

Kingdom of Swaziland

Lower Usuthu Smallholder Irrigation Project (LUSIP)

Supervision report

Kingdom of Swaziland
Lower Usuthu Smallholder Irrigation Project (LUSIP)
Supervision Mission: 4 – 25 March 2013

A. Introduction¹

1. The overall objective of the Lower Usuthu Smallholder Irrigation Project (LUSIP) is the reduction of poverty and sustained improvement in the standard of living of the population in the Lower Usuthu Basin through commercialization and intensification of agriculture. The immediate objectives of LUSIP Phase I were: (a) the integration of smallholder farmers into the commercial economy through the provision of irrigation infrastructure, development of the policy and legal framework for smallholder irrigation, as well as the establishment of farmer-managed irrigation institutions; and (b) sustainable improvement in environmental health in the project area to ensure that the population derives the full benefits of agricultural commercialisation.

2. The IFAD component of the Lower Usuthu Smallholder Irrigation Project supports the on farm development for Phase I in the amount of a loan of SDR 11.9 million. The project became effective on 27 January 2004. The joint Government of Swaziland (GoS) and the International Fund for Agricultural Development (IFAD) Mid Term Review (MTR) Mission was carried out in July 2007. Project completion and Loan Closing dates were extended in 2011 and are 30 September 2013 and 31 March 2014 respectively.

3. The current mission has focused on key issues including the full utilisation of the IFAD loan, progress on implementation of the LUSIP Exit Strategy, achievements under alternative crops (to sugar) and livestock, progress being achieved by the farming companies that have access to irrigation on SNL and preparations for assessing the impact of LUSIP and preparation of the Project Completion Report.

4. The mission acknowledges the co-operation and courtesy extended to it by the Government of Swaziland, its agencies, the staff of the Project and community members, for their constructive support throughout the Mission. This Aide Memoire was jointly reviewed under the chair of the Acting Principal Secretary, Finance on 22 March 2013. The findings and agreed actions will be reviewed and confirmed in a management letter from IFAD.

B. Overall assessment of LUSIP implementation

5. The project continues to make solid progress within the limits of constrained GoS financial resources and lengthy land and crop development processes. Fifty four (54) Farmer Companies (FCs) are now operational mainly in the production of sugar related enterprises, are providing 360 permanent new jobs, and up to 4,000 people benefiting from temporary employment during weeding, fertilizer application, and harvesting operations (earning typically about E45 per day). Most FCs are doing well, such that some are now close to paying off their original loans (approximately 30% of overall development costs), with the balance being financed by EU or the Government of Swaziland as grants).

6. A significant number of PDA families are now benefiting from irrigated production. Annual Member dividends in 2012/13 ranged from E2, 004 to E9, 996. Whilst this income alone is not enough to transform standards of living above the poverty line, dividends are expected to rise once loans have been repaid and, additionally, many FC members also earn seasonal wages from employment in the Farms, either as seasonal or permanent labour. The average existing baseline income in the PDA was

¹ Mission composition: Louise McDonald (Country Programme Manager and Mission Leader), Espen Berg (Associate Programme manager and ICT Specialist), Mwatima Juma (Country Programme Manager, Tanzania and Food Security and Crop Diversification Specialist), Steven Jonckheere (Associate Programme manager and Land and Institutions Specialist, David Rendall (Deputy Mission Leader, Agricultural Economist and Implementation Specialist) and Godfrey Wanjohi (Fiduciary Specialist). The Mission was conducted in parallel with the Lower Lusuthu Biodiversity, Sustainable Land Development and Climate Change and the Rural Financial Enterprise Development Projects.

E11, 760 per household per year. The total income after loan repayment and combined with pre-project income streams is expected to lift a majority of the member households above the Swaziland poverty line.

Table 1. LUSIP Phase I Progress to February 2013

Project component outputs	Units	Targets	Achievement	%
Chieftdom Development Plans	No.	6	6	100
Water User Associations	No.	12	9	75
Farmer Companies formed	No.	65	70	108
Area – sugar	Ha.	4,359	3,004	69
Area – alternative cash crops	Ha.	1,095	191	17
Area – commercial gardens	Ha.	405	161	40
Not suitable for development	Ha.	645		
Total irrigated area	Ha.	6,500	2593	38
Livestock enterprises	Ha.	10	6	60
Livestock troughs	No.		17	
Graves relocated	No.	800	972	122
Homesteads constructed	No.	157	157	100
Irrigation districts established	No.	1	1	100
Domestic water supply	No.	2,600	860	33
Sanitation Units (latrines)	No.	2,400	2,211	92

7. Key constraints that are being addressed include disputes in the Shongwe chieftdom between the chief and his subjects, disputes in the Mamba chieftdom between the leadership, lack of national legislation governing the registration of Community Trusts, escalation of costs due to delayed implementation of current projects and on-going liquidity issues as a consequence of the 2010/2011 government financial crisis.

8. Despite these difficulties the intensive efforts that the SWADE Board and the ADEMU team have committed to (for the remaining period of IFAD resources – to 30 March 2014) can be expected to lay the basis for substantive achievement of the LUSIP targets of 5877ha of irrigated agricultural land, supporting life sustenance investments for some 17,500 people in the project area.

C. Outputs and outcomes

Component 1: Chieftdom Development and Land.

A. Community Mobilisation

9. **Chieftdom Development Plans.** So far four chieftdom development plans (CDP) have been successfully launched: Gamedze (2009), Ngcamphalala (2010), Mamba (2011) and Lesibovu (2013). The CDP for Shongwe has been developed, but the chief refuses to sign as long, as the issue of compensation has not been settled (see below). The CDP for Mphumakudze is currently being finalised and will be launched on 11 April 2013. The Ministries of Tinkhundla Administration and Regional Development and of Agriculture were consulted during the development of the CDPs for Lesibovu and Mphumakudze, as recommended by last year's supervision mission. Although English versions of the CDPs are useful when development partners are approached, it was agreed that the main stakeholders at chieftdom level will be provided with copies of the final CDP in Siswati by 30 September 2013. SWADE's participation in the monthly meetings with the Regional and Sub-regional Development teams will be continued. This will allow for the promotion of the use of the CDP as entry point for other stakeholders in the Project Development Area (PDA). It was agreed that the LUSIP I will support LUSLMP in the development of their CDPs.

10. The approach used by SWADE in LUSIP I to develop CDPs has an approximate cost E 222,000, focusses on economic development, covers only a part of the chieftdom and takes up to 196 days. The process of developing a CDP in this manner is therefore highly time and cost consuming. LUSIP II has recently worked out a slightly revised approach to developing CDPs, which takes 90

days and reduces the cost by 30-40 per cent. In light of the Project Completion Report (PCR), it was agreed that the Project would document the exact cost and number of days it has taken to develop each CDP.

11. Monitoring the implementation of the CDPs has been a major challenge for the Project. It has been agreed that by September 2013 progress regarding the implementation of the CDPs that have been launched will be documented according to the indicators, target dates and proposed budgets included in the CDPs. This will be done by the CDCs and the Tinkhundla centres, with the assistance of the Project and shared with the wider community (e.g. through bill boards). This information will be presented at the monthly meetings of the Regional and Sub-regional Development teams to facilitate the identification of stakeholders who could fill in the implementation gaps of the respective CDPs. It was furthermore agreed that the approach used by LUSIP II of marketing the CDPs would be replicated in LUSIP I. The proposed land act advocates for the CDPs to be gazetted after their launch and have the Land Management Department oversee implementation and monitoring of such plans.

12. **Chieftom Development Foundations.** The idea of the Chieftom Development Foundations (CDF) is that each Farmer Company (FC) gives a contribution to the Foundation for the land they are using and this revenue is then used for the implementation of community development projects identified in the CDPs and, a smaller part, for showing allegiance to the Chief (kuhlela) and a portion be set aside for sustaining some of the social facilities like potable water, etc. The foundation would be managed by a CDF committee. So far, only Ngcamphalala has registered their CDF, but they are still waiting for the release of the certificate of incorporation by the Registrar of Companies. After serious discussions, the Chief of the Shongwe Chieftom has agreed to set up a CDF. It was agreed that this would be done by 30 April 2013. After initial reluctance, the Chief of the Gamedze Chieftom has agreed to start discussions on the introduction of a CDF in his chieftom. The Project still has to introduce the concept of the CDF in Mamba. The Mission noted that the operational modalities of the CDF have still not been worked out, especially with regards to the nature and amount of the contribution of the FCs and the way in which the revenues will be used. It was agreed that this would be done by 30 April 2013.

13. Ministry of Tinkhundla Administration and Regional Development. The Tinkhundla Administration and Development Bill (TADB) could provide the required legal framework for the CDPs. Whereas there are already provisions made for the recognition of Integrated Tinkhundla Development Plans, the CDPs are not mentioned in the TADB. The Bill has however remained stuck in Parliament and is still under review. MTAD has decided to separate the political and the development aspects included in the TADB. Therefore rules and regulations on local development planning are being developed under the leadership of the Ministry of Finance. It was agreed that SWADE would provide comments on the draft rules and regulations by 31 March 2013. During the Mission a workshop was held with representatives from SWADE, the Regional Administration and MTAD to exchange experiences of local development planning. It was agreed that follow-up workshops will be held with the aim of (i) developing a consistent national framework for Chieftom Development Planning, (ii) providing opportunities to develop and integrate chieftom plans into the wider planning process of the Government of Swaziland, (iii) strengthening the inclusion of rural communities in this process and (iv) capturing and disseminate related information. SWADE (LUSIP) has offered to financially support the organisation of these workshops. A MoU between SWADE and the MTAD in facilitating and monitoring the CDPs has yet to be finalised. It was agreed that this would be done by 31 May 2013.

Land tenure

14. **Chief's Letters of Consent.** So far 57 Chief's Letters of Consent (CLC) have been issued to FCs. Copies of the CLC have been provided to the Tinkhundla Centre and Regional Administration. A brief report has been produced by the Project on lessons learned on CLCs. It was agreed that the report will be elaborated in light of the PCR by 30 September 2013. Although the CLC has been an effective mechanism for facilitating the transfer of user rights from customary owners to farmer groups, disputes have been reported between the Chief and the FCs, which emerge mainly from a lack of understanding of the general conditions of the CLC. Although a clear conflict resolution mechanism has been stipulated, people do not seem to be aware of this. It was agreed that refresher courses will be held with the Chief and the FCs on the specified conditions of the CLCs by 30 September 2013. There have also been some long-standing claims to particular parcels of land, which have been re-asserted by people post-renunciation, which highlights the challenge of providing tenure security to individuals in the context of providing user rights to groups. It was agreed that these

conflicts and the way they are resolved, need to be monitored and followed up more closely by the Project.

15. **Land policy.** The Community Forestry Network, a local consultancy firm, has been contracted LUSIP-GEF to review relevant sustainable land management policies, laws and by-laws (particularly related to land tenure) across government sectors. The team of consultants has finalised a stocktaking report, a stakeholder consultation report and a synthesis report. They stress the importance of having a Land Act that will guide the management and administration of land in the country. A zero draft of this Land Act has been developed by the consultancy firm. Furthermore, as the responsibilities for land management and administration are too scattered, they recommend the setting up of a Department of Land Affairs which will act as a technical secretariat for the Land Management Board (LMB). It was agreed that the synthesis report and zero draft Land Act will be presented to the LMB by 30 April 2013. Similarly, it was agreed that the Swaziland National Council will be sensitised on the outcomes of the review by 31 May 2013. It is proposed that the newly proposed Land Act will provide for the CDPs to be gazetted to make them legal and binding to the authorities.

