

Kingdom of Swaziland

Smallholder Market-led Project (SMLP)

Final project design report

Main report and appendices

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Currency equivalents

Currency Unit	=	Emalangeni
US\$1.0	=	SZL 10.600

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

AWPB	Annual Work Plan and Budget
BDS	Business Development Service
CAADP	Comprehensive Africa Agriculture Development Programme
CDP	Chiefdom Development Plan
GEF	Global Environment Facility
GoS	Government of Swaziland
Inkhundla	Constituency, second layer of government, combining 5 – 10 chiefdoms
IMF	International Monetary Fund
KM	Knowledge Management
LIA	Lead Implementation Agency
LUSIP	Lower Usuthu Smallholder Irrigation Project
MEPD	Ministry of Economic Planning and Development
MIS	Management Information System / Market Information System
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTAD	Ministry of Tinkhundla Administration and Development
NAMBOARD	National Agricultural Marketing Board
NCB	National Competitive Bidding
NGO	Non-Governmental Organisation
NPV	Net Present Value
PBAS	Performance Based Allocation System
PDA	Project Development Area
PHC	Population and Housing Census
PIU	Project Implementation Unit
PME	Planning, monitoring and evaluation
PPP	Public-Private Partnership
PRA	Participatory Rural Appraisal
PRSAP	Poverty Reduction Strategy and Action Plan
PSC	Project Steering Committee
RDA	Rural Development Area
RFEDP	Rural Finance and Enterprise Development Programme
RIMS	Results and Impact Management System
SACU	Southern African Customs Union
SACO	Savings and Credit Cooperatives
SADP	Smallholder Agricultural Development Programme
SCB	Swaziland Cotton Board
SDB	Swaziland Dairy Board
SHIES	Swaziland Household Income and Expenditure Survey
SNAU	Swaziland National Farmers Union
SNL	Swazi Nation Land
SRA	Swaziland Revenue Authority
TDL	Title Deed Land
Tinkhundla	Plural of Inkhundla; constituencies
UNDAF	United Nations Development Assistance Framework
UoS	University of Swaziland

Map of the project area

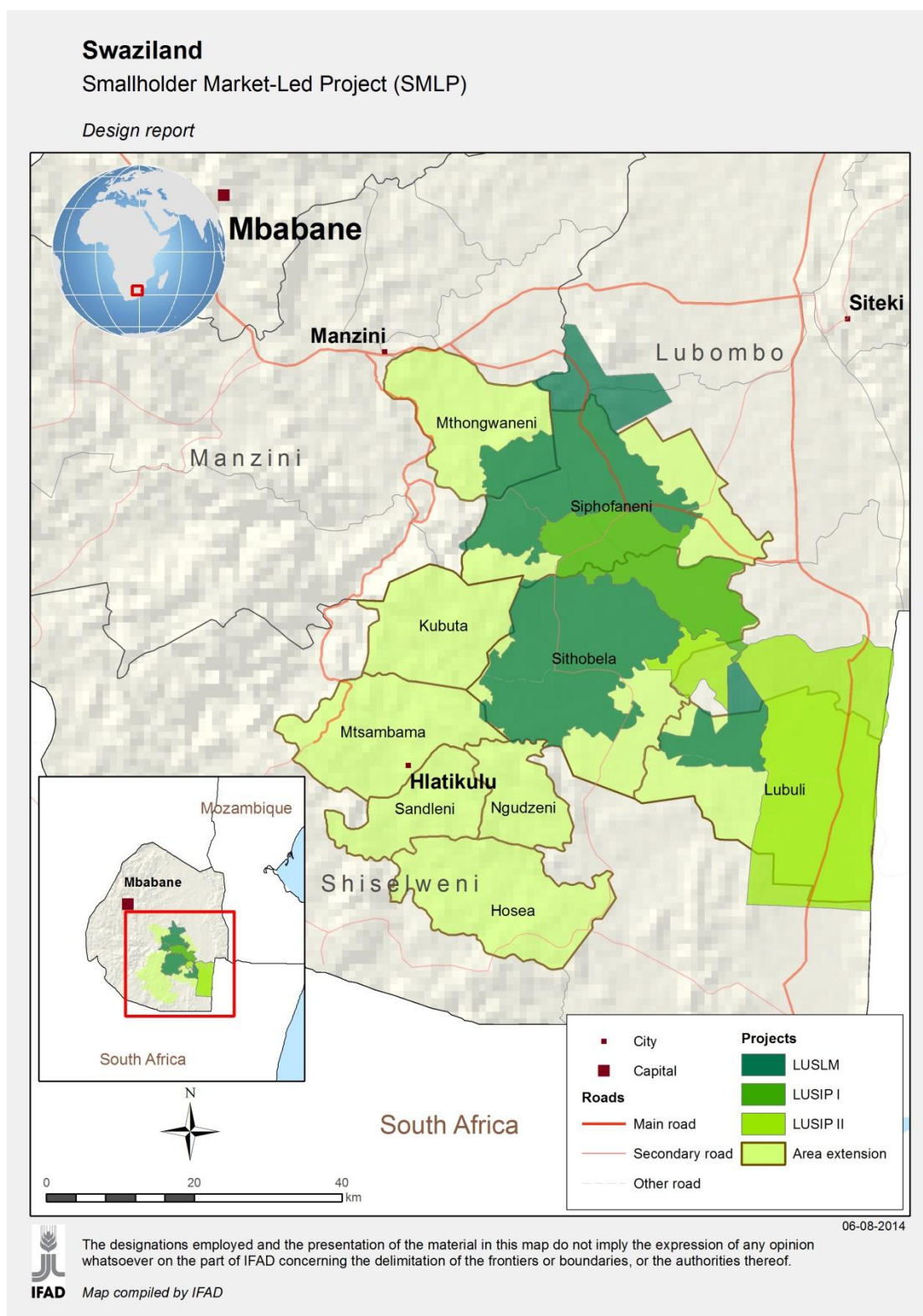


Figure 1: Swaziland and the Project Development Area (LUSLM plus Area extension)

Executive Summary¹

Background and rationale

1. The Smallholder Market-led Project (SMLP) has been designed following a request from the Government of the Kingdom of Swaziland to IFAD. The project aims at reducing poverty and food insecurity of poor rural dwellers through an investment supporting increased agricultural production and productivity and market-led commercialisation of smallholder agriculture. The first full in-country design mission for the SMLP took place in May 2012. The Government, however, declined to accept the project as it needed more time for internal review of the proposed interventions and the required funding. In early 2014, Swaziland and IFAD agreed that the design for the project should be revised and finalised for approval by the IFAD Executive Board in December 2014.
2. Swaziland is ranked as a lower middle-income country. Yet about 84 per cent of the country's poor people live in rural areas, where per capita income is about four times lower than in urban areas, and food consumption is two times lower. About 66 per cent of the population are unable to meet basic food needs, while 43 per cent live in chronic poverty. Women and youth are particularly vulnerable. Households headed solely by women and child-headed households are growing in number, as men seek employment away from home and as HIV/AIDS affects livelihoods. Most rural households (78 per cent) practice agriculture. Improved productivity of smallholder farms will therefore contribute to reduced poverty and increased food security. Access to farm inputs, services and natural resources such as land, water (for irrigation and drinking) are the key constraints for rural people. Poor health, mainly due to high HIV/AIDS incidence is another strong inhibiting factor for improving livelihoods.
3. Recent Government policies outline strong support to rural areas and aim to assist smallholder agriculture increase productivity through a commercially oriented approach. The Comprehensive Africa Agriculture Development Programme (CAADP) supports the Government of Swaziland and helped in the articulation of an agricultural strategy and investment portfolio that is market-responsive, requires securing water and land resources and pursues sustainable agricultural practices by smallholders. The SMLP design supports this strategic direction.
4. SMLP firmly builds on results and key lessons from previous IFAD-funded projects like the Lower Usuthu Smallholder Irrigation Project (LUSIP), the Lower Usuthu Sustainable Land Management Project (LUSLM) and the Rural Finance and Enterprise Development Programme (RFEDP); and of course from other relevant projects funded by other donor agencies and the Government.
5. LUSIP 1 demonstrated the strong impact of irrigation on rural livelihoods and economic development in the command area. However, chiefdoms located outside the LUSIP 1 command area, in the rain-fed Lowveld areas of Lubombo and Shiselweni, neither benefit from large-scale water resources infrastructure on the Usuthu River, nor from prioritisation of large command areas for new irrigation development. Yet a solution for these rain-fed areas is found in the experience of the IFAD and GEF-supported Lower Usuthu Sustainable Land Management Project (LUSLM). The latter approach is based on improved community participation in chiefdom development decisions. These decisions include the provision of access to land resources for agriculture; pragmatic use of conservation agriculture techniques; capture of rainwater run-off from roofs; and collaboration among market-oriented producers. All these factors combine to help households achieve higher crop yields

¹ Mission composition: Thomas Rath, Country Programme Manager, IFAD-ESA, Mission Team Leader, Mr. Kees Blok, Rural Development Specialist and Deputy Team Leader, Ms. Wadzanai Katsande, Economist, FAO-TCIA, Ms. Mwatima Juma, Crop Development Specialist IFAD-ESA (Tanzania), Mr. Dumisani Dube, Livestock Development Expert, Mr. Godfrey Wanjohi, Financial Management and Procurement Specialist, Ms. Elizabeth Ssendiwalwa, Gender and Targeting Specialist, IFAD-ESA (Kenya)

and livestock production. Part of the additional production finds its way to predominantly local markets, while the remainder benefits local consumption.

6. Important lessons from LUSLM can also be drawn. With better targeting of support services and development activities, poor households can be reached efficiently; and with more substantial investments, the land resources are protected from erosion and provided with irrigation water from small earth dams. Such improved land is then available for market-led agriculture. The most significant lesson is, however, that Swaziland's unmet internal demands for raw agricultural materials can be sourced from existing crops and livestock production by smallholder farmers. Specific and confirmed market demands at the national level coincide with existing smallholder production. Besides having market potential; these local crops and livestock products (which include legumes, vegetables, fruits, indigenous chicken, goats and honey) also have significance for boosting balanced human nutrition.

7. Smallholder producer households in rain-fed Lowveld chiefdoms can enhance their food security and incomes from diversified agricultural production and market-linkages. To do so, smallholder farmers should be able to access land and water resources in the chiefdoms for market-led agriculture initiatives; investments should support smallholder farmers in making sustainable use of these resources; and market partners and smallholder producers should cooperate to redesign and supply existing value chains. These pre-conditions (access, conservation and market linkage) are significant and Swaziland has tested approaches for all three.

Goal, Development Objective and Components

8. **Goal and Development Objective.** The project's long-term goal is to contribute to the national ambition of reducing rural poverty. The Project Development Objective is to enhance food security and incomes among smallholder producer families through diversified agricultural production and market-linkages.

9. **Project area.** The project will be implemented over a six-year period in 25 chiefdoms in the rain-fed Middle- and Lowveld areas of Lubombo and Shiselweni Regions.

10. **Target group.** It will target poor smallholder farmers that are (i) food deficient and living at a subsistence level; and (ii) economically active and able to sell surplus production. The farmers will be assisted in increasing their farm productivity and production through access to irrigation, inputs, training and access to services. Economically active farmers will be linked to wholesalers to sell surplus production and increase income. Along selected value chains, employment opportunities will be created for young people, for example in managing collection and information centres. The activities are tailored to the capacities of smallholders, including families affected by HIV/AIDS.

11. **Component 1 - Chiefdom Development Planning.** In each chiefdom, community-based development planning will target development activities to food deficit and economically active smallholder households, with the Ministry of Agriculture (MoA) and project's monitoring and evaluation capacity to confirm and strengthen this. Chiefdom Development Planning is required to identify and direct development activities in the chiefdoms. To this end, an institutional framework supporting decision-making by the traditional leadership will (where needed) be established and strengthened. Community Development Committees (CDCs) shall be assisted to process information on the chiefdom's resource base, on its population, on bottlenecks and opportunities and on development options and priorities into a Chiefdom Development Plan.

12. **Component 2 - Infrastructure for Soil and Water Conservation.** Investments in soil and water conservation at sub-catchment and homestead-levels will help harness resources for market-led agricultural production; and the benefits from this will help sustain agricultural productivity.

13. The infrastructure will safeguard production by preventing erosion of productive land, preventing the silting-up of the water reservoirs upon which this land depends and by harnessing run-off for agricultural purposes. Based on experiences in previous projects and programmes, this

component will comprise erosion control, the rehabilitation (18) and new construction (2) of small earth dams and the installation of rainwater harvesting equipment.

14. The process of planning, design, construction and operation and maintenance of the above infrastructure combines oversight by the Community Development Committee, active participation of the producers benefitting from the infrastructure, and sound engineering services through existing or hired specialised agencies. The new construction of dams requires a rigorous planning process, with environmental impact assessments and checks and balances on engineering and aftercare. Producers benefitting from such infrastructure will form *infrastructure users' groups* to operate, maintain and guard the infrastructure.

15. The construction of household-level rainwater harvesting equipment (tin roofs, gutters and ferro-cement storage tanks) is an activity that can generate incomes for people trained for and specialised in this work. Erosion control measures should in all cases be combined with perimeter fencing, secluding vulnerable areas from livestock grazing.

16. **Component 3 – Market-led Smallholder Agriculture.** Rather than directly pursue higher agricultural productivity, the SMLP will use existing unfulfilled market demands as the entry point for agricultural development; and will help gear agricultural practices to the specifics (quantity, quality, timeliness) of that market demand. Moreover, it will invest in those value chain partners that are committed to source their demand from smallholder producers, including support to a coordinated approach for value chain improvement.

17. The project will support a number of business service providers from the Government, non-governmental organisations and the private sector and will enable linkages with other IFAD-financed projects to provide market information, estimate market demand, procure internal and external markets, enable business plan development, provide financial services, create backward and forward linkages between wholesalers/buyers and producers, and provide extension and advisory services.

18. The SMLP will concentrate on commodity chains that respond to the food and income requirements of the farmers as well as to the productive capacity of the project area. Value chains identified include legumes, vegetables, fruits, indigenous chicken, goats and beekeeping. The project will encourage conservation agriculture practices and promote the planting of fruit trees for production of honey, jam, chutney and other such commodities.

19. The project will establish Innovation Platforms, in which representatives of wholesalers, buyers, extension services, financiers and growers work together to identify improvements and innovations that help enhance the benefits from the selected value chains. Measures include provision of market information, estimation of market demand, procurement of new internal and external markets, business plan development, financial services, backward and forward linkages between wholesalers/buyers and producers, and extension and advisory services.

20. The parastatal National Agricultural Marketing Board (NAMBOARD), which is mandated to link smallholder production to markets, is the principal business development service involved in the project. The MoA Rural Development Area (RDA) offices are the primary conduit for market-driven agricultural extension services. The project will assist both the service providers like RDAs, and the wholesalers like NAMBOARD and Eswatini Kitchen to offer services to the target group.

21. Sustainable agricultural practices will be promoted that incorporate soil and water conservation; livestock, and use of crop residues. NAMBOARD will develop systems for forward and backward linkages between wholesalers, buyers and producers as well as the development of a Training of Trainers (TOT) package for market-driven extension services. Market infrastructure and equipment includes collection sheds, a country-specific market information system (MIS) that provides real time market information to producers and assistance to the development of the country surveillance system for honey production.

22. With project support, the RDAs and market partners will help smallholder producers improve their production, using the concept of conservation agriculture and sustainable agro-ecological

intensification as a starting point, and including demonstrations and support packages for introduction of new cultural practices.

Project management

23. The Ministry of Agriculture is the lead ministry for the SMLP. It will delegate day-to-day implementation to a Project Implementation Unit (PIU) to be established within the project area by the parastatal Swaziland Water and Agriculture Development Enterprise (SWADE).

24. To ensure that existing market demands lead the agricultural development activities, relevant market partners will be involved through service agreements. Market partners that have already been identified include NAMBOARD (legumes, vegetables, goat meat) and Eswatini Kitchen (honey, vegetables, fruits). Innovation platforms will be used to bring producers, local buyers, business service providers and wholesalers around the table to address how value chains can be developed and improved; and Collection and Information Centres will form local hubs for smallholder producers.

25. The Rural Development Areas of the Ministry of Agriculture will be involved in all chiefdom-based project activities. Their contribution to the project's success consists of the delivery of market information; of technical advisory services for agricultural production and processing; and of equipment and materials for production and infrastructure.

26. The project will be supervised by a Project Steering Committee. Progress reports will be produced quarterly. Specific arrangements for financial management, procurement and governance apply, and supervision will take place on a 6-monthly basis, with major reviews in year three and year six.

Risk management

27. **Availability of additional grant funds.** The roll-out of activities to all 25 chiefdoms will only be possible if additional funds of approximately US\$ 5.1 million can be secured. The Ministry of Agriculture is confident that this is possible and the GEF focal point is currently preparing a request to the GEF, for funds to become available to the project by 2016.

28. **Fiduciary risks.** The initial risk assessment indicates high and medium fiduciary risks, with respect to, amongst others, transparency, staffing, fund flow and internal controls. These risks are known and need to be countered and/or mitigated systematically. This is addressed by the fact that Government financial regulations are in place to constitute the basis for the project's financial management. In addition, the Ministry of Finance (MoF) has a strong oversight role in management of external funds; and SWADE, being the agency contracted to coordinate project implementation, has experience with IFAD-financed projects.

29. **Reliability of existing market demands.** The development of a market chain from producers, via local buyers to wholesalers; benefits from stable market conditions. Falling demand, re-sourcing of suppliers to cheaper producers and late or incomplete payments would affect market-led production negatively. The involvement of NAMBOARD in many market chains implies stability, as it is mandated to purchase produce from smallholders. The development of a market information system through the project ensures that changes in market demand is communicated early, allowing for mitigation measures in case of falling demand.

Project costs, benefits, and sustainability

30. Total investment and recurrent costs, including contingencies, over the six-year project life are estimated at approximately US\$ 21.1 million or Emalangeni (SZL) 244.1 million. The IFAD financing will be in the form of a loan of US\$ 8.3 million and a grant of US\$ 0.5 million making total IFAD financing US\$ 8.8 million. Government will contribute US\$ 6.6 million, while the proposed GEF financing is US\$ 5.1 million. The private sector contribution is estimated at US\$ 0.6 million.

31. The economic and financial analysis found that the activities proposed are viable. The economic analysis is conservative as it includes only quantifiable incremental production and outputs

and assumes a gradual adoption of new practices. The overall economic internal rate of return (EIRR) is satisfactory at 19.4% and sufficiently robust in the event of cost overruns and reduction in benefits.

32. The benefits of the project are likely to continue beyond the project because of Swaziland's policy commitment to improving the integration of smallholder farming in the economy and to adopting community development planning practices country-wide. Replication of the project's approach is attractive given the sizeable unfulfilled market-demand present in Swaziland. The involvement of the traditional chiefs and their councils in planning and executing the project responds to current, well accepted practices. The Chiefdom Development Planning approach will ensure that investments like the irrigation and land protection measures will be sustainable.

Logical Framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
Contribution to the national goal of reduced rural poverty (SNAIP, 2014)	<ul style="list-style-type: none"> 20% reduction in number of households below national poverty line in the Project chiefdoms 10% reduction in child malnutrition (RIMS level III) 4000 households with a 20% improvement in household assets ownership index (RIMS Level III) 	<ul style="list-style-type: none"> Project baseline survey and follow-up surveys Periodic reports Swaziland Statistical Office Health clinic data recording RIMS survey data RCT outcomes 	
Project Development Objective:			
Smallholder producer households in the Project chiefdoms enhance food and nutrition security and incomes from diversified agricultural production and market-linkages	<ul style="list-style-type: none"> 5500 households with increased incomes by 15% or more above baseline (by wealth category, male/female headed, youth headed HH) 50% reduction in households classified as food deficit (above baseline) 6,200 direct project beneficiaries 	<ul style="list-style-type: none"> Project baseline survey and surveys Mid-term and end of Project evaluations 	<ul style="list-style-type: none"> (A) Demand for food does not outstrip production of a marketable surplus (A) economic and fiscal policies remain favourable to small producers (A) No major natural disaster affects the Project Area (A) Additional funds / co-funding for expansion of the Project to new chiefdoms in rain-fed areas available
Outcome 1: Effective planning and decision-making by the Project chiefdoms	<ul style="list-style-type: none"> 25 CDPs having a completion rate of 50% or more 25 effective advisory services programmes coordinated with CDC approach 	<ul style="list-style-type: none"> Project monitoring reports Data on participation and perception Meeting minutes and records Chiefdom records Letters of Consent 	<ul style="list-style-type: none"> (A) CDPs are endorsed by chiefs, communities and national government

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Outputs: 1.1 Institutional framework for Chiefdom Development Planning established 1.2 Chiefdom Development Plans formulated 1.3 Chiefdom human, water and land resources allocated to planned development activities 1.4 Community Development Committees become entry points for Agricultural & Marketing Advisory Services	<ul style="list-style-type: none"> ▪ 25 CDCs formed and trained; ▪ 25 CDPs finalised and annually reviewed ▪ 3,600 of youth, women and men each participating in CDP process ▪ 350 ha allocated by Chief's Letters of Consent (CLC) to commercial agriculture ▪ 50 joint programmes between CDCs and MOA and other advisory services 	<ul style="list-style-type: none"> ▪ Project monitoring reports ▪ Training records and periodic KAP survey ▪ Meeting minutes and records ▪ Chiefdom records ▪ Chief's Letters of Consent (CLC) 	<ul style="list-style-type: none"> ▪ (A) Chiefs accept and support CDP & CDC approach ▪ (A) MOA and other services providers align to institutional framework for Chiefdom Development Planning
Outcome 2: Soil and water resources are sustainably managed for market-led smallholder agriculture in the Project chiefdoms	<ul style="list-style-type: none"> ▪ 550 % increase, above baseline, of crop production from the command area of the dams ▪ 70 groups effectively maintaining irrigation commands and erosion control areas 	<ul style="list-style-type: none"> ▪ Project monitoring reports ▪ CDC records on registry and annual review of water user and erosion control groups ▪ Annual infrastructure inspections by Land Use Department 	<ul style="list-style-type: none"> ▪ (A) Sustainable land use practices are disseminated and adopted widely ▪ (A) Groups benefiting from erosion and irrigation infrastructure are supported by Government
Outputs: 2.1 Erosion control measures implemented 2.2 New and existing small reservoirs supply crop irrigation 2.3 Rainwater harvesting systems installed 2.4 Youth entrepreneurs trained in water harvesting	<ul style="list-style-type: none"> ▪ 200 ha of erosion-prone and erosion-affected land is restored ▪ 99 ha new irrigated command area out of a potential 110 are developed ▪ 70 water user groups and erosion control groups formed and trained ▪ 10,000 household-based water harvesting systems installed ▪ 25 Youth enterprises for water harvesting formed and trained 	<ul style="list-style-type: none"> ▪ Annual infrastructure inspections by Land Use Department ▪ Chiefdom development activity reports ▪ Project monitoring records ▪ Training records and periodic KAP surveys 	<ul style="list-style-type: none"> ▪ (A) Smallholders benefit from chiefdom allocation of land resources to irrigation and erosion control

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Outcome 3: a. Smallholder producers in the Project chiefdoms supply crop- and livestock products to market partners; b. Food deficit poor households enhance production for household consumption	<ul style="list-style-type: none"> ▪ A total increase of SZL 11.2 million in the annual revenue from smallholder agriculture by year 6; across chiefdom and selected value chains over baseline; ▪ An increase in production for household consumption by food deficit poor in year 6 equivalent to SZL. 0.6 million annually, over baseline. 	<ul style="list-style-type: none"> ▪ Production data from MoA livestock and crop surveillance system ▪ Data from MoA honey certification system ▪ Market surveys ▪ Project monitoring reports ▪ NAMBOARD, Eswatini kitchen etc. periodic reports ▪ Project monitoring reports 	<ul style="list-style-type: none"> ▪ (A) Consumers demand for local produce increases ▪ (A) Wholesalers access finance for business development ▪ (A) Selected value chains remain viable for the smallholder producer
Outputs: 3.1 Business development services train smallholder enterprises on crop & livestock production and marketing techniques; 3.2 Market information is available to smallholder enterprises and value chain partners 3.3 Smallholders supply markets through Collection & Information Centres run by youth enterprises 3.4 Innovation platforms for specific commodities established 3.5 Appropriate extension messages and packages delivered to food deficit poor households	<ul style="list-style-type: none"> ▪ 1,650 smallholder households having supply group- or individual agreements with wholesalers (above baseline) ▪ 1,650 smallholder households applying new production and marketing techniques (above baseline) ▪ 50 effective youth marketing enterprises (above baseline) ▪ 75 functional business development plans ▪ 650 food deficit poor households (60 %) participate in extension activities for conservation agriculture 	<ul style="list-style-type: none"> ▪ Project monitoring reports ▪ Innovation platform plans and reports ▪ Training records and periodic KAP surveys 	<ul style="list-style-type: none"> ▪ (A) Market prices remain attractive for value chain actors ▪ (A) Good quality BDS are available ▪ (A) Smallholder access to rural financial services for equipment and inputs ▪ (A) Value chains are targeted to smallholders

I. Strategic context and rationale

A. Country and rural development context

1. Although Swaziland has a relatively high GDP of around US\$ 2,415 per capita, a high percentage of the country's population lives below the national poverty line. Data from 2000/01 and 2009/10 show that poverty headcount declined during the 2000s, from 69 to 63 per cent of the Swazi population. This period of economic growth has however not been pro-poor: The poorest individuals (the bottom 30 per cent) have seen their level of welfare deteriorating. This fragile situation was aggravated when, in 2010/11, the country was hit by a fiscal crisis following a significant reduction of revenues from the Southern African Customs Union (SACU). In effect, businesses dependent on government contracts have laid-off workers or shut down, and key social programmes like the fight against HIV/AIDS were adversely affected.
2. Swaziland's economic performance shows improvements since the fiscal crisis of 2010–11. Economic activity is estimated to have grown by more than 2 per cent in 2013. Inflation, after peaking at 9 per cent in late 2012, has declined to 4½ per cent in November 2013. Largely owing to higher SACU revenues in the last two years, fiscal and external balances have also improved. However, economic growth is weak in comparison to other countries at the same income level in the region. Furthermore, there are risks to Swaziland's economic prospects, in particular the uncertain global and regional economic outlook that could lower SACU revenues². Early 2014, there are indications that the terms that Swaziland enjoys in SACU may become less favourable.
3. **Geographical distribution.** There are differences in the poverty prevalence among the four regions of the country, between rural and urban areas, and between the different ecological zones of the country. Regionally, the prevalence of poverty in 2010 was greatest in Lubombo with 69 per cent followed by Shiselweni with 68 per cent, very closely followed by Hhohho with 63 per cent and Manzini 58 per cent. Poverty is widespread in the Middle- and Lowveld, which covers most of the eastern part of the country and is the hottest area, most vulnerable to drought. These areas in particular have been receiving food aid regularly for at least the last 15 years and very few households there can feed themselves in any one year.
4. **Income distribution.** Income distribution remains highly skewed, with 56 per cent of wealth held by the richest 20 per cent of the population, while the poorest 20 per cent own less than 4.3 per cent. The poverty gap and severity are much higher on Swazi Nation Land (SNL) compared to Title Deed Land (TDL). In parallel to the concentration and 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.
5. **Poverty** in rural Swaziland shows several faces: Child malnutrition is rife, with 38 per cent of the under-fives in Shiselweni being stunted, against 30 per cent in Lubombo. Severe stunting stands at about 10 per cent of all under-fives, with a concentration in poorer households and among orphaned children³. Health issues are severe with roughly a quarter of the rural population between 15 and 49 years affected by HIV/AIDS⁴. Access to water is problematic, as 10 to 25 per cent of the households have to travel over one hour to collect drinking water⁵. Ownership of assets reflects the households' standard of living, although mobile phone ownership per household reaches 69 per cent even for rural households in the poorest quintile⁶.

² IMF, Statement at the End of an IMF Staff Visit to Swaziland, Press Release No. 14/17, January 21, 2014; IMF, Kingdom of Swaziland : Staff Report for the 2011 Article IV Consultation, February 2012

³ Central Statistical Office and UNICEF, Swaziland Multiple Indicator Cluster Survey 2010, Final Report, 2011

⁴ Central Statistical Office and Macro International Inc., Swaziland Demographic and Health Survey 2006-07, 2008.

⁵ Central Statistical Office and UNFPA, Population and Housing Census 2007, Volume 2, Atlas, 2010

⁶ Central Statistics Office, 2009/10 Swaziland Household Income and Expenditure Survey, February 2010

6. **Causes of poverty.** Many factors contribute to poverty in Swaziland, including: lack of employment opportunities; 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 income generation; lack of competitive skills acquired through education; and the extreme prevalence of HIV/AIDS. Women are accorded a minority status that denies them access to assets and productive resources.

7. **Land tenure and poverty.** Currently approximately 54 per cent of the country is held in trust for the people by the King as Swazi Nation Land (SNL). This is where 75 per cent of the population lives. Swazi Nation Land is predominantly used for smallholder agriculture. Sixty-one percent of SNL farm holdings is less than one hectare in size. Productivity is low and poverty widespread. The largest share of the national agricultural production comes from privately-owned Title Deed Land (TDL) comprising large estates as well as ranches.

8. Swazi National Land is governed by the chiefs. In accordance to customary law, male heads of households can acquire customary right of use of SNL. Women can, despite a new constitution, often only acquire a customary right of use through a male relative or heir. Securing land tenure is one of the biggest challenges facing the majority of Swaziland's poor. About one-tenth of the land is normally allocated to individual households while the remaining land is communal grazing land, which even if given to cropping, is kept open for cattle grazing in winter.

9. **Food security and nutrition challenges.** Swaziland has experienced declining food production over the last decade due to successive years of drought (possibly attributable to climate change); multi-dimensional impacts of HIV and AIDS; dependence on production under rain-fed conditions; and declining use of improved agricultural technology. The result is a widening food disparity at the national level and increasing dependence on imports to fill production gaps. However, the capacity to import food is threatened by reductions in export earnings due to the global financial downturn. Hunger and malnutrition, which are prevalent in Swaziland, are a direct consequence of household food insecurity. It is estimated that a quarter of the population is food insecure and dependent on assistance, and a third of children under five are stunted, which is above the WHO thresholds. Although the majority of the households in Swaziland consider agriculture to be their main livelihood, with the staple maize being the dominant crop, in reality, most of the food consumed is derived from cash purchases. Since income is a major determinant of food security in Swaziland, many poor people cannot access adequate food and nutrition.

10. **Policies and development programmes.** Swaziland has developed important policies and strategies aimed at improving the role of the agricultural sector in the economy. The government approved the Economic Recovery Strategy (ERS) in 2011, which aims to raise annual economic growth to 5 per cent and create 30,000 jobs by 2014. The ERS has identified the following among targeted sources of growth: Foreign direct investment, domestic investment, agriculture, trade, tourism and human capital development.

11. The Government agenda for ensuring agricultural growth, poverty reduction and food and nutrition security is guided by the following development policies and strategies: National Development Strategy (Vision 2022), Poverty Reduction Strategy and Action Programme 2006 (PRSAP), Comprehensive Agriculture Sector Development Programme 2005 (CASP), National Food Security Policy (2005), National Agriculture Summit Report (2007), National Programme for Food Security (Sectoral Development Plan for Agriculture (2008/09-2010/11)). The overall objective of the agricultural sector as outlined in the CASP is to facilitate and support the development of a sustainable and competitive agricultural sector that assures food security at national and household levels and maximizes the sector's contribution to Gross Domestic Product⁷.

12. The Government participates in the Comprehensive Africa Agriculture Development Programme (CAADP), which helps in detailing an Agricultural Strategic Plan (2014-2019) with an

⁷ Kingdom of Swaziland, CAADP Compact, 2010

accompanying Swaziland National Agricultural Investment Programme. The strategic plan and investment portfolio aim to create by 2017 an enabling environment that ensures sustainable socio-economic development through the provision of services that enhances commercialised agricultural productivity while ensuring national food and nutrition security⁸. Objectives include the creation of sustainable market linkages for agricultural products; commercialisation of agricultural production on SNL; water resources development in strategic areas to promote irrigated farming; and rehabilitation of existing infrastructure.

13. A first draft National Land Policy (NLP) was prepared in 1999 with a view to improving access to land and security of tenure on SNL including tenure on irrigation schemes, as well as clarifying roles and responsibilities for land administration. The draft policy considers the possibility of leasehold arrangements and transferable user rights for individual farmers and farmer groups on SNL. It proposes that the 99-year leasehold concept, already being applied on SNL by the Ministry of Housing and Urban Development (MHUD) in an urban context, be also applied to rural SNL. It also proposes changes to systems of land allocation to allow women to have equal access. Under the Lower Usuthu Sustainable Land Management Project (IFAD-GEF-funded) a draft land bill has been produced following extensive consultations at both the national and the local levels, which have included the Land Management Board, the Swazi National Council (SNC) and the Regional Administrators. The consultation process will continue, as preparation for moving the Draft Land Bill through the respective ministries and on to the Legislators. In addition, a EUR 8 million grant was approved by the EU for a Land Governance Project that builds on outcomes of the LUSLM.

14. The government has in place policies to address the growth of the country and the agricultural sector, but the implementation of policies has not been fully done and clear positive impacts have not been realised. The recent promulgation of a Programme of Action (2013-2018)⁹ which sets clear goals with respect to nutrition and poverty, and which lists clear activities and targets in a number of fields, including agriculture, is encouraging and provides a clear policy setting for the Smallholder Market-led Project.

B. Rationale

15. Improved productivity of smallholder farms helps reduce poverty and increase food security. In order to stimulate smallholders' productivity, a reliable demand for locally produced agricultural products is required, followed by an improvement of existing and new development services, which should target smallholders more effectively. In rain-fed areas, soil and water resources are critical production factors that should be conserved for and directed to smallholder agriculture.

16. In Swaziland, the Government is committed to assist smallholder agricultural development as an approach to reduce poverty. The recently announced Government Programme of Action¹⁰—emphasising paradigm shifts to align development to that of developed countries—pursues sustained and shared economic growth through raising productivity of Swazi workers. Agriculture is a focal area in the programme of action, as 78 per cent of the Swazi population derives its livelihood from agriculture. The agricultural productivity is very low and the overall contribution of agriculture to the gross domestic product is 8 per cent only. The majority of the population is living as smallholders on Swazi Nation Land, and contributes less than 5 per cent to the agricultural production, while the bulk is produced by large estates on Title Deed Land. The comparison of productivity between TDL and SNL suggests a strong potential for increasing land productivity. The Government's plans and policies for agricultural development pursue a paradigm shift from current rain-fed subsistence farming to irrigated commercial agriculture. The new Agricultural Strategic Plan and the National Investment

⁸ MoA, Draft Strategic Plan 2014 – 2019, 2014 (under development)

⁹ His Majesty's Government, Development Unusual – The Route to The First World Kingdom, Programme of Action (2013 – 2018), 2014

¹⁰ His Majesty's Government, Development Unusual – The Route To The First World Kingdom, Programme of Action (2013 – 2018), 2014

Programme place consistent emphasis on developing linkages between smallholders and markets; on service provision to smallholder agriculture and on harnessing water resources for enhanced agricultural productivity.

17. The Government aims to support irrigation development, crop diversification and value addition. Past experiences with provision of large-scale irrigation to smallholder agriculture, a/o in the IFAD supported Lower Usuthu Smallholder Irrigation Project (LUSIP 1), are consistent with this approach. With major water sources now captured, the Ministry of Agriculture prioritises investments in earthen dams benefiting command areas over 20 hectares. The potential for such irrigated commands is concentrated in the Highveld.

18. Chiefdoms in the rain-fed Lowveld areas of Lubombo and Shiselweni do neither benefit from large-scale water resources infrastructure on the Usuthu River, nor from prioritisation of large command areas for new irrigation development. Yet, a solution for these, currently, rain-fed areas is found in the experience of the IFAD and GEF-supported Lower Usuthu Sustainable Land Management Project (LUSLM). This project demonstrated viable ways to support smallholder agricultural production in rain-fed chiefdoms. The approach is based on improved community participation in chiefdom development decisions. These decisions include the provision of access to land resources for agriculture; pragmatic use of conservation agriculture techniques; capture of rainwater run-off from roofs; and collaboration among market-oriented producers. All these factors combine to help households achieve higher crop yields and livestock production. Part of the additional production finds its way to predominantly local markets; while the remainder benefits local consumption.

19. Important lessons from LUSLM can also be drawn: With better targeting of support services and development activities, more and poorer households could be reached; and with more substantial investments, the land resources could be protected from erosion, and provided with irrigation water from small earth dams. Such improved land would then be available for market-led agriculture. The most significant lesson is, however, that Swaziland's unmet internal demands for raw agricultural materials could be sourced from existing crops and livestock production by smallholder farmers. Specific and confirmed market demands at the national level coincide with existing smallholder production. Besides having market potential; these local crops and livestock products also have significance for boosting balanced human nutrition: legumes, vegetables, fruits, indigenous chicken, goats and honey.

20. Smallholder producer households in rain-fed Lowveld chiefdoms can enhance their food security and incomes from diversified agricultural production and market-linkages. To do so, smallholder farmers should be able to access land- and water resources in the chiefdoms for market-led agriculture initiatives; investments should support smallholder farmers in making conservative use of these resources; and market partners and smallholder producers should cooperate to redesign and supply existing value chains. These pre-conditions (access, conservation and market linkage) are significant, and Swaziland has tested approaches for all three.

21. Chiefdom Development Planning, which is embraced by the Ministry of Tinkhundla (Local Government) after testing in the LUSIP 1 and LUSLM project areas, introduces participatory planning in the chiefdoms, so that decision-making on socio-economic development activities is increasingly informed by consultation of the concerned households and communities. The result of Chiefdom Development Planning is a transformation of the development processes, contributing to the allocation of the natural resources in the chiefdom to agricultural and economic activities that benefit the population both in terms of food security and incomes. Land resources are set aside for market-led agriculture initiatives through a Chief's Letter of Consent (CLC), which guarantees access to and usufruct from land, while stipulating conditions for sustainable use.

22. Conservation of land and water resources supports food crop production and market-led agriculture. Capture of roof water run-off enables rural households to double the size of their homestead gardens, while reducing their time requirement for fetching water. Local construction of

ferro-cement tanks helps store captured water and offers opportunities for youth enterprises. Existing small earth dams in the Lowveld have often been constructed with cattle drenching first in mind, but are found to have untapped potential for expanding irrigated areas under commercial horticulture. Land resources set aside from grazing by the chiefdom in order to stop degradation and erosion, can be beneficially used to produce both groundcover crops and fruit trees.

23. National legislation supports local sourcing of market requirements. Wholesalers, including NAMBOARD and Eswatini Kitchen, commit to sourcing their demands from smallholder farmers. NAMBOARD reports existing market demands for 2,000 metric tonnes per annum for sugar beans; 6,100 metric tonnes per annum for potatoes, and 2,100 metric tonnes for onions and carrots each. Eswatini Kitchen reports an unmet demand for locally produced honey of 60 metric tonnes per annum, as well as unspecified demands for vegetables and fruit for processing. The wholesalers have already existing network of smallholder suppliers and are willing to expand to the project area. The IFAD-supported Rural Finance and Enterprise Development Programme (RFEDP), implemented by the Micro Finance Unit, develops both a policy framework and financial products aimed at assisting smallholder producers to access rural financial services to respond to existing market demands.

24. Bringing together producers, wholesalers, financial and technical services and local buyers to redesign the way in which value chains for local food commodities now function offers a good mechanism for enhancing both productivity and food security.

25. When it comes to combining local development planning, natural resource management and market-led agriculture, IFAD has a track record that is well-recognised in Swaziland. The approaches IFAD has helped to develop in the past have found their way into national policy and are replicated in other programmes in areas with large-scale irrigation (i.e. LUSIP 1; the recently started High Value Crop and Horticulture Project (HVCHP, EDF-funded); and the proposed LUSIP 2). There is now a need to develop market linkages for rain-fed areas that have already engaged in local development planning and enhanced agricultural production (i.e. the LUSLM area); and to scale-up a comprehensive approach for market-led smallholder production to other rain-fed areas that are as yet not included.

II. Project description

A. Project area and target group

26. The project will be implemented over a six-year period in 25 chiefdoms in the rain-fed Middleveld and Lowveld areas of the Lubombo and Shiselweni regions. It will target poor smallholder farmers that are (i) food deficient and living at a subsistence level; and (ii) economically active and able to sell surplus production. The farmers will be assisted in increasing their farm productivity and production through access to irrigation, inputs, training and access to services. Economically active farmers will be linked to wholesalers to sell surplus production and increase income. Along selected value chains, employment opportunities will be created for young people, for example in managing collection and information centres. The activities are tailored to the capacities of smallholders, including families affected by HIV/AIDS.

27. **Geographical targeting.** The Government of Swaziland intends to provide better services to smallholders throughout the country. SMLP forms part of this drive, but will focus on the poverty stricken rain-fed Middle- and Lowveld areas outside the command area of the Lower Usuthu Reservoir. SMLP will build on initial support given through LUSLM to 10 rain-fed chiefdoms and will scale-up the approach and lessons to fifteen additional chiefdoms in rain-fed areas of Shiselweni and Lubombo Regions, provided additional grant funding becomes available.

28. Twenty-five chiefdoms out of an approximate total of 50, located within nine Tinkhundla have been pre-selected based on their rain-fed nature and on the chiefdom's leadership's commitment to engage with the Project and to set-up and consult community development committees in decisions pertaining to development activities. It will not operate in the present and future command areas of the

Lower Usuthu Smallholder Irrigation Project, but will focus on a total of 25 rain-fed Middle- and Lowveld chiefdoms, within the marked area (see map of project development area on page v).

