

**Kingdom of Swaziland - European Community**

**Country Strategy Paper  
and  
National Indicative Programme  
for the period 2008 – 2013**

The Government of the Kingdom of Swaziland and the European Commission hereby agree as follows:

- (1) The Government of the Kingdom of Swaziland (represented by Mr Mbuso C. Dlamini, Principal Secretary in the Ministry of Economic Planning and Development, National Authorising Officer of the European Development Fund) and the European Commission (represented by Mr Peter Beck Christiansen, Head of Delegation in Lesotho, accredited to the Kingdom of Swaziland) hereinafter referred to as the "parties", held discussions in Mbabane from April 2006 to October 2007 with a view to determining the general approach to cooperation for the period 2008 –2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Kingdom of Swaziland were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 and revised in Luxemburg on 25 June 2005. These discussions complete the programming process in Swaziland.

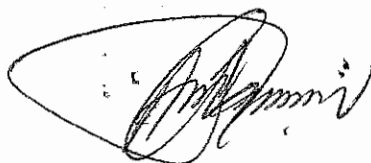
The Country Strategy Paper and the Indicative Programme are annexed to this document.
- (2) As regards the indicative programmable financial resources which the Community plans making available to the Kingdom of Swaziland for the period 2008 -2013, an amount of **€63.000.000** is earmarked for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and of **€900.000** for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Kingdom of Swaziland benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt- relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF Multi-annual Financial Framework for the period 2008 -2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Kingdom of Swaziland within the limits of the A- and B-allocations referred to in this document Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1) (d) of Annex IV to the ACP- EC Partnership Agreement for support to non- State actors or on the basis of Article

72(6) to the ACP- EC Partnership Agreement for humanitarian and emergency assistance funded from the B- allocations. Financing decision shall be taken and implemented according to the rules and procedures laid down in the EC Council Regulations on the implementation of the 10th EDF and on the financial regulations applicable to the 10th EDF and in Annex IV to the ACP- EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP -EC Partnership Agreement regarding the 10th EDF Multi-annual Financial Framework for the period 2008 -2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.  
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of prevailing needs and performance.  
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF Multi-annual Financial Framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Done at Lisbon on 9 December 2007.

For the Government of  
the Kingdom of Swaziland



**Rev. Absalom M. C. DLAMINI**  
Minister for Economic Planning and  
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For the European Commission



**Louis MICHEL**  
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## **SUMMARY**

The adoption of the new Constitution marks the preliminary end of a ten year drafting and consultation process and a significant change of Swaziland's political framework. On 26<sup>th</sup> July 2005 the King signed Swaziland's Constitution, which entered into force on 8 February 2006. The Constitution tries to reconcile requirements of modern law with traditional Swazi law and customs and is therefore inevitably open to differing interpretation in important sections.

The economic situation has deteriorated in recent years. Real GDP growth performance has been poor, averaging 2.3% per year for the period 1998 to 2004, and was 1.8 percent in 2005. The real appreciation of the lilangeni since 2002, and high oil import prices, hurt Swaziland's main exports (sugar, wood pulp, and garments) and manufacturing activities. Since South Africa democratised in 1994, Swaziland has lost part of its attractiveness to foreign investors. The perceived increase in the level of corruption lasting recent years has also reduced investor confidence. As regards public finance management government is faced with increasing problems to contain the budget deficit and to exercise effective control over expenditure.

In the medium term, the Swaziland economy will be adversely affected by the removal of preferences that have supported the sugar and garment industries. In the longer term, SACU tariff revenues, the largest source of revenue for Government, are forecast to decline as a result of trade liberalisation.

Despite past interventions, the HIV/AIDS pandemic continues to spread rapidly and reached 42.6 percent among pregnant women attending ante-natal clinics in 2004. The combined effects of HIV/AIDS and poverty have caused a surge in the number of orphans and out-of-school children, many of whom live in very precarious situations. Given the present level of sero-positivity, it is likely that many traditional social safeguards are being eroded, while the demands made on health services are putting additional stress on the government budget and public services.

The combined effect of the above developments has led to deterioration in the delivery of public services to such an extent that the country might become dysfunctional in the respective areas unless appropriate remedial measures are taken

Against this background and after extensive consultations among stakeholders, the EC and GoS have agreed on two focal sectors of support to contribute to the objective of poverty reduction: firstly, promotion of human development through support to the health and education sectors, and secondly improvement in the supply of water to the poor. Outside the focal areas, support will consist in particular of an allocation to EPA support, Governance initiatives, Non-State-Actors and a Technical and Cooperation Facility. The main cross-cutting issues will be gender, HIV/AIDS, good governance, capacity building and environment. Across all areas of EC support, it is expected that NSA will be able to contribute to the design, implementation and/or monitoring of the interventions. The overall indicative allocation for the A- Envelope under the 10th EDF amounts to €63 million and the B- Envelope to €0.9 million.

## **PART 1: STRATEGY PAPER**

### **CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE EC AND SWAZILAND**

#### **I.1.1 General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development cooperation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

The Union has developed a wide range of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance, as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action, including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as regional leader and as global partner. The EU should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its own neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

#### **I. 1.2 Strategic objectives of cooperation with the partner country**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Swaziland shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and

populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to eradicating poverty. Therefore the EU seeks to advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is for all EU non-aid policies to make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts across too many sectors. In this context the Community will be primarily active in the following nine areas, bearing in mind its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture, food security and food safety; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for five main cross-cutting issues: gender, HIV/AIDS, good governance, capacity building and environment

In December 2005, the European Council agreed on an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii)



improve access to basic social services (health, education) and protection of the environment to reach the MDGs 1 to 6 faster.

### **I.1.3 Main bilateral agreements**

Swaziland is signatory to the ACP-EU Partnership (Cotonou) Agreement. It is also a beneficiary under the ACP Sugar Protocol and the Beef Protocol.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1 Analysis of the political, economic, social and environmental situation in Swaziland**

#### **II.1.1 Political and institutional situation**

The present system of government is characterised by a combination of a customary system and Western models of governance. The government comprises a Cabinet of Ministers responsible to a two-chamber parliament. The King as Head of State is advised by the Prime Minister and also by the Swazi National Council, which is currently composed of twenty-four members appointed by the King, and other local government sub-systems, including traditional structures.

The “Westminster”- type constitution adopted at independence was found to be unsuited to the particular circumstances of the Swazi Nation, and was repealed by the King, in a Proclamation in 1973. From 1973 all executive, legislative and judicial power was vested in the King, until the restoration of parliamentary government in 1978. A new electoral system was restored with a two chamber Parliament consisting of a House of Assembly and Senate. Fifty- five members of the House of Assembly are elected by the fifty- five Tinkhundla (constituencies) into which the country is divided for electoral and other administrative purposes. A further ten members of the House of Assembly are appointed by the King.

A Constitutional Review Commission (CRC) was established in 1996, to accelerate the process of constitutional reform through national consultations. The Commission presented its reports to the King in 2001. A Constitution Drafting Commission began its work in 2002, and submitted a final draft constitution to the King in November 2003.

By 2004 the draft Constitution was introduced to the nation through civic education programmes of both the GoS and civil society, discussed at the Cattle byre (people's parliament), and debated by two houses of Parliament. Some civil society groups and international observers expressed concern as regards both the consultation process (not sufficiently inclusive) as well as the contents (lack of democratic safeguards, powers of the King). On 26 July 2005 the King signed the Constitution. As the date of entry into force of the Constitution was not clear, a special Committee was set up to resolve this issue and the Constitution finally entered into force on 8 February 2006. The commencement of the Constitution marks a significant change in the landscape of

Swaziland in spite of the abovementioned differing views. It contains a bill of rights with all essential rights and freedoms including equal rights for women and men. It further strengthens the role of the Parliament and ends the possibility to rule by decree. Independence of the Judiciary is another essential element of the Constitution. The Constitution also reserves an important role for Swazi Law and Customs and traditional institutions. In implementing the Constitution it will be a major challenge to reconcile modernity and tradition.

## **II.1.2 Economic and commercial situation**

### ***Economic situation, structure and performance***

The economy is based largely on agriculture and agro-industry. Sugar, fruit, and wood pulp are the major sectors with coal as the major mineral. The garment sector, benefiting from preferences under the African Growth and Opportunity Act, was one of the largest employers until the removal of textile quotas in January 2005. Subsistence agriculture, practised mainly in the Middleveld and Lubombo plateau, employs about 60% of the population. Soft drink concentrate, wood pulp, canned fruit and sugar are the main exports.

Sugar is one of the key industries in the national development of Swaziland, with an annual turnover in excess of €173 million and exports in excess of €71 million. It contributes about 18% to GDP, 7% to foreign exchange earnings and 35% to agricultural wage employment. The EU sugar market reform resulted in the EU sugar price reduction-which applies both to internal producers and to imports into the EU. As a consequence, Swaziland sugar industry and overall economy have to afford new challenges. For facilitating this process, the EU has offered to assist Swaziland in the adaptation processes.

Swaziland's real GDP growth performance has been averaging 2.3% for the period 1998 to 2004, and is expected to have fallen further to 1.8 percent in 2005, i.e. far below the SADC average of 5.4%. A prolonged drought has affected agricultural output, particularly maize -, the main staple crop, - and cotton. The appreciation of the lilangeni in real terms since 2002 and high oil import prices have hurt Swaziland's main exports (sugar, wood pulp, and garments) and manufacturing activities. With the democratisation of South Africa in 1994, Swaziland lost part of its attractiveness to foreign investors, and there has been a recent noticeable slow down in the number of FDI companies and projects attracted to the country.

The Lilangeni, which is pegged at par to the South African rand, appreciated by about 40 percent against the US\$ in nominal terms between January 2002 and December 2004. The strength of the rand, while adversely affecting exports, helped to offset the impact of rising world oil prices, contributing to lower inflation up to end-2004.

In the medium term, the Swaziland economy is susceptible to a range of potentially permanent shocks. These include the reduction in the prices for sugar exports to the EU, the possible removal in 2007 of the AGOA provision allowing the use of third-country fabrics, and the forecast decline in SACU tariff revenues as a result of trade

liberalization. The HIV/AIDS epidemic is also causing high mortality rates, a loss of productivity and real income, and mounting fiscal pressures.

Government has had some success in creating an environment that actively supports private sector investment. Progress has been achieved in the provision of necessary infrastructure, including the building of factory shells and upgrading of major transport routes. Labour costs in Swaziland are higher than in many competing African and Asian countries. Swaziland's competitiveness has also been weakened by low investor confidence, cumbersome business regulations especially concerning trade licensing and entry permits, unreliable power supply and expensive telecommunications. Efforts will therefore have to be made to boost labour productivity, reduce domestic costs, and improve the investment climate.

### ***Structure and management of public finances***

Fiscal imbalances have widened in the last two fiscal years. In 2004/05, despite a large one-off windfall in the form of SACU revenues and efforts to increase domestic revenue by removing some tax exemptions, the deficit (including grants) rose to 4.3% of GDP, significantly higher than the originally budgeted deficit of 2.8% of GDP, as the wage bill and other current expenditures were sharply increased in three supplementary budgets.

The fiscal deficits are financed through the drawdown in reserves and increased borrowing, i.e. domestically through treasury bills and bonds, as well as externally. In the face of shocks to exports and strong pressure to finance the fiscal deficit, gross international reserves declined from 1.9 months of imports at the end of 2003 to 1.1 months at the end of 2005 but recovered in 2006.

Government expenditure is heavily skewed towards consumption with 78% being allocated for recurrent expenditure, and only 22% allocated to Government investment. Unless more expenditure is targeted at public investment, economic growth will continue to decline in the medium term.

Reports by the IMF and the World Bank have underlined the need for public finance management reform in order to create the fiscal space to support poverty reduction. Proposed measures include a more pro-poor composition of public expenditure, right sizing of the public service, reduction of unproductive expenditure, introduction of a revenue authority and a broad-based VAT, as well as improved audits of public entities.

### ***Revenue***

Government revenues come from a variety of sources, namely: individual income taxes, corporate tax, customs receipts, and miscellaneous receipts. Total revenue, including grants, for the year 2005/06 is estimated at E5.1 billion. SACU receipts still make up the largest share (55% of total revenue) followed by individual and sales taxes respectively (with 5% and 12%). The SACU share for 2007/2008 is forecast at 71%. Company tax contributes a meagre 8%. Grants contribute only 4% of total revenue.

There is an imminent challenge for Government to diversify its sources of revenue ahead of the threats to SACU receipts posed by global pressure to reduce trade barriers.

### ***Expenditure***

Expenditure has been growing faster than revenues. The fastest increase in expenditure is in the area of general payments. This includes personnel, the purchase of goods and services by the Government and transfer payments. Personnel costs currently stand at 60% of the total recurrent budget. This includes the effect of adjustments to the salaries of civil servants, and the armed forces. Other costs such as external travel and utilities are driven by personnel and continue to rise. This is an indication that curbing personnel costs is key to controlling recurrent expenditure.

General payments increased from E1.4 billion in 1999/00 to over E4.5 billion in 2005/06. General payments account for about E495 million monthly, on average, in the current financial year.

### ***External Debt***

There has been a significant increase in total public and publicly guaranteed external debt since 1998/99. According to figures for the financial year ending 31<sup>st</sup> March 2005, total debt stock has increased from E1.4 billion in 1998/99, to E3.036 billion in 2004/05. Most of it comes from multilateral organisations, with the Africa Development Bank (ADB)/Africa Development Fund (ADF) having the largest share, which amounted to E1.397 billion out of total of E1.77 billion. The rest came from the IBRD, IDA, EDF/EIB, and IFAD.

The ratio of external debt to Gross Domestic Product (GDP) for Swaziland has remained well within the required limits for a country of Swaziland's size. The ratio increased from 22% in 1998 to reach 33% in 2001 before sliding back to less than 17% in 2005/06. These fluctuations have largely been due to fluctuations in currency exchange rates. The ratio of total (external and domestic) debt stock is 20% of GDP for the half year to June 2006.

### ***Assessment of the reform process***

The Kingdom of Swaziland acknowledges that fiscal sustainability, good governance and the rule of law remain keys to macroeconomic management and equitable socio-economic development. In this regard the Government of Swaziland adopted a Constitution (through the assistance of the Commonwealth) in July 2005. This Supreme Law aims to restore Government's credibility and resolve many concerns about the rule of law and public finance management.

The Ministry of Finance has stated in its most recent Medium Term Budget Policy Statement that it intends to try and cut the fiscal deficit to 2% of GDP in the next two years and achieve a balanced budget in 2008/09. This will require implementation of measures aimed at controlling expenditure and strengthening revenue mobilisation – through tax administration reforms. Moreover, the Cabinet has approved the Revenue Authority Bill which seeks to establish the unified Revenue Authority by combining the

Departments of Customs and Excise with the Department of Income Tax. The Bill has been sent to parliament for enactment. In addition, Government is undertaking preparatory work for the introduction of a broad-based Value Added Tax (VAT). Initially, the plan was to introduce it in the current financial year, but this was later postponed pending the establishment of the Revenue Authority, which will be tasked with introducing VAT.

On the expenditure side, containment of the wage bill, (which is well above African average), by implementing the civil service reforms will be crucial for restoring fiscal sustainability. Weak controls on expenditure, especially the lack of effective control of expenditure commitments at the level of line ministries, have resulted in budget overruns and accumulation of domestic arrears. The deepening process of implementing the medium-term expenditure framework (MTEF) will result in enhanced fiscal transparency and quality of the budgeting process for ministries and departments should help prioritize expenditure, increase accountability and strengthen fiscal discipline. It is envisaged that by the beginning of the 2007/08 financial year, the process of implementing a computerised commitment system and the review of Government procurement procedures, will be finalised. Moreover, strengthening of the audit system will further enhance transparency and accountability.

Much more needs to be done if the effectiveness of Government spending is to improve to the point where the Government's generally sound policy objectives are actually achieved. Initially, actual expenditure must be aligned with policy priorities. For example, despite the importance of agriculture to the economy, and to the poorer segments of the population, in particular, the Government is moving very slowly to implement the Maputo Declaration, which it signed pledging to spend 10% of its resources on agriculture. In education, policy objectives emphasize primary education, which is, broadly, pro-poor, but actual spending on education is heavily geared towards tertiary education, mainly benefiting the well-off. However, Government is developing a Scholarship Policy, which seeks to target tertiary education resources on a pro-poor basis, in line with the PRSAP and a National Action Plan for OVCs. In primary schools, tests of learning outcomes, especially of core mathematics and reading skills, show Swaziland to be the lowest of the SACU countries and also when compared with many African low-income countries, which spend much less than Swaziland on education.

Effective control of capital spending must be introduced, as budget speeches regularly complain about delays in implementation and cost over-runs. Moreover, Government has recognised the need for a more rigorous assessment of projects. Project appraisal and monitoring tools must be improved considerably so that the contribution of projects to achieving the government's poverty reduction objectives can be more rigorously assessed.

The Government approved a Privatisation Policy for Swaziland in 2004 and has submitted the Swaziland Railway Privatization Bill to Parliament. However, so far, no public enterprises have been privatised. Progress needs to be made in identifying enterprises which could be privatized, developing the necessary regulatory frameworks, and establishing a specific timetable for this process. Privatisation of key utilities could

enhance private sector development, help improve the competitiveness of the Swazi economy through lower costs for key services, and contribute to fiscal consolidation by lowering the costs of goods and services supplied by these enterprises, as well as reducing the level of subsidies.

The recently enacted Insurance Bill has opened up the insurance sector to competition. Parliament approved the Financial Institutions Bill, which, once signed into law, will help strengthen corporate governance in banks. Additional legislative items awaiting parliamentary approval include the Financial Services Regulatory Authority Bill and the Securities Bill. A Real- Time Gross Settlement system is being implemented to modernize the national payment system. Based on a mutual evaluation in the Eastern and Southern Africa Anti-Money Laundering (AML/CFT) Group, the Swaziland authorities are working to strengthen their AML/CFT regime, including the relevant legal framework. This will include implementing the Anti-Money Laundering Act and the Anti-Corruption Act.

The long awaited decentralisation under the Tinkhundla system was given a boost with the approval of the Decentralization Policy in 2005, and the establishment of the new Ministry of Regional Development and Youth, which is tasked with implementing the Policy. The main goal of the policy is to provide an enabling environment for promoting sustainable and participatory local and national development within a decentralised governance framework. It will involve the establishment of clearly defined geographical levels of local Government with clearly defined operating structures, systems and procedures in line with the provision in the Constitution on the introduction of local government structures.

Whilst Swaziland has set up an Anti-Corruption Unit to combat bribery and corruption in the public sector, in the past there was a sense of a lack of commitment to fight corruption. The fight against corruption was also hindered by the absence of an adequate legislative framework which, was finally created by mid 2006 with the adoption of the Prevention of Corruption Act. In August 2006 an anti-corruption summit was held to lend momentum to the fight against corruption in government, the private sector and civil society. There is now a need to ensure that the Anti-Corruption Unit is allocated adequate resources to enable it to function effectively. The corruption perception index published by Transparency International for 2006 gives a value of 2.5 out of 10 for Swaziland (down from 2.7 in 2005), ranking it 121st out of 163 countries. The value of 2.5 is clearly below average for the Southern African region.

### ***Trade policy and external environment***

At the regional level, Swaziland's trade policy process is determined by its history and the evolving regime of the various trade agreements and arrangements to which the country has been a party and/or a beneficiary. These include the Common Market for Southern and East African States (COMESA), the Southern African Development Community (SADC), the Lomé Convention/Cotonou Agreement, the African Growth and Opportunity Act (AGOA) and the Southern African Customs Union (SACU). The SACU agreement - which is by far the most important determinant of Swaziland's trade policy

and institutional arrangement - dates back to 1910. From its inception until July 2004 when the new 2002 SACU agreement formally came into force, SACU's trade policy and its administration were the sole responsibility of the South African government.

Swaziland was a founding member of the Preferential Trade Area (PTA) of Southern Africa, later transformed into the Common Market for Eastern and Southern Africa (COMESA) in 1981. As a member, Swaziland exported to the COMESA market under an agreed derogation concerning reciprocity on market access and adopting a common external tariff (CET), as it was already a member of SACU, which did not have any cooperative agreement with COMESA. The derogation has been time bound and was extended for another two years to 2008. Under the new SACU rules, Swaziland cannot negotiate any trade arrangement with other organisations without the consent of SACU. At present, studies are on-going to evaluate the implications of the current overlapping regional memberships in order to ascertain the costs and benefits before SADC becomes an FTA by 2008.

Swaziland's membership of the WTO provides an opportunity for greater integration into the world economy through multilateral trade negotiations. WTO membership allows Swaziland the option to lock in trade liberalization and in particular the opportunity to bind tariffs on goods and services at levels that serve the interest of the country. For this to be feasible, Swaziland will have to capitalize on the new and more democratic structure that SACU's new agreement offers the BLNS countries and to make a case for the reshaping of the SACU tariff structure in line with its trade interests. This will of course involve difficult negotiations at both the SACU and WTO levels, for which Swaziland has to be prepared.

In line with the respective provisions of the Cotonou Agreement Swaziland is negotiating together with six other SADC members an Economic Partnership Agreement with the European Union to replace the current trade regime, for which the WTO waiver ends in December 2007.

Swaziland along with Botswana, Lesotho, and Namibia (BNLS), is a member of the South African Customs Union (SACU) together with South Africa. This means that they offer de facto reciprocity to the European Union. Therefore, BLNS countries would consider the Trade Development and Cooperation Agreement (TDCA) between the EU and South Africa as a basis for tariff negotiations, on the condition that their sensitivities are accommodated and that the least-developed country status of Lesotho is taken into account. The other SADC EPA countries, Angola, Mozambique and Tanzania, are all least-developed countries and thus benefit from EBA access to the EU market, without being required to open their own markets to EU products. The request of the region to include South Africa in the EPA negotiations has been accepted by the EU.

Swaziland has weak trade analysis and negotiating capacities and poor policy coordination. It has a number of constraints and capacity gaps in terms of conducting effective trade policy and exercising its rights and obligations in international and regional trade. In terms of trade policy constraints, there is no clear overall trade and

investment strategy, and coherence between the trade policy agenda and the overall macroeconomic strategy is weak. The country also often faces difficulties in adopting a coherent and efficient trade negotiating agenda in various fora.

### **II.1.3 Social situation, including work and employment**

The Human Development Index for Swaziland was at 0.530 in 1975; it, then rose steadily to reach 0.624 in 1990 reflecting robust economic growth during that period. In the 1990s growth rates started to decline. In 2003 the HDI was down to 0.498 (rank 147th out of 177) reflecting declining economic growth rates and, more recently the decreasing life expectancy due to HIV/AIDS.

Unemployment is currently estimated at around 30 percent of the economically active population, but if the definition included discouraged job seekers, the rate would be over 40 percent. The removal of the textile quotas since January 2005 has led to factory closures and significant job losses in the garment sector, which cause further worsening of the unemployment rate. More than 15,000 jobs (over 50 percent of jobs in the garment sector) are estimated to have been lost in the last two years. It is projected that private sector employment will decline at -0.2 percent per annum for the foreseeable future.

Efforts to reduce poverty have concentrated on improving food security, extending the reach of anti-HIV/AIDS programmes, and improving access to primary education. The National Emergency Response Council reported that Swaziland met the target under the WHO “3 by 5” initiative (providing at least 13,000 AIDS patients with antiretroviral treatment by end 2005). It also recently launched a programme to provide food and social support to orphans.

#### ***Food Security***

According to the Swaziland Vulnerability Assessment for 2005 food deficiency has continued to be a problem in most of the regions in Swaziland. The disaster situation is mainly in the Middleveld and the Lowveld Regions. The World Food Programme (WFP) forecasts that a total of 410,000 people will require food assistance of varying amounts in 2007.

Swaziland is experiencing its fourth consecutive year of adverse climatic conditions. Localised drought, heat waves and hailstorms, and declining crop production are increasing the number of people facing varying degrees of food insecurity. According to the WFP assessment for 2005, many households are facing chronic and acute food insecurity, which is not merely caused by poor climatic conditions but is also compounded by the effects of HIV/AIDS and a general economic decline.

A Disaster Management Bill, prepared by the DPM's office, will establish a permanent inter-governmental structure at national and regional levels, linking government ministries with the administrations of the four regions. It will ensure an integrated, coordinated and common approach to disaster management, and it will also streamline the process for declaring a national disaster. This in turn will make it



easier for international donors to provide needed aid in a timely manner. There is a need for Government to further strengthen the capacity of the National Disaster Management Task Force Secretariat, particularly in relation to human resources.

