

**KINGDOM OF SWAZILAND**  
**LOWER USUTHU SMALLHOLDER IRRIGATION PROJECT**  
**(LUSIP)**  
**IFAD LOAN No. 574-SZ**

**SUPERVISION MISSION REPORT**  
**REPORT No. 2747-SZ**  
**1 – 29 MARCH 2012**



## **KINDOM OF SWAZILAND**

Lower Usuthu Smallholder Irrigation Project – Loan No. 574-SZ

Supervision mission: 1 - 29 March 2012

Aide-Memoire

### **A. Introduction<sup>1</sup>**

1. The overall objective of 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 is SDR 11.9m. The project became effective on 27 January 2004. Project completion and Loan Closing dates are 31 March and 30 September 2012 respectively.

3. The current mission has focused on key issues including the possible extension of the IFAD loan, the up-dating of the LUSIP Exit Strategy, knowledge management and communications and of course the progress being achieved by the farming companies that have access to irrigation on leased land.

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.

### **B. Overall Assessment of Project Implementation Progress**

5. The Project has played a significant role in uplifting the standard of life for many households in the LUSIP project area. Eleven hundred and eighty four households (46% of the targeted households) are already deriving benefits through participation in the irrigated agriculture (of which 281 have shared an equivalent of US\$428,550, as dividends, with each household receiving an average of US\$1,525). Some 860 homesteads now have access to clean drinking water. The project has been very successful agronomically, having recorded in the first year of harvest an average of 115 tonnes cane per hectare (TCH), which is 15% higher than the estimates in the business plans. These yields are also above the Ubombo Mill Group average of 104.6 TCH. Three hundred and sixty new permanent jobs have been created to date, and a further 180 are expected by end of 2012. An additional 3600 seasonal jobs have been created. However, the project implementation is not complete (approximately 50% of the potential area has been developed to date).

6. The Government, through donor funding, has incurred in excess of US\$210m through loans and direct counterpart funding (US\$123m) in the implementation of the project since 2005. To ensure these Farmers are sustainable in the future, they require a minimum of 2 years training and mentoring. In a larger context, this may further mean that while the debts from development expenditure are increasing, gains from these

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expenditure may either not be forthcoming fully or will be accrued at a lower rate hence the need for an exit strategy.

7. As at 31 October 2011, the total EU contribution to LUSIP Farmers was €6.6m. This was contribution through the smallholder support for sugar cane farmers as part of the overall implementation and has supported the establishment of 1040 ha of sugar cane for Seventeen Farmer companies of sugar cane. Similarly the government has supported the development of 1156ha of irrigated agricultural land for sixteen Farmer companies through the investment of \$9.8 million.

8. To date the Farmer companies have borrowed the equivalent of US\$2, 277, 700. in commercial loans. To consolidate these Farmer companies requires continued training support and capacity building to ensure proper business practices so that they are able to meet their loan obligations.

9. The overall status of LUSIP is summarised in Table 1.

**Table 1: Key Project Performance Indicators  
Status as at March 2012**

Project Component Outputs	Unit	Targets & Milestones		Achievement		% Achievement	
		Total Project	AWPB Reporting Period: 2011/12	Total Project	AWPB Reporting Period: 2011/12	Cum	AWPB 2011 2011/12
Chiefdom Dev Plans	No.	7	5	4	1	57	20
Water Users Assoc. (1)	No.	12	3	6	2	50	67
Farmer Coy formed	No.	65	10	60	10	92	100
Area - sugar	Ha	3500	1371	2196	825	63	60
Area - alt crops	Ha	2057	532	9.2	9.2	0	2
Area - commercial gardens	Ha	347	129.3	129.3	129.3	37	100
Not Suitable for development	Ha	596					
Total Irrigated Area	Ha	6500	2032.3	2334.5	963.5	36	47
Livestock Enterprises	Ha	10	10	7	4	70	40
Graves relocated	No.	800	0	807	0	101	na
Homestead constructed	No.	157	5	154	3	98	60
Irrigation district established	No.	1	1	1	1	100	100
Domestic Water supply	No.	2600	860	860	860	33	100
Sanitation units	No.	2600	500	1757	288	68	58