29. The choice for these chiefdoms in Shiselweni and Lubombo Regions is based on the widespread prevalence of poverty and malnutrition in the Middle- and Lowveld areas, and on the vulnerability of the rain-fed areas to the effects of droughts, predicted climate change and continued cattle grazing. In these areas, well-planned land use combined with development of small-scale water resources, creates conditions under which smallholders can enhance their productivity and provide their surplus product to existing markets.

30. In addition to the regional focus on deprived areas, as described above, SMLP has reasons of efficiency for concentrating in Shiselweni and Lubombo Regions. The Project will service a contiguous rain-fed area, including chiefdoms not benefitting from earlier major programmes. The Project can be managed from a single regional hub. In addition to this regional concentration, a number of Project investments, amongst others in land degradation surveillance, extension capacities, market information and product certification help scale-up services for smallholder agriculture to the national level.

31. **Household targeting.** To ensure that project benefits reach the rural poor, the Project will target the (i) food deficient and living at a subsistence level; and (ii) economically active and able to sell surplus production. As the first target group especially is in need of both better nutrition and enhanced income, the choice of value chains to be developed is centred on homestead production of food commodities, including small stock. The commodities supported by SMLP correspond with those produced by both target groups. Increased productivity will support nutritional intake and marketing of surplus production will enhance household incomes. Value chains identified include food grains, legumes, vegetables, fruits, indigenous chicken, goats and beekeeping.

32. Pending a more exact inventory of population and poverty, especially in the new areas to be covered by the Project, the following estimates are made. The Project area contains a population of around 65,000 inhabitants, of which an estimated 85 per cent are predominantly engaged in smallholder agriculture. A little over 60 per cent of the population classifies as poor; and 5/6th of those can be seen as economically active. Ten percent of the households are unlikely to be able to engage in market-led production as these households are headed by children, elderly/very old, chronically ill and disabled. Five percent relies on incomes outside agriculture.

33. The above leads to a typology and approximate size of the Project area's population, as follows:

- *Better off* – accounting for approximately 5 per cent of the population (3,250 in 545 households)
- *Middle wealth* – economically active smallholder households, accounting for 35 per cent of the population (22,750 in 3,815 households);
- *Economically active poor* – smallholder households who have potential to produce marketable surplus, accounting for 50 per cent of the population (32,500 in 5,450 households);
- *Food deficit poor* – smallholder households unable to produce any surplus in the foreseeable future, accounting for 10 per cent of the households (6,500 in 1,090 households).

The economically active smallholders (middle wealth and poor) and the food deficit poor constitute the Project's target group.

34. **Targeting mechanisms.** Without a clear approach towards targeting, development activities will tend to first benefit the better-off and better-connected smallholders; while the poorer will at best remain late adopters of improved cropping practices and marketing opportunities. Moreover, without clear focus, the attention may shift easily to production for markets only, and risks disregarding the nutritional requirements of the food deficit poor. To counter such biases, SMLP will use the following targeting mechanisms:

- The choice of crop and livestock commodities on which to focus Project support is based on the food patterns of the poor. This enables promoting productivity either for direct nutrition or for local and/or regional markets. The Project includes the promotion of proven agricultural techniques such as conservation agriculture (CA), and supports enhanced availability of water resources at the homestead. Both support food grain and home garden productivity, regardless whether for home consumption or for market supply. The commodities for which the Project will assist the development of market linkages all are dual purpose: they form part of the farming system of the food deficit poor and they have proven market demands. Hence, the Project focusses on poultry and goats, rather than on cattle; and on legumes and vegetables, rather than on exclusive cash crops, such as sugarcane. Honey production is a new farm activity, but is included because of its low threshold for adoption, its nutritional value and the existence of local and national market demands.
- Targeting of development activities to specific beneficiaries is done by the chiefdom's leadership. Through their Development Plans, the chiefdoms mobilise natural and human resources for specific development activities. A participatory poverty and vulnerability assessment is the starting point of the plan preparation, and based on the poverty inventory the community development committee will propose which households is most suited to be involved in or targeted by development activities. A pragmatic outlook to targeting is suggested, whereby a balance is sought between households that live near to a location, households that are interested (or experienced) in an activity, and households that form part of the prioritised target group;
- For households that do not automatically come forward for a development activity, active household mentoring will be used to coach these households into engaging in such development activities.

35. A control on the targeting is provided by the staff of MoA's Rural Development Areas. Their involvement as advisors in the Chiefdom Development Planning exercise and in market-led agricultural production activities places them in a position where they can monitor the extent to which the intended target group is reached. .

36. **Women and youth.** Although there are gender imbalances in terms of access to land, labour, extension and financial services, many of the gender issues are associated with a household's relative poverty. The agricultural sector has long been characterised by an aging population, with the youth preferring to seek off-farm employment and to migrate to urban centres. The specific needs and challenges of women and youth need to be considered to ensure equity in the opportunities to participate in training, allocation of irrigable land, group membership and leadership in local decision-making bodies. Women may be engaged in the Project in their own right as heads of households or as wives. The youth need to be convinced that farming is a means of making a living and may be encouraged to engage in service delivery to agriculture, as a venue of income generation. One entry point will be that a group of youth would be provided with a minimum of farming implements needed to start a small contracting business, support the development of a business plan for securing a loan for operation costs.

37. **HIV/AIDS.** Deliberate efforts will be needed to reach smallholders affected by HIV/AIDS and to develop livelihood skills, including food production, among orphans. As a key area for the Government there are a range of agencies responding to the issues in this area and as such the Project will work closely with them.

B. Development objective and impact indicators

38. The Smallholder Market-led Project's long-term goal is to reduce rural poverty amongst smallholder households in 25 chiefdoms in the rain-fed areas of the Middle- and Lowveld. This goal is supporting Government policies to reduce poverty, as recorded amongst others in the Swaziland National Agricultural Investment Programme (SNAIP). The Project Development Objective – to be attained at the Project's close – is for the Project target population of poor smallholder producer

households in the Project chiefdoms to enhance food security, nutrition and incomes they derive from diversified agricultural production and market-linkages.

39. Indicators for Project success include reduction of the incidence of poverty and of child malnutrition in the Project area. Indicators that signal progress towards the objectives, include evidence of community-based planning; involvement of service agencies with the target communities; allocation of natural resources to (irrigated) market-led agriculture; implementation of arrangements to use and care for soil and water conservation infrastructure; enhanced agricultural production in key commodities; increments in the supply of local produce to wholesalers, increase in the number of smallholder producers regularly supplying markets; and the elaboration of business development plans per value chain.

40. To enhance production and incomes, the Project will invest in infrastructure for land and water conservation, including erosion control measures, rehabilitation and new construction of small earthen dams and water harvesting technology. Measures to improve land and water management, closely coordinated with the chiefdoms, will create conditions for enhanced agricultural production. Market investments will be made to link existing market demands to smallholder crop and animal husbandry, supported by the introduction of improved agricultural practices.

C. Outcomes/Components

41. The Project investments are grouped in three closely linked components: Chiefdom Development Planning, Infrastructure for soil and water conservation and market-led smallholder agriculture.

Component 1 – Chiefdom Development Planning

42. Chiefdom Development Planning is required to identify and direct development activities in the chiefdoms. To this end, an institutional framework supporting decision-making by the traditional leadership will (where needed) be established and strengthened. Community Development Committees (CDCs) shall be assisted to process information on the chiefdom's resource base, on its population, on bottlenecks and opportunities and on development options and priorities into a Chiefdom Development Plan. This plan informs decision-making by the traditional leadership with respect to the functions that can be undertaken on Swazi Nation Land, and with respect to where and to whom development activities are directed. The Project will support the Community Development Committees by making available advisory services to the planning process, including crop and livestock extension from the Rural Development Areas (RDAs) of the MoA, services with respect to GIS and resource mapping, and NGO services. Existing services will be brought into contact with the CDCs through the implementing agency, while new services may be rendered by implementing agency staff itself. A specific field of support, which will be rolled out nationally, is a land degradation surveillance system, which enables early recognition of emerging land degradation risks.

43. Experience from rain-fed areas where Chiefdom Development Plans have already been developed confirms that availability of water for consumption, agriculture and livestock is a priority need. The CDC identifies areas where interventions are needed to secure and utilise water resources. In addition, the CDC identifies development activities that may benefit the population or parts thereof. The CDC identifies which households can participate in such an intervention.

44. The Community Development Planning uses the organisational structure proposed by the forerunner projects, such as LUSIP 1 and LUSLM; but the process itself will be drastically different. The overall time required to develop a plan will be reduced to one year, by outsourcing data collection and by proactively suggesting priorities activities to the CDC for their consideration and subsequent decision-making. In effect, the community planning will be more responsive to the priority areas in which Project support is available; and the CDC will focus less on identification of goals and activities; and more on the identification of beneficiaries and resources.

45. Targeting will, more than before, be a part of development planning. Not only for the preparation of the CDP, but also as and when new development opportunities present themselves to the area. Information on existing market opportunities needs to be acted upon as and when it becomes available, and the CDCs will be asked to play a role in identifying economically active smallholder producers willing to engage in market-led production, while they shall pursue and encourage the inclusion of poor HIV-affected households (see also para 33, above).

46. The development of the CDPs will be phased over a three year period, so that the baseline information is complete. The process will start with Chiefdoms that continue from LUSLM, so that a relatively light re-focussing of the existing plans is possible. As more experience is gained with the new approach, the roll-out will move to the new Chiefdoms.

Component 2 – Infrastructure for Soil and Water Conservation

47. Infrastructure for Soil and Water Conservation is a condition for enhanced agricultural production. The infrastructure may safeguard production by preventing erosion of productive land or the silting-up of the water reservoirs upon which this land depends; or by harnessing run-off for agricultural purposes. Based on experiences in other projects and programmes, this component will comprise erosion control, rehabilitation and new construction of small earth dams and installation of rainwater harvesting equipment. Given the fact that catchments may extend beyond chiefdom boundaries, the issue of coordination will be addressed.

48. Rainwater harvesting will mainly enhance water availability at the homestead, including reuse of domestic water for watering of homestead garden. This measure is therefore especially relevant for food deficit poor households where a reduction of the time required for fetching water is combined with better conditions for crop production on the homestead. Rainwater harvesting systems will be targeted at individual households, with concessional terms for poorest households.

49. The construction / renovation of earth dams (including command areas) and the control measures in erosion-affected areas offers scope for economically active smallholder households to engage in production of commodities both for home consumption and marketing. Small earth dams are typically 5 to 8 m high with a holding capacity of up to 50.000 m³ potentially serving command areas of 5.5 hectares with supplementary irrigation. Erosion control areas include gully plugging, fencing off the surrounding areas and restoration of ground cover, a/o by fodder and tree crops. Both irrigation and erosion-control works take place on communal lands, which will be brought under beneficiary management through agreements with the Chiefdom leadership. Investments will be made by the Project (construction of main infrastructure and materials) and by the beneficiaries (labour for fencing, sustainable use of communal land, patchwork repairs and maintenance). Subsequent investments in agricultural productivity can be made by the beneficiaries, either by mobilisation of own funds, micro-credit or pre-financing by wholesalers.

50. The process of planning, design, construction and operation & maintenance of the above infrastructure combines overview by the Community Development Committee, active participation of the producers benefitting from the infrastructure, and sound engineering services through existing or hired specialised agencies. The construction of new dams requires a rigorous planning process, with environmental impact assessments and checks and balances on engineering and aftercare. Producers benefitting from such infrastructure should form an infrastructure users' group to operate, maintain and guard the infrastructure. The construction of household-level rainwater harvesting equipment (tin roofs, gutters and ferro-cement storage tanks) is an activity that can generate incomes for people trained for and specialised in this work. Erosion control measures should in all cases be combined with perimeter fencing, secluding the vulnerable area from livestock grazing. Doing so offers the opportunity for production activities such as hay baling and tree cultivation in fenced-off areas.

51. The Project will develop a portfolio for the investments in irrigation development and erosion control. Based on an inventory of soil and water resources, a systematic procedure will be followed to identify those investments that render most effect. More information on major infrastructure, including

cost estimates, is included in appendix 4. The Project is the external investor in infrastructure, with beneficiaries providing unskilled labour, guarantees for sustainable land use and preventive maintenance and patchwork repair. Agreements to this end will be elaborated. Further investment in agricultural productivity (e.g. irrigation equipment) can if needed be financed from the proceeds of market-led agriculture; be it by the smallholders themselves (credit and savings groups), by micro-finance institutions or by pre-finance arrangements with market partners.

Component 3 – Market-led Smallholder Agriculture

52. Rather than pursue directly a higher agricultural productivity, the Project will use existing unfulfilled market demands as the entry point for agricultural development; and will help gear agricultural practices to the specifics (quantity, quality, timeliness) of that market demand. Moreover, it will invest in those value chain partners that are committed to source their demands from smallholder producers, including support to a coordinated approach for value chain improvement.

53. **Existing market demand.** This component uses market demand as the primary driver for increasing production and productivity within the Project area. In keeping with the government priorities on food and nutrition security while increasing farm incomes, the Project will concentrate on commodity chains that respond to the food and income requirements of the farmers as well as to the productive capacity of the Project area. There are existing unfulfilled market demands for crops such as sugar beans, fruits and vegetables and for livestock products such as goat for meat, indigenous poultry and honey. The Lubombo region is ideal for honey production as it relies on honey produced from natural vegetation which does not crystalize compared to that from the Highlands derived mainly from the eucalyptus species. The Project will encourage the planting of fruit trees for production of honey, jam, chutney and other such commodities. Fruits such as plums, peaches and nectarines and Seville oranges are in demand as both fresh fruits and for processing. The following table provides an initial overview of the commodities in demand, the concerned market partners and the relevant business services involved in improving the value chain.

Table 1: Commodities, market partners and business services (initial overview)

Commodity	Wholesalers / buyers	Business development services
Legumes	NAMBOARD	TechnoServe, MoA Extension services, NAMBOARD, Micro Finance Unit
Vegetables (fresh)	NAMBOARD, supermarkets, restaurants	TechnoServe, MoA Extension services, NAMBOARD, Micro Finance Unit
Fruits (processing)	NAMBOARD, Eswatini Kitchen	TechnoServe, MoA Extension services, NAMBOARD, Eswatini Kitchen, Micro Finance Unit
Goat meat	NAMBOARDS	TechnoServe, MoA Livestock and veterinary services, NAMBOARD, Micro Finance Unit
Indigenous poultry	NAMBOARD, supermarkets, restaurants	TechnoServe, MoA Livestock and veterinary services, NAMBOARD, Micro Finance Unit
Honey	Eswatini Kitchen	TechnoServe, MoA (surveillance), Eswatini Kitchen, Micro Finance Unit

54. **Business services.** The Project will support a number of business services from the Government, non-governmental organisations, the private sector and will enable linkages with other IFAD-financed projects to provide market information, estimate market demand, procure internal and external markets, enable business plan development, provide financial services, create backward and forward linkages between wholesalers/buyers and producers, and provide extension and advisory services:

- NAMBOARD is by mandate responsible for promoting market access for commercial smallholder agriculture. As such, NAMBOARD is the coordinator of all entities cooperating under this component. NAMBOARD will be assisted to develop a grading system primarily for commodity chains within the Project area in exchange for which NAMBOARD will develop a production system together with the RDAs, in which production and planting will be based on responding to a specific market opportunity and whereby production will be agreed based on a specific guaranteed minimum quantity being purchased from target producers. NAMBOARD

will be assisted with technical expertise to develop systems that develop forward and backward linkages between wholesalers/buyers and producers as well as the development of a Training of Trainers (TOT) package for market-driven extension services;

- The Ministry of Agriculture provides various services for market-driven agriculture, such as crop and livestock extension services, veterinary services and market information. MoA's Rural Development Areas (RDA) are a key entity for the provision of services to smallholder farmers. The project will assist RDAs with vehicles and support for technical expertise in the area of business/market development. The Marketing Unit will play a pivotal role in the development of a country-specific market information system (MIS) that provides real time market information to producers. Assistance will be rendered to the development of the country surveillance system for honey production.
- The Project will work with private sector partners such as Eswatini Kitchen and support it to increase its extension services, in order to develop the honey producers as well as the fruit tree lines that would fulfil the market demand for honey and other fruit products. Eswatini Kitchen is one service provider that has a successful working model with established linkages with smallholder honey producer and it will be assisted to expand its services into the Project area ensuring that a specific amount of honey and/or fruit is collected from the Project area. Eswatini will also develop chilli production through permaculture, especially for the homestead gardens of vulnerable households. As other value chains emerge other private sector partners will be enabled to provide extension services based on specific commodity lines to the producers.
- The Micro Finance Unit will be involved in the Project, through the ongoing IFAD-funded RFEDP. It will assist smallholder producers to access microfinance services and small enterprises advisory services.

55. **Capacity building.** Implementation of especially component 3 of the Project depends to a large extent on how effective the various participating public and private sector agencies will be in carrying out their duties and responsibilities. The organisational capabilities matrix (table 8) in appendix 4 highlights the little experience of partner agencies in value chain development, in capacity building and their limited resources for implementation. Given this situation, the Project will employ various mechanisms to address the capacity needs of these agencies. This comprises technical assistance to SWADE and NAMBOARD; equipment and systems for MoA and its Regional Development Areas; training; and – especially for the development of market linkages – the involvement of TechnoServe, as a specialised agency in value chain development. Appendix 4 includes an overview of the various elements of capacity support included for component 3 of the Project.

56. **Coordination.** Given the many stakeholders in market-led agriculture, coordination of – and a constructive interplay between – parties is a prime factor for successful implementation. Component 3 will therefore have its own technical committee, where the stakeholders engage on a regular basis. Moreover, agreements with action plans between the stakeholders will be formulated and periodically reviewed for their effectiveness.

57. **Innovation platforms.** Innovation in and improvement of the above value chains will take place through innovation platforms. Here, the concerned market partners, with the business services and representatives of the growers analyse and review the functioning of a value chain, and formulate short-term proposals for improving the value addition of the chain, and the share of smallholders in the same. To ensure a systematic approach, TechnoServe, an international business development service with presence in Swaziland, will be engaged to guide, assist and support the innovation platforms.

58. **Collection and Information Centres.** The Project will continue to support the farmers by developing markets and by ensuring relevant production information. To this end, Collection and Information Centres (CICs) will be developed. These are simple – often existing – buildings where bulking and packaging can take place, and where the extension services can deliver their services. CICs will be managed by youth enterprises. Wholesalers and buyers will use the CICS to assist the

smallholders by defining planting regimes to fulfil the estimated annual demand for the guaranteed minimum quantity being purchased from target producers. Extension services, and Project support to these, will promote soil and water conservation in crop production, using sustainable agricultural practices that incorporate water, livestock, and use of crop residues. The Project will build on the experiences in Conservation Agriculture gained by the Lower Usuthu Sustainable Land Management project (LUSLM).

59. **Support to smallholder agriculture.** The CICs offer a conduit to deliver support to smallholder production of marketable food commodities. The RDAs and the concerned market partners are the principal providers of services and inputs to help the smallholders improve their production. Given the scant availability of water and the vulnerability of soils, emphasis will be given to conservation agricultural practices and sustainable agro-ecological intensification¹¹. It will also include post-harvest technology to ensure the adequate quality and quantity of marketable products. Project support will be available to help RDAs and market partners concerned with a specific commodity to advice and support smallholders. Such support will include advisory services, demonstrations and start-up support packages (e.g. seeds, fertilisers, equipment) for introduction of new and improved cultural practices. As the Project also aims for enhanced food security in poor food deficit households, extension services will continue to pay attention to the production of food grains and commodities for household consumption.

D. Lessons learned and adherence to IFAD policies

60. The COSOP, prepared in 2006, identified three objectives for IFAD's involvement in Swaziland. In the intervening period, important experience has been gained on each of these three objectives, and these lessons are incorporated into the design of SMLP.

61. COSOP's first objective relates to **land and water** and is *"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"*. The Lower Usuthu Smallholder Irrigation Project (LUSIP) successfully involved smallholders in the production of sugar in a large irrigation command. Realising that food security and nutrition were insufficiently addressed, parts of the irrigated command were set aside for cultivation of crops that serve local nutritional needs and that can – in case of a surplus – be marketed. Chiefdom development planning has been used successfully as a means to help households engage in new development activities. LUSIP demonstrated that smallholders can be involved in ambitious development activities, and that they can produce for the market. Moreover, the importance of water as a key factor in enhancing productivity of the drought-affected soils in the Middle- and Lowveld was demonstrated. The Lower Usuthu Sustainable Land Management project (LUSLM) has demonstrated the potential of conservation agriculture and permaculture for making better use of soil moisture and for improving soil properties.

62. With respect to **finance, enterprise development and markets** the COSOP aims *"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"*. The Rural Finance and Enterprise Development Programme (RFEDP) under the Ministry of Finance's Microfinance Unit aims to stimulate development of small enterprises and the provision of microfinance. With respect to the latter, there appears to be a dearth of affordable microfinance. The potential of formal and informal savings and credit groups has, however, not been fully explored. In LUSIP, smallholder companies have been set-up to avail the opportunity of contract cultivation for the sugar mills. This worked, because of the direct interaction between mills and out-growers, and because of the large-scale plantation-type of cultivation. Here, the formation of a company was the missing link between mills and out-growers. The model might work for similar commodities, but experience of the Lower Usuthu

¹¹ Sustainable agro-ecological intensification is defined as producing more output from the same area of land while reducing the negative environmental impacts and at the same time increasing contributions to natural capital and the flow of environmental services

Sustainable Land Management project (LUSLM) shows that for enhanced production of commodities on the homesteads the missing links are (i) the articulation of existing market demands, for instance through local buyers, to smallholders; and (ii) the ability of the latter to meet specific demands regarding quantity, quality and timing.

63. COSOP's third and last objective on **empowerment and legal rights** is *"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"*. Both LUSIP and LUSLM introduced community-based planning to ensure that decision-making in the chiefdoms is informed by the voices and aspirations of the citizens. LUSIP introduced the Chief's Letter of Consent (CLC) as a means to transform communal grazing land in land for commercial agriculture; and as a means to give specific groups of smallholders the usufruct of such land in return for guarantees on sustainable use. LUSLM, in addition, supported the development of a new more inclusive framework for access to Swazi Nation Land, in the form of a draft Land Act. Chiefdom development planning results in a more rational use of available land and water resources; and the value of this approach is recognised at national level, and by surrounding chiefdoms. A logical next step is to use the local planning capacity to involve specific targeted households in development activities, which contribute to their quality of life. Chiefdom Development Plans require to be challenged – not only through their internal development process – but by external review as well. Government entities, such as for instance the MoA Rural Development Areas can play the role of external reviewer, and thereby contribute to the focus and targeting of Chiefdom Development Planning.

64. The Project design adheres to IFAD policies with respect to targeting, gender and environmental and social review.

65. **Targeting policy.** The Project targets poor, often HIV-affected rural people whose livelihoods revolve around agriculture and who have an interest in engaging in more commercially orientated on-farm economic activities. This is not an easy target group to reach, as better-off and more active households will be quicker to participate in market-led production activities. The Project design therefore includes a targeting strategy. The first step therein is to develop chiefdom socio-economic profiles, which identify the households that constitute the target group. Subsequent monitoring will gauge whether the chiefdoms succeed in targeting this group, and Community Development Committees will be asked to identify measures to include target households in market-led production activities. Measures include mentoring, focussed training sessions and hand-in-hand approaches. The Project RIMS and the monitoring of the Chiefdom Development Plans will pay due attention to targeting.

66. Off-farm economic activity is included in the project design when it is directly relevant for agricultural productivity. This includes establishment of local businesses with respect to bulking and storage of local produce, installation of rainwater harvesting equipment and the provision of tractor services. These services are vital for enhanced productivity: market-led agriculture becoming more viable with market linkages; home garden production becoming more secure with additional water resources; and agricultural plots being prepared more swiftly and timely using tractors. The demand for these services is confirmed by the LUSLM experience. For these activities, the Project will target specifically the youth, which is less interested in agricultural production but may be enticed to engage in small enterprise.

67. **Gender policy.** Women form a majority in the Project area, and many households are female-headed, due to male out-migration for income and due to the effects of the AIDS pandemic. Female-headed households are over-represented in the Project target group. While there is no strict adherence to a gender division of roles into distinct spheres, men associate with cattle rearing; generally leaving crop production and rearing of small livestock to women. The Project's choice to concentrate on food crops and small livestock is based on the realisation that this provides implicit focus on women. However, once the potential for incomes is there, men may opt-in for market-led production activities. The Project includes steps to safeguard the participation of women. A Gender and Youth Action Plan will be developed for the Project, and will be reviewed annually.

68. The chiefdom socio-economic baseline studies inventory amongst others the female-headed households and regular monitoring will demonstrate their participation in development activities. The Community Development Committee is the forum to discuss disparities in gender participation, as well as for identifying remedial measures. Where groups are formed, be it the CDC, groups for soil and water infrastructure or youth enterprises, the Project will promote female participation in the leadership of these groups. Discussions with respect to gender differentiation will be initiated, using story-telling as an entry point. Lastly, the staff composition of the PIU will include women in professional roles.

69. **Environmental and social review.** In the Project area, poverty and land degradation go hand in hand. Many development activities directly or indirectly affect the precarious balance between land use and land degradation. Continuous review of environmental and social impacts is therefore important. The Project includes the establishment of a land degradation surveillance system (nation-wide). This will help highlight risk zones. Based on inventory of soil and water resources, the Project includes sizeable investments in erosion control and water conservation. Especially the investments in new dams need to be accompanied by environmental impact assessments, whereas for rehabilitation of dams and for erosion control works, strategic environmental assessments are included. These will help identify complementary mitigation measures for erosion control and dam rehabilitation works. In the realm of agriculture, attention will be given to low input forms of agriculture, including conservation agriculture and permaculture. In this respect, the Project builds on demonstrated success of the LUSLM approach.

III. Project implementation

A. Approach

70. SMLP uses the availability of confirmed markets as a driver for promoting smallholder production for household nutrition and sale of marketable surplus. Chiefdom Development Planning is used to involve smallholder households, and especially target group households, in market-led agriculture, whereas the investment in soil and water conservation safeguards a sustainable natural resource basis for market-led production. This approach builds on existing policies, approaches and market demands and offers an opportunity to apply these at a larger scale, while maintaining a focus on poor rural areas.

71. The choice for market-led development builds on the success of earlier projects, notably LUSLM, in promoting smallholder agricultural production. Support in terms of agricultural extension for better crop and livestock husbandry and better capture of soil moisture and rainwater resulted in larger volumes of agricultural produce. The surplus produced was, however, absorbed in the locality, with little or no produce reaching national markets, nor begetting the prices established therein. While smallholders show their productive potential, national wholesalers are either unable to satisfy their markets; or have resorted to sourcing their demands from producers elsewhere. The demands for agricultural products presently existing in Swaziland has not been linked to the agricultural potential of smallholder producers.

72. **Scaling-up.** SMLP is based on experiences and lessons learnt from its precursors and aims to replicate successful practices to the largest scale possible in terms of both direct inclusion of poor, rural households and policy influence. The Project applies an in-built learning loop, whereby interventions start off on a small-scale; then are assessed for their effectiveness; and subsequently fine-tuned for replication on a wider scale. This applies especially to results and lessons learned on innovation in market linkage through the innovation platforms established by NAMBOARD, the BDS and concerned buyers such as Eswatini Kitchen. Once approaches have been tested and tuned, the Project can help roll-out the innovation to the entire designated project area.

73. **Dimensions of scaling-up.** The horizontal scale of SMLP is limited by available financial resources. The IFAD loan will be sufficient to cover 10 chiefdoms, while GEF and Government funds will be needed to scale up to 25 chiefdoms, out of a national total of ca. 385 chiefdoms. The project

will work in two of Swaziland's four regions. Further scaling-up may take place if additional loan funding from OPEC Fund for International Development is accessed. In terms of vertical scaling-up, SMLP builds on existing policies and approaches, such as commercialisation of smallholder agriculture, development planning at chiefdom level and the allocation of Swazi Nation Land to market-led agriculture. Novel elements of these policies will be validated and operationalised, thereby rendering them more focused on and conducive to the needs of small, rural producers; and enabling a wider replication of these policies beyond the designated project area.

74. **Drivers.** Within the Project approach, existing drivers for development are build-in into the design to make the Project a success:

- Chiefs and chiefdom development planning will help allocate land resources to development activities. Chiefs and Chiefdom Development Plans will be critical for the targeting of project beneficiaries, the selection of development activities and the sustainability of the project interventions;
- The private sector, including the parastatal NAMBOARD, will orient the choice of commodities, the definition of production patterns and the processing of products towards the requirements of existing unfulfilled market demands. The link between producers and private sector will continue to drive development beyond Project completion;
- The Ministry of Agriculture defines policies and implement generic measures that promote a transformation towards commercial smallholder agriculture. It plays a crucial present and future role in the conveyance of market and commodity information to smallholder producers. Moreover, through SWADE, MoA can mobilise capacity and experience for implementation of large-scale projects aimed at smallholders. Staff and processes are in place to assist the government in implementing the proposed project and in scaling-up after completion;
- Partnerships will, more than before, form a driver for market-led smallholder agriculture. The Project will create space for learning between similar Projects, such as LUSIP and the recently started High Value Crop and Horticulture Project (EU-EDF funded); and shall provide room for innovation to NAMBOARD, the Business Development Service, Eswatini Kitchen and other buyers, and Micro-Finance Institutions. Partnerships will help fine-tune and implement the approach of SMLP, including development of adapted lending and saving products for the Project target group. SMLP and RFEDP will collaborate to increase the access to microfinance and to small- and medium enterprise development services.

75. **Risks.** The availability of sufficient institutional capacities for planning and implementation in all partners engaged in the Project poses a risk to its success. To promote a sufficient increase in capacities, the project will provide resources for additional staff and for capacity building in financial management, M&E and field operations. Besides monitoring and reporting; governance- and accountability systems will be established within the Project to ensure transparency, accountability of the main actors and full participation of the project beneficiaries.

B. Organizational framework

76. The Ministry of Agriculture will be the lead Ministry for the SMLP. It shall delegate day-to-day implementation to the Parastatal Swaziland Water and Agriculture Development Enterprise (SWADE), which has long experience in management and implementation of similar projects. SWADE's capacity to co-ordinate the implementation will be strengthened through a short-term technical assistance (TA) that will focus on financial management and monitoring. The TA will ensure timely and smooth start-up of the project. SWADE will establish a dedicated Project Implementation Unit, which shall perform under oversight established by the Ministry of Agriculture. MoA's oversight comprises a Project Steering Committee and two Technical Committees. Further details can be found in Appendix 5. The Project Steering Committee could be combined with comparable committees of similar projects.

77. To ensure that existing market demands lead the agricultural development activities, relevant Market Partners will be involved through Memoranda of Understanding. Market Partners that have already been identified include the NAMBOARD (legumes, vegetables, goat meat) and Eswatini

Kitchen (honey, vegetables, fruits). The Project will include investments that help these Market Partners to link their demands for secure supply to smallholder producers; and the Market Partners will extend its services to these producers. Innovation platforms will be used to bring producers, local buyers, business service providers and wholesalers around the table to address how value chains can be developed and improved.

78. NAMBOARD is mandated with marketing for smallholder agriculture. It will be engaged in the Project as the key business development service, responsible for developing market linkages and value chains for a range of products. As such, it will chair the technical committee on market-led agriculture; and provide coordination to the stakeholders engaged in the third Project component.

79. The Rural Development Areas of the Ministry of Agriculture will be involved in all chiefdom-based Project activities. Their contribution to the Project success consists of conveyance of market information; of technical advisory services for agricultural production and processing; and of equipment and materials for production and infrastructure. Investments will be made to support the role of the RDAs. The involvement of the RDAs is furthermore important as through the RDAs oversight by the lead Ministry can take place on issues critical for the Project's success, such as targeting and sustainability of land and water use.

80. In order to plan and target Project activities for water and soil conservation and for market-led agricultural production, the Project will support chiefdom-led development planning. The chiefdoms, and the Community Development Committees formed therein, are responsible to determine how their land and water resources can best be utilised for development activities; and also take the lead in determining which households can engage in and benefit from these development activities. To this end, the Project will support preparation of Chiefdom Development Plans, and will ensure involvement of the chiefdoms in strategic decisions with respect to infrastructure and market-led smallholder production activities.

81. Producers engaged in crop and livestock production on designated lands and in the homesteads will be encouraged to form groups for achieving results beyond the capability of individual households, such as recovery of degraded land, capture and utilisation of rainwater run-off, staggered delivery of stable market volumes and collective negotiation with service providers. Groups are only set-up in cases where this has added value, while group registration can be low key, through submission of constitution with the Chief.

82. Agencies, resources and expertise available in the Project area shall be engaged where needed. This includes the aforementioned role of the Rural Development Areas but should be extended to include non-governmental organisations and business entrepreneurs active in the area. The PIU takes upon itself the role of broker between the Chiefdom Development Committees, producers and third parties.

C. Planning, M&E, learning and knowledge management

83. SMLP uses a cyclic process to ensure that the Project incrementally learns from its experience. To this end, planning, monitoring and evaluation, learning and knowledge management are parts of a single procedure. Repeated cycles between planning, M&E and learning provide structure to continuous improvement and innovation. A dedicated planning, monitoring and evaluation officer will be engaged.

84. **Planning.** Within the Project, planning takes place in different contexts and at different stages of the Project. There is of course the annual budget and work plan exercise, where available resources are matched to the ambitions described in the Project Logical Framework (pages xii to xiv). Plans are also formulated by the Chiefdom Development Committees, through the assessment for soil and water conservation measures; and by the innovation platforms. The Project strives for coherence in plans, by articulating compact plans, with a clear hierarchy of objectives and means, and with concrete results and responsibilities. The Project will establish a culture of making plans that matter to those that implement them.

85. **Monitoring and evaluation.** In addition to external supervisions and reviews (see III.E), the Project will undertake frequent monitoring and evaluation surveys. This culminates in the Project's RIMS, which gauges progress against results and objectives, using concrete indicators. But also the chiefdom socio-economic profiles and the follow-up on those by assessing progress and targeting of development activities is important; as well as periodic review of agreements reached between market partners in the innovation platforms. Monitoring information will be used to review all plans and agreements made under the Project on, at least, a yearly basis. The preparation of the Annual Work Plan and Budget will be preceded by a review exercise, which will also include a review of the effectiveness of the Gender and Youth Action Plan.

86. The Project design foresees establishment of a comprehensive baseline at Project start-up and the subsequent monitoring of efforts and effects against this baseline. This will be carried-out with baselines and surveys along the Results and Impact Management System (RIMS) and the new the MPAT – Multidimensional Poverty Assessment Tool – methodology. In addition, the Project will be selected for randomised control trials, which will monitor outcomes against the database information, and which will be funded from external grant sources. In addition to standard collection of gender and age disaggregated data, the baseline and follow-up surveys will employ the Women Empowerment in Agriculture Index (WEAI) which measures women's empowerment relative to that of men within their households.

87. **Learning and knowledge management.** Documentation is a precondition for institutional learning. Experience has to be gauged against plans, in order to establish what it means for future activities. The Project will engage a PME officer who will be responsible for recording plans, such as the Chiefdom Development Plans, the MoUs with market partners and business development services, and the Project's Annual Work Plan and Budget and Gender and Youth Action Plan. He/she will compare outcomes against plans and will facilitate the formulation of new plans, based on the previous experience. The PME officer will help Project staff, partners and communities make, review and improve their plans.

88. Progress reports will be submitted on a quarterly basis, ahead of each meeting of the Project Steering Committee. Each progress report will include a section with suggested decisions by the Project Steering Committee, so as to ensure that lessons drawn by the PIU are reviewed and if need be revised by the Steering Committee. Two of the four annual Steering Committee meetings take place shortly after the regular supervision for the Project.

89. Periodic reviews are undertaken to close the loop between planning, M&E and learning. The Project Logical Framework and Annual Work Plan and Budget will be reviewed twice yearly in an interactive workshop setting, involving key players. Constituent plans will be reviewed at least annually, with the stakeholders directly involved in those plans. The PME officers ensures that regular review exercises take place in a constructive and productive manner.

D. Financial management, procurement and governance

90. The Project financial management will be managed under Government financial regulations and procedures. Under these procedures the Project will adopt appropriate systems that will include Financial Planning through AWPB, financial accounting and reporting, funds flow management, procurement and audit, and best management practices. These systems will be made to perform efficiently and effectively to the benefit of the Project implementation. The arrangements detailed here below will be followed to ensure timely and result-oriented performance. In addition the performance of the systems will be reinforced with oversight management at the levels of the Project manager, MoA, Project Steering Committee and MoF. The performing responsibilities and the functions required under these systems, their outputs, and the expected result-oriented deliverables and all other relevant details are documented in the Project Implementation Manual and the Financial Management Manual with appropriate templates upon Loan effectiveness.

91. Funds will be disbursed from IFAD into the project through the Treasury of the Ministry of Finance. To facilitate this, MOF will open two designated Accounts in the name of the MoA/ Smallholder Market-led Project, one for the IFAD loan and the other for the GEF Grant both in US\$. As is the procedure, these accounts will be operated by the officials of the MoF. The withdrawals from these accounts will be formally requested by the PIU, using the approved signatories as and when funds are required to fund the approved AWPB activities. In addition, the Project will open two operation accounts in local currency, one for the IFAD/GEF funds and the other for Government counterpart funds. The purpose of these operation accounts is to facilitate speedy payments of cash expenses for implementation of the AWPB approved activities.

92. All expenditure incurred from the Project financial resources including the IFAD loan and Government counterpart funds will be made strictly in accordance with Government financial regulations, GOS procurement regulations and the approved AWPB provisions. In addition the expenditures will also be made consistently with provisions of the IFAD Loan/GEF Grant Agreement. When no, or no adequate, AWPB provision is available for a necessary activity, authority to incur expenditure should be sought from the Project Steering Committee and IFAD.

E. Supervision

93. The Project will be subject to standard supervision procedures. This means half-yearly supervision meetings, starting three months from the Project start. Supervision missions may include senior project management specialists, subject matter specialists and experts in fiduciary aspects including financial management and procurement. The exact composition will be decided upon by the country portfolio manager in consultation with the MoA and the PIU. In year three, there will be a Mid-term Review Mission that gives guidance for the remainder project implementation period. In year six, a Project Completion Review will be undertaken. All missions will submit their findings to a wrap-up meeting chaired by the Ministry of Finance.

F. Risk identification and mitigation

94. The principal risks affecting the realisation of the SMLP include swift preparation and start-up, availability of grant funds, financial management, coordination with similar projects and programmes, reliability of existing market demands, access to affordable credit services, and the long-term sustainability of land use in the project development area.

95. **Preparation and start-up phases facilitate Project start.** The Project will be presented to the IFAD board in December 2014 and is expected to start implementation in April 2015. The draft Project Implementation and Financial Management Manuals (outline included in appendix 11) have been prepared in August 2014 and include a section on the activities required to bring the Project in full swing by October 2015. The swift start-up is facilitated by an IFAD Start-up Facility, where Government pre-financing of selected activities can be reimbursed as a US\$ 500,000 grant, from within the total Project loan. This would cover comprehensive baseline surveys, planning and design for office establishment; and start-up consultancies for recruitment, financial management and monitoring.

96. **Availability of additional grant funds.** The Project and its roll-out to fifteen new chiefdoms in the rain-fed areas of Shiselweni and Lubombo regions is only possible when additional funds to the tune of US\$ 5.1 million are secured. A matching contribution by the Global Environment Facility is foreseen under the GEF-6 programme. The Government of Swaziland needs to continue to pursue this contribution. The GEF-6 grant supports delivery of global environmental benefits with respect to land degradation, biodiversity and climate change. The SMLP contributes to this by scaling-up the Chiefdom Development Planning model; by providing nation-wide land degradation surveillance; by the protection and rehabilitation of ecosystems through erosion control, reforestation and afforestation; and by enhancing climate resilience of livelihoods in the Project area.

97. To realise a future expansion of the Project concept towards Middle and Highveld Regions, the Government of Swaziland will need to pursue additional funding or co-funding. Loan funding for infrastructure may be pursued by the Government of Swaziland with the OPEC Fund for International Development (OFID). OFID loans, if pursued, could be available from 2017 onwards, provided decision-making is pursued in a timely manner. OFID has indicated its interest to work with IFAD in Swaziland and their resources could be used as a top-up, to help scale-up SMLP success to the national level.

98. **Fiduciary risks.** The initial risk assessment indicates high and medium fiduciary risks, with respect to amongst others transparency, staffing, fund flow and internal controls. These risks are known and need to be countered and/or mitigated systematically. This is enabled by the fact that Government financial regulations are in place to constitute the basis for the Project's financial management. In addition, the Ministry of Finance (MoF) has a strong oversight role in management of external funds; and SWADE, being the agency contracted to coordinate Project implementation, has experience with IFAD-financed projects. The Project design further stipulates (i) that a financial management team be part of the PIU, and be recruited at the earliest; (ii) that guidance be provided to this team on Project systems, procedures and guidelines; including sharing of experiences and systems with other IFAD-funded projects; (iii) that the project implementation and financial manuals be drafted within the current year; and (iv) that intense support be provided to establishment of good fiduciary practices in the first 12 to 18 months of the Project duration, followed-up by strict adherence to oversight and supervision reviews, and to decisions by MoA, MoF, and PSC

99. **Coordination between smallholder agriculture projects and programmes.** The present SMLP is built on lessons learned from earlier experiences while new similar interventions will proceed in parallel to SMLP. This holds for Ministry of Agriculture activities in soil and water conservation, for market development interventions and for projects supporting smallholder agriculture. The EDF-11 bridging phase will support smallholder market-led production in the Lower Usuthu irrigation command area, whereas a Project (LUSIP 2) to expand the command area is also in the pipeline. These different initiatives do not benefit the same population, but they make use of similar approaches. Duplication of experiences and divergence of approaches would lead to loss of time and resources. The fact that all these projects are undertaken under the aegis of the Ministry of Agriculture, and that SWADE is the agency assigned to take on the management responsibilities in many of these projects; helps build coherence between these interventions. A further step towards guaranteeing coherence would be the merger of the steering committees for these projects, including the SMLP.