### ***HIV/AIDS and Health***

Despite past interventions the HIV/AIDS pandemic in Swaziland continues to spread rapidly and reached 42.6 percent among pregnant women attending ante-natal clinics in 2004, and 39.6 % two years later. A recent demographic and health survey gave for the first time a more complete picture of the situation. The prevalence rate in the total population is 19%, for the age group 15-49 years it is 26%. The economically active age groups around 30 years show the highest prevalence rates varying between 40% and 50% with women clearly more affected than men. However, from the age of about 35 years on the prevalence rate among men is higher than among women. As regards both the prevalence rate of pregnant women and of the total population Swaziland still has the highest rate worldwide.

The death rate has increased, as a result of AIDS mortality, from 9.9 in 1990 to 30 deaths for 1,000 in 2005<sup>1</sup> and is projected to reach 30.2 deaths per 1,000 by 2010. There is great concern over the possible loss to HIV/AIDS of much of the country's skilled and experienced labour over the next two decades, and a significant reduction in labour supply, productivity, foreign direct investment, and economic growth, unless current trends are reversed by the successful implementation of HIV/AIDS programmes.

HIV/AIDS is having a devastating economic and social impact on affected households as assets and incomes are lost and the burden of dependency on remaining active adults rapidly becomes unsustainable. The number of Orphans & Vulnerable Children (OVC) which was about 32.000 in 2001, will rise to over 120.000 (approximately 15 percent of the population by 2010) with HIV/AIDS being the main cause.

The National Emergency Council on HIV/AIDS (NERCHA) established in 2001 under the Prime Minister's Office is coordinating Swaziland's response to the epidemic. NERCHA is playing an active role in combating the epidemic and has achieved important results fostering wide multi-sectoral involvement of stakeholders and mobilising resources.

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<sup>1</sup> UNICEF

The joint review of the National Multi-sectoral HIV/AIDS Strategic Plan (NSP) and accompanying action plan for the period 2006-2008 seeks to contribute towards the achievement of the vision to halt and reverse the HIV and AIDS epidemic in the country by 2015. While this plan builds on the achievements of the past, it also calls for an up-scaling and intensification of the response as well as implementation of a comprehensive and truly multi-sectoral response. The plan addresses strategies under four thematic areas namely; Prevention and Care, Support and Treatment, Impact Mitigation and Management of the national response. The management of the national response includes addressing institutional arrangements, planning and programme development, resource mobilization and financial management, advocacy and communication, community mobilization, research, as well as monitoring and evaluation. The goal is to create an enabling environment for the effective management and co-ordination of all instruments and interventions directed at combating the epidemic.

Swaziland receives substantial financial support from the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) US\$52 millions were granted in 2003 of which US\$30 millions were made available for the first two years. Actual disbursements have lagged significantly behind projected expenditure, indicating a problem of absorption capacity.

While prevention campaigns are carried out in a regular basis, no important behavioral change has been achieved so far. Many people in rural areas remain ignorant of HIV/AIDS characteristics, and practices that exacerbate HIV/AIDS, such as inter-generational sex and multiple concurrent sexual partners, the abuse of gender power relations by men and low condom use are still common.

In recent years, access to voluntary counselling and testing (VCT) has improved with the creation of VCT facilities in the majority of the urban areas, and outreach activities to rural areas. Currently, there are 13.000 people living with HIV/AIDS taking ART, passing the target set under the WHO "3 by 5" initiative. In addition, prevention of mother- to- child transmission is gradually being introduced in antenatal care facilities, and home-based care programmes are being strengthened.

The fight against the epidemic has been hampered by a rising turnover in the nursing profession, with many leaving the country to work abroad. Despite the dramatic effects of the epidemic, Government spending on health in 2005/2006 is about 7.8% of total government expenditure, compared with a target of 15% according to the Abuja Declaration of African Heads of States and Government.

The health infrastructure in Swaziland is relatively well developed compared to many other African countries, with about 80% of the population living within an 8 km radius of a health facility. The Primary Health Care Strategy aims at providing services that will be accessible and affordable to all and there are 187 outreach sites and 162 clinics, distributed throughout the country. However, many facilities - particularly in rural areas- are poorly maintained, and transport and other socio-economic factors are still obstacles to access. Primary health care facilities also lack basic equipment and, regular supply of

drugs and they experience problems of staff shortages. A study financed by ADB is currently assessing the physical condition of all primary health care facilities. Taiwan has provided funding for equipment for hospitals and some clinics and Japan has financed laboratory equipment and supplies to test for malaria and TB. The Italian Cooperation is supporting the Ministry of Health and Social Welfare in the rehabilitation and expansion of hospital laboratories. UNICEF's Child Health and Nutrition Project aims to strengthen primary health care services and community care capacities, in order to improve infant and young child feeding, reduce iron deficiency anaemia and improve management of diarrhoea.

The efficient management of the health sector is currently constrained by poor human resource management, a lack of planning capacity within the Ministry of Health and Social Welfare, and poor data and management information systems.

### ***Education***

The right to free primary education was included in the new constitution, and the goal of the Poverty Reduction Strategy and Action Plan is to provide relevant, high quality and affordable primary education for all Swazi children by the year 2015. However Swaziland is still far from the EFA goal of universal completion of 10-year basic education. Currently, an adult Swazi attains 7.5 years of schooling on average. Both demand and supply side factors contribute to Swaziland's current distance from the EFA goal. On the demand side, poverty and primary school fees are an obstacle to equal access; the poor and the disadvantaged in particular are excluded from the system as the costs are too high for parents to be able to send their children to school.

The HIV/AIDS pandemic continues to have a negative impact on demand and supply side factors, and results in higher costs for basic education. HIV/AIDS makes education less affordable to households, and the increasing number of orphans has a higher risk of not being enrolled in school, dropping out of school and being used as child labour. HIV/AIDS also has a negative effect on educators and on the systems and institutions responsible for providing educational services. Of serious concern is the potential effect on teaching performance due to teachers falling ill.

The deteriorating fiscal condition has led to a decline in the budgetary allocation to education. Resource allocation to education declined from over 25 percent of total public spending in 1999/2000 to below 21 percent in 2004/05. System equity in the education sector needs to be strengthened. The bias in financing in favour of tertiary education needs to be corrected and more financial resources should be channeled into primary education.

Whilst primary net enrolments rates rose to 85% in 2005, high repetition rates (15%) and drop out rates (8%) demonstrate the lack of quality and relevance of primary education and the inefficiency of the system. On the supply side, regional disparities in classrooms and teacher availability reinforce demand- side disparities across regions.

The teaching in primary and secondary education does not include the type of practical or pre-vocational subjects which prepare students for entrepreneurship, a culture of self-employment and/or formal employment. In addition, the fact that employers are

dissatisfied with the calibre of graduates due to the outdated curricula and equipment and the poor calibre of the teachers, combined with the lack of a national qualification framework, all, act as deterrents to entry to TVET institutions.

In addition to the EDF 9 Support to Education and Training Programme, other donor activities in the education sector include UNICEF's Education and Life Skills Development Programme, and their Universal Primary Education Project, which supports the MOE to implement and monitor its Universal Primary Education Project.

### ***Women and Children***

Women and children are key vulnerable groups that bear the burden of increasing poverty and disease in Swaziland. There are 160, 000 children under the age of five in Swaziland who bear the greatest burden of ill health in the country. Access by the poor to basic health and education services is low, and there is no dependable social protection scheme, which can support the needs of the most vulnerable children and their families. As a result, some 5,000 children die every year before the age of five. Furthermore, 15% of people living with HIV/AIDS in Swaziland are children under 14 years of age. An estimated 70,000 children have so far been orphaned by the HIV/AIDS pandemic. Support to OVC by paying school fees and the provision of food have been initiated although the needs are still enormous.

### ***Water, Sanitation and Energy***

In 2004 water coverage was 87% in urban areas and 54% in rural areas, although about 17% of these rural water schemes are not functional and require major rehabilitation. This effectively means that almost two thirds (2/3) of the households in rural areas do not have access to safe water.

Sanitation standards, like those of water supply, deteriorate as one moves from urban areas down to peri-urban and ultimately to the rural areas, where only 44% of households have proper sanitation facilities. Water sources in many areas are contaminated and the incidence of environmental health related diseases remains very high. The major cause of visits to outpatient departments is the poor environmental sanitation in and around human settlements.

Swaziland's Poverty Reduction Strategy and Action Plan include the goals that everyone should have access to safe water and, proper sanitation by 2010, and the following strategies will be adopted to achieve these goals:

- i. Develop and enforce legislative and regulatory framework for ensuring proper sanitation and water supply;
- ii. Ensure proper planning and regulation of human settlements and associated infrastructure and services in peri-urban and rural areas;
- iii. Coordinate and harmonize the activities of planners and suppliers of water- related infrastructure and services;
- iv. Develop mechanisms to control/monitor water usage and legislation to minimize the wastage of water;
- v. Research and encourage appropriate and less costly options for water supply and rain water harvesting;

- vi. Reduce the contamination of water and encourage community and household water purification methods (e.g. sand filter methods);
- vii. Improve water supply maintenance capacity within communities.

The Water Act (2003) is intended to harmonise the management of water resources in the country. Its provisions include the establishment of a National Water Authority and of a Water Resources Master Plan. This plan will contain an inventory of the total water resources of Swaziland, and a comprehensive programme of action in which the maximum value can be derived from these resources.

The Rural Water Supply Branch (RWSB) of the Ministry of Natural Resources and Water Affairs is tasked with providing clean safe drinking water supplies and adequate sanitation facilities to residents in the rural areas of Swaziland. The RWSB and the Water Resources Branch, which is responsible for monitoring and controlling the overall use of water, will be absorbed into a Department of Water Affairs within MNRWA. The Department will be headed by a Director who will report directly to the Principal Secretary.

The RSWB has a budget of SZL 31 million for 2007/08 comprising SZL30 million from Taiwan and 1 million from GOS. Taiwan's funding of the sector is due to end in 2007/08, and the RSWB estimates that it will require at least SZL100 million to cover the capital costs of its rural water supply projects between 2008 and 2011.

#### **II.1.4 Environmental situation**

The environment and natural resources of Swaziland are under pressure from population growth, competing land uses and poverty. There is a need for sustainable management of natural resources and greater involvement and responsibility of the population, in particular in the rural areas. Degradation of land, water, forest, biological diversity and other natural resources as a result of unsustainable land use practices have a severe impact on the population, as the land and water productivity and ecosystem services have decreased and no longer provide the goods that are required by the rural population. This environmental degradation, together with apparent climatic change and population growth, has a significant impact on food security which has decreased clearly over the past decades.

The demand for water is strongly increasing as a result of expanding irrigation, industrial activities and residential use. The water that Swaziland can utilise from its main river basins is limited by agreements with South Africa and Mozambique. Most rivers rise in South Africa and all flow eventually to Mozambique. An ongoing programme aims at providing a detailed water resource assessment as well as management and development options. The groundwater resources of Swaziland have potential for exploitation. However, these resources are not available in sufficient quantity to allow large scale extraction, hence virtually all irrigation is based on surface water.

Living conditions in human settlements in general are not improving, although progress is being achieved in certain essential deliveries, albeit at a very slow pace. Due to water and local air pollution and severe constraints in waste management the environmental health risks are still very high.

Whilst Swaziland has an extensive policy framework related to the environment, several policies or strategies exist only in draft form, and have not yet been developed, e.g. a Water Policy and a Biodiversity Policy. The legislative framework is currently still largely fragmented and outdated, and the implementation of various pieces of legislation remains unsatisfactory.

The main conclusion of the environmental review and assessment is that undesirable environmental trends related to land and water management, land degradation and pollution, ecosystem and biodiversity degradation, climate change, and living conditions in human settlement have led to the following combined impacts on the society, in a sequence where the components are interactive and impacting on each other.

- Decrease of affordable energy sources
- Insufficient clean water and sanitation
- Contaminated and polluted soil and water bodies
- Decrease of production and harvesting
- Polluted air
- Poor living conditions
- Increased environmental health hazards
- Increased social and economic vulnerability
- Increase in food insecurity
- Impoverishment of livelihoods

For the past 50 years rural areas have experienced problems of depletion of natural resources, which are manifested in overgrazing and soil erosion on both arable and grazing land. This has become more evident recently as pressure on land has increased as a result of growth in the human and livestock population. Despite the creation of the Land Use Planning Division in the Ministry of Agriculture, it has not been able to make a significant impact on the stewardship of land resources in the country.

### **II.1.5 Swaziland in the international context**

On 26 March 2004, Swaziland ratified, without reservations, four key human rights conventions: the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW); the UN Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT); the International Covenant on Civil and Political rights, and the International Covenant on Economic, Social and Cultural Rights. These conventions have not yet been incorporated into national law. The government of Swaziland preferred to wait for the adoption of the Constitution in order to ensure a coherent implementation of both the Constitution and the UN conventions. It is vital that the practical steps required to implement the obligations under these instruments be taken as swiftly as possible.

## II.2. Poverty reduction analysis

The table below provides indicators for the last five years on ten selected Millennium Development Goals. These ten indicators were selected to systematically measure progress towards poverty reduction.

Type	Indicator	2000	2001	2002	2003	2004	2015
Impact	1. Proportion of population below \$1 per day <sup>2</sup>	66	66	65	66	69	35
	2. Prevalence of underweight children (under-five years of age) <sup>2</sup>	10	10	10	10		
	3. Under-five mortality rate <sup>3</sup>		142	149	153		
Outcome	4. Net enrolment ratio in primary <sup>4</sup> education	76.1	72.7	75	75	85	100
	5. Primary Completion Rate	24.2	21.6				
	6. Ratio of girls to boys in:						
	- primary education	1:1	1:1	1:1	1:1	1:1	1:1
	-secondary education	1:0.9	1:0.9	1:0.9	1:0.9	1:0.8	1:1
	7. Proportion of births attended by skilled health personnel <sup>5</sup>	70	70	72		86	
	8. Proportion of 1 year old children immunised against measles <sup>6</sup>	72		38		39	
	9. HIV prevalence among 15-24 year old pregnant women <sup>7</sup>	34		39			
	10. Proportion of population with sustainable access to an improved water source <sup>2</sup>	50				62	79
	Proportion of population with access to basic sanitation					48	71

Source:

- 1 CSO Household Income and Expenditure Data
- 2 Southern Africa Regional Poverty Network (SADC) statistics,
- 3 UNICEF Social Indicators, state of the world's children 2004
- 4 Education Statistics, CSO
- 5 Education Statistics, CSO
- 6 Education Statistics, CSO
- 7 Ministry of Health and Social Welfare 2002
- 8 Health Statistics, CSO
- 9 7<sup>th</sup> and 8<sup>th</sup> HIV Sentinel Sero Surveillance Survey Report (2000 and 2002)
- 10 UNICEF Social Indicators, state of the world's children 2004

The prevalence of income poverty in Swaziland is determined from the Swaziland Household Income and Expenditure Survey (SHIES). Current poverty assessments are based on the SHIES carried out in 1995. The Central Statistical Office carried out another SHIES in 2001. Processing of the raw data and data analysis is not yet complete, and a new poverty profile has not been constructed. It is expected that the same definitions of

poverty will be used in the new profile so that changes in poverty since 1995 can be tracked and be used in future projections.

Although Swaziland is classified as a Middle Income country with a per capita annual income of US\$1 245 (2002), the poorest 40 percent of the population average only US\$230 and 69% live below the national poverty line. Income distribution is very skewed, with 10% of the population receiving about 43 percent of the national income.

Factors that have been found to contribute to the incidence of poverty include rapid population growth, the prevalence of HIV/AIDS, a skewed distribution of income and resources, rising unemployment and food insecurity.

In the Prioritised Action Programme on Poverty Reduction (PAPPR), the government set a target of halving the number of people living below the poverty line by 2015 and eliminating poverty altogether by the year 2022.

The achievement of MDGs for Swaziland is central to the Government's poverty reduction programme. Despite these policy pronouncements, the trend towards the achievement of the MDGs is not promising, with national resources still not being allocated optimally to achieve the goals. The share of the budget allocation to social sectors, although increasing, remains low, considering the social challenges faced by the country, particularly for health. The other major obstacle to monitoring the achievement of the MDGs is the unavailability of data. The monitoring and evaluation mechanisms (including statistical capacities) need strengthening.

Based on available statistics and the 2003 progress assessment, contained in the UNDP Country Report for MDGs, Swaziland will not be in a position to meet the targets on time. It is noticeable that, although the policy framework is in place in all sectors, there is little evidence of the accompanying measures to implement the policies. HIV/AIDS, wide-spread poverty, low economic growth, low rates of Government revenue and high unemployment provide the principal basis for this discouraging assessment of MDG goals for Swaziland. Given the deterioration of Swaziland's HDI, many more households than in 2004 will now be facing conditions of extreme poverty, particularly given the increasing number of job losses in the formal sector.

### **II.3. Development strategy**

Swaziland's national policy agenda for sustainable social and economic development is set out in a long-term vision, the National Development Strategy (NDS) (1997-2022). The Millennium Action Programme (MAP), which began in 2002, selected targets for ministries that implement the principal objectives of the NDS. These targets include, among others, poverty alleviation, with an emphasis on rural development, employment creation, HIV/AIDS, efficiency and cost-effectiveness in the public service.



In 2004, the Prime Minister announced the Smart Programme on Economic Empowerment and Development (SPEED), which followed the Millennium Action Programme (MAP), and which also monitored the implementation of key government programmes related to: (a) a sustainable economy founded on fiscal discipline and good economic governance together with sound and proactive international trade policies, (b) regional development (c) public service reforms, (d) human capital development – which includes reforming the education system, health and HIV& AIDS and poverty reduction.

The development of the Poverty Reduction Strategy and Action Plan (PRSAP) began with an intensive consultative process in 2001, which led in 2002 to the production of an intermediate strategic document called the Prioritised Action Programme on Poverty Reduction, which focussed on a limited number of poverty issues. The final PRSAP was adopted in May 2007. The PRSAP is divided into two volumes. Volume I: The Strategy document: analyses the poverty situation in Swaziland – causes, status, opportunities, limitations and measures being taken. It briefly outlines the key poverty issues and how they can be addressed as part of a sectoral, cross-sectoral and national strategy. Volume II: The Action Programme: briefly describes the actions that should be taken to implement the strategies listed in Volume I. Preparatory works have started concerning the implementation of the PRSAP.

#### **II.4. Analysis of the viability of current policies and the medium-term challenges**

Overall, the policy agenda of the government as well as the major sector policies are well defined in the National Development Plan. The long-term objectives to improve the level of human development founded on sustainable economic development, social justice and political stability are clear. The medium-term priority sectors are defined and incorporated in the public development expenditure budget. On the basis of these policies Swaziland should be able to secure sustainable development if the weaknesses of its administration to deliver services including corruption are addressed and effective control of public expenditure is introduced in order to avoid falling into a debt trap. There is now a need to prioritise the PRSAP. Most of the focus areas in the PRSAP have ended up being a "wish list" with little prioritisation; this has resulted in inadequate focus, diminishing the potential value of the document for both national authorities and donors.

In general terms, Swaziland is facing the medium-term challenge of attaining sustained economic growth with macroeconomic stability, a conducive investment climate, creation of lasting employment, and ensuring that the benefits of growth are equitably distributed throughout Swazi society. To meet the challenge, the Government of Swaziland has to achieve an appropriate balance between the provision of essential services and the creation of an enabling environment for economic growth. Government must take measures to increase labour productivity, reduce domestic costs for the export sector, and improve the investment climate. Initiatives are required in order to enhance the technical and vocational skills of workers to enable them to gain employment.

Public sector reform, restructuring or privatisation of several public enterprises, together with strengthening of fiscal management (revenue diversification and expenditure control) and improvements in the legal and regulatory framework, are essential for the creation of a suitable enabling environment. The creation of an efficient public service, and the strengthening of transparency, accountability and of the rule of law, enhanced by a review of the dual governance structure, are essential processes. In all these areas a significantly higher speed and greater rigour are required if the objectives are to be achieved.

Improvements in the provision of health and education services and the need to address gender inequalities are priorities in the social aspects of poverty reduction. Present social outlays within the budget, especially for education, should be made more efficient and effective. The education system has become burdened with many problems associated with an exponential increase in provision without due regard for the quality of services.

The single greatest medium-term challenge facing Swaziland is the impact of HIV/AIDS. Given the present level of seropositivity, it is likely that many traditional social safeguards will be eroded, investments in human resource development will be inadequate, the demands made on health services will place a strain on the government budget and government services could be put under threat. The HIV/AIDS challenge is unprecedented and it is difficult to forecast how the country will cope over the next 10-20 years.

On a broader basis, incorporation into the world economy through closer regional integration and the implementation of relevant trade agreements, are essential elements in Swaziland's economic policies. In this regard, the development of medium and long-term policy planning and implementation capacity will remain essential.

### **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

#### **III. 1.1 Focal sectors**

The 9th EDF CSP/NIP singled out Human Resource Development as the focal sector, attracting 65% of the resources of A Envelope. The 9th EDF programme for the support of Education and Training with an allocation of €23 million started in June 2005, when a consultant was recruited to assist the Ministry of Education with a pre-implementation programme. The main area of support in terms of financial volume will be in primary education, to promote free primary education and to bring the OVCs into schools through the introduction of a capitation grant scheme.

Following the delayed implementation of the Lower Usuthu Smallholder Irrigation Development Project (LUSIP) the 8th EDF strategy was adjusted in 1999 in favour of projects to help the Government manage the process of fiscal reform, to further stimulate the private sector, and to fund a HIV/AIDS prevention and care programme. LUSIP is a large-scale irrigation project, which will allow smallholder farmers to move from risky

rain-fed agriculture and low-productivity extensive cattle grazing, to high-value irrigated crops in order to diversify and improve productivity, to increase rural incomes and improve nutrition, and to increase agricultural exports. This project has now reached cruising speed and is keeping to the revised time table.

Throughout the implementation of the more recent EDFs, Human Resource Development has become an important sector of support, together with increased support to trade and the private sector. As a link between these two sectors - education and the private sector - , the educational focus was put on increasing the technical, vocational and professional skills in the national labour force.

Similarly, the focus on rural development has decreased since the implementation of the first EDFs. This is a reflection of the growing importance of Swaziland's industrial and services sector, at the expense of the agricultural sector (see paragraph 3.2).

### **III.1.2 Projects and programmes outside focal sectors**

Outside the focal sector, programmes that are going on under the 9th EDF are the Micro-projects Programme (€4.7 million), the Capacity Building for Development Planning Project (€2.7 million), the HIV/AIDS Prevention and Care Programme (€2 million), the Gender Programme (€ 1.4 million) and the Competitiveness and Trade Support Programme (€ 1.8 million).

The overall objective of the Micro-projects Programme is sustained social and economic development amongst poor Swazi communities. This includes increased participation by the people in community groups and institutional structures that affect lives, greater equality between men and women, improved productive capacity and environmental conservation through understanding poor peoples' livelihood.

The Capacity Building for Development Planning Project supports MEPD by providing capacity building for priority areas of development planning. Its aim is to improve the capacity of External Assistance Unit staff to co-ordinate donor support, and more effective project management will lead to stronger links between MEPD and line ministries.

The HIV/AIDS Prevention and Care Programme is a continuation of the EDF 8 HAPAC Programme, and its overall objective is to contribute to a reduction in the transmission of HIV and to alleviate the impact of AIDS in Swaziland. The purpose of this project is to improve access to and use of quality Voluntary Counselling and Testing (VCT) and Home Based Care (HBC) services in the Lubumbo, Northern Hhohho and Southern Shiselweni regions and improved management of sexually transmitted infections (STI's) services nationally.

### **III.1.3 Utilisation of Envelope B**

The B -Envelope is intended to cover unforeseen needs such as emergency assistance, contribution to debt relief initiatives and also support to mitigate adverse affects of

instability in export earnings. So far, Swaziland (and a large number of other countries) did not qualify for support under the B -Envelope.

### **III.1.4 Other instruments**

#### ***Regional Cooperation and Trade***

Being a member of both COMESA and SADC Swaziland participates in both the ESA and SADC Regional Indicative Programmes. However, Swaziland no longer assumes the role of Regional Authorizing Officer for regional projects after the BLNS support project were moved to Gaborone following the restructuring of SADC. Swaziland benefits from EC regional projects, including the EU-SADC Investment Promotion Programme (ESIPP) (€16,300,000), the Statistical Training Project (€4,800,000), Promotion of Regional Integration in the SADC Livestock Sector- PRINT (€7,900,000), and the Implementation and Coordination of Agricultural Research & Training –ICART project (€15,000,000).

Swaziland is also eligible for all ACP programmes such as PROINVEST, TRADE.COM, the ENERGY FACILITY and the WATER FACILITY.

#### ***EU Sugar Market Reform Accompanying Measures***

As one of the ACP sugar protocol countries Swaziland is eligible for funding under the accompanying measures. The Government of Swaziland has adopted a National Adaptation Strategy (NAS) to adapt to the EU sugar market reform. The EC Multi-annual Adaptation Strategy, funded by the EC budget line "Accompanying Measures for Sugar Protocol Countries" has been established to partly fund the NAS. For 2006 the funding amounts to €4.7 million and significantly higher amounts are expected for the years 2007-2013. The provisional amount for the period 2007-2010 is € 69.895 million.

