USAID	Swaziland Enterprise and Entrepreneurship Program with an estimated cost of US\$8.9 million. The overall aim is to help create employment and income opportunities for the rural poor.	SWEEP will develop and support Swazi-owned small and medium sized enterprises by: (i) providing business advice to individual entrepreneurs; (ii) helping SMEs to access finance; (iii) working with financial institutions to provide financial products that are suitable for SMEs; and (iv) organising an annual business competition with seed capital as the prize.	2006-2010	SWEEP will provide technical assistance and support the provision of business development services. These activities could complement the financial assistance that IFAD might provide as part of the country programme to those making financial services available to develop the SME sector. A partnership with SWEEP could benefit both the IFAD and USAID programmes of assistance.
EU	Micro-projects Programme with total funding of Euro 4.7 million. The overall objective of the project is sustained social and economic development amongst poor Swazi communities.	The focus is now on rural infrastructure projects: education, water, industries and markets, rural electrification and agricultural infrastructure with increased participation by community groups, greater equality between men and women and environmental conservation.	Current phase 2003-2007 with new phase planned to start in 2007	The provision of rural infrastructure will support the development of SMEs and can complement the provision of support to individual enterprises as part of the IFAD country programme. The Micro-projects Programme will not in future support income generating activities through the provision of grants to NGOs.
UNDP and Tibiyo TakaNgwane	Harmonise Swazi law and customs with Roman-Dutch Law	Provide technical assistance to the Ministry of Justice and Constitutional Affairs to amend gender related laws which currently discriminate against women.	UNDAF-2006-2010	UNDP assistance could support the achievements of IFAD's strategic objective of empowering women by removing any legal basis for discrimination.
UNDP and UNICEF	Support for law reform initiatives to improve human and peoples' rights.	The UN agencies will support line Government to develop policies, plans and guidelines to protect human rights including Gender, Sexual Reproductive Health, Children's, HIV/AIDS, Land, Health and Social Welfare, Decentralisation and NGOs.	UNDAF-2006-2010	Support from the UN agencies could help amend draft policies, facilitate their approval and subsequent implementation. Appropriate policies for Land, NGOs and Gender are important for the IFAD's country strategy.

^a The partnerships included here are only those that would directly implementation of the IFAD strategy rather than complementary activities e.g. support for HIV/AIDS programmes.

COSOP TARGET GROUPS AND PROPOSED COSOP RESPONSE

Typology	Causes of Poverty	Coping Actions	Priority Needs	COSOP Response
Rural poor households	<ul style="list-style-type: none"> • Lack of wage employment • Drought • Lack adequate access to productive assets (land, water and draught power) • Few farm and off-farm income opportunities available locally • High worker/dependent ratio with many orphans • Lack of collateral prevents access to finance for the formal sector • Lack of NGOs operating as MFIs and providing loans without collateral • Illness and expenditure on health especially due to AIDS • High costs of education • Centralised service provision increases costs of access (e.g. social welfare) • Corruption e.g. sex for jobs, unofficial fees • Poor road infrastructure 	<ul style="list-style-type: none"> • Local agricultural wage labour • Seasonal migration for work • Reduction in food intake • Homestead gardening • Selling off assets • Taking loans from the informal sector • Taking children out of school 	<ul style="list-style-type: none"> • Food security • Farm and off-farm income generating activities opportunities available locally that have market potential • Draught power • Improved health services • Improved rural infrastructure • Access to appropriate financial services including credit • Ability to use access to SNL as collateral for loans. • Support for orphans • Free primary education that is free • Education that includes vocational skills training • Transparent use of Development Funds 	<ul style="list-style-type: none"> • Target group for IFAD projects and programmes • The ongoing LUSIP is providing access to irrigated land and services to some of this target group • This group can benefit directly from IFAD support for improving access to markets for farm and non-farm produce, provision of appropriate financial services and support for SME development • Other projects and programmes (EU and the resident UN agencies) are addressing the provision of social services, some rural infrastructure needs, the HIV/AIDS pandemic and governance issues • IFAD can work with UNDP to address policy issues for Land and NGOs
Poor Women-headed Households, Including Widows	<ul style="list-style-type: none"> • As for the poor • Shortage of labour • Gender based discrimination 	<ul style="list-style-type: none"> • As for the poor 	<ul style="list-style-type: none"> • As for the poor 	<ul style="list-style-type: none"> • Part of the target group for IFAD projects and programmes • Same as for the poor but in addition IFAD can work with UNDP to address issues of discrimination against women in government polices and laws
Elderly and Disabled	<ul style="list-style-type: none"> • Unable to work • Lack of transfer income from their children due to their death (AIDS) or unemployment 	<ul style="list-style-type: none"> • Social welfare support • Reduction in food intake • Selling off assets • Taking loans from the informal sector 	<ul style="list-style-type: none"> • Adequate social safety nets 	<ul style="list-style-type: none"> • Not a target group for IFAD as requires grant based income transfers and food support.