16. It was reported that the European Union has approached SWADE to express their interest in strengthening land governance in Swaziland. Tentatively, two areas of support have been identified: (i) carrying out of an institutional analysis and capacity assessment of the different institutions involved; and, (ii) the development of land tools or practical ways to solve a problem in land administration and management. The EU funds could also be used to support the development of a National Land Use Policy. Through the joint IFAD/Global Land Tool Network (GLTN), IFAD could provide support in the development of these land tools.

17. **Rangeland management.** The issue of improving grazing land management, linked to improved tenure security has been identified in previous missions. However, so far the Project has not really engaged on this issue. Although grazing land have been identified in the land use plans/cases included in the CDPs, these are often not being respected, as housing is being permitted in some on these designated areas, by Traditional Authorities. With a decreasing grazing area and a considerable number of livestock in the PDA, it is reported that conflicts are increasing. It has therefore been agreed that the Project will document the extent to which LUSIP's activities have had an impact on the availability of grazing land (and feed availability) explore with livestock farming groups and Traditional Authorities options granting use rights and delegating management responsibilities to livestock groups by 30 June 2013.

B. Equitable access to Project initiatives

18. **Resettlement** due to the development of the canals and reservoirs has been completed. A total of 157 homesteads have been resettled. The tender for the rehabilitation of the five houses that suffered from various defects has been issued.

19. **Compensation for Shongwe.** Alternative land for the land lost due to the inundation of the reservoir has not been found for the chiefdom of Shongwe. It was reported that expropriation of the adjacent Title Deed Land (TDL) is not feasible. It was therefore agreed that the chiefdom will be compensated financially. The compensation would be transferred to the CDF, but due to problems with the CDF committee mentioned above this has not been done. As mentioned above, it has been agreed that the CDF will be set up by 30 April 2013. It was however also reported that the Shongwe Chiefdom is interested in a piece of TDL currently held by Tibiyo TakaNgwane, an investment corporation established by the King in 1968 for agricultural development projects. It was agreed that the Project will provide any support requested to facilitate the negotiations by 30 June 2013. The fact that up until now no solution has been found for the compensation has been an impediment for the launching of the CDP.

20. So far, although being the chiefdom most affected by the construction of the reservoir and canals, Shongwe has only benefited from the provision of potable water and VIP latrines. This means that at this moment the chiefdom is worse off than before the dam and irrigation infrastructure was built. The Project mentioned that an irrigation scheme could be developed in Shongwe, but that one third of the land is disputed with the Gamedze chiefdom. It was reported to the Mission that the Chiefdom has some serious concerns regarding the long term cost implications of the irrigation scheme. It has therefore been agreed that the Project will hold a meeting with the community to

explain the feasibility and implications (especially with regard to the cost and the number of benefiting households) of developing an irrigation scheme by 31 March 2013. However, it was also reported to the Mission that there appears to be more interest in livestock commercialisation. It was agreed that the Project will give priority to Shongwe in the implementation of its livestock development activities.

21. **Farmer companies.** Up until this moment, the Project has assisted in setting up and registering 68 FCs. Only 15 of them currently have updated the default constitution. It has therefore been agreed that the Project will develop an action plan to revise constitutions for all registered FCs by 30 September 2013. Issuance of share certificates to all shareholders needs to be expedited.

Agreed Action	Responsibility	Agreed Date
Community mobilisation		
1. Provide main stakeholders at chiefdom level with Siswati versions of the CDP	PIDU	30/09/2013
2. Document progress regarding the implementation of the CDPs	PIDU	30/09/2013
3. Finalise operational modalities of the CDF	PIDU	30/04/2013
4. Facilitate setting up of the CDF committee in Shongwe and registration of CDF	PIDU	30/04/2013
5. Provide comments on draft rules and regulations for local (CDP) development planning developed by MTARD	ADEMU, LUSIP-GEF	31/05/2013
6. Finalise MoU for strengthening collaboration in facilitating and monitoring CDPs	SWADE, MTAD, LUSIP-GEF	31/05/2013
7. Facilitate workshop on the TARD Bill for stakeholders	SWADE & MTAD	April 2013
Land tenure		
8. Hold refresher courses with the Chief/ Inner Council and the FCs on the specified conditions of the CLCs	PIDU	30/09/2013
9. Present outcomes of land policy review to LMB and Swaziland National Council	SWADE & SLMA PTC	31/05/2013
10. Explore with livestock farming groups and Traditional Authorities options granting use rights and delegating management responsibilities to livestock groups	ADEMU, LUSIP-GEF, LUSIP II	30/06/2013
Equitable access to Project initiatives		
11. Follow-up on the repair of the 5 houses of re-settled households	ADEMU	30/06/2013
12. Provide support to Shongwe in the negotiations with Tibiyo TakaNgwane	ADEMU	30/06/2013
13. Hold community meeting in Shongwe on the feasibility and implications of developing an irrigation scheme	PIDU	31/03/2012
14. Develop an action plan to revise constitutions for all registered FCs & ensure all get their share certificates	PIDU	27/04/2013
15. Formation and registration of Farmers' Federation	PIDU	31/05/2013

Component 2: Economic Empowerment

Overview

22. During the current year a total of 600 hectares of land has been established incorporating 12 new Farmer Companies taking the total to 70. This includes two FCs formed for re-settled households for which business plans have to be prepared.

Table 2: Status of Farming Companies						
Purpose	Companies	%	Developed	%	Harvesting	%
Sugar	53	76	46	87	34	64
Alternative Cash Crops	8	11	2	4		0
Livestock	7	10	6	11	6	86
Resettled	2	3		0		0
Registered Companies	70	100	54	77	40	57
Under Formation	6	8				
Total	76	100				
Source: ADEMU and SHIP						

23. Of the 27 companies that are harvesting, 12 are into the second year of harvest. There has been good progress with debt repayment, payment of “living allowances” and/or dividends. Similarly the second year companies now have to make provision for paying tax although with carry forward losses actual tax payment to the Swaziland revenue authorities remains limited. Based on the more mature groups it is projected that at full development the FCs can be expected to have an annual tax liability of between E 400,000 to 500,000. If fully realised the LUSIP FCs will contribute E 30 million annually to the Governments tax take.

24. The two major challenges with regard to the sustainability of the FCs is the need to protect the membership from accepting new shareholders for traditional influence reasons and the need to establish a sustainable business mentoring mechanism. The Farmers’ Federation that is in the process of being re-constituted and activated will have an important role in this regard. Identification of a suitable institution(s) to provide the service needs to be carried jointly with MoA, SWADE, NamBOARD and other relevant stakeholders including the private sector, over the next 6 months.

Table 3: Status of Irrigated Development for Sugar and Alternative Cash crops								
(March 2013)								
Lot No.	Sugar	Alt Crops	Com. Garden	Total Area	F/As	No S/h	Area S/h	Status
1	355	6.45	25.6	387.1	7	168	2.3	2nd Harvest
2	476	0	80.5	556.5	6	381	1.5	2nd Harvest
3	518	0	0	518	8	280	1.9	1st Harvest
3A	167	0	0	167	3	77	2.2	1st Harvest
4	651.5	180.5	55.2	887.2	10	549	1.6	1st harvest
5	474.5	0		474.5	5	225	2.1	Planted early 2013
6	362	3.6		365.6	13	585	0.6	Planted early 2013
Estab	3004	190.55	161.3	3356	52	2265	1.5	
Planning	1355	905.8	260.1	2521	18	1100	2.3	
In sight				5877	6	120		
Balance				494				
Total	4359	1096.35	421.4	6371	76	3485	1.8	
Total				6500				

Source: ADEMU October 2012

Sugar

25. By the end of 2012, 27 farmer companies were harvesting sugar cane. In this season harvesting season, the LUSIP farmers' average yield was 107-102 TCH, and the average purity and sucrose percentages from the LUSIP schemes are lower than average, as we recorded 81.32% purity against 83.42% for the mill group. The Sucrose percentage for LUSIP is 12.828% against 13.37% for the mill group. The lower Sucrose percentage and purity can be partially attributed to the long burn-to-crush delay hours (BCDH). Already efforts are being made to reduce the long BCDH figure such as improved supervision of the haulier to adhere to set targets (36 hours). Although the high yields offset the poor cane quality resulting in overall increase of Total Sucrose per hectare (TSH), more effort is needed to get the quality to a minimum of 13.5% so as to raise the attained yield toward the potential. The Gross Turnover per hectare ranges from E27, 973.48 to E45, 195.18.

Agreed action	Responsibility	Agreed date
16. Elaborate programme for ongoing technical and business support to the FCs	ADEMU and all stakeholders	30/06/2013
17. Mobilise staff and mobility resources to support the economic empowerment activities	ADEMU Manager	30/6/2013

Commercial Garden and Alternative Crops Development

26. Food security is still the main agenda for most of the commercial garden companies, having maize as dominant crop developed for both food security and as commercial crop. As food security, farmers are able to meet more than 60% of their household food demand in a year which leave them with some cash saving for their other households needs. Farmer companies that are engaged in production of maize for food security are Sukumani, Setamimphilo, Kuhle kutentela, Chubekani and Kusetandleni Lokuhle with a total area of 37 ha. securing food security to about 200 households(119 females).

27. The level of planting on the commercial gardens is still low due to difficulty in accessing loans for alternative crops. There is however some progress in the development of alternative cash crops farms and procurement of debt financing for funding the operations of these farms. A good example is that of securing debt financing using banana crop as an anchor crop, by Luphiko LwaMgwagwa Investment (PTY) LTD and Babili Multipurpose (Pty) Ltd Companies, with a total of 61.4 ha dedicated for banana to support a total of 51 households. These companies have signed a memorandum with a commercial banana farm to receive agronomic assistance and support to market linkage. It is recommended that support be given to companies that would like to engage in commercial vegetable production, on a similar basis.

28. To date, total area developed for both commercial gardens and alternative crops is **351.8 ha** which provide both food security crops and cash income to about 902 households. Other introduced crops including sweet potatoes, butternuts and dry beans, seed beans, seed maize watermelon, cotton, constitute a cumulative area of about 121.1 ha. All Farmer Companies have now decided on the cropping programmes but are still facing challenges to procure debt financing from the CFIs to fund the production of their other crops. There is still a need for LUSIP to engage with SHIP to consolidate the business plans for sugarcane enterprises with commercial gardens enterprises to avoid overhead in parallel financing and fast track on financing of other crops

29. Since last supervision mission, there have been 7 confirmed market linkage established between FC and commercial markets. Discussions are still going on with GRM international seeds and Market Project (SAMP) on the possibilities of expanding their activities to LUSIP. There has been significant progress on expanding market linkages to local whole sellers and supermarkets where Freshmark has agreed to open an account with SWADE. The business plan for the rehabilitation of KK pack house has been finalised and the board has approved the adoption of the pack house feasibility study report and the rehabilitation of the KK pack house. LUSIP is now in discussion with Freshmark regional trading manager for having Freshmark as a strategic partner in the management

of the pack house. There is a growing concern that the remaining project period will not be enough to see the sustainable use of KK pack house for vegetables. It is therefore recommended that the facility to be catered more for bananas.