100. **Reliability of existing market demands.** The mission has appraised the existence of sizeable market demands, to which the smallholder production in the Project area may be geared. The development of a market chain from producers, via local buyers to the market partners require that the demand remains available over a longer period of time. Falling demands, resourcing of suppliers to cheaper producers and late or incomplete payments would be detrimental to the growth of market-led production. The involvement of NAMBOARD in a number of the market chains implies some stability, as NAMBOARD is mandated to purchase produce from smallholder farmers. Also Eswatini Kitchen, established to benefit small producers, is a confirmed reliable partner. The existing market demands may also be affected by production elsewhere and by changes in global demand. The development of a market information system through the Project ensures that changes in market demands are communicated early, allowing for mitigation measures in case of falling demands.

101. **Access to affordable credit services.** Formal development- and micro-credit services are in their infancy. Such institutions as exist generally cater to urban demands and charge considerable fees and interests on their services. Whatever margin may exist for market-led smallholder production may be negated by high interest on credit or by the unavailability of affordable services. Alternative sources for financing up-scaled production or market supply are however emerging. Market partners may pre-finance investments and adjust through subsequent transactions; a framework and umbrella organisation for Savings and Credit Cooperatives (SACCO) exists; and informal community-based savings and credit groups are available.

102. **Sustainable land use.** Given the present climate, with its skewed rainfall distribution and the likely climate change scenario leading to higher temperatures and less, but more intensive rainfall, agricultural land will be vulnerable to degradation. This is aggravated by the widespread practice of overstocking the Swazi Nation Land with grazing cattle. Cattle husbandry practices are deeply engrained in the Swazi culture. Changing either the climate scenario or the cattle husbandry practices is beyond the capacity of the Project. The Project builds on successful examples of degraded land being protected from grazing and reforested. The development of a nation-wide land degradation surveillance system helps the early identification of land degradation risks and enables mitigation of land use risks. Finally, access to GEF-funds will be critical to introduce well-tuned interventions to halt land degradation and measures that enhance the capacities of smallholders to adopt to the effect of climate change.

IV. Project costs, financing, benefits and sustainability

A. Project costs

103. **Total investment and recurrent costs**, including contingencies, over the six-year Project life are estimated at approximately US\$ 21.1 million or Emalangeneni (SZL) 244.1 million. The component estimates are summarised in the following table.

Table 2: Component-wise Project cost summary

Components Project Cost Summary	(Emalangeneni Million)					(US\$ Million)				
			% Foreign		% Total Base			% Foreign		% Total Base
	Local	Foreign	Total	Exchange	Costs	Local	Foreign	Total	Exchange	Costs
A. Chiefdom Development Planning										
Chiefdom Development Planning	16.8	5.5	22.3	25	11	1.6	0.5	2.1	25	11
Subtotal	16.8	5.5	22.3	25	11	1.6	0.5	2.1	25	11
B. Infrastructure for Soil and Water Conservation										
Infrastructure for Soil and Water Conservation	51.5	6.9	58.4	12	29	4.9	0.7	5.5	12	29
Subtotal	51.5	6.9	58.4	12	29	4.9	0.7	5.5	12	29
C. Market Led Production										
Support to Market Driven Commodity Development	3.6	34.6	38.1	91	19	0.3	3.3	3.6	91	19
Support to Development of Crop Commodity Chains	10.8	-	10.8	-	5	1.0	-	1.0	-	5
Support to Development of Livestock Commodity Chains	7.8	0.0	7.8	1	4	0.7	0.0	0.7	1	4
Support to Improving effectiveness of MoA extension services	25.6	6.6	32.2	20	16	2.4	0.6	3.0	20	16
Subtotal	47.8	41.2	89.0	46	44	4.5	3.9	8.4	46	44
D. Project Management										
Project Management	27.0	5.9	32.9	18	16	2.5	0.6	3.1	18	16
Subtotal	27.0	5.9	32.9	18	16	2.5	0.6	3.1	18	16
Total BASELINE COSTS	143.1	59.5	202.6	29	100	13.5	5.6	19.1	29	100
Physical Contingencies	2.2	-	2.2	-	1	0.2	-	0.2	-	1
Price Contingencies	30.2	9.1	39.3	23	19	1.4	0.4	1.8	23	9
Total PROJECT COSTS	175.6	68.5	244.1	28	121	15.1	6.0	21.1	29	110

104. These costs have been estimated on the basis of prevailing financing costs and prices in Swaziland during the month of July 2014. Key assumptions include:

- project duration of six years;
- cost price inflation has been provided for all relevant items financed used the annual local inflation rate as published by the International Monetary Fund (IMF). This has been set at 6 per cent for the project period and at a rate of 3.0 per cent per annum, for 6 years, for foreign inflation, in line with estimates made by the IMF in the World Economic Outlook of April 2014;
- the exchange rate is calculated in constant purchasing power parity, from the base of 10.6 Emalangeneni / US\$, to adjust for differences in domestic and international inflation and to keep the real exchange rate constant;

- all estimated costs include taxes. Base costs are real costs at July 2014 prices. To calculate total project costs, price contingency rates have been applied on certain base costs plus physical contingency rates for some activities;
- taxes have been estimated using information from the Swaziland Revenue Authority that includes duties and Value Added Tax (VAT). These have been included in all vehicles, equipment and workshops and operation and maintenance costs.

105. **Loan conditions.** The loan will be provided at IFAD ordinary terms and conditions (currently 1.12 per cent/annum) with a 3 year grace period and a 15 to 18 year maturity. IFAD will provide a US\$ 500,000 financing start-up grant for baseline studies including a Participatory Rural Appraisal (PRA) and the setting up of the Project Implementation Unit (PIU) in order to prevent significant delays in Project Implementation.

B. Project financing

106. The SMLP based on the key activities outlined in this document is currently estimated at US\$ 21.1 million to be financed by IFAD, GEF, the Private Sector and Government. The IFAD financing will be in the form of a Loan of US\$ 8.3 million and a Grant of US\$ 0.5 million equating to a total IFAD contribution of US\$ 8.8 million. The Government will contribute US\$ 6.6 million, while the proposed GEF financing will contribute US\$ 5.1 million. The Private Sector contribution is estimated at US\$ 0.6 million. The financing breakdown by component is provided in the tables below. Further detail is included in Appendix 9.

Table 3: Component cost by financier

Components by Financiers
(US\$ Million)

	The Government		IFAD LOAN		IFAD GRANT		PRIVATE SECTOR		GEF		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Chiefdom Development Planning												
Chiefdom Development Planning	0.6	28.5	0.3	11.2	0.2	6.7	-	-	1.2	53.6	2.3	10.7
B. Infrastructure for Soil and Water Conservation												
Infrastructure for Soil and Water Conservation	1.2	19.6	1.3	19.6	-	-	-	-	3.9	60.7	6.4	30.2
C. Market Led Production												
Support to Market Driven Commodity Development	0.3	7.7	3.6	92.3	-	-	-	-	-	-	3.9	18.6
Support to Development of Crop Commodity Chains	0.4	33.0	0.5	42.5	-	-	0.3	24.5	-	-	1.1	5.3
Support to Development of Livestock Commodity Chains	0.3	36.7	0.2	26.5	-	-	0.3	36.8	-	-	0.8	3.8
Support to Improving effectiveness of MoA extension services	2.0	59.6	1.3	38.5	0.1	1.9	-	-	-	-	3.3	15.5
Subtotal	2.9	32.0	5.6	61.1	0.1	0.7	0.6	6.2	-	-	9.1	43.2
D. Project Management												
Project Management	1.8	54.5	1.2	37.0	0.3	8.5	-	-	-	-	3.4	15.9
Total PROJECT COSTS	6.6	31.5	8.3	39.4	0.5	2.4	0.6	2.7	5.1	24.1	21.1	100.0

C. Summary benefits and economic analysis

107. **Project beneficiaries:** The area expansion should lead to coverage of a total population of approximately 65,000 or 10,900 households. Pending further socio-economic data collection, it is estimated that 85 per cent (55,250) are predominantly engaged in smallholder agriculture, and stand to benefit from the Project. A little over 60 per cent (40,000) of the population classifies as poor; and 33,300 of those can be seen as economically active smallholders. Ten percent of the households (1,090 households) depend on food rationing and are likely unable to engage in market-led production as these households are headed by children, elderly/very old, chronically ill and disabled. Five percent better-off households rely on incomes outside agriculture. The Project cost per beneficiary is estimated at US\$ 370, based on the number relying predominantly on smallholder agriculture.

108. There are three categories of beneficiaries: Firstly, direct primary beneficiaries are the targeted households resident in selected chiefdoms who will participate immediately in SMLP activities – the economically active often HIV-affected and food insecure smallholders. Secondly, the remaining

residents of the Project area, who will benefit from opportunities (supplementary small service activities, labour, and access to improved agricultural services) due to the high level of SMLP activities in their immediate area. Thirdly, the smallholders throughout Swaziland stand to gain from better services, especially with respect to market-led production, provided by the MOA.

109. Women and youth are among SMLP's main target groups. An estimated 17,500 women constitute more than half of the direct beneficiaries of agricultural investment activities. They will form the large majority of those benefiting from interventions related to indigenous chickens, small permaculture vegetable gardens and goat for meat. It is expected that 35% of the beneficiaries will be young people. As such, more than 11,000 young people will benefit either from market-led production activities or from new enterprises providing tractor services and rainwater harvesting equipment.

110. **Economic rate of return.** The overall economic internal rate of return (EIRR) of the Project is estimated at 19.4 percent for the base case. The net present value (NPV) of the net benefit stream, discounted at 5 per cent based on the Central Bank of Swaziland Benchmark Interest Rate/Discount Rate, is Emalangenzi (E) 366,7 million (i.e. US\$ 34,9 million).

111. **Sensitivity Analysis.** The analysis assesses the effect of variations in project benefits and costs and for the switching values – that is the value at which the Economic Net Present Value (ENPV) becomes zero or the Economic Internal Rate of Return (EIRR) falls to the cut-off rate. The EIRR was subject to sensitivity analysis to measure variations due to unforeseen factors. Based on the conservative assumption that 60 per cent of direct economically active farmers will adopt the technologies and realize the expected benefits, and taking into account a gradual build-up of benefits over six years, it can be concluded that the project is economically viable. The switching values are indicating that the project would require a decrease in revenues of 71% per cent or an increase in costs by a factor of 3 to become non-viable. The hypotheses of a reduction and delays of the benefits have been tested in a conservative analysis to account for the time it will take to transform the farmers from production-driven primarily subsistence farmers into semi-commercialised farmers responding to market demand. The detailed analysis is provided in Project Life File (appendix 13). For all the scenarios, the project remains economically desirable with EIRRs above the 5 percent threshold and NPVs above zero.

Table 4: Variants for sensitivity analysis

Situation	EIRR	NPV	
		USD m	E m
Base Case	19.4%	\$34.92	366.67
+10% Costs	18.1%	\$33.48	351.53
+20% Costs	17.0%	\$32.04	336.40
Switching Value costs (3 fold increase)	5.0%	-\$0.11	-1.19
-10% Benefits	18.0%	\$30	314.87
-20% Benefits	16.5%	\$25.05	263.06
Delay of 1 year	16.9%	\$0.00	310.04
Delay of 2 years	14.8%	\$0.00	256.10
Switching Value revenue (-71%)	5.0%	-\$0.01	-0.11

D. Sustainability

112. It is likely that the benefits to be delivered by the Project will continue to accrue beyond Project completion. This observation is supported by the following arguments:

- The policy and planning framework adopted by Swaziland emphasises the importance of commercialised smallholder agriculture for food security, nutritional intake and income generation. The presence of a stable policy framework provides continuity for achievements under the Project; and offer scope for further scaling-up of achievements;

- Presently, existing market demands are not sourced in Swaziland. Once a market linkage is developed between national producers and the market demand, wholesalers will continue to source their demands locally. This is supported by lower transportation cost, absence of import duties and – in some cases – preference for production from reliable sources;
- The chiefdom decision-making will become more responsive to local needs and aspirations and to information on the natural resource base. Processes are underway to incorporate Chiefdom Development Planning in the governance system of Swaziland; and steps are taken to develop a more conducive framework for the utilisation of Swazi Nation Land;
- Better utilisation of Swazi Nation Land, through soil and water conservation measures at catchment and homestead-levels, will enhance productivity, and will demonstrate that agricultural intensification does not need to result in degradation of land. The availability of alternative land use options provides other areas a model to follow and / or adapt;
- The close involvement of MoA entities, and especially the RDAs, and the capacity building and mentoring through TA will ensure sustainability as systems and processes developed in the project can be up-scaled country wide

113. By making existing market demands a point of departure for improved smallholder agriculture, a solid foundation is provided for sustainable land use practices in the impoverished Middle- and Lowveld areas.

Appendix 1: Country and rural context background

1. **Economy.** Swaziland is a small land-locked country, mostly bordering South Africa but also Mozambique. Since the last investment was presented to the IFAD Executive Board in 2007, economic conditions in country have deteriorated before recently showing signs of improvement.
2. Swaziland's economic performance has improved since the fiscal crisis of 2010–11, which followed a significant reduction in revenues from the Southern African Customs Union (SACU). Following the decline in 2011, economic activity is estimated to have grown more than 2 per cent in 2013. Inflation, after peaking at 9 per cent in late 2012, has declined to 4½ per cent in November 2013. Largely owing to higher SACU revenues in the last two years, fiscal and external balances have also improved. Economic growth is weak, compared with other countries at the same income level and in the region. Furthermore, there are risks to Swaziland's economic prospects, in particular the uncertain global and regional economic outlook that could lower SACU revenues¹².
3. In recent years, businesses dependent on government contracts have laid-off workers or shut down, and key social programmes, like the fight against HIV/AIDS are being adversely affected. Swaziland's financial performance reacts to revenue payments from the Southern African Customs Union. Early 2014, there are indications that new conditions, more averse to Swaziland, may be negotiated. In addition to the SACU-related uncertainties, IMF points to the sizeable employment cost borne by the Government. Critics of the regime also blame poor economic management and widespread corruption. In a country where 80 per cent of the population live in poverty and one in four adults is HIV-positive, any financial squeeze will have a large impact on livelihoods.
4. **Poverty and food insecurity.** Swaziland has a relatively high GDP per capita income of around US\$2,415. Despite this, a high percentage of the country's population live below the national poverty line. The latest two rounds of the Swaziland Household Income and Expenditure Survey (SHIES) conducted in 2000/01 and 2009/10 show that poverty headcount declined during the 2000s, from 69 to 63 per cent of the Swazi population. The decline has been particularly impressive in Shiselweni and Manzini regions. Both urban and rural areas benefitted from the reduction in the poverty headcount. However, the economic growth experienced by Swaziland during the 2000s has not been pro-poor. Indeed, the poorest of the poor individuals (the bottom 30 per cent) have seen their level of welfare deteriorating.
5. **Geographical distribution.** There are differences in the poverty prevalence among the four regions of the country, between rural and urban areas, and between the different ecological zones of the country. Regionally, the prevalence of poverty in 2010 was greatest in Lubombo with 69 per cent followed by Shiselweni with 68 per cent, very closely followed by Hhohho with 63 per cent and Manzini 58 per cent. Poverty is widespread in the Middle- and Lowveld, which covers most of the eastern part of the country and is the hottest area, most vulnerable to drought. These areas in particular have been receiving food aid regularly for at least the last 15 years and very few households there can feed themselves in any one year.
6. **Income distribution.** Income distribution remains highly skewed, with 56 per cent of wealth held by the richest 20 per cent of the population, while the poorest 20 per cent own less than 4.3 per cent. The average person in the richest quintile commands more than 13 times the consumption expenditure of the average person in the poorest quintile. Swaziland has recorded an overall Gini Coefficient of 0.51, reflecting a high level of inequality by international standards. Income inequality is highest in Hhohho and lowest in Shiselweni, the poorest region, implying that incomes are very low and not highly differentiated. The poverty gap and severity are much higher on Swazi Nation Land (SNL) compared with Title Deed Land (TDL). In parallel to the concentration and inequality in the

¹² IMF, Statement at the End of an IMF Staff Visit to Swaziland, Press Release No. 14/17, January 21, 2014; IMF, Kingdom of Swaziland : Staff Report for the 2011 Article IV Consultation, February 2012

distribution of incomes, key assets such as land and cattle were found to be unequally distributed, even among smallholder farmers on SNL.

7. **Causes of poverty.** Many factors contribute to poverty in Swaziland, including: lack of employment opportunities; 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 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, the limited resource base and external competition in a globalised environment limits the scope for increased income.

8. **Social characteristics of poverty.** Poverty is strongly related to social characteristics of the population such as education and health standards, access to safe water and sanitation, and family size. The incidence of poverty is therefore, not surprisingly, strongly correlated with the status and nature of employment. Poverty prevalence is highest among households whose heads depend on subsistence economic activities or disguised unemployment (77 per cent), followed by paid seasonal workers (62 per cent), self-employed persons (60 per cent) and paid non-seasonal employees (38 per cent). Furthermore, the poor in rural areas derive 75 per cent of their income from employment and 12 per cent from farming. Poverty and gender are strongly correlated; 63 per cent of female-headed households are poor and lack productive assets compared to 52 per cent of their male counterparts.

9. **Food security and nutrition challenges.** Swaziland has experienced declining food production over the last decade due to successive years of drought (possibly attributable to climate change); multi-dimensional impacts of HIV and AIDS; dependence on production under rain-fed conditions; and declining use of improved agricultural technology. The result is a widening food disparity at the national level and increasing dependence on imports to fill production gaps. However, the capacity to import food is threatened by reductions in export earnings due to the global financial downturn. Hunger and malnutrition, which are prevalent in Swaziland, are a direct consequence of household food insecurity. It is estimated that a quarter of the population is food insecure and dependent on assistance, and 39 per cent of children under five are stunted, which is above the WHO thresholds. The factors contributing to food insecurity are low agricultural production and productivity; negative impact of HIV and AIDS; and poverty. Although the majority of the households in Swaziland consider agriculture to be their main livelihood, with the staple maize being the dominant crop, in reality, most of the food consumed is derived from cash purchases. Since income is a major determinant of food security in Swaziland, many poor people cannot access adequate food and nutrition.

10. Other factors undermining nutrition include poor access to safe water and sanitation; poor care practices; inappropriate infant and young child feeding practices; and poor maternal hygiene and disease burden. Insufficient access to safe drinking water poses a challenge to proper food preparation, while poor sanitary conditions increase exposure to diseases that affect food utilization. There are rural-urban differences in nutritional status, with the former having much more prevalence than the latter. There is also a disparity between boys and girls, with more boys malnourished than girls.

11. **Policies and strategies.** Swaziland has developed policies and strategies aimed at improving the role of the agricultural sector (crops and livestock) in the economy. The government approved the Economic Recovery Strategy (ERS) in 2011, which aims to raise annual economic growth to 5 per cent and create 30,000 jobs by 2014. The ERS has identified the following among targeted sources of growth: Foreign direct investment, domestic investment, agriculture, trade, tourism and human capital development. In the area of agricultural development, the Government participates in the Comprehensive Africa Agriculture Development Programme (CAADP), which helps it define policies and investment programmes aimed at enhancing production from smallholder agriculture.

12. National levels strategies and policies include the National Development Strategy (NDS), the Poverty Reduction Strategy and Action Plans (PRSAP), the National Food Security Policy, the Strategy Brief for National Food Security, the Government Programme of Action for 2008-2013, the Draft Land Policy, the Investment Policy, the Rural Resettlement Policy, the National Irrigation Policy and the Swaziland Environmental Action Plan (SEAP).

13. The National Development Strategy (NDS) was prepared by the Ministry of Economic Planning and Development in 2002 and formulates a vision and mission statement with appropriate strategies for socio-economic development for 25 years, and provides a guide for formulation of development plans for equitable allocation of resources. As part of its economy-wide approach, the strategy emphasizes food security, research, employment levies, empowerment, legislation, land use and marketing and trade. The NDS addresses the issue of rational land use and tenure, community participation and empowerment, forestry, livestock

14. In 2009, the Government of Swaziland prepared the Government Programme of Action 2008-2013 (GPA). The GPA stresses that the country needs to move towards self-sufficiency by building farmers capacity to increase productivity. Among other actions, the GPA highlights the need to promote diversification and agro-processing to lessen dependency on sugar, encourages cattle keepers to grow fodder, and strengthens the need for strong extension services.

15. The Poverty Reduction Strategy and Action Plan (PRSAP) was released by the Ministry of Economic Planning and Development in 2005 and addresses all sectors in the economy in relation to poverty reduction. In empowering the poor to generate income in agriculture, it addresses the key issues of improving access to land and increasing income from agriculture. The PRASP also addresses the shortcoming in access to communal land under SNL and the need for a land use policy.

16. In 2005, the Government organised a Food Security Task Force (consisting of MOAC, FAO, UNDP, NERCHA, SFDF, WFP, NMC and World Vision which prepared the National Food Security Policy. The policy paper is mainly set around the four pillars of food security, i.e. (i) food availability, (ii) food access, (iii) food utilization and nutritional requirements, and (iv) stability in equitable food provision and gives guidelines for implementation.

17. The Strategic Brief for National Food Security and Agricultural Development was prepared in 2005 to incorporate the strategies suggested by the National Food Security Policy and to emphasize the need for enhanced agricultural development. The strategy summarizes food policy in terms of food access and food availability and nutritional needs. In the agricultural sector, it gives a comprehensive overview of the importance of agriculture in the economy, land use, farming systems, domestic agricultural production, rural infrastructure and support services and agro-industrial activities. The brief then addresses challenges, opportunities and constraints in addressing food security; and summarises country policies (Vision 2022, NDS, PRSAP, environment, land, irrigation, forest, and livestock).

18. A first draft National Land Policy (NLP) was prepared in 1999 with a view to improving access to land and security of tenure on SNL including tenure on irrigation schemes, as well as clarifying roles and responsibilities for land administration. The draft policy considers the possibility of leasehold arrangements and transferable user rights for individual farmers and farmer groups on SNL. It proposes that the 99-year leasehold concept, already being applied on SNL by the Ministry of Housing and Urban Development (MHUD) in an urban context, be also applied to rural SNL. It also proposes changes to systems of land allocation to allow women to have equal access.

19. Under the Lower Usuthu Sustainable Land Management Project a draft land bill has been produced following extensive consultations at both the national and the local levels, which have included the Land Management Board, the Swazi National Council (SNC) and the Regional Administrators. The consultation process will continue, as preparation for moving the Draft Land Bill through the respective ministries and on to the Legislators. In addition to this topic, a EUR 8 million grant was approved by the EU for a Land Governance Project that builds on outcomes of the LUSLM.

20. The Swaziland National Irrigation Policy focuses on water productivity, water quality, water harvesting allocation of water, institutional and equity issues and maintenance and cost recovery. It has three specific objectives: (a) to optimize the productivity of water in the country's agricultural sector and broaden the scope for agricultural intensification and diversification; (b) to establish an irrigation sector institutional landscape characterised by transparent regulation and strong, participatory and/or responsive and accountable institutions in Swaziland; and (c) to enhance the structure of the irrigated sub-sector by promoting new public and private investment opportunities for emerging farmers.

21. The Water Act of 2003 is developed to harmonize the management of water resources in the country through the establishment of a National Water Authority, Catchment and Irrigation districts and allows for the formulation of a Water Resources Master Plan.

22. Two recent documents are of particular importance in addressing the views of the government of Swaziland for the agricultural sector. In 2005, the government produced the Comprehensive Agricultural Sector Policy (CASP), and in 2008 a document titled "Towards a Strategy for Agricultural Diversification in Swaziland".

23. The CASP goals and objectives have been formulated taking into account Vision 2022 and NDS. Specific objectives of CASP include increased agricultural output and productivity, increased earnings for those engaged in agriculture by promoting adoption of diversification and sustainable intensification and use of appropriate technology, enhanced food security, ensuring sustainable use and management of land and water resources and stabilize agricultural markets. The CASP addresses the following five key sub-sectors: Rain-fed crop sub-sector, irrigated crop sub-sector, livestock sub-sector, research extension, marketing and credit, and overall food security.

24. Agricultural Diversification in Swaziland is a report prepared in 2010. This is a comprehensive diversification strategy financed by the Commonwealth secretariat. The study was prompted by the fact that Swaziland depends on a narrow range of products like sugar for export and maize/cereals for local consumption. It also notes that many agro-industries use imported materials. The strategy comprehensively analyses the natural resources base, human resources and financial resources.

25. The Livestock Development Policy (LDP), adopted in 1995, was formulated to address the main issues in the livestock sector, promote the commercialization of the livestock products and achieve an efficient and sustainable livestock industry contributing to economic development. Technical priorities for intervention included: disease prevention and delivery of animal health care, introduction of intensive production technologies, improved range management practices, pasture and fodder production, development of smallholder livestock enterprises and community livestock groups. It also encourages farmers to extend beyond rearing livestock and move on to meat processing and marketing¹³.

26. Swaziland signed the CAADP compact in 2010. CAADP has four pillars; i) sustainable land management and reliable water management; ii) rural infrastructure for market access; iii) reducing hunger; and iv) agricultural research and technology. The proposed programme will contribute to the prioritised areas in the compact as follows: water and irrigation development and sustainable land management under Pillar I; and development of sustainable markets, under Pillar II and food security and nutrition under pillar III. Under aegis of the CAADP, policies are now developed into operational plans. The Ministry of Agriculture presently is developing a strategic plan to create by 2017 an enabling environment that ensures sustainable socio-economic development through the provision of services that enhances commercialised agricultural productivity while ensuring national food and nutrition security. Objectives include the creation of sustainable market linkages for agricultural products; commercialisation of agricultural production on SNL; water resources development in strategic areas to promote irrigated farming and rehabilitation of existing infrastructure.

¹³ Swaziland Business Yearbook 2012

27. The government has in place policies to address the growth of the country and the agricultural sector, but the implementation of policies has not been fully done and clear positive impacts have not been realised. The recent promulgation of a Programme of Action (2013 – 2018)¹⁴ which sets clear goals with respect to nutrition and poverty, and which lists clear activities and targets in a number of fields, including agriculture, is encouraging and provides a clear policy setting for the Smallholder Market-led Project.

28. The government, private sector operators and NGOs are keen to develop the production of horticultural commodities with the aim of increasing domestic production to take advantage of existing domestic market and export opportunities. There are no specific policies and strategies for the horticulture sub-sector, this sector is of particular importance to the economy and a number of studies and interventions are in place.

29. The government has in place most policies to address the growth of the country and the agricultural sector, but the implementation of policies has not been fully done, thus reducing the many positive impacts which could be realised. The formulation, presently ongoing, of a strategic plan and an investment plan coherent to the overall policies is encouraging and would significantly improve the performance of the agricultural sector.

¹⁴ His Majesty's Government, Development Unusual – The Route to The First World Kingdom, Programme of Action (2013 – 2018), 2014

Appendix 2: Poverty, targeting and gender

Background

1. **Population:** According to the 1997 census, the population of Swaziland was 929,718 with an annual growth rate of 2.9 per cent per annum. By 2007 (according to the 2007 census) the population was 1,018,449 and the growth rate had dropped to 0.9 per cent per annum. The intercensal growth rate is 0.38 per cent, indicating a decline in fertility coupled with an increase in mortality. The country has a young population, with an average age of 18 and a life expectancy of 31 years. There is a high mortality rate for both females and males between the ages of 20 and 45. This can be attributed to the high incidence of HIV/AIDS within this specific age group.
2. The majority of the population in the country (79 per cent) is rural. The population of Swaziland is evenly distributed throughout the four regions. Manzini with 319 530 (31.4 per cent) has the largest population and Lubombo with 207 731 (20.4 per cent), the smallest.
3. The majority of Swaziland's population is ethnic Swazi, mixed with a small number of Zulus and white Africans, mostly whites of British and Afrikaner descent. This population also includes a small segment within it that is mixed with any number of these ancestries.
4. **Swaziland's Human Development Index (HDI)** value for 2012 was 0.536 - in the medium human development category - positioning the country at 141 out of 186 countries and territories. Between 1990 and 2011, Swaziland's HDI value decreased from 0.526 to 0.522, before veering up in 2012. In the 2010 Human Development Report (HDR), Swaziland was ranked 121 out of 169 countries. Between 1980 and 2011, life expectancy at birth decreased by 5.6 years, mean years of schooling increased by 3.6 years and expected years of schooling increased by 2 years. Swaziland's Gross National Income (GNI) per capita increased by about 22 per cent between 1990 (US\$ PPP 3,688) and 2011 (US\$ PPP 4,484).
5. **Status of women.** There are more women than men in Swaziland, accounting for 53 per cent and 47 per cent of the total population, respectively. The proportion of women in the older age group is much higher than the proportion of men. The pattern of a larger number of women than men is observed in both rural and urban areas, although the imbalance is greater in rural areas (88.9 men per 100 women) than in urban areas (92.9 men per 100 women).
6. Swaziland has a Gender Inequality Index (GII) value of 0.546, ranking it 110 out of 146 countries in the 2011 index. In Swaziland, 22 per cent of parliamentary seats are held by women, and 50 per cent of adult women have reached a secondary or higher level of education compared to 46 per cent of their male counterparts. For every 100,000 live births, 420 women die from pregnancy related causes; and the adolescent fertility rate is 84 births per 1000 live births. Female participation in the labour market is 53 per cent compared to 75 per cent for men.
7. In 2012, the Government passed a National Gender Policy which emphasises the need to focus on women and young people for economic empowerment. While the Constitution of 2005 gave many rights to women, many of these are not yet implemented due to cultural issues. For example, women are able to open bank accounts in their name but often face resistance within the banking system.
8. **Youth.** According to the Swaziland Demographic Health Survey 2007, with 44 per cent of the total population are under 15 years old and less than 4 per cent are 65 years or older. Young people are increasingly vulnerable to poverty. In the next decade or so young people without work will cause the number of unemployed to rise considerably. There is an urgent need to create employment opportunities for this large and growing number of young people, most of whom are children of poor households. Causes of youth unemployment are: slow economic growth as compared to the growth of the labour force; lack of skills and inexperience to compete on the labour market; lack of finance and

capacity to start self-help projects; and an inappropriate education system that is oriented towards academic achievement rather than employment creation.

9. **HIV/AIDS epidemic.** Swaziland continues to be at the epicentre of the global HIV/AIDS pandemic. Despite a sound strategy, a strong national HIV/AIDS institution, and considerable international support, the country has not been able to cope with this disease. As a consequence, the country has the highest HIV rate in the world (reaching 41 per cent prevalence rate among adults in 2010). As a result it has the lowest life expectancy in the world – expected to drop to 25 years by 2015 – and the highest death rate. It accounts for nearly half of the deaths of children under five. While neighbouring countries have made inroads against the disease, the country continues to suffer setbacks, partly due to cultural norms around sexuality being exacerbated by a financial crisis.

10. The prevalence of HIV/AIDS is equally spread throughout the country and follows a similar upward trend. There is only a marginal difference in the prevalence of the pandemic in rural areas (35.9 per cent) and urban areas (40.6 per cent). This could be due to the easy access and high mobility between regions and across the country, and the close linkages between rural and urban areas. It could also be due to social and cultural factors that contribute to the spread, making the population especially women and girls vulnerable to infection. Shiselweni recorded the highest rate of increase and is also the poorest region with the highest level of absentee heads that work outside the country, while Manzini has the highest level of infection at 41.2 per cent.

11. As a consequence of AIDS, the agricultural sector is losing the battle against food security and self-sufficiency, whilst the private sector is losing skilled and experienced labour force, severely impacting productivity. The education sector is losing teachers increasing the pupil/ teacher ratio, thus compromising the quality of education. Some students are also forced out of school because of worsening economic conditions at home contributing to an increased drop-out rate. At the family level, breadwinners are losing their lives and in some cases both parents die leaving orphans to fend for themselves. It is estimated that as a result of deaths mostly associated with HIV/AIDS, 10 per cent of the households in the country are headed by children.

12. **Gender analysis of smallholder agriculture.** In Swaziland, as in many other African countries, women are an integral part of agricultural production and are the backbone of subsistence farming in Swaziland. Traditionally, women have provided the bulk of the labour in agriculture. Women continue to be responsible for planting, weeding and harvesting of crops, while men today are less actively engaged in farming at the homestead. Changes in both the agricultural and industrial sectors have impacted on the traditional division of labour. Development has often had adverse impacts on women including increasing their workload and decreasing the ability of poor rural women to provide for the subsistence needs of their families.

13. **Female-headed households.** Households headed by women are growing in number, as men seek employment away from home and HIV/AIDS takes its toll. Women thus now have increased responsibility for managing crops and livestock and are household heads. They struggle to feed their families and meet household needs single-handedly. At present 20 per cent of households are headed by women, and a further 20 per cent are managed by women while adult males are employed away from home. Sixty-three percent of female-headed households living in poverty compared to 52 per cent of male-headed households.

14. **Access and control over assets.** Access to and control over property is determined by the type of marriage and is vested in males. For example, access to Swazi Nation Land (SNL) by women continues to be a challenge. Although land can be accessed free of charge through the traditional *kukhonta* system from the chief of the area, women cannot independently do so without a male relative. However, anecdotal evidence shows an emerging practice where some chiefs relax the traditional rules and allocate land to women if a male figure is not available (e.g., in cases where all males have died and a female remains as the head of a household). This is an encouraging development, in line with the Constitutional provision Section 211(2) that, 'Save as may be required by the exigencies of any particular situation, a citizen of Swaziland, without regard to gender, shall have

equal access to land for normal domestic purposes.’ Access to Title Deed Land (TDL) is also a challenge for women, particularly if they seek to secure bank credit. Even where a woman is ultimately able to secure her husband’s consent and purchase land, if she is married under the terms of community of property, her ownership and control over the property is virtually removed as the land can only be registered under her husband’s name.

15. Men are the owners of cattle and can decide to sell the cattle without family consultation. The money does not necessarily benefit the household. Women in the have a greater say in the decisions about pigs — ‘The pig is the woman’s cow’— because the women are more involved in the husbandry of pigs. With chickens, women are free to slaughter or sell when they decide, but they nevertheless usually consult with the men. The majority of homesteads that use hired oxen are either female-managed or female-headed. Even though Swazi women are not hindered by custom from handling cattle, animal drawn implements, because of their bulkiness and weight, are usually handled by men. They depend on males to do the cultivation for them, but with the male exodus from the rural areas, female-headed households suffer from an inadequate supply of labour especially for cultivation and transportation of agricultural produce from the fields.

16. **Decision-making.** The minority status of women inhibits the full participation of women in deliberations at community level and is a governance issue. The minority status of women (who represent more than 52 per cent of the population) both under the customary and modern laws limits the potential of more than half the population to participate fully in development and poverty alleviation. The minority status of women denies community’s effective strategies and valuable contributions in resolving problems that affect them at this level.

Target area

17. The Project will work with 25 chiefdoms pre-selected from nine Tinkhundla in the Lubombo and Shiselweni regions. Ten of these chiefdoms are in the rain-fed chiefdoms where LUSLM is presently engaged. A social-economic census of the 10 chiefdoms has been carried, (revised 2013 data, source LUSLM) and the population is shown in table 1.

Table 1: Population of 10 chiefdoms of project area

#	Chiefdom	Population	Households
1	Hlutse	1.626	289
2	Mkhweli	5.061	866
3	Mphumakudze	381	70
4	Nceka	2.022	344
5	Vikizijula	3.583	622
6	Lesibovu	895	136
7	Madlenya 1	2.003	356
8	Luhlanyeni	7.409	1.235
9	Mamisa	315	45
10	Zulwini	2.443	349
	Total	25.738	4.312

18. The Project will support 15 additional chiefdoms: KaMbokwe, KaPhunga, Kontsingila, Kwendzeni, Liba, Lushini, Lusitini, Mhawu, Mkhaya, Ndushulweni, Ndzameya, Ngobolweni, Nhletseni, Nkonjwa and Nokwane. SMLP’s concentration on predominantly Middle and Lowveld chiefdoms in Lubombo and Shiselweni is based on the fact that these Regions have an incidence of poverty close to 70 per cent, and constitute the poorest part of the country (Source: 2009/10 Swaziland Household Income and Expenditure Survey, Central Statistics Office).

19. The following map shows the Project area, including the centres of the chiefdoms (Chief’s Kraals) and the location of agricultural service centres (Rural Development Areas).

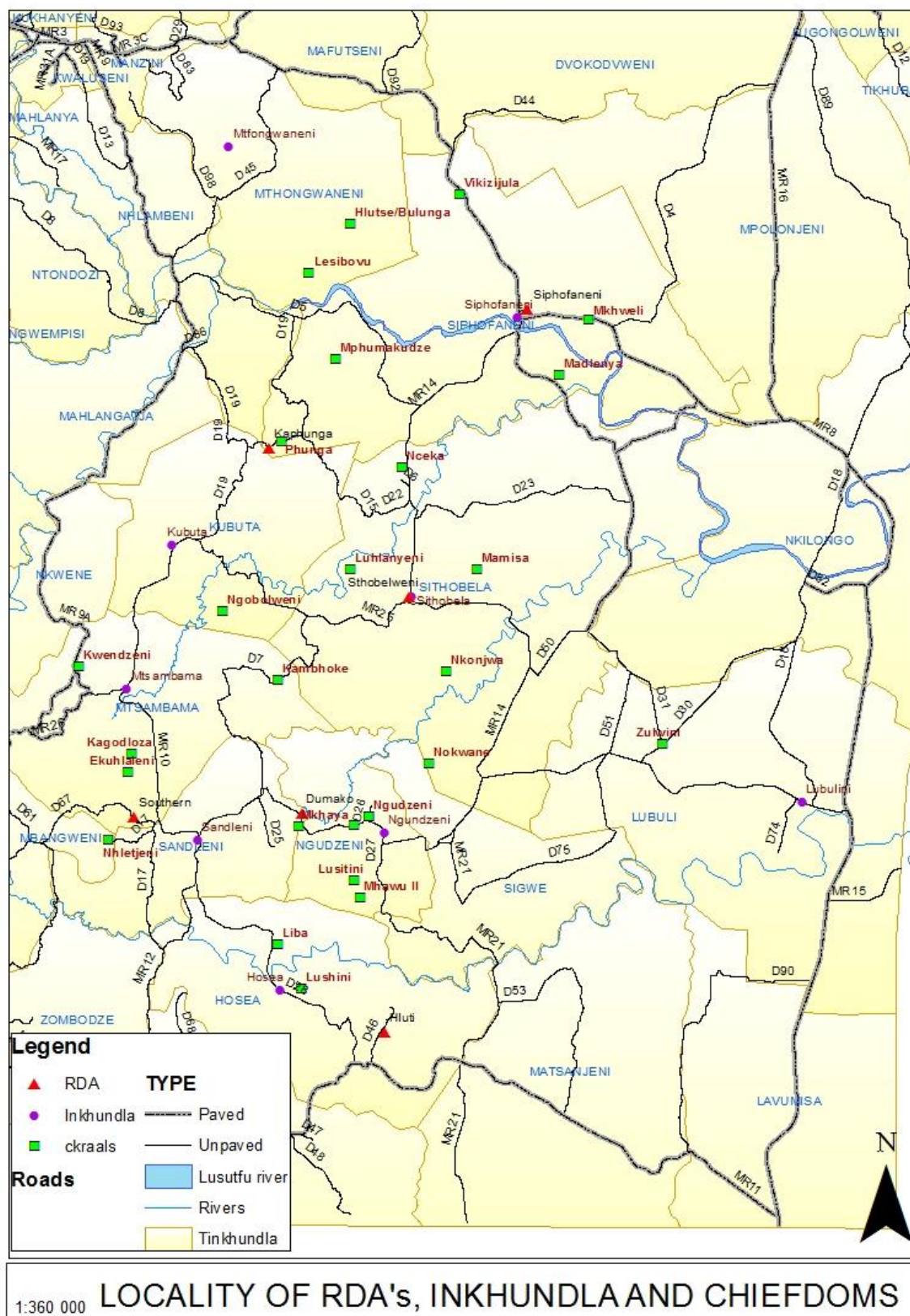


Figure 2: Location of RDAs, Tinkhundla and Chiefdoms

Typology of smallholders in the project area

20. There is a dearth of data on the Project area. This section uses available evidence, to come to initial estimates of population, beneficiaries and target group-size.

21. In 2008, the IFAD-supported Lower Usuthu Smallholder Irrigation Project (LUSIP) carried-out Participatory Poverty and Vulnerability Assessments (PPVAs) in each chiefdom within their programme development area. Three main wealth groups in rural communities were identified:

- *Better-off* (accounting approximately for 3 per cent of households): They constitute a small number of households that can afford a high standard of living. They have relatively large land holdings, are involved in commercial and irrigated agriculture. They have other forms of income generating enterprises that provides a steady income. They are food secure, afford quality education, shelter, clothing and medical attention.
- *Middle wealth* (accounting approximately for 43 per cent of households): This group constitute households that are slightly better off than the poor category. These households are involved in small-scale farming and may also be involved in some very small income generating opportunities. They are relatively food secure (though at times they may have inadequate food), and can afford reasonable access to education, shelter and medical care amongst others.
- *Poor* (accounting approximately for 54 per cent of households): This group constitute household that live in poverty. Households are involved in very small-scale farming, or no farming at all. They experience chronic food shortages almost all year round and mainly depend on food parcels. They cannot afford access to education, shelter, clothing and reasonable medical attention. They do not have assets which they can quickly convert into cash, including livestock.

22. Households headed by a child, by an elderly or very old person, by chronically ill and disabled and by women are considered to be among the most vulnerable.