(1) three WUAs were formed but 2 were merged into 1 consolidated WUA

Source: ADEMU Quarterly Report

## **C. Outputs and Outcomes by Component**

### **Chiefdom Development and Land**

#### **Land Tenure Security and Chiefdom Development Plans**

##### Registration of Chiefdom Development Foundations (CDFs) and granting of leases.

10. Consideration is being given to registering Chiefdom Development Foundations (CDFs) instead of Trusts (CDTs). ADEMU is supporting the Ngcamphalala Chiefdom to register a CDF and it is expected that the process will be finalised in May. If successful, ADEMU will then support the registration of CDFs for Gamedze, Mamba and Shongwe. Within the current legal framework CDFs will still not be able to issue or administer sub-leases to farmer groups or companies but they will be able to receive and disburse revenue collected from commercial enterprises to be used for community development projects identified in the Chiefdom Development Plans (CDPs). It was reported that in Ngcamphalala it has been agreed that all business enterprises should make contributions to the CDF but the nature and amount of such contributions is still being determined.

11. The Mission and ADEMU representatives discussed the possible benefits of introducing leasing or sub-leasing arrangements between Traditional Authorities and farmer groups or companies and the prospects for this to be done. The key issue that LUSIP is grappling with is the prospects for introducing leasing or sub-leasing arrangements. Such arrangements are subject to the approval by the His Majesty the King. ADEMU has proposed that the Chiefs should request approval from the King for them to enter into "block leasing" agreements for commercial enterprises rather than a blanket authority to grant leases. In this way ADEMU hopes to address the concerns being raised around the granting of leases or sub-leases by Chiefs for Swazi National Land (SNL). It is proposed that SWADE should support the Chiefs in the PDA to hold a meeting with H.M. the King by September 2012 to discuss proposals regarding leasing arrangements and the establishment of CDFs.

12. In the meantime, ADEMU will continue: i) supporting the issuing and administration of Chiefs Letters of Consent (CLCs) to farmer groups and companies for commercial enterprises; ii) strengthening enterprise business plans as a means for securing access to finance; and iii) facilitating discussions on the collection of revenue from community-based commercial enterprises for community development projects. Lessons learnt in LUSIP I, II and the Sustainable Land Management Project (SLMP) regarding the CLC and leasing arrangements will be used to inform policy discussions through the Land Policy Task Force and with other stakeholders. SLMP will provide support for a review of all SLM-related policies and legislation. This will include consultations with a range of stakeholders and the submission of recommendations for strengthening relevant policies and legislation. It is expected that the review will start by mid-May and will be completed by the end of 2012.

##### Compensation for the Shongwe Chiefdom.

13. Alternative land for land lost due to the inundation of the reservoir has not yet been found and it is not certain that acceptable compensatory land will be found for the Chiefdom. This seems to be an impediment for the launch and implementation of the Shongwe CDP. However ADEMU reported that there is good community ownership of the CDP. The successful resettlement of people affected by the reservoir and main canals, plans for irrigating about 190 hectares of land and the construction of a potable water scheme have contributed to this ownership. The financial compensation has not been transferred to the community as it has not been possible to register the CDT. This will now have to wait for the registration of a CDF, which is expected to happen by August 2012. Concerns were raised regarding SWADE's responsibility for ensuring that the financial compensation is properly invested, either to purchase land or for alternative livelihoods opportunities. It is proposed that the official launch of the CDP is deferred until this is requested by the Traditional Authorities. In the meantime ADEMU will

continue to identify alternative livelihoods opportunities and for mobilising additional resources for these to ensure that the Chieftdom is properly compensated and receives an equitable share of LUSIP resources. It was agreed that ADEMU will transfer the outstanding financial compensation to the CDF once it is established and will work with the Traditional Authority and CDC in formulating an investment plan using the compensation for wider benefit of the community, taking into consideration complementary investment that could be accessed through SWADE's assistance.

#### Chieftdom Development Plans (CDPs).

14. It was reported that CDPs are being effectively used to identify community priorities and to inform SWADE's investments through LUSIP, as well as investments by other development partners. The capacity of Community Development Committees in preparing fund raising proposals has also been strengthened through training. However there are still concerns regarding the settlement of people on land planned for agricultural purposes and the allocation of land to outsiders in or adjacent to the Reservoir Management Area (RMA) apparently for private tourism opportunities. ADEMU believes that there is good community ownership of CDPs but that there is a need to further strengthen ownerships of CDPs by Traditional Authorities, especially in regulating land use. There is also a need to strengthen mechanisms for monitoring the implementation of and adherence to CDPs. In this regard, Sub-regional Development Teams could play an important role. One challenge though is that CDPs are not legally recognised and mechanisms for monitoring their implementation are not defined.