ANALYSIS OF KEY PARTNER ORGANIZATIONS

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministries				
Ministry of Finance	<ul style="list-style-type: none"> • Knowledge and experience of IFAD procedures as the representative of the borrower 	<ul style="list-style-type: none"> • Lacks management capacity • Not operating LUSIP Special Account as per the Loan Agreement • Policy influence weak 	<ul style="list-style-type: none"> • Role in introducing enabling legislation for non-bank financial institutions 	<ul style="list-style-type: none"> • Difficult to improve capacity in the current HIV/AIDS situation
Ministry of Economic Planning and Development	<ul style="list-style-type: none"> • Responsible for preparing the PRSAP, the National Development Strategy and MDG 2003 Progress Report 	<ul style="list-style-type: none"> • Lacks technical planning capacity and reliant on technical assistance 	<ul style="list-style-type: none"> • Key role in monitoring the progress in achieving the MDGs and in implementing the PRSAP 	<ul style="list-style-type: none"> • As above
Ministry of Home Affairs	<ul style="list-style-type: none"> • Responsible for NGO and Gender Policies and implementation of associated strategies 	<ul style="list-style-type: none"> • Limited technical and management capacity to handle roles re: gender and NGOs 	<ul style="list-style-type: none"> • Can address issue of minority status of women via gender policies and legislative changes • Key role as the interface between government and NGOs 	<ul style="list-style-type: none"> • As above • Traditional interests may continue to prevent change to the minority status of women
Ministry of Enterprise and Employment	<ul style="list-style-type: none"> • Assigned as the Government agency with primary responsibility for the development of SMEs • Policy for SME development recently prepared 	<ul style="list-style-type: none"> • Lacks staff with practical SME experience • Recently become involved in trading activities via the Trading House 	<ul style="list-style-type: none"> • Major opportunity now to spearhead the development of SMEs 	<ul style="list-style-type: none"> • Difficult to improve capacity in the current HIV/AIDS situation • Rent seeking by staff involved with the Trading House
Ministry of Agriculture and Cooperatives	<ul style="list-style-type: none"> • Some technical expertise and facilities • Experience and knowledge of IFAD through LUSIP, SWADE and previous projects 	<ul style="list-style-type: none"> • Project and incentive dependent • Limited management capacity • Balkanisation with Departments operating independently • Lack of extension capacity for smallholders 	<ul style="list-style-type: none"> • Key policy player in terms of the policies that matter for rural livelihoods e.g. irrigation, livestock, sugar 	<ul style="list-style-type: none"> • Difficult to improve capacity in the current HIV/AIDS situation • SWADE which is responsible for Komati and LUSIP
Ministry of Natural Resources	<ul style="list-style-type: none"> • Some technical expertise, facilities and experience with water supply, water resource development, surveying etc. • Experience and knowledge of IFAD through LUSIP and SWADE 	<ul style="list-style-type: none"> • Project and incentive dependent • Limited management capacity and experience with community development approaches 	<ul style="list-style-type: none"> • Key role to play in preparing the National Water Master Plan • The proposed Department of Water Affairs would strengthen the Ministry's management of the resource 	<ul style="list-style-type: none"> • As above