23. The pre-selection of the 25 chiefdoms is based on their rain-fed nature and on the chiefdom's leadership's commitment to engage with the Project and to set-up and consult community development committees in decisions pertaining to development activities. The approximate population of the twenty-five chiefdoms is ca. 65,000 in 10,900 households. Pending a more exact inventory of population and poverty, especially in the new areas to be covered by the Project, it is estimated that 85 per cent (55,250) are predominantly engaged in smallholder agriculture, and stand to benefit from the Project. A little over 60 per cent (40,000) of the population classifies as poor; and 5/6th (33,300) of those can be seen as economically active smallholders. Ten percent of the households (1,090 households) is food deficit and is likely unable to produce for the market as these households are headed by children, elderly/very old, chronically ill and disabled. Five percent better-off households rely on incomes outside agriculture.

24. The above leads to an adjustment in population typology and approximate group size, as follows:

- *Better off* – accounting for approximately 5 per cent of the population (3,250 in 545 households)
- *Middle wealth* – economically active smallholder households, accounting for 35 per cent of the population (22,750 in 3,815 households);
- *Economically active poor* – smallholder households who have potential to produce marketable surplus, accounting for 50 per cent of the population (32,500 in 5,450 households);
- *Food deficit poor* – smallholder households unable to produce any surplus in the foreseeable future, accounting for 10 per cent of the households (6,500 in 1,090 households).

The economically active smallholders (middle wealth and poor) and the food deficit poor constitute the Project's target group.

25. The Project will target poor rural women, men and youth whose livelihoods revolve around agriculture and who have a need for enhancing food production (food deficit poor) or an interest in engaging in more commercially orientated on-farm and off-farm economic activities (economically active smallholders). Four sub-groups based on their livelihood activities and access to assets and resources have been identified: (i) rain-fed smallholder crop and livestock farmers who have some capacity to ensure their family's food security; (ii) smallholders with the potential to commercialise as individuals or groups, including producers on small scale irrigation plots; (iii) women as smallholder farmers and livestock keepers in their own right, as well as women in married households; (iv) youth currently engaged in smallholder crop and livestock production, and youth groups entrepreneurs who can provide services.

26. **Poorer households.** It is envisaged that these primary target groups will be smallholders experiencing household food and income insecurity, but have the potential to take advantage of improved access to essential agricultural services and opportunities for agricultural production.

27. **The household mentoring approach.** In order to reach the poorer households who usually exclude themselves from development activities, the household mentoring approach (that has been used successfully in Uganda and Malawi), will be used. Selected poorer households will be mentored by trained mentors in order to: (i) Change their mind set and restore hope for improved livelihoods; and, (ii) Share knowledge, skills and information to foster the personal, social and economic growth of the household members. Such households will include female headed households, child headed households as well as those affected by diseases. They will be selected in a participatory process through the CDCs. Selection will further be informed by the socio-economic surveys and the participatory poverty and vulnerability assessment which will be undertaken as part of start-up activities of the project. The mentored households will also be supported with water harvesting tanks, kitchen gardens as well as the appropriate value chain enterprise.

Targeting mechanism

28. The targeting mechanism detailed below will be used to reach the smallholder farmers. Socio-economic baseline surveys and PRAs will be carried out and will include gender and age disaggregated demographic data and information which will inform the more detailed targeting. Other means of targeting rural poor, women and youth will include consultation in Chiefdom Development Planning in the chiefdom's sectors; and involvement in implementation of activities, such as market-led production initiatives.

29. **Geographical targeting.** The project will work in Lubombo and Shiselweni regions which are the poorest regions in the country. Within these regions, 25 chiefdoms have been pre-selected based on their rain-fed nature and on the chiefdom's leadership's commitment to engage with the Project and to set-up and consult community development committees in decisions pertaining to development activities. The census and poverty data collected during baseline surveys will verify the socio-economic details in the project area as well as locate the different categories of the target groups within the 25 chiefdoms.

30. **Direct targeting** will ensure that appropriate services and resources are channelled to selected food deficit poor households and to economically active smallholder households. While the former category will be mainly supported in enhancing production for nutritional intake; the latter category will be supported to engage with markets for selected value chains. Household and poverty data collected during the baseline surveys will be used to identify poor households. This will, inter alia include many HIV-affected households, female and child headed households. Such data will be used to select household to be mentored through the household mentoring approach. The CDCs will be involved in the selection of such households.

31. Training will be conducted for household mentors who will be members of the same community. Tools from the Gender Action Learning System (GALS) will be used in these training as well as during the mentoring at household levels. A group of youth will be provided with a minimum of farming implements needed to start a small contracting business, support the development of a business plan

for securing a loan for operation costs. The youth will therefore be directly targeted particularly in service provision in the project including: i) construction of rain water harvesting tanks ii) collective marketing iii) As smallholder farmers participating in the project.

32. **Self-targeting.** The choice of value chains under the project is the first basis for self-targeting. Smallholder farmers will be involved in the value chain of their choice from the main value chain enterprises supported by SMLP which will include indigenous chicken, vegetables, honey, goat for meat, fruits and cereals. These choices may change (within the Projects' timeframe) based on changes in the marketable enterprises. All benefitting households will be smallholders, who have limited control over productive assets, especially land resources. By choosing to develop value chains for food crops and small stock, the Project responds more closely to the activities and needs of female farmers. Women and youth who need employment will provide labour in processing plants for bulk marketing especially for vegetables and fruits.

33. **Empowering measures.** The chiefdom planning process will entail concrete empowering measures including i) inclusiveness during decision-making and ii) capacity building activities (gender awareness). The Project will further support functional co-operation between smallholders involved in development activities. Producers are helped to cooperate in marketing groups and in groups that use and maintain infrastructure. These groups provide protective environments in which target group beneficiaries can take part in the activities and in decision-making

34. **Enabling measures.** Under Component 3, the Project will link smallholder farmers to supply markets, and ensure that market information is made available to them. The Innovation Platform will support this process thus facilitating the smallholder farmers to get markets for their produce. The Project will invest in a national market information system that is specifically aimed at smallholder producers and will train MoA extension workers in disseminating market knowledge to smallholder farmers. The Project strengthens in this way the MoA commitment to targeting smallholder producers.

35. **Attention will be paid to procedural measures** that could militate against participation by the intended target groups. SMLP will support Chiefdom Development Planning through chiefdoms, which is based in a participatory methodology, with ample scope for consultation and linkage to the target group at a local (section) level. Consultative and training meetings will be held out of Chief's Kraal (where such meetings are usually held) to encourage women and youth's full participation. This is because women are not allowed to stand while in the chief's kraal (which makes it cumbersome to express ideas while kneeling). The youth generally do not like being in the Chiefs Kraal because of the formalities involved.

Baseline studies

36. **Socio-economic baseline surveys and PRA.** The main purpose of the survey and PRA is to provide both quantitative and qualitative data that will be useful as baseline data and tool for monitoring and evaluation by partners in project implementation and also by the CDCs and chiefdom leadership. Baseline data and information will be collected from the 25 chiefdoms that constitute SMLP's project area. The baseline surveys will be carried out by a reputable local University.

37. The Women's Empowerment in Agriculture Index (WEAI), launched by IFPRI, Oxford Poverty and Human Development Initiative (OPHI), and USAID's Feed the Future in February 2012, is the first comprehensive and standardized measure to directly capture women's empowerment and inclusion levels in the agricultural sector. The SMLP baseline surveys will include separate questionnaires which will be administered to inform the Women's Empowerment in Agriculture Index (WEAI). There is consistent and credible evidence that when the status of women is improved, agricultural productivity increases, poverty is reduced, and nutrition improves. The WEAI is a tool for monitoring the Project's impact on women's empowerment in the domain of agriculture. More information is available at www.ifpri.org/book-9075/ourwork/program/weai-resource-center. The WEAI is composed of two sub-indexes: the five domains of empowerment index and the gender parity index (Alkire et al. 2013).

38. The **five domains of empowerment** are: (1) decisions about agricultural production; (2) access to and decision making power over productive resources; (3) control over use of income; (4) leadership in the community; and (5) time use. The WEAI also measures women's empowerment relative to men within their households. The WEAI is a composite measurement tool that indicates women's control over critical parts of their lives in the household, community, and economy. It is a useful tool for tracking progress toward gender equality.

Table 5: Composition of Women's Empowerment in Agriculture Index

Five dimensions of empowerment	Indicators	Weight	Link to Objectives of IFAD's Policy on GEWE
PRODUCTION	1. Input in production decisions	1/10	Economic Empowerment
	2. Autonomy in production	1/10	
RESOURCES	3. Ownership of assets	1/15	
	4. Purchase, sale, or transfer of assets	1/15	
	5. Access to & decision on credit	1/15	
INCOME	6. Control over use of income	1/5	Decision-making & representation
LEADERSHIP	7. Group member	1/10	
	8. Speaking in public	1/10	Equitable workload balance
TIME	9. Workload	1/10	
	10. Leisure	1/10	

39. The second sub-index—the **gender parity index (GPI)**—measures women's empowerment relative to that of men by comparing the five domains of empowerment (5DE) profiles of women and men in the same households. A woman is assumed to achieve gender parity if her achievements in the five domains are at least as high as those of the primary adult male in her household. The GPI reflects the percentage of women who have achieved parity and, in cases of gender disparity, the average empowerment gap that women experience relative to their male counterparts. While the 5DE score is calculated using all women in the sample, the GPI score is not calculated for women living in a household where no adult male is present.

Appendix 3: Country performance and lessons learned

IFAD country programme

1. Given the extent and causes of rural poverty in Swaziland and IFAD's comparative advantages, three strategic objectives were agreed to with Government during the development of the COSOP of September 2006. Achievement of these objectives will contribute to reducing very high levels of rural poverty. The strategic objectives support the PRSAP, the CAADP and fit within the United Nations Development Assistance Framework (UNDAF) and are identified below:

- **Land and water:** To help rural poor households gain access to and productively use land and water.
- **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-scale enterprises that are sustainable.
- **Empowerment and legal rights:** To encourage the full participation of the rural poor in rural development so as to benefit in their own right, including through access to the means of production.

2. The strategic framework of the COSOP provided the basis for developing an IFAD Country Programme in Swaziland. The Country Programme, in turn, provides a cohesive, inter-linked platform for IFAD projects in Swaziland, creating synergies between activities with a view to realizing the COSOP strategic objectives through impact enhancement, focused targeting, knowledge management, policy dialogue, innovation and partnerships.

3. COSOP objectives a) Land and water, and c) Empowerment and legal rights, are being addressed primarily through LUSIP (IFAD currently co-finances) and LUSLM (IFAD and GEF-funded). The Rural Finance and Enterprise Development Programme (RFEDP) responds to objective b) Finance, enterprise development and markets. The new investment would up-scale successes from these projects while adding new emphasis to market development and value chains.

Lower Usuthu Smallholder Irrigation Project (LUSIP)

4. While the project has enabled the Government to secure its water rights under the international tri-partite agreement with Mozambique and South Africa, it has also provided an opportunity for rural empowerment, smallholder and household access to irrigated land for food security, and increased incomes. IFAD financing is focussed on empowering communities to participate in decisions regarding land resettlement and access (for housing, schools, graveyards, production, etc.). To this end the project has developed a process now locally referred to as Chiefdom Development Plans, which are very comprehensive and the Government would like to up-scale this in chiefdoms outside of the project area. The resettlement undertaken by the project has been historic in that not once was infrastructure construction held up due to land issues. Smallholders have been provided with information on types of group formation, most of who have chosen to form companies, and regarding options for crops be it sugarcane or diversifying to support food security and increased incomes. Infrastructure, apart from tertiary delivery systems, has been completed. Phase I of LUSIP will provide 6 500 hectares of irrigated land to smallholders not including household gardens. The first farmer companies started planting in late 2009 and had their first harvest in 2011. The Project is led by the Ministry of Agriculture, with SWADE as implementing agency.

5. **Challenges.** Project implementation is progressing well and shows considerable improvement, despite the difficulties. Following are the key challenges being faced:

- Initial implementation was delayed due to securing co-financiers for the Project (LUSIP had 7 co-financiers in addition to the Government, which took the lead). The bulk infrastructure was only completed in 2009 and land development only started thereafter. This meant that less than half of the potential land was receiving irrigation water.

- The process of chiefdom planning and establishment of regularised leases - a radical process - needs on-going support to ensure hard won progress is not lost if farmer production is to be successful.
- The first farmer companies have at most 2 years' experience in managing a sizable investment using a new farming system (irrigated agriculture), and they are at the core of the success and sustainability of the Project.
- With changes to the EU sugar protocol as well as soil quality issues, priority has been given to the development of alternative crops and livestock systems (focussing on poor/vulnerable households especially those that are child or female headed households) and the associated appropriate commercial banking products are a key focus for sustained pressure and action.

6. **Achievements to date.** The major achievements to date include:

- The Swaziland Water and Agricultural Development Enterprise (SWADE) has played a significant role in uplifting the standard of life for many households in the LUSIP project area. For example, one thousand one hundred and eighty four (1,184) households (46 per cent of the targeted households) are already deriving benefits through participation in irrigated agriculture;
- 281 have shared an equivalent of US\$428,551.97, as dividends, with each household receiving an average of US\$ 1,525.10;
- 860 homesteads now have access to clean drinking water;
- The project has been very successful having recorded in the first year of harvest an average of 115 tonnes of cane per hectare (TCH), which is 15 per cent higher than the estimates in the business plans and also above the Ubombo Mill Group average of 104.6 TCH;
- Three hundred and sixty new permanent jobs have been created to date, and a further 180 are expected by the end of 2012;
- An additional 3,600 seasonal jobs have also been created. However, project implementation is not complete (approximately 50 per cent of the potential area has been developed to date);
- The Government, through donor funding, has incurred in excess of US\$ 210 million through loans and direct counterpart funding (US\$122,794,183.29) in the implementation of the project since 2005;
- As at 31 October 2011, the total EU contribution to LUSIP farmers was €6,628,330.99. This was to support smallholder sugarcane farmers as part of overall implementation and has funded the establishment of over 1,000 ha of sugarcane for seventeen farmer companies. Similarly, Government has supported the development of 1,160 ha of irrigated agricultural land for sixteen farmer companies through investment of \$9.8 million;
- To date the farmer companies have borrowed the equivalent of US\$2,277,700 in commercial loans. These farmer companies require continued training and support to ensure proper business practices are followed so that they are able to meet their loan obligations;
- To date a total of 161.3 ha of land have been developed, primarily to grow crops for food security and high value legumes and grain crops to be sold commercially to generate revenues required to purchase inputs. Produce which does not meet the grade required by the markets will be consumed by the farming communities, thus providing another source of food security in the PDA;
- A total of 50 ha have been planted with food crops such as maize, sweet potatoes and sorghum under the food security programme. A number of farmers have already harvested some of their crops and have either consumed the produce or sold it for cash;
- The first small stock (village chickens) have been introduced to poor vulnerable women-headed households and have already impacted positively on food security and incomes, and the activity will be scaled-up. This has culminated in the families eating meals with a balanced diet since they now have eggs and meat. Households can now afford to eat two (2) chickens a week and eggs are now available to children who were not given eggs before. The chickens are also sold through organised informal channels to urban markets where each

household is making an average of one thousand five hundred Emalangeni (E1,500) per month;

- Linkages with three (3) formal markets within Swaziland (NAMBOARD, Lizie's Fresh and Game Fresh) have been established and have been supplied with produce;
- Plans are underway to initiate the establishment backyard gardens and enterprises for the resettled and affected homesteads;
- Chiefdom Development Plans were designed with the communities, now to be applied to all chiefdoms in Swaziland, for planning and development;
- The Enhanced Chief's Letter was developed to address tenure issues to secure lease payment into a Community Trust / Foundation;
- Farmers groups formed: 42 companies; 3 cooperatives

Lower Usuthu Sustainable Land Management Project (LUSLM)

7. The overall goal of the Lower Usuthu Sustainable Land Management Project (LUSLM) is to contribute to reducing land degradation and protect biodiversity through widespread adoption of sustainable land management practices in Swaziland; while also contributing to mitigating and increasing communities' capacity to adapt to the adverse effects of climate change. The specific project objectives are: 1) to promote development and mainstreaming of a harmonised, cross-sectoral approach to SLM at the national level; 2) to reduce land degradation, biodiversity loss and mitigate climate change in the Lower Usuthu River Basin area through the application of sustainable land management practices which will contribute to adaptation to climate change; and 3) to improve the livelihood opportunities, resilience and food security of rural communities (men, women and children), including catalysing development of a range of alternative complimentary livelihood opportunities. The Project implementation is led by the Ministry of Agriculture (MoA) in close collaboration with LUSIP I and SWADE as the implementing agency.

8. Important outcomes of the Project include:

- The successful further development of the Chiefdom Development Plans (CDP) through an essentially participatory process, starting in the sectors of each chiefdom. For future, there should be an increased focus on agri-business and access to rural finance, as well as on targeting of development activities;
- Through a strategic partnership with the University of Swaziland's Journalism and Mass Communications Department (UNISWA JMC), the impact and lessons from the project are well known nationally and gaining a regional recognition. This is reflected in the increased requests the Project receives from neighbouring communities, line Ministries and NGOs. Additional and appropriate communication of plans and activities within the communities will further the communities' engagement in development activities;
- The establishment of a comprehensive field programme to introduce and capture both the biophysical and social impacts of Conservation Agriculture (CA) to more than 500 households; and the continued promotion of Permaculture Gardens. The Project shows that agricultural production can be enhanced, with the surplus being absorbed in the locality;
- Efforts to address soil and water conservation at a larger scale than the individual household, by conducting erosion / land degradation control activities and by rehabilitating existing dams and command areas;
- Contributions to the Land Act (draft) and the development of the Land Governance project that has been approved by the EU following consultations with the Project Steering Committee.

Rural Finance and Enterprise Development Programme (RFEDP)

9. The programme became effective in September 2010. The RFEDP has two mutually reinforcing thrusts: 1) development of technical and business skills; and 2) increasing access to rural financial services. The long term goal of RFEDP is to contribute to poverty reduction and the overall economic development of poor rural households in Swaziland. The purpose of the programme is to

increase incomes, improve business opportunities and augment access to sustainable rural financial services for the rural poor. The programme objectives are:

- To provide the rural poor with access to efficient and effective financial services on a sustainable basis;
- To develop an enabling and enhanced environment for business development in rural areas; and
- To establish/develop micro- and small-scale enterprises (on and off-farm) as well as business services in rural areas.

10. The Programme objectives are being achieved through implementation organised through three components: a) building entrepreneurial capacity in the rural economy to support the target group; b) deepening the financial sector (enhancing the micro-finance sector); and c) programme management and coordination. The Project is placed in the Microfinance Unit (MFU) of the Ministry of Finance, and is coordinated by a Project Implementation Unit.

11. MFU made significant contributions to policy development regulatory stream-lining of both the enterprise development and the financial sector. On the SME development side, MFU actively participated in the elaboration of the Investor Road Map (IRM), a government initiative aimed at lifting barriers to doing business in Swaziland. As an active participant in two of the co-ordination teams in charge of the exercise, MFU raised issues pertaining to micro-enterprises and inter-linkages between micro-enterprises and mainstream businesses. MFU is also involved in the review of the SME Policy. On the rural financial side, MFU played a lead role in the elaboration and championing of the Consumer Credit Bill. Policy wise, MFU has played a leading role in the development of the Financial Inclusion and Microfinance Policies by holding stakeholder meetings and commissioning supporting research (microfinance landscape study).

Key lessons learned

12. Both LUSIP and LUSLM demonstrated the importance of water resources for enhanced agricultural productivity, by major irrigation works, but also by rainwater harvesting and conservation of soil water resources. Soil conservation and erosion control help safeguard both soil- and water resources for present and future generations. When it comes to infrastructure benefiting more households (i.e. gully plugging and construction / rehabilitation of dams), insights have been gained in how to create benefits that enable routine care, maintenance and vigilance by the direct beneficiaries.

13. Local resource management and development planning has been introduced by LUSIP in areas with large-scale irrigation, and by the LUSLM in rain-fed areas. Through the planning process, traditional leadership has been able to consult communities and agencies, and has directed development activities to citizens in their chiefdoms. SMLP can build on the existing Chiefdom Development Plans, and can expand the well-tested approach to other rain-fed areas.

14. Especially under the LUSLM project, valuable experience is gained in the promotion of conservation agriculture approaches for enhancing smallholder production, and implementing soil and water conservation at sub-catchment levels. Agricultural surplus production, however, hardly finds its way beyond local demand. The SMLP will therefore enhance market linkages to these areas; and expand markets to new rain-fed areas, which so far have not benefited from project support.

15. Through RFEDP contributions are made to a policy framework assisting smallholder producers to access rural financial services and to respond to existing market demands. Experience is gained in a honey value chain, and insights are gathered in alternative mechanisms to provide credit to local producers.

16. When it comes to combining local development planning, natural resource management and market-led agriculture, IFAD has an added value that is well-recognised in Swaziland. The approaches IFAD has helped develop have found their way into national policy and are replicated in other programmes in areas with large-scale irrigation. There is now a need to simultaneously develop market linkages for rain-fed areas that have already engaged in local development planning and

enhanced agricultural production; and scale-up the comprehensive approach for market-led smallholder production to rain-fed areas that are as yet not included in development programmes. Given the national poverty statistics, such scaling-up should prioritise improvement of food security and livelihoods in the Middle- and Lowveld areas.

Appendix 4: Detailed project description

I. Introduction

17. This appendix provides an operational description of SMLP. Additional background on resource planning, land and water conservation infrastructure, agricultural production (livestock and crops) and marketing is available through working papers prepared by the concerned mission members. The emphasis here is on a comprehensive description of project objectives and results (section II); of Project activities (section III) and of assumptions underpinning the project design (section IV).

18. The Project duration will be six years from 2015 to 2021. Project **start-up activities** prior to loan effectiveness, including arranging counterpart funding, setting-up the accounting system and recruitment of a project director, will take place in late 2014 and early 2015. The Project's start is therefore foreseen on April 1st, 2015, coinciding with the start of Swaziland's financial year. Thus the Project implementation would spread over 6 Swaziland financial years. There is no distinction in separate phases.

II. Objectives and results

19. The Smallholder Market-led Project aims to contribute to the national goal of reduced rural poverty, as said amongst others in the Swaziland National Agricultural Investment Programme (2014). The Project Development Objective is for Smallholder producer households in the Project area to enhance food security, nutrition and incomes from diversified agricultural production and market linkages. The project target group comprises economically active lower-income HIV-affected households in 25 rain-fed Middle- and Lowveld chiefdoms in the Shiselweni and Lubombo Region. The Project components are:

- Chiefdom development planning
- Infrastructure for soil and water conservation
- Market-led production

20. The project development area comprises 10 chiefdoms that have taken part in the Lower Usuthu Sustainable Land Management Project (LUSLM, IFAD / GEF-funded, to be completed in 2014) and 15 new adjacent chiefdoms; all on rain-fed areas outside the command area of the Lower Usuthu dams. In each of the 10 chiefdoms that cooperate with LUSLM, Community Development Committees (CDC) have been set up, which were assisted in preparing Chiefdom Development Plans (CDPs) and advise the Chief and his Inner Council on decisions with respect to the assignment of new functions to communal grazing land. In this manner, communal land has been made available for agricultural production activities such as crop irrigation, fruit trees and rearing of small livestock; and support has been rendered to enhance production of commodities both for meeting nutritional demands as well as for marketing of the surplus. This approach will, in essence, be continued and expanded in the chiefdoms now involved with LUSLM, and will be replicated to fifteen more chiefdoms in adjacent areas.

21. The defined target group comprises economically active lower-income HIV-affected households. To target and activate this group, the Project will rely on existing and new structures for chiefdom development planning, as well as on the MoA's Rural Development Area-offices to confirm that marketing and production support activities are largely targeted to this segment. The households to be engaged in market-led production will be encouraged to associate into informal groups if and when this adds value. In practice this generally means agricultural production will be individual, but market supply or infrastructure maintenance may be jointly organised. It is foreseen that informal youth enterprises will play a role in collecting and bulking agricultural produce, and in service provision for rainwater harvesting and agricultural mechanisation.

22. The outcome of SMLP's first component is effective planning and decision-making with respect to development activities by 25 chiefdoms in the Shiselweni and Lubombo Region. Community Development Committees will be formed and involved in planning, guiding and reviewing development activities in their respective chiefdom. The component design aims for the following outputs:

- An institutional framework for development planning;
- Chiefdom Development Plans (CDP);
- Chiefdom human, water and land resources allocated to planned development activities;
- Community Development Committees are entry points for agricultural and marketing advisory services.

23. SMLP's second component makes sustainably-managed soil and water resources available for market-led agriculture in the targeted chiefdoms. Planning, design, construction and management of infrastructure to conserve soil and water resources enables sustainable livestock and crop production. The component design aims for the following outputs:

- Erosion control measures;
- Rehabilitation and new construction of small earthen dams supply expanded command areas;
- Rainwater harvesting infrastructure at homestead-level;
- Youth enterprises established for rainwater harvesting services.

24. The third and final component of the SMLP aims to ensure that smallholder producers in the Project chiefdoms supply crop- and livestock products to market partners. The selection of crop- and livestock products will both reflect existing market demands and a preference for commodities that support local nutrition and a marketable surplus. Thus, the target group of lower-income HIV-affected households benefits both in nutritional as well as in income terms. The component design aims for the following outputs:

- Business development services train smallholders on crop- and livestock production and marketing techniques;
- Market information is available to smallholder producers and value chain partners;
- Smallholders supply markets through Collection & Information Centres run by youth enterprises;
- Innovation platforms for specific commodities established.

25. The following sections describe the activities for each component. Where need be a differentiation is made in the activities in the 10 chiefdoms already engaged by the LUSLM and the 15 chiefdoms to be newly included by the present Project.

III. Activities

A. Component A: Chiefdom Development Planning

26. The activity schedule in component A builds on the approach for Chiefdom Development Planning as a Framework for Sustainable Rural Development piloted in the LUSLM Project. Areas where improvement of the approach are pursued, are:

- More emphasis on development planning, rather than on production of the plan only. This means that the CDC will also advise the traditional leadership on new opportunities and developments that occur outside the plan preparation context;
- Formulation of clear agreements on land resources, households to be involved and land use practices to be developed. This enables the CDC to review whether decisions, for instance on erosion control in fenced-off areas, are implemented as intended;
- More emphasis on socio-economic status of households and on enticing poor households to enter into market-led production activities.

27. A first activity, only applicable to new areas, is to help **initiate/revive CDCs**. This activity is the formal entry of SMLP in the new chiefdoms, and a first step is to seek guidance from the Chief and his Inner Council. A number of chiefdoms outside the present LUSLM area have already requested for assistance similar to that given by LUSLM and 15 new chiefdoms adjacent to the LUSLM area, where chiefs that are eager to enter into the resource planning process, can be found. Following the guidance of the Chief, a Community Development Committee will be formed, comprising representatives of each section of the chiefdom, as well as a liaison with the Inner Council. Essentially this process will follow the present and tested LUSLM approach. In already established CDCs, an entry visit will be made to explain the new Project and to reacquaint with the Chief and the CDC members.

28. Once the CDC membership is complete, the Project will **train CDC members**. Training courses include induction, natural resource management, infrastructure, market development and agricultural development. Courses will be given in the chiefdom and will be of short duration as the main intent is to provide CDC members with the overview and to acquaint them with staff of the concerned agencies. In addition to the training activities, CDC members will develop knowledge through exchange visits to other chiefdoms.

29. The institutional framework for development planning is further supported by **setting-up benchmarks for CDC performance**. Project staff will develop, with interaction between and inputs from existing CDCs a set of criteria to gauge CDC performance. This includes basic indicators related to the number of meetings, but will grow to include indicators of progress in plan development and subsequently in plan implementation and impacts. In addition, a system will be included through which inhabitants are consulted on their perception of the CDC performance. The system will enable CDCs to compare their performance to that of their peers and to identify areas in which to improve their performance.

30. Each new CDC will be assisted in developing a Chiefdom Development Plan. The first activity in this process is to **conduct appraisals**. This comprises of an inventory of human and natural resources in each section of the chiefdom, as well as an inventory of bottlenecks and opportunities in that chiefdom. Use will be made of maps, and information may be recorded graphically as well as in tables. The CDC will have the lead in this activity, but the Project will support recordkeeping. The activity will be intense for new CDCs, and will be a follow-up activity for existing CDCs. The project will support the activity by conducting a community census / socio-economic profile study for each chiefdom.

31. In parallel to the CDC-led appraisals, the Project will **prepare GIS base maps** recording land use and land resources from available remote sensing information and other existing secondary sources. Gradually, the map layers will build up information on road and market infrastructure, implemented and ongoing Project activities, waterways and water bodies, land degradation and erosion, fenced-off areas, and any other important land or resource activities that are part of the landscape. A specific output would be an accurate land use map, which may be used by the CDCs. For this activity, the project will be equipped with GPSs and with GIS software. The GIS outputs will be compared to the outcomes of the rural appraisals and used to debate the CDC views; with a view to enhance the quality of the planning process. To build the information base for this activity, the Project will conduct an inventory of water and soil resources in the chiefdoms.

32. Once opportunities and bottlenecks are aggregated at chiefdom-level, the next step is to **identify development options**. This is primarily done by the CDC members, but will involve representatives of the RDA, NGO and Project staff in order to also add other options to the list identified by the CDC; and to stimulate discussion and ideas regarding various options that may be applicable to the area and to assist in the articulation of interventions. Specifically the agency knowledge on available programmes that could benefit the chiefdom is essential to be incorporated at this stage. For new chiefdoms, this activity contributes directly to the CDP; while for chiefdoms that already have a CDP, the emphasis is on presenting emerging opportunities not included in the CDP.

33. A series of CDC workshops will follow, of which the aim is to **develop plans and planning**. Steps – often iterative – include visioning, prioritisation of activities, identification of households to be included, identification of communal land resources required, and assessment of time and financial resources needed. The Project will increasingly move from a role of initiator, via a contributor role to a facilitatory role. While for the new chiefdoms, the preparation of the CDP forms the red line; for the chiefdoms with a development plan the emphasis is on preparing implementation decisions by the Chief and Inner Council.

34. A final activity for this component is to **publish plans and progress reports**. Involvement of Project staff is justified in ensuring that the outcomes of planning and implementation are reported in a good manner to the different interested parties. Use of simple signboards and graphical formats may be best for informing chiefdom inhabitants; while publication of documents may serve very well the information need of outside agencies.

35. The last output of this component strengthens the **linkage between CDCs and available development services**. The Project will to this end interact with and involve available services. It will inventory the services available, the programmes being implemented and the bottlenecks these organisations may experience. It will at the same time explain the Project concept and highlight what the Project can do to enhance coherence in development activities in the project area. Subsequently, the Project will connect agencies and CDCs. This is through facilitation of personal contact between CDCs and agency staff; and by exchanging information on programmes and contact details. In the end, CDCs should be able to confidently approach the agencies directly.

B. Component B: Infrastructure for Soil and Water Conservation

36. The products of this component comprise infrastructure including erosion control measures, small earth dams and commands (rehabilitation and new construction) and water harvesting infrastructure. The first two have significance for a group of households; the latter is benefiting households on an individual basis. The development steps for the common infrastructure are different from those for the household infrastructure.

37. **Dams and reservoirs for irrigation development.** “Small earth dams have a depths ranging from 5 to 8 m with water holding capacity of less than 50.000 m³. Such dams are commonly constructed in the low veld and dry middle veld”¹⁵.

38. The 2013 design report, which forms the starting point for the present exercise, estimates the investment cost for medium dams with command area development at \$ 437,500 (approx. SZL 4,500,000). This fits within the bandwidth of cost information provided by the FAO for dams in Swaziland. The PDR proposes two medium new dams with irrigation development at \$ 500,000 each. This amount will have to include design and supervision and environmental studies and mitigation measures, on top of the development of reservoir and command area.

39. For rehabilitation of small earth dams, the field visits showed that generally very little work is carried out beyond re-sectioning of the dam and replacement of the distribution line. The poor status of the spillway was often not addressed, nor was a permeable dam re-lined; and in one case substantial downstream erosion went unchecked. These findings led to an estimate in the PDR of \$ 100,000 per to be rehabilitated dam. This amount is, again, to cover design, supervision, environmental studies and mitigation on top of the rehabilitation works.

40. In the above estimates, no distinction is made between costs of the reservoir, the distribution system and the on-farm irrigation network. The FAO manual on earth dams suggests that the cost of the distribution system plus irrigation development constitutes around 30% of the cost of a typical dam. In practice, the range will be quite wide, especially on rehabilitations. The distance between

¹⁵ Ministry of Agriculture, Swaziland Agriculture Development Programme, Comprehensive Africa Agriculture Development Programme (CAADP), Stocktaking, National Technical Drafting Team, DRAFT REPORT, December 2013

reservoir and command area determines the cost of the distribution system (generally a single line); whereas the status of the downstream land determines the cost required for establishing or expanding the command area.

41. The distribution system on present dams comprises a single pipe-line to the command area to which hydrants with hose-pipes are connected at regular intervals. Farmers are responsible to replace hose-pipes and – less frequently – the hydrants. The great advantage of this system is that it promotes a judicious use of water; but labour demands are somewhat higher than for drip- or sprinkler irrigation. It is suggested that for the moment the present choice of farm-level irrigation technology is accepted; with the possibility for farmers and their market partners to invest in replacement of the hose-pipes with more modern application systems once proceeds from commercial agriculture provide room for doing so. The farmer contribution to the irrigation works further comprises the labour for fencing, routine maintenance and patchwork repair and regular monitoring of the infrastructure.

42. It is assumed that the command areas for existing dams can on average be expanded from the present 1 hectare to 5.5 hectares; and that for the new developments a similar command area can be established.

43. **Erosion control.** No guidance was found for estimation of the cost of erosion control works; which underscores that this is a rather neglected field. Field visits to eroded sites in the LUSLM project area signalled a need for substantial gully plugging, fencing and re-establishment of ground cover. Fruit trees and fodder crops could constitute part of the latter and provide benefits to the concerned smallholder farmers. Infrastructural erosion control measures implemented under LUSLM were found to be too modest, with a too large reliance on community labour. The PDR sees the plugging of erosion gullies by gabions as a substantial work which is beyond the capacity (and the labour skill) of the concerned communities. The PDR therefore provides up to \$ 20,000 investment costs per erosion site. Communities contribute in the form of placement of fences, preventive maintenance and patchwork repairs, routine monitoring (and seeking help in case of substantial damage), planting and taking care of ground cover; and benefit from the production of fruit and fodder.

44. **Portfolio management for common infrastructure.** Given the uncertainties surrounding the cost estimates for irrigation and erosion control works, it is proposed that the Project develops an infrastructure investment matrix. Following a soil and water resources inventory in the PDA, potential sites are pre-selected and subsequently systematic screening and ranking would result in development of those sites where investment is most viable and effective. The procedures for screening and ranking, and for maintenance of an investment portfolio, are detailed in the PIM. The portfolio is updated quarterly and reviewed by PSC and the periodic supervision missions.

45. To develop common infrastructure for soil and water conservation, the entry point is the Chiefdom Development Planning. The planning for the infrastructure only starts when the priority, approximate location and the involved households are indicated in the CDC's planning process; and when the intention of developing the infrastructure is confirmed by the Chief and his Inner Council. However, to help the CDC and the decision-making by the traditional leadership – and to bring the large investments forward – the Project will **undertake identification studies** for these civil works and share outcomes with the chiefdoms.

46. The construction of / rehabilitation of reservoirs will enable crop cultivation with at least a share of the impounded water. The producers to be engaged in crop cultivation will form a group that assumes a shared responsibility to partake in planning, design, implementation and operation & maintenance of the to-be-developed dam and associated structures. For erosion control measures a condition *sine qua non* for the investment is that the affected area is fenced-off. When cattle can no longer enter the area, it becomes potential for hay baling, cultivation of fresh grass (cut & carry) and for tree cultivation. Producers to benefit from this will be identified (by CDC/traditional leadership). With respect to the control of the erosion, they will form a group, which partakes in planning, design, implementation and maintenance. The project will **train infrastructure users' groups** in aspects

such as (operation &) maintenance, internal rules (and task distribution) and hand-over of management.

47. The large water and soil conservation infrastructure benefits infrastructure users groups; but the benefits also extend beyond the producers in the command area or the fenced-off area. Downstream effects such as reduced sediment loads in rivers; larger infiltration of run-off; creation of habitats for diverse species of plants, insects and fish; greater carbon sequestration; reduced extremes in river run-off and drenching water for cattle are hard to quantify but certainly not unimportant. Moreover, the benefits of soil and water conservation extend beyond the present generation. The investments for water and soil conservation are, however, also considerable and cannot be recovered in full from the primary beneficiaries. The investment works will be carried out as a Project investment through contractors – with supervision and design being contracted to specialised services – while the user groups will undertake to regularly monitor the infrastructure and carry out maintenance and patchwork repairs. In return for doing this, they get the opportunity to grow irrigated crops below the dam and to plant fruit trees and fodder (for cut & carry) in fenced-off degraded areas.

48. The traditional leadership plays an important role with respect to common infrastructure, as it needs to decide to change the function of the concerned communal lands from the default function of cattle grazing to new functions, being impoundment / irrigated agriculture and fruit & fodder cultivation reserves; and to define the group of producers to be involved. The infrastructure users' group needs to commit to its role. Only when all **clear agreements are in place**, will the Project move forward with detailed design and construction.

49. Major infrastructure needs to be **designed and constructed by specialised agencies**. The Project will therefore hire the services of a design & supervision engineering company and a civil works contractor. Assessment of environmental impacts will be carried out by an independent third party. For the erosion control works and the rehabilitation of existing dams this will be done through a strategic environmental assessment; for the new dams by environmental impact assessments.

50. Given the risk associated with major infrastructure and the importance of adequate maintenance, the Project will cooperate with the MoA Land Use Department to carry out **annual inspections of the infrastructure**. A CDC member will be part of the inspection team. Findings will be presented to the infrastructure users' group and cases where problems are not adequately addressed by the producers will be discussed in the CDC. Cases of serious negligence may compel the traditional leadership to revoke earlier decisions with respect to the producers to be involved.

51. The **household infrastructure** for water conservation is the well-tested construction of ferro-cement water storage tanks under corrugated iron sheet roofs. The availability of ca. 1,700 litres of harvested rainwater is doubly important. The water is used in the household and the subsequent volume of grey water is treated to be reused in homestead gardens. The Project will contribute part of the costs for constructing ferro-cement tanks and will specifically target unemployed youth to train and prepare them to take up ferro-cement tank construction and repair as income generating activity.

C. Component C: Market-led Production

52. In a departure from the production-centred approach in earlier projects, SMLP will employ existing market demand as a driver for improving agricultural value chains. This implies that market partners and business services are stakeholders in the Project approach. This is presented in the following figure.

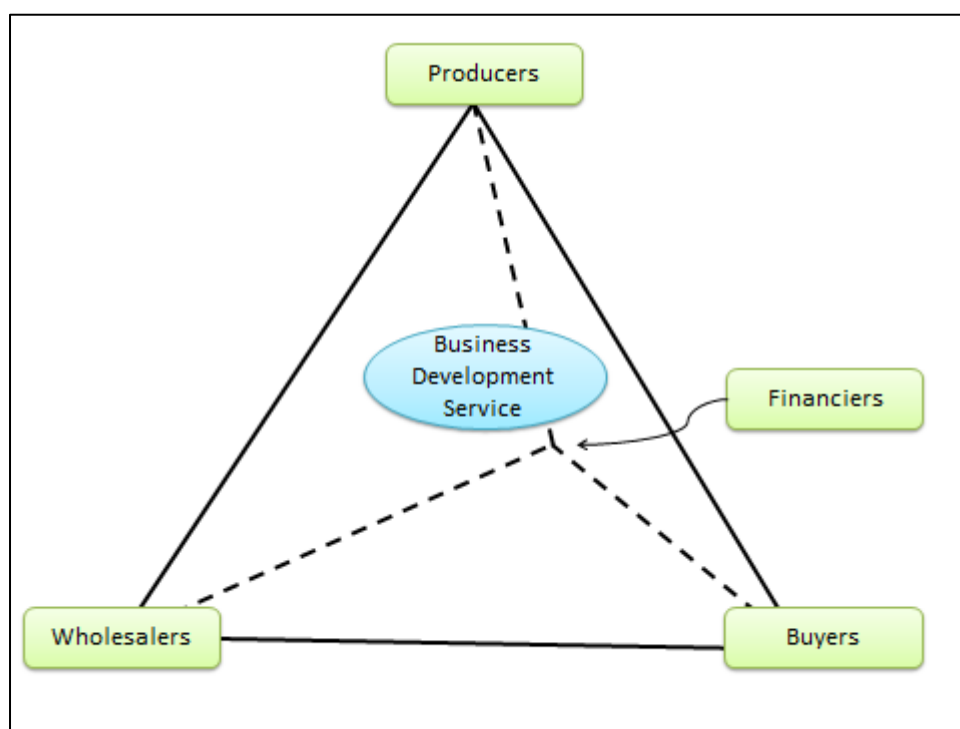


Figure 3: Market-led value chain model

53. In the value chain, five parties interact:

- The wholesalers¹⁶ make their market demand known to the producers, in terms of quantity, quality and time (QQT). For example, NAMBOARD would express its demand for the production of legumes to the smallholder producers in the project area.
- Producers organise to deliver the specified product through a locally or regionally available buyer. This would include a planning of planting dates; a staggered delivery schedule mutually agreed between the buyer and the producers; improved crop husbandry practices; and quality control and fumigation where necessary. Extension services may be required to help enhance production and product quality.
- The buyer(s) bulk the produce and deliver it to the wholesaler. Local entrepreneurs and traders organise the bulking of products, arrange for initial grading, cleaning, fumigation (if necessary) and final packaging whether crates (for crops and fruits) or buckets for honey combs. Local collection sheds may be required or existing infrastructure such as an existing shop if covered to prevent rain damage. The Project undertakes to develop youth enterprises to take on the role of local buyer, by managing Collection and Information Centres (CICs), where farmers bulk their products and where extension services address the producers;
- Financiers may be involved if investments in production, packing, transport or processing are required. This could, for example entail credit to producers for the purchase of beehives for the honey value chain, or credit to buyers for the purchase of equipment to extract honey.
- Business development services will be availed to enable the four parties above to enter into transaction agreements and to enable each of them to fulfil its role. This could include advice on contracts, on crop or animal husbandry practices, on storage and processing, and/or on collective marketing through which the farmers may choose to aggregate to sell collectively.