30. Since the last supervision mission, there has been no progress in providing technical support to farmer companies who showed interest in vegetable production. The recommendation of providing technical support through the use of demonstration plot as Farmer Field School (FFS) has not started due to the resignation of two critical staff at ABDU. Development of training materials in partnership with LUSIP-GEF has failed as has partnering with RFEDP in developing commodity training and mentoring programme for selected production systems has not materialized. All these issues raise a concern for achieving one of project outcomes of developing commercial vegetable farmers within the remaining life of the project. There is a need to further strengthen linkages among the three IFAD supported projects to ensure sustainability of LUSIP activities that will not be finalized before project closure.

Back Yard Garden for Resettlement Homesteads

31. There is a growing concern from farmers in the resettlement homesteads that they are not receiving their due support from the project. The concern is aggravated by seeing their neighbouring farmers are enjoying the profit from sugar and other commercial crops. In the last mission, it was recommended to support these homestead into development of home gardens using family drip irrigations and keeping of small animal for their food security and income generation. To date, none of the homestead has a developed backyard garden, instead the project has developed backyard garden development strategy which will be for 600 household to have well developed backyard garden to cater for their food security and income generation. Initially the backyard gardens will be rolled out in the resettlement areas of Shongwe and Madlenya Chiefdom. An estimated two hundred (200) homesteads are earmarked to benefit from the initial phase of the project. Special focus will be given to homesteads that are either headed by vulnerable children (orphans), women or sick adults. However, due to limited time before project closure, it is recommended for the LUSIP and LUSIP-GEF staff to have a meeting of minds in sharing their limited number of staff to ensure sustainable support is provided to resettlement household through organic, permaculture and conservation agriculture. The extension materials for these approaches are already developed by LUSIP-GEF.

32. Shongwe farmers have also shown interest in development of livestock and have already started a company of 30 members for piggery production. They are also interested in using their available 100 ha into dairy and beef production and in production of local chicken. It is recommended that Shongwe homesteads to be given priority in the beef fattening grant project. Also project should provide assistance in market linkages and possibility of getting loan from CFI. The challenge of having Shongwe CDP endorsed and the opening of trust account have a role in the delay of some of the economic development activities of Shongwe chiefdom.

33. The situation of horticultural marketing strategy is still in progress with the draft final report ready for review. Institutional assessment of NAMBOARD is still pending adoption by the Government. There is still a need to speed up on the development of horticulture strategy/plan as it can provide farmers with better guidance on the crops to choose.

Livestock Development

34. There has been improvement in the implementation of livestock development activities since the last supervision mission. There is considerable progress with indigenous chicken enterprise especially on the group collective marketing. Farmers rear the chickens in their homesteads and use the association to market them collectively. Currently there are seven free range chicken groups with a total of 187 members of which 156 are female members. However, most of these groups are still rearing their chicken in tradition way with a limitation in support for vaccination, feed, and proper chicken housing. There is a room for more engagement of these groups in the form of farmer field school to allow for better exchange of learning among members and collective purchase of inputs such as vaccines. There is also a need for development of a model facility for commercial rearing of free range chickens. Previous recommendation for the project to commission a specific study on market for indigenous chicken to provide insight into the real market prospects for this enterprise that has much potential for poor rural households has not been done.

35. There is a growing interest in bee-keeping with establishment of three bee-keeping groups with a total of 16 active beehives. The idea of using a lead farmer in training for bee keeping has

proved very useful whereby groups are now contacting the expert bee keeper at their own cost. There is a need for special support to encourage women participation in bee-keeping enterprises as they are afraid to work with bees especially without proper gears. The groups are finding bee-keeping to be very profitable from one well managed hive they can get up to forty litres of honey with a value of about E 1000 per year. Beekeeping also provides an opportunity for development of cottage industries for making candles and body lotion. Improved bee-keeping is also beneficial in forest conservation as farmers no longer use fire for honey collection. Bee-keeper groups are in the process of registering association with the future plan of building processing plant at Siphofaneni

36. There has been considerable delay in the start of implementation of the innovative Beef Value Chain development scheme. The identified six cattle traders (including one women) have already registered their group into Khazas Investment ltd and eagerly waiting for the training on feedlot. Their future plan is also to have a collective marketing of their animals. It is recommended that the project should start training on feedlot with the trader even without the recommended structures.

Agreed action	Responsibility	Agreed date
18. Urgent action on the development of pilot backyard garden to 20 households in Shongwe chieftdom	ABDU	30/06/2013
19. Procurement of inputs and sharing of staff for backyard gardens.	ADEMU, LUSIP-GEF	From 01/04/2013
20. Sharing of extension, training and marketing materials for agriculture, horticulture and livestock initiatives between ABDU and LUSIP- GEF	ABDU, LUSIP-GEF	31/05/2013
21.. Strengthen supply of material to information centre under the auspices of the Farmers' Federation	ADEMU	30/06/2013
22.. Deploy the use of FFS approach within the setup of demonstration plots	ABDU	31/07/2013
23.. Establishment of small tunnels on targeted households	ABDU, ENGs	30/09/2013
24.. Follow-up on adoption of NAMBOARD study by MoA	ADEMU	30/04/2013
25.. Follow-up on implementation of recommendations from pricing study	ABDU, RFEDP	From 15/04/2013
26.. Facilitate immediate implementation of the grant project of Innovative Beef Value Chain Development scheme.	ABDU, ILRI	From 15/04/2013
27.. Rangelands assessment study	ABDU	15/06/2013
28.. Formulate marketing strategy for produce based on studies	ABDU	30/06/2013
29.. KK developed and operational in partnership with FreshMarket and Kubuta	CEO, ADEMU	30/06/2013
30.. Investigate the possibility of access to Central Bank loan guarantee scheme	ABDU	30/04/2013

Component 3: Water Institutional Development and Policy

37. The purpose of the water institutions development unit is to implement the Water Act in relation to the PDA, including capacity building of the Irrigation District, necessary legal systems support in the evolution of regulations and procedures, development of water management capacities including aspects of water fees, issuance of water rights. It is to deliver an Irrigation District and 12 Water User Associations. The focus was on strengthening the WUAs and establishment of the new ones.

38. During the Mission a very constructive visit and Training Planning Workshop was shared by IMAWESA, LUSIP, LUSIP-GEF and IFAD that led to the firming up of a capacity building programme for water community engagement, technical matters and documentation. The training programme is endorsed and it is agreed that its delivery will be carried out with due respect for the work loads of both projects. The objective is to deliver holistic training to culminating to sustainable institutions even after project completion.

39. **Water service provider:** At the end of March 2010, the Ministry of Natural Resources and Energy (MNRE) requested SWADE to take over the responsibility of the LUSIP operation and maintenance as the Water Service Provider, for a period of three years. SWADE in turn requested technical assistance from Coyne etBellier who managed the maintenance and repair works until June 2011. Thereafter SWADE formed the water management unit (WMU) who took over the operations. The WMU team comprises of a combination of officers from SWADE and the ministry of natural resources. The MNRE recently requested SWADE to extend its mandate as WSP until 30 March 2014. There is need to finalise the future institutional arrangements for the management of the LUSIP bulk infrastructure.

40. **DWA/SWADE Forum.** This has been a significant achievement for both parties. The forum discusses institutions, development, policies, proposals like the water pricing document, dam safety

and general *operations* and maintenance of the LUSIP bulk infrastructure. So far, the forum has yielded positive results and is helping SWADE do a better job.

41. **Canal Water Users Associations** Nine WUAs are established. The focus is on strengthening them and also fully establishing the 3 new ones. The 3 WAUs have already been trained on governance, leadership and water management. The 9 WUAs met monthly to discuss water requirements and usage. These are Mamba new schemes (St Philips Canal) and Gamedze (Feeder Canal off-take 1 and 2). The total number of WUAs at full development of LUSIP 1 will be twelve (12) WUAs. SWADE works with the DWA and the Irrigation District in building these institutions in compliance with the provisions of the Water Act of 2003, and the integrated water resources management (IWRM) principles.

42. The assessment of maturity of the WUAs is shown in the table below. There has been solid progress since last October for the initial WUAs whilst the new ones demonstrate the challenges ahead. Particular focus is being given to Inyoni Icula WUA due to its poor overall ranking.

WUA	FC3: Tlutfuka ngemanti WUA	MCS1: Lugolome WUA	MSC2&3: MAZI WUA	MCS4: SINK WUA	MCS5: Inyoni Icula WUA	MCS6: Umphisi WUA	MCS7: Lutsatsaw e WUA	SPC1: Esicojeni WUA.	SPC3&4 Gijimani WUA (new)	FC 2 new	FC 1 New	Mamba New
PLANNING STAGE												
Understanding the Water Act	4	4	4	4	4	4	4	4	4	4	3	4
Roles and responsibilities	4	4	3	4	4	4	4	4	5	3	2	4
Constitution – bylaws	6	6	6	6	6	6	6	6	2	1	1	1
Strategic plan	6	6	6	6	6	2	6	6	2	1	1	1
Certificate of in-cooperation (registered)	6	6	6	6	6	6	6	6	6	1	1	1
Average	5.2	5.2	5	5.2	5.2	4.4	5.2	5.2	3.8	2	1.6	2.2
IMPLEMENTATION												
Prepares water orders	5	4	5	5	3	4	3	3	6	4	0	0
Accounts for water used in the off-take	4	4	4	4	3	4	4	4	4	4	0	0
Meets regularly (monthly)	4	2	3	5	2	4	2	4	4	1	1	1
Group cohesiveness	5	3	3	5	2	4	5	4	4	3	2	4
Pays water fees	Apr-13	Apr-13	Apr-13	Apr-13	Apr-13	Apr-13	Apr-13	Apr-13	Apr-13	Not yet	Not yet	Not yet
Annual general meetings	4	4	4	4	4	4	4	4	4	Not yet	Not yet	Not yet
Average	4.4	3.4	3.8	4.6	2.8	4	3.6	3.8	4.4	3	0.75	1.25

43. **Siphofaneni Irrigation District**(formed in 2010) and the River basin authority (RBA), they gazetted, and have recently been resourced by the DWA. The funds are enough to hire a Bailiff who will help execute their mandate in the district. The RBA has also been resourced by the DWA. Both institutions are supposed to be fully operational this year..The National Water Authority (NWA) is also able to meet quarterly to regulate water issues according to the water Act.

44. SWADE is involving the Irrigation District (ID) in all water issues in the district. The ID is a member of the DWA/SWADE forum and was part of the steering committee that evaluated the feasibility study as approved by SWADE management. The feasibility study will investigate and make recommendations on the future institution for the management of the Lubovane dam and its appurtenant structures, its resourcing and function in the long-term.

45. **Water Pricing and Fees Payment.** The pricing policy was approved by the NWA. The NWA and SWADE Board have also recently approved a paper on water fees. This means that Users will start paying beginning in April 2013. The proposed fee is presently E450/ha/year. This amount is not the full cost of water conveyance, but what the farmers can afford according to their viability models. It is assumed that they will gradually embrace the full cost of water once they are all developed. Presently there are a few farmers using a big system and is expensive. The water fee will be reviewed annually.