The NAS consists of a compendium of 60 strategic measures, grouped into seven areas, which reflect stakeholders' reactions to the main impacts of the EU reform. It has been stated in the NAS and the EC Multi-annual Adaptation Strategy that the creation of a management unit to drive the implementation of the NAS is an essential prioritised element for guaranteeing the success of NAS measures. EC support focuses on areas such as institutional support, social services, viability of smallholder growers, rural infrastructure and diversification.

#### ***EIB***

Under the Second Financial Protocol to the Lomé Convention, the Bank had envisaged making available an amount of about €10 million for projects in Swaziland. The actual volume of operations in fact greatly exceeded this amount, with signatures for just under €93 million (€53.5 million from the Bank's own resources and €39.45 million from risk capital resources), demonstrating the Bank's continuing substantial support for Swaziland's economic development.

EIB activities in Swaziland under this Protocol were focused on the following main areas:

- SME support: A follow-up Global Loan facility of €10 million (signed on 02/05/2000) to the Swaziland Industrial Development Company (SIDC), providing loan and indirect equity finance for small and medium-sized private sector investments in productive activities in eligible sectors (industry, agro-industry, mining, tourism, transport and related service sectors). A total of €7.3 million was allocated and disbursed under this facility and the remaining balance was cancelled in 2004.
- Electric power infrastructure: A total of €32 million (€21.95 million from risk capital and €10 million from own resources) were made available, either directly or indirectly, to the Swaziland Electricity Board (SEB), to co-finance the reinforcement of the national electricity grid and regional inter-connection as well as the construction of the Maguga hydropower station.
- Agro-industry: In 2000, two loans for a total amount of €15 million were provided to the Royal Swaziland Sugar Corporation (RSSC) for the expansion and upgrading of the Simunye sugar plantation and mill, including the replacement of the on-farm irrigation systems. Both loans were fully disbursed and repayment started in 2004.

In 2003, the Bank signed a loan for €36 million for the Lower Usuthu Smallholder Irrigation Project (LUSIP), co-financed by the EC under the 8th EDF. The project (which will primarily facilitate smallholder sugar-cane development) is in one of the poorest areas of Swaziland and is expected to have a significant impact in terms of poverty alleviation. Given the significant resources required for the completion of this project on the one hand and the increasing pressure on public finances on the other, it is of the utmost importance that the Government should continue to pursue a prudent fiscal policy.

Under the Cotonou Agreement, EIB support for the economic development of the Kingdom of Swaziland will continue through investments (loans, quasi-equity, equity and guarantees) in projects sponsored by either the public or the private sector. The projects will be selected according to their developmental merits, their fit with the priorities of the EC Country Strategy (including the National Adaptation Strategy to cope with the anticipated decline in the revenues from sugar exports), and the value added which the EIB can contribute to their structuring/financing. The investments will be funded from the Bank's own resources (with guarantee cover from the EU Member States) and/or from the Cotonou Investment Facility (see also Part 2; Chapter 1.2.3).

### ***Community Budget Lines***

#### **"EC Humanitarian Aid Budget Line"**

The following grant agreements funded from the EC's Humanitarian Aid Budget line were signed in 2005:

<b>- Finnish Red Cross</b>	<b>€407,713</b>
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Food aid to vulnerable people in Northern Hhohho.

- UNICEF

€450,000

National community care for highly vulnerable children in Swaziland through Neighbourhood Care Points.

All interventions ended in May 2006.

### **III.2 Information on the programmes of the Member States and other donors**

Currently, action by Member States in Swaziland is relatively limited.

The UK's Rural Water Supply Sanitation and Hygiene Institutional Support Project (GBP 330,000), which was co-financed by the Government of Swaziland and DFID, ended in 2006. The aim of the programme was to establish and institutionalise processes and systems that are pro-poor, participatory and holistic. The pilot projects in the programme helped meet the urgent demand from poor communities for immediate service delivery.

The Italian Cooperation is supporting the Ministry of Health and Social Welfare in the rehabilitation and expansion of laboratories. The assistance is intended for the improvement of quality control; this includes rehabilitation, expansion and supply of medical equipment and furniture for the expanded laboratories.

Other Member States (e.g. Germany, Netherlands) also have limited cooperation programmes.

Poverty Reduction is also a priority with the Japanese Government. The assistance they provide focuses on Food Production, Medical Equipment, Environmental Management and Rural Water Supply, technical assistance and capacity building.

Swaziland and the Republic of China entered into a Technical Cooperation Agreement in 1997, whereby the government of ROC contributes US\$10,000,000 per year for a period of ten years. Projects for the year 2005/06 include the formulation of a Resettlement Policy, the Enhlambeni Water Supply Project, purchase of groundwater drilling machines, provision of computers for Government Ministries, and high schools, and National Handicraft & Agricultural missions.

The United States of America donates a significant amount to Swaziland's fight against HIV/AIDS through contributions to the Global Fund and assistance to international and local NGO's. Other areas of assistance include democracy and the rule of law, food aid and humanitarian assistance as well as private sector support.

The UNICEF Country Programme Action Plan (2006 – 2010) (US\$25 million) has the following components: Education and Life Skills, Child Survival and Development, Safety Nets for Child Protection, Advocacy and Communication.

The UNDP Country Programme Action Plan (2006-2010) (US\$5 million) will deal with poverty reduction and HIV/AIDS, governance and gender mainstreaming.

### III.3 Other EC policies

In line with the EC Communication on “Policy Coherence for Development”<sup>3</sup> and “Speeding up progress towards the MDGs”<sup>4</sup>, some of the EU non- aid policies are of particular relevance to Swaziland’s context and development agenda.

Regional integration and *trade* are central to sustainable economic growth and diversification in a landlocked country such as Swaziland, with a small economy and are therefore key themes of its NDPs. Swaziland must address the challenges of increasing efficiency, productivity and competitiveness both in the public and the private sectors, in order to be able to seize opportunities. Synergies between its CSP, the SADC RSP, and the EU's trade policies and agreements (in particular EPAs) need to be maximised. Assistance can be provided to identify national priorities and needs, to undertake domestic reforms, for training and capacity building, and for trade facilitation (simplification of customs procedures, reduction of transaction costs, reinforcement of supply-side capacity). Furthermore, ways must be considered on how best to mobilise the necessary technical assistance and capacity building measures to assist the national authorities to address the deteriorating Sanitary and Phytosanitary (SPS) conditions identified by the Commission's Food and Veterinary Office in its 2005 report (ref. DG (SANCO)/7606/2005- MR FINAL). Among other things, training in SPS Standards would become more important if Swaziland were to pursue the development of exports in perishables.

In the view of the close interrelation between the *environment*, poverty reduction and sustainable economic development, the utilisation of natural resources for economic diversification is of particular importance to Swaziland and the regulatory context is conducive to environmental conservation. However, the country needs to improve implementation of national and international commitments in the environmental sphere, and efforts must be made to maximise the benefits from various mechanisms offered by the EC and other donors to facilitate implementation of the various Multilateral Environmental Agreements to which Swaziland is a signatory.

Efficient, cost-effective *transport* networks are essential to regional trade and integration. Swaziland, as a landlocked country, will benefit from EU initiatives such as the Transport and Investment Facility, aiming at increased regional and global interconnectivity, security and safety. Stable and secured access to *energy*, its efficient and sustainable use and the promotion of new and renewable energies are keys to development objectives in Swaziland. Besides specific partnerships, support to efforts of both the country and the region may be sought through initiatives such as the Infrastructure Initiative and the EU Energy Initiative, financing from the EIB, etc.

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<sup>3</sup> COM (2005) 134 final

<sup>4</sup> COM (2005) 132 final

#### **III.4 Description of the political dialogue with Swaziland**

The EU and the Government of Swaziland have agreed to engage in regular political dialogue, as provided for in the Cotonou Agreement. The first meeting under the dialogue was held at Mbabane in June 2003. There were several further meetings in 2004. Owing to the departure of BHC in 2005 and the early return of the High Commissioner there was no formal political dialogue in 2005. It was only resumed in May 2006. At present, it is too early to reach any conclusions on whether the political dialogue will lead to lasting benefits for Swaziland and its relations with the EU, but at least the initial discussions have been held in a constructive and positive spirit, even though the process is very slow. An agreement to convene more regular meetings will facilitate the assessment of the implementation of the Constitution.

#### **III.5 Description of the status of the partnership with Swaziland and progress towards harmonisation**

EC relations with GoS during the present period are friendly and open. Relations are close and constructive and the level of cooperation is generally good. The National Authorising Officer is personally involved in the preparation and implementation of all EC cooperation, both at NIP and project level. Contacts between the NAO and the delegation are business-like and frequent. Relations with other ministries are also close and friendly, but not always as fruitful or effective as with the MEPD. Relations with the Ministry of Education, a key Ministry for the 9th EDF focal sector, are good, however, they sometimes suffer as result of the "small capacity of this ministry. The devolution process has been particularly painful in the case of Swaziland (as for many regionalised Delegations). Problems are still acute and lasting solutions need to be found.

NSA involvement in Swaziland –EU cooperation is a more recent development and it is increasingly appreciated by all parties. NSAs are regularly consulted about our cooperation (e.g. MTR, ETR, CSP) and play an important role as service provider in cooperation programmes.

Since the departure of the British High Commission in 2005 there is no diplomatic representation of any Member State in Swaziland.

EU coordination in the field of development cooperation, is a relatively simple exercise since there are almost no member states' projects, virtually all EU assistance is confined to assistance from the EC. Coordination therefore consists principally in ensuring that Member States are kept well informed of EC plans and programmes and are able to provide their input and comments at the appropriate stage. This is largely ensured through the annual review process, but also through less formal contacts whenever the opportunity.

There are no major donors represented in Swaziland as far as the focal sectors are concerned. The EC initiated a technical working group for the education sector. Coordination in the irrigation sector consists of occasional meetings of the co-donors of



the LUSIP project (the EC being the only donor represented locally). Government has recently launched a new coordination mechanism for HIV/AIDS interventions.

#### **CHAPTER IV: RESPONSE STRATEGY**

The priorities for cooperation have been jointly defined on the basis of the following criteria:

- Response to Swaziland's medium-term challenges of providing health, education and other social services to address the social aspects of poverty reduction.
- Relevance to poverty reduction and employment creation.
- Consistency with the NDS and the Poverty Reduction Strategy and poverty priorities.
- Efficiency and equity in meeting the needs of the poorest sections of society.
- Existence of a sector policy dialogue and capacity within the relevant line ministries.
- Lessons learned from past experience.
- Capacity of EC and NAO to manage and monitor programmes.
- Potential capacity of NSA to participate in the areas of cooperation.
- Complementarity with other donors.

Taking these aspects into account, the fundamental priorities of EU-Swaziland co-operation will be: firstly, human resource development through support to the health and education sectors, and secondly an improvement in the supply of essential services to the poor in the sector of water, and sanitation. Interventions in both sectors can contribute significantly towards achievements of the MDGs.

Outside the focal areas, support will consist of an allocation to EPA support, Governance initiatives, Non-State-Actors and a Technical and Cooperation Facility. Within the focal and non-focal areas of support, the following will constitute important cross-cutting issues: gender equality, HIV/AIDS, decentralisation, capacity-building and, where appropriate, environmental management. Across all areas of EC support, it is expected that NSAs will be able to contribute to the design, implementation and/or monitoring of the interventions.

Priorities for 10th EDF resources are in line with and build upon the support provided under EDF 9. The intention is to focus the 10th EDF on core support for two focal areas and four non-focal areas and complementary issues, as compared with the large number of sectors financed under previous EDFs. In all areas of support, particular attention will be paid to governance.

#### **HUMAN DEVELOPMENT RESPONSE STRATEGY**

It should be pointed out that education is the sole focal area under the 9th EDF NIP and owing to its late start will largely be implemented during the 10<sup>th</sup> EDF period. Support to

education under the 10th EDF will therefore simply consist reinforcing the ongoing 9th EDF project rather than in new interventions. The choice of human development (health and education) as a focal sector for EC support under the 10th EDF is based on the considerations listed below:

- Inadequate capacity to effectively manage human resources in both the health and education sectors.
- In-equitable access to health and education services and facilities, especially for vulnerable groups such as Orphaned and Vulnerable Children (OVCs) and women.
- Severe strain placed on available resources by the HIV/AIDS epidemic and other related conditions, such as TB.
- Inappropriate and inadequate employment and training policies for health staff, resulting in a shortage of specialised staff and many health workers leaving the country.
- Lack of supplies, laboratory equipment and, drugs and poor maintenance of the infrastructure in primary health care facilities.
- High primary drop-out and repetition rates demonstrate the lack of quality and relevance of primary education and the inefficiency of the system.
- Dissatisfaction of employers with the calibre of graduates from the TVET institutions, owing to the outdated curricula and equipment and the poor calibre of the teachers.

The overall objective of involvement in the sector of human development will be to improve access to and quality of health, education and training with the aim of achieving the MDGs. The specific objective is to improve capacity to effectively plan, manage and implement policy measures and budgets that are focused on health and education. The health education and training strategies will be co-ordinated to ensure the maximum impact on vulnerable groups, including children and women.

In line with the health sector analysis (Annex 10), the EC response strategy will centre on key areas where there is a pressing need for improvement: access to quality health care in rural areas, particularly for women, children and other vulnerable groups; human resources management and training; organization and management of the health sector, including monitoring and evaluation.

The response strategy in the health sector will pay special attention to:

- Strengthening of the health sector through improved human resource policies, and coordinated management of human resources.
- Strengthening the planning capacity within the Ministry of Health and Social Welfare, and the introduction of effective management information systems.
- Reinforcement of the primary health care system to ensure access for all through rehabilitation of rural clinics, including basic laboratory services and the supply of essential pharmaceutical products and materials.
- Prevention and treatment of poverty- related diseases such as HIV/AIDS, STD's tuberculosis and Malaria.
- Support for special programmes such as Family Planning and Reproductive Health, Mother to Child Infection and Infant Health in order to combat poverty.

The major policy measure to be taken by Government to ensure successful implementation is to increase health budget resources as a percentage of non-salary related expenditure, with particular emphasis on the primary health care system.

In the field of education, the EC response strategy will centre on the same areas as in the 9th EDF, namely to:

- improve the capacity of the Ministry of Education to effectively plan, manage and implement education-focused policy measures,
- increase access to and quality in education at pre-primary, and primary levels, and technical and vocational education and training.

Although the Support to Education and Training Programme under the 9th EDF has not yet achieved any tangible results that would allow an assessment of its effectiveness, the mid-term evaluation of this Programme and the evaluation of the Capitation Grant pre-pilot phase will be incorporated into future programming for this sector.

The response strategy in education will also take account of the role of and linkages with the private sector and other NSAs (i.e. vocational training institutes, community skill development centres), and will build on the achievements of the 9th EDF Support to Education and Training Programme.

The strategy will incorporate three essential cross-cutting themes, in terms of both the content of the school curricula and the management of the sector, namely:

- HIV/AIDS-Reproductive Health, as a means of raising awareness among students and teachers, continued access to education for HIV/AIDS orphans, and planning for skill replacement needs and the economic and social impact of the pandemic.
- Gender and children, as a means of ensuring equality of opportunity and the access, retention and enrolment of girls, and reducing the sexual abuse of children.
- Information and Communication Technology, as a means of creating a computer-literate work force, which is an important ingredient of a modern economy, and an essential tool in strengthening the management of the education sector.

#### RESPONSE STRATEGY IN THE FOCAL SECTOR "WATER"

The selection of water (drinking water, sanitation and irrigation) as a focal sector for EC support under the 10th EDF is based on the following considerations:

- Existence of a clear political commitment to supply clean, safe drinking water and proper sanitation to all by the year 2022.
- Currently, 44% of the rural population do not have access to safe drinking water and 64% do not have access to proper sanitation.
- Limited access to safe water is an impediment to poverty reduction and human resource development.

- Existence of fundable projects in the sector.
- Existence of a comprehensive National Water Act.

In line with the water sector analysis (Annex 9), the EC response strategy will centre on key areas where there is a pressing need to improve access to clean safe drinking water and proper sanitation in rural areas. The support will ensure that the needs of women and children are targeted and that rates of diarrhoea and respiratory infection in these areas, particularly amongst children, are closely monitored.

The objective of the support will be to improve the living standards of the rural population through the benefits that will result from safe water and proper sanitation. These will impact on both the health sector- through a massive reduction in diarrhoea and water-borne diseases, and on the education sector, as schools with satisfactory water and sanitation facilities will see an increase in attendance rates, particularly amongst girls.

As part of the current programme development in the water sector a Strategic Environmental Assessment will be undertaken, focusing on the government's sectoral policies aimed at enhancing positive environmental effects and minimising potential negative effects. In addition to participation by the government and stakeholder, the EC will coordinate the development and implementation of the SEAs with EU Member States and other international donors wherever appropriate. Adequate financial resources will be earmarked for this purpose.

The strategy will provide institutional support in order to improve the quality of services of the Rural Water Supply Branch (RWSB) of MONRE, which is responsible for coordinating the supply of water and sanitation to rural areas, and will finance the capital costs associated with rural water supply projects. The projects will be prioritised according to the number of households likely to benefit and the health situation in the project area.

In preparing the various interventions particular attention will be paid to a careful assessment of the available water resources (both physically and legally), as well as their sustainable use and the adequate maintenance of the infrastructures created.

#### RESPONSE STRATEGY IN NON FOCAL AREAS

The response strategy in terms of non-focal areas involves continuing to build on the achievements of previous EDFs in the areas of support to a participatory and decentralised poverty reduction and capacity building. Support in the area of governance in the form of measures to improve public finance management, in order to become eligible for EC budgetary support, will be regarded as a priority, as will the judicial system. Institutional support and capacity building will also be provided to the bodies and organisations concerned with good governance, particularly to those involved with implementation of the international conventions relating to social governance. In addition, support will be provided for trade and implementation of EPA's.

## **PART 2: INDICATIVE PROGRAMME**

### **1 Indicative Programme**

#### ***1.1 Introduction***

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter show the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

The National Indicative Programme (NIP) covering the period 2008-2013 falls within the strategic framework of the Country Strategy Paper (CSP) 2008 -2013. The CSP is based on the National Development Strategy (NDS) and the Poverty Reduction Strategy and Action Plan (PRSAP). The PRSAP represents a policy framework that will guide the implementation of prioritised and sequenced activities in order to achieve the key objective of poverty reduction. The country faces a number of challenges in meeting the key objective of poverty reduction ranging from a fragile macro-economic situation, insufficient rate of growth and HIV/AIDS to drought and food insecurity

#### ***1.2 Financial instruments***

The implementation of the EC's cooperation strategy with Swaziland will be financed by means of several financial instruments. The following is an indication of their mobilisation as currently envisaged.

##### **1.2.1 10th EDF, A- Envelope: €63.000.000.**

**This envelope will cover long-term programmable development operations under the strategy:**

Programmes	Amount	% of total	Financial Instrument
Focal Sector 1: Human Development (Health and Education Sectors)	€21.000.0000	33 %	EDF 10: A-Envelope
Focal Sector 2: Water supply, sanitation ,irrigation	€29.000.000	46%	EDF 10: A-Envelope

• Non-Focal Sectors/Other	€13.000.000	21 %	EDF 10: A-Envelope
Programmes of which:			
- EPA/ SPS support	€1.300.000		EDF 10: A-Envelope
- Governance	€8.200.000		EDF 10: A-Envelope
- Support to initiatives of non-state actors <sup>5</sup>	€1.000.000		EDF 10: A-Envelope
- Technical Cooperation Facility	€2.500.000		EDF 10: A-Envelope
<b>TOTAL A-ENVELOPE</b>	<b>€63.000.000</b>	<b>100 %</b>	

**1.2.2 10th EDF, B - Envelope, €900.000.** This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate the adverse effects of instability in export earnings. Under Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

**1.2.3 Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes the Investment Facility (IF), a risk-bearing revolving fund, with return flows being reinvested in new projects in the ACP countries and OCTs. The IF is managed by the European Investment Bank, and its financial sustainability is supported by the implementation of risk pricing, whereby any credit risk taken is priced accordingly, as well as by a careful selection of projects. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CTA)**.

**1.2.4 10th EDF, regional indicative programme:** this programme will cover long-term programmable development operations under the regional strategy for the Southern Africa Region. Although the allocation is not part of the Indicative Programme, it may nevertheless have repercussions at national level, depending on the participation of Swaziland in the programmes proposed within the regional framework.

### **1.2.5 Other financial instruments**

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007 -2013 subject to special procedure and availability of funds, and out of EIB own resources. Actions funded by the general budget include among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in

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<sup>5</sup> It is envisaged that in addition to this separate allocation, non-state actors will benefit from/participate in the implementation of the focal sector programmes

people", "non-state actors in development", "migration and asylum", "environment and sustainable management of natural resources", "food security" and the programme for accompanying measures for ACP Sugar Protocol countries" as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

For the ACP Sugar Protocol countries benefiting from accompanying measures, the actions envisaged in that context shall be complementary to the above financial instrument.

### **1.2.6 Monitoring and Evaluation**

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with the Kingdom of Swaziland implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. The country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

## **1.3 Focal sectors**

### **Focal Sector 1: HUMAN DEVELOPMENT (HEALTH AND EDUCATION)**

The following specific objective will be pursued: Improved capacity to effectively plan, manage and implement policy measures and budgets in the health and education sector.

As an indicative amount, approximately €21 million (33%) will be set aside for this field.

The main actions proposed are:

- Capacity building to ensure more effective coordination, planning and management in the health and education sectors, particularly for human resources.
- Improvement of employment and training policies for health staff to reduce the shortage of specialised staff due to health workers leaving the country.
- Improvement of equitable access to health and education services and facilities, with a focus on Orphaned and Vulnerable Children (OVCs) and gender equity with special consideration of the HIV/AIDS situation.
- Reinforcement of the primary health care system to ensure access for all through rehabilitation of rural clinics, including basic laboratory services and the supply of essential pharmaceutical products and materials.
- Activities to prevent and treat poverty-related diseases such as HIV/AIDS, STD's tuberculosis and Malaria.

- Supporting special programmes such as Family Planning and Reproductive Health, Mother to Child Infection and Infant Health in order to combat poverty.
- Activities to reinforce, where necessary, the interventions started under the 9th EDF education programme at pre-primary, and primary levels and in technical and vocational education and training, with the overall objective of increasing access to and quality of the education system.
- Support to the development and implementation of the draft Education Sector Strategic Plan 2007-2012.
- Contribution to improved aid effectiveness through the Education Sector Technical Working Group.

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are:

- Establishment of Public Finance Management Indicators for the health and education sectors.
- Improved availability and reliability of baseline data.
- Commitment to increasing the staffing levels of health workers.
- Commitment to more efficient and equitable management and deployment of education providers.

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues are: continued support to and implementation of the Acts and Policies relating to equitable access to education and health and social welfare services.

Where necessary, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

## **Focal Sector 2: WATER (WATER SUPPLY, SANITATION, IRRIGATION)**

The following specific objective will be pursued: improve living standards of the rural population through the benefits that will result from safe water and proper sanitation with a view to creating employment, increasing food security and reducing poverty.

As an indicative amount, approximately €29 million (46%) will be set aside for this field.

The detailed actions to be implemented in order to achieve the expected results will be defined in a further stage, after feasibility studies would have been carried out in order to determine the most appropriate form of intervention. However, it has already been identified that rural areas are where the need for safe water supply is most dramatic. The activities will focus on infrastructure rather than on policy development and capacity building. The geographic focus will be on the Lebombo region and Eastern Shiselweni in particular.

The second phase of the Lower Usuthu Irrigation Project (LUSIP), currently funded by the 7<sup>th</sup> and 8<sup>th</sup> EDF will also be implemented; it will concern mainly the extension of the



irrigation facilities to an area of approximately 5,000 ha. The irrigable land developed under the phase 1 and phase 2 of LUSIP, totalling 11,500 ha. will be planted mainly with sugar cane, and with crops aiming to increase food security in the Country. As part of LUSIP, potable water and sanitation facilities will be extended to some 30,000 people.

A reconnaissance- level study is currently being carried out on the Mkondvo River Basin which potentially has an irrigable area of approximately 6,000 ha.

Generally speaking, the activities to be carried out must aim to achieve the following results: (see logframe).

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are:

- Finalise, approve and implement the National Programme for Food Security.
- Implement the Water Act, 2003.

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues are: continued support to and implementation of the Acts relating to equitable water supply.

Where necessary, the appropriate type of environmental assessment (SEA or EIA) will be carried out well in advance of the respective interventions.