54. The Project uses the above conceptual framework for developing and improving crop and livestock value chains. Existing demands will always form the entry point. Preference will be given to

¹⁶ A distinction is made between the wholesaler – as the final buyer – and the local buyer. The buyer is an intermediary between the wholesaler and the primary producers.

food products in order to contribute towards local nutrition. An initial identification of crop/livestock interventions has been made including: legumes, fruits, horticultural crops, goat for meat, indigenous chicken and honey. This selection of commodities will be expanded as the Project progresses.

55. The following table describes the different responsibilities of stakeholders involved in developing market-led smallholder agriculture. The table will be further elaborated upon in the draft Project Implementation Manual, but provides insight into the stakeholder selection, and into the scope of work that they jointly engage in.

Table 6: Component 3 responsibility – implementation matrix

Area of Responsibility	Lead agency	Implementation partners
Market Scoping	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe • MOA • SNAU (Swaziland National Agricultural Union)
Market identification and development	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe • MOA • SNAU
Capacity development	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe • SWASA (Swaziland Standards Authority) • Financial institutions
Innovation platform	PIU	<ul style="list-style-type: none"> • TechnoServe
Production plan	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe
Business planning	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe
Financing arrangements	PIU	<ul style="list-style-type: none"> • Micro Finance Unit
Market information systems	NAMBOARD	<ul style="list-style-type: none"> • NAMBOARD (vegetables) • MOA – Department of Veterinary and Livestock Services (DVLS, livestock products) • Honey Council (Honey)
Input supply and distribution networks	NAMBOARD	<ul style="list-style-type: none"> • RDAs (crops) • DVLS (livestock) • Private Sector • PIU
Cold chain and logistic	NAMBOARD	<ul style="list-style-type: none"> • Private sector
Enterprise development and value addition (on and off farm)	NAMBOARD	<ul style="list-style-type: none"> • TechnoServe • SWASA
Small and Large Scale Processing	NAMBOARD	<ul style="list-style-type: none"> • Eswatini (honey, vegetables, fruits) • DVLS (livestock products) • Home economics (home industry)
Monitoring & Evaluation and reporting	PIU	<ul style="list-style-type: none"> • All implementing partners

56. **Support to market-driven commodity chain development:** The project will support the development of crop and livestock commodity chains. The estimation of market demand and development of market linkages will be facilitated through NAMBOARD either as the principle Business Development Service (BDS) or as the broker between a private sector partner such as Eswatini Kitchen Limited and/or other retail outlets. NAMBOARD will be assisted with international technical expertise to develop systems for forward and backward linkages between wholesalers/buyers and producers and to develop a Training of Trainers (TOT) package for market-driven extension services. Market infrastructure and equipment will be provided including: collection sheds, a country-specific market information system (MIS) that provides real time market information to producers, two vehicles for the regional market extension officer and the provision of technical services and the development of a grading system primarily for commodities located in the Project area.

57. To facilitate specialised commodity chains such as for honey and for other commodities, which will be identified as the project develops; the business entity (buyer/wholesaler) providing extension services will be facilitated with transport in order to extend its services to the project area. To this end a vehicle and demonstration material will be provided to Eswatini Kitchen Limited which will facilitate

the provision of extension services and the development of manuals for the production of honey and fruit commodity chains and the same level of assistance will also be availed to other business entities as they emerge.

58. The PIU will facilitate the hiring of commodity-specific business development services along the value chain as they emerge. Thus partners including NGOs, other parastatals, and consultant services to provide business planning and/or financial services which will be identified and contracted as necessary. The project will also finance exploratory studies into other potential commodity chains. The PIU will facilitate linkages to the MFU for the provision of financial advisory services and linkages to financial intermediaries for the buyers and/or the primary producers.

59. Specific products under this component are (i) commodity-specific contractual agreements between producers and buyers/wholesalers, (ii) training materials for strengthening producers and or producer groups, buyers, wholesalers and extension staff in Market Linkage processes, business and organizational development for use by programme staff and field facilitators, and (iii) an MIS system.

60. **Support to development of crop commodity chains:** Most of the previous efforts to strengthen producer associations have concentrated on increasing productivity through communal farming and communal investment such as irrigation. This has led to an emphasis on production without securing a market for the produce, which may frustrate farmers as they end up selling their produce at low prices in the immediate vicinity. The project will support producers identified through the CDP process to build their capacity in improving the production for value chains that have confirmed market potential. Capacity will include sharing in support for equipment that is needed in primary processing. Strengthening of producer groups will be based on the market needs such as quantity, quality and processing. Capacity building will concentrate on support to preparation and implementation of investment for producers or producer groups and for business service providers (buyers).

61. To boost agriculture production in the rain-fed areas, small dams will be constructed where feasible to support small-scale irrigation. Field crops, fruit trees and horticulture crops that have been identified with clear market demand namely: sugar beans, chillies, oranges, potatoes and onions will be promoted from the outset. Other crops will be identified as the project progresses and establishes systems for market-led production. The need to safeguard production of household food will be incorporated into the cropping systems developed. Where feasible, rain-fed farming techniques such as conservation agriculture and agro-forestry as identified in the chiefdom development plans will be considered as part of the farming systems. Vulnerable groups will be encouraged to maximise their production through homestead gardens. The homestead gardens adopt cropping patterns that maximise soil and water conservation techniques such as permaculture and keyhole gardening. Project support will include cost-sharing for basic equipment that will be needed for both production and primary processing. Refresher training will be provided to develop and enhance efficient agricultural practises, introduce primary processing and basic record keeping. The project will also assist in the development of farm gross margins for the identified marketable crop commodities to help producers make informed decisions on economic investments.

62. Young people are increasingly vulnerable to poverty. The project will attempt to identify and create employment opportunities for youth in either primary agro-processing or marketing which is more attractive to the youth when compared to cropping. Youth enterprises are promoted to set-up and manage the Collection and Information Centres, where producers bulk their products and receive extension messages on production and marketing. In addition, there has been a general weakness in provision of tractor services to farming activities. As a pilot, the project through a request for proposals will support a group of youth by providing a minimum of farming implements needed to start a small contracting business, support the development of a business plan for securing a loan for operation costs. Swaziland National Agriculture Union through its regional office will provide mentoring and linkages to business opportunity to farmers with reasonable fees to sustain their support. This unit will be providing mechanization support to farmers especially those engaged in conservation agriculture.

63. **Support to development of livestock commodity chains:** The project will aim at low input high impact livestock interventions especially controlled by women and the youth in the targeted chiefdoms. This includes indigenous chickens, goats for meat and apiculture. Interested farmers will be supported with training, a start-up kit including basic equipment, such as beehives and protection clothes, and animals. The project will support development of a country surveillance system for honey production in order to allow for export of honey to regional and international markets. This will allow for development of a market for small honey producers. The project will fund the identification and construction of facilities for bulking, cleaning and grading. This arrangement will reduce initial market-entry costs and promote adherence to quantity, quality and timeliness of the production.

64. **Support to Improving effectiveness of Ministry of Agriculture (MoA) extension services:** The project will provide support to extension services through the Rural Development Area (RDA). The project will provide for a Training of Trainers (TOT) and for the development of a value chain-based extension manual that incorporates market/business development and improved agronomic practices to respond to the market demands. A planning methodology based on Continuous Improvement and Innovation will be adopted. Value chain partners, as described above, will be included in innovation platforms. These platforms enable interaction and joint planning and implementation by all stakeholders in the commodity chain. Thus, the RDA will have access to market specialists/buyers such as NAMBOARD and Eswatini. The project will also provide transport and computer/internet to improve the mobility and communication of RDA staff.

65. The project will provide transport to the Department of Veterinary & Livestock Production Services in order to help provide production and animal health services for poultry and goat production within the project area. In addition, budgetary provisions will be made by the project for capacity development of the extension support staff in the areas of marketing and business development services. The project will also support the Ministry of Agriculture (MoA) with computers and development of training materials and manuals. The MoA will require consultancy services/ and technical assistance to orient staff on the new extension approach.

66. A provision is included in the budget to support the use of information and communication technology for extension on agronomic practices and market information. This would make use of the high number of mobile phones available in the area; and of the youth enterprises managing the CICs. The budget supports identification of a viable approach, partnership building with the mobile phone provider and identification of key information needs between growers and market chain partners.

67. **Mechanisms for supporting improved agricultural production.** Summarising from the above, the Project will directly and indirectly support improved production by smallholders in the following manner:

- The CICs will form the conduit for support to smallholder producers, enabling services to be delivered to a group of smallholders, rather than to individuals, and allowing for the youth enterprise running the CIC to provide some continuity in the delivery of such services;
- The key concept underpinning support to improved production is that of conservation agriculture / sustainable agro-ecological intensification. Improvement measures will seek to optimise the utilisation of local resources in a sustainable manner;
- The key service delivery agencies are the RDAs and the market partner for a specific commodity. They will provide advice, demonstrations and support packages for introduction of new and improved cultural practices. Project support is available to help enhance their present level of support;
- With respect to agricultural advice, the Project will help pioneer the use of information technology for provision of extension and market information. Moreover, funds are available that support training activities;
- The use of demonstrations for crop and livestock cultural practices is promoted. Experience from LUSLM shows that simple demonstration trials do attract attention. Demonstrations will be coordinated with the CDCs and the CICs;

- The market partners are encouraged to provide start-up support to the production of the commodity it specialises in; and may be helped to develop or expand such support. It will include production as well as post-harvest technology to ensure the adequate quality and quantity of marketable products. Project support will help reduce the risks faced by market partners in recovering start-up packages from the marketable production. An example is the provision of start-up grants for fruit- and forest tree nurseries and the cost sharing in planting material by the Project for the erosion sites;
- In all cases, Project support to improved agricultural production will be aligned with the smallholders' capacity to procure such support; and the capacities of service providers, such as the RDAs, to render such support.

68. **Support to partner capacity.** Various public and private agencies jointly carry-out the above approach. These partners (see table 6) have limited experience and resources (see table 8). The Project therefore takes measures to strengthen the capacity of the agencies involved in the development of market-led smallholder agriculture:

- NAMBOARD is provided with international technical assistance to help it develop a systematic approach for making forward and backward linkages between buyers and producers; funds for establishment of collection sheds; support to develop a market information system; establishment of a grading system for commodities produced in the Project area and transportation. Moreover, NAMBOARD will be the primary beneficiary of the business development service (TechnoServe) hired through the Project.
- Private entities, which – like Eswatini Kitchen – are willing to expand their business and their extension services to growers in the Project area, will be supported with demonstration materials, manuals, start-up kits for farmers and transportation;
- The PIU will have the means to engage specialised services in the field of commodities, business planning and rural finance. Especially through the latter, it will facilitate the development of financing options for smallholder production. In addition, the PIU will be strengthened in terms of project and financial management;
- The Ministry of Agriculture's role will be strengthened both at central and regional levels:
 - Centrally support will be rendered to the establishment of the aforementioned market information system; to the development of a country-wide surveillance system for honey certification; and support to the use of information technology in agricultural extension;
 - At the level of the Regional Development Areas, support will comprise training in extension on processing and marketing; backstopping with respect to conservation agriculture; start-up kits for farmers; support to the establishment of facilities for bulking and packaging; training of trainers; extension material; database services and office and logistical facilities.
- Strengthening of the collective capacity will take place through the innovation platforms, in which the above partners will cooperate on specific value chains. Here, a business development service (TechnoServe) is engaged to support the development of systems, knowledge, materials etc. and to help facilitate the interactions in the innovation platforms.

IV. Risk management

69. This section describes the principle assumptions underpinning project design. In addition, attention is given to how the Project design reflects these assumptions, and how the potential risks the assumptions may cause is anticipated.

70. **Preparation and start-up phases facilitate Project start.** The Project will be presented to the IFAD board in December 2014 and is expected to start implementation in April 2015. The draft Project Implementation and Financial Management Manuals (outline included in appendix 11) have been prepared in August 2014 and include a section on the activities required to bring the Project in full

swing by October 2015. The swift start-up is facilitated by an IFAD Start-up Facility, where Government pre-financing of selected activities can be reimbursed as a US\$ 500,000 grant, from within the total Project loan. This would cover comprehensive baseline surveys, planning and design for office establishment; and start-up consultancies for recruitment, financial management and monitoring.

71. **Availability of additional grant funds.** The Project and its roll-out to fifteen new chiefdoms in the rain-fed areas of Shiselweni and Lubombo regions is only possible when additional funds to the tune of US\$ 5.1 million are secured. A matching contribution by the Global Environment Facility is foreseen under the GEF-6 programme. The Government of Swaziland needs to continue to pursue this contribution. The GEF-6 grant supports delivery of global environmental benefits with respect to land degradation, biodiversity and climate change. The SMLP contributes to this by scaling-up the Chiefdom Development Planning model; by providing nation-wide land degradation surveillance; by the protection and rehabilitation of ecosystems through erosion control, reforestation and afforestation; and by enhancing climate resilience of livelihoods in the Project area.

72. To realise a future expansion of the Project concept towards Middle and Highveld Regions, the Government of Swaziland will need to pursue additional funding or co-funding. Loan funding for infrastructure may be pursued by the Government of Swaziland with the OPEC Fund for International Development (OFID). OFID loans, if pursued, could be available from 2017 onwards, provided decision-making is pursued in a timely manner. OFID has indicated its interest to work with IFAD in Swaziland and their resources could be used as a top-up, to help scale-up SMLP success to the national level.

73. **Fiduciary risks.** The initial risk assessment indicates high and medium fiduciary risks, with respect to amongst others transparency, staffing, fund flow and internal controls. These risks are known and need to be countered and/or mitigated systematically. This is enabled by the fact that Government financial regulations are in place to constitute the basis for the Project's financial management. In addition, the Ministry of Finance (MoF) has a strong oversight role in management of external funds; and SWADE, being the agency contracted to coordinate Project implementation, has experience with IFAD-financed projects. The Project design further stipulates (i) that a financial management team be part of the PIU, and be recruited at the earliest; (ii) that guidance be provided to this team on Project systems, procedures and guidelines; including sharing of experiences and systems with other IFAD-funded projects; (iii) that the project implementation and financial manuals be drafted within the current year; and (iv) that intense support be provided to establishment of good fiduciary practices in the first 12 to 18 months of the Project duration, followed-up by strict adherence to oversight and supervision reviews, and to decisions by MoA, MoF, and PSC

74. **Coordination between smallholder agriculture projects and programmes.** The present SMLP is built on lessons learned from earlier experiences while new similar interventions will proceed in parallel to SMLP. This holds for Ministry of Agriculture activities in soil and water conservation, for market development interventions and for projects supporting smallholder agriculture. The EDF-11 bridging phase will support smallholder market-led production in the Lower Usuthu irrigation command area, whereas a Project (LUSIP 2) to expand the command area is also in the pipeline. These different initiatives do not benefit the same population, but they make use of similar approaches. Duplication of experiences and divergence of approaches would lead to loss of time and resources. The fact that all these projects are undertaken under the aegis of the Ministry of Agriculture, and that SWADE is the agency assigned to take on the management responsibilities in many of these projects, helps build coherence between these interventions. A further step towards guaranteeing coherence would be the merger of the steering committees for these projects, including the SMLP.

75. **Reliability of existing market demands.** The mission has appraised the existence of sizeable market demands, to which the smallholder production in the Project area may be geared. The development of a market chain from producers, via local buyers to the market partners require that the demand remains available over a longer period of time. Falling demands, resourcing of suppliers to cheaper producers and late or incomplete payments would be detrimental to the growth of market-

led production. The involvement of NAMBOARD in a number of the market chains implies some stability, as NAMBOARD is mandated to purchase produce from smallholder farmers. Also Eswatini Kitchen, established to benefit small producers, is a confirmed reliable partner. The existing market demands may also be affected by production elsewhere and by changes in global demand. The development of a market information system through the Project ensures that changes in market demands are communicated early, allowing for mitigation measures in case of falling demands.

76. Access to affordable credit services. Formal development- and micro-credit services are in their infancy. Such institutions as exist generally cater to urban demands and charge considerable fees and interests on their services. Whatever margin may exist for market-led smallholder production may be negated by high interest on credit or by the unavailability of affordable services. Alternative sources for financing up-scaled production or market supply are however emerging. Market partners may pre-finance investments and adjust through subsequent transactions; a framework and umbrella organisation for Savings and Credit Cooperatives (SACCO) exists; and informal community-based savings and credit groups are available.

77. Sustainable land use. Given the present climate, with its skewed rainfall distribution and the likely climate change scenario leading to higher temperatures and less, but more intensive rainfall, agricultural land will be vulnerable to degradation. This is aggravated by the widespread practice of overstocking the Swazi Nation Land with grazing cattle. Cattle husbandry practices are deeply engrained in the Swazi culture. Changing either the climate scenario or the cattle husbandry practices is beyond the capacity of the Project. The Project builds on successful examples of degraded land being protected from grazing and reforested. The development of a nation-wide land degradation surveillance system helps the early identification of land degradation risks and enables mitigation of land use risks. Finally, access to GEF-funds will be critical to introduce well-tuned interventions to halt land degradation and to enhance the capacities of smallholders to adopt to climate change.

78. Traditional leadership supports market-led production practices: Market-led production, as described above, requires new functions (irrigation, fenced-off degraded areas) to be allocated to communal grazing lands, and requires endorsement of informal marketing groups. Producers need to have confidence in the availability of land and water resources, and value chain partners require confidence in market linkage arrangements. The traditional leadership can provide this. Decision-making by the traditional leadership will be supported by Project investments in the community development committee, and in the development of Chiefdom Development Plans. Thus, decisions are prepared that are well-informed by community inputs and by contributions from agencies involved. To build on the trust of the traditional leadership the Project will discuss and gain the acceptance of the leadership for any of the market led agricultural interventions identified as priorities within the chiefdom such that the CDP remains a “living document” that is updated as the situation improves and/or changes.

79. Sufficient and adequate extension services are available. Presently, RDAs are understaffed and wholesaler commodity extension messages do not reach the producer, either directly or via the assistant extension officers. The Project will invest in capacity building of all extension agents and private sector stakeholders along the value chain, including the provision of vehicles. The Ministry of Agriculture is committed to increase the national coverage of the extension network to one assistant extension worker per chiefdom.

80. Relationships of trust will develop between the value chain partners. Building trust takes time. The project will use innovation platforms to promote constructive interaction between all parties. An incremental approach is to be followed in which small steps are taken, evaluated and improved upon. It is better to start with conservative demand estimates for local producers, than to over-ask their capacity. Facilitation of this process is critical, and NAMBOARD, as the principle player, will be supported by the Project by a market linkages technical assistance. The PIU will expand its practice of providing publicity to success stories also to the innovation platforms. Increasing the number of wholesalers involved in the Project will also help offer alternatives when relationships sour.

Attachment 4.1: Key file tables

Table 7: Rural poverty and agricultural sector issues (key file table 1)

Priority area	Major Issues	Actions needed
Rural poverty	<ul style="list-style-type: none"> About 84% of the country's poor people live in rural areas, where per capita income is about four times lower than in urban areas, and food consumption is two times lower. About 66% of the rural population is unable to meet basic food needs, while 43% live in chronic poverty. A quarter of the population is food insecure and dependent on assistance, and a third of children under five are stunted. Women and youth are particularly vulnerable. Households headed solely by women and child-headed households are growing in number, as men seek employment away from home and as HIV/AIDS affects livelihoods. Health issues are severe with roughly a quarter of the rural population between 15 and 49 years affected by HIV/AIDS. Ownership of assets correlates to the households standard of living, with the exception of mobile phone ownership, which is 69% for rural households even in the poorest quintile. 	<ul style="list-style-type: none"> Focus on rural areas, and within those on the relatively poorer regions of Shiselweni and Lubombo; Select crops and products that contribute to both nutrition and incomes; Consider bottlenecks in availability of labour in the development of market-led agriculture; Aim development activities to women and youth; with mechanisms, such as targeting and mentoring, to involve households that find it difficult to engage in market-led agriculture;
Agriculture	<ul style="list-style-type: none"> Approximately 54% of the country is held in trust for the people by the King as Swazi Nation Land. This is where 75% of the population lives. Swazi Nation Land is predominantly used for smallholder agriculture. Sixty-one percent of SNL farm holdings is less than one hectare in size. About one-tenth of the land is allocated to households while the remaining land is communal grazing land. The majority of the population, living as smallholders on Swazi Nation Land, contributes less than 5% to the nation's agricultural production. The overall contribution of agriculture to the gross domestic product is only 8%. 	<ul style="list-style-type: none"> Support an institutional framework that allocates communal land resources to intensive agriculture; Provide intensive guidance and support to smallholder producers (conservation agriculture, water and land resources and market linkages, see below).
Land and water resources	<ul style="list-style-type: none"> Access to water is problematic, as 10% to 25% of the households have to travel over one hour to collect drinking water; Rainfall in Low and Middleveld areas is erratic; and in many area water resources are not suitable for large-scale development; Government prioritises irrigation development in areas with potential for larger command areas; rather than in the Low and Middleveld Existing small-scale earth dams are chiefly used for cattle drenching and have irrigated commands below their potential; High stocking rates and climate conditions combine to cause land vulnerability and land degradation. 	<ul style="list-style-type: none"> Invest in availability of water resources for households, homesteads and intensified production; Promote conservation agriculture; Invest in rehabilitation and new construction of earth dams, with optimisation of the irrigated command areas; Withdraw vulnerable and degraded land from grazing and develop alternative production options on those lands.

Priority area	Major Issues	Actions needed
Market linkages	<ul style="list-style-type: none"> National legislation forces retailers to source 30% of their supplies locally; The National Agricultural Marketing Board (NAMBOARD) is tasked to source demands from smallholder farmers; Existing unfulfilled market demands include 2,000 metric tonnes per annum for sugar beans; 6,100 metric tonnes per annum for potatoes, 2,100 metric tonnes for onions and carrots each; and 60 metric tonnes per annum of locally produced honey; Micro credit is costly and hard to get by in rural areas, but alternatives (agricultural cooperatives, informal savings and credit by wholesalers) exist; The Micro Finance Unit, develops both a policy framework and financial products aimed at assisting smallholder producers to access rural financial services to respond to existing market demands. 	<ul style="list-style-type: none"> Involve market partners to source their demands from smallholder producers; Set-up Innovation Platforms for value chains that are relevant for food production and sale of any surplus; Involve potential financiers in value chain development; Invest in the smallholders capacity to collect and bulk agricultural produce.
Gender equalities	<ul style="list-style-type: none"> Women form a majority in the Project area, and many households are female-headed, due to male out-migration for income and due to the effects of the AIDS pandemic; Twenty percent of households are headed by women, and a further 20% are managed by women while adult males are employed away from home; Sixty-three percent of female-headed households living in poverty compared to 52% of male-headed households; The tradition that women cannot acquire land resources without involvement of a male relative is only gradually reducing; While there is no strict adherence to a gender division of roles into distinct spheres, men associate with cattle rearing, generally leaving crop production and rearing of small livestock to women. 	<ul style="list-style-type: none"> Support targeting mechanisms in chiefdom development planning to reach poor households including those headed by women and minors; Support land allocation practices that transfer land to groups (using the Chief's Letter of Consent) Focus on crop and small stock value chains to benefit women;

Table 8: Organisational capabilities matrix (key file table 2)

Organisation	Strengths	Weaknesses	Opportunities	Threats
Ministry of Agriculture (MoA)	<ul style="list-style-type: none"> • Clear policy and planning framework for transformation of subsistence agriculture to commercial agriculture; • Offers services in the field of market information; crop and livestock extension services and land and water resources management throughout the country; • Has a network of decentralised offices, including three Rural Development Areas in the Project area; • Twenty years' experience in development of earth dams; 	<ul style="list-style-type: none"> • Staff shortages in extension and in land and water resources management; • Limited resources for implementation; 	<ul style="list-style-type: none"> • Organisations exist that have proven capacity in implementing similar projects and programmes; • Development partners show strong interest in supporting programmes aimed at smallholder agriculture; 	<ul style="list-style-type: none"> • Ambitious national programme (SNAIP) implies competition over scarce staff resources; • Budget position vulnerable to fluctuations due to incomes from Southern African Customs Union
Swaziland Water and Agriculture Development Enterprise (SWADE)	<ul style="list-style-type: none"> • Fifteen years' experience in programmes to support smallholder agriculture, including ongoing (HVCHP) and future (LUSIP 2) projects; • Experience with 10 of the 25 chiefdoms that are part of the Project area; 	<ul style="list-style-type: none"> • Tendency to implement projects / programmes in isolation (unless oversight is provided along the lines used for LUSLM) • Little experience in hands-on capacity development in partner agencies; • Despite having gained importance experience, still to improve financial management for IFAD / GEF projects. 	<ul style="list-style-type: none"> • Cross-learning between related projects / programmes. In the past LUSLM benefitted from LUSIP-1 experience in Chiefdom Development Planning; • Likelihood of experienced staff and managers continuity from related projects; e.g. LUSLM; 	<ul style="list-style-type: none"> • Planned revision of mandates of parastatal agencies may affect SWADE's mandated role;
National Agricultural Marketing Board (NAMBOARD)	<ul style="list-style-type: none"> • Clear mandate to promote smallholder involvement in market-led agriculture; • Lead role in wholesale of agricultural products; 	<ul style="list-style-type: none"> • Limited presence in the Project area; • Limited experience in value chain development for smallholder production; 	<ul style="list-style-type: none"> • Availability of experienced business development services; • Availability of unmet domestic and international demands for products that could be sourced from smallholder producers; 	<ul style="list-style-type: none"> • Changes in commodity markets could favour import of agricultural products from the region, over local products; • Planned revision of mandates of parastatal agencies may affect SWADE's mandated role;

Table 9: Complementary donor initiative / partnership potential (key file table 3)

Major Donor	Project	Geographical Area	Remarks
Food and Agriculture Organisation (FAO)	<ul style="list-style-type: none"> Swaziland Agricultural Development Project 	<ul style="list-style-type: none"> Nation-wide, with a predominance of earth dam development in south-east Swaziland; 	<ul style="list-style-type: none"> Implementation on behalf of EU
European Union	<ul style="list-style-type: none"> Swaziland Agricultural Development Programme Lower Usuthu Smallholder Irrigation Project (LUSIP 1) High Value Crop and Horticulture Project (HVCHP) LUSIP 2 	<ul style="list-style-type: none"> See above Chiefdoms in Lubombo and Shiselweni Regions Chiefdoms in Lubombo and Shiselweni Regions (LUSIP 1 area) New chiefdoms in Lubombo and Shiselweni Regions 	<ul style="list-style-type: none"> See above Co-funding with IFAD Includes policy advice for MoA, recently started Continuing to expand irrigated command area of Lower Usuthu dams and reservoir
Global Environmental Facility (GEF)	<ul style="list-style-type: none"> Lower Usuthu Sustainable Land Management (LUSLM) 	<ul style="list-style-type: none"> Rain-fed chiefdoms in Lubombo and Shiselweni Regions 	<ul style="list-style-type: none"> Co-funding with IFAD – areas outside LUSIP 1 and 2 commands, adversely affected by these developments
World Bank	<ul style="list-style-type: none"> unknown 	<ul style="list-style-type: none"> undecided 	<ul style="list-style-type: none"> Presently identifying scope for Project to enhance commercial smallholder agriculture
OPEC Fund for International Development (OFID)	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Interested to invest in smallholder agriculture in Swaziland

Table 10: Target group priority needs and project proposal (key file table 4)

Typology	Poverty level and causes	Coping strategies	Priority needs	Support from other programs	Project response
Better off	<ul style="list-style-type: none"> No poverty due to reliance on incomes from outside agriculture 	<ul style="list-style-type: none"> Incomes from outside agriculture 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a
Middle wealth	<ul style="list-style-type: none"> Marginally above poverty line; Able to recover from drought years; Able to market surplus of self and others, sometimes even beyond local markets. 	<ul style="list-style-type: none"> Production of food grains for own consumption; Production of homestead crops and small stock for own consumption and sale; Diversification of household income sources over different value chains. 	<ul style="list-style-type: none"> More and better opportunities for sale of surplus production; Investment in productivity of farm holdings. 	<ul style="list-style-type: none"> General agricultural extension; Commodity-based programmes of RDAs, NGOs and private sector; 	<ul style="list-style-type: none"> Support to agricultural productivity, including conservation agriculture Development of water resources for the homestead and for other land holdings; Allocation of communal land to market-led agriculture initiatives; Development of market linkages for dual value chains (i.e. own consumption and sale of surplus); Promotion of local rural enterprises for youth;
Economically active poor	<ul style="list-style-type: none"> Ranked below poverty line; Generally able to meet household's food requirement, despite vulnerability; Unable to market surplus production beyond the immediate local demand; Limited access to productive land. 	<ul style="list-style-type: none"> Production of food grains for own consumption; Production of homestead crops and small stock for own consumption and occasional sale; 	<ul style="list-style-type: none"> More and better opportunities for sale of surplus production; Investment in productivity of farm holdings. 	<ul style="list-style-type: none"> General agricultural extension; Commodity-based programmes of RDAs, NGOs and private sector 	<ul style="list-style-type: none"> Support to agricultural productivity, including conservation agriculture Development of water resources for the homestead and for other land holdings; Allocation of communal land to market-led agriculture initiatives Development of market linkages for dual value chains (i.e. own consumption and sale of surplus) Promotion of local rural enterprises for youth;
Food deficit poor	<ul style="list-style-type: none"> Ranked among the poor; and Ranked among households unable to meet their own food requirements; Having access to very small holdings and sometimes homesteads only; Affected by diseases, especially HIV / AIDS 	<ul style="list-style-type: none"> Taking part in rationing programmes, if available High incidence of malnutrition 	<ul style="list-style-type: none"> Enhanced food intake and nutrition levels Access to health programmes 	<ul style="list-style-type: none"> Support from World Food Programme Private initiatives, such as school lunch programmes NGO programmes in the area (e.g. ACAT) 	<ul style="list-style-type: none"> Support to homestead production capacity; Support to rain water harvesting for homestead production

Table 11: Stakeholder matrix / project actors and roles (key file table 5)

Component	Activity	Coverage	Permanent institution(s) Involved	Periodic Inputs	Other Possible Partners in Execution
Chiefdom Development Planning	<ul style="list-style-type: none"> Establishment of Community Development Committees under each chiefdom Baseline surveys and resource inventories Community-based Chiefdom Development Planning Allocation of resources (Chief's Letter of Consent) Land degradation surveillance system 	25 chiefdoms in the rain-fed Low and Middleveld	<ul style="list-style-type: none"> Chiefs and Councils Ministry of Tinkhundla – planning process MoA RDAs – plan development and targeting MoA Land Use Department – land degradation surveillance system 	<ul style="list-style-type: none"> University or similar for baseline surveys Consultant for resource inventory Process facilitators 	<ul style="list-style-type: none"> Locally active NGOs
Land and Water Conservation Infrastructure	<ul style="list-style-type: none"> Installation of rainwater harvesting equipment Protection and erosion control measures Rehabilitation of existing dams with command area development New construction of dams with command area development 	25 chiefdoms in the rain-fed Low and Middleveld	<ul style="list-style-type: none"> Chiefs and Councils Ministry of Tinkhundla – training on ferro-cement tanks MoA Land Use Department – major infrastructure Environmental Authority – major infrastructure 	<ul style="list-style-type: none"> Design and Supervision consultant Construction Contractor EIA Consultants 	<ul style="list-style-type: none"> Youth enterprise for rain water harvesting services
Market-led Agriculture	<ul style="list-style-type: none"> Establishment of Innovation Platforms Development of Collection and Information Centres Crop, livestock and market extension Development market information system Honey surveillance system 	25 chiefdoms in the rain-fed Low and Middleveld	<ul style="list-style-type: none"> Chiefs and Councils NAMBOARD – component coordination Wholesales (NAMBOARD, Eswatini Kitchen) – innovation platforms MoA RDA – crop, livestock and market extension MoA marketing unit – national market information system(s) 	<ul style="list-style-type: none"> Business Development Service (TechnoServe) 	<ul style="list-style-type: none"> Academic & research institutions Other donor agencies including LCG

Appendix 5: Institutional aspects and implementation arrangements

1. This appendix describes project oversight, management and coordination and indicates which actors and stakeholders are involved, what their role is, and what support is provided in support to implementation of the Project. The organisational chart is included in an attachment to this appendix.

2. The Ministry of Finance (MoF), as borrower for Government, will provide **oversight** to the programme and will liaise with IFAD and co-funding agencies throughout implementation. Given SMLP's focus on enhancing nutrition and incomes from smallholder farming, the Ministry of Agriculture will be the Lead Ministry for the Project. To this end, the Ministry of Agriculture will (i) assign a senior staff to coordinate Project preparation and start-up activities on behalf of the Ministry; and (ii) will convene a quarterly **Project Steering Committee** throughout the implementation period.

3. The Ministry of Agriculture shall delegate **project implementation and coordination** to a Project Implementation Unit (PIU) to be set up and run by the Swaziland Water and Agriculture Development Enterprise (SWADE) – a parastatal already charged with management of similar projects.

4. To exercise oversight, MoA will establish a Project Steering Committee and Technical Committees to ensure alignment of the Project to ongoing programmes and activities. The structure for oversight reflect the Project's emphasis on cooperation with value chain partners.

5. The structure for oversight is shown in the diagram. Oversight is provided by a Project Steering Committee set-up and chaired by the Ministry of Agriculture and including relevant partners, to guide the Project Implementation Unit in the implementation and management of the Project (including financial management). In addition to management oversight, the Project Implementation Unit will benefit from advice pertaining to components 1 and 2, from a Technical Committee on planning and infrastructure; and from a Technical Committee on Market-led Agriculture for component 3. The composition of these Technical Committees, to be initiated by MoA, reflects the partnerships and technical expertise required for the respective components.

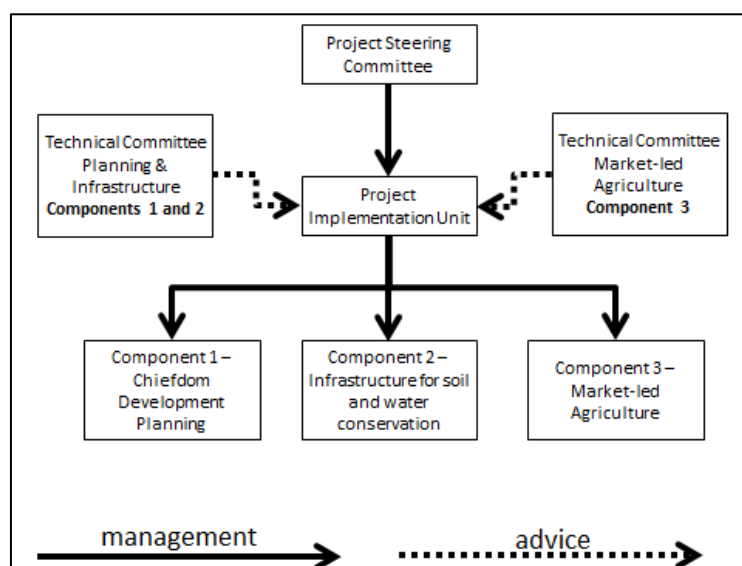


Figure 4: Project oversight

6. The PSC will (i) review progress and achievements; (ii) provide strategic guidance to the Project management; and (iii) initiate follow-up actions on lessons and findings from the Project. As such, the PSC will act as the channel between Project experience and national policies and programmes. The PSC will be chaired by the Principal Secretary of Agriculture and will include in its membership Principal Secretaries of the Ministries of Natural Resources and Energy (MNRE), Economic Planning and Development (MEPD) and Finance (MoF). Other participants include the CEO of NAMBOARD, the Executive Director of the Swaziland Environment Authority (SEA), the Chief Executive Officer of Swaziland Water and Agriculture Development Enterprise (SWADE), the Chief Executive Officer of Swaziland National Trust Commission (SNTC) and the Senior Forestry Officer of

the Ministry of Tourism and Environmental Affairs (MTEA). The National Project Director shall act as the meeting's secretary, and shall ensure that adequate documents and proposals are prepared ahead of each PSC meeting.

7. As there are several ongoing and pipeline programmes aimed at boosting smallholder agriculture and incomes, it is strongly suggested that the above PSC will be expanded to provide guidance to all similar programmes.

8. The Technical Committee advising on Chiefdom Planning and Infrastructure is chaired by the Ministry of Agriculture and includes senior representatives of the Ministry of Tinkhundla, the Swaziland Environmental Agency, SWADE and the Ministry itself (Land Use Department, Extension Services, relevant technical assistance and Project Implementation Unit (PIU)).

9. The Technical Committee to be set up for Market-led agriculture will be chaired by NAMBOARD and would include senior representatives from TechnoServe, MoA (Marketing Unit, Department of Veterinary and Livestock Services, and Research and Extension, technical assistance), Eswatini Kitchen, SWADE, Micro Finance Unit, farmers/beneficiary (through SNAU), and the Project Implementation Unit. The Technical Committee provides advice on value chain improvement.

10. The PIU staff will include a National Project Director, a financial management team, subject matter specialists and support staff. Financial management will be supported by the SWADE Mbabane office. SWADE's capacity to coordinate Project implementation will be strengthened through a technical assistance during year one and two of the Project, who will focus on financial management, and planning, monitoring & evaluation. The capacity to intervene in the Project Areas will be enhanced by setting up an office in or near to a RDA at a central location.

11. PIU professional staff will work in the fields of Chiefdom Development Planning, infrastructure and market-led agricultural production. The Project will however involve existing organisations in each of the three components.

- For Chiefdom Development Planning this entails involvement of the traditional chiefdom leadership, the Ministry of Tinkhundla, the Rural Development Areas of the Ministry of Agriculture working already in the Project area, as well the involvement Government agencies and NGO that are active in the area;
- For infrastructure this entails involvement of the MoA's land use department, the Swaziland Agricultural Development Programme and the Ministry of Tourism and Environmental Affairs (i.e.w. environmental impact assessments). In this component, engineering consultancies will be engaged for design and supervision and for environmental assessments; while contractors will be assigned the construction of civil works.
- For market-led production, NAMBOARD will play a pivotal role, in keeping with its mandate to improve farmers' access to markets. Moreover, NAMBOARD is the principal wholesaler for a number of products. For the honey value chain, Eswatini Kitchen has been identified as a wholesaler committed to work within the project areas. Other wholesalers with confirmed market demands, which are willing to source their produce from the project area will be identified as during project implementation. Buyers who bulk farmers produce for sale to the wholesaler will be sought preferably among local youth, and if this proves impossible, among local entrepreneurs and traders.

12. The Project will extend its programme to a chiefdom if and when the traditional leadership explicitly requests this, or agrees to a proposal to this end. This includes acceptance by the traditional leadership of the proposed approach for chiefdom development planning, including the set-up and involvement of a Community Development Committee and the development of a Chiefdom Development Plan. A key role of the chiefdom is to identify local resources, opportunities and demands; to identify households to participate in development activities; and to set aside communal grazing land for new land use functions. The latter is formalised through established procedures including the issue of an Chief's Letter of Consent.

13. There are three Rural Development Areas of the Ministry of Agriculture (providing services to the chiefdoms in the Project area), having office in Sandleni, Sithobela and Siphofaneni, respectively. Presently, the Ministry is recruiting to provide one Assistant Crop Extension Officer per chiefdom. This is a valuable resource that the Project will invest in, with transport, capacity building and marketing information systems. RDAs will support project implementation through production and marketing information and by confirming targeting of activities in this field.

14. Locally present Non-Government Organisations include World Vision, ACAT, Lutheran Development Service (LDS) and the Renewable Energy Association of Swaziland (REASWA). Others may be identified, or might follow during Project implementation. The Project offers these organisations an entry point in the chiefdoms' development planning and a chance to scale-up some of their programmes. Agreements on coordinated implementation of Project and NGO activities will be formalised by recording the contributions of each party in a meetings of the Chiefdom Development Committee's.

15. The MoA land use department and the SADP concerned staff will be consulted during the planning, development, construction and hand-over of soil and water conservation infrastructure on common lands. This is done to both make use of existing experience, as well as to contribute to national policies with respect to such infrastructure. While for dams and reservoirs, there is some accumulated experience, there is little experience in erosion control. The Environmental Authority in the Ministry of Tourism and Environment is to be involved in the scoping and vetting of the required environmental assessments.

16. The PIU will enlist professional services for planning, design and supervision of infrastructural works and will engage experienced contractors for implementation. Contracts and procurement will adhere to international engineering procurement standards.

17. NAMBOARD is a specialised parastatal agency dedicated to improve farmers' access to markets. It will be engaged to provide guidance to market linkage activities in the project. The Project will invest in marketing infrastructure and capacity development. NAMBOARD will, in return dedicate capacity to the Project area and to value chains to be developed therein. To effectuate this agreement, the PIU and NAMBOARD will enter into a project-specific service agreement. Given the pivotal role of NAMBOARD, this agreement is to be entered into during Project start-up (first half 2015).

18. Similarly, other wholesalers, such as Eswatini Kitchen and others (to be identified) shall be supported with limited investments in return for their involvement in sourcing and developing a value chain in the Project area. Again, such cooperation will be confirmed in specific service agreements.