15. The Tikhundla Administration and Development Bill (TADP) makes provision for the recognition of Community Integrated Development Plans (CIDPs). This could provide the required legal framework for CDPs. It is anticipated that the TADP will be passed by the end of 2012. It is expected that the Act will specify the status and procedures for CIDPs, responsibilities of Regional and Sub-regional Development Teams for monitoring their implementation and procedures for accessing finances from Regional Development Funds. Since the last mission representatives of LUSIP I, II and SLMP met with the Under Secretary, Director of Decentralisation and Director of Planning of Ministry of Tikhundla and Regional Administration (MTRA) to discuss their proposed collaboration in supporting the implementation of CIDPs, drawing on the experiences in the CDP processes. It was agreed that a meeting should be held between SWADE and the senior management of the MTRA in April, 2012. The meeting will provide the basis for finalising a MOU between SWADE and MTRA. ADEMU, SLMP and LUSIP II also propose to hold a workshop with the Regional and Sub-regional Development Teams to share lessons from the CDPs and to make a submission to Parliamentary Portfolio Committee on the TADP by the end of May 2012. During 2012 ADEMU PIDU plans to finalise jointly with the SLMP a CDP for Mphumakudze and initiate a CDP for Lesibovu as the chiefdoms are partly covered by LUSIP I's operation area and partly by SLMP.

Agreed action	Responsibility	Agreed date
<b>LTS</b>		
1. Present lessons learnt on CLCs and leasing agreements to the LPTF	ADEMU	30/09/2012
2. Support the PDA Chiefs to present land leasing and CDF proposals to His Majesty the King and other stakeholders.	ADEMU	30/09/2012
3. Facilitate a review of SLM policies and legislation.	SLMP	31/12/2012
<b>CDFs</b>		
4. Register Ngcamphalala CDF	ADEMU	31/05/2012
5. Register Gamedze, Mamba and Shongwe CDFs	ADEMU	31/08/2012
<b>Shongwe</b>		
6. Transfer financial compensation due to the Shongwe CDF.	ADEMU	30/09/2012
<b>CDPs</b>		
7. Facilitate sensitization and training for Traditional Authorities on implementation of CDPs and regulation of land use.	ADEMU	Immediate and ongoing
8. Finalise the Mphumakudze CDP	ADEMU, SLMP	31/12/2012
9. Facilitate a workshop with Regional and Sub-regional Development Teams, Traditional Authorities and other stakeholders on the CDPs, CIDPs and TADB.	ADEMU, SLMP, LUSIP II	31/05/2012
10. Make written submissions to the Parliamentary Portfolio on the TADB, drawing on lessons from the CDPs.	ADEMU	31/05/2012
11. Finalise a MOU for strengthening collaboration in facilitating and monitoring CDPs.	SWADE, MTRA	30/04/2012

### Economic Empowerment

16. LUSIP has devoted much time in building the capacity of the Farmer Companies (FC) from their formation to the land development, planting and crop production. LUSIP has used the skills of its social development people, its agriculturalists and business development staff. In the sugar sector, the role of business development of FAs has been played by the EU funded SHIP project.

17. The main challenge for the FCs is that 1/3 of the members are illiterate and the concept of a 'business' and being a shareholder have been difficult for them to grasp. The individual member has to come to terms with surrendering their land to an enterprise they have no direct control of, and whose income stream awaits an annual audit and dividend payout. The election of a board of directors by members assumes a degree of trust that is sometimes not present. SWADE and SHIP play a mentoring and guardianship role ensuring that business purchases are done openly, fairly and that the board are well trained for the task and employ skilled supervisors to manage the day to day operations. This mentoring carries the danger of creating dependency.

18. The overall performance has been good. For the first 6 Govt funded FAs who have completed harvest, all have spent within their planned budget, and have managed to achieve sufficient profit after loan repayment (of 11,500 rand per ha) to pay on average neatly 5,000 rand per hectare.

