
President's report

Proposed loan

The Kingdom of Eswatini

**Smallholder Agricultural Productivity Enhancement
and Marketing Project (SAPEMP)**

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 51.

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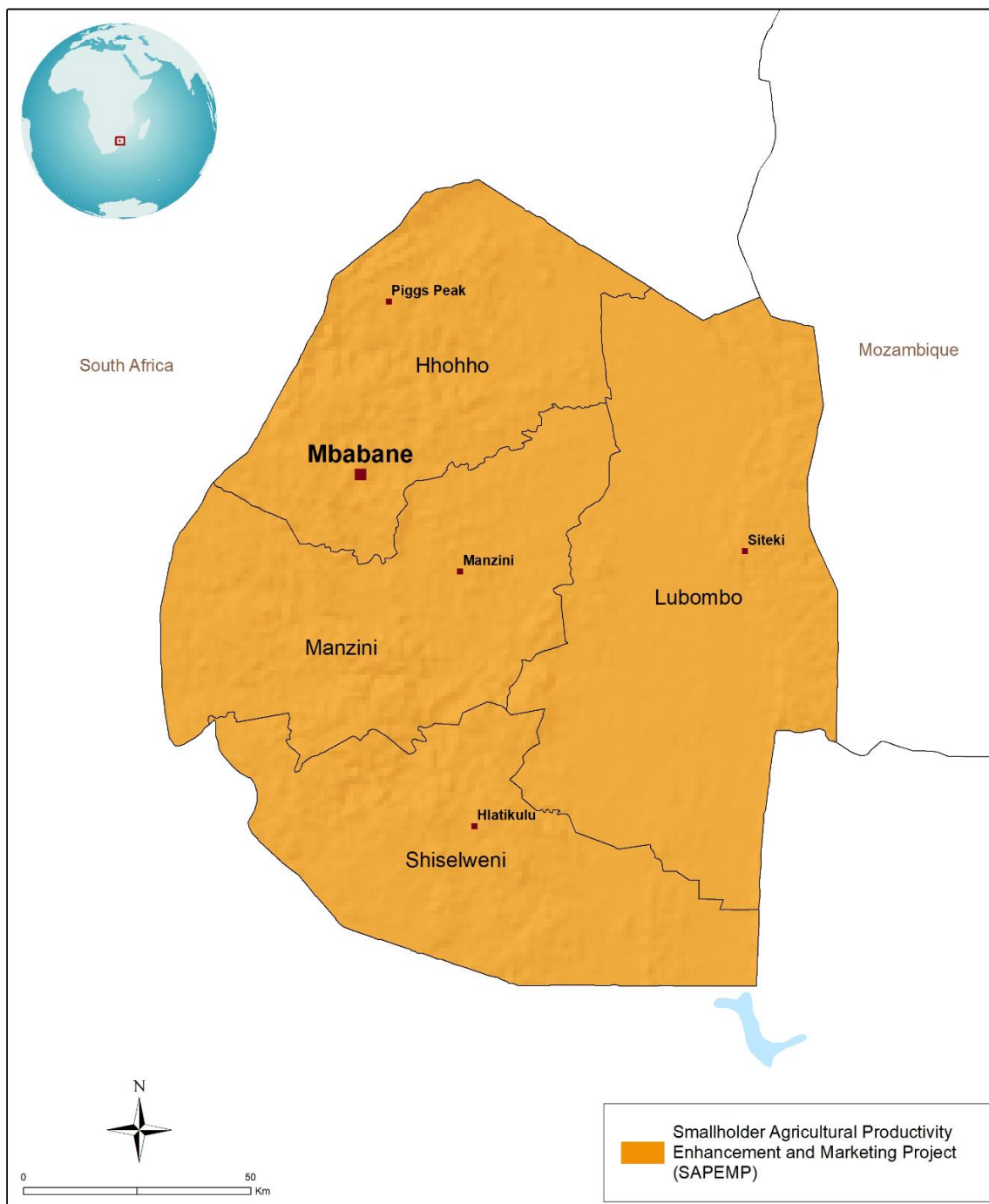
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Map of the project area



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

IFAD Map compiled by IFAD | 26-05-2023

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	The Kingdom of Eswatini
Executing agency:	Ministry of Agriculture
Total project cost:	US\$45.5 million
Amount of IFAD loan 1:	US\$9.07 million (performance-based allocation system [PBAS])
Terms of IFAD loan 1:	Ordinary: Up to 30 years, including a grace period of up to 8 years, subject to interest at a rate equal to the IFAD reference interest rate, including a variable spread.
Amount of IFAD loan 2:	US\$4.5 million (Borrowed Resource Access Mechanism [BRAM])
Terms of IFAD loan 2:	Ordinary: Up to 30 years, including a grace period of up to 8 years, subject to interest at a rate equal to the IFAD reference interest rate, including a variable spread.
Cofinanciers:	Green Climate Fund (GCF); private sector
Amount of cofinancing:	GCF: US\$20.5 million Private sector: US\$3.8 million
Terms of cofinancing:	Loan; grants
Contribution of borrower/recipient:	US\$5.1 million
Contribution of beneficiaries:	US\$2.5 million
Amount of IFAD climate finance:	US\$8.238 million
Cooperating institution:	Directly supervised by IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. Despite the Kingdom of Eswatini's status as a lower-middle-income country, 69 per cent of its rural population lives below the national poverty line and 25 per cent are extremely poor. Rural poverty in Eswatini is primarily caused by reliance on subsistence agriculture, lack of profitable income-generating opportunities and decent jobs, high dependency ratios, gender inequality and HIV/AIDS.
2. Over 70 per cent of the country's population derives its livelihood from subsistence farming. Production is predominantly rainfed, with maize as the main staple crop. About 43 per cent of households grow cash crops, such as vegetables, legumes and fruit. Eswatini imports more than 70 per cent of its food needs, mostly from South Africa.
3. The Comprehensive Agriculture Sector Policy (2005) is the overarching national policy framework guiding investments in the agriculture sector. Eswatini's priorities are spelled out in the National Strategic Development Plan (2018/2019–2022/2023) and the Agriculture Strategic Plan (2018–2023). Both emphasize the need for increased agriculture production and marketing, improved food and nutrition security and reduced import dependence. The country is preparing the second Eswatini National Agriculture Investment Plan (ENAIP), which sets the country's priorities for the next period. Other relevant support policies for smallholder agriculture, rural poverty reduction and enhanced food security include the National Development Strategy (1997–2022); the Poverty Reduction Strategy and Action Plan (2007); the National Climate Change Policy (2016); the Food and Nutrition Policy (2016); and the National Water Policy (2018).

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - ☒ Including climate finance
 - ☒ Gender-transformational
 - ☒ Nutrition-sensitive
 - ☒ Youth-sensitive **Climate change and environment.** Eswatini is highly vulnerable to climate change and extreme weather events and is ranked 137th out of 181 countries on the 2020 ND-GAIN Index. Greenhouse gas emissions from all sectors are projected to increase to 33.4 MtCO₂e by 2030 (34 per cent from agriculture). Land degradation is a leading cause of low agricultural productivity and declining ecosystem services and income for local communities. The Smallholder Agricultural Productivity Enhancement and Marketing Project (SAPEMP) will invest to enhance resilience to climate change, adaptation and mitigation and integrated natural resource management (INRM).
6. **Gender equality and social inclusion.** Eswatini has made progress towards gender equality and ranks 58th out of 146 countries. It is a signatory to key international conventions, such as the Convention on the Elimination of All forms of Discrimination Against Women. Eswatini has a National Gender Policy (2010), and the Gender and Family Issues Unit under the Deputy Prime Minister's office has gender focal points across key ministries. Women provide over 60 per cent of the farm labour due to male migration and rely on subsistence farming of maize and legumes.
7. **Youth.** People aged 15 to 35 account for 30 per cent of the country's population and live mostly in rural areas. Younger youth (aged 15 to 25) have less access to

assets and services, work experience and skills, receiving lower remuneration. Older youth (aged 26 to 35) often opt to migrate in search of jobs and better opportunities. Young rural women face higher unemployment rates than their male counterparts (51.2 per cent versus 43.6 per cent). Over 45 per cent of youth are unemployed and have limited prospects of finding decent and sustainable jobs.

8. **Food and nutrition security.** Eswatini is a food-deficit country. The 2022 Global Hunger Index ranked it 73rd out of 121 countries, with a score of 16.3, indicating a moderate level of hunger. The current National Nutrition Policy has remained in draft form since 2015. A National Food Security and Nutrition Strategy will be developed in the second half of 2023. SAPEMP will also align with the Eswatini National Nutrition Mainstreaming Strategy (2023–2028).

Rationale for IFAD involvement

9. IFAD's long-standing partnership with the Government of Eswatini in driving rural development has a track record of impactful investments in agriculture to improve the lives of rural people, including the most vulnerable groups. Although IFAD-funded investments in Eswatini's agriculture sector have had significant impact, particularly in the sugar value chain (under the Lower Usuthu Smallholder Irrigation Project), the rural finance sector (under the Rural Finance and Enterprise Development Programme) and livestock and crop value chains (under the Small Market-led Project [SMLP]), gaps still remain, limiting smallholder farmers' participation in commercial value chains outside the sugar sector.
10. SAPEMP responds to the Government's request to address the existing gaps in the agriculture sector, including low production and productivity, heavy reliance on rainfed farming, climate change and environmental degradation, high post-harvest losses and farmers' lack of coordination and business orientation.
11. SAPEMP will benefit from IFAD's experience and expertise at the national, regional and global level in organizing farmers into clusters, forging win-win productive partnerships with anchor enterprises to improve the commercialization and competitiveness of smallholder farmers in Eswatini.