Agreed action	Responsibility	Agreed date
31. Establish remaining three WUAs	WMU, PIDU	30/09/2013
32. Collection of water fees	WMU	30/04/2013
33. Emergency canal rehabilitation	WMU	31/07/2013
34. Sub-catchment management/ Review of drainage structures	WMU	31/07/2013
35. Strengthen some key areas of existing upstream infrastructure	WMU	31/07/2013
36. Redesign of existing domestic water troughs and construct up to 15 additional ones	WMU	30/06/2013
37. Review illegal usage and develop plan for sustainable management, including possible pilots	WMU, Consultant	31/05/2013
38. Establish permanent institutional arrangement for Water Services Provision	MNRE	31/12/2013

Component 4: Life Sustenance and Environment

46. Potable Water Supply and Sanitation: The total number of households with access to sanitation facilities in the LUSIP PDA is 2, 385 the with some 15269 people benefiting from improved hygiene: Gamedze - 4060, Shongwe – 1246, Ngcamphalala – 6191, Mamba – 1179, Mphumakudze – 1025 and Lesibovu 516 and resettled 1052.

Status of Potable Water and Sanitation

Chiefdom	H/Hs	Potable Water	%	VIP	%	Back Yard gardens	Private Standpipes
Gamedze	606	606	100	606	100.0	28	51
Shongwe	254	254	100	186	73.2	6	23
Ngcamphalala	986		0	937	95.0		
Mamba	491		0	199	40.5		
Mphumakudze	183		0	167	91.3		
Lesibovu	136		0	116	85.3		
Re-settled	157		0	157	100.0		

47. Implementation of the Ngcamphalala and Mphumakudzeschemes is progressing well. With availability of the OFID funds it may be possible to complete the delivery of potable water to all 6 cheifdoms by the end of 2013. Finalisation of the plans and tender documents for Mamba and Lesibovu is urgent.

48. **Fifth Environmental Review Panel Mission** Key conclusions of the recently completed ERP Misison include some important observations that are endorsed through this Aide memoire.

- i. “The sustainable solutions for livestock lie within a comprehensive approach that includes commercialisation of livestock to ensure that only productive stock is kept; the detailing of the viability of the alternatives of creating wealth and improving livelihoods that will give assurance enough to warrant destocking; addressing the socio-cultural impediments to the uptake of the commercialisation; and other options available such as ensuring the systematic targeting of the (largely male) decision making group in the households.
- ii. Degradation of the Lubovane Reservoir catchment, and the consequent need for effective land use management, remain significant challenges for the project. The Lower Usuthu Sustainable Land Management Project (LUSLMP), funded by the Global Environment Facility, has a major role to play in this regard. Strong collaboration is necessary between LUSIP and

LUSLMP, with adequate staffing for them both in the relevant fields. They should engage with the Irrigation District for this purpose.

- iii. New settlement near and within the reservoir's probable maximum flood line is another challenge that must be tackled.
- iv. One of the three areas earmarked for biodiversity conservation has been gazetted and is being developed for this purpose. A second has been settled and is no longer available. The third, the Logoba area, should urgently be fenced and declared as a conservation area.
- v. Heavy infestation of the PDA with invasive alien species is a significant and growing problem. LUSIP should work with PDA communities to agree and implement a detailed plan for the management of these species as soon as possible.
- vi. Engaging schools, the University and NGOs in long-term environmental monitoring in the PDA remains a necessary strategy."

49. Key conservation activities that are underway and that need to be given priority for completion include the Magongolweni Conservation Area Project, Gcekeni farm donga rehabilitation and the Gucuka donga rehabilitation (this is a LUSIP/LUSIP-GEF scheme) .

50. Farm construction monitoring reports have been carried out for Lots 5 and 6 with no significant issues identified. The team continue to be diligent with regard to chemical and other bio-safety issues. A total of eleven (against a target of 10) farmer environmental management plans were finalised during the period under review making a total of 55 since the start of project implementation.

51. The Epidemiological / Communicable Disease data (received from clinical records) is being loaded by LIMS into the SWADE data base. The data is for the years 2007 – 2012 and its loading will enable full analysis and monitoring to be carried out. It is expected to determine amongst other things:

- i. The 3 most prevalent communicable diseases in the LUSIP PDA
- ii. The most vulnerable age group who between the males and the females is most affected by these critical prevalent diseases
- iii. The total number of patients attended by each of the clinics per month. Clinical records are received from Sithobela, Siphofaneni, Gilgal, and Bholi. However, the latter was then handed over to LUSIP phase 2 its records will be up to the year 2011.

52. **Monitoring laboratory** SWADE officially handed over the laboratory to the Ministry of Health on the 31st October 2012 as part of the LUSIP exit strategy. The laboratory is now providing an effective laboratory service to all clinics in the Siphofaneni area and some parts of the southern Lubombo Region. Diarrhoeal diseases continue to occur mainly in the summer. With the introduction of safe water in Gamedze and Shongwe Chiefdoms, there have been less diarrhoeal disease incidences, except those areas not yet adequately served. There were no outbreaks of cholera or other serious water-related diseases. However, the situation regarding bilharzia (schistosomiasis) has worsened considerably. A study undertaken during the course of the year revealed that a large numbers of pupils of school going age at Othandweni and Madlenya primary schools were affected. The occurrence of Snails along the Feeder Canal was confirmed. Further studies will be conducted to confirm if the species found are responsible for the transmission of Bilharzia.

53. In order to effectively operationalise the Environment Fund, the guidelines were reviewed and it was agreed that they need to be updated. The grant should now be a maximum of maximum of E200,000 and the community will provide labour in kind equivalent to 20 % of the cost indicating a maximum project activity of E240,000.

Agreed action	Responsibility	Agreed date
39. Revise matching grant fund to allow full financing of conservation works	LSU	31/03/2013
40. Continue investigating options for control of high bilharzia incidence	LSU, MoH	30/09/2013
41. Finalise designs for Lesibovu and Mamba Chiefdoms	LSU, ENG	30/09/2013

D. Implementation progress

Project Coordination and Management.

54. To date SWADE has utilised SDR 8.9M (equivalent to E 117M) or 75% of the IFAD loan. This means that there is around E 30 million available under the IFAD loan. The draft 2013/14 AWPB submitted to IFAD for its “no objection” amounts to E 10.4 million in support of GoS investment of E 90 million.

55. Given that LUSIP has met around 70% of its agricultural cropping targets it is critical to optimise the use of the available IFAD resources for improving the lives of all homesteads in the LUSIP PDA.

56. To this end the Mission and ADEMU has reviewed what suitable and eligible investments activities can be included in the 2013/14 LUSIP I AWPB. It is important to note that all activities (apart from some project completion work) have to be carried out by 30 September 2013.

57. The Mission wishes to express its appreciation for the positive review and endorsement of a three pronged approach by the SWADE Executive Board in a special sitting on Monday 19 March. This approach is :

A. Approval in principle for SWADE to discuss with IFAD a range of additional investments to be included in the 2013/14 AWPB that can be implemented by 30 September 2013

B. Agreement to fast track review and where appropriate approval of the necessary procurement actions to support the supplementary 2013/14 investment activities

C. Retention of key staff, initially for the period to 30 September 2013

58. In addition to the support for ADEMU that has two phases, the following additional activities are proposed. The two phases of ADEMU support: Phase I relates to the period until 30 September 2013 when staff and operational costs needed to implement the already approved plan and the following proposed activities with 22 staff being provided for PHASE I and for PHASE II the remaining balance to 30 March 2014 when 5 staff will be eligible for IFAD funding.

59. An important element of the proposed plan is that some key staff e.g. CDP team will be employed under a performance based service contract for SWADE with LUSIP-GEF (LUSLM) beyond the period of IFAD funding for LUSIP I. Procurement of inputs for the LUSLM sustainable land management activities at household level from LUSIP I funds will enable the LUSLM budget to cover these costs. In addition key critical staff whose contracts have lapsed may be employed under performance based consultancy contracts.

60. To enable to these activities to be implemented the 30 September 2013 the active support of the Board is needed enable the work to be completed. The necessary oversight procedures that need to be adhered to are as follows:

Month	Apr	May	Jun	Jul	Aug	Sept
Activity						
ADEMU	Prepare tenders & advertise	Receive tenders and evaluate	Receive tenders and evaluate Implement	Implement	Implement	Complete
SWADE Board		Tender Committee & Board approval	Tender committee & Board approval			
IFAD		Issue “no objections”	Issue “no objections”			

61. It is noteworthy that the SWADE Executive Board agreed that:

- i. the tender committee to sit twice in May (15 and 29) and again twice in June (12 and 26) with normal procedures and sitting allowances to consider and as appropriate approve the proposed tenders
- ii. for the ADEMU Manager to prepare the tender committee minutes within 24 hours and submit to the Tender Committee Chairman
- iii. the Tender Committee Chairman to submit to the Board Chair for “round robin review and as appropriate approval within 5 working days
- iv. Simultaneously the tender documents will be submitted, if needed, to IFAD for its review and issue of “no objection”. This will be provided within the same 5 working days
- v. Once approved SWADE will issue the purchase order or contract within 2 working days. These documents will have clear start-up/delivery dates and schedules.
- vi. Strict contract monitoring will be carried out to minimise performance delays.

62. As noted SWADE has a responsibility to effectively implement activities using IFAD resources up until 30 September 2013. In line with the requirements of Circular 3 any staff whose contract expires is offered a termination letter with the possibility of a new contract under the terms and conditions permitted by the circular. In most cases this means a reduction in the salary package of between 40 and 50%. There are already firm indications that staff are not accepting employment under Circular 3 conditions.

63. In some cases this is not critical to delivery of the accelerated programme needed to effectively use the IFAD funds. There are, however around 22 positions (leaders and managers) where their loss would negatively affect SWADE capacity and capability to deliver. Management seeks board approval to enter into negotiations for affected positions, firstly with the current incumbents and then in the local market (for suitably qualified professionals) for output based short term consultancy contracts (maximum period 7 months for a maximum of 22 working days per month) with daily fees that are within current market rates and within the approved AWPB levels.

64. **2013/14 AWPB** which was initially set at E 10.4 million has now been revised to use the maximum resources available. The additional items focus on extending benefits to households not directly engaged in irrigated agriculture, supporting the LUSIP-Gef initiatives and protecting capital works and mentoring the farmer companies. The indicated budget is recommended for approval summary breakdown of the 2013/14 AWPB is presented in the table below.

65. **Monitoring and Evaluation.** The development of the Monitoring and Evaluation (M&E) software has progressed well since the last mission. Although some modules have not yet been populated, the system is functioning reasonably well and is regularly used by the M&E officer for in-

depth analysis. However, there is still some work to do to in terms of integrating the different systems, where individual departments approach M&E separately resulting in some double-entry and in worst cases, information not being available to the M&E officer. Consequently, there is still work to do in terms of developing one integral system with a central location for generating project status reports for the different activities. Ideally, the system should have a dashboard for key performance indicators (KPIs) for the M&E officer and senior management to quickly assess performance. As a knowledge management (KM) activity, it is recommended that the to-be-recruited journalist work with the M&E officer in capturing lessons learnt from the analysis to ensure that this is being transferred to MINAG at project closure.