#### ***1.4 General budget support***

The indicative programme does not include provision for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

In order for Swaziland to be eligible for budgetary support in the future, it will have to:

- a) Develop a comprehensive and well-sequenced public financial management reform programme that seeks to ensure that public expenditure management is sufficiently transparent, accountable and effective and that the public procurement system is open and transparent;
- b) Establish a well-defined macroeconomic programme which is agreed by the main donors.

At the request of the Government a study was commissioned at the end of 2006, to assess the PFM on the basis of the recently adopted Performance Measurement Framework of the PEFA (Public Expenditure and Financial Accountability), which was developed by

the World Bank, the IMF, the European Commission and other donors. This will assist the EC and other stakeholders to assess the government's eligibility for budgetary support.

### 1.5 Other programmes

An indicative amount of €13.000.000 (21%) is set aside for the following actions:

- **Non-focal sectors:**

Sector	Specific Objective	Major Interventions
Economic Partnership Agreements (EPAs)	Strengthen the capacity of the country to benefit from trade and the implementation of EPAs with particular attention on SPS conditions	<ul style="list-style-type: none"> <li>• Capacity building in the commerce, trade and industry sectors to ensure the most advantageous use is made of trade and the implementation of EPA's</li> </ul>
Governance	<p>Strengthen the policies and institutions related to the rule of law, human rights and democratic principles to ensure a stable and equitable development</p> <p>Strengthen public finance management to ensure optimal use of available resources</p>	<ul style="list-style-type: none"> <li>• Provide institutional support and capacity building to bodies and organizations concerned</li> <li>• Improve awareness of governance issues through dialogue and information</li> <li>• Enhance revenue collection, budget planning and expenditure control systems</li> <li>• Enhance capacity to provide accessible, reliable statistics</li> <li>• Sector based creation of Public Finance Management (PFM) Indicators</li> <li>• Assess readiness and prepare for the implementation of sector- and budget support programmes</li> </ul>

- **Institutional support for Non-state Actors:**

Support for Non State Actors covers Non- State Actors eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1) (d) of Annex IV to the revised Agreement. Depending on their mandate, support to Non- State Actors may cover activities such as: capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting Non-State Actors, the EC may make use of Article 15(4), which allows it to be the Contracting Authority. An amount of €1 million shall be made available for this purpose.

It is envisaged that the allocation under 'Other Programmes' for NSAs will be mainly focused on coordination and capacity building to maximise participation of NSAs

identified and approved by cabinet as eligible partners in the implementation of programmes in the focal sectors.

- **The Technical Cooperation Facility**
- **Contributions to regional programmes and projects:** programming under the CSP/NIP will complement and strengthen initiatives under the Regional Indicative Programmes (Southern Africa, Eastern Africa)
- **Reserve for insurance against possible claims and to cover cost increases and contingencies**

The main policy measures to be taken by the Government as a contribution to the implementation of the response strategy in the non focal areas are:

- Implementation of the Constitution
- Implementation of the policy on NGOs
- Implementation of international conventions and agreements
- Participation in EPA negotiations
- Finalisation of the Poverty Reduction Strategy

## 1.6 Intervention Framework and Performance Indicators

### 1.6.1 First focal area – Human Development (Health and Education)

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	Sustainable development through the enhancement of the human resource base	Economic and human resource indicators		
<b>Programme Purpose</b>	Improved access and quality of health and education with the aim of achieving the MDGs.	Relevant MDG indicators are improved taking as baseline year 2007	<ul style="list-style-type: none"> <li>Demographic and Health Survey by the Central Statistics Office</li> <li>Projects' evaluation and implementation reports</li> </ul>	<ul style="list-style-type: none"> <li>Agreement of PFM Indicators for the health and education sectors</li> <li>Health Policy adopted in 2007 implemented</li> <li>Government implements Abuja 2001 Declaration to commit 15 % of national budgets to health;</li> <li>NSAs have capacity to implement direct service delivery</li> <li>Improved availability and reliability of baseline data</li> <li>Commitment to increasing staffing levels of education providers and health workers</li> </ul>
<b>Results</b>	<b>HEALTH</b>  <b>I Primary Health care system reinforced:</b> I.1 Number of Health infrastructure rehabilitated and/or constructed increased, (taking 2006 as baseline year) I.2 Number of medical equipment available in health infrastructure increased	I.1 The number of functional Primary Health Units and basic laboratory services  I.2 Quantity of medical equipment purchased /rehabilitated	Ministry of Health <ul style="list-style-type: none"> <li>Project Implementation Reports</li> <li>Programme Evaluation reports</li> </ul>	
	<b>II. Access to health services from disadvantaged groups improved</b> II.1 Special Programmes to improve access of women and orphans and vulnerable children (OVCs) to health services are in place II.2 Women health improved II.3 OVC access to health services increased II.4 healthcare system for mental and physical disorder developed and implemented II.5 access of populations from rural areas to medicines and treatment improved,	II.2 Proportion of births attended by skilled health personnel II.2 Number of women accessing sexual and reproductive healthcare II.3 Percentage of orphaned and vulnerable children aged 0–17 whose households received free basic external support in caring for the child  II.4 number of people affected by mental and physical disorder accessing healthcare services	<ul style="list-style-type: none"> <li>Ministry of Health</li> <li>Project Implementation Reports</li> </ul>	<ul style="list-style-type: none"> <li>Continued support to and implementation of the Acts and Policies relating to equitable access to education and health &amp; social welfare services</li> </ul>

	<p>II.6 coordination between traditional healers and Western medical practitioners emphasised to boost access to healthcare in rural areas</p>	<p>II.5 number of people from rural communities accessing healthcare treatment</p>		
	<p><b>III. Improvement in the the National Programme for the implementation of the Declaration of Commitment on HIV/AIDS improved</b></p> <p>III.1 blood safety improved,</p> <p>III.2 antiretroviral therapy coverage increased,</p> <p>III.3 prevention of mother-to-child transmission improved</p> <p>III.4 co-management of TB and HIV treatment effective</p> <p>III.5 effective HIV testing, prevention programmes in place to address the general population as well as the high-risk groups</p> <p>III.6 HIV prevention and treatment services for orphans and vulnerable children in place</p>	<p>III.1 Percentage of donated blood units screened for HIV in a quality assured manner</p> <p>III.2 Percentage of adults and children with advanced HIV infection receiving antiretroviral therapy</p> <p>III.3 Percentage of HIV-positive pregnant women who received antiretroviral drugs to reduce the risk of mother-to-child transmission</p> <p>III.4 Percentage estimated HIV-positive incident TB cases that received treatment for TB and HIV</p> <p>III.5.1 Percentage of women and men aged 15-49 who received an HIV test in the last 12 months and who know their results</p> <p>III.5.2 Percentage of most-at-risk populations who received an HIV test in the last 12 months and who know their results</p> <p>III.5.3 Percentage of most-at-risk populations reached with HIV prevention programmes</p> <p>III.6. A Percentage of schools that provided life skills-based HIV education within the last academic year</p>	<ul style="list-style-type: none"> <li>• Programme monitoring and estimates</li> <li>• Baseline data</li> <li>• Central Statistics Office</li> <li>• Population-based surveys</li> <li>• Behavioural surveys</li> <li>• Country Progress Reports to UNAIDS</li> </ul>	
	<p><b>IV HIV related Knowledge and Behaviour improved</b></p> <p>IV.1 HIV awareness and behavioural change that address specifically OVC are in place</p> <p>IV.2 Knowledge about HIV Prevention across young people and Most-at-risk Populations ilproved</p> <p>IV.3 age at first sex increased</p> <p>IV.4 Hgher-risk Sex reduced</p> <p>IV.5 Condom Use During Higher-risk Sex increased</p>	<p>IV.1. Current school attendance among orphans and among non-orphans aged 10–14*</p> <p>IV.1. Percentage of schools that provided life skills-based HIV education in the last academic year</p> <p>IV.2 Percentage of young women and men aged 15–24 who both correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission*</p> <p>IV.2 Percentage of most-at-risk populations who both correctly identify ways of preventing the</p>	<ul style="list-style-type: none"> <li>• Population-based survey</li> <li>• Behavioural surveys</li> <li>• School based surveys</li> </ul>	

		<p>sexual transmission of HIV and who reject major misconceptions about HIV transmission</p> <p>IV.3 Percentage of young women and men aged 15–24 who have had sexual intercourse before the age of 15</p> <p>IV.4 Percentage of women and men aged 15–49 who have had sexual intercourse with more than one partner in the last 12 months</p> <p>IV.4 Percentage of women and men aged 15–49 who had more than one sexual partner in the past 12 months reporting the use of a condom during their last sexual intercourse</p> <p>IV.5 Percentage of female and male sex workers reporting the use of a condom with their most recent client</p>		
	<p><b>V National-level programme impact improved reducing rates of HIV infection and its associated morbidity and mortality.</b></p> <p>V.1 Reduction in HIV Prevalence across young people and Most-at-risk Populations</p> <p>V.2 HIV Treatment: Survival After 12 Months on Antiretroviral Therapy</p> <p>V.3 Reduction in Mother-to-child Transmission</p>	<p>V.1 percentage of young people infected with HIV</p> <p>V.1 Percentage of most-at-risk populations who are HIV infected</p> <p>V.2 Percentage of adults and children with HIV known to be on Treatment 12 months after initiation of antiretroviral therapy</p> <p>V.3 Percentage of infants born to HIV-infected mothers who are infected (</p>	<ul style="list-style-type: none"> <li>• Annual HIV sentinel surveillance</li> <li>• population-based survey</li> <li>• Programme monitoring</li> <li>• Treatment protocols and efficacy studies</li> </ul>	
	<p><b>VI Sexual and reproductive healthcare and health rights improved</b></p> <p>VI.1 universal access to reproductive health care services such as family planning, safe motherhood services, prevention, detection and treatment of sexually transmitted infections</p> <p>VI.2 Access to contraceptives improved</p> <p>VI.3 education and training programmes that combat discrimination and empower women sexual right reinforced;</p>	<p>VI.1 Number of patients accessing STI treatment</p> <p>VI.1 Percentage of women using a family planning method</p> <p>VI.2 Number of young adults (18-24) initiating Sexual Intercourse before age 15 and 18</p>	<ul style="list-style-type: none"> <li>• Population-based survey</li> <li>• Behavioural surveys</li> </ul>	

	<p><b>VII support to other critical areas of healthcare emphasized:</b></p> <p>VII.1 action to combat diarrhoeal and other debilitating diseases improved</p> <p>VII.2 children vaccination improved</p> <p>VII.3 palliative care sector reinforced</p> <p>VII.4 mental health services developed and implemented</p>	<p>VII.1 number of cases of dysentery, cholera, river blindness, meningitis, epilepsy, diabetes, asthma, typhoid, hepatitis, polio, lymphatic filariasis, diphtheria, pertussis, measles, mumps, tetanus, haemophilus influenzae, pneumococcus, rotavirus and yellow fever</p> <p>VII.2 Percentage Received a BCG vaccination, 3 DPT and 3 polio immunisations, and a measles vaccination</p> <p>VII.3 Number of HBC careers</p> <p>VII.3 Number of patients with life-limiting diseases, such as HIV/AIDS, tuberculosis and cancer, accessing treatment in their home environment</p> <p>VII.3 Number of hospices rehabilitated/constructed</p> <p>VII.4 Number of Mental Health care facilities in the country, number of patients accessing Mental Health care facilities</p>	<ul style="list-style-type: none"> <li>• Baseline data</li> <li>• Central Statistics Office</li> </ul>	<ul style="list-style-type: none"> <li>• national immunization programmes focus on comprehensive local implementation</li> <li>• medical treatment in home environment is authorised, under medical supervision, using painkillers such as morphine, which are otherwise considered as narcotics and the use of which is legally restricted;</li> </ul>
	<p><b>VIII Trends toward the achievement of at the three – health related MDGs improved</b></p>	<p>VIII.1 Proportion of births attended by skilled health personnel</p> <p>VIII.2 Proportion of 1 year old children immunised against measles</p> <p>VIII.3 HIV prevalence among 15-24 year old pregnant women</p> <p>VIII.4 HIV prevalence among 25-29 year old pregnant women</p>	<ul style="list-style-type: none"> <li>• Baseline data</li> <li>• Central Statistics Office</li> </ul>	
	<p><b>IX. Employment, Human Resources Management and training Policy for the health sector is developed and implemented</b></p>	<ul style="list-style-type: none"> <li>• Policies and assistance programmes operational</li> <li>• Staff shortages reduced</li> <li>• Reformed Human Resource Management policy operational</li> <li>• Number of trained management cadre, specialised health staff and nurses</li> <li>• Adoption and implementation of a reformed employment and training policy for the health sector</li> </ul>	<ul style="list-style-type: none"> <li>• Employment / HR policies and assistance schemes</li> <li>• Human Resource Management Policy</li> <li>• Budgets drawn up and implemented by districts</li> <li>• Annual audits</li> <li>• Training reports</li> <li>• Performance reviews</li> <li>• Impact assessment studies</li> </ul>	<ul style="list-style-type: none"> <li>• National budget allocation for health increased</li> <li>• Commitment to increasing staffing levels of education providers and health workers</li> </ul>
	<p><b>X Contribution to economic development and poverty alleviation</b></p>	<ul style="list-style-type: none"> <li>• Crude death index,</li> <li>• Life expectancy at birth</li> </ul>	<ul style="list-style-type: none"> <li>• Central Statistics Office</li> </ul>	

		<ul style="list-style-type: none"> <li>• Number of new staff hired in the health sector</li> <li>• Estimate Number of skilled labour lost because of HIV</li> <li>• Percentage GDP growth</li> </ul>		
	<p><b>EDUCATION</b></p> <ul style="list-style-type: none"> <li>• Increased access and quality in education at pre-primary, primary and technical and vocational education and training.</li> </ul> <p>Management and Co-ordination of the education sector improved.</p>	<ul style="list-style-type: none"> <li>• Key framework for qualification levels developed and adopted by</li> <li>• Quality assurance policy framework adopted by the examination council.</li> <li>• TVET Policy and regulatory framework developed. Capacity of VET institutions expanded with 20% through physical facilities, expansion, refurbishment and supply of equipment.</li> <li>• Management Performance and Information System adopted by MoE</li> <li>• Activities and targets in development and strategic plans are implemented within stipulated time frames and budget allocations.</li> </ul>	<ul style="list-style-type: none"> <li>• Key Skill Framework Policy on Quality Assurance, Regulation and Certification of Vocational Education Programme.</li> <li>• Admissions Policy</li> <li>• Admission records</li> <li>• Equal opportunity Policy.</li> <li>• Management Performance System.</li> <li>• Training Records</li> <li>• Review of development plans.</li> <li>• Annual Reports from senior managers in vocational Education</li> </ul>	<ul style="list-style-type: none"> <li>• Continued political support.</li> <li>• Ministry of Education will provide furniture for expanded physical facilities</li> </ul>



### 1.6.2 Second Focal Area – Water supply, sanitation, irrigation

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	Enhanced sustainable development of Swaziland	<ul style="list-style-type: none"> <li>• Related economic and poverty indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Central Statistics Office</li> </ul>	
<b>Programme Purpose</b>	Improve living standards of the population, in particular in the rural area through the benefits that will result from an increase supply and access to safe water and proper sanitation	<ul style="list-style-type: none"> <li>• MDG targets</li> <li>• Employment creation</li> <li>• Local food productions</li> </ul>	<ul style="list-style-type: none"> <li>• Central Statistics Office</li> <li>• Employment Statistics</li> <li>• Central Statistics Office</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the National Programme for Food Security</li> <li>• Implementation of the Water Act</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Access to safe water is improved</li> <li>• Water availability for agriculture is improved</li> <li>• Water savings and efficiency practices are stimulated</li> <li>• Policies in respect of water, food security and environmental protection are implemented and coordination within administration improved</li> <li>• Quality of services of the government agencies and parastatals responsible for water management and supply is improved</li> <li>• Water infrastructures (dams, water supply and irrigation schemes) constructed</li> </ul>	<ul style="list-style-type: none"> <li>• Water born diseases decrease</li> <li>• Agricultural production increases</li> <li>• Loss rates decrease</li> <li>• Poverty indicators improve</li> <li>• Employment increases</li> <li>• Customer satisfaction</li> <li>• Infrastructures exist</li> </ul>	<ul style="list-style-type: none"> <li>• Rural clinics reports</li> <li>• Agricultural statistics</li> <li>• Water authorities reports</li> <li>• Government reports</li> <li>• Evaluation reports</li> <li>• Central Statistics Office</li> <li>• Opinion polls</li> <li>• Project reports</li> <li>• Site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity exists in WRB, RWSB and SWSC to fulfil its role</li> <li>• Continued support to and implementation of the Acts relating to equitable water and energy supply</li> <li>• Beneficiaries remain committed and are open to ‘clean’ energy sources</li> <li>• The cost of ‘clean’ energy does not inhibit its use in rural areas</li> </ul>

## 1.7 Indicative timetable for commitments and disbursements

### 1.7.1 Indicative timetable of global commitments

	Indicative allocation (million €)	2008		2009		2010→	
		1	2	1	2	1	2
<b>1st FOCAL SECTOR –Human Development (Health and Education)</b>	<b>21</b>						
- Project 1: Health	17.5			17.5			
- Project 2: Education	3.5				3.5		
<b>2<sup>nd</sup> FOCAL SECTOR – Water, sanitation and irrigation</b>	<b>29</b>						
- Project 1: Water supply, sanitation	20			20			
- Project 2: Irrigation	9					9	
<b>NON FOCAL SECTORS</b>	<b>13</b>						
- Institutional support for non state actors.	1.0			1.0.			
- Technical cooperation facility	2.5		2.5				
- Support for EPA / SPS	1.3					1.3	
- Support for Governance	8.2.0				8.2		
<b>Total Commitments:</b>			<b>2.5</b>	<b>38.5</b>	<b>11.7</b>	<b>10.3</b>	
<b>Total Cumulative Commitments :</b>		<b>0</b>	<b>2.5</b>	<b>41</b>	<b>52.7</b>	<b>63</b>	

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – Human Development (Health and Education)y</b>	<b>21 M€</b>						
- Project 1: Health	17.5 M€						
- Project 2: Education	3.5 M€						
<b>2<sup>nd</sup> FOCAL SECTOR – Water supply, sanitation , irrigation</b>	<b>29 M€</b>						
- Project 1:Water supply and sanitation	20 M€						
- Project 2: Irrigation	9 M€						
<b>NON FOCAL SECTORS</b>	<b>13M€</b>						
- Institutional support for non state actors.	1.0 M€						
- Technical cooperation facility	2.5 M€						
- Support for EPA/ SPS	1.3 M€						
- Support for Governance	8.2 M€						
<b>Total Commitments :</b>	<b>M€</b>	<b>0</b>	<b>0</b>				
<b>Total Cumulative Commitments :</b>	<b>M€</b>	<b>0</b>	<b>0</b>				

## 1.8 Chronogram of activities

1 <sup>st</sup> FOCAL AREA (21 M €)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Human Development</b>													
- Project 1: Health	17.5 M €	FS		AF		FD				Project Implementation			
- Project 2: Education	3.5 M €			FS		AF	FD			Project Implementation			
<b>2<sup>nd</sup> FOCAL AREA (29 M €)</b>													
<b>Water supply, sanitation, irrigation</b>													
- Project 1: Water supply, sanitation	20 M €	FS		AF		FD				Project Implementation			
- Project 2: Irrigation	9 M €			FS	AF	AF	FD			Project Implementation			
<b>NON FOCAL AREAS (13 M €)</b>													
- Institutional support for non state actors.	1.0 M €			AF		FD				Project Implementation			
- Technical cooperation facility	2.5 M €	AF	FD							Project Implementation			
- Support for EPA/ SPS	1.3 M €							AF		FD			Project Implementation
- Support for Governance	8.2 M €		FS	FS	AF		FD			Project Implementation			

FS: Feasibility Study  
 AF: Action Fiche  
 FD: Financing decision  
 □: Project implementation

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**ANNEX 1: "COUNTRY AT A GLANCE" TABLES**

**1.1 Table with Macroeconomic indicators**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Basic Data</b>								
1. Population ('000)	1,003	1,030	1,056	1,081	1,105	1,126	-	-
Annual Change in %		2.7	2.5	2.4	2.2	1.9	-	-
2a. Nominal GDP (€ Million)	1522	1377	1297	1530	1986	2165	-	-
2b. Nominal GDP per capita (€ Million)	0.00152	0.00134	0.00123	0.00141	0.00180	0.00192	-	-
2c. Annual Change in %		-12.9	-15.6	23.7	13.8	32.1	-	-
3. Real GDP (Annual Change in %)	2.0	1.7	2.8	2.9	2.7	2.0	-	-
4. Gross Fixed Capital Formation (in % of GDP)	23.7	30.6	25.8	27.3	20.6		-	-

**International Transactions**

5. Exports of Goods and Service (% of GDP) -of which the most important (in % of GDP)	81.1 64.2	98.8 83.6	87.6 84.1	91.6 91.9	89.4 79.0	77.8 54.1	- -	- -
6. Trade Balance (in % of GDP)	-14.9	-10.3	-2.0	2.2	-1.1	-4.4	-	-
7. Current Account Balance (in % of GDP)	-3.3	0.9	2.9	5.2	4.7	1.0	-	-
8. Net Inflows of FDI (in % of GDP)	6.9	3.7	3.5	-4.1	2.9	0.3	-	-
9. External Debt (in % of GDP)	21.3	24.9	28.1	22.9	18.5	20.1	-	-
10. Service of External Debt (in % of export of goods and non-factor services)							-	-
11. Foreign exchange Reserves (in months of imports of goods and no factor services)	4.9	4.2	3.2	2.0	2.0	1.9	-	-

**Government**

12. Revenues (in % of GDP) of which grants (in % of GDP)	29.1 1.2	29.4 1.2	26.9 1.3	29.8 1.1	30.4 0.7	31.7 0.6	28.7 0.5	28.1 0.5
13. Expenditure (in % of GDP) of which capital expenditure (in % of GDP)	30.4 6.2	32.3 8.2	31.5 7.3	33.3 6.1	34.9 7.9	36.0 8.1	30.7 6.5	29.9 6.3
14a. Deficit (in % of GDP) including grants	-1.3	-2.9	-4.6	-3.5	-4.5	-4.3	-2.0	-1.8
14b. Deficit (in % of GDP) excluding Grants	-2.4	-4.1	-5.9	-4.6	-5.2	-4.9	-2.5	-2.3
15. Debt (in % of GDP) -of which external (in % of total Public Debt) -Other	17.8	19.5	21.7	17.5	16.0	17.7	0.0	0.0
16. Consumer Price Inflation (annual average change in %)	7.3	7.5	11.7	7.4	3.4	4.8	-	-
17. Interest Rates (for money, annual rate in %)	11.0	9.5	13.5	8.0	7.5	7.0	-	-
19. Unemployment (in % of labour force, ILO definition)	-	29.0	-	-	-	-	-	-
20. Employment in agriculture (% of total employment)	-	10.3	10.5	-	-	-	-	-

Source: MEPD

## 1.2 Table of indicators for the MDGs

Type	Indicator	2000	2001	2002	2003	2004	2015
Impact	1. Proportion of population below \$1 per day <sup>6</sup>	66	66	65	66	69	35
	2. Prevalence of underweight children (under-five years of age) <sup>2</sup>	10	10	10	10		
	3. Under-five mortality rate <sup>3</sup>		142	149	153		
Outcome	4. Net enrolment ratio in primary <sup>4</sup> education	76.1	72.7	75	75	85	100
	5. Primary Completion Rate	24.2	21.6				
	6. Ratio of girls to boys in:						
	- primary education	1:1	1:1	1:1	1:1	1:1	1:1
	-secondary education	1:0.9	1:0.9	1:0.9	1:0.9	1:0.8	1:1
	7. Proportion of births attended by skilled health personnel <sup>5</sup>	70	70	72		86	
	8. Proportion of 1 year old children immunised against measles <sup>6</sup>	72				39	
	9. HIV prevalence among 15-24 year old pregnant women <sup>7</sup>	34		39		62	
	10. Proportion of population with sustainable access to an improved water source <sup>2</sup>	50		51		48	79
	Proportion of population with access to basic sanitation						71

Source:

- 1 CSO Household Income and Expenditure Data
- 2 Southern Africa Regional Poverty Network (SADC) statistics,
- 3 UNICEF Social Indicators, state of the world's children 2004
- 4 Education Statistics, CSO
- 5 Education Statistics, CSO
- 6 Education Statistics, CSO
- 7 Ministry of Health and Social Welfare 2002
- 8 Health Statistics, CSO
- 9 7<sup>th</sup> and 8<sup>th</sup> HIV Sentinel Sero Surveillance Survey Report (2000 and 2002)
- 10 UNICEF Social Indicators, state of the world's children 2004

ANNEX 2: DONOR MATRIX

	SECTORS/AREAS/THEMES (Grants and Loans, T.A. and Capital Expenditure)										
	Education & Training	Governance, Policy & Management	Poverty Reduction	Health	Social Services Welfare	Water & Sanitation	Agriculture & Forestry	Environment	Community Development	Roads/Transport/Communications & Energy	SME & Private Sector
<b>European Donors</b>											
Sweden	X									X	
UK						X					
Italy				X						X	
EIB							X			X	X
<b>Other Bi-Lateral Donors</b>											
Japan	X		X	X			X			X	
Taiwan	X	X	X	X		X	X	X	X	X	X
DBSA							X				X
Kuwait										X	
<b>Multi-Lateral Donors</b>											
CFTC	X	X									
UNDP		X	X					X	X		X
UNICEF	X				X						
WHO				X		X					
UNAIDS				X							
ADB	X			X			X			X	
BADEA							X				
IFAD							X				



## **ANNEX 3: EXECUTIVE SUMMARY OF THE COUNTRY ENVIRONMENTAL PROFILE**

### **STATE OF THE ENVIRONMENT**

#### **LAND AND WATER RESOURCES**

##### ***Mineral resources***

The geology of Swaziland is complex and diverse, and economically important minerals include asbestos, iron, gold, diamonds, coal, green chert and various others which have been mined in the past. Currently there are several viable mining options - the national coal reserve, in particular, is reported to be substantial. Development of this reserve may lead to increased pressure on the environment through impacts on landscapes and ecosystems, waste accumulation, surface and ground water contamination, end-of-life site rehabilitation and environmental health.