B. Lessons learned

12. The country strategy and programme evaluation of IFAD-funded projects in Eswatini in the period 2000–2021 prepared by IFAD's Independent Office of Evaluation of IFAD, together with project evaluations and review mission reports, yielded valuable lessons for the formulation of SAPEMP:
 - (a) Simplicity in design and implementation arrangements – the SAPEMP design is simple, with two mutually reinforcing technical components.
 - (b) Commercialization of smallholder farmer production. Experiences from SMLP and the Financial Inclusion and Cluster Development Project (FINCLUDE) show that organizing farmers into clusters increases their chances of better returns but requires time and tailored support. SAPEMP will use a graduation approach, ensuring that supported farmers have adequate capacity to engage in productive partnerships with private sector players.
 - (c) Mechanisms to support market linkages. A two-way flow of information between buyers and producers must ensure that products and services meet market demands and trust is fostered to sustain mutually beneficial long-term commercial relationships. SAPEMP will gradually build reciprocal trust by linking rural enterprises and smallholder farmers for long-term partnerships.
 - (d) Post-harvest losses. Country strategic opportunities programme (COSOP) consultations with the Government revealed that post-harvest food losses amount to 40 per cent. SAPEMP will finance climate-proof post-harvest infrastructure to reduce losses and increase production.

II. Project description

A. Objectives, geographical area of intervention and target groups

13. SAPEMP's goal is to contribute to the sustainable reduction of poverty in rural Eswatini. Its development objective is to sustainably improve smallholder farmers' production, nutrition and incomes and build their resilience to climate change. The project will address key bottlenecks in the vegetable and legume value chains. The selected value chains have the potential for market availability and year-round production, smallholder farmer participation, income generation, nutrition security and value addition.
14. SAPEMP will be national in scope. It will build on IFAD's programmatic country approach, leveraging SMLP and FINCLUDE interventions in the southern regions. SAPEMP is expected to directly reach 19,600 smallholder households, equivalent to some 117,700 people. The project design identified the following target groups: production-oriented households (14,100 smallholder farmers, 72 per cent of the project target); poor households (2,000 smallholder farmers, 10 per cent of the project target); environmentally vulnerable farmers (1,200 households, 6 per cent of the project target); and near-poor households (2,300 households, 12 per cent of the project target). SAPEMP beneficiaries will include 40 per cent women, 30 per cent youth and 5 per cent vulnerable groups and persons with disabilities.

B. Components, outcomes and activities

15. The project will have the following components: (i) production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved; (ii) income of rural smallholders from marketing of supported value chains improved; and (iii) service delivery by stronger government and rural institutions improved. SAPEMP activities are organized into three mutually reinforcing components.
16. **Component 1: Production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved.** This component aims to improve the resilience, production, productivity and nutrition of smallholder farmers. Its outcomes can be achieved with investments in infrastructure for water harvesting, microcatchment protection, post-harvest handling and marketing. The preparation of community development plans (CDP) will increase overall project sustainability and foster community mobilization and empowerment. The component is organized around two subcomponents: community-based INRM and climate-smart production and nutrition; and development of climate-proof production and market infrastructure.
17. **Component 2: Income of rural smallholders from marketing of supported value chains improved.** This component aims to create successful business linkages between the graduated production clusters developed and selected anchor enterprises and market off-takers identified, based on business opportunities and geographic proximity. It will also improve financial access for cluster entrepreneurs and anchor enterprises. The component is organized around two subcomponents: improving market linkages and access in targeted value chains; and access to green and value chain financial services.
18. **Component 3: Service delivery by stronger government and rural institutions improved.** Public institutions will be strengthened for effective service delivery and support the operationalization of key enabling policies. The component will promote an enabling environment for achieving the outcomes of the other two components.

C. Theory of change

19. The livelihoods of rural households in Eswatini have become highly vulnerable to the ever-growing adverse impacts of climate change, which are amplified by high input costs, limited access to services, low production and consumption of nutritious foods, unorganized farmers, heavy dependence on rain and inadequate irrigation infrastructure, limited availability of appropriate post-harvest management knowledge and equipment, a general lack of incentives to attract youth participation and environmental degradation.
20. Lessons learned have shown that empowering communities to manage their natural resources and acquire new skills and technologies and facilitating access to financial services can lead to higher productivity and incomes and greater well-being for smallholder farmers.
21. SAPEMP will use a community approach to organize smallholder farmers into clusters to achieve coordinated vegetable and legume production and marketing. Clusters will access extension services and climate-smart technologies, enabling them to boost productivity and access markets through win-win arrangements with private sector players. SAPEMP will also support entrepreneurial businesses in input supply, value addition, transportation and other areas that benefit the value chain, creating job opportunities, especially for youth. Financial literacy training and linkages with financial institutions will improve access to financial services.
22. Successful implementation of the project's interventions will result in boosted crop production and productivity, better nutrition, equitable social and economic empowerment for women and youth, greater smallholder farmer and ecosystem resilience and higher income for poor rural men, women, youth and vulnerable groups.

D. Alignment, ownership and partnerships

23. **Alignment.** SAPEMP will contribute to the achievement of the following Sustainable Development Goals: 1 (no poverty); 2 (zero hunger); 5 (gender equality); 8 (decent work and economic growth); and 13 (climate action). SAPEMP is informed by the Government's policy framework, notably the second-generation ENAIP and the National Strategic Development Plan (2018/2019–2022/2023). It is aligned with the Agriculture Strategic Plan (2018–2023) and the revised 2021 Nationally Determined Contributions (NDCs). The project will contribute to Eswatini's COSOP 2022–2027 goal of reducing rural poverty and improving sustainable food and nutrition security among poor households. Its targeting follows IFAD's Revised Operational Guidelines on Targeting (2019). Information and communications technologies for development (ICT4D) will be promoted to increase its development impact, in line with IFAD's ICT4D Strategy. SAPEMP is aligned with IFAD's Strategic Framework 2016–2025, its Strategy and Action Plan on Environment and Climate Change 2019–2025 and its Social, Environmental and Climate Assessment Procedures (SECAP, 2021).
24. **Ownership and partnerships.** SAPEMP will make use of participatory planning, monitoring and implementation processes. Involving traditional entities such as Chiefdom Development Committees (CDCs) and seeking alignment with Chiefdom Development Plans (CDPs) will support community ownership of project interventions. Implementation of project activities will leverage the strong partnerships that the IFAD Eswatini country programme has forged with several key Government ministries and parastate entities. Joint annual work planning and resource allocation to key implementing partners will ensure ownership of SAPEMP interventions. SAPEMP will also forge partnerships with other development partners, including the Food and Agriculture Organization of the United Nations on climate and environment issues and the World Food Programme on nutrition and farmers' access to markets.

E. Costs, benefits and financing

25. Based on the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total IFAD climate financing for this project is estimated at US\$8,238,000.

Project costs

26. Total project costs are set at about US\$45.48 million, including contingencies. The details are shown in the summary tables below.

Table 1

Project costs by component/subcomponent and financier

(Thousands of United States dollars)

Component/subcomponent	Government		IFAD PBAS		IFAD BRAM		Private sector		GCF		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved														
1.1. Community-based INRM and climate-smart production and nutrition	2 612	14.4	4 086	22.5	1 820	10.0	-	-	8 265	45.5	1 378	7.6	18 160	39.9
1.2. Development of climate-proof production and market infrastructure	1 552	14.0	314	2.8	209	1.9	3 316	30.0	4 559	41.3	1 095	9.9	11 045	24.3
Subtotal	4 164	14.3	4 400	15.1	2 029	6.9	3 316	11.4	12 824	43.9	2 473	8.5	29 205	64.2
2. Income of rural smallholders from marketing of supported value chains improved														
2.1. Improving market linkages and access in targeted value chains	463	12.3	423	11.2	751	19.9	438	11.6	1 700	45.0	-	-	3 775	8.3
2.2. Access to green and value chain financial services	100	2.4	1 337	32.1	416	10.0	64	1.5	2 248	54.0	-	-	4 164	9.2
Subtotal	563	7.1	1 760	22.2	1 167	14.7	502	6.3	3 948	49.7	-	-	7 939	17.5
3. Service delivery by stronger government and rural institutions improved														
3.1. Policy support and institutional strengthening	49	3.4	483	33.1	255	17.5	-	-	671	46.0	-	-	1 458	3.2
3.2. Project coordination	341	5.0	2 429	35.3	1 049	15.3	-	-	3 057	44.5	-	-	6 876	15.1
Subtotal	390	4.7	2 911	34.9	1 304	15.7	-	-	3 728	44.7	-	-	8 334	18.3
Total	5 117	11.3	9 070	19.9	4 500	9.9	3 818	8.4	20 500	45.1	2 473	5.4	45 478	100.0

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>Government</i>		<i>IFAD PBAS</i>		<i>IFAD BRAM</i>		<i>Private sector</i>		<i>GCF</i>		<i>Beneficiaries</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Investment costs														
Technical assistance and consultancies	-	-	943	24.5	641	16.6	188	4.9	2 044	53.0	41	1.1	3 857	8.5
Grants and subsidies	-	-	45	15.9	67	23.6	-	-	170	60.5	-	-	282	0.6
Goods services and inputs	1 165	15.0	1 294	16.7	1 187	15.3	748	9.6	2 889	37.2	481	6.2	7 763	17.1
Training workshops and meetings	1 751	15.0	2 742	23.5	1 212	10.4	314	2.7	5 348	45.8	307	2.6	11 676	25.7
Civil works	1 903	15.0	636	5.0	447	3.5	2 568	20.2	5 492	43.3	1 644	13.0	12 689	27.9
Credit and guarantee funds	-	-	920	35.0	263	10.0	-	-	1 445	55.0	-	-	2 628	5.8
Total investment costs	4 819	12.4	6 580	16.9	3 817	9.8	3 818	9.8	17 389	44.7	2 473	6.4	38 895	85.5
Recurrent costs														
A. Salaries and allowances	-	-	1 840	40.0	460	10.0	-	-	2 300	50.0	-	-	4 601	10.1
B. Operating costs	297	15.0	650	32.8	223	11.3	-	-	811	40.9	-	-	1 982	4.4
Total recurrent costs	297	4.5	2 491	37.8	683	10.4	-	-	3 111	47.3	-	-	6 583	14.5
Total	5 117	11.3	9 070	19.9	4 500	9.9	3 818	8.4	20 500	45.1	2 473	5.4	45 478	100.0

Table 3

Project costs by component and subcomponent and project year (PY)

(Thousands of United States dollars)