19. Ensuring sustainability of the FC requires LUSIP to reduce their guardianship role as the FA gains experience. This requires LUSIP and SHIP to successfully identify the characteristics of mature well managed FCs and developing a program of reduced levels of oversight. It is also necessary for a capacity support programme to be initiated with the Farmers' Federation. This should as much as possible be based on support in kind with the FF being encouraged to meet operating costs from revenue especially members fees. A small revolving fund to establish this operating base may be considered.

20. The status of farmer companies is presented in Table 2.

**Table 2: Status of Irrigated Development (March 2012)**

Lot No.	Sugar	Other Crops	Com. Garden	Total Area	F/As	No HHs	Area /hh	Status
1	355	0	25.6	380.6	7	168	2.3	First Harvest Mar 2011
2	476	0	80.5	556.5	6	381	1.5	First Harvest Jun 2011
3	518	0	33.8	551.8	8	280	2.0	Under Tender
3A	167	0	4.75	171.8	3	77	2.2	Under Tender
4	681	335.6	66.6	1083	10	549	2.0	Development Underway
Estab	2197	335.6	211.25	2744	34	1455	1.9	
5	475	0	59.9	534.9	5	225	2.4	Planting Completed
6	1196		52.4	1248	13	585	2.1	early 2012
7	454		519	973	8	360	2.7	Planning
Planned	2125	0	631.3	2756	26	945	2.9	
Planning not yet started				500				
Not Likely to be developed				500				
<b>Total</b>	<b>4322</b>	<b>335.6</b>	<b>842.6</b>	<b>6500</b>	<b>60</b>	<b>2400</b>	<b>2.3</b>	
<b>Total In Sight</b>			<b>5500</b>					

Source: ADEMU

NB the planned area will only be confirmed once the area is fully planted

### Sugar

21. A total of 2,196 ha have been developed to date, which represents a 50% progress toward the project's attainable target ( $\pm 4,000$ ha). This land is operated by thirty three Farmer companies. The LUSIP farmers' performance in the first year of sugar cane harvest is very impressive; with an average yield of 115 tonnes of cane per hectare (TCH), which is above the Ubombo Mill Group average of 104.6 tonnes per hectare. These yields are also 15% higher than the estimates in the business plans of 100 TCH.

22. Four hundred and two (402) ha will be developed in 2012 and 1431ha in 2013 to bring the total area developed to 4,030 ha. ADEMU will continue providing technical support till September 2014 when the last group of Farmers Companies will begin their first harvest.

23. An assessment of the performance of key phases of the sugar farming system provides the following ranking (out of 5): crop establishment 4.5, ratoon management 3, harvesting lot 1 - 2, lot 2 - 4.5 and farmer company management 3 (with procurement being a key major issue).

24. The major agronomic issue facing the sugar farming companies is those areas that were established with non-viable seed cane. This was due to delays in the tender process prior to land development and crop establishment. The area involved 11 FCs and 135 hectares of sugar. The total cost of re-planting is around SZL 750,000. Of this amount 60% or SZL 500,000 relates to the cost of the planting material. Ubombo Sugar promptly agreed to fully replace the material. For the balance the EU has refused to accept the re-cultivation and planting expenses as eligible expenditure. It is agreed that the ADEMU team will prepare a joint submission to its Board and IFAD seeking on an exceptional basis that the balance of SZL 250,000 be shared – in the case of IFAD agreeing to this request it should be resourced from the Matching Fund Grant.

### Other Crops

25. To date, 129 hectares of commercial gardens have been fully developed (land cleared, irrigation infrastructure in place, electrical installation completed, fencing established) and 32 hectares are almost complete, awaiting only electrical installation. A further 12 hectares have been developed for rainfed alternative cash crops. Almost



twenty nine hectares have been planted with maize at Nxutsamlo, Sibhotela, Sukumani, Setamimphilo, Ngcwaleni and Maweni to address food security and nine hectares have been planted at Kuhle Kutentela farm with sweet potato. These operations have not used bank financing but rather have been funded through own funds by the farmer companies. Active planning is being carried out to initiate a joint cassava operation based on the existing starch factory of CASQUIP at Mphaphati. This could involve up to 1500 ha of rainfed and irrigated land within the PDA. It has the prospect of increasing the land developed under the Project beyond the original target of 6500ha.

26. As of yet, none of the four projects submitted to banks during the second quarter of 2011 for funding have begun production activities. One project has been approved (planting is planned for April 2012) with two projects have been provisionally approved for financing. All three are expected to establish conventional vegetable operations. It is expected that the GEF/LUSIP project, informally known as CLIMB will work in close collaboration with LUSIP I and RFEDP under its alternative livelihoods programme.