66. A RIMS baseline survey was completed in 2012. As project closure is scheduled for 2013, an impact evaluation comparing data from 2013 with data from 2012 may not appropriately represent the impact of the project since inception. As such, it was agreed that the impact evaluation should establish a control group outside of the project scope, and survey both the project area and the control group for comparison. This will allow for an adequate understanding of the impact since inception, but can also provide comparison since 2012. Arrangements need to be made to carry out the completion socio-economic survey based on the 2005 baseline survey.

Exit Strategy

67. In an effort to safeguard the integrity of the farmer organisations and ensure sustainability, ADEMU prepared an exit strategy that reflects the functional needs of LUSIP for the three year period (2012-2014). The strategy recognised the need to reduce staff towards project completion and incorporated a structured reduction in human resources from current numbers, tapering to and remaining with a staff complement of about twelve (of which 5 will be eligible for IFAD financing until 31 March 2014) to wrap the project up following completion in September 2013. This strategy seeks to ensure continued support in the project area and that the support offered will not be a strain on the Government's consolidated budget. The strategy has had to be revised as due to the mis-calculation (despite advice from early missions) of available resources by the SWADE Finance office additional IFAD funds are available up until September 2013. In order to deliver the planned results a team of around 22 will be maintained under GOS budget. Given the actions taken by the SWADE Board during the current mission good progress can be expected through the next 7 months.

Project Completion Report

68. In order to finalise all project activities across all phases of the project to formally complete the project and assess the project and derive any lessons learned and best practices to be applied to future projects the following key targets were established for preparation of the PCR:

- Consultative Workshops: 15 April – 15 June 2013
- Completion of the 1st Draft PCR: 31 July 2013
- Completion of 2nd Draft for Stakeholder Workshop
- Stakeholder Review Workshop: 20 October 2013
- Final draft PCR : 20 December 2013
- Report compiler : Consultant/M&E

Agreed action	Responsibility	Agreed date
42. Finalise detailed implementation schedule of amended AWPB	ADEMU	30/3/2013
43. Undertake the completion survey	M & E	30 6/22013
44. Monitor exit strategy	ADEMU Manager	30/3/2014
45. Initiate PCR process	ADEMU Manager	15/4/2013

Detailed Budget for 2013 - 14			
1: Upstream Works & Distribution System	Budget (IFAD)	Budget (Govt.)	Total
Objective 1: Provision of physical infrastructure allowing collection, storage and			
Sub-Total		11,384,246	11,384,246
2: Chiefdom Development and Land			
2: Policy Institutional and Social Environment supportive of the integration of			
2.1 Strategic and legal framework for transformational processes in place	120,000		120,000
2.2 Increased awareness and understanding of project activities	135,000	60,000.00	195,000
2.2.2 Community organised and have the necessary skills & knowledge to engage in and support transformation processes	1,375,000	-	1,375,000
2.2.4 Participatory Community development plans developed and agreed upon (Farmers fed)	500,000	-	500,000
2.2.5 Gender Mainstreaming	1,270,000	1,110,000	2,380,000
Sub-Total	3,482,500	1,170,000	4,652,500
3 Economic Empowerment			
3.1.1 Institutional structures for farmer owned and managed irrigation schemes functioning effectively	8,667,000	97,552,115.00	106,219,115
3.1.2 Knowledge base for business intensification established	750,000	-	750,000
3.1.3 Livestock support	-	6,338,000.00	6,338,000
3.1.4 Commercial Gardens		16,043,200.00	16,043,200
3.1.5 Alternative Cash crops		36,697,200.00	36,697,200
3.1.5 Marketing and Sales	2,000,000	3,636,000.00	5,636,000
3.1.6 Other Activities	400,000.00	2,920,000.00	3,320,000
Sub-Total	11,817,000.00	163,186,515.00	175,003,515
4. Water Insitution Development and Policy			
4.1. Guide and provide technical support for the establishment of water institutions			
4.1.1 Development of Sustainable Water Institutions			
Sub-Total	3,000,000	9,000,000.00	12,000,000
5. Life Sustenance			
5.1 Biophysical Environment Well Managed			
5.1.1 Comprehensive Mitigation Plan Implemented	173,600.00	283,600.00	457,200
5.1.2 Communities Effectively managing the biophysical environment	4,944,875.00	294,875.00	5,239,750
5.1.3 Staff Costs	360,000.00	300,000.00	660,000
5.2 Resettled homesteads fully integrated in the farming community.			
5.3 Health care delivery, water supplies and sanitation	-	9,710,000.00	9,710,000
5.3.3 Public Health Monitoring	54,884.00	307,464.00	362,348
5.3.4 Staff Costs	126,000.00	60,000.00	186,000
			0
Sub-Total	5,659,359	10,955,939	16,615,298
			0
6 Project Management			
6.1.1 Systems for project management established and implemented -	1,555,000	300,000	1,855,000
Output 6.1.2 Procedures for project management established			0
6.1.2 Procedures for project management established	5,864,000	-	5,864,000
Output 6.2 Effective and efficient administrative and financial management systems			0
			0
6.2 Effective and efficient administrative and financial management systems	3,114,000	970,000.00	4,084,000
			0
Output 6.3 Development and maintainance of an effective IMS			0
6.3 Development and maintainance of an effective IMS	755,500.00	438,000.00	1,193,500
Sub-Total	11,288,500	1,708,000.00	12,996,500
			0
TOTAL LUSIP FOR 2013/14	35,247,359	186,020,454	221,267,813
Note: 1USD = 8.0SZL	4,405,919.88	23,252,556.75	27,658,477

E. Fiduciary Aspects

69. **Financial management. Systems and Internal Controls:** The mission reviewed the Programme financial systems that include financial planning (through Annual Work Planning and Budgeting process (AWPBs)), financial data capturing and accounting system, financial cash flow management, monitoring and reporting, and procurement and auditing. These are implemented by SWADE under a centralized management Team arrangement in their Head office and are incorporated in the SWADE Financial Management Manual. The mission notes major gaps in the performance of key systems. The ACCPAC accounting system has not been put into full result oriented use, in terms of Financial Data capturing, accounting, Monitoring and reporting. Accurate and timely financial reports are not prepared regularly at the end of each quarter as required.

Withdrawal applications which feed the flow of funds are not submitted consistently within WA claims thresholds as prescribed in the IFAD letter to the borrower. It was agreed that for the remaining life of the project LUSIP will prioritize on the improvement of timely submission of WA's, accurate and timely financial accounting, monitoring and reporting in the form of quarterly, semi-annual and annual financial statements, accounts and reports.

70. Project Financial Management Capacity: The project has been provided with key resources to facilitate efficient and effective financial management, including a dedicated Accountant and the ACCPAC accounting system. The accounting system is reported to have crashed in January 2013, and the requisite data backups, were not up-to-date at the time. As of the date of the mission, the restoration of the data was still in the process and an up-to-date trial balance for forming the basis of the financial statements was not ready. The mission was also informed that the contract of the current programme accountant has been terminated with effect from 31 May 2013. The Project is entering into the final implementation phase of activities completion and Loan closure. The recovery of the SPA initial deposit as provided for in the financing agreement is also expected to take place any time now. The recovery is expected to be carried out without negatively affecting the funds flow for the last batch of approved activities.

71. It was agreed that the position of the accountant will not be allowed to fall vacant, and to ensure effective and efficient financial management, the job description of the Accountant will be revised to make them result oriented with clearly defined performance indicators in terms of deliverables and timelines. It was further agreed that responsibilities for financial data backup will be defined and effective timelines put in place. It was also agreed that to ensure effective and desired outcomes, the SWADE management will carry out regular intensified review through formal and structured meetings for evaluating the financial management outcomes and ensure that all emerging issues are adequately addressed on a timely manner.

72. Financial Systems performance and financial reporting: The mission notes with concern that the timeliness and accuracy of the financial accounting and reporting as well as effective cash flow management has not been taking place. Contrary to the actions agreed upon during the last supervision and support mission, a large volume of expenditures, that includes salaries and other operating costs appear to have been incurred through SWADE without charging the same to the LUSIP project Accounts. This has made it difficult for the mission to evaluate accurate precise financial performance of the project to-date. Withdrawal applications besides being understated are unduly delayed beyond the prescribed thresholds. No quarterly budgetary monitoring financial statements are prepared. The mission recommends that during the remaining project life the financial management team in SWADE prioritize its focus on the following key financial accounting, monitoring and reporting outputs:-

- Preparation and submission of WA's for replenishment should be carried out immediately upon reaching the minimum threshold of 30% of the USD 1 million SPA allocation or USD 300,000.
- Books of Account should be updated on a monthly basis and a Trial Balance produced at the end of the each month, basis upon which bank reconciliations and subsequent financial statements and reports will be prepared.
- The reconciliation of the Special Account should be prepared at the end of each month (as opposed to only for support of WA submission), for use as a management tool for checking and monitoring the accuracy of the cash flow and expenditure accounting records, as well as tracking the levels of the expenditure that are pending WA preparation and submission. This reconciliation should be subject to SWADE's management oversight review and corrective directions on the issues arising.
- Quarterly resources and expenditure statements should be prepared. The expenditures should be presented by components as well as by expenditure categories. The resulting surplus or deficit must be in agreement with the cash and Bank Balances as of the date of the report.

- Loan status and reconciliation schedule that includes the projections and estimates of the Loan utilization and disbursements.

73. To ensure effective and desired outcomes the SWADE management will carry out a regular intensified review through formal and structured meetings with the aim of evaluating the outcomes and ensure that all emerging issues are adequately addressed on a timely manner.

74. **Physical and Financial Progress Reporting:** - The mission reviewed the recent quarterly progress reports and notes the coverage of wide ranging subjects including those of the farmer beneficiaries. However, the up-to-date financial reports are not included therein. It was agreed that, in future physical and progress reports will include up to date financial statements as proposed in paragraph 7 (a) (b) and (c) above.

75. **Review of the Statements of Expenditure (SoEs):** The mission has carried out a review in depth of SoEs and other supporting documentation supporting Withdrawal Applications 121, valued at USD 243,228.10 or SDR 158,241.39 equivalents. The following are the issues raised by the mission on the WA's, and which require to be improved on for the future WA's:-

76. Each of the WA sheet total should be included in the summary to ensure full inclusion of all the SoEs.

77. For the items selected VAT has been included in the WA claim which is against the provisions of the Financing Agreement. The entire WA should be analysed with the aim of identifying all the VAT included in the claim. The SPA must be replenished with the total sum of VAT claimed under WA 121 and ensure that in future all VAT is paid is absorbed by the GoS and never included in the WA claim.