Component/subcomponent	PY1		PY2		PY3		PY4		PY5		PY6		PY7		PY8		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	&	Amount
1. Production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved																	
1.1. Community-based INR and climate-smart production and nutrition	2 495	13.7	2 441	13.4	2 788	15.4	3 546	19.5	3 650	20.1	2 659	14.6	578	3.2	3	0.0	18 160
1.2. Development of climate-proof production and market infrastructure	261	2.4	2 752	24.9	2 907	26.3	3 009	27.2	1 134	10.3	964	8.7	17	0.2	-	-	11 045
Subtotal	2 756	9.4	5 194	17.8	5 695	19.5	6 555	22.4	4 784	16.4	3 623	12.4	595	2.0	3	0.0	29 205
2. Income of rural smallholders from marketing of supported value chains improved																	
2.1. Improving market linkages and access in targeted value chains	660	17.5	506	13.4	649	17.2	586	15.5	485	12.8	447	11.9	289	7.7	152	4.0	3 775
2.2. Access to green and value chain financial services	2 731	65.6	391	9.4	628	15.1	133	3.2	137	3.3	142	3.4	-	-	-	-	4 164
Subtotal	3 392	42.7	897	11.3	1 277	16.1	718	9.0	622	7.8	590	7.4	289	3.6	152	1.9	7 939
3. Service delivery by stronger government and rural institutions improved																	
3.1. Policy support and institutional strengthening	761	52.2	63	4.3	76	5.2	159	10.9	70	4.8	72	4.9	75	5.1	182	12.5	1 458
3.2. Project coordination	1 178	17.1	713	10.4	740	10.8	766	11.1	963	14.0	821	11.9	849	12.4	845	12.3	6 876
Subtotal	1 938	23.3	776	9.3	817	9.8	925	11.1	1 033	12.4	893	10.7	924	11.1	1 028	12.3	8 334
Total	8 087	17.8	6 867	15.1	7 789	17.1	8 199	18.0	6 439	14.2	5 105	11.2	1 808	4.0	1 183	2.6	45 478

Financing and cofinancing strategy and plan

27. The project will be financed through contributions from the following financiers: (i) IFAD PBAS, with a loan of US\$9.07 million; (ii) IFAD BRAM, with a loan of US\$4.5 million; (iii) GCF, with a contribution of US\$20.5 million. Domestic cofinancing will include: (i) the Government, which will contribute with about US\$5.1 million (including waived duties and taxes); (ii) the private sector, with an expected contribution of US\$3.8 million; and (iii) beneficiaries, who are expected to provide about US\$2.5 million.

Disbursement

28. IFAD will provide financing through its PBAS and BRAM, in conjunction with funding from GCF. As IFAD is recognized by the GCF, the funds will be transferred from IFAD to the SAPEMP. To ensure proper management and separation of these funds, separate designated accounts (DAs) will be opened for each source of financing. Once the Ministry of Finance signs separate financing agreements with both IFAD and GCF, two separate DAs in United States dollars will be opened at the Central Bank of Eswatini, one for IFAD financing and the other for GCF financing. Each DA will also have a linked operational bank account in local currency. All project financial activities will be recorded in the accounting system and reported to IFAD and the Government. Furthermore, the project management unit (PMU) will open a local currency bank account for the receipt of government counterpart funds. Withdrawals from all DAs will follow IFAD's disbursement guidelines. To ensure timely replenishment of these accounts, the PMU will submit quarterly financial reports and cash forecasts to IFAD.

Summary of benefits and economic analysis

29. Benefits to the SAPEMP target group would accrue from: (i) greater water availability for productive use; (ii) the diversification of productive activities and sources of income; (iii) greater food availability for rural poor people; (iv) increased value-added of agricultural outputs; (v) enhanced processing efficiency through innovative technology and improved infrastructure; (vi) higher-quality processed products, yielding higher prices at the local market; (vii) higher employment, for either hired or family labour, for both on-farm and off-farm activities; and (viii) tax revenues as a result of the higher volume of taxable production.
30. The economic analysis has confirmed the appropriateness of the investment from society's standpoint. The project's economic net present value over 20 years, discounted at 8 per cent, amounts to US\$139 million, yielding an economic internal rate of return of 22 per cent. The sensitivity analysis indicated that the project would no longer be viable if: (i) investment costs increase by 47 per cent; (ii) operating costs increase by 10 per cent; (iii) benefits decline by 5 per cent; (iv) input costs increase by 96 per cent; (v) output prices fall by 45 per cent; (vi) the number of beneficiary households involved in productive activities is less than 3,000.

Exit strategy and sustainability

31. A critical element of SAPEMP's exit strategy is the successful forging of productive partnerships between key value chain actors, which will enable smallholder farmers and their clusters to receive services and inputs through an economically sustainable mechanism and to establish long-term relationships with the private sector. Anchor enterprises will provide the demand-pull and overall direction for value chain development for long-term win-win productive partnerships, which are expected to continue after project completion.
32. Establishment of the climate financing facility and policy support in greening private sector portfolios will create long-term options and an enabling environment for climate financing. Building financial institutions' capacity to develop new products and delivery methods for smallholder farmers will attract other financial service providers, thus contributing to the sustainable provision of financial services.

SAPEMP's approach, outcomes, institutional arrangements and evidence for policy-making will gradually phase into the relevant institutions' day-to-day functions, thereby ensuring sustainability after project completion.

III. Risk management

A. Risks and mitigation measures

33. The overall inherent and residual risks are respectively classified as **substantial and moderate**. Major risks and their corresponding mitigation measures are presented in the integrated project risk matrix (appendix III).

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Substantial
Sector strategies and policies	Substantial	Substantial
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Substantial	Low
Financial management	Substantial	Substantial
Project procurement	Moderate	Low
Environment, social and climate impact	Moderate	Moderate
Stakeholders	Moderate	Low
Overall	Substantial	Moderate

B. Environment and social category

34. SAPEMP's environment and social risk category is **substantial**. Most SAPEMP investments aim to increase smallholder farmers' climate resilience and production and to improve the environment through the sustainable management and preservation of natural resources, green innovations and enterprises and climate-proof infrastructure. The Eswatini Environment Authority will monitor compliance and offer technical guidance to the PMU. The SECAP review note includes an Environmental and Social Management Framework.

C. Climate risk classification

35. SAPEMP's climate risk classification is **substantial**. Historical climate trends for Eswatini show that mean surface temperatures have increased, rainfall has become unpredictable and the frequency and severity of droughts and floods have also increased. SAPEMPs' activities are expected to generate significant adaptation benefits, with mitigation co-benefits aligned with the country's ambitious NDC targets. A climate risk assessment is included in the project design documents.

D. Debt sustainability

36. Eswatini's latest debt sustainability analysis indicates that the country faces high sovereign stress due to high public debt, which has tripled in the past decade due to fiscal deficits. Its fiscal deficit is expected to peak at 42.3 per cent of GDP in fiscal year 2022/2023, but the rate of increase has slowed since 2020, reflecting the authorities' efforts at expenditure constraint because of concerns about debt sustainability.

IV. Implementation

A. Organizational framework

Project management and coordination

37. SAPEMP will be implemented over a period of 8 years. The Ministry of Agriculture will be the executing agency and will entrust the Eswatini Water and Agricultural

Development Enterprise (EWADE) parastatal with the role of lead implementing agency. EWADE has extensive experience managing IFAD-funded investments and will set up and embed a PMU in its existing structure. The PMU will receive support from the Agricultural Development and Environmental Management Unit, which provides specific expertise, procedures and standards for EWADE-run projects. A project steering committee (PSC) will be created to provide oversight and strategic guidance.

Financial management, procurement and governance

38. **Financial Management.** The PMU will oversee the financial management of the project and its implementing partners. It will release funds against agreed plans, disburse funds to agencies and coordinate monitoring and reporting. The project will use two disbursement mechanisms: advance withdrawal and/or reimbursements. Budgeting will follow Government procedures, and the annual workplan and budget (AWPB) will be approved by the PSC. Financial reporting will be through quarterly interim financial reports and annual financial statements, following IFAD guidelines. Internal audit services will be provided by the Ministry of Agriculture's Internal Audit Department, while the external audit will be performed by private Audit firms.
39. **Procurement.** The PMU will be responsible for implementing the procurement plan and managing the procurement processes. The procurement of goods, works and services will be carried out pursuant to the Eswatini Procurement Act of 2011, which regulates public procurement. Standard bidding documents (SBDs) for use by public authorities and institutions governed by the public procurement law are finalized but not yet in use. SAPEMP will therefore use IFAD SBDs. The national procurement system will apply, provided it complies with the IFAD requirements to be specified in the financing agreement and the procurement arrangements letter.

Target group engagement and feedback and grievance redress.

40. The CDCs and CDPs will serve as project entry points for participatory planning, monitoring and implementation. Beneficiary feedback will be instrumental to project decision-making. Engagement with beneficiaries during supervision missions will be recorded, and their feedback will be considered to improve the project's performance. All decisions under SAPEMP will be published to attract participation and facilitate the expression of dissent. Free prior informed consent will ensure a feedback mechanism where demands, concerns and risks are voiced and risk mitigation measures developed.

Grievance redress

41. SAPEMP will develop a grievance redress mechanism (GRM) to handle complaints arising from the project. The CDCs will be the first point of contact for people to register their grievance at the chiefdom level. Matters that cannot be resolved by the CDC will be escalated to the inner council, the Chief's Advisory Council and the Chief, and if necessary, to the regional administrator and eventually the Swazi National Court. The PMU will provide information on the GRM and convey IFAD's zero tolerance for sexual exploitation and abuse and its policies on the prevention of fraud and corruption.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

42. The logical framework and AWPBs will serve as the foundation for the project's annual planning, budgeting and monitoring and evaluation (M&E) arrangements. The M&E system will be developed in accordance with the requirements of IFAD and the Government. It will be coordinated by the Ministry of Agriculture as the executing agency and managed by the PMU. The resilience design and monitoring tool, an M&E plan, a detailed operational logframe and information management

system integrated with the Agricultural Integrated Information System (AIIS) at the Ministry of Agriculture will be embedded in the project's M&E arrangements.

43. **Knowledge management, learning and communication.** The M&E system will be the foundation of knowledge management (KM) and learning (L) in SAPEMP. A KM and communication strategy (KMCS) will be prepared at the start of implementation. KM activities will ensure that project data will be analysed and disseminated as lessons learned from the field and as evidence generated for policy-making. A knowledge management and communication action plan will also be formulated in line with the KMCS and integrated in the project's AWPB. Support will be provided to strengthen the M&E system and KM&L functions of the Ministry of Agriculture.