##### ***Land resources***

The land resources of the country are well described and mapped. Swaziland has diverse and unique landscapes of high aesthetic and cultural value, which offer opportunities for tourism and improved management.

More than half of Swaziland is used for extensive grazing. Other major land uses are industrial forestry, commercial irrigated crop production and small-scale subsistence rain-fed agriculture.

Land tenure has two main categories: communal land held in trust by the King, called Swazi National Land, and private or Title Deed Land. Under the 2005 Constitution, all people have equal access and rights to land. However there is increasing pressure on land resources, driven by a growing population and the demand for more land, including land for irrigated agriculture, industrial forestry, livestock grazing, biodiversity conservation, urban development and related infrastructure.

Mechanisms of land allocation and administration are not adequate to deal appropriately with the physical development planning of the country. Land use planning in Swaziland is generally ad hoc and uncoordinated.

There are indications that less arable land is actively being cultivated as a result of the labour force weakened by HIV/AIDS and recurrent droughts affecting the country and the region as a whole.

Due to population pressure, overstocking, overgrazing, veld burning and lack of sustainable natural resource management the erosion status of almost one third of the country and more than half of all communal grazing land is serious or very serious.

Land degradation and soil erosion are recognised as very serious problems in Swaziland and a critical issue for continued sustainable social and economic development and poverty alleviation. The causes of land degradation are poor agricultural land management - in particular range management - but also unsustainable management of forestry, mining, industry and road construction. Degradation takes the form of chemical, biological and physical degradation.

Climate change is expected to further exacerbate land degradation through a reduction in vegetation cover and changes in species composition, as well as through increased deforestation, desertification and disaster hazards.

### ***Water resources***

The water that Swaziland can utilise from its main river basins is limited by agreements with South Africa and Mozambique. Most rivers rise in South Africa and all flow eventually to Mozambique. There is a strong increase in the demand for water as a result of expanding irrigation, industrial activities and residential use, and demand is outstripping supply.

Although the groundwater resources of Swaziland have potential for exploitation, these resources are not available in sufficient quantity to allow large scale abstraction. Hence virtually all irrigation in Swaziland is based on surface water.

The Water Act of 2003 calls for improved catchment management through improved stakeholder participation and planning and decentralization of the management of the water resource. The Act also calls for the establishment of a National Water Authority, a Water Resources Master Plan and the establishment of River Basin Authorities.

Industrialisation has led to a gradual deterioration in the quality of water resources. Rivers are also affected by polluted drainage water from the irrigated sugar plantations and other cultivated land where fertilisers are inappropriately applied.

The impacts of climate change on water resources will translate to increased possibilities of flooding in the rainy season due to higher flows and drought-related conditions in winter due to low flows. Eventually this is likely to have an impact on groundwater replenishment, salinity and dam capacities.

### ***Climate and climate change***

The overall characterisation of Swaziland's climate is subtropical with summer rains and distinct seasons. The various geographical zones exhibit different climatic conditions, ranging from sub-humid and temperate in the Highveld to semi-arid and warm in the Lowveld.

Climate change studies suggest that, by 2050 temperatures over southern Africa will be 2-4°C above and rainfall 10-20% below the 1961-90 base-line respectively. Current climatic zones are expected to shift and be replaced by drier and hotter climates.

Climate change will negatively impact on land degradation and ecosystems, and hence reduce productivity and livelihood possibilities, in particular in the Lowveld and Lubombo, unless measures to adapt to climate change are introduced.

## **ECOSYSTEMS AND BIOLOGICAL DIVERSITY**

### ***Ecosystems***

The four recognised ecosystems of Swaziland are montane grasslands, savanna-woodland mosaic, forests, and aquatic systems; the savanna-woodland ecosystem is the dominant and best protected ecosystem.

Swaziland is extremely rich in biodiversity, supports a wide variety of habitats and contains a significant portion of southern Africa's plant and animal species. The eastern and western regions of Swaziland form part of two recognised global biodiversity hotspots. The status of biodiversity of the ecosystems of Swaziland is threatened by a lack of protection and land conversions, which are projected to halve the area of ecosystems potentially worthy of protection.

Climate change is a global threat to biodiversity and is expected to have a significant impact on ecosystems and ecosystem services in Swaziland. The country is expected to see the introduction of a tropical very dry forest type of ecosystem in the eastern part, replacing half of the current subtropical ecosystem.

Current deforestation and degradation of the natural forest and woodlands areas are caused by a combination of factors including population growth, pressure on land, land conversions, growing poverty, inequities in land tenure and access rights.

Lack of capacity to manage the indigenous forests has led to uncontrolled extraction of forest products such as timber, fruits, edible plants, fuel wood, wood for utensils and craft, and medicinal plants. In the rural areas over 75% of the homesteads uses firewood for cooking and heating. Uncontrolled veld fires further contribute to forest degradation.

The rangelands of Swaziland - in particular the communal range - are in a severely degraded state as a result of heavy pressure from large livestock numbers, overgrazing and poor management. Range degradation is further exacerbated by bush encroachment caused by a lack of browsing, which is found concentrated in the commercial TDL ranches.

### ***Biological diversity***

Locally, Swaziland has declining populations of many globally threatened species, some of which have already become extinct. Swaziland has produced two recent red data lists, indicating that large numbers of plants and vertebrates are threatened.

The decline in biological diversity is caused by loss of habitat, over-exploitation and invasive alien species. Habitat destruction is also the result of industrial forestry and large-scale expansion of irrigated agriculture. It is expected that term climate change and desertification will have a further impact on biodiversity in the long term.

The invasion of alien plant species is having a considerable degrading impact on the natural vegetation and ecosystems. It is occurring in such a threatening form that it has been declared a national disaster.

Swaziland's fish stocks have been determined by a fish biodiversity survey. A red data list was produced according to which several species were found to be threatened. Pollution of the aquatic ecosystem by persistent pollutants continues to be a major threat to the aquatic biodiversity.

Swaziland is unlikely to meet the global targets set by the UN Convention on Biological Diversity 2010 for restoring and maintaining populations of declining species, and improving the status of threatened species.

In-situ conservation through declared nature reserves and game parks covers less than 4% of the country. This is a long way from the global IUCN target of conserving 10% of ecosystems and areas of importance for biodiversity within the country.

## LIVING CONDITIONS IN HUMAN SETTLEMENTS

### ***Socio-economic environment***

Swaziland's population of approximately 1.1 million is significantly affected by the high incidence of HIV/AIDS, high occurrence of poverty, high unemployment and income inequity. There is high vulnerability to food insecurity and there are problems of livelihood decline in large parts of the country.

Social vulnerability is exacerbated by environmental vulnerability, manifested in the lack of access to clean water, poor sanitation, inadequate access to energy, land degradation and other factors.

The Government is responding to this situation with the Poverty Reduction Strategy and Action Plan (PRSAP), the aim of is to empower the poor to generate income through (1) improving access to land, (2) increasing income from agriculture, and (3) reducing unemployment. The strategies proposed under the human capital development focus on (1) education, (2) health, (3) food security and nutrition, and (4) safe water and sanitation.

### ***Energy***

Energy use in rural areas is based on wood fuel, which is estimated to outstrip supply, hence resulting in deforestation. The national strategy to rectify this situation is to use energy efficiently, establish community woodlots and convert to commercial fuels.

Rural electrification is taking place at a steady pace, focusing on supplying clinics, schools, and community centres from where communities can have improved access. However, few rural households are connected owing to unaffordable connection costs and tariffs.

### ***Pollution and environmental health***

About half of the population has no access to improved sanitation and clean water supply, which is severely impacting on environmental health conditions. Water sources are contaminated and the incidence of respiratory and diarrhoeal diseases, skin disorders and bilharzia remains very high.

Production of solid waste is increasing and there are constraints on Swaziland's capacity and infrastructure to efficiently deal with solid waste management. Growing quantities of urban waste and sewage contaminate the soil and water, and pose threats to human health and the environment.

Rivers and other water bodies are increasingly threatened by chemical and other pollutants. Air pollution is attributed to emissions from residential and industrial areas, e.g. wood pulp and sugar mills. Pollution and contamination of air, water and land are increasing the environmental health risks.

## **ENVIRONMENT POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORK**

### **ENVIRONMENT POLICY AND LEGISLATION**

#### ***Environment Policy Framework***

The national policy framework includes the 1999 National Development Strategy (NDS) with long-term development Vision 2022 and the 1997 Swaziland Environment Action Plan (SEAP). All other policies and strategies have been formulated to facilitate the vision of the NDS. The NDS has identified environmental protection as the cornerstone of the national development process.

In its national policy framework Swaziland has responded to the need to address global environmental issues, of which the most relevant in this context are land degradation and desertification, decline of biodiversity, climate change, food security, health and poverty.

The environment has been integrated in sectoral and macro-economic policies in a number of recent sectoral policies, including the National Rural Resettlement Policy, the National Forest Policy, the Comprehensive Agricultural Sector Policy, the National Food Security Policy and the National Energy Policy.

The Environmental Management Act of 2002 requires Strategic Environmental Assessment (SEA) for policies, programmes, strategies, action plans and legislative proposals. No SEA has yet been conducted for the aforementioned policies under this Act.

The Poverty Reduction Strategy and Action Plan (PRSAP) recognizes the importance of the environment in relation to the alleviation of poverty and has formulated a number of actions that relate to general environmental matters, as well as to specific concerns in environmental management planning, safe water and sanitation, and ensuring sustainable energy.

Targets have not been set in most of the environmental sectors; the only targets set are 100% access to safe water by 2015 and 100% access to electricity by 2022. These targets are unlikely to be met.

### ***Environment Legislation Framework***

Although Swaziland has an extensive legislation framework, in some cases it is fragmented and out of date. In recent years, there have been important initiatives which have led to several new acts, such as the Flora Protection Act of 2001 and the Water Act of 2003, and most importantly the Environment Management Act of 2002.

Swaziland has also participated in international developments that have led to important multi-lateral conventions, treaties and protocols, most of which have been duly ratified but have had limited implementation or mainstreaming. The most important are the three Rio Conventions, which were ratified in 1994 (United Nations Convention on Biological Diversity) and 1996 (United Nations Convention to Combat Desertification, United Nations Framework Convention on Climate Change).

There is a comprehensive range of environment- related laws, with the Environmental Management Act as the main environmental law. The legislative framework can be considered adequate although there is still no legislative framework for several key areas that require specific legislative support, e.g. biodiversity.

The Environment Management Act is intended to provide and promote the enhancement, protection and conservation of the environment and the sustainable management of natural resources. It also turned the Swaziland Environment Authority (SEA) into a body corporate and established the National Environment Fund. Under the terms of this Act, the SEA has

the power to halt any and all developments that have not been adequately scrutinised for their environmental impact. Any policy, bill, regulation, programme or plan requires a Strategic Environmental Assessment. The Act provides for public participation, and lays down regulations on a register of environmental information, requests for environmental information, public review and hearings, orders and prosecutions initiate by the public, civil actions and other regulations.

Enforcement of legislation remains weak in all areas and is being hampered by inadequate technical and human capacity and a lack of institutional coherence.

## INSTITUTIONAL FRAMEWORK FOR THE ENVIRONMENT

### ***Institutions with Environmental Responsibilities***

The Swaziland Environment Authority is the supreme institution responsible for the environment. Established in 1992, it remains an effective regulatory institution that coordinates many other supporting institutions. The SEA is responsible for environmental policy making, legislation, planning, environmental protection, monitoring and enforcement using the provisions of the Environment Management Act.

### ***Environmental Services and Infrastructure***

Protected areas: A total of seven reserves have been declared, covering 3.7% of the country.

Sanitation and waste treatment infrastructure: The institutions involved in the provision of safe domestic water supply and sanitation are the Swaziland Water Services Corporation (for urban areas), the Rural Water Supply Branch (MNRE) (for rural areas) and the Environmental Health Department (MHSW).

Disaster prevention systems: The Disaster Management Act of 2006 and the Disaster Action Plan provide for an integrated and coordinated approach to disaster management and for the institutional mechanism, including the structures, functions, authorities and responsibilities of the major actors.

Emergency response mechanisms: Disaster management has focused on emergency management through ad hoc response measures, mainly the supply of relief commodities by the National Disaster Task Force. The Environment Management Act and National Environment Fund provide financial mechanisms for dealing with disasters.

### ***Environmental Monitoring System***

While the indicators for environmental monitoring related to MDG7 are considered relevant in Swaziland for monitoring environmental conditions, they are not comprehensive and more work is needed to put measuring and monitoring systems in place. The SEA has overall responsibility for environmental monitoring and is required by the Environmental Management Act to prepare bi-annual State of the Environment Reports.

## INTEGRATION OF ENVIRONMENTAL CONCERNS INTO MAIN POLICIES AND SECTORS

Integration of environmental concerns into the main policies and sectors has been catered for since the formulation of the National Development Strategy and the Swaziland Environment Action Plan in the mid- 1990s. Both of these have had a positive influence in

the manner in which environmental concerns have been integrated in subsequent sector policies.

## **EU AND OTHER DONOR CO-OPERATION WITH SWAZILAND FROM AN ENVIRONMENTAL PERSPECTIVE**

The total external assistance to Swaziland by bilateral and multilateral co-operating partners has been decreasing over the last decade and is now below 5% of the GDP.

### **EU CO-OPERATION WITH SWAZILAND FROM AN ENVIRONMENTAL PERSPECTIVE**

The European Community remains one of Swaziland's main development partners and is the largest multilateral donor. During the past five years EU Member States have implemented several bi-lateral environment-related interventions. However, their current involvement is very limited.

There is presently no experience relating to EC development co-operation interventions with specific environmental objectives. Application of environmental integration procedures (preparation of SEA or EIA) has only incidentally taken place in EC funded programmes/projects.

### **CO-OPERATION FUNDED BY OTHER DONORS FROM AN ENVIRONMENTAL PERSPECTIVE**

Other multilateral donors include mainly UNDP and other UN agencies, with the Global Environment Facility being the most utilised source of funding for environment projects. The environment has not been identified by the 2006-2010 UNDAF as a key priority area of cooperation, although some areas of intervention have linkages with environmental issues. The IFAD are presently active in supporting the implementation of the EIA Comprehensive Mitigation Plan for the LUSIP project during the planning phase 2004-2007.

The Republic of China (on Taiwan) and Japan are non-EU bi-lateral donors with some environment-related support.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **CONCLUSIONS**

Swaziland has developed an extensive policy framework related to the environment. However, several policies and strategies remain in draft form, or have not been developed, e.g. a Water Policy and a Biodiversity Policy, and the extent to which such policies that have been implemented or integrated into institutional mandates and activities is very limited.

At present, the environmental legislative framework is still largely fragmented and outdated, although several essential pieces of legislation have been enacted.

The main conclusion of the environmental review and assessment is that undesirable environmental trends related to land and water management, land degradation and

pollution, ecosystem and biodiversity degradation, climate change, and living conditions in human settlement have led to the following combined impacts on the society, in a sequence where the components are interactive and impacting on each other.

- Loss of natural resources
- Changes in natural habitats and ecosystems
- Loss of biodiversity
- Changes in and reduction of ecosystem services
- Decrease of harvesting of natural products
- Decrease of affordable energy sources
- Reduced area of land under production
- Land fragmentation
- Conflicts over land
- Decreased land productivity
- Decreased water availability and shortages
- Increase of water pollution
- Increase of air pollution
- Increase of land contamination through uncontrolled waste
- Insufficient clean water and sanitation
- Increased environmental health hazards
- Increased social and economic vulnerability
- Decreased mechanisms for coping with disasters
- Increased food insecurity
- Impoverished livelihoods



## RECOMMENDATIONS

Swaziland has a comprehensive environment policy framework that needs to be implemented through strategies and action plans, some of which already exist. It is important that implementation addresses environmental degradation in a wider holistic manner, rather than focusing only on its component parts. The major issues of land, ecosystem and biodiversity degradation are interrelated and need to be addressed in an integrated and comprehensive way.

Improving living conditions in human settlements is a priority, as it concerns public health and other primary conditions. There is a wide array of issues and constraints that need be addressed, including safe water, sanitation, waste management, air and water pollution, soil contamination, efficient use of energy, sources of renewable energy, environmental health concerns, etc.

It is recommended not only that access to water and electricity be provided in urban, peri-urban and rural areas, but also that supply should be affordable. Current connection and tariff costs are unaffordable to most people. This needs to be looked at in order to include a larger proportion of the population within the scope of these essential services. Greater use of renewable energy systems should be strongly supported.

There is a need to further complete the environment policy framework, as a number of essential policies and strategies are still outstanding. This holds true even more for the legislation framework, which already contains important elements but requires updating, consolidation and a comprehensive coverage.

There is a general need for institutional strengthening and capacity building related to implementation of environment- related programmes and responsibilities, taking into account the recommendations of the National Capacity Self Assessment.

There is a need to develop indicators for environmental monitoring. Although the set of indicators related to MDG7 are considered relevant in Swaziland for monitoring environmental conditions, they are not comprehensive and more work is needed to put functional system in place.

It is recommended that the EC horizontal budget lines (e.g. Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF) should be promoted and used effectively.

It is recommended that co-ordination on environmental issues with other donors be enhanced, with the aim of achieving complementarities and synergies in order to more effectively deliver development objectives.

## ANNEX 4: SWAZILAND MIGRATION PROFILE

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### **Box 1: Immigrants**

<b>Total number of residents</b>	0.9 - 1.1 million <sup>7</sup>
Of which:	
<b>Own nationals</b>	95.5%
<b>Immigrants</b>	4.5% in 2000 <sup>8</sup>
<b>Status immigrants</b>	
<b>Refugees</b>	No data available, but not likely to be high after the end of the end of the civil war in Mozambique.
<b>Labour migrants /permanent</b>	No data available.
<b>Labour migrants/seasonal</b>	
<b>p.m. internally displaced persons</b>	No data available.
<b>Immigration trend</b>	
<b>Number of arriving immigrants in 90/95:</b>	No data available.
<b>Number of arriving immigrants in 95/2000:</b>	17,306
<b>Education: Skilled labour</b>	1,467
<b>Main countries of origin</b>	South Africa
<b>Rate of return</b>	No data available,
<b>Finance</b>	
<b>Amount of outgoing migrant remittances:</b>	No data available.
<b>Remittances as % of GDP:</b>	

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### **Box 2: Emigrants**

<b>Total number of emigrants</b>	No data available.
<b>Status emigrants</b>	
<b>Refugees</b>	No data available.
<b>Labour migrants /permanent</b>	
<b>Labour migrants/seasonal</b>	No data available, but authorised and unauthorised labour migration clearly does take place, and recorded remittances contribute about 3% to the country's GDP.
<b>Legal situation emigrants</b>	
<b>Documented</b>	No data available.
<b>Undocumented</b>	

⇒ While there is a high number of recorded border crossings, unauthorized crossings clearly also take place.

⇒ 18,795 Swazi permit over stayers were *recorded* in South Africa in 2000<sup>9</sup>

### **Trend<sup>10</sup>**

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<sup>7</sup> <http://www.worldbank.org/data/countrydata/countrydata.html>

<sup>8</sup> <http://www.un.org/esa/population/publications/ittmig2002/locations/748.htm>

<sup>9</sup> “The Border Within: The Future of the Lesotho-South African international boundary”, *Migration Policy Series No. 26* Southern African Migration Project 2002, <http://www.queensu.ca/samp/publications/policyseries/policy26.htm>

⇒ More relevant data not available.

⇒ However, recorded border crossings to and from South Africa are as follows:

<b>Border crossings into SA in 1997</b>	2,042,291	<b>Recorded returns</b>	1,942,235
<b>Border crossings into SA in 1999</b>	2,000,949	<b>Recorded returns</b>	1,993,347

**Education:** Skilled labour No data available.

**Main countries of destination** South Africa

**Rate of return** No data available.

**Finance**

<b>Amount of incoming migrant remittances</b>	38 \$ million (2001) <sup>11</sup>
<b>Remittances as % of GDP:</b>	3%

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**Box 3: Other Comments**

Given the small size of the country, data on migration in and out of Swaziland are not easy to come by. Authorised and unauthorised (labour) migration especially to South Africa clearly takes place, but little data on this exists. Official remittances contribute about 3% to the country's GDP.

Almost all migration is South-South migration within the SADC region. South-North migration consists mainly of professionals, especially nurses and other health workers.

There is a danger of brain-drain, with large numbers of qualified nationals migrating to South Africa.

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<sup>10</sup> “The Border Within: The Future of the Lesotho-South African international boundary”, *Migration Policy Series No. 26* Southern African Migration Project 2002, <http://www.queensu.ca/samp/publications/policyseries/policy26.htm>

<sup>11</sup> [http://pstalker.com/migration/mg\\_stats\\_5.htm](http://pstalker.com/migration/mg_stats_5.htm) (from IMF Balance of Payments Statistics 2002)

## **ANNEX 5: CSP DRAFTING PROCESS**

The elaboration of the 10<sup>th</sup> EDF CSP/NIP was programmed jointly between the NAO services and the EC Delegation. Several meetings were held to discuss and agree upon the general approach and the main intervention areas. NAO services took the lead in drafting the bulk of the first version with the Delegation providing several contributions (including EU policies, political dialogue process). The drafting process was facilitated by the contributions from ST consultants, particularly in the areas of water, environment and health.

A wide range of non- state actors, including those representing the interests of women, children and other vulnerable groups, were involved from the beginning of the drafting process. After agreement was reached between NAO and the Delegation on the focal areas the first meeting was held in April 2006. At that meeting the Delegation presented the programming process as well as some important policy orientations, such as the European Consensus and the Paris Declaration. NAO and the Delegation presented the reasoning behind the choice of the focal sectors which were positively received by NSA. When a relatively complete CSP/NIP version was available a second meeting was held with NSA umbrella organisations in September 2006. Comments on the draft CSP/NIP were received both at this meeting and in writing. In summary, NSAs very much appreciated being consulted during the CSP/NIP drafting process, suggested a more critical assessment of the political situation and expressed the wish to benefit from support in the areas of training and capacity building.

As regards coordination with EU Member States, it should be noted that since the departure of the British High Commission in 2005 there is no MS diplomatic mission in Swaziland. Most other EU Member States conduct their relations - if any - with Swaziland through their embassies in South Africa or Mozambique, although a few do also have some form of consular representation on the spot. As a result, coordination at local level is therefore somewhat difficult. At around the same time that the NSA meetings were being held the Delegation organized information meetings with resident Honorary Consuls and the German Liaison Office.

## **ANNEX 6: TABLE INCLUDING SWAZILAND'S POSITIONS IN RELATION TO KEY INTERNATIONAL CONVENTIONS**

International Covenant on Economic, Social and Cultural Rights (CESCR) - Ratified 6 March 2004.

International Covenant on Civil and Political Rights (CCPR) - Ratified 26 March 2004.

Optional Protocol to the International Covenant on Civil and Political Rights (CCPR-OP1) - Not a party.

Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty (CCPR-OP2-DP) - Not a party.

International Convention on the Elimination of All Forms of Racial Discrimination (CERD) - Ratified 7 April 1969.

Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) - Ratified 26 March 2004.

Optional Protocol to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW-OP) - Not a party.

Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) - 26 March 2004.

Optional Protocol to the Convention Against Torture (CAT-OP) - Not a party.

Convention on the Rights of the Child (CRC) - Ratified September 1995.

Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict (CRC-OP-AC) - Not a party.

Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography (CRC-OP-SC) - Not a party.