78. **Review of the IFAD Special Account and other Programme Accounts:-** The Mission reports that the initial deposit of USD 1 million for Special Programme Account (SPA) is fairly accounted for as at 31 January 2013. The available cash balances in the SPA as of this date amounted to USD 750,000 excluding the interest earned of USD 5,571. Other cash balances in the Operational accounts amounting to USD 2.17 million were for GoS counterpart and development Funds. The other key reconciling item is the WA 121 proceeds of USD 243,228 which has since been paid by IFAD. The mission notes the irregular practice of preparing the reconciliation, only for the purpose of supporting the WA's. In addition it is taking too long to adopt expenditures into project accounts which are incurred with GoS funds on account of IFAD loan funds. It was agreed that all expenditures incurred by SWADE on account of IFAD loan funds; since December 2012 will be accounted for in Project accounts and include it in WA's for replenishment claim. Further the SPA reconciliation should be carried out at the end of each quarter to provide a tool for effective cash flow oversight review by the Programme Director and Manager.

79. **Recovery of the Initial deposit:** The USD 1 million, forming the SPA allocation is an advance to be recovered through justified expenditures when the balance of funds in the loan account is USD 2 million, or on 31 March, 2013, whichever of these trigger points is achieved earlier. Consequently, the recovery is expected to begin soon after 1 April 2013. It was agreed that to ensure recovery within the loan closure period, a 50% recovery rate will be applied on all WAs submitted on or after 1 April 2013. It was further agreed that any expenditure incurred using the GoS counterpart funds can be claimed from IFAD through reimbursement method. The mission recommends a formulation of the Cash flow plan that incorporates estimated expenditure of the remaining 2012/2013 AWPB activities as well as those of the 2013/2014 AWPB. The plan will ensure a clear funding of these activities with projected known sources of IFAD and GoS funds.

80. **IFAD Loan Disbursement:** As at 31 January 2013, the actual IFAD Loan disbursement up to WA 121, amounted to SDR 9.5 million, representing 80% of the total IFAD Loan of SDR 11.9 million. This disbursement includes the SPA's allocation of USD 1 million or SDR 679,000 equivalents, and all these inflows have been reconciled to the IFAD statements. However, excluding this SPA allocation, the utilized loan is SDR 8.8 million or 74% of the total loan. If this is factored with estimated expenditures pending WA submission of 452,000 or SDR 295,000 equivalent, the projected loan utilization rises to SDR 9.1 million or 76% of the total loan. Consequently, the projected loan balance

is SDR 2.8 million (USD 4.3 million, SZL 37.7 million at the current exchange rates). The projections as presented in Table 3 that these funds will be adequate to finance the activities for the remainder of the project implementation period up to Loan closure planned for 31 3 14. Based on the revised AWPB it is expected that the IFAD loan will be almost fully utilised.

81. **Forward Strategic Loan Utilization Plan:** As of 1 April 2013, the project has 6 months of implementation period plus the 6 months closure period to 31 March 2014. Activities can only be implemented during the six months to 30 September 2013, and the closure period can only be used for project completion activities such as PCR, Impact studies, audit and salary payments for the key staff. The mission proposes that ADEMU formulates an 12 months financial projection plan that takes into account key priority activities including staff salaries for the skeleton staff who will oversee the Project completion and loan closure, as well as other project impact studies and completion reports costs. The Plan should be harmonized with the proposed cash flow. ADEMU should ensure that the revised 2013/14 AWPB is consistent with these projections.

82. **Re-allocations:** The mission has assessed the category expenditure requirements and determined that any deficits are within the 30% level that does not require re-allocations. Therefore, the mission does not propose any re-allocation request.

83. **Counterpart funds.** The Financing Agreement requires that the Borrower contribute resources for the financing of the activities of the Programme in the aggregate of SZL 139.8 million. As at 28 February 2013, the GoS had contributed SZL 1.04 billion. This contribution includes SZL 967.3 million for development and 72.8 million for Counterpart funding. The mission commends GoS for exceeding its the required obligations.

84. **Compliance with loan covenants.** The Mission reviewed the compliance of the Loan covenants and confirms that apart from contravening Section 2.04 relative to the payment of Value Added Tax (VAT) using IFAD funds, the mission did not note any other contravention. The VAT came into being on 1 April 2012, and the mission evaluated the WA's submitted from this date. Only WA 121 appears to be affected with the contravention. It was agreed that WA 121 will be evaluated for the VAT effects with the aim of refunding the SPA with the total amount claimed. It was further agreed that VAT will be borne by GoS counterpart funds and the subsequent WA's will not include VAT payments.

85. **Procurement:** Under LUSIP, the bulk of procurement is for development that is financed by the GoS and other development partners. As for IFAD funds, the 2012/13 AWPB and the procurement plan had provided for Laptops, Desktops and software items estimated at SZL 155,600. The procurement review revealed expenditures that were not included in the approved AWPB provisions, as not being in full measure for value for money spent. The results were as follows:-

86. The Procurement for the Plotter equipment for SZL 66,634.92, though acquired through the right process, was not part of the approved 2012/2013 AWPB and has not been a subject of No objection from IFAD given that there was no budgetary provisions. The mission therefore declares this cost ineligible and requests the GoS to reimburse the SPA with the same amount.

87. Two laptop computers at a cost of SZL 10,280 each were procured in succession, using IFAD Funds. The first acquisition was a replacement of a lost one. The second acquisition was a replacement of the new one which was also lost. Despite the existence of the insurance policy, none of these assets were communicated to the Insurance Company for cover and subsequent recovery. The missions declare these two items ineligible for claim from IFAD funds.

88. **Contract Register:** The review of the contract register indicate requirement for improvement in terms of additional information that would ensure clarity of the maximum liabilities arising out of incomplete and ongoing contracts. Past IFAD missions recommended a reconstruction of the register to include all the deleted contracts that are reported to have been completed. The sequence of the contract numbers would confirm the total numbers of the contracts entered into since project inception. This would avoid errors of accidental deletion of an ongoing contract. Attached to each contract should be a contract monitoring form, which contains the analysis of updated payments and the balance remaining unpaid. It was agreed that a major revision will be carried out to tally the incomplete and ongoing contracts, ensure payments and unpaid balances are validated using the

contract monitoring forms, provide analysis for the unpaid balances by financiers and ensure disclosure of these balances in the significant notes to the audited Financial statements, accounts and reports for the financial year 2012/2013.

89. **Assets Register:** The Mission Reviewed the Assets Register and discussed with the financial team a number of improvements required. Some items that have been procured during the year have not been entered in the register. Motor vehicles continue to reflect the old registration numbers long after the changes were made, and no adjustments have been carried out in the register. The register should also include information on location, tag number and disposal. It was agreed that a physical verification of the LUSIP assets be carried out, each asset identified with appropriate numbers and locations, register updated with these details and cost values. The review and update of the register should be carried out at the end of each quarter.

90. **Statutory Audit:** The audit for the Project financial performance is up-to-date, the last audit being that of 2011/12. There are no major issues outstanding from the past audit, except for the routine issues raised in the Management letter including arithmetic and presentational errors identified in the audited accounts for 2011/12. The key focus in addressing these issues is to ensure that they do not recur in the financial statements for 2012/2013.

91. **Statutory Audit for 2012/2013:** With the audit of financial statements for the 2011/2012 financial year, Price Waterhouse Coopers (PWC) had audited LUSIP for 3 years. The SWADE rules require a change of auditors after 3 years. This is consistent with the IFAD guidelines. KPMG has been selected through competitive bidding. However, the Audit Terms of Reference (TORs) as required by the IFAD guidelines were not formulated to form part of the bidding and specification of services when the procurement was advertised for tendering. However, the tender was floated as a SWADE document but lacking disclosure of information on the requirements to audit specific financial statements for LUSIP and LUSIP/GEF. The procurement processes appear to have been carried in accordance with the procedures, culminating with the selection of KPMG. The contract is not yet signed and the draft contract is waiting for the approval of the SWADE board.

92. The financial year end is now due and the audit should start by 1 May 2013 with the aim of ensuring that the prescribed dates for the Audited accounts are met. To ensure that an appointed auditor is in place by this date, SWADE as the lead implementing Agency has 2 options. Reappoint PWC to continue as an auditor. A fourth year should not be considered excessive. Negotiate with KPMG on the audit TORs that meets the IFAD audit guidelines. This should be subject to the approval of this option by IFAD. The mission recommends this option.

93. **Draft Financial Statements for Audit for the 2012/2013 year:** The mission reviewed the status of the preparedness for the audit of the current year. It is not clear whether the books of account are up-to-date. The mission was informed of the crash of the accounting system in the middle of January 2013, whose restoration is ongoing and not yet complete. The Financial statements presented to the mission prepared as at 31 January 2013, had the surplus of receipts over expenditure balanced with the Cash balances. However, the full accuracy and integrity of the figures cannot be assured due to lack of the Trial Balance which is the fundamental output against which the financial statement inputs can be validated. The lack of this output was blamed on the software crash. It was agreed that the financial team must increase their efforts and ensure the full update of the books of account, production of the balanced trial balance as at 31 March 2013, on which basis financial statements for the financial year will be prepared. A timetable for the production of the Draft accounts for audit and the management of the subsequent oversight of the audit was also agreed with the project management. It was agreed that the Project management will closely apply the timetable to ensure a result oriented audit.

Agreed Action	Responsibility	Agreed date
46. Financial management team to submit quarterly, semi-annual and Annual Financial statements.	SWADE CFO	Quarterly
47. SWADE management to review the financial statements on a quarterly basis	SWADE CEO, CFO	Quarterly
48. Prepare SPA reconciliation at the end of each month for use as a management tool.	SWADE CFO	Monthly
49. Financial Management Team to submit WA for replenishment to IFAD at USD 300,000 threshold	SWADE CFO	As soon as the expenditure of USD 300,000 is reached.
50. To ensure that the Financial management team capacity is improved with result oriented Job descriptions and maintained up to the programme closure	SWADE CEO and CFO	Continuous
51. Cost of two laptop computers at a cost of SZL 10,280 each and the cost of Plotter at a cost SZL 66,634.92 to be refunded by GoS to the SPA.	CFO SWADE	15/4/ 2013
52. WA 121 to re-evaluated in its entirety for VAT inclusion in the claimed amount, which would be refunded by GoS	CFO SWADE	15 /4/ 2013
53. Formulate a Financial projection that includes key priority activities to 31. March 2014	Project Manager	15/4/2013
54. Prepare SPA reconciliation at the end of each month for use as a management tool.	CFO SWADE	31/3/2013
55. ensure selected Auditor is in place	CEO and CFO SWADE	30/3/ 2013
56. To update contract and Asset Registers and disclose Values in the Notes to the Accounts for 2012/13	CFO SWADE	30/4/2013

F. Sustainability

94. The project has achieved significant progress since inception. The thirty four (34) Farmer Companies (FCs) who are now operational, and related enterprises, are providing 360 permanent new jobs, and up to 4,000 people temporary employment during weeding, fertilizer application, and harvesting operations (earning typically for about E45 per day). Most FCs are doing well, such that some are now close to paying off their original loans (approximately 30% of overall development costs, with the rest being financed by EU or the Government of Swaziland as grants).

95. A significant number of PDA families are now benefiting from irrigated production. Annual Member dividends in 2012/13 ranged from E2, 004 to E9, 996. Whilst this income alone is not enough to transform standards of living above the poverty line, dividends are expected to rise once loans have

been repaid and, additionally, many FC members also earn seasonal wages from employment in the Farms, either as seasonal or permanent labour. The average existing baseline income in the PDA was E11, 760 per household per year. The total income after loan repayment and combined with pre-project income streams is expected to lift a majority of the member households above the Swaziland poverty line.