27. According to LUSIP projections, 221 hectares of commercial gardens will be planted by the end of 2012. Although some members of the farmer companies have experience producing vegetables for home consumption, the majority have no experience producing for the market. There is thus a very steep learning curve which must be climbed to produce product which will satisfy market requirements for both quality and quantity and achieve prices required to fulfil loan repayment obligations and generate profit.

28. There is a pressing need to develop instructional materials to assist farmers up this learning curve. Given the high rates of illiteracy among farmer company (FC) members, LUSIP should strongly consider developing pictorial posters and laminated flip charts which depict required spacing, correct soil preparation and planting methods, weed control, harvesting and post-harvest handling procedures, common pest control problems and market quality requirements. Currently the demonstration farm is trialing and marketing various crops through NAMBOARD and monitoring costs and revenues. This information is feeding into the business plans submitted to financial institutions. Recording costs and revenues also provides valuable information for future research within Swaziland's horticultural sector. The demonstration plot has yet to engage in field demonstration activities. In the near term, LUSIP should consider holding field days for FCs who are about to plant and provide an overview of key issues associated with the crops scheduled for production. In the medium term, a purpose built meeting room (combined with the construction of a programmed store room) should be built on site to provide a location for classroom activities related both to production and business management.

29. Two important horticultural marketing studies are in the works, both of which are of great importance to the development of LUSIP's horticultural marketing strategy. The first study, financed by FAO's Swaziland Agricultural Development Project (SADP) covers the competitiveness of vegetable production in Swaziland and provides an institutional assessment of NAMBOARD.

30. The second study, financed by the RFEDP, is of equal import. It will examine the price evolution from production through sales to NAMBOARD clients with a view to determining a "fair" market price for farmers, propose a transparent pricing model to establish prices which are equitable to both seller and buyer and assess the contractual relationship between NAMBOARD and its smallholder suppliers. The Mission reviewed a very preliminary commercial gardens draft marketing strategy which had not yet been vetted by the unit head. A few suggestions are hereby offered in view of strengthening the document.

31. It is suggested that the development of the final draft of the horticultural marketing plan be postponed pending the distribution or elaboration of key documents which should feed into the strategy. The conclusions of the FAO-funded study on the

competitiveness of Swaziland's horticultural sector, the institutional assessment of NAMBOARD and the soon to be started pricing study by the RFEDP are all extremely relevant. Moreover, the development of a detailed training plan and a programme to rehabilitate the KK pack house should be conducted prior to drafting the marketing strategy.

### **Livestock**

32. LUSIP livestock development activities LUSIP livestock development activities experienced a limited progress during the last twelve months. However the indigenous chicken enterprises are performing well (generating revenue of SZL 1,500 per month. Also the bee-keeping FC has been established with 4 operative colonies. Steps are in place to strengthen the livestock staff capacity that is needed to deliver on the plan to establish 20 livestock enterprises over the next year (2012/13) that will include indigenous chickens, beef cattle feedlots and bee-keeping together with some other livestock enterprises.

33. In addition to increasing staff capacity key aspects include training for both staff and livestock producers as well as reviewing and up-dating value chain studies as may be needed. One forthcoming VCA into indigenous chickens that will be carried out by Technoserve (under separate funding) will be of especial interest as it is expected to provide insight into the real market prospects for this enterprise that has much potential for poor rural households.

34. The ADU has made a positive start to the possible "innovative Beef Value Chain development scheme. It has initiated the formation of a group of five cattle traders (identified in collaboration with MoA) and started a training programme with them that will shortly be supplemented by their direct involvement in the small demonstration feedlot that is being established at the demonstration farm. The traders will provide the cattle whilst the ADU team will establish the feedlot and supply the feed. This interesting partnership will lay the basis for the hoped for IFAD grant that will be implemented by ILRI in collaboration with the LUSIP I project.

35. The Innovative Beef Value Chain Development Scheme's goal is to improve and make sustainable smallholder livelihoods from cattle production and marketing.

36. Objectives are to:

- a. Improve whole-value-chain co-ordination in smallholder cattle systems
- b. Design and demonstrate effective financial instruments for enabling smallholder value addition in cattle systems
- c. Generate and disseminate knowledge, and encourage uptake, throughout the Southern African region.