19. An important institution for the development of value chains are the Innovation Platforms. These are commodity-specific meetings between the concerned wholesaler, producer and buyer, and possibly the financier, to give strategic direction to the further development of a value-chain. Organisation of such meetings is undertaken by NAMBOARD, with a hired business development service (TechnoServe) providing conceptual leadership. The innovation platforms follow an incremental approach, based on the concept of continuous improvement and innovation.

20. Production of marketable commodities takes place by individual farmers. When the Project undertakes an activity aimed at improved production and marketing, the CDC and the RDA will help identify the producers to work with. A pragmatic outlook to targeting is suggested, whereby a balance is sought between households that live near to a location, households that are interested (or experienced) in an activity, and households that form part of the prioritised target group. Individual producers may form groups when this provides an added value to their work. This is the case when:

- Producers mutually agree on the supply of the market via a local buyer;
- Several producers make use of a single shared investment, be it a reservoir or a fenced-off degraded area. The producers mutually agree to ensure that the infrastructure is maintained

and operated. At the same time, the producers have the opportunity to bring their produce to the markets developed by the Project.

21. When producers undertake joint activities (such as supply of a market or maintenance of infrastructure) they can form informal groups. It is certainly not necessary for the group to go in all cases through a lengthy process of registration or legal incorporation of the organisation. This, in fact, is only needed when trade volumes are big or if external financing is required. To give wholesalers and buyers confidence in the commitment of a group, the group may adopt a constitution and deposit the same with the traditional leadership. For groups dealing with large infrastructure, this step is a prerequisite for infrastructure development.

22. Emergence of local buyers will be promoted by involving youth enterprises as local entrepreneurs, middlemen and traders for the selected value chains. The Project will provide co-funding to investments that youth enterprises want to make in small market infrastructure, such as Collection & Information Centres.

23. While NAMBOARD is the principal Business Development Service in the project, specialised services can be contracted through the PIU. As an example, specialised agencies, such as TechnoServe, may be contracted to help develop business-cases or to prioritise commodities based on comparative advantage.

24. The MoA considers privatising its tractor service. This offers an opportunity for a group of young people to engage in an income generating enterprise. SNAU (Swaziland National Agricultural Union) would be interested to provide mentor-services on a pilot basis. The project will support the emergence of a group of ferro-cement tank technicians who will offer their services for continued installation of rain-water harvesting equipment at homesteads.

Attachment 5.1: Project organisational chart

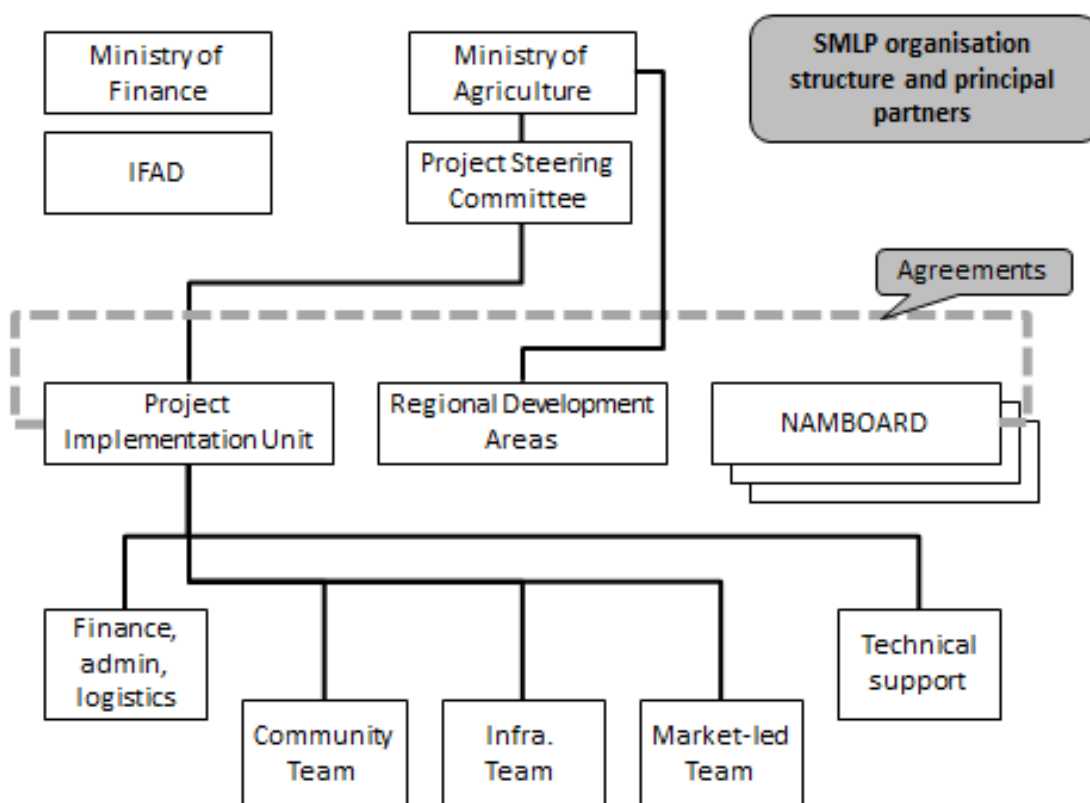


Figure 5: Project organisational chart

The diagram shows the main hierarchy (solid black lines) for the Project implementation.

- The MoA assigns SWADE to set-up and run a Project Implementation Unit;
- MoA bolsters existing Rural Development Area offices, and instructs them to engage with the Project
- The PIU comprises management (project manager, PME officer), support sections for finance, administration & logistics and technical issues (GIS, strategic advice) and three teams, for each of the Project's components. Team composition is flexible and co-opts partners:
 - For community development, staff of relevant GO and NGO agencies is invited;
 - For infrastructure, working relations are formed with the land use department of MoA and with relevant sections of the Ministry of Environment;
 - The market-led team involves RDA staff and staff of Business Development Services (notably NAMBOARD)

The figure also highlights (grey dotted line) the fact that Business Development Services are engaged through contractual agreements or through memoranda of understanding.

The Ministry of Agriculture is the lead Ministry for the Project. It maintains close liaison with the Ministry of Finance and IFAD, as described in the Loan Agreement. It forms a Project Steering Committee, including all partners, for all major decisions pertaining to the Project.

Appendix 6: Planning, M&E and learning and knowledge management

1. Planning, monitoring and evaluation, learning and knowledge management form a cross-cutting management strategy that enables the Project, its partners and stakeholders to benefit from continuous improvement and innovation. It is a structured approach, whereby plans form the agreed point of departure, monitoring and information provide the feedback, and learning and knowledge management ensure that new ideas and new capacities are used for the benefit of the Project and beyond. To bolster this process, the Project staff includes a PME officer, whose responsibility is to facilitate that stakeholders in the Project learn from their involvement, and adopt lessons learned into their activities. The PME officer's role is to provide structure for and coherence to the mechanism of Planning, monitoring and evaluation, learning and knowledge management.

I. Planning

2. The key instruments for coherent planning at Project level are the Project's Logical Framework (page xii to xiv) and its Results-Based Annual Work Plans and Budget (RB-AWPB). The logical framework describes the targets of the project from output- to outcome-, development objective- to impact levels. The RB-AWPB breaks up these physical targets by year and attaches financial resources (IFAD, GEF, Government) to this. The RB-AWPBs present financial and physical outputs and outcomes of the project for the given year, and reports on the accumulative achievements.

3. **Stakeholder plans.** To effectuate the overall plans of the Project, its stakeholders develop plans at various levels. The Community Development Committee prepares Chiefdom Development Plans; innovation platforms develop value chain improvement plans; Business Development Services and wholesalers prepare plans to bring the market to the smallholder producers. An overview of key stakeholder plans is given in the table. The PME officer will assist the development of these plans. The formats of the plans may differ: e.g. the involvement of business development services, such as NAMBOARD, will be laid-down in Memoranda of Understanding with the Project; whereas innovation platforms will produce declarations of joint intent in the form of meeting minutes. By making the plans simple yet specific, the partners are provided with a yardstick to be used during periodic review of the plans. By ensuring coherence between stakeholder plans on the one hand and the Logical Framework and AWPB on the other, the synergy between activities is safeguarded. In this manner, plans can be easily amended and improved on the basis of experience.

Table 12: Overviews of plans and planning mechanisms in SMLP

Component 1 – Chiefdom Development Planning	Component 2 – Infrastructure for Land and Water Conservation	Component 3 – Market-led Production	Project Management
<ul style="list-style-type: none"> Scope of CDP process CDC – service providers agreements Chief's Letters of Consent Chiefdom Development Plans Gender and Youth Action Plan 	<ul style="list-style-type: none"> Infrastructure portfolio Comprehensive Mitigation Plans Infrastructure Designs Infrastructure User Group constitutions 	<ul style="list-style-type: none"> Service agreements and Memoranda of Understanding Innovation Platform Plans CIC youth enterprise constitutions Supply agreements 	<ul style="list-style-type: none"> Project Logical Framework Result-Based Annual Work Plans and Budgets PSC resolutions Semi-annual Supervision Reports

II. Monitoring and Evaluation

4. **Comprehensive baseline and follow-up surveys.** The basis for review and steering of the Project will be provided by the establishment of baseline a that provides an accurate and reliable description of the demography and socio-economic status in the chiefdoms. Given scant data on population and poverty, the baseline will comprise a comprehensive census. Periodic reviews will gauge Project result and impacts. The baseline studies and follow-up surveys combine collection of

basic demographic and socio-economic data with application of the Multidimensional Poverty Assessment Tool (MPAT) and the implementation of Randomised Control Trials, which will monitor outcomes against database information, and which will be funded from external grant sources. In addition to standard collection of gender and age disaggregated data, the baseline and follow-up surveys will employ the Women Empowerment in Agriculture Index (WEAI), which measures women's empowerment relative to that of men within their households. The draft Project Implementation Manual will include sections describing data needs and data collection mechanisms.

5. IFAD's **Results and Impact Management System (RIMS)** synthesises monitoring and evaluation information on project activities and outputs; on beneficiary behaviour and on livelihood impacts. The structure of RIMS is closely related to the Project's Logical Framework and it provides essential information on the achievements of the Project. The RIMS will be defined during the Start-up period and indicators, especially on activities and outputs and beneficiary response will be collected, and if need be, be updated semi-annually.

6. Where the RIMS is the framework for measuring progress and impacts at the level of the overall Project plan; M&E information will also be compiled against the various stakeholder plans. To some degree, this information derives from the baseline and follow-up surveys; and from regular project monitoring data; but stakeholders will be assisted by the Project and its PME officer to define and collect specific additional information which helps them assess the achievements under the specific plans.

III. Learning and knowledge management

7. Learning and knowledge management uses M&E outcomes and stakeholder insights to adjust plans and budgets and it thereby closes the learning loop of the Project. Learning and knowledge management is however not limited to the Project and its activities, but geared to identifying reproducible lessons from the experience under SMLP.

8. **Periodic reviews.** Learning takes place in interaction. For each plan developed, the Project will facilitate periodic reviews. For its Logical Framework and AWPB, these reviews take place semi-annually, ahead of the supervision missions. For other plans, such as the CDPs, value chain development plans and the agreements with Business Development Services, reviews are annual; or more frequent if needed. The PME Officer organises small meetings with the concerned stakeholders. The key is to keep things small and simple. It is better to have small productive meetings than long deliberations in front of many participants. By promoting periodic review, the Project develops a culture of learning by doing, and of gradual improvement of plans and approaches.

9. **Policy workshops.** The Project will facilitate that key lessons from the Project are shared at a national level, with relevant parties. To this end, there are three policy workshops foreseen, which aim to contribute to the policy environment for smallholder market-led production. Participation will include concerned Ministries, Projects and Parastatals. The definition of topics will take place in the course of the Project, but will likely include: provision of market information to smallholder producers, lessons from value chain design and experiences with financing of enhanced market-led production.

10. **Annual Work Plan and Budget.** The Swazi financial year runs from April to March. This means that in the period of January – February, the Project will need to prepare its annual work plan and budget proposal, for subsequent processing in the Government. The AWPB-exercise starts with a periodic review of Project progress and a reassessment of Project effectiveness.

11. **Reporting.** For each plan a file is kept, containing the original plan (whatever is the form), reports on relevant surveys and assessments, minutes of periodic review meetings and records of progress against targets. Thus, there would be a file for each chiefdom, for each value chain, for each major investment, for each support activity to national systems and for each main Partner. Stand-alone reports will be prepared for the main surveys and assessments undertaken by the Project, such as the socio-economic surveys and the surveys for soil and water conservation. The Project will prepare Quarterly Progress Reports to inform the partner agencies, and for enabling the Project

Steering Committee to review progress and provide guidance, if needed. Each Progress Report includes a section with recommendations by the Project Management for decision-making by the Project Steering Committee.

12. **Supervision, mid-term and final reviews.** The Project will be subject to semi-annual supervision missions from IFAD (and possibly co-financiers), as well as a mid-term (year 3) and a final review (year 6). Ahead of each mission, the Project will submit its suggestions for the Terms of Reference, and will use the opportunity to suggest specific topics to be addressed by the technical review. The Missions debrief in a wrap-up meeting chaired by the Ministry of Finance.

13. **Project Steering Committee.** The Project Steering Committee meets on the basis of quarterly progress reported by the Project, and, twice a year, on the basis of review missions' findings.

Appendix 7: Financial management and disbursement arrangements

Financial management capacity of the proposed implementing agencies

1. Adequate capacity in terms of human resources, accounting software, and equipment will be required at all levels of implementation so as to ensure that funds are mobilised on time, that expenditure against these are incurred in accordance with the approved AWPB provisions and for the intended purpose. In addition, this capacity will ensure timely and accurate preparation and submission of the financial statements for accountabilities of the funds and expenditures.
2. At the Project Implementation Unit (PIU), a financial management team comprising of a Project Financial Controller, Assistant Accountant and a Procurement Officer will be recruited. This team will be responsible for timely and accurate financial data capture and accounting, for consolidation of the financial statements, for preparation and submission of the Withdrawal Applications to IFAD, for procurement, for preparation of the Draft Financial Accounts for audit at year end and for maintenance of updated Asset and Contract registers.
3. At the implementation agency level a dedicated and focal point accountant will be required, who will ensure at all times, accurate updated accountability, for the funds and expenditures. The dedicated / focal point accountant will at the end of each month submit Statements of Expenditures to the PIU.
4. In order to ensure financial information accuracy and submission timeliness, appropriate dedicated accounting software will be provided as well as the required equipment. Using these resources, the financial management team will open and maintain appropriate accounting records that will include books of account, asset and contracts register. The books of account will include a Cashbook for each Project bank account and Ledger books with an appropriate chart of accounts which will facilitate financial data capture by activity, subcomponent, and components and also by expenditure categories. The Chart of Accounts will be designed using the Government accounting codes so as to ensure that the Project financial resources and expenditures therefrom are also accounted for to satisfy the Government requirements.

Financial planning through the Annual Work Plan and Budget process

5. In line with normal IFAD procedures, Project budgeting and implementation will be based on the preparation of Annual Work Plans and Budgets (AWPBs). All eligible Project expenditure will be included under the MoA vote as per the Government's process for presentation to Cabinet. In preparation for the Government's budget cycle the Project will hold annual review workshops, including implementing partners, the PSC, and beneficiaries to discuss progress during the prior financial year and to develop proposals for the forthcoming year. The PIU will assist the implementing partners to compile AWPBs and be responsible for their timely consolidation into an AWPB for the Project as a whole. The full Project AWPB will be presented to the PSC for approval. Finally, an annual budget for the Project will be prepared by the PIU (Project Accountant and the PME Officer) and will be forwarded as part of the MOA budget to the MoF for entry into the Government's budgeting process, between September to February, ready for the new financial year starting 1 April. The objective of these activities is to ensure that the institutions responsible for the oversight, management and implementation of SMLP have the necessary capacity to execute the project components and to be able to implement those activities sustainably, and, if desired, at greater scale.
6. The SMLP AWPB process will be a financial planning mechanism, designed to ensure that the project expenditure is fully integrated within the Government AWPB management, and preparation process, so as to meet the following objectives:
 - a) Establishment of responsibilities for the expenditures incurred and committed.

- b) Determination of the beneficiary communities' field activities under the relevant Project component and subcomponent.
- c) The full determination and participation of the budget holders in AWPB preparation.
- d) Thorough preparation based on realistically attainable goals and objectives, and Loan agreement and Government budgetary procedures compliance.
- e) Strict adherence to the Government budget cycle in the AWPB processing.
- f) Integration of AWPB into the process of physical, financial, technical and impact monitoring.

7. The PM and the PIU team will fully participate, professionally inform and provide guidance on the principles of good planning and budgeting practices. These should include timeliness and accuracy in preparation, clear definition of financial resources limits, full and clear understanding that the financial data therein will be used as a management tool, based on established responsibility centres that ensure full participation of implementation Agencies, and other relevant MoF officers.

8. Consequently, the AWPB process will be given special priority, and will be done annually, within the IFAD timetable set out in the IFAD loan agreement, and within the budget cycle of Government. The AWPB plan will be designed to have the activities set out under their respective Project subcomponents and components. It will therefore be produced on time, and as accurately as possible, so as to facilitate the necessary institutional approvals before the beginning of the relevant financial year. The AWPB document will be a quality document in terms of planning, financial estimates, narratives, Project design, and strategic thinking. The planned activities will emanate fully from the Logical Framework as developed and revised under the continuous guidance of the Project Monitoring and Evaluation staff.

Flow of funds

9. The process for the flow of funds is outlined in figure 6.

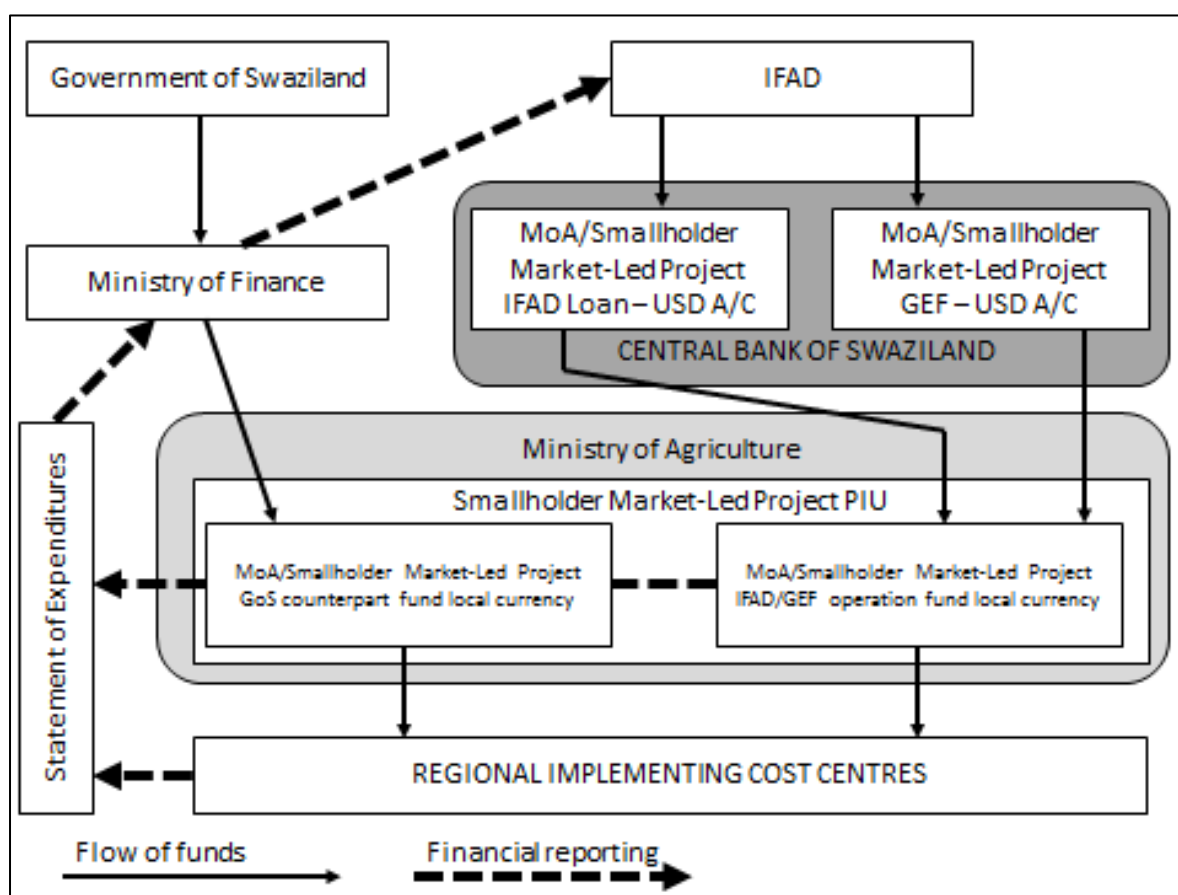


Figure 6: Flow of funds

10. From IFAD the funds will flow from two sources, namely IFAD Loan Account and GEF Grant. The funds will be accessed through the Withdrawal Application claims in accordance with the laid down procedures in the Letter to the Borrower (LTB) and the Financing Agreement(s). See Paragraphs 10-13 here-below. The proceeds of the Withdrawal applications will flow into the US\$ designated accounts domiciled in the Central Bank of Swaziland and operated by the officers of the Ministry of Finance. The designated accounts will be imprest accounts which will be replenished with the proceeds of the withdrawal applications which are supported with justifiable and eligible expenditures.

Withdrawal Applications and disbursement guidelines

11. **Withdrawal Applications:** Withdrawal through the appropriate applications is the only vehicle available to the borrower for IFAD loan disbursement. No withdrawals shall be made from the Loan Account in respect of expenditures for any Fiscal Year until the AWPB for that year has been approved by IFAD. The minimum withdrawal amount, from the loan account shall be the minimum specified in the IFAD letter to the borrower (LTB). The duly completed and documentary supported WAs, must be approved and appended with signatures of the designated signatories, which include those of MoF. The full details will be provided in the Letter to the Borrower (LTB) when the loan is approved, Loan Agreement signed and the loan becomes effective. The summarised guidelines for this process are laid out as follows:-

12. **Evidence of authority to sign Withdrawal Applications:** After the Loan Financing Agreement is signed and the loan is declared effective, IFAD must receive from the Minister of Finance (the designated official representative of the Borrower) a letter designating the person or persons authorised to sign withdrawal applications, together with their authenticated specimen signatures. To avoid possible delays in disbursements, this evidence should be furnished to IFAD as soon as the loan is declared effective. In the event of subsequent changes to the authorised signatories, a new letter of authorization should be sent to IFAD.

13. The withdrawal application duly completed as prescribed, together with all supporting documentation and duly completed and signed should be numbered consecutively irrespective of the withdrawal procedure used. The withdrawal application, together with the required supporting documentation and the certified SOE forms will be reviewed and if found to be in order, approved by IFAD.

14. There are four standard Disbursement procedures to be used for withdrawal of proceeds from the Loan Account:

- a) **Procedure I – Replenishment of Special Account**, should be used for replenishment to the Special Account of the Project. A withdrawal application with supporting documents may be included where the individual amount is over specified threshold currently set at US\$ 20,000. Special Account Reconciliation Statement, together with Bank Statements of the Project accounts will also form part of support for the Withdrawal application.
- b) **Procedure II - Direct Payment**, should be used for eligible Project expenditures to be paid directly by IFAD to suppliers, contractors, consultants, or third parties as authorised by the Borrower. Duly completed application will be sent to IFAD , together with the supporting documents, as the case may apply; copy of invoice (or Demand Letter, Statement), certified for payment by the National Project Director
- c) **Procedure III - Special Commitment**, should be used for eligible Project expenditures related to items imported by Project Implementing Agencies under “Letter of Credit” (L/C) requiring the issuance of guarantees for reimbursement to commercial banks by IFAD. In addition a copy of the Contract may be included.
- d) **Procedure IV - Reimbursement**, should be used when eligible Project expenditures reimbursable under the loan have been pre-financed by the Borrower with the full agreement of IFAD.

Expenditure control

15. Once the SMLP AWPB provisions are approved, relevant Authority to incur expenditures (AIEs) will be issued to the PIU Budget warrant holders and those of relevant implementing agencies. Access to the funds for implementing the approved AWPB activities will strictly be in accordance with the Government financial regulations and procedures. Therefore the implementing agencies will use the Government financial management tools of the dedicated information management system, vote books and cash book. The implementing Agencies will request and receive funds on a quarterly basis in accordance with their approved AWPB activities from the Project Financial Controller. To ensure efficiency of cash payments management, the MoF will ensure speedy processing of the requests from the PIU.

16. All expenditure incurred from the Project financial resources including the IFAD loan and Government counterpart funds will be strictly in accordance with Government financial regulations, GOS procurement regulations, the approved AWPB provisions. In addition the expenditures will also be made consistently with provisions of the IFAD Loan/Grant Agreement. However, if inadequate or no AWPB provision is available for a necessary activity, authority to incur expenditure should be sought from the Project Steering Committee and IFAD.

17. All Emoluments including salaries, and salary increases, gratuities and allowances to PIU managerial and technical staff, and those of other implementing agencies must be approved and authorised by the PS (MoA), and Project Steering Committee (PSC).

18. **Official duty allowances:** During implementation allowances will be drawn for implementing the Project activities on the basis of provisions in the approved annual work plan and budget activities and in accordance with the Government circulars setting out the relevant allowances.

Financial accounting, reporting and auditing

19. **Financial Statements and Reports for Management and Physical and Financial Progress Reports.** The Project Financial management team will maintain the books and other accounting records updated and balanced and reconciled at all times. Financial statements and reports for management review and monitoring will be prepared at the end of each quarter and submitted to the Project manager for oversight review of the cash flow position, expenditures, and other areas, and directions and decisions reached on all emerging issues. These same reports will be consolidated and used for the 6 monthly Physical and Financial Progress reports. The minimum statements and reports should be:

- a) the quarterly and cumulative financial performance statement should be presented by components and expenditure categories, and compared with the budget and key variances suitably explained;
- b) a loan utilization status report reconciled with IFAD statements should be presented;
- c) the statements of reconciliation of the designated Accounts in accordance with the IFAD letter to the borrower for use as a management tool, for review of the cash flow position, pending Withdrawal Applications and expenditures; and
- d) a review table and report for the period showing the actual costs of activities implemented, with the costs compared to budgetary provisions and variances both for budget cost overruns and under-expenditures appropriately and suitably explained, as well as suggestions for proposals for corrective actions.

20. **Draft Financial Statements and Reports for Audit.** These will be prepared at financial year end by the Project Financial Management team. These financial statements and reports will be prepared in accordance with the international accounting standards preferably International Public Sector Accounting Standards- Cash basis (IPSAS) which is acceptable to IFAD. The template formats acceptable to IFAD will be included in the Draft Project Implementation manual and will be presented during the start-up workshop. Auditors acceptable to IFAD, for carrying out the audit will be appointed

within 90 days of the IFAD Loan effectiveness under audit Terms of reference approved by IFAD through an expression of NO objection. Thereafter, the appointment will be repeated every two years. The appointed auditors will audit the project annual financial statements prepared by the Financial Management team using the International Standards on Auditing. The audited financial statements will be submitted to IFAD within six months after the end of the fiscal year i.e. 30 September, along with the management letter and management response thereto.

Attachment 7.1: Project Fiduciary Risk Assessment at Design

Implementing Entity: Ministry of Agriculture

	Initial Risk Assessment	Proposed Mitigation	Final Risk Assessment
Inherent Risk			
1. TI Index-The 2013 TI CPI was 39% and the world position was 82 out 177 countries. In my opinion the inherent risk is considered high given that the index is below 50%.	H	a) Ensure the PIU has suitably qualified Financial Management System (FMS). b) Earliest training of the Financial Management team on disbursement guidelines as contained in the Letter to the Borrower (LTB). c) Review in depth of the Withdrawal Applications (WAs), and take measures of correction, reduction and request for re-submission.	L
2. RSP Score- 4.25	-	-	L
Control Risks			
1. Organization and Staffing	H	Capacity in terms of systems and internal controls will be established and included in the Project implementation manual. A suitably qualified team will be recruited and paid for from the Project funds. Result oriented Job descriptions will be formulated and assigned to each of the team members. Oversight reviews will be carried out regularly by the Project manager and Director, PSC and MoF officials to ensure strict adherence to laid down guidelines and procedures.	L
2. Budgeting	M	Budgeting will be carried out on time within the Government and IFAD Cycle and timelines. This will be the main tool of expenditure control and no expenditures will be incurred outside the budgetary provisions. The Government budget vote book will be used to monitor the activities provisions against actual expenditures.	L
3. Funds flow and Disbursement Arrangements	H	The management will be carried strictly in accordance with the arrangement prescribed in the LTB. Training on these procedures will be carried out at the earliest time possible to ensure capacity building before disbursements starts.	L
4. Internal Controls	M	The project Funds will be managed under strict internal controls. The signatures to the Special Accounts (SPAs) will be from the MoF. The signatories to the Project operational accounts will be drawn from the project management and the PS of MoA. Quarterly Financial management reports will be prepared and submitted to the PSC and IFAD for review and input.	L
5. Accounting Systems, Policies & Procedures	M	These will be formulated and incorporated in the PIM. These will include dedicated accounting software for accounting and reporting. Books of accounting will be updated monthly.	L
6. Reporting and Monitoring	M	Financial Progress reports will be prepared monthly for review by PIU, IFAD and PSC. The reports will include suitable Income and expenditure statements suitably reconciled with the cash balances in the Banks. Other statements will include budgetary reports of the implemented activities against the actual and explanations of the	L

		major variances.	
7. Internal Audit ¹⁷	H	The Government internal audit System will be mainstreamed within the internal controls of the Project. Quarterly reports on expenditures and Financial statements and overall financial transactions will be submitted to PM, MoF, MoA, PRC and IFAD for review and Information.	L
8. External Audit ¹⁸	M	The statutory audit will be carried out annually and strictly within the timelines set out in the Financing agreement. Auditors will be changed every two years on the basis of competitive recruitment.	L
Project Fiduciary Risk @ Design¹⁹	H		L

Strengths:

The Government financial regulations and controls will be the basis of the Project Financial management and these systems are already in place. The MoF has a strong oversight role in the management of external funds and their systems are in place. If the project uses the existing SWADE PIU they have experience with IFAD financed projects and existing projects including the RFEDP and LUSIP GEF can help to set up the systems and support the PIU.

Weaknesses:

If the proposed Project Implementation Unit (PIU) does not have SWADE staff who have participated in the LUSIP GEF project the new PIU may be composed of MoA staff who have limited or no exposure to International Financing Institution (IFI) financing. It may take a while to train and settle in performing the right functions and submit result oriented activities on a timely basis and with expected deliverables. It may take time to reassign/recruit and train a suitably qualified Financial Management team.

Proposed Mitigations:

1. Earliest recruitment of the PIU team
2. Earliest training of the team in the Project systems, Procedures and guidelines, Including experience sharing with RFEDP and LUSIP GEF teams and the use of the same accounting package
3. Earliest formulation, propagation of the PIM and intense follow-up in first 12 – 18 months
4. Strict adherence to the oversight reviews, and decision making by the MoA, MoF, and PSC

Mission Staff's Name :
Godfrey Mwangi Wanjohi _____ **Date: 3 September 2014**

¹⁷ The Office of Audit and Oversight (AUO) internal audit capacity development project includes an assessment of internal audit capacities in counterpart ministries which may also provide useful feedback.

¹⁸ The impact of External Audit findings etc. are covered by the ARTS system – and therefore need not be duplicated in this assessment

¹⁹ Based on professional judgement.

Appendix 8: Procurement

Introduction

1. The main objective of these guidelines is to provide and lay down procedures for undertaking the procurement of planned goods, works and services under the project in a timely, efficient and economical manner so as to achieve the objectives of the project. All Project Procurements of Works, goods and services will be undertaken on the basis of the Procurement Plan of the approved annual work plan and budget provisions and in accordance with the Government Public Procurement Act 2011 and the 2008 Procurement Regulations, with any subsequent amendments, and in accordance with IFAD procurement guidelines. The Government procurement legal framework accommodates provisions of IFAD guidelines where there is Conflict. The custodian of the regulations and procedures is the Minister of Finance (MoF) who is mandated to revise the regulations from time to time as and when the need arises. The procurement of works, goods and services will be the responsibility of the MoA with PIU providing the technical support under the guidance of the Procurement Officer.

Procurement procedures

2. IFAD Prior Review thresholds levels: The thresholds for ICB which the IFAD Procurement handbook recommends are as detailed here below. It is foreseen that a considerable level of civil works for erosion control works and dams is likely to attract these thresholds:

- a) Goods: above US\$ 200,000
- b) Civil works: above US\$ 1,000,000
- c) Services: above US\$ 100,000

3. The process of procuring all goods under International Competitive Bidding (ICB), National Competitive Bidding and Direct Procurement, all engagement of Consultancies, and services, will be subject to prior review by IFAD. MoA and PIU will be expected to be proactive in ensuring that procurements are initiated on time. IFAD prior review will be implemented through an expression of no objection, at all critical stages for the procurement of goods above the following thresholds:

- a) Goods and Works: above US\$ 200,000
- b) Services: above US\$ 100,000

4. For the procurements below these thresholds, the Government procurement procedures will be used except where they are in conflict with IFAD guidelines in which case IFAD procedures will be used.

Procurement planning

5. The dedicated Procurement Officer will manage SMLP procurement efficiently, effectively, and in a timely manner. Implementation of approved actions will be based on a detailed specified plan which will be part of the annual AWPB. Upon “entry into force” of the loan an 18 month procurement Plan will have been included in the AWPB for the first year of implementation. The plan will include all the key milestone dates and timelines including those for preparation of specifications and bidding documents, advertisements, opening of the bids, and receipt of IFAD No Objection where applicable, evaluations contracts award and delivery of the relevant goods or services.

Key procurement milestones

6. The following are key procurement stages requiring inclusion in the Procurement plan and close monitoring of the performance:

- a) Preparation of Bids: This is the first step of the procurement planning which includes the determination of the specifications of the works, goods or services. It must be carried out

- efficiently by the competent technical personnel to ensure that the key details (required outputs, Bids opening dates, any requisite payments of advances, bonds deposits, and terms of reference are clearly specified.
- b) Pre-qualifications: This is normally advisable for large or complex contracts to ensure, in advance of bidding, that invitations to bid are confined to capable firms. The financing agreement with IFAD will specify whether prequalification is required in respect of particular contracts. Such a prequalification should be based entirely upon the ability of the interested firm to perform the particular work under the contract in a satisfactory manner, taking into consideration, inter alia: (i) experience and performance on contracts similar to those under the bid; (ii) capabilities with respect to personnel, equipment and plant; and (iii) financial position. The scope of work, abbreviated specifications, and a clear statement of the requirements for qualification should be sent to all firms desiring to be considered for prequalification.
 - c) Bids Opening: Receipt of bids shall close at the time and place stipulated in the bidding document Instruction to Bidders. All bids shall be opened immediately in public in the presence of bidders who choose to attend. The price and other relevant information such as name of the bidder, bid security amounts and discounts are to be read out and recorded.
 - d) Bid evaluation should be carried out objectively. Considerations of bid validities are important as delays may involve requesting for extensions or lead to price increases.
 - e) The evaluation should be carried out by a committee evaluating quality and cost. The contract should be awarded to a lowest evaluated bidder.

Procurement of services

7. The procurement of services is essentially aimed at complementing the technical Staff in the PIU. These services will be obtained from National Institutions, NGOs, the Private Sector, individuals and companies. The organisations will respond to the terms of reference and conditions of service in accordance with acceptable guidelines.

8. Requests for proposals should include the terms of reference, borrower's inputs, general selection procedure, evaluation method and a copy of the draft contract format. Proposals will be evaluated on the basis of general experience, adequacy of the proposed work plan, methodology and responsiveness to the terms of reference. After negotiations the contract is finalised and submitted to IFAD for approval then signed.

Waivers

9. Request for waivers stating the reasons should be submitted to IFAD for review. The reasons for the request for waivers should be clearly described and these could include the procurement method, reducing the floatation periods, extension of bid validity and change in short listed suppliers. This also includes issuing change orders that would increase significantly the contract price by say, 10 per cent of the original price as well as in cases of where there is only one supplier. A waiver from the normal tendering procedures will also have to be sought.

Contract management

10. The management of the contracts will be carried out efficiently and effectively. A committee of the PIU chaired by the project Manager and will include the senior officers of PIU and the external consultants who may be contracted to assist in the implementation. The on-going contracts will be reviewed and progress report issued with an appropriate action plan for follow-up prior to the next meeting.

Payments

11. Payments should only be effected in accordance with the agreement in the contract. Goods should be verified physically on the basis of the contract or samples provided at the time of bid submission to ensure quality. It is advisable for a person who was in the evaluation committee to be present when goods are received. Payment should only be effected if the goods comply with specifications otherwise they should be rejected. All payments must be controlled through Payment monitoring form.

Appendix 9: Project cost and financing

Introduction

1. This annex presents the proposed project activities under their components and subcomponents. The paper also describes the assumptions and approach applied in arriving at the financial estimates and projections of the project costs which in turn support the detailed cost tables and financing plan. The design mission has estimated the project costs on the basis of prevailing financing costs and prices in Swaziland during the month of July 2014. The mission has used the COSTAB software to capture the financial data and has prepared a detailed cost table for each component and/or sub-component. These cost tables have been consolidated into Summary cost tables that present the project cost by project components, expenditures and by financiers. The full sets of Detailed and Summary Tables are presented in the attachment made up of Excel Spreadsheets.

Project assumptions

2. **Project duration:** The Smallholder Market-led Project (SMLP) is projected to start in 2015 with duration of 72 months or 6 years.

3. **Inflation:** Included in the projected cost is a Provision for contingency for the anticipated cost price inflation. This has been made for all items financed by the Project, except where it is clearly seen that there would be no price escalation. The design mission has used the annual local inflation rate of 6 per cent as published by the IMF and at a rate of 3.0 per cent per annum, for 6 years, for foreign inflation, in line with estimates made by the IMF in the World country report of April 2014.

Table 13: Main Assumptions for Cost Estimation

Inflation and Exchange Rates	Up to Negotiation	Up to Project Start	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6
Inflation (in %'s) /a								
All								
Annual rates								
Local	0.0	0.0	6.0	6.0	6.0	6.0	6.0	6.0
Foreign	0.0	0.0	3.0	3.0	3.0	3.0	3.0	3.0
Compounded rates								
Local	0.0	0.0	3.0	9.2	15.7	22.7	30.0	37.8
Foreign	0.0	0.0	1.5	4.5	7.7	10.9	14.2	17.7
None								
Annual rates								
Local	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compounded rates								
Local	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rates (Local/Foreign) /b								
All								
Rates actually used	10.6	10.6	10.8	11.1	11.4	11.7	12.1	12.4
Constant purchasing parity rates	10.6	10.6	10.8	11.1	11.4	11.7	12.1	12.4
% deviation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
None								
Rates actually used	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
Constant purchasing parity rates	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
% deviation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

/a Yearly values are within Each Project Year

/b Yearly values are at Project Year Midpoints

4. **Exchange rate:** The exchange rate is calculated in constant purchasing power parity, from the base of 10.6 Emalangeni / US\$, to adjust for differences in domestic and international inflation and keep the real exchange rate constant.

5. **Prices:** All estimated costs include taxes. Base costs are real costs at July 2014 prices. To calculate total project costs, price contingency rates have been applied on certain base costs plus physical contingency rates for some activities.

6. **Taxation and duties:** Taxes have been estimated using information from the Swaziland Revenue Authority that includes duties and VAT. These have been included in all vehicles, equipment and workshops and operation and maintenance costs. The Government will either finance or waive the cost of all taxes on goods, works, and services procured under the Project. The total value of this has been included in the total cost as part of Government financing.

7. **Contingencies:** Physical contingencies have been estimated at 5 per cent for the civil works. Price contingencies have been calculated using the Costab software based on local and foreign inflation.

8. **Implementation plan:** The cost estimates are formulated in line with the implementation schedule. Annex 10 shows the schedule of activities planned over the six year implementation period. The project is planned to facilitate the construction of 20 small and medium dams (12 rehabilitated and 2 new) and rehabilitate 50 gullies. The project will assist 25 chiefdoms to develop Chiefdom Development Plans (CDPs) and assist in the implementation of priority agricultural interventions that respond to stated and agreed market demand. The project will facilitate capacity building of the producer and producer organizations, trader and trader organisations, MoA establishments including strategic plan, M&E systems, and agricultural extension systems. Other investments include interventions in various identified commodity value chains with the assistance of business development service provider(s).

9. **Expenditure and disbursement accounts:** The Project will be rolled out through several implementing agencies, including the Project Management Unit (PMU) which will manage and coordinate the flow of funds and the expenditures incurred there from, on account of the project activities. The PMU will be consolidating the statements of expenditures (SoEs) submitted by the other implementing agencies, with those of the PMU and prepare the requisite Withdrawal Applications (WA's), as well as the financial statements regular Financial management and procurement procedures are described in Working Paper 5. The expenditure and disbursement account structure has been determined as follows:

Table 14: Expenditure and Disbursement Accounts

	Expenditure Accounts	Disbursement Accounts
Investment costs		
A	Consultancies /a	Consultancies
B	Equipment and Materials	Equipment and Materials
C	Goods, Services and Inputs	Goods, Services and Inputs
D	Training	Training
E	Vehicles	Vehicles
F	Works	Works
Recurrent costs		
A	Operating Costs	Recurrent Costs
B	Salaries and Allowances	

10. **Structure of costs.** The structure of costs has been defined along 3 components and their sub-components:

- Chiefdom Development Planning
 - Chiefdom Development Planning
- Infrastructure for Soil and Water Conservation
 - Infrastructure for Soil and Water Conservation Security of Land Use
- Market-led Production
 - Support to Market Driven Commodity Development
 - Support to Development of Crop Commodity Chains
 - Support to Development of Livestock Commodity Chains

- Support to Improving effectiveness of Ministry of Agriculture (MoA) extension services
- Project Management
 - Project Management

11. **Project costs:** The indicative project cost, including physical and price contingencies, is estimated at US\$ 21.1 million (SZL 244.1 million). The foreign exchange content is estimated at US\$ 6.0 million (29 per cent of total project costs). The local content of the costs is estimated at US\$ 15.1 million of which US\$ 2.3 million are on duties and taxes. Project costs are summarised in Table 1 of the Appendix to this Annex.