Innovation and scaling up

44. SAPEMP will promote digital innovations to improve the country's agriculture sector investment in digital extension. It will also reinforce the market orientation of the AIIS to provide accurate, reliable data across the value chains and to onboarding private sector actors. The AIIS is appropriately hosted by the Ministry of Agriculture, which will facilitate wider adoption.
45. The anchoring model is a new approach for horticulture value chains in Eswatini. SAPEMP will provide evidence and emerging lessons for its successful implementation. SAPEMP will also support the development of index-based insurance products to cushion project beneficiaries from losses stemming from extreme weather events. Insurance will be an additional de-risking instrument to facilitate project beneficiaries' access to financial services.

C. Implementation plans

Implementation readiness and start-up plans

46. The project implementation manual, first AWPB and first 18-month procurement plan aim to ensure that the project starts as scheduled, without unnecessary delays during the first project year. A start-up workshop will be held for project stakeholders and implementing partners to reinforce the project's implementation modalities.

Supervision, midterm review and completion plans

47. Project supervision will be conducted jointly by IFAD and the Government to assess overall physical and financial performance, identify implementation challenges and propose measures to address them, in compliance with all fiduciary aspects of the financing agreement. IFAD will provide ongoing implementation support. A midterm review will be conducted to determine whether the project is on course to meet its goal. At the end of the project implementation period, a project completion review will be conducted to report on the outcomes and impact achieved.

V. Legal instruments and authority

48. A financing agreement between the Kingdom of Eswatini and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
49. The Kingdom of Eswatini is empowered under its laws to receive financing from IFAD.
50. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

51. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Kingdom of Eswatini in an amount of nine million seventy thousand United States dollars (US\$9,070,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Kingdom of Eswatini in an amount of four million five hundred thousand United States dollars (US\$4,500,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

Smallholder Agricultural Productivity Enhancement and Marketing Project (SAPEMP)

(Negotiations concluded on 21 February 2024)

Loan No: _____

Loan No: _____

Project name: Smallholder Agricultural Productivity Enhancement and Marketing Project ("SAPEMP"/ "the Project")

The Kingdom of Eswatini (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Project.

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide two loans (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan eligible to ordinary terms is nine million and seventy thousand United States Dollars (USD 9 070 000) ("Loan 1").

2. The amount of the Loan eligible to ordinary terms is four million and five hundred thousand United States Dollars (USD 4 500 000) ("Loan 2").
3. The Financing shall be subject to interest on the principal amount outstanding of the Loan, at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of twenty five (25) years, including a grace period of eight (8) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
4. The Loan Service Payment Currency shall be in USD.
5. The first day of the applicable Fiscal Year shall be 1 April.
6. Payments of principal and service charge shall be payable on each 31st March and 30th September.
7. There shall be a Designated Account in USD, for the exclusive use of the Project which is to be opened in the Central Bank of Eswatini. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. There shall be Project operational accounts in local currency opened at a local commercial bank and details would be communicated to IFAD. Separate Project accounts will be maintained for the different Project co-financiers. One operational bank account shall be used for IFAD funds and the other for Government of Eswatini contributions. The funds received from IFAD shall be used for the sole purpose of paying for eligible expenses of the Project.
9. The Borrower shall provide counterpart financing for the Project, in cash and in kind. The in-kind contribution will be in the form of forgone taxes and duties, office space and administrative support to the Project. The cash contribution will amount to an equivalent of five million and one hundred thousand United States dollars (USD 5 100 000) and in-kind contribution equivalent of two million five hundred thousand United States dollars (USD 2 500 000).

Section C

1. The Lead Project Agency shall be the Eswatini Water and Agricultural Development Enterprise (EWADE), an implementing agency under the Ministry of Agriculture.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the eight anniversary of the date of entry into force of this Agreement and the Financing Closing Date will be established as specified in the General Conditions.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Financing and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (the "PIM") and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
 - (b) The Project Manager or other key Project staff have been removed from the Project without the prior consultation with the Fund.
2. The following is designated as an additional ground for cancellation of this Agreement:
 - (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months without justification.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - (a) The IFAD no objection to the PIM shall have been obtained.
 - (b) Key Project staff have been appointed as indicated in paragraph 11, Schedule 3 of this Agreement.
4. This Agreement is subject to ratification by the Borrower.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

The Principal Secretary,
Ministry of Finance,
Finance Building
Mhlambanyatsi Road, Mbabane
Eswatini

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

Copy to: The Country Director, Kingdom of Eswatini

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

KINGDOM OF ESWATINI

Neal H. Rijkenberg
Minister of Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit about 19,600 smallholder households (HHs) equivalent to some 117,700 people. The project design identified the following target groups:

- Production-oriented households (14,100 SHFs, 72% of project target) which use small scale irrigation with potential for commercial activities but remain vulnerable to climate shocks, benefiting from support to productivity and production increase.
- Poor households (2,000 SHFs, 10% of project target) who do not meet their minimal needs, benefiting from support for food and nutrition security.
- Environmentally vulnerable farmers (1,200 HHs, 6% of project target) in the micro catchments around the water-infrastructure and the irrigation areas (1 km radius), benefiting from INRM-based interventions (e.g., soil and water conservation, gabions, reforestation).
- Near poor households (2,300 HHs, 12% of project target), benefiting from jobs creation at various VC levels. SAPEMP will target 40% women, 30% young females and males and 5% vulnerable groups and PWDs.

2. *Project area.* The Project will be national in scope covering all four regions: Hhohho, Lubombo, Manzini, and Shiselweni. The south-eastern regions of Lubombo and Shiselweni have the highest proportion of people living in poverty while the Manzini and Hhohho regions have the highest absolute number of poor people, also given the higher population density characterizing those areas. Shiselweni and Lubombo regions have widespread prevalence of poverty and malnutrition in the middleveld and lowveld areas, also due to their climatic vulnerability (the "Project Area").

3. *Goal.* The goal of the Project is to contribute to the sustainable reduction of poverty in rural Eswatini by improving sustainable food and nutrition security among poor households, with a strong focus on youth, gender, nutrition, Climate Change and environment.

4. *Objectives.* The objective of the Project is to sustainably increase SHFs' production, nutrition and incomes and build their resilience to climate change through 3 outcomes: (i) Production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved; (ii) Incomes of rural smallholders from marketing of supported value chains improved; (iii) Service delivery by stronger government and rural institutions improved.

5. *Components.* The Project shall consist of the following Components:

5.1 Component 1: **Production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved.** This component aims to improve the resilience, production, productivity, and nutrition of SHFs. These results will be achieved with investments in infrastructures for water harvesting, micro-catchment protection, postharvest handling and marketing. The component is organized around two subcomponents.

5.1.1 *Sub-Component 1.1: Community-based INRM, climate-smart production and nutrition.* This sub-component fosters the adoption of climate-smart practices and technologies, including digital solutions. The entry point to the activities under this sub component will be through Community Development Plans (CDPs) to increase the overall project sustainability and favour community mobilisation and empowerment. Its outputs are: 1.1 Inclusive access to improved climate smart technologies and nutrition sensitive

practices; 1.2 Digital platforms developed; 1.3 Environment, INRM and climate focused interventions developed. It comprises the following activities: Community mobilisation and empowerment; Production and productivity improvement and cluster development; Gender equality, women and youth empowerment; Community-based integrated natural resources management and climate-focused investments, including climate and weather information; Support for improved food security and nutrition.

5.1.2 Sub-Component 1.2: Climate-proofed production and market infrastructure developed. This sub-component promotes investments in climate-resilient infrastructures to benefit clusters supported in 1.1 to improve their production and post-harvest management of their produce. Its output is: 1.4: Inclusive climate proofed production and market infrastructure developed. It comprises the following activities: Development of small earth dams and irrigation schemes; Development of Cluster-Level Multi-purpose Collection Centres (MCC); Capacitation of Chiefdoms through CDCs/clusters to manage public infrastructure investments; Construction of infrastructure at community level and at cluster level.

5.2 Component 2: Incomes of rural smallholders from marketing of supported value chains improved. The component aims to create successful business linkages between the graduated production clusters developed under sub-component 1.1 and selected AEs and market off-takers identified on business opportunities and geographic proximity. It will also strengthen financial access for clusters entrepreneurs and AE. The entry point to the activities under this component will be through AEs.

5.2.1 Sub-Component 2.1: Improving market linkages and access in target value chains. This sub-component develops market linkages between production clusters and AEs. Its output is: 2.1 Farmers linked to markets. Under this subcomponent the project will: Engage with key domestic AEs and key international market off-takers; Support the development of business-to-business (B2B) relationships; Focused support to AEs and production clusters and youth; Provide ancillary private enterprise development; Support the digitalization of the value chain.

5.2.2 Sub-Component 2.2: Access to green and VC financial services. This sub-component aims at facilitating access to appropriate, accessible and sustainable financial services to VC actors, leveraging the experience with FINCLUDE and the expertise in the Center for Financial Inclusion (CFI). Ac

5.3 Component 3: Service delivery by stronger government and rural institutions improved. It will be achieved through strengthening of public institutions for effective service delivery, and support for the operationalization of key enabling policies. The Component will support the creation of an enabling environment for the achievement of the outcomes of the first two components.

5.3.1 Sub-Component 3.1: Policy support and institutional strengthening. This subcomponent will support policy development and strengthening of key institutions. Its outputs are: 3.1 policy support strengthened; and 3.2 institutions strengthened.

5.3.2 Sub-Component 3.2 Project coordination. SAPEMP will be implemented over a period of 8 years from 2024-31. On behalf of MoA, EWADE will set up and house a PMU embedded into its existing structure. The role of the PMU is: planning and coordinating project implementation, financial management and control, procurement support, M&E, KM&L, and progress reporting. Key project personnel is outlined Schedule 3, section 10, while the complete list of project staff is included in the PDR and PIM.

II. Implementation Arrangements

6. *Lead Project Agency.* MoA will be the Executing Agency and will assign the parastatal, EWADE as the Lead Implementing Agency (LIA). EWADE has long standing experience with managing IFAD-funded investments and is currently implementing SMLP.