37. The project provides a knowledge platform supporting innovative activities by individual poor men and women, and by groups and communities of such people that in turn demand services and inputs. The project links to existing IFAD projects, and related projects in the region that support and seek to scale up value chain upgrading for smallholder livestock. The project engages the private sector and assists market function, as well as raising its capacity to deliver poverty-reducing value chain interventions. By influencing livestock off-take, the project links value addition to management of the natural resource base. The provision of scalable models, supported by research findings to assist targeting, as well as delivering on IFAD priorities.

38. The target group comprises participants in the beef value chain that supply and add value to smallholder-produced cattle. Smallholders facing grazing constraints in dry or remote locations will be targeted for improved arrangements to increase off-take and reduce vulnerability to financial and management uncertainty. Smallholder producers with access to feed but no capital for livestock purchase will be targeted for specialist fattening operations and for diversification and employment. Traders are envisaged as

the “market makers” for whom facilitated access to finance will remove a key constraint to dealing with smallholder producers. All value chain actors will benefit from increased liquidity, enabling purchase of inputs and services.

Agreed action	Responsibility	Agreed date
1. Establish key indicators of FC maturity and refine training programme and withdrawal strategy	LUSIP & GEF	30/5/2012
2. Prepare capacity building programme for FF	LUSIP & SHIP	30/4/2012
3. Finalise re-planting programme for 134 ha across 11 FCs	Sugar Task Team	15/4/2012
4. Access and further develop extension and training materials for agriculture, horticulture and livestock initiatives	LUSIP	30/6/2012
5. Review and continue Alternate Crop Strategy in light of the two relevant studies	LUSIP/ADU	30/8/2012
6. Continue preparations for the Cattle feedlot grant project	ADU & Livestock team	On-going

### Water Institutional Development and Policy

39. The status of implementation of water institutions development and governance in LUSIP:

No	Institution	Status	Observation
1	National Water Authority (NWA)	Operational	Policy & Advisory Body
2	Pricing Policy (LUSIP)	Approved by NWA	With Attorney General for gazetting, national water policy still under development
3	Usuthu River Basin Authority (URBA)	Approved	Not operational
4	Siphofaneni Irrigation District (SID)	Approved	In process of being established at the LUSIP Dam Office but delayed by budget
5	Water Service Provider (WSP) for management of LUSIP infrastructure facilities (Phase I & II)	Assigned to SWADE until March 2013	Feasibility Study contract approved from Govt funding by SWAED Board
6	WUAs/FOs	8 WUAs, 53 FOs	These are still very fragile organisations that need on-going support for some years
7	Domestic Water Groups	1012 HHs have access to potable water	OFID funding still pending, IFAD funds to be used to for Mphumakudze.
8	Communal Water points/ Community management of Distribution Canals	16 under construction	To be completed May 2012
9	Establishment of a Joint Operations Forum	Established Jan 2012	This is a mechanism for monthly meetings between the water users and the WSP to discuss operational issues and levels of service

40. A useful review of the operational maturity of the 8 WUAs was carried out during the mission. Each of the WUA was assessed on an ascending scale of 1 – 6. Key WUA attributes were identified for both the planning and operational phases. With two

exceptions, mostly due to civil conflict the WUAs, keen interest and good progress was made in the planning phase. Now the WUAs are operational they are showing good progress in the preparation of water orders and the timely submission of them. Unfortunately as the necessary regulations have not been gazetted by the NWA it has not been possible for them to take the next real test – collection of water fees. The assessment of the WUAs will be carried twice a year to not only provide and assessment of their progress but also as a quality check of the capacity building and services they are being provided with by LUSIP I, the NWA and eventually the URBA and the LLID.

41. Key issues that need to be addressed to enhance water management in the LUSIP PDA include:

- i. DWA develop Regulations to guide the efficient use of “permitted” water by WUAs
- ii. DWA to gazette the Probable Maximum flood-line (PMF) for the Lubovane Reservoir to avert settlements on this portion of the infrastructure.
- iii. The water pricing model be re-visited and up-dated in light of the likely increases in electricity charges including for balancing dams above the canal
- iv. The issue of pumping costs for higher balancing dams needs to be carefully reviewed and a common approach established across the whole PDA
- v. Payment of water fees be gazetted by the NWA – in the meantime the Water Team should initiate the collection of water fees and hold these in a designated “trust” account pending the gazetting process.
- vi. Operational plans be developed for the URBA and SLID (Siphofaneni Irrigation District)
- vii. Water usage reports be prepared and distributed on a regular basis to all stakeholders – these reports should include an indication of the water use charges that would have been incurred at the current rates.