12. **Financing:** The financiers are: IFAD loan amounting to US\$ 8.3 million and a start-up financing grant of US\$ 0.5 million provided for the activities provided in Table 3 below; Government's contribution of US\$ 6.6 million of which US\$ 2.3 will be taxes and duties; a Private Sector contribution of US\$ 0.6 million in extension advisory services, training and market linkages; and a GEF grant estimated at US\$ 5.1 million). The financing tables are provided in the Appendix to this Annex.

Table 15: Project start-up grant

Description of Start-up activities	Unit	Quantity	Unit Cost	Total
Comprehensive baseline, Participatory Rural Appraisal (PRA, Socio-Economic profiles & Women Empowerment Index in Agriculture (WEIA), Multidimensional Poverty Assessment Tool (MPAT) and Randomized Control Trials (RCT)	chiefdoms	25	6100	152.500
Recruitment consultant (firm)	personmonth	3	25000	75.000
Design work for offices at Sithobela RDA (12.5% of total cost USD 500 000)	lumpsum			62.500
Financial Management consultancy	personmonth	3	25000	75.000
Development of comprehensive M&E software	personmonth	3	25000	75.000
Multidimensional Poverty Assessment Tool (MPAT) at mid-term and completion	survey	2	30000	60.000
Total Cost				500.000

13. **Sustainability.** The ratio of investment to recurrent costs is 67:33. This is a reasonable level of recurrent costs for a project of this size. In addition, 75 per cent of the recurrent costs are composed of salaries for SWADE, NAMBOARD and RDA staff which are financed by Government. Therefore post project sustainability is not considered a risk. Furthermore as this is a value chain project involving the private sector, the government investment should leverage more private sector investment through the innovation platforms which will be developed which will result in private public partnerships similar to that of the Honey Association.

Attachment 9.1: Summary cost and financing tables (US\$)

Table	Description
1	Components Project Cost Summary
2	Expenditure Accounts Project Cost Summary
3	Expenditure Accounts by Components - Base Costs
4	Expenditure Accounts by Components - Totals Including Contingencies
5	Procurement Arrangements
6	Project Components by Year -- Base Costs
7	Project Components by Year -- Totals Including Contingencies
8	Project Components by Year -- Investment/Recurrent Costs
9	Expenditure Accounts by Years -- Base Costs
10	Expenditure Accounts by Years -- Totals Including Contingencies
11	Expenditure Accounts Breakdown
12	Components by Financiers
13	Disbursement Accounts by Financiers
14	Expenditure Accounts by Financiers
15	Local/Foreign/Taxes by Financiers
16	Financing of Investment/Recurrent Costs and Financial Charges by Year
17	Disbursements by Semesters and Government Cash Flow
18	Financing of Investment/Recurrent Costs and Financial Charges by Year

Components Project Cost Summary	(Emalangen Million)					(US\$ Million)				
				%	% Total				%	% Total
	Local	Foreign	Total	Foreign Exchange	Base Costs	Local	Foreign	Total	Foreign Exchange	Base Costs
A. Chiefdom Development Planning										
Chiefdom Development Planning	16.8	5.5	22.3	25	11	1.6	0.5	2.1	25	11
Subtotal	16.8	5.5	22.3	25	11	1.6	0.5	2.1	25	11
B. Infrastructure for Soil and Water Conservation										
Infrastructure for Soil and Water Conservation	51.5	6.9	58.4	12	29	4.9	0.7	5.5	12	29
Subtotal	51.5	6.9	58.4	12	29	4.9	0.7	5.5	12	29
C. Market Led Production										
Support to Market Driven Commodity Development	3.6	34.6	38.1	91	19	0.3	3.3	3.6	91	19
Support to Development of Crop Commodity Chains	10.8	-	10.8	-	5	1.0	-	1.0	-	5
Support to Development of Livestock Commodity Chains	7.8	0.0	7.8	1	4	0.7	0.0	0.7	1	4
Support to Improving effectiveness of MoA extension services	25.6	6.6	32.2	20	16	2.4	0.6	3.0	20	16
Subtotal	47.8	41.2	89.0	46	44	4.5	3.9	8.4	46	44
D. Project Management										
Project Management	27.0	5.9	32.9	18	16	2.5	0.6	3.1	18	16
Subtotal	27.0	5.9	32.9	18	16	2.5	0.6	3.1	18	16
Total BASELINE COSTS	143.1	59.5	202.6	29	100	13.5	5.6	19.1	29	100
Physical Contingencies	2.2	-	2.2	-	1	0.2	-	0.2	-	1
Price Contingencies	30.2	9.1	39.3	23	19	1.4	0.4	1.8	23	9
Total PROJECT COSTS	175.6	68.5	244.1	28	121	15.1	6.0	21.1	29	110

Expenditure Accounts Project Cost Summary	(Emalangenzi Million)					(US\$ Million)				
				%	% Total				%	% Total
	Local	Foreign	Total	Foreign Exchange	Base Costs	Local	Foreign	Total	Foreign Exchange	Base Costs
I. Investment Costs										
A. Consultancies /a	0.8	45.6	46.4	98	23	0.1	4.3	4.4	98	23
B. Equipment and Materials	9.0	9.0	17.9	50	9	0.8	0.8	1.7	50	9
C. Goods, Services and Inputs	7.9	-	7.9	-	4	0.7	-	0.7	-	4
D. Training	14.1	-	14.1	-	7	1.3	-	1.3	-	7
E. Vehicles	0.8	4.9	5.7	86	3	0.1	0.5	0.5	86	3
F. Works	44.9	-	44.9	-	22	4.2	-	4.2	-	22
Total Investment Costs	77.5	59.5	137.0	43	68	7.3	5.6	12.9	43	68
II. Recurrent Costs										
A. Operating Costs	12.7	-	12.7	-	6	1.2	-	1.2	-	6
B. Salaries and Allow ances	52.9	-	52.9	-	26	5.0	-	5.0	-	26
Total Recurrent Costs	65.6	-	65.6	-	32	6.2	-	6.2	-	32
Total BASELINE COSTS	143.1	59.5	202.6	29	100	13.5	5.6	19.1	29	100
Physical Contingencies	2.2	-	2.2	-	1	0.2	-	0.2	-	1
Price Contingencies	30.2	9.1	39.3	23	19	1.4	0.4	1.8	23	9
Total PROJECT COSTS	175.6	68.5	244.1	28	121	15.1	6.0	21.1	29	110

/a Includes Studies and Technical Assistance

Expenditure Accounts by Components - Base Costs (US\$ Million)	Infrastructure for Soil and Water		Market Led Production			Support to Improving effectiveness of MoA extension services	Project Management Project Managemen	Total	Physical Contingencies	
	Chiefdom Development Planning	Conservation Infrastructure for Soil and Water	Support to Market Driven Commodity Development	Support to Development of Crop Commodity Chains	Support to Development of Livestock Commodity Chains				%	Amount
	Chiefdom Development Planning	Conservation	Development	Chains	Chains					
	Chiefdom Development Planning	Conservation	Development	Chains	Chains					
I. Investment Costs										
A. Consultancies /a	0.3	0.1	3.1	-	-	0.4	0.4	4.4	-	-
B. Equipment and Materials	0.4	1.0	0.1	-	0.0	0.1	0.1	1.7	-	-
C. Goods, Services and Inputs	-	-	0.0	0.5	0.2	-	-	0.7	-	-
D. Training	0.8	0.1	-	0.1	0.1	0.1	0.0	1.3	-	-
E. Vehicles	0.1	0.1	0.1	-	-	0.2	0.1	0.5	-	-
F. Works	-	3.8	-	-	-	0.4	-	4.2	5.0	0.2
Total Investment Costs	1.7	5.1	3.4	0.6	0.3	1.2	0.6	12.9	1.6	0.2
II. Recurrent Costs										
A. Operating Costs	0.0	0.0	-	-	-	0.2	1.0	1.2	-	-
B. Salaries and Allow ances	0.4	0.4	0.2	0.4	0.4	1.7	1.5	5.0	-	-
Total Recurrent Costs	0.4	0.4	0.2	0.4	0.4	1.8	2.5	6.2	-	-
Total BASELINE COSTS	2.1	5.5	3.6	1.0	0.7	3.0	3.1	19.1	1.1	0.2
Physical Contingencies	-	0.2	-	-	-	0.0	-	0.2	-	-
Price Contingencies										
Inflation										
Local	0.3	1.3	0.1	0.2	0.1	0.4	0.5	2.8	-	-
Foreign	0.0	0.1	0.3	-	0.0	0.0	0.0	0.4	-	-
Subtotal Inflation	0.3	1.3	0.4	0.2	0.1	0.4	0.5	3.2	-	-
Devaluation	-0.1	-0.7	-0.0	-0.1	-0.1	-0.2	-0.3	-1.5	-	-
Subtotal Price Contingencies	0.2	0.7	0.3	0.1	0.1	0.2	0.3	1.8	1.4	0.0
Total PROJECT COSTS	2.3	6.4	3.9	1.1	0.8	3.3	3.4	21.1	1.1	0.2
Taxes	0.3	0.9	0.1	0.2	0.1	0.4	0.4	2.3	1.4	0.0
Foreign Exchange	0.5	0.7	3.6	-	0.0	0.6	0.6	6.0	-	-

/a Includes Studies and Technical Assistance

Expenditure Accounts by Components - Totals Including Contingencies

(US\$ Million)

	Chiefdom Development Planning	Infrastructure for Soil and Water Conservation	Support to Market Driven Commodity Development	Support to Development of Crop Commodity Chains	Support to Development of Livestock Commodity Chains	Support to Improving effectiveness of MoA extension services	Project Management Project Management	Total
I. Investment Costs								
A. Consultancies /a	0.3	0.1	3.4	-	-	0.4	0.5	4.7
B. Equipment and Materials	0.5	1.1	0.1	-	0.0	0.1	0.1	1.8
C. Goods, Services and Inputs	-	-	0.0	0.5	0.2	-	-	0.8
D. Training	0.9	0.1	-	0.1	0.1	0.1	0.0	1.5
E. Vehicles	0.1	0.1	0.1	-	-	0.2	0.1	0.5
F. Works	-	4.5	-	-	-	0.5	-	5.0
Total Investment Costs	1.8	5.9	3.7	0.7	0.4	1.3	0.7	14.3
II. Recurrent Costs								
A. Operating Costs	0.1	0.1	-	-	-	0.2	1.0	1.3
B. Salaries and Allowances	0.4	0.4	0.3	0.4	0.4	1.8	1.7	5.5
Total Recurrent Costs	0.5	0.5	0.3	0.4	0.4	2.0	2.7	6.8
Total PROJECT COSTS	2.3	6.4	3.9	1.1	0.8	3.3	3.4	21.1
Taxes	0.3	0.9	0.1	0.2	0.1	0.4	0.4	2.3
Foreign Exchange	0.5	0.7	3.6	-	0.0	0.6	0.6	6.0

/a Includes Studies and Technical Assistance

Procurement Arrangements - Non ICB/LCB Aggregated as Other (US\$ Million)							
	Procurement Method			Consulting Services	Other	N.B.F.	Total
	International Competitive Bidding	National Competitive Bidding	Local Competitive Bidding				
A. Consulting	-	-	-	2.1 (1.4)	2.6 (2.6)	-	4.8 (4.1)
B. Equipment and Materials	-	1.8 (1.2)	-	-	0.0 (0.0)	-	1.8 (1.2)
C. Goods, Services and Inputs	-	-	0.8 (0.7)	-	-	-	0.8 (0.7)
D. Training and Workshops	-	-	-	1.4 (0.3)	0.0 (0.0)	-	1.4 (0.3)
E. Vehicles	0.5 (0.5)	-	-	-	-	-	0.5 (0.5)
F. Works	-	5.0 (0.4)	-	-	-	-	5.0 (0.4)
G. Recurrent Costs	-	-	1.3 (1.1)	-	-	5.5	6.8 (1.1)
Total	0.5 (0.5)	6.8 (1.6)	2.1 (1.8)	3.5 (1.8)	2.7 (2.7)	5.5 -	21.1 (8.3)

Note: Figures in parenthesis are the respective amounts financed by IFAD LOAN

Project Components by Year -- Base Costs

(US\$ Million)

	Base Cost						Total
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	
A. Chiefdom Development Planning							
Chiefdom Development Planning	0.4	0.7	0.3	0.3	0.2	0.2	2.1
Subtotal	0.4	0.7	0.3	0.3	0.2	0.2	2.1
B. Infrastructure for Soil and Water Conservation							
Infrastructure for Soil and Water Conservation	0.3	0.3	1.0	1.5	1.6	0.8	5.5
Subtotal	0.3	0.3	1.0	1.5	1.6	0.8	5.5
C. Market Led Production							
Support to Market Driven Commodity Development	0.5	0.7	0.7	0.7	0.7	0.3	3.6
Support to Development of Crop Commodity Chains	0.1	0.2	0.2	0.2	0.2	0.1	1.0
Support to Development of Livestock Commodity Chains	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Support to Improving effectiveness of MoA extension services	0.8	0.8	0.4	0.3	0.3	0.3	3.0
Subtotal	1.5	1.8	1.5	1.4	1.4	0.8	8.4
D. Project Management							
Project Management	0.8	0.4	0.5	0.4	0.4	0.5	3.1
Subtotal	0.8	0.4	0.5	0.4	0.4	0.5	3.1
Total BASELINE COSTS	3.0	3.2	3.2	3.6	3.7	2.3	19.1
Physical Contingencies	0.0	0.0	0.0	0.1	0.1	0.0	0.2
Price Contingencies							
Inflation							
Local	0.0	0.2	0.4	0.6	0.9	0.7	2.8
Foreign	0.0	0.1	0.1	0.1	0.1	0.1	0.4
Subtotal Inflation	0.1	0.2	0.4	0.7	1.0	0.8	3.2
Devaluation	-0.0	-0.1	-0.2	-0.3	-0.5	-0.4	-1.5
Subtotal Price Contingencies	0.0	0.1	0.2	0.4	0.5	0.4	1.8
Total PROJECT COSTS	3.1	3.4	3.5	4.1	4.3	2.7	21.1
Taxes	0.3	0.3	0.4	0.5	0.5	0.3	2.3
Foreign Exchange	1.4	1.3	1.1	0.9	0.9	0.5	6.0

Project Components by Year -- Totals Including Contingencies
(US\$ Million)

	Totals Including Contingencies						
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
A. Chiefdom Development Planning							
Chiefdom Development Planning	0.4	0.7	0.3	0.3	0.3	0.3	2.3
Subtotal	0.4	0.7	0.3	0.3	0.3	0.3	2.3
B. Infrastructure for Soil and Water Conservation							
Infrastructure for Soil and Water Conservation	0.3	0.3	1.1	1.8	2.0	1.0	6.4
Subtotal	0.3	0.3	1.1	1.8	2.0	1.0	6.4
C. Market Led Production							
Support to Market Driven Commodity Development	0.5	0.8	0.8	0.8	0.8	0.4	3.9
Support to Development of Crop Commodity Chains	0.1	0.2	0.2	0.2	0.3	0.1	1.1
Support to Development of Livestock Commodity Chains	0.1	0.1	0.2	0.2	0.2	0.1	0.8
Support to Improving effectiveness of MoA extension services	0.9	0.8	0.5	0.4	0.4	0.4	3.3
Subtotal	1.6	1.9	1.6	1.5	1.6	0.9	9.1
D. Project Management							
Project Management	0.8	0.5	0.5	0.5	0.5	0.6	3.4
Subtotal	0.8	0.5	0.5	0.5	0.5	0.6	3.4
Total PROJECT COSTS	3.1	3.4	3.5	4.1	4.3	2.7	21.1

Project Components by Year -- Investment/Recurrent Costs
(US\$ Million)

	Totals Including Contingencies						Total
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	
A. Chiefdom Development Planning							
Chiefdom Development Planning							
Investment Costs	0.3	0.6	0.2	0.2	0.2	0.2	1.8
Recurrent Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Subtotal	0.4	0.7	0.3	0.3	0.3	0.3	2.3
B. Infrastructure for Soil and Water Conservation							
Infrastructure for Soil and Water Conservation							
Investment Costs	0.2	0.2	1.0	1.7	1.9	0.9	5.9
Recurrent Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Subtotal	0.3	0.3	1.1	1.8	2.0	1.0	6.4
C. Market Led Production							
Support to Market Driven Commodity Development							
Investment Costs	0.4	0.7	0.7	0.7	0.7	0.3	3.7
Recurrent Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Subtotal	0.5	0.8	0.8	0.8	0.8	0.4	3.9
Support to Development of Crop Commodity Chains							
Investment Costs	0.1	0.1	0.2	0.2	0.2	-	0.7
Recurrent Costs	0.0	0.1	0.1	0.1	0.1	0.1	0.4
Subtotal	0.1	0.2	0.2	0.2	0.3	0.1	1.1
Support to Development of Livestock Commodity Chains							
Investment Costs	0.0	0.1	0.1	0.1	0.1	0.0	0.4
Recurrent Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Subtotal	0.1	0.1	0.2	0.2	0.2	0.1	0.8
Support to Improving effectiveness of MoA extension services							
Investment Costs	0.6	0.5	0.1	0.0	0.0	0.0	1.3
Recurrent Costs	0.3	0.3	0.3	0.3	0.3	0.4	2.0
Subtotal	0.9	0.8	0.5	0.4	0.4	0.4	3.3
Subtotal	1.6	1.9	1.6	1.5	1.6	0.9	9.1
D. Project Management							
Project Management							
Investment Costs	0.4	0.0	0.1	0.0	0.0	0.1	0.7
Recurrent Costs	0.4	0.4	0.4	0.5	0.5	0.5	2.7
Subtotal	0.8	0.5	0.5	0.5	0.5	0.6	3.4
Total PROJECT COSTS	3.1	3.4	3.5	4.1	4.3	2.7	21.1
Total Investment Costs	2.1	2.3	2.4	2.9	3.1	1.5	14.3
Total Recurrent Costs	1.0	1.1	1.1	1.1	1.2	1.2	6.8

Expenditure Accounts by Years -- Base Costs

(US\$ Million)

	Base Cost						Foreign Exchange		
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	%	Amount
I. Investment Costs									
A. Consultancies /a	0.9	0.9	0.8	0.7	0.7	0.3	4.4	98.2	4.3
B. Equipment and Materials	0.3	0.6	0.2	0.2	0.2	0.1	1.7	50.0	0.8
C. Goods, Services and Inputs	0.1	0.1	0.2	0.2	0.2	0.0	0.7	-	-
D. Training	0.1	0.2	0.3	0.3	0.3	0.2	1.3	-	-
E. Vehicles	0.5	0.0	0.0	-	-	-	0.5	86.0	0.5
F. Works	0.2	0.3	0.7	1.2	1.3	0.6	4.2	-	-
Total Investment Costs	2.0	2.2	2.2	2.6	2.7	1.3	12.9	43.4	5.6
II. Recurrent Costs									
A. Operating Costs	0.2	0.2	0.2	0.2	0.2	0.2	1.2	-	-
B. Salaries and Allow ances	0.8	0.8	0.8	0.8	0.8	0.8	5.0	-	-
Total Recurrent Costs	1.0	1.0	1.0	1.0	1.0	1.0	6.2	-	-
Total BASELINE COSTS	3.0	3.2	3.2	3.6	3.7	2.3	19.1	29.4	5.6
Physical Contingencies	0.0	0.0	0.0	0.1	0.1	0.0	0.2	-	-
Price Contingencies									
Inflation									
Local	0.0	0.2	0.4	0.6	0.9	0.7	2.8	-	-
Foreign	0.0	0.1	0.1	0.1	0.1	0.1	0.4	100.0	0.4
Subtotal Inflation	0.1	0.2	0.4	0.7	1.0	0.8	3.2	12.7	0.4
Devaluation	-0.0	-0.1	-0.2	-0.3	-0.5	-0.4	-1.5	-	-
Subtotal Price Contingencies	0.0	0.1	0.2	0.4	0.5	0.4	1.8	23.2	0.4
Total PROJECT COSTS	3.1	3.4	3.5	4.1	4.3	2.7	21.1	28.5	6.0
Taxes	0.3	0.3	0.4	0.5	0.5	0.3	2.3	-	-
Foreign Exchange	1.4	1.3	1.1	0.9	0.9	0.5	6.0	-	-

/a Includes Studies and Technical Assistance

Expenditure Accounts by Years -- Totals Including Contingencies

(US\$ Million)

	Totals Including Contingencies						Total
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	
I. Investment Costs							
A. Consultancies /a	0.9	0.9	0.9	0.8	0.8	0.4	4.7
B. Equipment and Materials	0.3	0.7	0.2	0.2	0.2	0.1	1.8
C. Goods, Services and Inputs	0.1	0.1	0.2	0.2	0.2	0.0	0.8
D. Training	0.1	0.2	0.3	0.3	0.3	0.2	1.5
E. Vehicles	0.5	0.0	0.0	-	-	-	0.5
F. Works	0.2	0.3	0.7	1.4	1.6	0.8	5.0
Total Investment Costs	2.1	2.3	2.4	2.9	3.1	1.5	14.3
II. Recurrent Costs							
A. Operating Costs	0.2	0.2	0.2	0.2	0.2	0.2	1.3
B. Salaries and Allow ances	0.8	0.9	0.9	0.9	1.0	1.0	5.5
Total Recurrent Costs	1.0	1.1	1.1	1.1	1.2	1.2	6.8
Total PROJECT COSTS	3.1	3.4	3.5	4.1	4.3	2.7	21.1

/a Includes Studies and Technical Assistance

Expenditure Accounts Breakdown																	Base	Physical
(US\$ Million)																	Costs +	Cont.
	Base Cost				Physical Contingencies				Price Contingencies				Total Incl. Cont.				Cont. on Base Costs	Cont. on Physical Cont.
	For. Exch.	Local (Excl. Taxes)	Duties & Taxes	Total	For. Exch.	Local (Excl. Taxes)	Duties & Taxes	Total	For. Exch.	Local (Excl. Taxes)	Duties & Taxes	Total	For. Exch.	Local (Excl. Taxes)	Duties & Taxes	Total		
I. Investment Costs																		
A. Consultancies /a	4.3	0.1	-	4.4	-	-	-	-	0.3	0.0	-	0.3	4.6	0.1	-	4.7	4.7	-
B. Equipment and Materials	0.8	0.6	0.2	1.7	-	-	-	-	0.1	0.0	0.0	0.1	0.9	0.7	0.3	1.8	1.8	-
C. Goods, Services and Inputs	-	0.6	0.1	0.7	-	-	-	-	-	0.1	0.0	0.1	-	0.7	0.1	0.8	0.8	-
D. Training	-	1.1	0.2	1.3	-	-	-	-	-	0.1	0.0	0.1	-	1.3	0.2	1.5	1.5	-
E. Vehicles	0.5	-	0.1	0.5	-	-	-	-	0.0	-	0.0	0.0	0.5	-	0.1	0.5	0.5	-
F. Works	-	3.6	0.6	4.2	-	0.2	0.0	0.2	-	0.4	0.1	0.5	-	4.3	0.7	5.0	4.7	0.2
Total Investment Costs	5.6	6.1	1.2	12.9	-	0.2	0.0	0.2	0.4	0.7	0.1	1.2	6.0	7.0	1.3	14.3	14.1	0.2
II. Recurrent Costs																		
A. Operating Costs	-	1.0	0.2	1.2	-	-	-	-	-	0.1	0.0	0.1	-	1.1	0.2	1.3	1.3	-
B. Salaries and Allow ances	-	4.3	0.7	5.0	-	-	-	-	-	0.4	0.1	0.5	-	4.7	0.8	5.5	5.5	-
Total Recurrent Costs	-	5.3	0.9	6.2	-	-	-	-	-	0.5	0.1	0.6	-	5.8	0.9	6.8	6.8	-
Total	5.6	11.4	2.1	19.1	-	0.2	0.0	0.2	0.4	1.2	0.2	1.8	6.0	12.8	2.3	21.1	20.9	0.2

/a Includes Studies and Technical Assistance

Components by Financiers

(US\$ Million)

	The Government		IFAD LOAN		IFAD GRANT		PRIVATE SECTOR		GEF		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Chiefdom Development Planning															
Chiefdom Development Planning	0.6	28.5	0.3	11.2	0.2	6.7	-	-	1.2	53.6	2.3	10.7	0.5	1.5	0.3
B. Infrastructure for Soil and Water Conservation															
Infrastructure for Soil and Water Conservation	1.2	19.6	1.3	19.6	-	-	-	-	3.9	60.7	6.4	30.2	0.7	4.8	0.9
C. Market Led Production															
Support to Market Driven Commodity Development	0.3	7.7	3.6	92.3	-	-	-	-	-	-	3.9	18.6	3.6	0.3	0.1
Support to Development of Crop Commodity Chains	0.4	33.0	0.5	42.5	-	-	0.3	24.5	-	-	1.1	5.3	-	1.0	0.2
Support to Development of Livestock Commodity Chains	0.3	36.7	0.2	26.5	-	-	0.3	36.8	-	-	0.8	3.8	0.0	0.7	0.1
Support to Improving effectiveness of MoA extension services	2.0	59.6	1.3	38.5	0.1	1.9	-	-	-	-	3.3	15.5	0.6	2.2	0.4
Subtotal	2.9	32.0	5.6	61.1	0.1	0.7	0.6	6.2	-	-	9.1	43.2	4.2	4.2	0.7
D. Project Management															
Project Management	1.8	54.5	1.2	37.0	0.3	8.5	-	-	-	-	3.4	15.9	0.6	2.4	0.4
Total PROJECT COSTS	6.6	31.5	8.3	39.4	0.5	2.4	0.6	2.7	5.1	24.1	21.1	100.0	6.0	12.8	2.3

Disbursement Accounts by Financiers														Local		
(US\$ Million)	The Government		IFAD LOAN		IFAD GRANT		PRIVATE SECTOR		GEF		Total		For.	(Excl.	Duties &	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	Taxes)	Taxes	
Consultancies	0.0	0.1	4.1	85.5	0.5	10.5	-	-	0.2	3.9	4.8	22.6	4.6	0.1	0.0	
Equipment and Materials	0.3	14.0	1.2	65.5	-	-	-	-	0.4	20.5	1.8	8.6	0.9	0.7	0.3	
Goods, Services and Inputs	0.1	13.7	0.7	86.3	-	-	-	-	-	-	0.8	3.8	-	0.7	0.1	
Training and Workshops	0.2	14.0	0.3	23.9	-	-	0.2	15.9	0.7	46.2	1.4	6.7	-	1.2	0.2	
Vehicles	0.1	14.0	0.5	86.0	-	-	-	-	-	-	0.5	2.6	0.5	-	0.1	
Works	0.7	14.0	0.4	8.2	-	-	-	-	3.9	77.8	5.0	23.6	-	4.3	0.7	
Recurrent Costs	5.3	78.2	1.1	16.7	-	-	0.3	5.1	-	-	6.8	32.1	-	5.8	0.9	
Total PROJECT COSTS	6.6	31.5	8.3	39.4	0.5	2.4	0.6	2.7	5.1	24.1	21.1	100.0	6.0	12.8	2.3	

Expenditure Accounts by Financiers
(US\$ Million)

	The Government		IFAD LOAN		IFAD GRANT		PRIVATE SECTOR		GEF		Total		For.	Local	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	(Excl. Taxes)	Taxes
I. Investment Costs															
A. Consultancies /a	-	-	4.1	86.3	0.5	10.6	-	-	0.1	3.1	4.7	22.4	4.6	0.1	-
B. Equipment and Materials	0.3	14.0	1.2	65.5	-	-	-	-	0.4	20.5	1.8	8.6	0.9	0.7	0.3
C. Goods, Services and Inputs	0.1	13.7	0.7	86.3	-	-	-	-	-	-	0.8	3.8	-	0.7	0.1
D. Training	0.2	14.0	0.3	23.2	-	-	0.2	15.4	0.7	47.5	1.5	6.9	-	1.3	0.2
E. Vehicles	0.1	14.0	0.5	86.0	-	-	-	-	-	-	0.5	2.6	0.5	-	0.1
F. Works	0.7	14.0	0.4	8.2	-	-	-	-	3.9	77.8	5.0	23.6	-	4.3	0.7
Total Investment Costs	1.3	9.4	7.2	50.1	0.5	3.5	0.2	1.6	5.1	35.4	14.3	67.9	6.0	7.0	1.3
II. Recurrent Costs															
A. Operating Costs	0.2	13.8	1.1	86.2	-	-	-	-	-	-	1.3	6.2	-	1.1	0.2
B. Salaries and Allow ances	5.1	93.7	-	-	-	-	0.3	6.3	-	-	5.5	25.9	-	4.7	0.8
Total Recurrent Costs	5.3	78.2	1.1	16.7	-	-	0.3	5.1	-	-	6.8	32.1	-	5.8	0.9
Total PROJECT COSTS	6.6	31.5	8.3	39.4	0.5	2.4	0.6	2.7	5.1	24.1	21.1	100.0	6.0	12.8	2.3

/a Includes Studies and Technical Assistance

Financing Plan (US\$ Million)				
	Foreign	Local	Total	Percent
The Government	-0.0	6.6	6.6	31.5
IFAD LOAN	5.2	3.1	8.3	39.4
IFAD GRANT	0.4	0.1	0.5	2.4
PRIVATE SECTOR	-	0.6	0.6	2.7
GEF	0.4	4.7	5.1	24.1
Total	6.0	15.1	21.1	100.0

Disbursements by Semesters and Government Cash Flow
(US\$ Million)

(US\$ Million)	Financing Available				Total	Costs to be Financed Government		
	IFAD LOAN	IFAD GRANT	PRIVATE SECTOR	GEF		Project Costs	Cash Flow	Cumulative Cash Flow
	Amount	Amount	Amount	Amount				
1	0.8	0.2	0.0	-	1.0	1.5	-0.5	-0.5
2	0.8	0.2	0.0	-	1.0	1.5	-0.5	-1.0
3	0.9	-	0.0	0.3	1.2	1.7	-0.5	-1.5
4	0.9	-	0.0	0.3	1.2	1.7	-0.5	-2.0
5	0.7	0.0	0.1	0.4	1.2	1.8	-0.5	-2.6
6	0.7	0.0	0.1	0.4	1.2	1.8	-0.5	-3.1
7	0.7	-	0.1	0.7	1.4	2.0	-0.6	-3.7
8	0.7	-	0.1	0.7	1.4	2.0	-0.6	-4.3
9	0.7	-	0.1	0.8	1.5	2.1	-0.6	-4.9
10	0.7	-	0.1	0.8	1.5	2.1	-0.6	-5.5
11	0.4	0.0	0.0	0.4	0.8	1.4	-0.6	-6.1
12	0.4	0.0	0.0	0.4	0.8	1.4	-0.6	-6.6
Total	8.3	0.5	0.6	5.1	14.5	21.1	-6.6	-6.6

Financing of Investment/Recurrent Costs and Financial Charges by Year							
(US\$ Million)							
	Financing						
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs							
The Government	0.2	0.2	0.2	0.3	0.3	0.2	1.3
IFAD LOAN	1.4	1.5	1.3	1.2	1.2	0.5	7.2
IFAD GRANT	0.4	-	0.0	-	-	0.0	0.5
PRIVATE SECTOR	0.0	0.0	0.1	0.1	0.1	-	0.2
GEF	-	0.5	0.8	1.4	1.5	0.8	5.1
Total Investment Costs	2.1	2.3	2.4	2.9	3.1	1.5	14.3
II. Recurrent Costs							
The Government	0.8	0.8	0.9	0.9	0.9	0.9	5.3
IFAD LOAN	0.2	0.2	0.2	0.2	0.2	0.2	1.1
PRIVATE SECTOR	0.0	0.1	0.1	0.1	0.1	0.1	0.3
Total Recurrent Costs	1.0	1.1	1.1	1.1	1.2	1.2	6.8
III. Financial Charges							
Total Financing of Costs	3.1	3.4	3.5	4.1	4.3	2.7	21.1

Attachment 9.2: Detailed Project base costs

Table	Description
1	Chiefdom Development Planning
2	Infrastructure for Soil and Water Conservation
3	Support to Market Driven Commodity Chains
4	Support to Development of Crop Commodity Chains
5	Support to Development of Livestock Commodity Chains
6	Support to Improving effectiveness of MoA extension services
7	Project Management

Table 1. Chiefdom Development Planning

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Equipment and Materials - GEF Financed																
1. Land Degradation Surveillance																
Land Degradation Surveillance Test Equipment /	site	-	10	-	-	-	-	10	30.000	-	300	-	-	-	-	300
Installation cost	site	-	10	-	-	-	-	10	10.000	-	100	-	-	-	-	100
Photocopier heavy duty - full house	unit	-	1	-	-	-	-	1	9.434	-	9	-	-	-	-	9
Extra monitor for GIS work	number	-	1	-	-	-	-	1	943	-	1	-	-	-	-	1
manuals and handbooks /b	batch	-	1	1	1	1	-	4	500	-	1	1	1	1	-	2
Subtotal										-	411	1	1	1	-	412
2. Staff Equipment																
Laptop	unit	-	1	-	-	-	-	1	1.226	-	1	-	-	-	-	1
Subtotal										-	412	1	1	1	-	414
B. Equipment and Materials - IFAD Financed																
1. Land Degradation Surveillance																
Desktop computer and softw are	set	1	-	-	-	-	-	1	943	1	-	-	-	-	-	1
GPS	number	10	-	-	-	-	-	10	1.226	12	-	-	-	-	-	12
GIS programme	softw are	1	-	-	-	-	-	1	2.000	2	-	-	-	-	-	2
Purchase satellite imagery i.c.w . Land degr. Sur	set	1	-	-	-	-	-	1	5.000	5	-	-	-	-	-	5
manuals and handbooks /c	batch	1	-	-	-	-	-	1	500	1	-	-	-	-	-	1
Subtotal										21	-	-	-	-	-	21
C. Vehicles - IFAD Financed																
1. Community Development Staff Vehicles /d	number	2	-	-	-	-	-	2	39.416	79	-	-	-	-	-	79
D. Training, Workshop and Studies																
1. Sensitization - GEF Financed																
a. Induction /e																
Induction of Chiefs and Inner Councils	chiefdom	-	10	7	-	-	-	17	415	-	4	3	-	-	-	7
Induction of CDC members /f	chiefdom	-	20	14	-	-	-	34	415	-	8	6	-	-	-	14
Subtotal										-	12	9	-	-	-	21
b. Facilitation																
Plan process facilitation services	chiefdom	-	18	25	25	25	25	118	5.000	-	90	125	125	125	125	590
c. CDC workshops / CDP development /g																
CDC w orkshops/development	session	-	18	25	25	25	25	118	147	-	3	4	4	4	4	17
Subtotal										-	105	137	129	129	129	629

Table 1. Chiefdom Development Planning

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
2. Sensitization - IFAD Financed																
a. Induction /h																
Induction of Chiefs and Inner Councils	chiefdom	8	-	-	-	-	-	8	415	3	-	-	-	-	-	3
Induction of CDC members /i	chiefdom	16	-	-	-	-	-	16	415	7	-	-	-	-	-	7
Subtotal										10	-	-	-	-	-	10
b. Facilitation																
Plan process facilitation services	chiefdom	8	-	-	-	-	-	8	5.000	40	-	-	-	-	-	40
c. CDC workshops / CDP development /j																
CDC workshops/development	session	8	-	-	-	-	-	8	147	1	-	-	-	-	-	1
Subtotal										51	-	-	-	-	-	51
3. Studies - GEF Financed																
a. Soil and Water Inventory																
Soil and water inventory	study	-	10	7	-	-	-	17	2.500	-	25	18	-	-	-	43
4. Studies - IFAD Financed																
a. Soil and Water Inventory																
Soil and water inventory	study	8	-	-	-	-	-	8	2.500	20	-	-	-	-	-	20
b. Comprehensive baseline, Participatory Rural Appraisal (PRA), Socio-Economic profiles & Women Empowerment Index in Agriculture (WEIA) Multidimensional Poverty Assessment Tool (MPAT) and Randomized Control Trials (RCT) /k																
Baseline, PRA, Socio-Economic profiles, MPA	chiefdom	25	-	-	-	-	-	25	6.100	153	-	-	-	-	-	153
Subtotal										173	-	-	-	-	-	173
5. Group Orientation /l																
a. Base Training																
Natural resource management	trip	-	1	-	1	1	-	3	249	-	0	-	0	0	-	1
Infrastructure development and management	trip	-	1	-	1	1	-	3	249	-	0	-	0	0	-	1
Market development	trip	-	1	-	1	1	-	3	249	-	0	-	0	0	-	1
Agricultural development	trip	-	1	-	1	1	-	3	249	-	0	-	0	0	-	1
Exchange visits /m	chiefdom	-	10	25	25	25	25	110	498	-	5	12	12	12	12	55
Subtotal										-	6	12	13	13	12	58
Subtotal										224	136	167	142	142	141	952
E. Knowledge Management and Learning																
1. Knowledge Management and Learning																
Documentation, know ledge management and ex	per annum									10	10	10	10	10	10	60
F. Consultancies																
1. GIS Development (International Consultant)																
GIS Development Consultant	person month	-	3	3	3	-	-	9	15.000	-	45	45	45	-	-	135
Total Investment Costs										333	603	223	198	153	151	1.661

Table 1. Chiefdom Development Planning

Detailed Costs

(US\$)

(US\$)		Quantities								Base Cost ('000)							
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	
II. Recurrent Costs																	
A. Vehicle O&M																	
1. Vehicle O&M																	
O&M for vehicles for community development at	per annum									8	8	8	8	8	8	47	
B. Salaries																	
1. SWADE																	
Community Development specialist	per annum	1	1	1	1	1	1	6	33.520	34	34	34	34	34	34	201	
GIS operator	per annum	1	1	1	1	1	1	6	32.483	32	32	32	32	32	32	195	
Subtotal											66	66	66	66	66	396	
Total Recurrent Costs											74	74	74	74	74	443	
Total											407	677	297	272	227	225	2,104

\a Nationw ide

\b 400 manuals per batch (topic)

\c 400 manuals per batch (topic)

\d Double Cab Hilux 3 litre

\e Cost per participant E 300 x 12 participants per chiefdom + cost of venue hire

\f 2 sessions per chiefdom

\g 12 persons x E130/ person (no conference facility)x half day

\h Cost per participant E 300 x 12 participants per chiefdom + cost of venue hire

\i 2 sessions per chiefdom

\j 12 persons x E130/ person (no conference facility)x half day

\k Assume 8 sections per chiefdom

\l 12 persons/group/ - E220/person

\m 24 persons per visit @ E220/person/trip

Table 2. Infrastructure for Soil and Water Conservation

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Works - GEF Financed																
1. Erosion Control Works & Rehab/New Earth Dams																
Erosion control works /a	gully	-	-	8	10	16	16	50	20.000	-	-	160	200	320	320	1,000
Rehabilitation of small earth dams and commands /b	site	-	-	5	5	5	3	18	100.000	-	-	500	500	500	300	1,800
Subtotal										-	-	660	700	820	620	2,800
2. New Dam Construction																
Construction of new dams and commands /c	site	-	-	-	1	1	-	2	500.000	-	-	-	500	500	-	1,000
Subtotal										-	-	660	1,200	1,320	620	3,800
B. Equipment and Materials																
1. Support for Rainwater harvesting																
Material support rainwater harvesting	unit	1,000	2,000	2,000	2,000	2,000	1,000	10,000	93	93	187	187	187	187	93	934
2. Fencing																
Perimeter fencing vulnerable areas	kilometre	4	8	12	20	20	16	80	500	2	4	6	10	10	8	40
3. Staff Equipment																
Laptop	unit	2	-	-	-	-	-	2	1.226	2	-	-	-	-	-	2
Desktop computer and software	set	2	-	-	2	-	-	4	943	2	-	-	2	-	-	4
Calculators	number	6	-	-	-	-	-	6	47	0	-	-	-	-	-	0
provision for engineering supervision equipment	lumpsum									1	-	-	-	-	-	1
Subtotal										6	-	-	2	-	-	8
Subtotal										101	191	193	199	197	101	981
C. Vehicles																
1. Infrastructure Development Supervisor /d	number	2	-	-	-	-	-	2	39.416	79	-	-	-	-	-	79
D. Training, Workshop and Studies																
1. Sensitization																
a. Training monitors / caretakers /e																
training monitors / caretakers	person year	4	13	24	43	59	70	213	28	0	0	1	1	2	2	6
2. Group Orientation /f																
a. Existing Chiefdoms																
Workshop producer group / O&M groups	event	8	10	10	15	15	10	68	245	2	2	2	4	4	2	17
Workshop drafting of internal rules	event	8	10	10	15	15	10	68	245	2	2	2	4	4	2	17
Workshop drafting of hand-over agreement	event	8	10	10	15	15	10	68	245	2	2	2	4	4	2	17
Training ferro-cement tank builders	event	4	4	-	-	-	-	8	245	1	1	-	-	-	-	2
Subtotal										7	8	7	11	11	7	52

Table 2. Infrastructure for Soil and Water Conservation

Detailed Costs

(US\$)

(US\$)

		Quantities							Base Cost ('000)								
		Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
b. New Chiefdoms																	
Workshop producer group / O&M groups		event	-	8	12	23	17	12	72	245	-	2	3	6	4	3	18
Workshop drafting of internal rules		event	-	8	12	23	17	12	72	245	-	2	3	6	4	3	18
Workshop drafting of hand-over agreement		event	-	8	12	23	17	12	72	245	-	2	3	6	4	3	18
Training ferro-cement tank builders		event	-	4	4	4	4	-	16	245	-	1	1	1	1	-	4
Subtotal											-	7	10	18	13	9	57
Subtotal											7	15	17	29	25	16	109
Subtotal											7	16	18	30	26	18	115
E. Consultancies																	
1. Studies																	
a. Studies																	
Environmental impact assessment studies		study	-	1	1	1	1	-	4	5.000	-	5	5	5	5	-	20
b. Audits																	
Annual O&M audit		site	-	4	13	24	43	59	143	500	-	2	7	12	22	30	72
Subtotal											-	7	12	17	27	30	92
Total Investment Costs											187	213	882	1,446	1,569	769	5,067
II. Recurrent Costs																	
A. Vehicle O&M																	
1. Vehicle O&M																	
O&M for vehicles for community development activit		per annum									8	8	8	8	8	8	47
B. Salaries																	
1. SWADE																	
Infrastructure Development Supervisor		per annum	1	1	1	1	1	1	6	33.520	34	34	34	34	34	34	201
Assistant Engineer		per annum	1	1	1	1	1	1	6	32.585	33	33	33	33	33	33	196
Subtotal											66	66	66	66	66	66	397
Total Recurrent Costs											74	74	74	74	74	74	444
Total											261	287	956	1,520	1,643	843	5,511

\a including engineering & supervision @ 8% and contingencies @5%

\b including engineering & supervision @ 8% and contingencies @5%

\c including engineering & supervision @ 8% and contingencies @5%

\d Double Cab Hilux 3 litre

\e Cost per participant E 300

\f 20 persons/group/ - E130/person

Table 3. Support to Market Driven Commodity Chains

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Consultancies																
1. Business Development Services																
BDS Service provision contract /a	per annum									250	450	450	450	450	250	2,300
2. Technical Assistance																
TA support - Market Linkage Expert /b	per annum	0.5	1	1	1	1	-	4.5	180.000	90	180	180	180	180	-	810
Subtotal										340	630	630	630	630	250	3,110
B. Equipment and Materials																
1. Support to NAMBOARD																
Development of a grading system /c	lumpsum									20	15	5	5	5	5	55
Support to innovation platform development /d	per annum									5	5	5	5	5	5	30
Subtotal										25	20	10	10	10	10	85
2. Goods, Services and Inputs																
a. Demonstration Material																
Commodity specific support to be identified	lumpsum									5	5	5	5	5	-	25
Support to Esw atini	lumpsum									5	-	-	-	-	-	5
Subtotal										10	5	5	5	5	-	30
Subtotal										35	25	15	15	15	10	115
C. Vehicles																
1. Commodity Specific Extension Services																
Esw atini /e	number	1	-	-	-	-	-	1	32.365	32	-	-	-	-	-	32
Sw azi enterprises to be identified /f	number	1	1	1	-	-	-	3	32.365	32	32	32	-	-	-	97
Subtotal										65	32	32	-	-	-	129
Total Investment Costs										440	687	677	645	645	260	3,354
II. Recurrent Costs																
A. Salaries																
1. NAMBOARD Extension Officer																
Regional Extension Officers	per annum	2	2	2	2	2	2	12	20.377	41	41	41	41	41	41	245
Total Recurrent Costs										41	41	41	41	41	41	245
Total										480	728	718	686	686	301	3,599

\a Based on comprehensive BDS provision, includes development of innovation platforms, support to producers and trader etc.