1951 Convention on the Status of Refugees - Ratified

1967 Protocol relating to the status of refugees - Ratified

Rome Statute of the International Criminal Court - Not a party

African Charter on Human and People's Rights - Ratified 15 September 1995.

Protocol to the African Charter on Human and People's Rights on the Establishment of an African Court on Human and People's Rights - Not a party.

Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa - Not a party.

African Charter on Rights and Welfare of the Child - Not a party.

## ANNEX 7: DEBT SUSTAINABILITY ANALYSIS

**Swaziland's Debt:** Total public debt by end- 2005 is estimated at 22 percent of GDP, with external debt accounting for 17 percent of GDP. Most of the public external debt is owed to bilateral and multilateral creditors, with maturities ranging from 15 – 20 years. The largest portfolio of debt is owed to the African Development Bank. Since 2001, external debt has declined. However, the decline is not the result of fiscal adjustment, but mainly reflects an appreciation of the exchange rate.

**Debt Sustainability Analysis:** The analysis covered the years 1994 – 2004 and 2005-2010. The main assumptions are that, without policy reforms, annual real GDP growth would gradually decline from about 2.1 percent during 2004 to below one percent by 2010. The nominal exchange rate will depreciate by an average of 2.3 percent per year over the period. In line with developments in South Africa, the GDP deflator will increase by an average of 5 percent. Nominal external interest rate will average 9.7 percent during the period. Import and exports will maintain their trend of 3.0 and 2.6 percent growth per annum, respectively, while the non- interest current account growth will average 1.0 percent.

**The Result:** Based on current fiscal trends, public debt would rise to 44 percent of GDP by 2010, and the external debt-to-GDP ratio to 24.2 percent in 2010. Gross external financing needs would be up from US\$68 million in 2005 to US\$147 million, or by 4.6 percent of GDP, by the end of 2010. Whereas, historically, the main driver of the debt dynamics has been the exchange rate, the key determinants of the outcome for the period 2005- 2010 are variations in the interest rate, and the feedback from higher debt to higher interest payments.

**Sensitivity Analysis:** Under a scenario that assumes that the key variables are at their historical averages in 2005-10, public debt declines to 14.5 percent of GDP and external debt to 5.4 percent of GDP by end of 2010. This reflects the recent deteriorations in the fiscal balance, and the fact that Swaziland's terms of trade were, on average, more favourable in 1995-2004. External debt appears to be the most sensitive to a current account shock: the debt ratio increases to 35.1 percent by the end of the projection period, the highest under any of the stress tests. Changes in Swaziland's terms of trade may also have a significant effect on external debt – deterioration in the terms of trade of 5 percent could result in an increase in the external debt ratio of more than 5 percent of GDP by the end of 2009.

## ANNEX 8: LIST OF GOVERNMENTS COMMITMENTS

	<b>Governance area</b>	<b>Prospective commitments</b>
<b>1.</b>	<b>Political governance</b>	Government makes the following commitments:
	- Human rights	<ol style="list-style-type: none"> <li>1. Establish and operationalise the Commission on Human Rights and Public Administration by 2008, in order to:</li> <li>2. Effectively implement the UN human rights conventions ratified by Swaziland and report on compliance on a regular basis</li> <li>3. Effectively implement the fundamental rights and freedoms enshrined in the constitution.</li> </ol>
<b>2.</b>	<b>Political governance - rule of law</b>	Government makes the following commitments:
	- Judicial and law enforcement system	<ol style="list-style-type: none"> <li>1. Implement measures that will ensure the independency of the judiciary by 2010,</li> <li>2. Phase out the employment of judges on time contracts by 2008.</li> </ol>
<b>3.</b>	<b>Control of corruption</b>	Government makes the following commitments:
		<ol style="list-style-type: none"> <li>1. Continue its fight against corruption at all levels and effectively implement the Prevention of Corruption Act.</li> <li>2. Amend and implement the Anti-Money Laundering Act</li> </ol>
<b>4.</b>	<b>Government effectiveness</b>	Government makes the following commitments:
	- Institutional capacity	<ol style="list-style-type: none"> <li>1. Government is committed to conduct and implement both functional and strategic reviews of Ministries and departments to achieve an optimal size of the civil service and to ensure efficient use of both human and financial resources for better results.</li> <li>2. Ensure that the office of the Auditor General is autonomous</li> <li>3. Strengthen the Internal Audit function by 2008</li> </ol>
	- Public finance management	<ol style="list-style-type: none"> <li>1. Reduce the budget deficit to sustainable levels by 2009/10</li> <li>2. Establishment of the unified Revenue Authority by 2008. Strengthen public sector finance management through the introduction of VAT by 2010,</li> <li>3. Implement Public Expenditure Management Systems by 2009.</li> <li>4. Reform the public procurement system by 2009.</li> <li>5. Restructure the Public Enterprise Unit into a Public Enterprise Agency by 2008, and commence restructuring of priority enterprises by 2010.</li> <li>6. Review all Public Finance Management Legislation by 2010</li> </ol>

<b>5. Economic governance</b>	Government makes the following commitments:
- Private sector policies	- Implement the Investor Climate Survey report, Investor Road Map and SME Policy and improve efforts at attracting FDI in order to stimulate economic growth.
- Management of natural resources	1. Will appoint staff of the Environment Authority by 2007 2. Will establish Water Affairs department by 2009/10 3. Enforcement of National Environmental Act will be strengthened through appropriate reviews of existing environmental protection laws.
<b>6. Internal and external security</b>	Government makes the following commitments
- Internal stability / conflict	1. To settle all disputes peacefully through dialogue and as a member of the African Union Peace and Security Council, and it will continue to contribute to all AU efforts to bring lasting peace to the continent.
<b>7. Social governance</b>	Government makes the following commitments
	1. Adopt and implement the Poverty Reduction Strategy and Action Programme. 2. Government is committed to continue its support to the fight against HIV/AIDS and to increase the health budget to 9% in 2010 and 15% in 2013 3. Implement the Decentralisation policy as a cornerstone of the Constitution of Swaziland 4. Establish a Gender responsive budgeting mechanism in line with the SADC Declaration on Gender and Development Declaration by 2010 5. Adopt the National Gender Policy by 2007. 6. Domesticate CEDAW, by implementing the EC Gender Intervention Programme in collaboration with UNDP.
<b>8. International and regional context</b>	Government makes the following commitments:
- Regional integration	1. Government is committed to the regional integration process and will continue to participate in this process through SADC and SACU. 2. CSO will collate immigration data in a more timely fashion and formulate data collection techniques for recording the number of emigrants.
- Migration	
<b>9 Quality of partnership</b>	Government makes the following commitments:
-Political dialogue	Political dialogue meetings (Art. 8 Cotonou Agreement) will be held at least twice a year with EU (EU member states and EC).



-Programming dialogue	Government is committed to engage EU (EC and EU member states) in programming dialogue.
-Non state actors	Involve the NSAs in the preparation, implementation and monitoring of the CSP.

## **ANNEX 9: ANALYSIS OF THE WATER SECTOR**

### **1. Government**

The Government has clearly established and set out its vision, goals and policy papers on the issues of poverty alleviation, primary health care and water supply and sanitation. It is quite clear that the supply of clean safe drinking water to all Swazis by the year 2022 is one of the major goals of the Government.

### **2. Water Resources Branch**

The Water Resources Branch (WRB) of the MONRE is responsible for the monitoring and controlling the overall use of water in Swaziland and international treaties and agreements relating to water. There have been studies carried out on the equitable share of water between South Africa, Mozambique and Swaziland on the Komati and Mbuluzi River Basins and there is a similar study currently being carried out on the Usutu River. In all these studies and agreements the water usage that has the highest priority, is the supply of water for domestic consumption. Consequently there are no international restrictions on Swaziland in the abstraction of water for human consumption for both the urban and rural communities.

### **3. Rural Water Supply Branch**

The Rural Water Supply Branch (RWSB) of MONRE, which is responsible for coordinating the supply of water to the Rural Areas (Swazi Nation Land), has well developed National Policies and Strategies, Guidelines and Procedures. The policy is to provide safe drinking water for all by 2022 through the strategy of an autonomous unit (RWSB) within MONRE, whose objective is to coordinate well-designed and constructed schemes and the training of the communities to operate and manage those schemes through the mechanism of water committees. The aims of the RWSB guidelines and procedures are to:

- ensure consistency with the National Policies and Strategies,
- minimise conflicts in the plans and programmes of the various implementing agencies and organisations,
- ensure sufficient community organisation, which is a key component in the sustainability of the installed facilities,
- ensure that gender considerations are adequately addressed,
- ensure that regional administrative structures are properly consulted, and
- directly ensure that the intended supply of water is dependable and meets the community needs.

In addition, they have developed standards and manuals for the implementation and installation of water schemes. These policies and manuals have been prepared with the assistance of DFID and the Japan International Cooperation Agency. RWSB have also prepared spreadsheets providing the names and details of all the existing and proposed rural water supply projects throughout the country. These spreadsheets are updated periodically to record the current status of the projects. Funds for projects are obtained either from Government or in the form of assistance from various NGOs. NGOs tend to

fund the smaller projects that are within their budgets. Much of the developmental work is done in-house.

The schemes installed by RWSB are handed over to the local communities to be operated and maintained by water committees. Prior to handover, the RWSB spend considerable time and effort in the training the water committees and the communities on the maintenance and operation of the schemes. This is an essential component of their work. The water delivered through the completed schemes is supplied at a nominal cost to the communities. Difficulties sometimes arise when the water sources are some distance away from the communities receiving the water. This problem will grow as the RWSB start to tackle water supplies to those communities that are a long way from being reliable water sources. The RWSB prefer to sink boreholes as they find that the local communities are better able to operate and maintain boreholes than more complex systems. The issue of borehole water supplies is dealt with later in the report.

The RWSB appear to need assistance in the administration of Contractors and Consultants appointed to carry out the technical aspects of the schemes, and if a number of new water projects are to be constructed in a short space of time then RWSB will need to increase their community training resources to handle the increased workload.

#### **4. Swaziland Water Supply Corporation**

The Swaziland Water Supply Corporation (SWSC) is a semi-state body responsible for the water supplies to the cities, towns and designated urban areas. The SWSC policy is to provide water at an affordable cost to the community, and all capital development is funded by or through the Swaziland Government. SWSC operate and maintain their water supply networks on a commercial basis and mostly use modern “package type” treatment plants. Although the water is provided to consumers on a commercial basis, all consumers throughout Swaziland pay a standard rate for their water; this amount effectively covers the operational and maintenance costs of their schemes and does not fund the initial capital investment. Another aspect is that the urban consumers to some extent subsidise the cost of provision of water to the rural communities. Water is delivered to all the consumers in the normal way through a network of pipes, meters and reservoirs.

SWSC select reliable sources of water and then they appoint Consultants, through the standard Government tendering processes, to design and monitor the construction of the water supply and reticulation systems. Consultants and Contractors must tender for the projects under the Government tender procedures only and under the direction of SWSC personnel. The administration of funds is well organised via the Ministry of Housing and Urban Development.

The Water Act (2003) is intended to harmonise the management of water resources in the country. Its provisions include the establishment of a National Water Authority and a Water Resources Master Plan. This plan will contain an inventory of the total water resources of Swaziland, and a comprehensive programme of action in which the maximum value can be obtained from these resources.

The functions of the National Water Authority are to:

- a. with the approval of the Minister, prepare, adopt, and subsequently update, the Water Resources Master Plan which shall comply with Section 10;
- b. advise the Minister on the appointments of persons to serve in the Joint Water Commission or any other international or national water commission which may be established pursuant to Section 19 of this Act.
- c. advise the Minister on the promulgation of regulations with respect to the setting of fees or charges for covering operation, cost and maintenance of government works, application fees, fees for appeals or charges for use of water;
- d. oversee the work of and provide policy criteria and direction to the Board and to Project Boards, River Basin Authorities and task forces and to approve their budgets before they are submitted to the Minister;
- e. advise the Minister on policy directions relating to water affairs;
- f. co-ordinate the work of different boards, water sector agencies and international water commissions;
- g. recommend policy with respect to the issuing, renewal, amendment or cancellation of permits;
- h. hear appeals from the Board, as provided in Section 32;
- i. monitor and recommend policy direction and guidelines to the Swaziland members of the Tripartite Permanent Technical Committee and the Joint Water Commission and any other international water commission;
- j. review and consider recommendations from the Tripartite Permanent Technical Committee, the Joint Water Commission and any international water commission and to make recommendations thereon to the Minister;
- k. determine the proper management of works and ensure that periodic safety inspections are made of all works;
- l. consider, approve, amend or reject development proposals for the development of water resources which may have a significant impact on the use of water resources;
- m. recommend to the Minister the adoption of water quality objectives;
- n. recommend to the Minister time limits for renewal of permits;
- o. see to it that the collection of hydrological, meteorological or other water related data is maintained, expanded and continued and to arrange for the collecting and making available to the Authority, to the Board and to the public of all such data as may be obtained; and
- p. do such other things as the Minister may in writing assign to the Authority.

The objective of the National Water Master Plan is:

- a. to define criteria for allocation of water;
- b. to secure sufficient water resources for domestic, agricultural and industrial needs;
- c. to determine beneficial and equitable needs within the context of sharing waters of international river basins;
- d. to protect the aquatic environment;

- e. to set down social and economic criteria for evaluating alternative water resources developments;
- f. to set down provisions for integrating water management with land and other resources;
- g. to develop a water pricing policy based on the economic value of water;
- h. to develop water conservation objectives including water quality objectives.

It is the mandate of the Rural Water Supply Branch (RWSB) of the Ministry of Natural Resources and Water Affairs to provide clean safe drinking water supplies and adequate sanitation facilities to residents in the rural areas of Swaziland. The RWSB and the Water Resources Branch, which is responsible for monitoring and controlling the overall use of water, will be absorbed into a Department of Water Affairs within MNRWA.

## **5. Situational Analysis (Geographic, Geological and Climatic influences)**

### **General**

Even though it is a small country, Swaziland has a wide range of geographical, geological and climatic variations. The West of the country can generally be classified as Highveld with granitic soils and moderate climate whilst the East is Middleveld or Lowveld and has basalts and sandstones and a hot climate.

### **Highveld**

This region's rainfall ranges between 800 and 1200mm per year. Although, the majority of the rain falls between November and March, it is not uncommon for rain to fall during the period April to October. Maximum daily temperatures range from 10 to 25 degrees Celsius. Consequently there are a number of perennial streams that can be utilised for water supplies to the rural communities in this region. The RWSB has been successful in developing these water supplies and directing them to the communities utilising basic systems of riffle and slow sand filters and gravity mains. Boreholes in this region have a reasonable rate of success due to the geological formations in the area, and the annual rainfall generally replenishes the groundwater.

### **Middleveld and Lowveld.**

The remainder of the country, which covers a large portion of the surface area of Swaziland, has a rainfall varying between 600 and 800mm per year. Maximum Daily Temperatures are high, varying from 20 to 40 degrees Celsius, which results in a high evaporation rate. The combination of low rainfall and high evaporation rates means that there is little water available for groundwater replenishment. In addition the area is generally relatively flat and the local geology (sandstones and basalts) is fairly impermeable. The ground water is therefore limited to a few fracture zones and is frequently brackish. Many boreholes have been drilled by various agencies and NGOs, with limited success. On a recent borehole survey undertaken near Siphofaneni out of a

total of 30 boreholes only 50% were working and most of the working ones produced saline or brackish water. The only reliable (perennial) sources of water are the major rivers such as the Usutu, Komati, Mbuluzi Ngwempisi, Mhlathuzane and Mkhondvo and Ngwavuma, plus the few large dams, namely the Mnjoli, Maguga, Sand River and Jozini.

#### **6. Current levels of the implementation of the Water Sector Policy.**

The SWSC is the designated supplier of water to the Urban Areas of the country and the RWSB are responsible for the supply of water to the population living on Swazi Nation Land. The boundaries between the two organisations become rather blurred in the peri-urban areas and in addition small towns and rural communities sometimes ask the SWSC to take over and operate their water supplies. As the SWSC appear to have the supply of water to the urban areas well covered so the report will focus primarily on the delivery of water to the rural and peri-urban communities.

Currently, 54% of the population living on Swazi Nation Land is served by safe drinking water supply schemes that have been installed either under the guidance of, or directly by, RWSB. However, 17% of those schemes are currently non-functional for various reasons so only 45% of the rural population has access to water from the schemes. The major reason for the failures appears to be the mindset of many rural communities who believe that water should be free, because they have never had to pay for it before. The RWSB consider that a proper explanation of the savings in money, time and energy, and training on how to operate the schemes prior to their implementation, are critical factors in the success of any scheme. Another reason for the failure of some schemes appears to be squabbles within the communities themselves regarding the operation and financial management of the running costs of the schemes, once they are handed over by RWSB.

In the last two years the increased rate of water supply coverage has been only slightly above the increase in the population growth. There is therefore a great need to extend the coverage of potable water supply schemes in the rural and peri-urban areas.

#### **7. The implications and impact on Swaziland of international and regional water related policies.**

International and regional policies encourage the supply of good quality drinking water to all the residents of Swaziland, as it is acknowledged that this will reduce the risk of water borne diseases in the region as a whole. There are no negative implications or impacts on the supply of safe and clean water to the population of Swaziland due to international or regional policies.

#### **8. Current levels of Government and donor support to the water sector.**

The Government has insufficient funds to develop all the projects needed to meet its goal of water for all by 2022. There are no funds allocated in the current budget for new rural water supply projects. Both RWSB and SWSC have numerous potential projects on their books that are waiting for funds in order to be implemented. Funding will have to be obtained from external sources if the Government's goals are to be achieved.

With 46% of the rural areas currently without safe drinking water there is an urgent need to boost the water supply coverage in the country substantially. Donor support comes from many sources including Micro Projects and Japanese Aid to name but two organisations. NGO's tend to support some of the smaller project areas, as their funds are limited. A good deal of emphasis has been placed on the drilling of boreholes in rural areas, but - as stated above- whilst boreholes in some areas can be good sources of water, in other parts they are a waste of valuable funds.

## **ANNEX 10: ANALYSIS OF THE HUMAN DEVELOPMENT SECTOR (HEALTH AND EDUCATION)**

### **A HEALTH**

#### **1. Health Sector**

The health system in Swaziland is built on public, mission and private health services. Mission services are subsidised as they contribute to health care in two of the four regions.

The public health system in Swaziland has three delivery levels:

- community based care from 162 health clinics and 187 outreach clinics, all run by nurses;
- five first referral health centres and eight public health units offering both preventive and curative services with between 20 and 40 in-patient beds; and
- four regional referral hospitals with a total of 1 166 in-patient beds. There are two private, not-for-profit hospitals, receiving subsidies from the Ministry of Health and Social Welfare, that provide a further 575 beds.

The public health system is still oriented towards cure rather than prevention, with 70-80% of total public health expenditure going to secondary care. Patients are required to contribute financially to hospital care though not for primary care. This is not related to ability to pay and exemption mechanisms have been designed; however, these have proved difficult to implement.

Swaziland's expenditure on health as a percentage of GDP is lower than in many African countries and lags behind Abuja Declaration targets. The Abuja target is set at 15% of the national budget, whereas health expenditure in Swaziland represents around 8% of the national budget.

The health infrastructure is relatively well developed compared to many other African countries, with about 80% of the population living within an 8 km radius of a health facility. However, many facilities are poorly maintained and transport and other socio-economic factors are still obstacles to access. Furthermore, health care is not equitably spread across rural/urban boundaries, with hospital beds having an urban bias: 90% are located in towns.

The HIV and AIDS epidemic is putting a substantial strain on health services in Swaziland, and is affecting the quality and sustainability of services. It is hospital services which are facing the main increase in service needs, but virtually all components of the health system are being affected.

Periodic droughts/floods and food insecurity in some areas contributes to poverty and health needs. While the health sector has tried to respond to growing demands, the



systems of governance are cumbersome and inflexible and have inhibited rapid change. This has been exacerbated by a lack of coordination across all components of the health system.

Cost and resource constraints will make effective prioritisation very important and the actors in the sector will need to be open to new ways of organising and delivering services. Proposed early interventions will have to be structured around initiatives which do not involve a long decision chain, while mechanisms are put in place to harmonise decision making at national level.

The private health sector in Swaziland is relatively large. In addition to two mission hospitals there are 73 other mission facilities including health centres, clinics and outreach services, as well as 22 industry-supported health centres and clinics, 53 private clinics and four NGO's providing health care.

Even though only a small minority of people in Swaziland pay into medical insurance schemes, almost 50% of all doctors and about half of all nurses in Swaziland work in the private sector.

## **2. Issues of Concern**

### **2.1 Human Resource Management**

There is no readily available information service that integrates information about the workforce in terms of numbers, deployment and educational levels.

Regional hospitals are functioning with between 55% (Mankayane) and 83% (Mbabane) of the established posts filled, although bed occupancy is at 100%; in addition, a number of hospitals have 'floor patients' who are nursed on mattresses under the beds.

Government hospitals are allowed to employ only Swazi nurses. Medical doctors and other cadres can be recruited from outside the country for Government, Mission and private hospitals. Financing for the health workforce is affected by the position of zero growth in the public sector. Public sector recurrent expenditure has been running at 55% in recent years and the IMF and World Bank called for this to be cut to 35%. As salaries come from recurrent expenditure, this has meant a significant cap on new posts in the health sector.

Other challenges faced by HR management in the public health sector include:

- Staff attrition. Skilled health workers and managers are particularly difficult to replace. Loss of skilled staff in key positions at service and central levels has a significant impact on service delivery. Deaths accounted for around 33% of all attrition. Responses to high attrition rates have mainly focused on raising salaries, foreign recruitments and re-hiring of retired nurses. While these measures reduce some of the pressure on services, they have limitations:

- Alternative treatment methods: New approaches may use available resources more efficiently and reduce reliance on scarce and expensive staff.
- Limited attention has been paid to reducing inefficiencies in human resource management and administration and particularly the weaknesses in relation to management of ill health and absenteeism.
- A workplace policy and programme in respect of HIV and AIDS were initiated in the MoHSW along with other ministries in 2004. However, progress in implementation has been limited. At service level, staff had not heard about the initiative and felt that nothing was being done. There has been no specific strategy around ART to prevent AIDS deaths amongst health workers.
- Poor pay scales for all levels of health workers in the public health sector compared to positions in the private sector contribute greatly to the understaffing in the public health sector.
- There is pay inequity between specialised health workers recruited from outside the country and those recruited locally.
- Workforce motivation is extremely low because of the prevailing conditions in the public health sector:
  - Lack of basic equipment
  - Interruptions in the supply of basic drugs
  - Poor condition of necessities such as beds and bed-linen
  - Poorly maintained and even dilapidated infrastructure
  - Limited facilities such as laboratories, transport, etc. and lack of adequate furniture
- Overcrowding on wards – sometimes caused by ‘lodgers’ (families of patients who sleep in the wards). However, these lodgers have to provide basic care for patients because of the shortage of nurses.
- There are no incentives to work in rural areas, even though living and working conditions there are substantially more difficult than in urban areas, and the workload very often is much higher.

## 2.2 Training of specialised health workers

There are no facilities in Swaziland for training doctors, pharmacists, rehabilitation therapists, radiographers or laboratory technicians.

The majority of doctors are general practitioners, which means that there is an alarming shortage of specialised care available in the country. More complex cases are referred to SA, and this is a costly option, as well as exacerbating the current shortage of specialists in Swaziland.

The number of medical personnel fell by 13% between 2001 and 2003. Many of those sent to train outside Swaziland do not return, and the government investment in them is lost.

About half of the nurses in the country are also qualified as midwives and half of the nurses are in private facilities, including mission clinics, industrial facilities and NGOs. Government recruitment processes are slow-moving and the pool from which to recruit is very small because of the lack of training facilities (for health workers other than nurses) nationally. Even for nurses, the annual training output is around 90 nurses and 60 midwives. The annual attrition rate from public health care for nurses is 11%, i.e. about 330 nurses. Demand therefore far outstrips supply.

Training and HR development have not responded systematically to the new challenges. In addition, no clear emphasis has been put on prevention for trainees, who are expected to be at particularly high risk of HIV infection.

Many supervisors have not had any preparation for their roles, and training in management seems to be run on an ad hoc basis.

### 2.3 Organisation of the Health Sector

Swaziland decentralised its health system in the mid-eighties in line with the tenets of Primary Health Care, to improve access to care for all. Regional Management Committees were established to manage the health centres and clinics in each of the four regions. While these Committees are able to make decisions regarding budget allocation, the budget is managed by the MoHSW and an application has to be made for any spending to be authorised. This is a cumbersome procedure that can discourage local initiatives and prevent the rapid implementation of decisions.

A number of Ministries contribute to the state of the public health sector:

- MoHSW is responsible for delivering health services,
- the Ministry of Public Services is responsible for employing health workers,
- the Ministry of Works is responsible for repair and maintenance of buildings and equipment and
- the Ministry of Education is responsible for the pre-service preparation of physicians, nurses and other health workers.