7. *Project Oversight Committee.* A Project Steering Committee (PSC) will be established to provide policy guidance and oversight of Project implementation. It will be convened and chaired by Principal Secretary MoA or an authorised representative, with representatives from MTEA, MoF, MTAD, Ministry of Economic Planning and Development (MEPD), Ministry of Natural Resources and Energy (MNRE), Nationally Determined Authority (NDA), FAO, National Maize Corporation (NMC), Eswatini Environment Authority (EEA), Meteorology department; and CEOs of EWADE, and of the National Agriculture Marketing Board (NAMBoard). The PSC will: (i) review project approaches, strategies, milestones, progress and achievements; (ii) provide strategic guidance to the PMU and ensure that SAPEMP contributes to the higher-level sector policy and strategic goals; (iii) review and approve the AWPBs, procurement plans and annual reports, and (iv) initiate follow-up actions on lessons and findings from the project.

8. *Project Management Unit.* The PMU will be responsible for overall financial management of the Project and for supporting and overseeing financial functions of implementing partners. It will release funds against agreed plans, drawn out of the approved AWPBs, disburse funds to implementing agencies and coordinate monitoring and financial reporting for the Project as a whole. Disbursements from IFAD will be made by way of an advance to Designated Accounts, with subsequent replenishments quarterly based on interim financial reports (IFRs) cash forecasts, aligned to approved AWPB which will be prepared with adequate details showing financiers and proportion of financing for each activity to guide finance teams in expenditure mapping. Project budgeting will be done in accordance with existing GoE's procedures. The AWPB shall be approved by the Project Steering Committee (PSC) and provided with no-objection by IFAD.

9. *Implementing partners.* During implementation, SAPEMP will make use of participatory planning, monitoring and implementation processes. Involvement of traditional structures such as CDCs and seeking alignment with CDPs will support community-level ownership of project interventions. Implementation of project activities will leverage on the existing strong partnerships that the IFAD Eswatini country programme has built with several key GoE ministries including MoA, MoF, MTAD, MTEA, and parastatal entities.

10. *Monitoring and Evaluation.* M&E will be undertaken both at project level and MoA's level to ensure coordination with stakeholders and partners. The project will follow the GoE planning calendar (October-March). Annual priorities will be aligned to the expected results of the project as well as the MoA medium-term expenditure framework. The project M&E system will be based on the logical framework to guide continuous performance assessment. Intentional indicator selection has been done to allow tracking of social and economic performance of target groups, especially women, youth and PWDs. Thus, all person-based indicators have been disaggregated by sex, age and by disability. The M&E system will be developed in accordance with the requirements of IFAD and GoE and shall be coordinated by MoA as the executing agency and managed by the PMU. The Resilience Design and Monitoring Tool (RDMT) will be embedded within the M&E arrangements of the project to enhance assessment of target beneficiaries' resilience. The RDMT questions will be included in the Monitoring Reporting and Verification (MRV) system for data collection. An M&E plan shall be developed at the beginning of implementation to inform project management decision-making ensuring achievement of the project objectives, guide project M&E functions, enable timely reporting to all stakeholders. A detailed operational logframe and information management system (IMS) integrated with the AIIS at MoA, will also be prepared for day-to-day project monitoring.

11. *Knowledge Management.* A KM and communication strategy (KMCS) will be prepared at the beginning of implementation. KM activities will ensure that project data will be analysed and disseminated (also using the MoA's KM portal) as lessons learned from the field, and as evidence generated to policy development. A knowledge management and communication action plan that outlines specific activities on how information is to be obtained, analysed, and disseminated, will also be formulated in line with the KMCS and integrated in the project's AWPB.

12. *Project Implementation Manual.* A comprehensive Project Implementation Manual (PIM) will be finalized at project start-up, together with an AWPB, procurement plan and terms of reference for various service providers to be procured, and to ensure implementation readiness. Any revisions to the PIM and AWPB shall have to be previously approved by the Fund.

Schedule 2

Allocation Table

1. *Allocation of Financing Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loans and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan 1 Allocated (Expressed in USD)	Loan 2 Allocated (Expressed in USD)	Percentage net of taxes
I. Technical Assistance & Consultancies	850 000	580 000	100%
II. Goods, Services and Inputs	1 730 000	1 470 000	100%
III. Training Workshop & Meetings	2 470 000	1 090 000	100%
IV. Credit and Guarantee funds	870 000	300 000	100%
V. Operating Cost	2 250 000	610 000	100%
Unallocated	900 000	450 000	
TOTAL	9 070 000	4 500 000	

(b) The terms used in the Table above are defined as follows:

- (i) Goods, services and inputs include eligible expenditures for cost associated with civil works.
- (ii) Training Workshop and Meetings include eligible expenditures to support; (a) community mobilization, (b) production and productivity enhancement, (c) business development, (d) cluster formation, (e) women and youth empowerment, (f) nutrition-sensitive activities, (g) financial literacy, (h) policy development.
- (iii) Credit and guarantee funds include eligible expenditures for cost associated with subsidies and grants.
- (iv) Operating cost include eligible expenditures for cost associated with salaries, allowances and benefits.

2. Disbursement arrangements

- (a) **Start-up Advance.** Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of five hundred thousand USD (USD 500 000). Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Accounts if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement].
4. *Gender.* The Borrower shall ensure that SAPEMP will increase women economic empowerment, reduce workloads through technology, increase women's decision making at household and community levels while facilitating joint household benefits sharing and policy engagement for gender transformation.
5. *Indigenous People (IP) Concerns.* The Borrower shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:
 - (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
 - (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
 - (c) IP rights are duly respected;
 - (d) IP communities, participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected¹;
 - (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.
6. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
7. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
8. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

¹ Refer to ILO 169, 1989 when ratified.

9. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:
- (a) all vehicles and other equipment procured under the Project are exclusively allocated for Project implementation;
 - (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
 - (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.
10. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.
11. *The Key Project Personnel are:* Project Manager, Project Accountant, Monitoring and Evaluation Specialist, Knowledge Management and Communication Specialist, Horticulture, Cropping Value Chain and Markets Specialist, Procurement Specialist, Gender, youth, social inclusion and nutrition specialist, Climate and Environment Specialist]. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. The preferred method of staffing the Key Project Personnel shall be competitive recruitment, under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions²

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.
2. For projects/Projects presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Project in accordance with

² New SECAP provisions for all projects that pass concept review after 1 September 2021.

the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Borrower shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and - violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Progress report	Annual	EWADE-PMU	1) 40% of persons receiving project support are women 2) 60% of persons receiving project support are men 3) 30 % of persons receiving project support are the youth (50% of them are women). A youth is defined as a person aged between 18 and 35 (inclusive). PWDs are assumed to be 5% of the target group HHs that receive project support are 20% female headed 6 members on average in one HH
	Males - Males	0	5880	11760				
	Females - Females	0	3920	7840				
	Young - Young people	0	2940	5880				
	Total number of persons receiving services - Number of people	0	9800	19600				
	Persons with disabilities - Number	0	490	980				
	1.a Corresponding number of households reached				Progress report	Annual	EWADE-PMU	
	Women-headed households - Households	0	1960	3920				
	Non-women-headed households - Households	0	7840	15680				
	Households - Households	0	9800	19600				
	1.b Estimated corresponding total number of households members				Progress report/MIS	Annual	EWADE-PMU	
	Household members - Number of people	0	58800	117600				
Project Goal Contribute to sustainable reduction of poverty in rural Eswatini	Reduction in poverty levels in rural Eswatini				Impact Surveys	Baseline, Midline and Endline survey	Eswatini Central Statistics Office (CSO)	Households are willing to change their nutrition behaviours (A) Increased incomes will be used on household improvements (A) Unstable political, macro-economic environment. (R)
	Percentage reduction of poverty levels - Percentage (%)	0	2	5				
	Number of households whose combined resilience has increased				Resilience Scorecard Tool (RDMT) surveys	Baseline, Midline and endline survey	EWADE-PMU and IFAD ECG	
	Total households - Number	0	5880	11760				
	Total persons - Percentage (%)	0	30	60				
Development Objective Sustainably increase smallholder producers' production, nutrition and incomes and build their resilience to climate	Households with improved food, nutrition and income security				National statistics, household surveys	Baseline, midline, completion	PMU, CSO	Adoption of technologies and practices (A) Communities willing to work together in clusters (A) Uptake of financial products by beneficiaries (A) Youth engage in VC development activities(A) Assuming 30Ha of wetland, 471Ha of grassland (50% of catchment area of 942Ha) under earthdams, a conservative approach is followed to avoid overestimation of the carbon mitigation potential as data about tree density is not yet available. Promotion within farm tree planting over a surface of 11,760 hectares (about 40% of the targeted farms). Total area considered under climate mitigation and adaptation activities is 30372
	Household - Number	0	7350	14700				
	Household - Percentage (%)	0	38	75				
	Household members - Number	0	44100	88200				
	Young - Number	0	2205	4410				
	PWDs - Number	0	368	735				
	IE.2.1 Individuals demonstrating an improvement in empowerment				COI Survey	Baseline, Midline and endline survey	EWADE-PMU, ESEPARC and CSO	
	Total persons - Percentage (%)	0	50	100				
	Total persons - Number of people	0	9800	19600				
	Females - Percentage (%)	0	20	40				
	Females - Females	0	3920	7840				
	Males - Percentage (%)	0	30	60				
	Males - Males	0	5880	11760				
	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered				FAO EX-ACT tool	Baseline and Completion	IFAD ECG and FAO	
	Hectares of land - Area (ha)	0		30372				
	tCO2e/20 years - Number	0		-448085.3				
	tCO2e/ha - Number	0		-14.8				
	tCO2e/ha/year - Number	0		-0.7				
	1.2.4 Households reporting an increase in production				COI Surveys,		EWADE-PMU	