\b Based in NAMBOARD

\c Manuals on grading, simple equipment - scales, sieves, packing sheds

\d Logistical and administrative support

\e O&M responsibility of enterprise providing extension services

\f O&M responsibility of enterprise providing extension services

Table 4. Support to Development of Crop Commodity Chains

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Goods, Services and Inputs																
1. Advisory services, demonstrations and support packages																
a. Support to Homestead garden /a																
Advisory services, demonstrations and support packages																
homestead gardens	chiefdom	8	18	25	25	25	-	101	1.887	15	34	47	47	47	-	191
b. Support to field crops development /b																
Advisory services, demonstrations and support packages																
field crop development	chiefdom	8	18	25	25	25	-	101	1.887	15	34	47	47	47	-	191
c. Support to Youth Enterprises																
Provision of start-up equipment and mentoring	lumpsum									25	25	25	25	25	-	125
Subtotal										55	93	119	119	119	-	506
2. Private Sector Support																
a. Support to livestock value chains /c																
Small stock development	per annum									10	20	30	30	30	-	120
Total Investment Costs										65	113	149	149	149	-	626
II. Recurrent Costs																
A. Salaries																
1. SWADE																
Sustainable Agriculture Coordinator	per annum	1	1	1	1	1	1	6	33.520	34	34	34	34	34	34	201
Nursery Caretaker	per annum	1	1	1	1	1	1	6	4.281	4	4	4	4	4	4	26
Subtotal										38	38	38	38	38	38	227
2. Private Sector Support																
Agricultural Extension Services	per annum	-	1	1	1	1	1	5	33.520	-	34	34	34	34	34	168
Total Recurrent Costs										38	71	71	71	71	71	394
Total										103	184	221	221	221	71	1,021

\a Investment in small-scale irrigation infrastructure, farm tools and inputs

\b Investment in small-scale irrigation infrastructure, farm tools and inputs

\c Investment in small stock materials - poultry, goat and apiculture

Table 5. Support to Development of Livestock Commodity Chains

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Goods, Services and Inputs																
1. Advisory services, demonstrations and support packages																
a. Support to Small-Stock Development /a																
Small stock development	chiefdom	8	18	25	25	25	-	101	1.887	15	34	47	47	47	-	191
2. Development of Annual Surveillance System																
a. Training																
Transport and teaching material development /b	per annum	1	0.5	0.5	0.25	0.25	0.25	2.75	4.717	5	2	2	1	1	1	13
b. Equipment and Materials																
Equipment for sampling	set	1	-	-	-	-	1	2	3.774	4	-	-	-	-	4	8
c. Goods, Services and Inputs																
Laboratory testing /c	per annum	1	1	1	1	1	1	6	2.830	3	3	3	3	3	3	17
Subtotal										11	5	5	4	4	8	38
3. Private Sector Support																
a. Support to livestock value chains /d																
Small stock development	per annum									10	20	30	30	30	-	120
Total Investment Costs										36	59	82	81	81	8	348
II. Recurrent Costs																
A. Salaries																
1. Salaries																
a. SWADE																
Livestock Coordinator	per annum	1	1	1	1	1	1	6	32.483	32	32	32	32	32	32	195
2. Private Sector																
a. Livestock extension services																
Livestock Extension /e	per annum	1	1	1	1	1	1	6	32.483	32	32	32	32	32	32	195
Total Recurrent Costs										65	65	65	65	65	65	390
Total										101	124	147	146	146	73	738

\a Investment in small stock materials - poultry, goat and apiculture

\b Testing to be done in South Africa

\c Done in South Africa

\d Investment in small stock materials - poultry, goat and apiculture

\e Esw atini and others

Table 6. Support to Improving effectiveness of MoA extension services

Detailed Costs

(US\$)

(US\$)

										Base Cost ('000)							
		Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																	
A. Works																	
1. Refurbishment of Offices																	
Office premises		lumpsum									153	284	-	-	-	-	438
Design costs of office premises /a		lumpsum									63	-	-	-	-	-	63
Subtotal											216	284	-	-	-	-	500
B. Consultancies																	
1. Technical Assistance																	
Short-term specialists (national consultants per demand) /b	person month		0.5	0.5	0.5	0.5	-	-	2	377	0	0	0	0	-	-	1
2. Technical Assistance to SWADE																	
TA support - Project Management Expert /c	per annum		0.5	1	0.5	-	-	-	2	180.000	90	180	90	-	-	-	360
Subtotal											90	180	90	0	-	-	361
C. Equipment and Materials																	
1. Support to RDAs & Regional Extension Officers /d																	
Desktops and softw are	set		11	-	-	-	-	-	11	943	10	-	-	-	-	-	10
Laptops - 2 Regional Offices	set		2	-	-	-	-	-	2	1.226	2	-	-	-	-	-	2
Standard Photocopiers for RDAs	number		9	-	-	-	-	-	9	5.660	51	-	-	-	-	-	51
Miscellaneous equipment support to RDAs /e	per annum		11	11	11	11	11	11	66	500	6	6	6	6	6	6	33
Subtotal											69	6	6	6	6	6	97
D. Training																	
1. Piloting Modern Extension Methodologies																	
Use of ICT, mobile telephony & other modern extension metho	per annum										-	25	25	25	25	-	100
E. Vehicles																	
1. Vehicles for regional offices																	
a. Crop and Livestock Development /f																	
Double Cab 2.5 Litres	number		4	-	-	-	-	-	4	32.365	129	-	-	-	-	-	129
Motorcycles 125CC per RDA /g	number		25	-	-	-	-	-	25	1.698	42	-	-	-	-	-	42
Subtotal											172	-	-	-	-	-	172
Total Investment Costs											547	495	121	31	31	6	1,229

Table 6. Support to Improving effectiveness of MoA extension services

Detailed Costs

(US\$)

II. Recurrent Costs

A. Operating Costs

1. Vehicle O&M

Vehicle and motorcycle O&M

Unit	Quantities							Unit Cost	Base Cost ('000)						
	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total		PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
per annum									17	17	17	17	17	17	103

2. Office operating

RDA operating /h

RDA	9	9	9	9	9	9	54	943	8	8	8	8	8	8	51
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Subtotal

26	26	26	26	26	26	26	154
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B. Salaries

1. Regional Extension Agents (Supervision)

Livestock and Crop Extension

per annum	4	4	4	4	4	4	24	11.125	44	44	44	44	44	44	267
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2. Assistant Extension Agents

Assistant Extension Agents

per annum	25	25	25	25	25	25	150	9.238	231	231	231	231	231	231	1,386
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Subtotal

275	275	275	275	275	275	275	1,653
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Total Recurrent Costs

301	301	301	301	301	301	301	1,807
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Total

848	796	422	332	332	307	3,036
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\a 12.5% of total cost - USD 500,000

\b includes development of MIS system

\c Based in SWADE

\d 9 RDAs - 2 Regional Officers

\e Includes cost of internet connectivity

\f 2 crop and 2 livestock

\g 1 per assistant extensionist per chiefdom

\h Internet, stationery, office refurbishment

Table 7. Project Management

Detailed Costs

(US\$)

(US\$)

		Quantities								Base Cost ('000)						
	Unit	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Unit Cost	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
I. Investment Costs																
A. Technical Assistance to PMU																
1. Recruitment and Financial Management																
Recruitment Consultancy (firm)	person month	3	-	-	-	-	-	3	25.000	75	-	-	-	-	-	75
Financial Management consultancy	person month	3	-	-	-	-	-	3	25.000	75	-	-	-	-	-	75
Development of M&E and Financial Management System	person month	3	-	-	-	-	-	3	25.000	75	-	-	-	-	-	75
Subtotal										225	-	-	-	-	-	225
B. Vehicles																
1. Vehicles																
a. Vehicles																
Double cab 3L	number	2	-	-	-	-	-	2	39.416	79	-	-	-	-	-	79
C. Equipment and Materials																
1. Office equipment																
Desktop computer	set	5	-	-	-	-	-	5	943	5	-	-	-	-	-	5
Laptop computer	number	6	-	2	-	2	-	10	1.226	7	-	2	-	2	-	12
Office furniture and refurbishings	lumpsum									25	-	-	-	-	-	25
Photocopier full-house	number	1	-	-	-	-	-	1	9.434	9	-	-	-	-	-	9
Photocopier/printer	number	2	-	-	-	-	-	2	5.660	11	-	-	-	-	-	11
Accounting and M&E softw are	softw are									25	-	-	-	-	-	25
Subtotal										83	-	2	-	2	-	88
D. Training, Studies and Workshops																
1. Studies																
Midterm review	study	-	-	1	-	-	-	1	25.000	-	-	25	-	-	-	25
MPAT at Mid-Term	study	-	-	1	-	-	-	1	30.000	-	-	30	-	-	-	30
Completion review	study	-	-	-	-	-	1	1	25.000	-	-	-	-	-	25	25
MPAT at Completion	study	-	-	-	-	-	1	1	30.000	-	-	-	-	-	30	30
Subtotal										-	-	55	-	-	55	110
2. Supervision																
Bi-annual Supervision /a	number	2	2	1	2	2	1	10	8.000	16	16	8	16	16	8	80
Annual Audits	number	1	1	1	1	1	1	6	5.000	5	5	5	5	5	5	30
Subtotal										21	21	13	21	21	13	110
3. Meetings																
Management team meeting (0.5, 5, Project Office) /b	number	12	12	12	12	12	12	72	93	1	1	1	1	1	1	7
PSC meetings /c	number	2	2	2	2	2	2	12	574	1	1	1	1	1	1	7
Subtotal										2	2	2	2	2	2	14

Table 7. Project Management

Detailed Costs

	Unit	Quantities							Unit Cost	Base Cost ('000)						
		PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total		PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total
4. Workshops																
Reflection workshops /d	w orkshop	2	2	2	2	2	2	12	594	1	1	1	1	1	1	7
Learning workshops /e	w orkshop	1	-	1	-	1	-	3	1.208	1	-	1	-	1	-	4
Subtotal										2	1	2	1	2	1	11
Subtotal										26	24	73	24	26	71	244
Total Investment Costs										412	24	75	24	28	71	636
II. Recurrent Costs																
A. Operating Costs																
1. Vehicle O&M																
Vehicle O&M	per annum									8	8	8	8	8	8	47
2. Office operating																
Office operating /f	per annum	1	1	1	1	1	1	6	150.943	151	151	151	151	151	151	906
Subtotal										159	159	159	159	159	159	953
B. Salaries																
1. SWADE																
National Project Manager	per annum	1	1	1	1	1	1	6	55.269	55	55	55	55	55	55	332
Project Accountant/Administrator	per annum	1	1	1	1	1	1	6	60.236	60	60	60	60	60	60	361
Procurement Officer	per annum	1	0.5	0.5	0.5	0.5	0.5	3.5	33.520	34	17	17	17	17	17	117
PM&E officer	per annum	1	1	1	1	1	1	6	32.483	32	32	32	32	32	32	195
Assistant Accountant	per annum	1	1	1	1	1	1	6	17.129	17	17	17	17	17	17	103
Secretary/receptionist/office assistant	per annum	1	1	1	1	1	1	6	9.700	10	10	10	10	10	10	58
Communication & PR Officer	per annum	1	1	1	1	1	1	6	24.661	25	25	25	25	25	25	148
Drivers	per annum	3	3	3	3	3	3	18	9.700	29	29	29	29	29	29	175
Guards	per annum	1	1	1	1	1	1	6	4.281	4	4	4	4	4	4	26
Subtotal										266	250	250	250	250	250	1,514
Total Recurrent Costs										425	408	408	408	408	408	2,467
Total										838	433	484	433	437	480	3,103

\a Yr3 - mid term review , Yr. 6 completion

\b Half day - 5 persons

\c 24 participants @ E220/participant and conference hire

\d 25 persons @ E220/person + conference hire

\e 40 persons @ E300/participant + conference hire

\f Includes all office operating costs: electricity, water, banking, insurance, travel

Appendix 10: Economic and Financial Analysis

A. Introduction

1. Economic and financial analyses were carried out on the proposed Smallholder Market-led Project (SMLP) design to assess the benefits expected from the Project and to analyse whether the costs to deliver those benefits are justified. Economic viability of the Project as a whole is analysed as well as the financial incentives for beneficiary participation in the market led crop and livestock enterprises promoted by the Project. A detailed Value Chain Analysis for Vegetables, Honey and Goats in Swaziland which is included in the project life file (see appendix 13) provides a further detailed analysis of the proposed value chains.

B. Project area and beneficiary targets

2. The Project will be carried out to develop commodity value chains in 25 chiefdoms. It is estimated that out of the estimated project population of 65,000 an estimated 55,250 are predominantly engaged in smallholder agriculture and stand to benefit from the Project. This group totals ca. 10,355 households. The analysis estimates that of these 10,355 households, 60 percent will fully adopt the project-proposed interventions by year 6. A 60 percent overall project uptake rate is estimated by PY6.

C. Economic rationale

3. SMLP uses market demand as the primary driver for production and productivity within the Project area. In keeping with the government priorities of food and nutrition security while increasing farm incomes, the project will concentrate on commodity chains that respond to the food and income requirements of the farmers as well as the productive capacity of the Project area. Commodities such as legumes within crop production, specifically sugar beans, have been identified by NAMBOARD as one of the areas that could support local markets. The overall market demand is estimated at 2,000 MT per annum and this is being filled through imports. Other potential commodity chains for integration into the local market as well as for export, include potatoes with a demand estimated at over 6,100 MT per annum, and onions and carrots whose demand is also estimated at over 2,100 MT each.

4. Livestock commodity chains that are in line with the ability of the target group to adequately manage and profit will also be explored including goat for meat, indigenous poultry and apiculture. Eswatini Kitchen limited, a Swazi based small-scale manufacturer, estimates the international demand for honey to be at about 60 MT per annum. Eswatini Kitchen is currently supplying 16 MT only mainly because of export regulations which demand a valid country surveillance certificate which will be put in place with Project support. The Lubombo region is ideal for honey production as it relies on honey produced from natural vegetation which does not crystallize compared to that from the Highlands derived from the eucalyptus species. In line with developing non-sugar diversified commodity chains the Project will also encourage the planting of more fruit trees for the production of honey, jam, chutney and other such commodities as well as for improved household access to fruit to enhance household nutrition. Fruits such as plums, peaches and nectarines and Seville oranges are in demand as both fresh fruits and for processing.

5. The Project will work with a number of business development services (BDS) from the Government, non-governmental organizations, the private sector and enable linkages with other IFAD-financed projects to provide market information, estimate market demand, procure internal and external markets, enable business plan development, provide financial services, create backward and forward linkages between retailers/buyers and producers, and provide extension and advisory services. The Project has will also work with the Rural Development Agency (RDA) at the grass-root level for the provision of market-driven agricultural extension services with facilitation from SWADE and NAMBOARD.

6. The project components are:

- Chiefdom Development Planning
 - Chiefdom Development Planning
- Infrastructure for Soil and Water Conservation
 - Infrastructure for Soil and Water Conservation Security of Land Use
- Market-led Production
 - Support to Market Driven Commodity Development
 - Support to Development of Crop Commodity Chains
 - Support to Development of Livestock Commodity Chains
 - Support to Improving effectiveness of Ministry of Agriculture (MoA) extension services

D. Project benefits and beneficiaries

7. Key potential benefits from the Project are an increase in agricultural incomes of the rural households engaged in the targeted activities. Through the chiefdom development planning the chiefdoms will be able to plan, implement, monitor and evaluate development activities that are people centred, driven and owned. Within the infrastructure investments the project will pay for two dams in PY4 and PY5 which will eventually open up the potential for 11 hectares of new gardens with irrigated horticulture crops and allow for the reduction of livestock mortality rates as water will be more readily available. 18 dams will be rehabilitated which will allow for the expansion of cropped hectare by 99 hectares for horticultural production. The analysis has made allowance for vegetable expansion to 66 hectares over the project period which represents 60 per cent of the potential land under irrigation.

8. With erosion control for 40 gullies it is estimated that a potential area of 200 hectares could open up which could be used for hay baling, fruit trees production and fresh cut grass.

9. The project is also investing in water harvesting that will enable households to store water over an 8 month period and thus reduce the need for women and children to carry water from distances of up to 5 kilometres from their homesteads. The water harvesting will also allow for the development and expansion of the homestead gardens from 100 to 200 square meters.

10. The key direct beneficiaries are economically active smallholder producers primarily women and youth who will either be involved in primary production or in bulking commodities for markets or providing services (for example equipment hire for conservation agriculture). The project will help to stimulate the prospects for employment within the project area through the adoption of a value chain approach that will stimulate enterprises at various points along the commodity chain.

E. Financial analysis

11. Financial analysis was carried out considering both “with” and “without” project scenarios to confirm the financial sustainability of the operations promoted by the Project. As the analysis involves both crop (rain-fed and irrigated) and livestock enterprises, the analysis was carried out on small-scale enterprises including honey, goat for meat and indigenous chicken looking at the break-even points and the cost and price margins from production to retail and then secondly on individual production at farm-gate. The analysis shows that incremental gross margins are positive as shown in in the project life file (see appendix 13). The tables below show a sample of results for goat and poultry activities.

Gross Margin for 10 goats				W/out Project	WiP
Item	Unit (Kg)	Yield	Price/kg (E)		
Revenue from animal "on the hoof"	25	71	35	12,425	63,431
Total				12,425	63,431
Less Costs					
Initial Investment Costs					
Housing					
Beginning Stock					
<i>Total investment costs</i>					<i>0.00</i>
Operating Costs					
sheep and goat pellets	50	43	177.00		
hay and fodder (cutting & transport)	lumpsum				500.00
Labour - SWR (economic)	months	12	600.00	900.00	7,200.00
Drugs and tools				625.00	5,005.00
Water	months	12	300.00	450.00	3,600.00
TOC				395.00	26,926.54
Total Costs				395.00	26,926.54
Gross margin				12,030.0	36,504.0
Incremental gross margin				0.0	24,474.0

Indigenous Chicken

				Financial Cost (E)	
ITEM/DESCRIPTION	Unit	Yield	UNIT COST (E)	W/out Project	WiP
Income					
Growers	number	850.00	45.00	9,562.50	38,250.00
Manure	kg	10.00	10.00	25.00	100.00
% loss mortality				0.70	0.10
TOTAL				2,876.25	34,515.00
Fixed Costs					
Housing					
Breeding Stock					
Total Fixed Costs					0.00
VARIABLE COSTS					
Feed					
Broiler starter crumbles	50kg bags	24.00	270.00	810.00	6,480.00
Mixed fowl	50kg bags	100.80	190.00	2,393.91	19,151.24
Medication					
Lasota		4.00	33.00	16.50	132.00
Fowl pox vaccine		5.00	48.00	30.00	240.00
Dewormer - Piperizine	200 grams	3.00	60.00	22.50	180.00
Vitamins		5.00	30.00	18.75	150.00
Virukill		1.00	121.50	15.19	121.50
Karbudust	200 grams	2.00	38.00	9.50	76.00
Total Variable Costs				3,316.34	26,530.74
Total Costs				3,316.34	26,530.74
Gross margin				-440.09	7,984.26
Incremental gross margin					8,424.35

12. **Crop financial models.** The cost and price margin analysis below demonstrate that the margins that would go to the smallholders with irrigated farming and permaculture and / or conservation agriculture would be attractive. The detailed crop budgets are provided in appendix 1.

Crop models have not been provided for maize and other staples as the analysis assumes that all incremental revenue within the project will come from the horticultural crops.

13. **Results.** The results show that the horticultural crop production activities are viable and should provide sufficient incentive to Project beneficiaries to participate, given the Project activities to assist beneficiaries through business development services which will link them to markets and credits.

F. Economic analysis

14. **Scope.** Economic analysis was carried on the Project as a whole. The benefits that have been quantified are the (i) incremental yields from the horticultural crop production which include soil and water conservation activities, (ii) increased returns to small and medium enterprises through access to finance and improved backward (primary producer) and forward (bigger processors) linkages, and improved market access.

15. **Methodology and assumptions.** An overall Project economic cash flow and corresponding economic internal rate of return (EIRR) have been estimated by (i) aggregating the net incremental benefits of all farm and livestock enterprises phased according to the year of the Project in which they are expected to be implemented, removing all taxes and subsidies from the crop and enterprise budgets, and (ii) applying a conversion factor to labour costs based on the rate of unemployment at 29 percent. The Project life is assumed to be 20 years.

16. **Results** The overall economic internal rate of return (EIRR) of the Project is estimated at 19.4 percent for the base case. The net present value (NPV) of the net benefit stream, discounted at 5 per cent based on the Central Bank of Swaziland Benchmark Interest Rate/Discount Rate, is Emalangenzi (E) 366,7 million (i.e. US\$ 34,9 million).

17. **Sensitivity Analysis.** The analysis assesses the effect of variations in project benefits and costs and for the switching values – that is the value at which the Economic Net Present Value (ENPV) becomes zero or the Economic Internal Rate of Return (EIRR) falls to the cut-off rate. The EIRR was subject to sensitivity analysis to measure variations due to unforeseen factors. Based on the conservative assumption that 60 per cent of direct economically active farmers will adopt the technologies and realize the expected benefits, and taking into account a gradual build-up of benefits over six years, it can be concluded that the project is economically viable. The switching values are indicating that the project would require a decrease in revenues of 71% per cent or an increase in costs by a factor of 3 to become non-viable. The hypotheses of a reduction and delays of the benefits have been tested in a conservative analysis to account for the time it will take to transform the farmers from production-driven primarily subsistence farmers into semi-commercialised farmers responding to market demand. The detailed analysis is provided in Project Life File (appendix 13). For all the scenarios, the project remains economically desirable with EIRRs above the 5 percent threshold and NPVs above zero.

Situation	EIRR	NPV	
	%	USD m	E m
Base Case	19.4%	\$34.92	366.67
+10% Costs	18.1%	\$33.48	351.53
+20% Costs	17.0%	\$32.04	336.40
Switching Value costs (3 fold increase)	5.0%	-\$0.11	-1.19
-10% Benefits	18.0%	\$30	314.87
-20% Benefits	16.5%	\$25.05	263.06
Delay of 1 year	16.9%	\$0.00	310.04
Delay of 2 years	14.8%	\$0.00	256.10
Switching Value revenue (-71%)	5.0%	-\$0.01	-0.11

G. Conclusions

18. The financial models show that the activities proposed are viable and there should be sufficient incentive for beneficiaries to participate. The economic analysis is conservative as it scope only covers quantifiable incremental production and processing outputs and assumes a 60 percent adoption rate overall for the market-ready participants and an uptake rate of 60 percent over the Project period. The EIRR is satisfactory even in the face of cost overruns and reduction in benefits.

Appendix 11: Draft Project Implementation Manual

1. A Project Implementation Manual (PIM) has been drafted and describes the activities of the Project in some detail, and elaborates on the implementation arrangements, including the involvement of Partners. The objective of the draft PIM is to provide the Project a swift start, with adequate clarity on the implementation arrangements (approaches and procedures) to follow. The PIM is to be a living document, which is updated as and when needed during the Project's life. The table of contents of the draft PIM is as follows.

Currency equivalents

Weights and measures

Abbreviations and acronyms

Map of the Project area

I. Introduction

A. Function & Status

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B. This Document

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II. Project Description

A. For Use in Reports

B. Summary Description for Brochures

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III. Component 1 – Chiefdom Development Planning

A. Selection of 25 chiefdoms

B. Approach for Ten Existing chiefdoms

C. Establish the Institutional Framework

D. Collect Basic Information

E. Scope the Planning Process

F. Consultations

G. Prioritisation

H. Defining the Plan

I. Annual Review

J. Chief's Letter of Consent

K. CDP Capacity Building

L. Direct targeting / household mentoring

M. Land and Water Resources Inventory

N. Land Degradation Surveillance Framework

IV. Component 2 – Infrastructure for Soil and Water Conservation

A. Rainwater Harvesting – Support Packages

B. Selection of sites for erosion control and small irrigation dams

C. Work packages

D. Environmental Studies

E. Survey, Design and Supervision

- F. Construction
- G. Hand-over, operation and maintenance **Error! Bookmark not defined.**
- V. Component 3 – Market-led Production
 - A. Component Coordination
 - B. General Roles and Responsibilities
 - C. Innovation Platforms
 - D. Project Beneficiaries
 - E. Collection and Information Centres (CICs)
 - F. Innovation in Information Provision
- VI. Project Management
 - A. Project Preparation and Start-up
 - B. Project Implementation Actors and Entities
 - C. Management Oversight
 - D. Agreements for Project Implementation **Error! Bookmark not defined.**
 - E. Annual Work Plan and Budget (AWPB)
 - F. Periodic Review Process
 - G. Data Collection for Project Monitoring and Evaluation
 - H. Results and Impacts Management System (RIMS)
 - I. Reporting
 - J. Supervision Arrangements **Error! Bookmark not defined.**

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Appendix 1:	Annual Work Plan and Budget for Year 1	Error! Bookmark not defined.
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Appendix 4:	Terms of Reference for PIU Staff	Error! Bookmark not defined.
Appendix 5:	Terms of Reference Technical Assistance	
Appendix 6:	Guidance for Project-related Agreements	
Appendix 7:	Women's Empowerment in Agriculture Index	
Appendix 8:	Chief's Letter of Consent (Sample)	

Appendix 12: Compliance with IFAD policies

IFAD's Targeting policy: checklist for design

	Design
1) Does the main target group - those expected to benefit most- correspond to IFAD's target group as defined by the Targeting Policy	The programme will target poor rural people whose livelihoods revolve around agriculture and who have an interest in engaging in more commercially orientated on-farm economic activities. Poorer households will also be targeting through household mentoring approach.
2) Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences?	Appendix 2 estimates that of the total population of ca. 65,000 in the Project area, 85% (55,250) are part of smallholder households that stand to benefit from the Project intervention. This includes a specific target group of ca. 33,000, who constitute the economically active smallholder households. 10% of the targeted household will be selected for mentoring. A detailed socio-economic profile of the target area will be conducted at the project start-up to concretize the
3) Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence?	The evidence is based on the experience of the on-going LUSLM project. This project succeeded in enhancing agricultural production although surplus product is mainly absorbed in the locality. The proposed project will continue to work in the LUSLM area and expand the approach to 15 new chiefdoms in the same agro-ecological zone. Chiefdoms that were previously not part of LUSLM-GEF have requested to be included in some of its activities (such as training) which demonstrate interest in the Chiefdom Development Planning approach being used.
4) Does the design document describe a feasible and operational targeting strategy in line with the Targeting Policy, involving some or all of the following measures and methods:	The targeting strategy is described in the design document and Appendix 2.
4.1) Geographic targeting – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people	SMLP will work in the regions of Shiselweni and Lubombo which are the poorest regions in the country. Incidence of poverty in these regions is close to 70%, which constitutes the poorest part of the country (2009/10 Swaziland Household Income and Expenditure Survey, Central Statistics Office). 25 chiefdoms have been pre-selected in the rain-fed Low-Veld areas. 10 of these chiefdoms were part of LUSLM-GEF project area.
4.2) Direct targeting - when services or resources are to be channelled to specific individuals or households	Special attention will be given to women as a target group is reflected on crops that promote food and nutrition security as well as in small stock; but also in the choice of value chains for marketing. Targeted commodities are not labour intensive and do not require huge investments and technical expertise. The project will specifically target unemployed youth to train and prepare them to take up ferro-cement tank construction as income generating activity. Viable and youth-managed enterprise(s) will be supported for service provision in production and marketing levels. Poorer households will be targeted directly for mentoring.
4.3) Self targeting – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups	The choice of value chains under the project is the first basis for self-targeting. Small holder farmers will be involved in the value chain of choice. The main value chain enterprises under SMLP include indigenous chicken, vegetables, honey, goat for meat, fruits and cereals. The Project will work on Swazi Nation Land and with smallholders through the chiefdoms. This means that all benefitting households are smallholders, who have a limited control over productive assets, especially land resources.
4.4) Empowering measures - including information and communication, focused capacity- and confidence-building measures, organizational support, in order to empower and encourage the more active	Under Component 3, the Project will link smallholder farmers to supply markets, and ensure that market information is made available to them. The Innovation Platform will support this process thus facilitating the smallholder farmers to get markets for their produce. The Project will invest in a national market information system that is specifically aimed at smallholder producers and will train MoA extension workers in disseminating market knowledge to smallholder farmers. The

participation and inclusion in planning and decision making of people who traditionally have less voice and power	<p>Project strengthens in this way the MoA commitment to targeting smallholder producers.</p> <p>The Project supports functional co-operation between smallholders involved in development activities. Producers are helped to cooperate in marketing groups and in groups that use and maintain infrastructure. These groups provide protective environments in which target group beneficiaries can take part in the activities and in decision-making</p>
4.5) Enabling measures –to strengthen stakeholders’ and partners’ attitude and commitment to poverty targeting, gender equality and women’s empowerment, including policy dialogue, awareness-raising and capacity-building	<p>Through Chiefdom Development Planning process, awareness-raising on social inclusion as well as gender equality and women’s empowerment will be carried out.</p> <p>Barriers to women and youth’s participation in the planning process will be identified and addressed.</p> <p>Results from the WEAI will be used as evidence for policy dialogue on women’s empowerment.</p>
4.6) Attention to procedural measures - that could militate against participation by the intended target groups	<p>The Chiefdom Development Planning approach is based in a participatory methodology, which gives ample scope for consultation of and linkage to the target group at a local (sector) level.</p>
4.7) Operational measures - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers	<p>The Community Development Supervisor will be required to have capacity on gender mainstreaming with the ultimate responsibility for Gender Equality and Women’s Empowerment lying with the project coordinator.</p> <p>The project will ensure that implementing partners, including private service providers, have demonstrable commitment and capacity with regard to pro-poor development, gender equality and women’s empowerment; Some of these, such as TechnoServe, have demonstrated capacity to targeting women in development activities.</p>
5) Monitoring targeting performance. Does the design document specify that targeting performance will be monitored using participatory M&E, and also be assessed at Mid-term review? Does the M&E framework allow for the collection/analysis of sex-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?	<p>The targeting by the CDCs will be monitored against the socio-economic profile. Review meetings will be held with the Community Development Committees with respect to the effectiveness of targeting and potential remedial measures (identification, consultation, involvement). MoA RDA staff will provide independent assessments of targeting of development activities.</p> <p>The baseline surveys and PRAs to be conducted as part of the project’s start-up activities will include a gender analysis and will include the Women’s Empowerment in Agriculture Index (WEAI)</p> <p>This facilitate the tracking of poverty targeting and contribution to GEWE especially at MTR and project completion</p>

IFAD’S Gender policy: checklist for design

	Design
1. The design document contains – and programme implementation is based on - gender-disaggregated poverty data and analysis of gender differences in the activities.	<p>The PDR, annexes and working papers provide detailed analysis of gender issues. Given that subsistence and smallholder farmers are mainly women, particular emphasis will be placed on ensuring their active participation in programme activities. The choice for development of value chains in food crops and small stock is biased towards women.</p>
2. The design report articulates actions with aim to: Expand women’s economic empowerment through access to and control over productive and household assets; Strengthen women’s decision-making role in the household, community, and representation in local institutions; Achieve a more equitable balance	<p><u>Control over productive assets:</u> The Project has a dual strategy: (i) through Chiefdom Development Planning, the target group gets access to presently communal lands for production of food crops; (ii) through support for food crops and small stock especially female farmers enhance their benefits from assets they presently control.</p> <p><u>Decision-making:</u> In the CDP exercises under LUSLM, women participated fully and actively. The same approach will be continued under the Project, with more emphasis on targeting. Women and youth representation at the CDCs will be assured. Barriers to women and youth participation (such as location and timing of meetings) in planning meetings will be identified and</p>

in workloads and sharing in social and economic benefits.	addressed. Equitable benefits: Across programme activities, attention will be given to addressing priorities of households that may be marginalised or disadvantaged and less endowed but capable to participate (female-headed, HIV/AIDS-affected and youth-headed households, etc.). Rainwater harvesting for domestic use will reduce women's time and labour use in fetching water. The household approach that emphasized joint household visioning will support equitable sharing of workloads and benefits at the household level.
3. The programme identifies at least one gender-specific objective supported by clear budget allocations	The objective of the Project is to enhance the benefits of market-led smallholder agriculture for especially poor rural women and men and vulnerable groups. Particular emphasis is placed on ensuring active participation of women. Household mentoring approach will be used for vulnerable households
4. The design document describes operational measures to ensure gender- equitable participation in, and benefit from, project activities. These will generally include:	The PDR outlines a range of operational measures as described below for ensuring gender equitable participation in and benefit from programme activities. These will be implemented under the framework and in support of the government's national gender policy, which is well-defined.
<i>Allocating adequate resources to implement the gender strategy</i>	Government staff and focal points dealing with gender and women's empowerment, supported by out-sourced NGO and private sector service providers will support programme implementing agencies to mainstream gender in all programme activities.
<i>4.2 Ensuring and supporting women's active participation in project-related decision-making bodies and committees</i>	There will be no minimum level for female participation in chiefdom development committees and marketing development for a, but participation will be closely monitored, and outcomes will be used in review workshops.
<i>4.3 Ensuring that programme management arrangements (composition of AIU, terms of reference, etc.) reflect attention to gender equality and women's empowerment concerns</i>	During start-up phase: A detailed gender and youth action plan/strategy will be developed based on the socio-economic data collected during baselines but more importantly with all the service providers. This will ensure that besides the PIU, the service providers will be required to demonstrate poverty targeting as well as contribution to gender equality and women's empowerment. A local NGO will provide capacity building on gender where necessary. SMLP will encourage recruitment of women extension staff through the RDAs to improve outreach among women smallholders, both those heading households and wives; While a Community Development Supervisor will be responsible for gender mainstreaming and social inclusion, the TORs for PIU staff will allocate responsibility for gender, youth and poverty targeting;
<i>4.4 Ensuring the programme engages and works with men to address gender inequities to support more effectively women's participation in, and benefits from the programme</i>	Awareness- raising on gender equality will carried out with the CDCs (constituted by both women and men) In the CDP process, targeting is a key topic; and monitoring information will be collected to verify outcomes of targeting. Review workshops are organised to assess effectiveness of targeting, and to address shortcomings in targeting, if any.
5. The logical framework and M&E system specify in design – and M&E unit collects and analyses gender-disaggregated performance and impact data.	The people centred indicators in the logical framework are disaggregated by gender and age. Gender and youth disaggregated performance and impact data will be followed through from the baseline studies, internal reports, to and including supervision and evaluation reports.

Environmental and Social Review Note

1. **Land degradation is an active process.** On the rain-fed Lowveld areas, land degradation is more than a potential risk. The combination of soils, slopes and uneven rainfall distribution on the one hand, and overstocking of cattle on the communal land in the chiefdoms results in active erosion. The likely climate change scenarios would aggravate this situation. Sheet and gully erosion result in loss of land, loss of water (due to faster runoff); and sedimentation of reservoirs. The Project invests in a

Land Degradation Surveillance Framework, which helps highlight the most affected and most vulnerable areas. It uses this information, and information from an inventory of land and water resources in the Chiefdom Development Planning. It supports erosion control by gully control, perimeter fencing of vulnerable areas and construction of earthen check dams to retain run-off water. The latter will be combined with agreements with the community on optimising the command area cultivated; and curbing the drenching of cattle. The project includes an inventory of land and water resources in the project areas, and a strategic environmental assessment of gully control measures.

2. **Traditional land use management and planning does not address land degradation.** The project area comprises Swazi Nation Land, which is communal land held in trust for the people by the King, and administered by the Chief and his Inner Council. By default land other than homesteads is available for cattle grazing, without control measures on the stocking rate. Moreover, for communal grazing land allocated to crop cultivation, herders have the right to graze on the crop residue. The traditional system is geared to allocating homesteads to households pledging allegiance to the traditional leadership, but does not innovate in the face of change. The Project improves the planning of the use of the land resources by building on the Chiefdom Development Planning exercise piloted in LUSIP 1 and LUSLM. This includes swifter (and more gender-sensitive) procedures for allocation of communal lands to individual crop farmers. In the CDP process decisions are made to set aside communal grazing land for other purposes; including erosion control, control of invasive species and expansion of irrigated areas. The risk of continued overstocking of the remaining communal land, closely associated with cultural perceptions of cattle, is recognised as an external risk in the Project design. Measures are included to signal land degradation risks and to make these risks a starting point for Chiefdom Development Planning.

3. **Crop production is vulnerable to water shortages.** As in all semi-arid regions, drought years strongly affect the yield levels. Swaziland has a distinct wet and dry season, and crops production depends on storage of soil moisture. The Project builds on LUSLM experiences with conservation agriculture and permaculture. Successful farmer field trials are conducted, whereby higher yields are obtained by a combination of reduced disturbance of the soils, mulching and enhanced organic matter contents. Moreover, rainwater harvesting proves to be effective both in reducing the burden of collection of potable water, as well as in improving returns from home gardens. Lastly, the LUSLM project gained experience in the rehabilitation of existing earth dams and associated command areas, cattle troughs and cattle dips. The SMLP will continue to invest in sustainable agricultural practices; will expand the rainwater harvesting approach and will substantially invest in both new and existing earthen dams. These measures all aim to reduce the effects of drought on agricultural production. The Project includes a strategic environmental assessment of the rehabilitation of small dams; and environmental impact assessments for the new construction of dams.

4. **Many households are poor and vulnerable.** Three quarters of all Swazi people live on Swazi Nation Land, and most derive their livelihoods from smallholder agriculture. Poverty affects at least half of this population and due many households are affected by the extremely high incidence of HIV / AIDS. The Project uses implicit and explicit targeting mechanisms. The choice for investing on SNL implies a choice for smallholder agriculture; the preference to develop value chains for food crops and small stock is an implicit choice to work with women farmers. Explicit targeting takes place through the Chiefdom Development Planning, and is monitored both by the Project and by the MoA Rural Development Areas. The Project will invest in baseline surveys of the socio-economy in each chiefdom that it works in.

Appendix 13: Contents of the Project Life File

Documents generated during project design

- Project Design Report – Main report and appendices
- Draft Manuals, including the draft Project Implementation Manual and the draft Financial Management Manual
- Design mission aide memoirs
- Working papers

Spreadsheet files generated during project design

- Economic and Financial Analyses file, including value chain analysis for vegetables, honey and goats

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