This is a very fragmented approach, made worse by the lack of communication and the inevitable delays in navigating administrative processes, resulting in staff shortages and problems with payment of overtime, unreliable information on staff numbers and 'ghost' workers, deployment, qualification, etc., non-functioning equipment, buildings in need of repair, and so on.

### 2.4 Management of the Health Sector

Over-extended capacity in MoHSW cannot provide the necessary levels of leadership, planning and support. This has led to a lack of a sense of direction and coordination, poor record-keeping and an inability to address problems and adequately plan and manage information.

National coordination in the health sector has remained highly centralised. Although progress has been made in establishing and strengthening sectoral coordination structures, no clear framework for coordination with vertical and lateral links has been articulated. Poor coordination leads to in poor service delivery, duplication and inequitable distribution of resources.

Other areas of weakness include budgeting and financial management and infrastructure, transport and supplies.

## 2.5 Monitoring and Evaluation in the Health Sector

Limited capacity within the health sector in respect of monitoring and evaluation systems pose a challenge when it comes to measuring the efforts towards reaching targets, because of the absence of reliable data. Some effort has been made to address this problem, especially by means of a demographic and health survey, a Health facility Survey, OVC survey and client satisfaction studies. The poor quality of statistics undermines planning and management.

## 2.6 Impact of HIV/AIDS on the Health Sector

- Increased rates of tuberculosis: from 1990 to 2004 the number of reported TB cases rose from 210 to 820 per 100,000 population and TB hospital admissions increased. The period of hospitalisation among TB patients is the longest of all major conditions;
- Increased inpatient service loads: increased death rates, crowding of wards and complexity of cases. Increasing numbers of lodgers in wards, due to deteriorating home circumstances;
- Increased burden on hospital services: laboratories, allied medical staff, catering and housekeeping;
- Increase in outpatients workloads: outpatient departments and clinics receiving a higher number of patients who are chronically ill or have complex conditions;
- A large, hidden health care burden: this burden falls on individuals, families and communities, as many sick and dying people do not have access to services;
- Cost and shortages of drugs and supplies: HIV and AIDS places a severe strain on the health budget, and causes cost over-runs as well as shortages of key items including TB drugs and supplies used for HIV and AIDS care;
- Increased workload put on health workers resulting from Antiretroviral Treatment /therapy: ART with accompanying patient management systems is a 'labour-intensive' treatment method;
- Impact on service quality and effectiveness: the combination of increased patient loads and complexity of cases, along with staff shortages, deteriorating infrastructure and unreliable supplies has adversely affected patient care. The needs of people with AIDS-related conditions may be 'crowding out' care for other health conditions and undermine other public health programmes;
- Needs for Social Welfare Support: basic welfare issues such as hunger, poverty and overstretched family support systems are serious problems for many people living

with HIV and AIDS. With maternal orphanhood rates projected to rise from existing levels of 10 – 14% to about 20 – 25% of all children in 10 years (with much higher rates expected for older children), the need for effective support of OVC is growing dramatically;

- Increased staffing costs resulting from
  - Earlier pension claims;
  - Health care and antiretroviral therapy for health care workers;
  - Absenteeism, related to those who suffer from HIV and AIDS, as well as those who have a burden of care for family members suffering from HIV and AIDS;
  - Training of replacement staff;
  - Loss of productivity;
  - Other costs, such as recruitment and housing.

### **3. Government Objectives and Opportunities for Reform**

Actions should be identified that can achieve early successes and create a sense of movement.

Options include the following:

- Develop a system to identify and act quickly on priority, day-to-day needs and frustrations, such as maintenance of key equipment and supply of drugs;
- Address instability and demoralisation in key mission services due to budget uncertainties and exclusion of mission staff from MoHSW salary increases;
- Address urgent HR needs by increasing the capacity to identify and fill priority posts, to clear backlogs and improve communication with services;
- Mobilise resources for a more ambitious training and support programme for service staff in order to equip them for their roles;
- Prioritise use of opportunities to access technical assistance and other support;
- Agree on plans and systems for partnerships with private practitioners to relieve capacity constraints;
- Develop an award programme to recognise staff or services that show initiative;
- Strengthen HR management by developing capacity and systems for more efficient HR management, administration, implementation of policies, HR planning and development and communication with services;
- Strengthen health service planning capacity in MoHSW to ensure adequate coordination of planning and planning support for programmes;
- Strengthen key basic systems, including drug procurement and supply, maintenance and transport;
- Strengthen systems for coordination and communication between components and core services at all levels;
- Develop strategic approaches to the role of Social Welfare and meeting urgent basic needs;
- Strengthen information systems and capacity both for core health services and special programmes such as TB programme, HBC, PMTCT, and laboratory services. Poor or

inadequate information is a major obstacle to planning, management and the ability to validate and refine results.

## **B. Education**

### **1. Education Sector**

The education system is organised into four levels: pre-school education, primary education, secondary education and post-secondary education.

#### ***Pre-school Education***

The number of preschools in Swaziland has grown rapidly, with demand continuing to increase. Pre-school education is aimed at providing supervision, care and a preparation for primary education to children between the ages of 3 and 6. In addition, it assists parent groups within communities to participate in developmental activities within the community. Pre-school institutions are run by private individuals and are required to register with the MoE. However, the lack of a government policy has resulted in poor coordination and regulation of operational standards. As a result, there are considerable variations in the standards of health and safety, and the quality of the learning environment and teaching.

#### ***Primary Education***

The people of Swaziland place high value on the importance of education for gaining social capital and this is reflected in enrolment rates of approximately 95%, with the total primary school enrolment for 2005 being 221,596.

In 2005, there were 6761 teachers (1 852 males and 4 909 females) employed within the primary sector.

There are three types of primary education provision in Swaziland; Government schools, Grant-Aided schools and Private schools. Grant-Aided Schools form the majority and are community schools or schools with a religious affiliation.

Pupils begin their primary education in Grade 1 at the age of six and continue through to Grade 7. There is no documented National Curriculum in place and the teachers are heavily reliant on a textbook for each subject area to guide their teaching. The teaching techniques employed are restrictive and reliant on rote learning and recall rather than encouraging the flexibility, initiative and creativity necessary for life long learning. In addition the prevalence of very large class sizes, with 60+ pupils add to the problems of initiating the changes that are needed in order to go far beyond the didactic learning environment in which most of the education is currently delivered.

For many years the system of assessment in Swaziland was based solely on end of year examinations, which resulted in high repeat and drop out rates. In 2005, the number of repeaters at primary level was 48,370 or 22%.

In an attempt to deal with the drop out problem the 1999 Development Plan proposed the introduction of a system of Continuous Assessment. This system is now in place and

pupils are assessed each term. The tests for each subject are based on the textbooks, requiring rote learning with little or no application of skills, knowledge or understanding.

However, Continuous Assessment is not applied in all schools due to:

- poor distribution of assessment materials;
- the lack of skills required to administer and present students for the tests;
- large class sizes, which means that teachers find continuous assessment difficult to apply, and administer and mark;
- a lack of resources to cope with large amounts of data;
- a lack of knowledge of how to analyse the results, recognise and provide and use assessment as a tool for learning and remediation;
- distribution and collection of data, some rural schools are in remote areas and access is difficult;
- a lack of information technology to facilitate record keeping and track progress.

It is estimated that many pupils take twelve years instead of seven to complete the primary cycle. This repetition rate distorts statistical data on enrolment rates, access figures, and the universality of primary education. Educational reforms will give a great deal of scope for improved access and efficiency, which could result in the inclusion of many children who are currently outside the system; according to some educationalists, this group may be as high as 15% of all children of primary school age.

The quality of the teaching in schools has many shortcomings and there is a need to address quality in the form of increased capacity in the Inspectorate and school management systems, a new National Curriculum, revised arrangements for assessment and testing supported by INSET and Pre-Service teacher training.

### ***Secondary Education***

The secondary education sector offers a further five years of formal education beyond Primary. This is divided into three years of junior secondary and two years of senior secondary. The Ministry of Education views the aim of secondary education as a means of producing graduates capable of entering the workforce or taking up self-employment.

In 2005, there were 199 secondary schools shared amongst four districts (Hhohho, Manzini, Shiselweni, Lumombo). Of these, 52 are rural government, 97 are rural aided, 15 are urban government and 28 urban aided.

The total secondary school enrolment for 2005 was 71,124 compared to 47,423 in 1992.

The number of teachers employed within the secondary sector in 2005 was 4,214 compared to 1,906 in 1988. The qualified pupil-teacher ratio in Government junior schools is 20:1, in junior Grant-Aided schools 22:1, in Government high schools, 17:1 and Grant-aided high schools 18:1.

### ***Vocational and Technical Education and Training Sector***

The Government recognises that, if Swaziland is to keep pace with modern society, education beyond the secondary system needs to be seen as a Life Long Learning process. The Vocational and Technical Education sector is seen by the GoS as a valuable means of providing medium and highly skilled manpower for both the public and private sectors. There are two main centres which provide formal vocational education and training in Swaziland: the Swaziland College of Technology (SCOT) and the Vocational and Commercial Training Institute at Matasapha (VOCTIM).

SCOT was established in 1946 and is the main centre for technical and vocational learning aimed at enhancing the development and expansion of the economy within Swaziland and the SADC region. SCOT currently offers a range of craft and technical courses at artisan and diploma levels, the former of which are externally examined by City and Guilds in London. The minimum entry qualification for Craft programmes is the Swaziland Junior Certificate and for the diploma programme it is O- levels.

VOCTIM was established in 1987 to provide Swaziland's public and private sectors with skilled craftsmen and clerical staff and to upgrade existing employees through in-service training. In addition it provides secondary school leavers and the unemployed with craft level training that puts the emphasis on practical skills and self-employment in line with the current needs of the labour market. The MoE has recognised the need for modernisation and expansion of its facilities and courses to include subjects such as hospitality and tourism, entrepreneurship and key skills.

In addition, several non-formal education centres provide adults with vocational education and training which will enable them to take part in the job market or in community development. Examples include the Sabenta National Institute, Rural Education Centres, Swaziland Skills Centres and the Division of Extra- Mural Studies.

Currently there is no unified policy for technical and vocational education and the existing provision is fragmented and of uneven quality and standard. The 2001-2002 Development Plan highlights the need to formulate a TVE policy to provide strategic guidance to this sector.

Access is restricted by the limited number of places available, and ratios of 100 applicants per place are not uncommon. Moreover, admission policies to ensure gender balance on all technical and vocational courses and an overarching equal opportunity policy as indicated in the National Policy Statement on Education 1999 are lacking.

The Directorate of Industrial and Vocational Training (DIVT) was established in 1987 as a separate department of labour and public service; it comprises two separate sections for Trade- Testing and the regulation of the Apprenticeship Scheme.

Coordination between the education and training providers and vocational qualifications curricula on the one hand, and quality and quantity of teaching on the other, needs to be standardised and regulated.

### ***Tertiary Education***

The University of Swaziland has three campuses, one at Luyengo for the agricultural faculty another at Kwaluseni where academic and professional courses are run, and a



third at Mbabane providing training in Health Sciences. These courses lead to degrees in subjects which include the Arts, Sciences, Commerce, Education and Law, Accounting, Business Management and Marketing. The University programme, however, does not include provision for engineers and medical practitioners who must look beyond Swaziland for qualifications. A total of 3,393 students were enrolled at UNISWA in 2004/05.

### ***Pre-Service Teacher Training***

Teacher training is divided into two main sections: pre-service and in-service. Pre-service training lays the foundations upon which newly qualified teachers can begin to practise. It is now widely accepted that a consistent and quality programme of in-service training is also required in order to maintain and improve standards, efficiency and the quality of education.

Pre-service primary teacher training is provided by the Ngwane Teacher Training College at Nhlanguano and the Nazarene Training College in Manzini. Students are awarded a Diploma after successfully completing a three-year course.

A three-year Junior Secondary Teacher Training course is offered at the William Pitcher Teacher Training College in Manzini.

The University of Swaziland offers degree courses for junior secondary teachers and the Post- Graduate Certificate in Education for Senior Secondary School teachers. Finally, Commercial and Technical teachers for senior secondary schools receive training from SCOT. All teacher training colleges are affiliated to the "Board of Affiliated Institutions", based at the University College of Swaziland.

### ***In-Service Teacher Training***

The Ministry of Education provides and encourages serving teachers to embark on In-Service courses to improve their knowledge and expertise and to keep abreast of current trends in the teaching profession. Due to the constraints of staffing shortages, only a few teachers have been able to upgrade their diploma qualifications to Degree level in the in-service programme. As a result, the Ministry of Education has allocated funds to develop in-service training in conjunction with the Primary Education Project (PEP) and the Educational Policy, Management and Technology Project (EPMT), which involves the restructuring of the in-service training programme.

### ***Distance Education***

Distance education in Swaziland provides a more flexible form of training. Currently, the Emlaladini Development Centre (EDC) and the Institute of Distance Education (IDE) at the University of Swaziland are offering distance education. EDC aims to bridge the gap between secondary and tertiary education, offering students the chance to study for O-levels at home. IDE offers diploma and BA courses to those who are unable to attend the University full-time.

## **Financing Education**

Education accounts for 22.3% of Government expenditure and the Government has committed itself to increasing allocations in the Economic and Social Reform Agenda (ESRA). Cost sharing exists where schools fees are set and justified by the head teacher and committee of each school, with the approval of parents and Regional Education Officers. To assist those pupils who are needy (for example orphans), the Government provides bursaries to pay the fees. The MoE funds the different levels of education according to priority at the time; currently, the proportions of funding to each sector are as follows:

0.2% for pre-primary,

42% for primary,

35% for secondary,

19% for post-secondary, and

3.8% for technical and vocational education.

Although 22.3% is a sizeable proportion of the annual budget the majority of this money is allocated to teacher's salaries; consequently, there is little left over for schools to use for development purposes.

Unless a determined effort is made to substantially increase non-salary related resources across the whole education sector, the realisation of the Government's wish to improve quality provision will be extremely difficult.

## **2. Issues of concern**

The education system is currently experiencing the following problems:

- the absence of a relevant National Curriculum;
- an average primary school pupil teacher ratio of 31:1 which, although below the Su Saharian Africa average of 43:1, does not ensure effective staffing and class sizes across the country;
- a lack of suitable facilities;
- a lack of suitable learning materials;
- inappropriate assessment procedures;
- the high cost of education to the majority of citizens;
- inadequate provision for pupils with special needs;
- irrelevance of curriculum subjects;
- a population growing at an average rate of 3.2% per annum;
- an inefficient and ineffective system with high drop- out and repetition rates;
- a general lack of resources to support teaching, learning and management.

### **3. Government Objectives and Opportunities for Reform**

The Government developed educational policies in 1997 with the NDS and in 1999 with the DP, which aimed at addressing issues such as; quality, relevance, efficiency and effectiveness within the educational system; while at the same time as consolidating the achievement of education for all. The overall aim of the Government is to create an education system that continues to be available to all, and is appropriate to the needs of its people, whilst contributing to the development needs of the country. In order to achieve this, the Ministry of Education identified broad key policies (NDS 1997 & the National Policy Statement on Education 1999), to:

1. improve the quality of education;
2. revise and develop the curriculum for primary and secondary schools which must be both relevant to the demands of national development and at the same time flexible;
3. develop technical and vocational education;
4. develop a system of life-long learning beyond the classroom;
5. improve the efficiency and cost-effectiveness of the education system;
6. remove discrimination on the basis of gender or disability.

The NDS and the DP of 1999/2000 – 2001/2002 identified the following key areas requiring urgent intervention to improve the system:

1. appropriate education and training;
2. expansion of facilities and institutions;
3. expansion and improvement of in-service and pre-service training;
4. expansion of the Ministry's Management Information Systems (MIS);
5. improvements in the efficiency of the whole education system;
6. institutional reform.

High rates of repetition, dropouts, and under-employment of school leavers are giving rise to a variety of social problems, which are hindering human development in Swaziland. According to the NDS 1997-2022, the underlying cause of these problems is an unacceptable amount of waste and inefficiency.

## THE EC MULTIANNUAL ADAPTATION STRATEGY FOR SWAZILAND

### SUMMARY

On 28 April 2006, the Government of Swaziland submitted to the EC Delegation in Mbabane its National Adaptation Strategy (NAS) document, in which the strategic measures it plans to implement in order to cope with the revenue decline caused by the EU sugar market reforms were spelled out. The measures were formulated on the basis of an analysis of the country's economic and social conditions as presented in the first part of the NAS, and grouped according to their priority of implementation and most appropriate source of funding.

The NAS has about four main areas: it seeks to a) provide restructuring support to the industry, whilst ensuring continuous productivity and efficiency improvement; b) support smallholder cane growers to be viable in the medium to long-term; c) expand access to preferential markets (and where necessary seek the preservation of present access); and d) lastly, cushion the populace from a risk of deteriorating living standards, given the reliance of the economy on the sugar industry and the impact that the EC sugar sector reforms may have on the economy.

The measures singled out in the strategy conclusions were formulated on the basis of an analysis of the country's economic and social conditions as presented in the NAS document, and assistance is sought from the European Union and other donors for its implementation. These measures are grouped according to priority and phase of implementation, with the most urgent being: i) the establishment of a Restructuring and Diversification Unit (RDMU); ii) the stabilisation of the financial situation of smallholder growers (total amount of credit outstanding in the sector is E150 million/+ € 18.7million<sup>12</sup>); and, iii) the transfer of industry-provided social services in the sugar communities to yet-to-be created bodies of local governments, with the aim of improving access to the job market and safe-guarding the welfare of retrenched workers.

Three phases are outlined in the implementation of the Strategy. The first phase covers priority areas of intervention, including industry investments. The second phase is a medium-term programme that builds on the activities of the first phase activities, in linkage with a longer term focus and activities of the third phase. The third phase is the last period of the implementation of the Strategy, with a longer term of focus. These phases are interlinked and activities may overlap across the different phases. Three sources of financing are foreseen: the sugar industry (and financial actors); the Government and the donor community (including loan agencies). Implementation will be coordinated through a (to-be-created) Restructuring and Diversification Management Unit, which is a priority for the first phase.

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<sup>12</sup> Exchange rate is about 8 Lilangeni/Rand to the Euro.

Of the areas identified as a priority in the NAS, the establishment of the Restructuring and Diversification Management Unit (RDMU) will receive EC support from the 2006 budget. . Medium and long-term support will go towards the development/restoration of social services in the sugar communities, including retrenched workers and surrounding communities, support for smallholder and medium-scale sugarcane growers, infrastructure development, and support for trade policies and negotiations.

## **1. ANALYSIS OF THE COUNTRY SITUATION**

A small land-locked kingdom in South-Eastern Africa, Swaziland is bordered in the North, West and South by the Republic of South Africa and to the East by Mozambique. The country has an area of only 17,364 square kilometres, and contains four distinct ecological regions that run from West to East, and are distinguished by altitude. Sugarcane is grown in the Lowveld, a hot, dry, and relatively flat area in the East.

The sugar industry is of critical importance to Swaziland's development, and plays a multifaceted role in the economy above all given the decline in the growth rates of the economy to 1.8% in 2005 and a projected 1.0 % in 2006. It contributes about 8% to national output (GDP) and over 35% of the workforce in the agricultural sector is employed in the sugar industry. There are three sugar factories – Simunye and Mhlume run by the Royal Swaziland Sugar Corporation (RSSC), and Big Bend (Ubombo Sugar Estate). In terms of growth and productivity, the Swazi sugar industry can be held up as a real success story in comparison with other sectors. At present, on less than 50,000 hectares of irrigated land, it produces in excess of 650,000 tonnes of sugar per year, representing a turnover of more than E1.5 billion (€ 200 million). The industry is poised for major expansions in the short to medium term with new growers expected to come in through the Komati Downstream Development Project (KDDP) and the Lower Usuthu Smallholder Irrigation Project (LUSIP), as about 16,000 hectares of new land will be cultivated with sugarcane, producing an extra 200,000 tonnes of sugar.

So far, Swaziland has been selling part of its sugar for higher prices to Europe as a beneficiary of the Sugar Protocol, under which it exports 120 000 tonnes of sugar (18.4% of sugar exports), and the Special Preferential Sugar (SPS) arrangement, under which 30 000 tonnes (4.6% of sugar exports) of sugar are sold annually. This tonnage represents 23% of the sugar industry's total output and 33% of the industry's revenues. The quota for the USA market is 17 000 tonnes (2.6% of sugar exports). The remaining amounts are sold on the SACU market (about 315 000 tonnes; 48.3% of sugar exports) and the COMESA market (about 170 000 tonnes; 26.1% of sugar exports).

Until about two years ago, the three sugar factories belonging to the RSSC (Simunye and Mhlume) and Ubombo Ranches (Big Bend) and miller-cum-planter agricultural operations had about 10,000 permanent and seasonal employees, but this number has since dropped because of retrenchments to cut costs. As field labour constitutes about 60% of this total, and as only about 55% of all cane processed is miller-cum-planter-grown, another 4,900 persons would be employed directly in the sugar industry. Assuming an average of 7 dependents for each of the roughly 15,000 breadwinners, this would mean a population base of 105,000 individuals.

While the sugar sector is highly efficient from a purely production standpoint the financial situation is somewhat different. At times of generous sugar prices (mainly the EU quota) the industry employed more staff than absolutely necessary for production requirements and assumed a whole range of social responsibilities (schools, clinics, housing) in regions of the country with otherwise unfavourable climate conditions (droughts) and a high prevalence of poverty (more than 70% of population under the national poverty line). Furthermore, the situation is compounded by the volatility of the world market price of sugar and of the exchange rate of the Lilangeni/Rand against the euro and the US dollar.

The smallholders and medium-scale farms are the area of greatest concern. The problems of these smallholders have political implications, as they were encouraged by the sugar industry and the government to go into cane growing with the prospect of success and poverty alleviation which, however has so far not materialised. The failure of these growers is attributed to the high start-up costs of clearing the bush land for planting and cultivating, irrigation infrastructure, the seeds and the fertilisers for the first crop, as well as the equipment to work the large piece of land. Furthermore the financial set-up with banks providing the loans was in many cases not favourable to sustainable farm development. The problems described occur in the KDDP area (without EU involvement). The same mistakes must not be repeated in the starting LUSIP programme funded by the EC, EIB and other donors. The agriculture component of LUSIP (funded by IFAD) is based on a more sustainable smallholder scheme.

## **2. COUNTRY POLICY AGENDA**

Swaziland has a National Development Strategy (NDS) for 1997 to 2022, which contains a vision that seeks to place the country in the top 10% of the medium human development group of countries by the year 2022. The strategy places social developments such as food security, human settlements and shelter, safe water and sanitation, health and human capital development, social security, gender issues, and the problems of disadvantaged groups are at the very heart of Government policy, along with a vigorous economy, the efficient utilisation of natural resources, and the development of infrastructure, research and innovation. All these aspects are important in strengthening the Swazi economy, and reducing the total reliance and high dependency on some sectors, as is the case with the sugar sector.

The country is facing serious challenges with increasing fiscal and balance-of-payments deficits, reduced foreign direct investment, and deteriorating social standards. In addition, the country is also faced with the HIV/AIDS pandemic, decelerating economic growth, increasing unemployment<sup>13</sup> and poverty.

Poverty reduction is the central focus of the NDS. The draft Poverty Reduction Strategy and Action Plan (PRSAP) is the overarching policy statement for reducing poverty and

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<sup>13</sup> National unemployment rate is estimated at 29% - 40% of this being the youth, and 70% being women.

other related challenges. Approximately 70% of all Swazis live below the E128-per-month poverty line, and the main objective is to reduce poverty by more than 50% by 2015, and eradicate it by 2022. The PRSAP document describes the country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as along with the associated external financing needs – and the fundamental reforms and changes in development approach required to achieve this goal.

Located in the drought-affected Lowveld, the sugar industry is not only a backbone of the national economy but also contributes to poverty reduction in an area that would not have much economic potential otherwise.

### **3. LESSONS LEARNT FROM EC COOPERATION**

Under the 8<sup>th</sup> EDF, the EC is currently financing the Lower Usuthu Smallholder Irrigation Project (LUSIP) which will provide a large number of smallholder cane growers with 11,500 hectares of irrigated land for cane-growing upon its completion. Key lessons have been learned from other ongoing projects in Swaziland such as the Komati Downstream Development Project (though EU has not been involved in the funding of this project), which has left smallholder growers facing financial difficulties. Particular attention needs to be paid to the new growers entering through the LUSIP project.

Swaziland is currently not eligible for budget support. As a result, EDF programmes are delivered through the classical project approach which is often cumbersome and demanding in terms of human resources. However, a reform process can be embarked upon to reach eligibility for budget support in the medium term. This would be beneficial to the GoS, as many areas pinpointed in the NAS as priorities would be better supported through budget. At the request of GoS the process to assess eligibility for budget support has been launched.