Outcome 1: Market-oriented production and productivity of the target value chains increased, resilience and nutrition of smallholder farming households improved	Total number of household members - Number of people	0	33840	67680		Baseline, midline, completion		Adoption of technologies and practices (A) Uptake of financial products by beneficiaries (A) Communities willing to work together in clusters (A) Households are willing to change their nutrition behaviours
	Households - Percentage (%)	0	40	80				
	Households - Households	0	5640	11280				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI survey	Baseline, midline, completion	EWADE-PMU	
	Total number of household members - Number of people	0	41520	83040				
	Households - Percentage (%)	0	40	80				
	Households - Households	0	6920	13840				
	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)				COI Survey	Baseline, Midline, endline	EWADE-PMU, National Nutrition Council	
	Households (number) - Households	0	6440	12880				
	Households (%) - Percentage (%)	0	33	66				
Output 1.1: Inclusive access to improved climate smart technologies and nutrition sensitive practices	Household members - Number of people	0	38640	67680				Assuming all commercial producers will be trained on production All project beneficiaries will participate in SBCC interventions
	1.1.4 Persons trained in production practices and/or technologies				Progress Reports/IMS/AIIS	Annual	EWADE-PMU	
	Men trained in crop - Males	0	4230	8460				
	Women trained in crop - Females	0	2820	5640				
	Young people trained in crop - Young people	0	2115	4230				
	Total persons trained in crop - Number of people	0	7050	14100				
	Persons with disabilities trained in crop - Number	0	353	705				
	1.1.8 Households provided with targeted support to improve their nutrition				Progress reports/IMS/AIIS	Annual	EWADE-PMU	
	Total persons participating - Number of people	0	1000	2000				
	Males - Males	0	600	1200				
	Females - Females	0	400	800				
	Households - Households	0	1000	2000				
	Household members benefitted - Number of people	0	6000	12000				
	Young - Young people	0	300	600				
	Number of persons with disabilities - Number	0	50	100				
Output 1.2: Digital Platforms Developed	Beneficiaries accessing digital advisory services				Progress reports/IMS/AIIS	Annual	EWADE-PMU	Digital platforms will be used both for extension and marketing advisory services
	Total persons accessing digital services - Number	0	5288	10575				
	Males - Number	0	3173	6345				
	Females - Number	0	2115	4230				
	Young - Number	0	1586	3173				
	PWDs - Number	0	264	529				
Output 1.3: Environment, INRM and climate focused interventions developed	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				Progress reports/IMS/AIIS	Annual	EWADE-PMU	INRM initiatives will be implemented at cluster level and community level (within 1Km radius of the clusters) level
	Total size of groups - Number of people	0	7650	15300				
	Groups supported - Groups	0	77	153				
	Males - Males	0	4590	9180				
	Females - Females	0	3060	6120				
	Young - Young people	0	2295	4590				
Output 1.4: Inclusive Climate proofed Production and	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				Progress reports/IMS/AIIS/Cont actor Reports	Annual	EWADE-PMU	Assuming infrastructure will be carried out on existing schemes previously developed under KDDP, LUSIP 1, LUSIP 2, SMLP and FINCLUDE
	Hectares of land - Area (ha)		494	987				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated					Annual	EWADE-PMU	

Market infrastructure developed	Total number of facilities - Facilities	0	23	45	Progress reports/IMS/AIIS/Cont actor Reports			2.1.6 Collection centres
	Storage facilities constructed/rehabilitated - Facilities	0	23	45				
Outcome 2: Incomes of rural smallholders from marketing of supported value chains improved	2.2.1 Persons with new jobs/employment opportunities				COI survey	Baseline, midline, completion	PMU	Youth engage in VC development activities(A) Private sector/local anchor enterprises willing to partner with SHF (A) FSPs willing to engage in the agricultural sector(A) Continued migration in pursuit of better livelihoods (R) Assuming a maximum of 100 people organised in clusters per production zone and that 65% of supported clusters will engage in formal partnerships Assuming that only 80% of the organisations are able to record increase in sales
	Males - Males	0	460	920				
	Females - Females	0	690	1380				
	Young - Young people	0	345	690				
	Total number of persons with new jobs/employment opportunities - Number of people	0	1150	2300				
	Persons with disabilities - Number	0	58	115				
	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities				COI Survey	Baseline, Midline, Completion	EWAD-PMU	
	Number of POs - Organizations	0	56	113				
	Percentage of POs - Percentage (%)	0	50	100				
	Number of POs - crop - Organizations	0	56	113				
	2.2.5 Rural producers' organizations reporting an increase in sales				COI Survey	Baseline, Midline, Completion	EWAD-PMU	
	Percentage of rural POs - Percentage (%)	0	40	80				
Output 2.1: Farmers linked to markets	2.1.1 Rural enterprises accessing business development services				Progress reports/MIS	Annual	EWAD-PMU	B2B engagements will lead to market linkages for farmers
	Size of enterprises - Enterprises	0	689	1378				
	Rural enterprises - Enterprises	0	125	251				
	2.1.3 Rural producers' organizations supported				Progress reports/MIS	Annual	EWAD-PMU	
	Total size of POs - Organizations	0	7050	14100				
	Rural POs supported - Organizations	0	71	141				
	Males - Males	0	4230	8460				
	Females - Females	0	2820	5640				
	Young - Young people	0	2115	4230				
	Rural POs supported that are headed by women - Organizations	0	28	56				
	Persons with disabilities - Number	0	353	705				
Output 2.2: Financial instruments implemented	Financial Instruments implemented				Progress reports/MIS	Annual	EWAD-PMU, EEF, CFI	Financial instruments will be accessed and used by beneficiaries as expected and upon receiving financial literacy
	Green Challenge Fund - Money (USD' 000)	0	62.5	125				
	Agriculture Index Insurance - Money (USD' 000)	0	125	250				
	Financial Risk Management Facility - Money (USD' 000)	0	250	500				
	Climate Finance Facility - Money (USD' 000)	0	1000	2000				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				Progress reports/MIS	Annual	EWAD-PMU	
	Males - Males	0	4305	8611				
	Females - Females	0	2870	5740				
	Young - Young people	0	2153	4305				
	Persons in rural areas trained in FL and/or use of FProd and Services (total) - Number of people	0	7175	14351				
	Persons with disabilities - Number	0	359	718				

Outcome 3: Service delivery by stronger government and rural institutions improved	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				COI survey	Baseline, midline, completion	EWADE-PMU	Budget for policy implementation is availed by government and capacity for operationalization exists at local level (A). Project interventions satisfactorily implemented	
	Number - Number		0	1	3	COI survey	Baseline, midline, completion		EWADE-PMU
	SF.2.1 Households satisfied with project-supported services								
	Household members - Number of people		0	47040	94080				
	Households (%) - Percentage (%)		0	40	80				
	Households (number) - Households		0	7840	15680				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI survey	Baseline, midline, completion	PMU		
	Household members - Number of people		0	47040					94080
	Households (%) - Percentage (%)		0	40					80
Households (number) - Households		0	7840	15680					
Output 3.1: Policy support strengthened	Policy 1 Policy-relevant knowledge products completed				Progress reports/MIS	Annual	EWADE-PMU	Relevant policies reviewed to enhance their relevance	
	Number - Knowledge Products		0	3	6				
Output 3.2: Institutions strengthened	Supported Rural and Government Institutions				Progress reports/MIS	Annual	EWADE-PMU	capacity of the supported institutions is built	
	Number of Institutions - Number		0	56					113

Integrated project risk matrix

Risk Category/Subcategory	Inherent	Residual
Country context		
Political commitment	Substantial	Substantial
Risk: Significant changes in the leadership of the government agencies implementing the project, due to the political nature of appointments, would disrupt project implementation.	Substantial	Substantial
Mitigations: IFAD is taking an increasingly active role in CLPE, engaging with broad spectrum of stakeholders in different ministries and institutions, from the highest-ranking officers to technical specialists.		
Governance	Substantial	Substantial
Risk: Lack clarity with regards to the roles and responsibilities of Implementing and Executing agencies, Service Providers and executing partners bearing a negative impact on project results	Substantial	Substantial
Mitigations: The design of SAPEMP involved dialogue with government and implementing partners to analyse past and current implementation arrangements and to determine based on the lessons learned, the implementation arrangements which offer the best efficiencies for this project.		
Economic stability	Substantial	Substantial
Risk: The combination of slow economic growth and high inflation led to a slight increase in the poverty rate in 2022. The fiscal deficit increased in 2023, driven by an increase in wages and security spending. High vulnerability to external shocks, natural disasters, and economic shocks undermines economic growth, and inequality reduction. The fiscal situation has been fragile due to overreliance on volatile customs revenues.	Substantial	Substantial
Mitigations: SAPEMP will provide SHFs and AEs with support to cope with the unstable economic context. Specifically the project will: provide timely technical advice on production and marketing issues by extension services; realize investments in irrigation schemes, packhouses, and post-harvest management infrastructures which contribute to improvement of incomes; integrate value chain and business development strategy and promote market-led and business-oriented advisory services for SHFs, clusters, AEs and service providers service and for business start-up; implement community-based planning, develop farmers clusters for a joint and resilient production and support the preparation and adoption of business plans before planting season; conduct financial training, and introduce instruments and insurances to strengthen farmer resilience to market changes; build capacity of SHFs on business skills, negotiation and marketing.		
Fragility and security	Substantial	Substantial
Risk: The civil unrest experienced in 2021 and simmering tensions, if unaddressed could weaken confidence in the Government could negatively impact the project. There is a risk of delays in the implementation due to boycotting or disruption of interventions.	Substantial	Substantial

Mitigations: the following mitigation measures have been identified: 1) Continued strong inter-sectoral and multi-stakeholder coordination including engagements NGOs and the private sector; 2) Implementation of grievance redress and beneficiary feedback mechanisms to address perceptions of negative impacts of project interventions and to keep them updated on project processes; 3) Continued transparency in procurement, competitive recruitments and beneficiary selection; and 4) Regular monitoring, evaluation and reporting mechanism and platforms to share results, promote accountability and transparency about impact 5) creating opportunities for youth in the project activities.		
Policy alignment	Substantial	Substantial
Risk: The risk that due to lack of capacity and low commitment, the Government will fail to enforce the implementation of national strategies and policies such as the National Climate Change Policy, among others, which would limit project impact.	Substantial	Substantial
Mitigations: The project will focus on institutional strengthening and policy support for the implementation of key strategies and policies which have an impact on project implementation e.g., to enhance climate finance flows from private sector to value chain actors and smallholders. Also, SAPEMP's design is fully aligned with the recently approved National Agriculture Investment Plan (NAIP) –II and its strategic axes, which will guide Government of Eswatini's next 5 years investments and strategies for the transformation of the agricultural sector.		
Policy development & implementation	Substantial	Substantial
Risk: Weak policy environment for regulation of markets and production. Currently, parastatals that are meant to regulate the vegetable and legume value chains (NAMBOARD and NMC) are also participating as market players and competing with private sector. The Government is currently working on reforming the parastatals to restore their regulatory role and not to participate as market players.	Substantial	Substantial
Mitigations: The project will support the government and relevant institutions through policy dialogue in the quest to reform parastatals to enable private sector participation.		
Environment and climate context		
Project vulnerability to environmental conditions	Substantial	Substantial
Risk: Eswatini experiences environmental challenges/risks (see further details in Annex 5). The project may experience major environmental challenges such as land degradation due to poor farming practices, low availability of water due to droughts and soil erosion due to extreme rainfall events that may affect agriculture productivity and market participation.	Substantial	Substantial
Mitigation: The project will promote sustainable land management practices such as Climate-smart agriculture, watershed conservation and integrated natural resource management.		