96. Project sustainability is one of the major challenges that SWADE as an organization and LUSIP as a project have to contend with. Key aspects that are being and continue to need to be addressed include

Aspect of Sustainability	Issue/Observation
Continued operation and maintenance of project facilities	Need to fully operationalise the RBA, ID and the WSP
Continued flow of net benefits	Key is viability of FA's, avoidance of undue interference in membership of Fas, need for mills to maintain constructive support
Continued community participation	Strength of the CDP process a positive, role of Farmers Federation and traditional authorities
Equitable sharing and distribution of project benefits	On-going oversight of MoA, SWADE and the traditional authorities
Institutional stability	Leadership and operational viability of SWADE
Maintenance of environmental stability	Environmental review Panel Report is positive

G. Other

97. **Information Communication Technology (ICT).** The Ministry of Agriculture plans to create a holistic strategy for the delivery of “extension related” services using ICT. In this regard, RFEDP, LUSIP, and MoA established a working-group to engage key stakeholders and facilitate for the development and subsequent implementation of this strategy. To support this, it was agreed that LUSIP will engage a consultant for 60 days to (i) perform an assessment in terms of information and service needs and most appropriate delivery mechanisms to alleviate these; (ii) build on the analysis carried out in 2008, map out existing ICT initiatives in the country, highlight good practices; and (iii) in conjunction with all stakeholders, and as much as possible building upon the existing draft strategy, assist MoA in developing an ICT strategy highlighting the appropriate initiatives to be implemented. The strategy should include implementation modalities and the envisaged roles for the different stakeholders, both governmental and non-governmental (including the private sector). It is strongly recommended that sustainability is an important factor when deciding solutions and implementation modalities.

98. Low-cost computing. There is an emerging community around developing low-cost computers, such as the Cambridge-designed Raspberry pi, which is available in South Africa for around USD 100. The benefit of the Raspberry Pi, other than price, is that it is based on Linux which makes it virtually virus free. As Swaziland has an existing Linux community, this makes it an excellent arena for piloting the use of low-cost computers in a development context. In this regard, it was agreed that LUSIP would pilot the use of about 5 low-cost computers, 1 in LUSIP, 1 in LUSIP-GEF and 2 with advanced farmer companies, and evaluate their potential for addressing computer demand in the future.

99. Computer Capacity. As the farmer companies are growing and becoming more advanced, there is an emerging need for the use of computers to improve efficiency, especially in regards to report writing, budgeting, electronic filing, and accounting. As some companies already have plans to purchase computers and printers, it was agreed that LUSIP will assess the need for computer training and the possibility of providing short training courses for rural entrepreneurs. The

training and tech support shall initially be provided by LUSIP, with the plan to transfer this responsibility to private sector agents, possibly the MTN/RFEDP youth entrepreneurs (see RFEDP AM for March 2013).

100. Low-cost video. MoA has previously been running rural cinemas where they showcased agricultural extension videos in rural communities and desire to restart this activity. In recent years, there has been the introduction of low-cost farmer-to-farmer videos addressing different agricultural challenges based on a proven methodology in terms of filming and presenting the videos. To address the extension needs in the LUSIP area, it was agreed that LUSIP will engage a consultant to host a workshop on developing low-cost videos with relevant stakeholders, and develop a minimum of 30 videos to be made accessible to public extension staff and the MTN youth entrepreneurs.

101. **Gender.** The Project, together with the Rural Finance and Enterprise Development Programme (RFEDP), still have to develop a gender manual to implement to policy. They have been unsuccessful in contracting a consultant to do the work. It has therefore been agreed that the Project contacts the IFAD Gender Focal Person for East and Southern Africa to facilitate the identification of a consultant, in order to finalise the manual by 31 May 2013.

102. So far little has been done with regards to assessing the impact the Project has had on women. Another important area that deserves special attention is the impact the Project has had on improving women's access to land. It has been agreed that this will be documented in light of the PCR.

Agreed action	Responsibility	Agreed date
57. Carry out an impact assessment on women's livelihood and status	PIDU	31/08/2013
58. Finalise gender manual	ADEMU, RFEDP	30/06/2013

H. Conclusion

103. The next and final mission to LUSIP will be fielded in October 2013 IFAD and the Government of the Kingdom of Swaziland endorse the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

A. Basic Facts

Country	Swaziland, Kingdom of		Project ID	1159	Loan/Grant No.	574-SZ
Project	Lower Usuthu Smallholder Irrigation Project					
Date of Update:		Last Supervision	Oct-12		Financing terms	I
Supervising Inst.	IFAD	No. of Supervisions	12			
					USD million	Disb.rate%
Approval	06 Dec 2001	Quality at entry rating		Total costs	119.59	
Agreement	24 Feb 2003	Effectiveness lag	26.1	IFAD loan	14.96	80
Effectiveness	27 Jan 2004	Problem project	no	Domestic	31.45	
MTR	14 Jul 2007			Cofinancing	73.18	
Current completion	30 Sept 2013	Last Amendment		Government		
Current closing	31 Mar 2014	Last Audit	07 Oct 2011	Beneficiaries		
No. of extensions	1			Cofinanciers		

B. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	2	1. Quality of project management	4	4
2. Acceptable disbursement rate	4	4	2. Performance of M&E	4	4
3. Counterpart funds	3	3	3. Coherence between AWPB & implementation	4	5
4. Compliance with loan covenants	5	4	4. Gender focus	5	4
5. Compliance with procurement	4	5	5. Poverty focus	5	5
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning (5 for Innovation, but 4 for Learning element)	5	5
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Upstream Development	5		1. Institution building (organizations, etc.)	4	
2. Downstream & Agricultural Commercialisation	4		2. Empowerment	5	
3. Project Coordination & Mgt	4		3. Quality of beneficiary participation	5	
4.			4. Responsiveness of service providers	5	
5. Physical/financial assets	5		5. Exit strategy (readiness and quality)	5	
6. Food security	5		6. Potential for scaling up and replication	5	

C. Overall Assessment and Risk Profile

	Last	Current
C 1 Overall implementation progress (Sections B1 and B2)	4	4
C 2 Likelihood of achieving the development objectives (section B 3 and B4)	4	4
C 3 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects	Two consultants being recruited by SWADE to address short-comings of financial management. CFS Officer to visit in June 2013.	
Project implementation progress	Physical targets expected to be reached over next two years from GoS and EU resources	
Outputs and outcomes	Some delays bit around 90% of production targets likely to be realised- 100% of households expected to be reached.	
Sustainability	On-going mentoring of farmer companies will be critical	

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

The Logframe has not been amended

Appendix 3: Summary of key actions to be taken within agreed timeframes

Aide Memoire(Oct 2012) Agreed Action Items Progress Update					
CHIEFDOM DEVELOPMENT TRUST AND CHIEFDOM DEVELOPMENT PLANS					
No	Agreed Action	Responsibility	Agreed date	Progress Update	Comment
1	Launch CDP for Shongwe, Mphumakudze and Lesibovu	ADEMU/SLM	31/03/2013	Shongwe CDP launch no longer	The Shongwe chiefdom is not cooperating, focus now
2	Liase with His Majesty the King to explain the importance of CDP's and support chiefs to do the	ADEMU	31/12/2012	Chiefs been sensitized on	The Minister of Agriculture is to present to the King, the role
3	Monthly meeting with the sub-regional and regional development team	ADEMU, LUSIP,	30/11/2012	Ongoing	Schedule of meetings is in place to facilitate attendance to
4	Finalise operational modalities of the CDP	ADEMU	30/11/2012	Done , process under review and	New approach and experiences will be shared with LUSIP
5	Facilitate awareness raising of TA's and CDC's on the CDP	ADEMU	Immediate	Ongoing	
6	Facilitate workshop regarding submissions to the parliamentary portfolio on the TADB	ADEMU, MTAD	31/10/2012	Talks with ministry of Tinkhundla	LUSIP submitted her comments to the ministry officials
7	Finalise MoU between SWADE and MTAD for strengthening collaboration in facilitating and	SWADE/MTAD	31/12/2012	This has been overshadowed by	LUSIP to continue engaging the ministry officials on the
8	Facilitate conflict resolution for Ntsatjana/Manzana FC	ADEMU	31/12/2012	Done	A new farmers company Mantentsaba has been formed
9	Share copies of CLC with Tinkhundla Centre and Regional Administration	ADEMU	30/11/2012	Done	
10	Facilitate setting up of the CDF committee in Shongwe and registration of CDF	ADEMU	31/12/2012	Ongoing	Been halted by the chief who has not approved the board of
11	Liase with the Regional Administration on the disputed land between Shongwe and Gamedze	ADEMU	30/11/2012	Ongoing	The sub-regional office well briefed on the matter
12	Assist FC's in getting the necessary documentation (Share certificates)	ADEMU	31/03/2013	Ongoing	
No	Agreed Action	Responsibility	Agreed Date	Progress Update	
ECONOMIC EMPOWERMENT					
13	Develop partnership with RFEDP for ongoing support and mentorship of non-sugar cane	ABDU/RFEDP	31/12/2012	No progress	RFEDP not available
14	Strengthen harvest and transport scheduling and management	SCU		Ongoing	Farmers engaged with ubombo with a view to having
15	Strengthen O&M for plant and equipment	SCU	31/01/2013	Ongoing	Discussions ongoing to improve the level of service with
16	Upgrade farm procurement training and oversight measures	SHIP	31/03/2013	Ongoing	Training ongoing
17	Introduce audit committees to FA structures	SHIP	31/03/2013		
18	Deploy the use of FFSs approach within the the set of demonstration plots	ABDU	31/01/2013	No progress	Key officers left the unit
20	Finalise extension and training materials for agriculture, horticulture and livestock initiatives in	ADEMU	30/11/2012	Ongoing	Draft available for agric and livestock
21	Ensure close collaboration with the Ministry of Agriculture and other projects as part of	ADEMU	31/03/2013	Ongoing	ADEMU working in close collaboration with SCGA on
22	Follow up on completion on pending studies which are pre-requisite for development of alternate	ABDU	20/12/2012	Done	Techonserve study approved by the Board
23	Facilitate immediate implementation of the grant of innovative beef value chain development	ABDU	15/12/2012	Ongoing	Currently in contact with Derek from IRLI
24	Follow up on construction of pre-requisite studies needed before rehabilitation of KK packhouse	ABDU	31/12/2012	Ongoing	Received LCC report on institutional assessment of