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministries				
Ministry of Regional Development and Youth	<ul style="list-style-type: none"> Includes a small gender unit 	<ul style="list-style-type: none"> Gender unit duplicates the work of Ministry of Home Affairs and lacks technical and management capacity 		<ul style="list-style-type: none"> Difficult to improve capacity in the current HIV/AIDS situation
Ministry of Justice and Constitutional Affairs	<ul style="list-style-type: none"> Knowledge of Roman-Dutch and Swazi Customary law and legal expertise 	<ul style="list-style-type: none"> Limited management capacity. Depends on technical assistance for specialised legal expertise 	<ul style="list-style-type: none"> Key role to play in modernising the laws so that legal discrimination against women is removed and that there is consistency between the two legal systems 	<ul style="list-style-type: none"> As above Traditional interests may continue to prevent change to the minority status of women
Parastatal Companies				
Swaziland Water and Agricultural Development Enterprise Ltd	<ul style="list-style-type: none"> Powerful and well funded company (by Government and international agencies) Responsible for the major agricultural development activities in the country (LUSIP and Komati) 	<ul style="list-style-type: none"> Slow progress for many tasks e.g. agricultural development, resettlement, community participation and compliance with environmental compliance Coordination of the complex technical assistance needs improvement 	<ul style="list-style-type: none"> Can play key role in developing a modern and diversified irrigated agriculture 	<ul style="list-style-type: none"> Limited capacity to take on additional tasks due to HIV/AIDS A lack of planned coordination on downstream development could threaten the sustainability of irrigated agricultural development
The Small Enterprise Development Company Ltd	<ul style="list-style-type: none"> Provides a range of business support services for new and expanding micro-, small- and medium-sized enterprises 	<ul style="list-style-type: none"> Loss making business in 2004/05 even before exceptional items 	<ul style="list-style-type: none"> Can provide a range of services required by SMEs Estates can provide space for SMEs 	<ul style="list-style-type: none"> Private sector may provide the services provided by SEDCO more efficiently
Swaziland Development Finance Corporation	<ul style="list-style-type: none"> Provides financial services (credit, leasing, insurance and money transfers) to SMEs Loan repayment rates >90% and portfolio at risk <10% 	<ul style="list-style-type: none"> Lack of sustainable financial intermediaries for wholesale lending, the initial lending approach Dependent on government, donor agencies and repayments for funds as does not mobilize savings 	<ul style="list-style-type: none"> Could play a key role in providing financial services to SMEs if able to act as a true financial intermediary 	<ul style="list-style-type: none"> Government ownership tends over time to undermine sustainability

Organization	Strengths	Weaknesses	Opportunities	Threats
NGO Sector				
Coordinating Assembly of NGOs	<ul style="list-style-type: none"> • Represents NGOs and has 70 members • Acts as formal consultative and coordinating body for NGOs • Liaises between members and Government agencies 	<ul style="list-style-type: none"> • Dependent on donors for funding as membership fees and other income are 16% of the total • Often acts as a conduit for donors funding individual NGOs 	<ul style="list-style-type: none"> • Potential to play a key role in the relationships between Government agencies and NGOs • Support capacity building of NGOs 	<ul style="list-style-type: none"> • Lack of financial independence from donor community
Women's Finance Trust (IMBITA)	<ul style="list-style-type: none"> • Mobilizes savings and makes business and consumption loans to members who have saved 	<ul style="list-style-type: none"> • Membership organization and lending limited by members' savings and donor contributions 	<ul style="list-style-type: none"> • Good potential to expand as women want to join 	<ul style="list-style-type: none"> • Without adequate systems rapid growth may undermine the organization
NGOs	<ul style="list-style-type: none"> • Strong poverty focus • Local presence, knowledge and good credibility with local communities 	<ul style="list-style-type: none"> • Depend on donor funds as lack own sources of income 	<ul style="list-style-type: none"> • Contribute to local development and poverty reduction 	<ul style="list-style-type: none"> • Open to exploitation by unscrupulous staff and members
Private sector production and marketing organizations	<ul style="list-style-type: none"> • Good understanding of market requirements • Experienced with organising production to meet market demand • Good financial management 	<ul style="list-style-type: none"> • May not understand how projects operate and the role of Government 	<ul style="list-style-type: none"> • Help organize the production and marketing of produce (farm and non-farm) from target group households. • Increase the benefits to the producers from the value chain 	<ul style="list-style-type: none"> • Subject to the adverse affects of changes in market conditions