Project Vulnerability to climate change impacts Eswatini is highly vulnerable to climate change and extreme weather events. The key climate risks include floods, hailstorms, frost, droughts, heat waves, cyclones, and unreliable rainfall patterns. Future climate projections show that mean temperatures will keep increasing and hot days, dry spells floods and heatwaves, will become more frequent. Rainfall patterns are expected to become more uncertain and erratic, resulting in greater frequency and intensification of droughts and floods.	Substantial	Substantial
Mitigations: The project promotes climate smart agricultural practices, agroforestry, wetland conservation, climate and weather advisories, early warning systems, use of drought tolerant varieties, renewable energy, climate proofing infrastructure including shade nets and green houses, water harvesting and irrigation, sustainable land management practices (e.g., soil erosion control structures, agroforestry, integrated soil fertility management), climate finance/insurance, and green innovations and enterprises.		
Greenhouse gas emissions	Moderate	Moderate
Risk: The project will intensify agriculture production, enhancing crop productivity. There is a risk that intensive crop cultivation coupled with unsustainable input use will significantly contribute to increase greenhouse gas emissions, thereby contributing to anthropogenic climate change.	Moderate	Moderate
Mitigations: The project will promote sustainable agriculture practices including minimum tillage, agroforestry, land rehabilitation, use of bio-pesticides and integrated pest management to lower GHG emissions. The FAO EX-ACT tool will be used to assess the amount of GHG emissions reduced or carbon sequestered at the beginning of the project (baseline) and at project completion.		
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Risk: Agriculture production supported by the project may be significantly affected by extreme weather conditions such as floods, hailstorms, drought that may negatively impact livelihoods of targeted populations.	Substantial	Substantial
Mitigations: The project will be climate focused. Thus, most funds will go towards climate adaptation measures, building climate resilience for communities and along the proposed value chains, and will generate mitigation co-benefits. Mobilization of climate finance from the GCF will further bolster climate risk adaptation and mitigation actions. This will include investments in climate-proofed infrastructure, development of irrigation systems and activities to enhance integrated natural resource management.		
Biodiversity conservation	Low	Low
Risk: SAPEMP aims to commercialize smallholder farmers' production through focused investments in specific value chains. There is a risk to enhance monocropping and associated loss of biodiversity and availability of various sources of nutritious food.	Low	Low

Mitigations: The project will promote nature-based solutions such as landscape approaches to ecosystem management, sustainable land management and adoption of climate-smart practices, and land rehabilitation measures which will help managing possible risks. The production system will ensure rotations with legumes, and planting of different types of vegetable that have different nutrition benefits as well. Nutrition focused activities at the homestead level will ensure availability of nutritious food for the poor while better off farmers will be sensitized to utilize the income pathway to achieve nutrition outcomes.		
Resource efficiency and pollution prevention	Moderate	Low
Risk: Commercial production may result in overuse of inputs such as fertilizers and chemicals, improper disposal of containers.	Moderate	Moderate
Mitigations: The project will develop a pesticides management plan to enhance appropriate use of agrochemicals, incorporate bio-chemicals, and promote integrated pesticides management measures. As part of safeguards, measures will be taken to treat waste and encourage recycling within the farms and along the value chain. Investments in NbS, ecosystem services, renewable energy, water harvesting, irrigation etc. will further reduce the risk of inefficient use of resources.		
Social impact		
Cultural heritage	Low	Low
Risk: SAPEMP includes some activities for infrastructure that may be located in cultural sites or can cause significant land degradation, and displacement of populations	Low	Low
Mitigations: The project will avoid sites that are likely to interfere with or cause injury to or loss of cultural heritage. This will be included in the exclusion list of the proposed ESMF and abbreviated ESIA and monitored during project implementation. In sites where it maybe suspected at design, that there are elements of cultural heritage, the chance find procedures provided for in the updated SECAP 2021 will be applied.		
Indigenous Peoples	Low	Low
Risk: The Kingdom of Eswatini does not formally recognise indigenous peoples since all Amaswazi are considered Indigenous.	N/A	N/A
Community health and safety	Moderate	Low
Risk: The risk that increased agricultural activity may increase health risks associated with exposure to agro-chemicals, increase women's burden of work through focus on productivity improvement.	Moderate	Low
Mitigations: The project will develop a community health and safety management plan that will identify risks to community health and provide mechanisms to address them and monitor progress. These procedures will form part of the proposed ECSMP. The project will promote labour saving technologies to reduce women workloads and apply gender sensitive approaches to ensure women's needs are considered.		
Labour and working conditions	Substantial	Moderate

Risk: The increased agricultural activity promoted by the project may result in households employing child labour on and off-farm. The increased household income may also lead to increased tensions among spouses and manifestations of different forms of gender-based violence (GBV) and increase of HIV risk acquisition and management. There is risk that the project may cause discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers.	Substantial	Moderate
Mitigations: The project will develop a labour and working conditions management plan to identify labour and working conditions related risks and provide mitigation actions. The procedures will also align to ILO provisions on labour and working conditions, e.g. child labour, gender-based violence, sexual harassment and exploitation, etc.		
Physical and economic resettlement	Low	Low
Risk: A focus on commercialization activities of the project activities may exclude the marginalized group and their participation in economic activities.	Low	Low
Mitigations: The project will have targeted interventions for poor communities and will create job opportunities for women and youth along the value chain.		
Project scope		
Project relevance	Moderate	Moderate
Risk: The risk that the use of anchor enterprises as a value chain approach is no longer priority for the government and that value chains selected do not benefit IFAD's target groups.	Moderate	Moderate
Mitigations: The project has been designed in a close coordination with the government and it is addressing government priorities to development of the selected value chains through private sector engagement and in line with the government strategy to restore the mandate of Parastatals as regulators and not market players, while allowing private sector to thrive. Legumes are critical crops in the current with potential for market integration while vegetables provides opportunities for market participation of smallholder farmers and improved access to locally produced crops and export potential. The value chains are relevant to the needs of smallholder farmers, and they build on IFAD's previous results in the country.		
Technical soundness	Moderate	Moderate
Risk: complexity, over/insufficient-ambition – Access to financial services is expected to unlock most investments in the smallholder farmers, such as access to working capital and climate proofed infrastructure such as shade nets. Inadequate incorporation of lesson learned and best practices may affect project implementation.	Moderate	Moderate

<p>Mitigations: The design is based on lessons learnt from other similar projects in the country and in other countries of the region. Lessons from FINCLUDE and SMLP on the need to graduate clusters to ensure only those that are market ready can be linked to formal markets and the need to continuously nurture the relationship between farmers and market players rather than expecting an organic relationship to be developed from Business-to-business linkages that project facilitate. These business-to-business linkages will include visit to farms for both anchors and SHF before a market arrangement is made.</p> <p>The design will promote innovations, such as introduction of shadenets, digital technologies for precision that have been tested elsewhere and will ensure a simple design by having few technical components and ensure components are clearly linked to each other and to project outcomes.</p> <p>De-risking of smallholder farmers to be bankable through several interventions including capacity building (business, Financial, Visioning, graduation and investments in public infrastructure) could provide opportunities for farmers to access financial services. Sensitizing and training financial institutions of the needs of SHF is another measure.</p>		
Institutional capacity for implementation & sustainability		
Implementation arrangements	Substantial	Substantial
<p>Risk: Lack of capacity among project implementing institutions leading to slow implementation progress and lower levels of designed outcomes.</p>	Substantial	Moderate
<p>Mitigations: The project will aim to use a diverse range of institutions that will include Government parastatals, public sector extension services, NGOs and private sector service providers as well as private sector anchor enterprises. Some of the target institutions have gained capacities through implementing current projects such as SMLP and FINCLUDE and the project will leverage such experiences. The use of a competitively recruited project implementation unit and provision of capacity building to implementing institutions will also mitigate these risks</p> <p>Also, SAPEMP will: employ highly consultative and participatory approaches for project, targeting, implementation, monitoring and evaluation; engage in activities that advocate for the promotion of inclusive rural livelihoods and wellbeing in the country; strengthen knowledge management for sharing of project objectives, results and lessons; assure transparency in targeting and measures to effectively avoid elite capture.</p>		
M&E arrangements	Moderate	Low
<p>Risk: Delayed implementation progress of key activities which may lead to delayed delivery of expected project results.</p> <p>Poor quality of project results as a result of some or a combination limited capacity of staff to adequately execute M & E function and/or inconsistent and low-quality data; of inadequate oversight and support by relevant government agencies/departments.</p>	Moderate	Low

Mitigations: Early engagement of implementing partners to ensure timely delivery of project results. SAPEMP will: develop tools and accountability reporting requirements; enhance budget controls in the implementation process; strengthen M&E capacities by providing TA and training to M&E staff coupled with use of innovative data management tools such as digital farmer diaries; conduct regular monitoring, evaluation and reporting mechanism and platforms to share results, promote accountability and transparency about impact; and involve key government agencies in Supervision and implementation support missions.		
Procurement		
Legal and regulatory framework	Moderate	Low
Risk(s): The lack of national standard bidding documents and a procurement manual/user guide, as well as the incomplete sharing of data concerning procurement monitoring and methods of procurement may be a source of inefficiency for project procurement, resulting in procurement delays, higher procurement costs and reduced procurement effectiveness which may jeopardize the achievement of the PDO.	Moderate	Low
Mitigations: The Eswatini Public Procurement Regulatory Agency (ESPPRA) has finalized the national manual/user guide by the time of SAPEMP project design but had not yet rolled them out for use. In the meantime, SAPEMP will employ IFAD's full set of standard procurement documents, including the procurement plan template to monitor and update implementation progress of approved procurement activities.		
Accountability and transparency	Moderate	Low
Risk(s): Medium risk of corruption (based on the 30/100 score assigned by Transparency International to Eswatini and ranking 130/180 in 2022). Low engagement of the public and civil society organizations in public procurement including as observers in various stages of the procurement process. This poses risk of lack of citizens monitoring of procurement processes to ensure public procurement processes are transparent and accountable.	Moderate	Low
Mitigations: The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to SAPEMP, vendors and third parties, in addition to the relevant national anticorruption laws. The PMU will make use of prior and ex-post reviews and of annual audits to ensure accountability and transparency. ESPPRA should create a platform for engagement/exchanges with the civil society, including building capacity, and reach out through informative sessions.		
Capability in public procurement	Substantial	Moderate
Risk(s): non-professionalization of procurement and low recognition of procurement as a career in the public sector. This poses the risk of procurement processes being carried out by unqualified procurement practitioners and high incidences of non-compliance with the Procurement Act and Regulations.	Substantial	Moderate
Mitigations: ESPPRA should work with universities to incorporate procurement studies in tertiary institutions and lobby for the legislation of a Procurement Practitioners Act for public procurement to be treated as a strategic level activity in corporate structures to give the procurement profession better recognition by stakeholders. ESPPRA to conduct regular procurement training to close the skills gap among procurement practitioners. PMU procurement staff will be trained on contract management, sustainability and SECAP requirements.		