No	Agreed Action	Responsibility	Agreed date	Progress Update	Comment
WATER MANAGEMENT/LIFE SUSTANANCE/ENVIRONMENT					
25	Establish independent WSP	NWA/SWADE	31/03/2013	No progress	DWA to organise a stakeholder forum to decide on this
26	Approve dam inspection and safety consultancy	SWADE Board	15/11/2012	Approved.	Studies are ongoing and expected to be completed in June
27	Start collecting water fees	SWADE Board	1/01/2013	Board approved	Farmer's Associations resolved to start in April when they
28	Activate RBA and ID	DWA/ADEMU	1/01/2013	ID meetings ongoing	DWA has funded all RBAs and IDs. The ID has finished
29	Follow up on OFID loan signing	MoF/SWADE	Urgent	Loan signed	Loan funds available for disbursement
30	Revisit the potable water implementation schedule	ADEMU	Immediately	No longer neccesary	
31	Establish independent potable water WSP including development of a road map to end SWADE	SWADE/NWA	31/03/2013	Ongoing	Plan to have water service provider taking care of the WSP
32	Prepare potable water supply O&M SOPS	ADEMU	31/12/2012		
PROJECT MANAGEMENT					
33	Improve physical and financial aspects of progress reports	ADEMU	31/12/2012	Ongoing	Report writing training planned for March 2013
34	Contribute to finalising the gender manual	ADEMU/RFEDP	31/03/2013	Not done	Consultant not appointed. Activity to be done in the 1st
35	Operationalise MIS, unit by unit	ADEMU	31/12/2012	Done	Lack of buy in by staff
36	Complete draft 2013/14 AWP&B	ADEMU	15/11/2012	Done	
37	Contribute to RIMS survey	M&E	31/12/2012	Done	Awaiting report from IFAD
38	Initiate preparation of the LUSIP PCR	ADEMU	31/03/2013	Not done	Awaiting IFAD format and guidelines
39	The ADEMU to address all the issues raised in the audit management letter	Finance Manager	31/10/2012		
40	Formulate a financial projection that include key priority activities to 31 March 2014	Programme	31/12/2012	Done	Submitted to IFAD
41	Urgently submit a request to IFAD for re-allocation of funds	Programme	30/10/2012	Done	
42	Prepare SPA reconciliation at the end of each month for use as a management tool	Programme	31/10/2012	Not done	
43	Submit WA's upon reaching USD 200,000 threshold	Finance Manager	31/10/2012	Ongoing	
44	Revise WA's 121, 122 and separate salaries between LUSIP and GEF ammend and re-submit	Finance Manager	31/10/2012	Done	

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

STATUS AS AT FEB 2013							
PROJECT COMPONENT OUTPUTS	UNIT	TARGETS & MILESTONES		ACHIEVEMENT		% ACHIEVEMENT	
		TOTAL PROJECT COMPLETION UPDATED	AWP&B REPORTING PERIOD 2012/2013	TOTAL PROJECT	AWP&B 2012/13	CUM	AWPB 2012/13
Chiefdom Development Plans Developed	No	6	3	6	2	100	67
Chiefdom Development Trusts	No	6	3	1	1	17	33
Water Users Associations Registered	No	12	3	9	3	75	100
Farmer Companies Formed	No	65	10	57	1	88	10
Area-Sugar	No	4355	792	2241	18	51	2
Area - Alternative Cash Crops	Ha	1085	598.5	191	63	18	11
Area Planted- Commercial Gardens	Ha	405	222.2	161	121	40	54
No suitable for development	Ha	645					
Total Irrigated Area	Ha	6500	1612.7	2593	202	40	13
Livestock Enterprises Developed	Ha	25	10	6	4	24	40
Irrigation District Established	Ha	1	1	1	1	100	100
Domestic Water Supply	Ha	2600	0	860	0	33	0
Sanitation Units	Ha	2400	1342	2211	341	92	25

SECOND LEVEL RESULTS			
Component	Sub Component	Results	Rating
Component	Sub Component		
Planning & Institutions Development	Institutions development	Likelihood of sustainability of apex organisations formed/strengthened	3
	Group formation	Likelihood of sustainability of groups managing infrastructure formed/strengthened	4
	Chieftdom Development Plans	Effectiveness: community development	5
Economic Empowerment/ Irrigation and Enterprise Development	Irrigated land development	Effectiveness of productive infrastructure - Irrigation schemes	5
	Enterprise established/developed	Likelihood of sustainability of productive infrastructure - Irrigation schemes	4
		Likelihood of sustainability of enterprises	4
		Effectiveness: improved performance of service providers	4
		Effectiveness: improved agricultural, livestock and fishery production	5
		Effectiveness: improved access of the poor to financial services	4
		Effectiveness: creation of employment opportunities	5
Life Sustenance	Potable Water	Effectiveness of social infrastructure - Drinking water systems	3
		Likelihood of sustainability of social infrastructure - Drinking water system	4
	Environment Management	Effectiveness of natural resources management and conservation programmes	4

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5a : Financial Performance by Financier.			
Financier	At MTR (USD'000)	Disbursements USD'000	%age disbursed
IFAD Loan***	17,850	14,373	81%
Government of the Swaziland-Counterpart Funds	5,100	8,300	163%
Government of the Swaziland-Development	-	110,296	
Total	22,950	132,968	579%
***Includes the Initial deposit of USD 1 million together with expenditure of USD 700,017 WA.			

Table 5b: Expenditure by components and by Financiers as at 31 January 2013.									
Component	IFAD			GoS			Total		
	At MTR appraisal	Actual	%		Actual	%age	At MTR Appraisal	Actual	%age
	USD'000	USD'000		USD'000	USD'000		USD'000	USD'000	
CDPs and Land	3,495	2,728	78	-	-	0	3,495	2,728	78%
Economic Emp.	5,568	4,517	81			0	5,568	4,517	81%
- ADEMU				-	-		-	-	
- Land & Crop Dev				-	11,198	0	-	11,198	0%
Water Institutions	489	260	53	-	-	0	489	260	53%
Life Sus & Environ	3,310	3,065	93	5,086	10,465	206	8,397	13,530	161%
Project Management	4,383	3,803	87	13	-	0	4,396	3,803	87%
Water Management Unit	-	-		-	467	0	-	467	0%
Civil Works	-	-		-	100	0	-	100	0%
Total	17,245	14,373	83	5,100	22,230	436	22,344	36,603	164%

Table 5c: IFAD Loan disbursements (SDR,000, as at 28 February, 2013.												
Category description		Financing	Original Allocation	Disbursement to date up to WA 121	%	Projected Expenditure in submission under WA's 122		Projected Loan Utilisation	Projected Loan Balance at 28.2.13	%	AWPB up to 31.3.14	Loan Balance on 1.4.2014
		%	SDR'000	SDR'000		USD'000	SDR'000	SDR'000	SDR'000		SDR'000	SDR'000
I	Civil works	100	370	0		-		-	370	0%	-	370
II	Vehicles	100	860	454	53	-	-	454	406	53%	99	307
III	Technical Assistance	100	5750	5,537	96	-	-	5,537	213	96%	-	213
IV	Training, Studies and Workshops	100	940	373	40	22	15	388	552	41%	129	423
V	Investment Matching Finance	100	600	1	0	0	0	1	599	0%	694	- 95
VI	Contracted Staff	100	1450	655	45	269	176	831	619	57%	377	242
VIII	Recurrent Allowances	100	40	44	110	-	-	44	- 4	110%	-	- 4
IXA	Incremental Operatingcosts of ADEMU	100	1800	1,740	97	160	105	1,845	- 45	102%	281	- 326
	Unallocated		90	- 0			-	-	90	0%	-	90
Subtotal			11,900	8,803	74	452	295	9,098	2,802	76%	1,581	1,220
	Initial deposit			679				679	- 679			
	Total		11,900	9,483	80	452	295	9,778	2,122	82%		
								usd'000	4,286		1,240	1,867
								SZL'000	37,720		10,912	16,428

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Compliance Status	Remarks.
Section 2.03 (c)	The Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions.	Complied	
Section 3.02	Annual Work Plans and Budgets: (a) the ADEMU Manager shall, for each Fiscal year, prepare draft annual work plans and budgets (AWPBs) for the Downstream Development and Agricultural Commercialization Component and the Environmental Mitigation Component of the Project	Complied	
	(c) The Lead Project Agency shall adopt the AWPBs in the form approved by IFAD and the other Financing Partners and shall provide copies thereof to WAD and UNOPS prior to the commencement of the relevant Fiscal Year.	Complied	
	(d) If required, the PMU, the ADEMU may propose adjustments in the AWPB during the relevant Fiscal Year, which shall become effective upon approval by the Lead Project Agency, IFAD and the other Financing Partners.	Complied	
Section 3.03	Project Accounts. (a) The Lead Project Agency shall open and thereafter maintain in a reputable commercial bank in Swaziland, accepted by IFAD, a current account denominated in Swaziland Lilangeni for Project operations (the "Project Account").	Complied	
Section 4.01	Monitoring. As soon as practicable but in no event later than the end of the first quarter of the second Project year, the ADEMU and IEMU shall, respectively, establish and thereafter maintain appropriate information management systems to enable them to continuously monitor the Project.	Complied	Need to establish a more consistent reporting base and to use standard base figures
Section 4.02	Progress Reports. The Lead Project Agency shall submit to progress reports on Project implementation, no later than two months after the end of each six-month period during the Project Implementation Period.	Complied	Need to include financial management reports
Section 4.03	Mid-Term Review. (a) The Lead Project Agency, the Financing Partners and the Cooperating Institution, shall jointly carry out a review of Project implementation no later than the fourth Project Year (the "Mid-Term Review") based on terms of reference prepared by the Lead project Agency and approved by IFAD, the other Financing Partners and the Cooperating Institution. (b) The Borrower	Complied	

Section	Covenant	Compliance Status	Remarks.
	shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefore and to the satisfaction of IFAD and the other Financing Partners. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of the loan.		

Appendix 7: Knowledge management: Learning and Innovation

Learning

- (a) Various capacity building programmes including workshops and trainings have been conducted by SWADE and IFAD which have increased knowledge of project staff, but have not been assessed for benefit in work performance. It is critical for the project to conduct training needs assessment to ensure high quality and effective trainings through training curriculum development, which will address key needs that can be reflected in key performance indicators for staff,
 - (b) National level M&E training including that provided by IFAD is useful for providing the basic understanding and clarity of concepts for setting up an M&E system but needs regular support and mentoring early in the project life
 - (c) The recent experience of a leadership vacuum for SWADE and for some time in ADEMU highlights the critical role that leadership and management have for project implementation – the formal appointment of the ADEMU manager and the appointment of a stable acting SWADE CEO have significantly improved project delivery and the prospects for sustainability
 - (d) When actively taken up e.g. land studies and follow-up development of the gender policy the clear benefits of cross fertilisation within an IFAD portfolio are clear. Similarly where the collaboration is weak (e.g. honey producers) the cost of parallel initiatives in the same sub-sector can readily be observed
-

Innovation: Describe any interesting innovation noted during supervision

- (a) The farmer company establishing bananas as their principal cash is in the context of LUSIP and Swaziland innovative for two reasons: a) they are the first FA to establish bananas under LUSIP and b) more importantly they are doing so in close association with a commercial estate that is providing technical back-up and training (three month work experience) for the members/shareholders of the FA
 - (b) The same company is working closely with the KK pack-house in establishing joint marketing arrangements (ripening and onward selling) – this will provide key support to the new banana producing company as well as underwriting some marketing aspects
 - (c) The establishment of a cattle traders group, in anticipation of the IFAD grant to ILRI is significant in a) recognising the role of the private sector in the tradition bound cattle industry and b) anticipating the start of a new programme through undertaking key mobilisation activities ahead of the funds being available
 - (d) Two FA's paying company tax – definitely a first for the small famers in the project area
-