### **4. EC RESPONSE STRATEGY**

The EC Strategy will be coherent with the various EC-funded CSPs, notably the 8<sup>th</sup> EDF CSP, under which the ongoing LUSIP programme is funded, and the 10<sup>th</sup> EDF CSP, which has water and energy as one of the focal sectors. In addition, since it is indispensable to have a single integrated strategy for each ACP country, the EC Sugar Strategy will be incorporated into the 10<sup>th</sup> EDF CSP and subject to the system foreseen under this framework for monitoring, review and adaptation if necessary. Since EC support will not be sufficient to fund all the envisaged accompanying measures, it needs to be based on priorities and the comparative advantages of our interventions. Private investments will be made by commercial entities using loan facilities provided by local and international institutions. As and where appropriate, the EC will seek, to develop synergies with the EIB in contributing to the country's adaptation process. The contribution of GoS as well as other donors will be required to fund the whole range of envisaged adaptation measures.

In view of the above, and based on the NAS, the EC will intervene in the following areas:

- a) Institutional support, including the establishment of a Restructuring and Diversification Management Unit (RDMU) for NAS implementation and a pool of experts to provide expertise in all relevant areas;
- b) Restructuring the provision of social services;
- c) Support for improving the productivity and efficiency of smallholder sugarcane growers to ensure their long-term viability including co-funding of the LUSIP programme where funding gaps arise;
- d) Infrastructure improvements in the production centres, the sugar estates and the transport chain;
- e) Support for diversification in the form of alternative agricultural products (cane based or others) and non-agricultural uses.

The selection and identification of the activities that can be supported by the EC is based on the following principles: a) long-term sustainability; b) budget availability, deployment and prioritisation; c) financing complementarities; d) the EC strategy for Swaziland (under the 9<sup>th</sup> EDF and beyond); e) a comprehensive (multi-sectored, multi-annual) approach; f) lessons learnt from devolution (and regionalisation) and the practicality of delivering assistance in a timely and adequate manner; g) poverty focus, and response to broader socio-economic impacts; and, f) mode for delivering assistance (budget vis-à-vis programme support).

The list of intervention areas earmarked for EC assistance is not exhaustive but indicative, particularly as regards activities whose implementation is in the medium to long term. Others will be supported either by the industry itself (through own resources or loan financing) or the GoS (including other donors).

The general orientation of the implementation of the NAS will be coordinated through a steering committee (SC) where all relevant stakeholders are represented. The SC will meet under the chairmanship of the Ministry of Economic Planning and Development.

#### **4.1. PHASE I – 2006 allocation**

##### ***The establishment of a Restructuring and Diversification Management Unit (RDMU)***

Intervention areas for phase I are earmarking the budget allocation for 2006 (€ 4.7 million). This funding will be used to establish the Restructuring and Diversification Management Unit. For the implementation of the strategy measures outlined in the NAS, and in order to keep on board all the stakeholders concerned, a central unit is needed to supervise and monitor all activities. The RDMU will also need to specify and develop certain components of the NAS in depth, undertake a thorough needs and feasibility assessment, in order to establish a sound basis for the medium and long-term strategy and to provide additional analyses, including a sugar market analysis. The RDMU is intended to be a temporary structure for the adaptation phase to the new economic environment. Around the Mid-Term Review, however, it may be assessed whether it is useful to transfer certain functions to existing institutions for long term sustainability.



The RDMU will be expected to function as an operationally efficient management and supervisory structure for determining the utilisation of funds for the restructuring and diversification initiatives outlined in the NAS. The purpose of the RDMU is to provide the human and institutional capacity for the implementation of a coherent response strategy and the development of specific identified projects and program initiatives.

To prepare the setting up of the RDMU, an institutional review of relevant organisations will be undertaken to establish their capabilities and limitations for the delivery of the work expected under the NAS. It must be borne in mind that the new Unit will not replace existing organs but will assist in coordinating the implementation of the measures contained in the NAS. Its role will thus be to provide the means for the attainment of specific goals of the NAS.

For the RDMU to realize its objectives, it must be able to draw on the knowledge and experience existing within the country. Furthermore, it must ensure the effective deployment of assistance in the areas that need it – the sugar sector in particular. The appropriate organisational and logistical framework to allow these resources to be mobilised to the fullest extent within the planned structure still needs to be worked out. It is envisaged that project and programme sub-committees will be established in various areas to coordinate existing initiatives and develop new ones within such a coherent framework, bringing together available expertise within the various stakeholder groups and government departments. The RDMU's results in these areas will be key to launching the interventions identified for 2007-13.

Examples of such areas are:

- Analysis and technical assistance for the restructuring of the financing institutions to help alleviate the debt, and improve the loan schemes that new growers will be entering into;
- smallholder productivity improvement – offering training on field and productivity management;
- Drafting of guidelines for sustainable sugar cane cultivation and processing for the attention of cane growers and businesses;
- bio-fuel development and cogeneration – studying the viability of diversifying into other forms of fuel like ethanol; as along with feasibility studies for the co-generation of electricity from bagasse for sale to grid from the mills;
- transport and materials handling – looking into ways of lowering transport costs which make up a large share of production costs, for example by improving infrastructure and the maintenance, and operation of the transport chain;
- diversification – studying the viability of developing alternative agricultural sectors and other economic activities in the area, and not focussing solely on sugarcane;
- identifying needs and developing a new model for the provision of social services, requiring development of the capacity of local institutions;
- skills gap/entrepreneurial trainings for retrenched workers to enable them to be re-absorbed into the employment pool, or to start up small businesses in their communities;

- further analysis or defining of an irrigation policy and investments to be made in the areas concerned.

The aim is to use the entire budget for 2006 (€ 4.7 million) to fund the institutional requirements for NAS implementation. Future increases may be made if required. The core activities of the Unit will initially be to concentrate on the elaboration of the NAS measures into fundable projects. This will require external expertise. The plan is to set up a Consultancy fund within the Unit to provide for the recruitment/engagement of short and long-term consultants to assist in the further elaboration of the strategy measures.

## **4.2. THE MEDIUM AND THE LONG TERM (2007 – 2013)**

### ***4.2.1. Social services in the Sugar Communities***

The two companies (RSSC and Ubombo Estates) currently provide for the basic needs of housing, security, health care, and education of dependents in the communities of Simunye, Mhlume and Big Ben at a cost of E 52 million (€ 6 million) and E 39 million (€ 4 million) per year respectively. Until about two years ago, the sugar sector was the main livelihood of a population base of about 105,000 individuals, some of whom live in rural settlements.

However, the past three years have seen retrenchments and outsourcing, as part of the plans of the industry to improve competitiveness. Some of the work formerly done by the 5,000 employees that were retrenched is now being outsourced to small enterprises and independent operators, employing about 3,000 persons. Furthermore, there is a commercial sector catering to the needs of those directly employed by the mills.

Ubombo spends about E 14 million (€ 1.75 million) on housing provision for workers, and E 20 million (€ 2.5 million) on social services per year. The company finances a hospital on the sugar estate which serves an average of 28,000 patients a year. Due to the financial difficulties since 2002, efforts are underway to sell the housing stock to employees, and to support the development of local authority structures to take over the provision of public utilities to households. In education, Ubombo directly finances education from pre-primary to high school, as well as technical education, and provides financial contributions to some of the surrounding schools.

The RSSC provides company housing, including utilities, for around 4,000 families, and public infrastructure including recreational facilities in the company's towns and various villages. Unlike Ubombo, RSSC is not able to privatise its housing stock because the entire operation is located on Swazi National Land (SNL)<sup>14</sup> – a factor posing a problem for the creation of a municipality. The health programme includes three well-equipped clinics with 24-hour service, along with more than ten other clinics. In the education sector, the company supports more than ten schools in addition to Mananga College, of which it is the founder and major stakeholder.

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<sup>14</sup> Swazi Nation Land is land held in trust by the King and his chiefs for the Swazi people.

Given the capacity and far-reaching benefits of the social services provided by the industry, alongside the growing difficulty faced by the companies in continuing to provide them, these services need to be taken over by another form of governing body. It is conceivable that incipient municipal structures will be able to take over certain segments of the services quite early on, with the company still being available for assistance and advice. The transformation of a community from a “company town” to an independently governed civic entity cannot be achieved without careful planning of all the necessary steps and without due analysis of all the difficulties that might arise. It therefore seems advisable to have the focus on this transformation sharpened through a study prepared by competent professionals, with extensive stakeholder involvement, to take into consideration all possible legal, economic, political, and social questions that might arise in connection with such a transformation.

This transformation is even more challenging if one considers the escalating HIV/AIDS pandemic in the country. The discontinuation or deterioration of basic health care facilities in the region would only worsen the situation. The health care services provided by the industry not only benefit employees and their dependents, but the members of the surrounding communities as well. Unemployment is already high in the country, and some of these facilities are also source of both formal and informal employment for the mill-towns’ inhabitants and other community members. Most of those employed are women. This potential loss of employment would then have a spiralling effect on the dependents they care for in the extended family structure.

The EC may be requested to fund the preparatory studies and co-fund the restructuring of the institutional set-up for social service delivery as well as the provision of social services in the transition phase.

#### ***4.2.2. Support for Smallholder and Medium-scale Sugarcane Growers***

Smallholdings, associations of smallholders, and medium-scale farms, provide about 20% of the throughput of Swaziland’s three sugar mills. However, the costs of developing cane land from virgin bush to a sprinkler-irrigated crop ready for harvest have escalated sharply, and growers have had to pay for all on-farm development and irrigation infrastructure - while the rising exchange rate of the Lilangeni has diluted the increase in the sucrose price paid to growers.

It is envisaged that a four- way approach to solving these problems will be necessary with funds and practical assistance to come from international donors, the banks, government, and the sugar industry itself. An attempt is being made to quantify the full extent of the debt owed by small and medium scale cane farmers. The total amount of credit outstanding in the sector is E 150 million (€18.75 million), the major creditors being the Swazi Bank (previously Swaziland Development and Savings Bank) and FINCORP.

The EC cannot finance debts, provisions for losses and debts, and/or interest owed. But it can support the growers to optimise their cane- growing activity both technically and financially. Support could be provided to ensure adequate input use to improve yields and cane quality and optimise the cost-benefit ratio of cane production. External technical

assistance in the form of field research; and/or training in field management could also be offered in order to provide the skill and know-how for cane-harvesting and cane quality to ensure maximum efficiency and productivity. This technical and managerial support package will fully consider the environmental implications of sugar cane growing. The industry and relevant banks will be working on debt-alleviating strategies for the growers. Based on the more in-depth analysis by the RDMU, a revised mechanism for smallholder' access to finance will be devised and put in place, in agreement with all stakeholders. A sustainable technical and financial framework will need to be defined above all for new growers, notably in the LUSIP programme. In order to ensure the viability of this multi-donor programme, the plan is to co-fund certain components for which a funding gap exists.

#### ***4.2.3. Infrastructure improvement***

The major cost to the sugar industry, particularly smallholder cane growers, is accounted for by transportation because of poor roads or the absence of direct routes to the mills from smallholder farms. A programme to reduce transport costs for the transportation of cane to the mills is needed. One approach is to improve the rural road infrastructure in the cane-growing areas and upgrade the roads that link the farms and the mills. Such road improvement plans must be developed as part of a coherent rural roads maintenance policy. In some cases the length of the roads could be reduced by the construction of bridges to shorten the distance between farms and mills. The freight-handling facilities at the sugar terminal of the port of Maputo also need upgrading.

The EC may look at the options of initially dedicating funds to the designs and construction of roads and bridges in priority areas, utilising the 2007 onwards budget. Options of supporting the creation of new irrigation systems and expansion of the existing ones; the construction of new dams; water reservoirs and channels will also be looked at. This component will be closely coordinated with the water and energy focal sector of the CSP under the 10<sup>th</sup> EDF.

#### ***4.2.4. Support for diversification***

Sugar is currently a focus-crop as it accounts for a large share of the agricultural sector. Considering the dependence of the country on this sector, and even more that of the districts concerned, which entails vulnerability to market and other shocks, there is need for diversification into value-added products based on cane or sugar, such as the production of electricity and ethanol. The NAS clearly states that co-generation will go ahead (as a more practical option than ethanol in the short term), and looks to the industry to develop this. The EC will support complementary technical assistance to establish the appropriate policy framework and get the commitment of the GoS in its facilitation, including technical and commercial protocols between independent electricity producers like the mills and SEB (Swaziland Electricity Board); feasibility studies; and, research and extension in high-fibre varieties. There is scope for agricultural diversification into the production and marketing of other agricultural products. Support for the production and marketing opportunities of the most likely alternative crops identified in the NAS is envisaged. Such support has already been provided under the 8<sup>th</sup> EDF for other sectors

where a potential has been identified (e.g. tourism under the Private Sector support Programme). Given their success, these sectors could receive continued support. The creation of a support facility for diversification into other agricultural and non-agricultural products is envisaged (e.g. studies, research, pilot projects).

#### ***4.2.5. Support for Trade Policy and Negotiations***

This intervention area will be covered by the institutional support component (point 4.1).

#### ***4.2.6. Cross-cutting issues***

The main cross-cutting issues are the environment, gender and HIV/AIDS. These issues will be mainstreamed in the interventions under the response strategy. Furthermore, as regards the environment, it is envisaged to carry out a strategic environmental assessment of the EC response strategy following the establishment of a country environmental profile in the context of the 10<sup>th</sup> EDF CSP, and, where adequate an EIA for individual projects. Specific interventions targeting HIV/AIDS and gender have been carried out under successive CSPs.

#### **4.3. Coordination and Complementarities**

In order to fully exploit the EC resources provided to assist the socio-economic adaptation process in the sugar-dependent areas, there will be coordination with other donors (yet to be identified), as emphasized by the NAS. Funding for implementing of the measures is sought not just from the EU, but also from the industry, the GoS, and other donors. Coordination will ensure that all the funding available is well exploited and that interrelated measures are implemented in a coherent and coordinated fashion so as to maximise the chances of success of the transition processes. Complementarities already exist with the ongoing support, notably LUSIP. Under the upcoming 10<sup>th</sup> EDF, further complementarities will be developed with focal sectors, notably the “water and energy” sector.

#### **4.4. Management and Financial Arrangements**

The summary of strategic measures displayed in Table 25 of the National Adaptation Strategy (see Annex 3) allows a quick and ready appreciation of opportunities to participate in the funding of Swaziland’s adaptation to the effects of the EC sugar market reform. The EC support for the 2007- 2013 period to the strategic measures under annex 4 will be determined subject to the financial envelope that will be allocated by the legislative authority to the programme (under the future thematic instrument currently in discussion). Country allocations have not yet been decided, and will be done according to donors coordination and implementation criteria.

## **ANNEX I**

### **GLOSSARY**

EC	- European Communities
EIB	- European Investment Bank
EDF	- European Development Fund
EPA	- Economic Partnership Agreements
GDP	- Gross Domestic Product
GoS	- Government of Swaziland
KDDP	- Komati Downstream Development Project
LUSIP	- Lower Usuthu Smallholder Irrigation Project
MOAC	- Ministry of Agriculture and Cooperatives
MoEPD	- Ministry of Economic Planning and Development
MNREE	- Ministry of Natural Resources, Energy and Environment
NAS	- National Adaptation Strategy
NDS	- National Development Strategy
NSA	- Non-State Actors
PRSAP	- Poverty Reduction Strategy and Action Plan
RDMU	- Restructuring and Diversification Management Unit
RSSC	- Royal Swaziland Sugar Corporation
SACU	- Southern African Customs Union
SNL	- Swazi Nation Land
SPS	- Special Preferential Sugar
SSA	- Swaziland Sugar Association

## **ANNEX II**

### **Government and the NSA involvement during the elaboration of the National Adaptation Strategy**

There was a co-ordination committee headed by the Principal Secretary of the Ministry of Economic Planning and Development. This committee is composed of representatives of the main stakeholders.

A large stakeholders' workshop was held to discuss the National Adaptation strategy. All stakeholders in Swaziland, including the Government, the sugar industry and civil society, were in concert in the elaboration of this strategy. The strategy is a product of extensive dialogue and consultation, and has the support of all stakeholders. The success of this vision and strategy rests on the continued support of this strategy, reviewed when/where necessary, by the stakeholders and the participation of the donor community in its implementation. A comprehensive review of this strategy is envisaged in late 2008/early 2009.

**ANNEX III****TABLE 25: ESTIMATED COSTS OF SWAZILAND'S NATIONAL ADAPTATION STRATEGY (NAS) (SOURCE: NAS, GOVERNMENT OF SWAZILAND), €1,000**

<i>Code and Description</i>	<i>Sources of Funds</i>	<i>Phase I</i>	<i>Phase II</i>	<i>Phase III</i>	<i>Total</i>
<b>III-A COMPETITIVENESS</b>					
Intensify programmes for reducing field level costs, raise sucrose content, streamline cane delivery, reduce harvesting, haulage and loading costs, and reduce irrigation costs	<i>Industry/ Govt</i>	200	500	300	1000
Explore the use of alternative forms of energy	<i>Industry</i>	100	200	100	400
Improve and expand the system of tarmac roads in the Lowveld	<i>Donor</i>	0	10000	20000	30000
Improve Maputo freight handling facilities	<i>Donor</i>	0	500	200	700
Expand bagging capacity	<i>Donor</i>	0	1000	2000	3000
Expand refining capacity	<i>Donor</i>	0	3000	4000	7000
Reduce the cost of public utilities and improve their efficiency	<i>Govt</i>	0	4000	4000	8000
Support research and development initiatives	<i>Donor</i>	200	3000	8000	11200
<b>III-B TRADE POLICY DIMENSION AND ACTIVE PURSUIT OF PREMIUM MARKETS</b>					
<i>Extend the provisions of TDCA to the entire SACU area and modify where necessary to include the development of regional demand for regionally produced sugar.</i>	<i>Govt</i>	50	50	50	150
<i>Maintain (and were possible expand) preferential access to regional markets and preserve the value</i>	<i>Govt</i>	50	50	50	150



<i>of the domestic (SACU) market</i>					
Ensure a good transition arrangement is created to secure continued preferences on volume sales to the EU (particularly SPS allocation) and seek increased access of Swazi sugar to the EU, and other preferential markets	<i>Govt</i>	10	0	0	10
<b>III-C PROMOTING SMALLHOLDER SUGAR CANE GROWING</b>					
Support smallholder farmers in improving their farm operations to improve efficiency and viability of existing farmers and facilitate the entry of new ones	<i>Govt/Donor/ Industry</i>	500	750	300	1550
Re-examine the viability of the smallholder cane grower component of LUSIP and KDDP	<i>Donor</i>	300	50	0	350
Stabilize the financial situation of existing small and medium sized cane growers	<i>Donor</i>	7000	8000	14000	29000
Re-examine, with a view to improve, management training programmes presently provided to sugar farmer associations	<i>Donor</i>	300	2000	4000	6300
<i>Improve cane production and harvesting, yields and sucrose content</i>	<i>Industry</i>	200	200	300	700
<i>Provide capacity building programme to SWADE and SSA extension services</i>	<i>Donor</i>	100	100	100	300
Introduce management (and productivity) conditions to smallholder cane crushing contracts	<i>Industry</i>	0	0	0	0
Design a financing/lending model for smallholder farming to be used by financial institutions	<i>Donor</i>	200	150	100	450
<b>III-D DIVERSIFICATION</b>					
Expedite approval of legislation allowing the commercial sale of electric energy to the national power grid	<i>Govt</i>	0	300	0	300
Identify best practices to develop electric power co-generation within sugar-industry-based initiatives.	<i>Govt</i>	300	0	0	300
<i>Investigate alternate energy sources and products, including the efficiency of energy generation</i>	<i>Industry</i>	-	-	-	-

<i>from bio-fuels</i>					
Support studies and programmes on the (viability of the) generation and use of bio-energy and production of ethanol	<i>Govt</i>	200	300	0	500
<i>Provide low-cost financing for pilots phases of co-generation of electric energy</i>	<i>Industry</i>	0	20000	0	20000
Re-visit the industry agreement to ensure that growers get benefits from co-generation activities (on proceeds of bagasse)	<i>Industry</i>	0	0	0	0
Establish a facility/programme for farmers changing to other crops or to agricultural services.	<i>Donor</i>	0	2500	0	2500
Establish a scheme to enhance the capabilities of smallholder associations for quality control, packaging, and marketing.	<i>Industry</i>	0	450	900	1350
Reduce transport costs and improve transport infrastructure and services from production centres and to link with markets	<i>Donor</i>	20000	12000	30000	62000
Develop financing model for diversifiers and help them in accessing finance and training	<i>Donor</i>	0	200	0	200
Promote and support research and development into other products/crops	<i>Donor</i>	200	4000	8000	12200
Establish and support institutions and infrastructure for testing of products for quality and standards	<i>Govt</i>	210	1800	0	2010
<i>Develop products for existing and new markets and the necessary support mechanisms (infrastructure, marketing information, etc), including making the necessary investments (and policy changes) to make the production of alternative products viable</i>	<i>Donor</i>	200	350	300	850
<i>Provide support for downstream value-added industries</i>	<i>Donor</i>	0	1000	2000	3000
Support the expansion of refinery capacity and efficiency	<i>Industry</i>	150	500	300	950
Develop tourism products for the SME sector in the sugar areas, and to support new initiatives of diversification into sector	<i>Govt</i>	200	200	2000	2400

Establish a support mechanism to follow up recommendations on control of and compliance with food safety regulations.	<i>Govt</i>	200	500	500	1200
<b>III-E SOCIAL AMENITIES PROVISION</b>					
Develop a model for the sustainable management and financing of social amenities in industry areas to ensure continued provision of quality housing, health, and education, currently financed by the industry	<i>Govt</i>	300	0	0	300
Support the gradual development of local government structures capable of running social & communal services at the sugar communities	<i>Govt/Donor</i>	300	10000	30000	40300
<i>Create a programme to support transitional and coping measures for retrenched workers, especially with regard to access to industry social services</i>	<i>Govt</i>	500	800	0	1300
Support the strengthening of basic social services provision to population, and provide safety nets for retrenched and unemployed people	<i>Govt</i>	300	1000	0	1300
Implement multi-skilling programmes for workers retrenched at sugar companies	<i>Donor</i>	300	300	900	2100
Establish an effective and continuous AIDS programme, and related AIDS (effects) mitigation measures	<i>Donor</i>	0	8000	2000	10000
<b>III-G ENHANCING A SUSTAINABLE SOCI-ECONOMIC ENVIRONMENT</b>					
Establish effective support services for rural micro- and small-scale enterprises, as farms and mills lay off personnel outsourcing services	<i>Donor</i>	300	2400	2700	5400
Relax regulations governing establishment of new businesses	<i>Govt</i>	0	0	0	0
Support the implementation of the investor roadmap	<i>Govt/Donor</i>	500	1500	1500	3500
Establish a research farm to run practical field scale agronomic research and market research on alternative crops to sugar cane	<i>Donor</i>	300	1500	1300	3100
Improve security of tenure on land	<i>Govt</i>	0	0	0	0
Ensure full concessional/grant financing of LUSIP	<i>Donor</i>	0	42000	0	42000

Support semi-industrial-scale trials of substituting coal by baled sugar cane trash as supplementary industrial fuel.	<i>Industry</i>	-	-	-	-
Expand and improve quality of the national schooling and Technical training	<i>Donor</i>		10000	10000	20200
Decentralise planning, budgeting and delivery of services to the rural poor	<i>Govt</i>	300	3000	4000	7300
Engage the EU with a view to move the assistance modality towards sectoral and/or general budget support	<i>Govt</i>	200	100	0	0
Promote good governance					
Train communities on the utilization of Poverty Funds to support coping and diversification, including entry into sugar industry	<i>Donor</i>	200	4000	4000	8200
Support the development of a national water conservation plan	<i>Donor</i>	0	200	-	200
Improve environmental management mechanisms	<i>Donor</i>	300	1500	1500	3300
<b>III-H INSTITUTIONAL STRUCTURES FOR IMPLEMENTATION AND COORDINATION</b>					
Establish “Restructuring and Diversification” Unit (includes M34)	<i>Donor</i>	300	1000	1500	2800
Support the continuous operation of the National Adaptation Steering Committee	<i>Govt</i>	<i>To be financed by operating costs of Unit</i>			
Evaluate the capacity of existing institutions and programmes in delivering on the activities required in the adaptation strategy	<i>Donor</i>	200	300	100	600
Support the creation of additional structures/institutions/programmes necessary for the successful implementation of the strategy	<i>Donor</i>	0	3000	1500	4500
<b>TOTAL</b>		<b>12,780</b>	<b>152,090</b>	<b>162,500</b>	<b>349,760</b>

Phases:

Phase I =covers the short term comprising the period between 2006 to July 2007

Phase II= covers medium term between the periods of August 2007 and December 2008

Phase III=covers the long-term between the periods January 2009 to December 2015