Public procurement processes	Moderate	Moderate
Risk: Delays in tracking key stages of contract implementation, late payment of invoices, and coordination among various units involved could slow down the procurement process, resulting in project implementation delays, affecting the achievement of the planned targets and, consequently, of the overall PDO.	Moderate	Moderate
Mitigations: Adopt a risk-based approach to procurement. Train procurement staff on contract management, sustainability and SECAP requirements. SAPEMP will be set up onto the new End-to-End procurement system (OPEN) and the contract monitoring tool (CMT) functions of the IFAD Client Portal, to track and improve the quality of procurement processes and contract management, respectively.		
Financial Management		
Organization and staffing	Substantial	Substantial
Risk: The proposed implementing agency is the Parastatal EWADE under the ministry of Agriculture. Ongoing projects in Eswatini have experienced frequent staff resignations because of the issues around compensation packages. The frequent staff changes have created knowledge gaps in the programme with detrimental effect to programme quality. Previous IFAD funded projects implemented through similar structures (PMU under EWADE) have had issues with timeliness and quality of financial reports to IFAD. Another risk is that SAPEMP also is a complex programme due to multiple financiers. While PMU shall be made up of relevantly qualified personnel with appropriate expertise in their chosen fields, there may be lack of staff familiarity with IFAD, GEF and GCF procedures.		
Mitigations: In order to mitigate the risk of quality and timeliness of financial reporting for the project, EWADE as a parastatal would negotiate with the Ministry of Agriculture and the Ministry of Finance to review the compensation packages for key staff to ensure staff retention. The programme would also recruit quantified and experienced finance and accounting staff to manage the programme from inception. There will be MoUs between the PMU and FAO-Eswatini which will stipulate requirement on financial reporting. Any non-compliance from the implementing partner may have their disbursements suspended as a penalty for non-compliance. Regarding familiarity with IFAD, GEF and GCF procedures, FMD will provide capacity building training to the Finance Staff who will be selected competitively. The capacity building will include familiarization with procedures on financial reporting, expenditures categorizations across components, categories, financial reporting timelines and other financial management related to the Programme.		
Budgeting	Substantial	Substantial

<p>Risk(s): The programme has multiple financiers namely IFAD, GEF, GCF, Private Sector, Government Contribution and Beneficiaries contribution. There is a risk of mix-up in budgeting and expenditure allocations to these multiple financiers. There may also be a risk that annual work plans and budgets are not prepared or revised on a timely basis, and not executed in a coherent manner, resulting in funds not being available when needed, ineligible costs and reallocation of Programme funds and slow implementation progress. In Eswatini, annual programme budgets of donor projects are required to be approved into the national budget every year. There is the risk the project may not submit annual work planning and budget on time due to long administrative procedures.</p>		
<p>Mitigations: Ensure the Cost-tables, PDR and PIM have adequate details on key activities to be implemented and sources of finances for these costs. Subsequently, the AWPB will be prepared with adequate details on financing for key activities to ensure adequate guidance to the accounting team in booking of the expenditure. The MS Excel AWPB will have a column to show financiers and proportion of financing should the activity be financed from several sources. The PMU will coordinate the budget preparation processes with close coordination with FAO Eswatini as the major implementer and submit for approval by following the national budget calendar. Budget monitoring will be carried out periodically, at least on quarterly basis and any significant deviations discussed within the project for remedial actions. Approved budget will be coded in the accounting system for ease of monitoring and aligning expenditure when posting.</p>		
Funds flow/disbursement arrangements	Moderate	Moderate
<p>Risk: There is a risk of commingling of funds at the entity which will be provided with advances for implementation of programme activities. These includes the Central Bank of Eswatini which will receive advances from IFAD and transfers to the accounts of the PMU. Also, in addition to external development partners financing, there are Counterpart finances expected to be received from the Government of Eswatini and contributions from the private sector.</p>		
<p>Mitigations: To mitigate on risks of commingled funds and ease of accounting of any advance provided, funds will be held in Programme dedicated accounts for which there will be monthly bank accounts reconciliation and financial reports. All partnering institutions that will receive project funds will have sub- programme accounts for segregating the funds received. There will be monthly financial reports and bank recomputations by the PMU enable monitoring operations of sub-accounts and consolidation. All partnering institutions will sign MoUs clearly highlighting the requirements for a separate bank account and financial reporting requirements</p>		
Internal controls	Substantial	Substantial
<p>Risk(s): The PMU will be responsible for overall financial management of the Programme. It will be responsible to release funds against agreed plans, drawn out of the approved AWPBs, disburse funds to implementing agencies and coordinate monitoring and financial reporting for the Programme as a whole. There may be a risk that appropriate controls over Programme funds are not in place, leading to the inefficient or inappropriate use of Programme resources.</p>		

Mitigations: Internal controls have been instituted in the whole framework of financial and administrative procedures of EWADE. The identified controls range from; proper record keeping and posting, authorization of accounting, procurement and administrative documents, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. There will be internal audit function to check overall compliance to internal controls and provide support towards improving systems, procedures and processes. The control environment will be monitored using both internal and external audit and oversight.		
Accounting and financial reporting	Substantial	Substantial
Risk(s): There is a risk of delays in consolidation of programme financial reports at PMU which will be preparing consolidated financial reports for the program and inaccurate financial reporting due to the complex nature of the programme which has multiple financiers, categories and components. There are also possibility of delays and inaccuracies in financial reporting due to improper coding of transactions and the multiple currencies that may be involved.		
Mitigations: To mitigate on risks on financial reporting an appropriate accounting system will be acquired capable of multiple analysis code for reporting on component, categories, financiers, for reporting quarter, cumulative for the year and cumulative since start of the programme including recording of memorandum data on in kind contribution (IKC). There would appropriate segregation of duties around data entry, review, approval and posting to ensure accuracy and reliability. There will be standardized chart of accounts using the policies and definitions of EWADE and harmonised financial reporting template for all financiers to ease financial reporting.		
External audit	Substantial	Substantial
Risk(s): There is a risks of inadequate audit coverage of the programme audit considering OAG of Eswatini may be under-staff and not adequately resourced. There is also the risk of delays in the release of Audit reports because slow review processes and approval by the Auditor General.		
Mitigations: A comprehensive audit coverage plan has been prepared which will ensure adequate audit coverage. The plan provides for adequate annual audits at both PMU and FAO level, ensuring all chiefdoms are covered adequately. The project will be audited by private Audit firms. The auditor will prepare a work plan to ensure adequate coverage of the various institutions and chiefdoms that receive Programme funds and cover all the major risk areas and adequate coverage as per coverage plan. The audit terms of reference will be approved by IFAD in advance in line with the guidance provided in the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed projects.		
Stakeholders		
Stakeholder engagement/coordination	Moderate	Low

<p>Risk: Firstly, government stakeholders relevant to the project could feel they have been insufficiently consulted resulting in disagreement with the changes proposed by the project from a supply to a demand-driven approach. Secondly, sometimes the best development opportunities promoted by the projects are accessible to adult men in a favourable position or the same advanced groups who are prepared and trained to benefit from any project opportunity and some social groups could claim being excluded from accessing project opportunities to improve their income</p>	Moderate	Low
<p>Mitigations: Participation and consultation with stakeholders was done extensively during the development of this PCN as attested in the list of persons met. The project has also developed a draft stakeholder engagement matrix (attached to the SECAP), which identifies various stakeholders, how they will be engaged, information feedback loops and channels of communication. A detailed stakeholder engagement strategy and plan will be developed at the pre-implementation stage as part of measures to manage the risks. SAPEMP will also: make use of participatory and community-led methods of implementation, such as the highly inclusive Chieftom Development Planning, for community buy-in ownership and sustainability; engage with traditional leadership on the threats posed by political instability and the need to address such contentious issues as access to land; mainstream conflict resolution and negotiation skills in project activities; adopt a clear social inclusion strategy to ensure engagement of youth, women, PWDs, PLWHAs and other vulnerable groups.</p>		
Stakeholder grievances	Moderate	Low
<p>Risk: Ineffective or late activation of grievance/complaints redress mechanisms leading to unaddressed stakeholder complaints that may result in poor motivation and low project participation. This could undermine project implementation and achievement of project development objectives.</p>	Moderate	Low
<p>Mitigations: The project shall develop a grievance redress mechanism at the pre-implementation stage, which will guide grievance redress and conflicts management throughout the project cycle. Grievance redress processes shall be made available throughout project implementation to allow target groups to voice complaints or report wrongdoing and facilitate timely resolution of potential or realized negative impacts arising in connection with the project. The project shall ensure that grievance redress processes are easily accessible, fair, transparent, and establish clear steps and responsibilities from complaint to resolution. Stakeholders including beneficiaries and vulnerable groups shall be made aware about the existence and functioning of such processes at the initial stages of project implementation and trained on its use.</p>		