### **Life Sustenance and Environment**

42. The USD 14.2 million OFID loan that was approved in 2010 has still not be activated. In light of this situation and in recognition of the funds available under the IFAD Loan it is agreed that the work will commence immediately on implementing the Mphumakudze Chiefdom Potable Water scheme using IFAD resources.

43. One of the deliverables of the LUSIP project is improved water supply and sanitation to the people of the project area. The provision of safe drinking water and improved sanitation faces a range of constraints in particular insufficient funding. Despite that LUSIP has managed to supply potable water to 860 households improved sanitation to 1864 households.

44. It is planned to implement one of the potable water schemes in the PDA using funds under the IFAD loan. The proposed scheme is Mphumakudze. The Mphumakudze Chiefdom has 151 households with a population of 1, 710. The water supply scheme has been designed. It has been approved in principle by the Department for Water Affairs. The estimated overall project cost including physical and financial contingencies is E 9,675,264.24. It is planned for tendering in April 2012. The construction of the scheme will take twelve (12) months. The design of the scheme has made a provision for each of the households to be able to irrigate an area equivalent up to ¼ of acre. This is sufficient to cater for food security at household level and also to generate income for basic necessities.

45. In a very encouraging move the Economic Empowerment Team has included provision to initiate the homestead gardening (conventional vegetables, staples and livestock) for 600 households in the next 12 months. These activities will be funded out of the matching grants budget for which simple criteria and procedures need to be established. These should include not being a member of a LUSIP farming company, priority for re-located households, being well-established members/residents of PDA

communities and a willingness to contribute their own resources (including labour and water).

46. If successful this initiative, along with the potable water programme in Mphumakudze, will significantly broaden the potential benefits for households not involved in commercial irrigated farmer companies.

Agreed action	Responsibility	Agreed date
1. Develop Regulations for Water	DWA	urgent
2. Gazette PMF	DWA	urgent
3. Review approach for recovering pumping costs for higher balancing dams and re-work pricing model for this and new electricity prices	Water Team	30/5/2012
4. Introduce regular water usage reports	ADEMU	monthly
5. Follow-Up on ratification of OFID loan	SWADE/MoF	asap
6. Develop SOPs for the matching grant for non FC households	ADEMU	30/4/2012

#### **D. Project Implementation Performance**

47. Project management performance. The major concern with regard to management of SWADE (and of course LUSIP) remains the lack of a substantive manager. Since late 2010 the post has been filled by the Economic Empowerment Manager in an acting role. The Mission was pleased to note that the SWADE Board was able to undertake preliminary review of the wider SWADE structure including its overall strategy however decisive and transparent measures need to be taken to remove the disruption and uncertainty of not having clearly defined leadership for SWADE and LUSIP I (ADEMU).

48. This uncertainty coupled with the delays in release of GoS funds led to a disappointing utilisation of the approved 2011/2012 AWPB (see Table 3). There were several tenders that were ready to be issues but the SWADE Board correctly held them in abeyance pending arrival of funds. The SZL 44m recently released will be used to activate those pending tenders. This low expenditure is reflected to the overall progress summarised earlier in Table 1.

**Table 3 (below): Financial expenditure 2010/11 (SZL '000s)**

	AWPB			Expenditure			Performance		
	GoS	IFAD	Total	GoS	IFAD	Total	%	%	%
<b>Component</b>									
CDPs and Land	0	3,025	3,025		1,463	1,463	na	48	48
Economic Emp.									
- ADEMU	0	7,645	7,645		3,789	3,789	na	50	50
- Land & Crop Dev	33,000		33,000	270		270		0.01	0.01
Water Institutions	5,000	1,139	6,139		-97	-97	0	-9	-2
Life Sus & Envion	2,300	2,927	5,227	1,731	1,402	3,133	75	48	60
Project Management		11,339	11,339	0	7,201	7,201	na	64	64
<b>Total</b>	<b>40,300</b>	<b>26,075</b>	<b>66,375</b>	<b>2,001</b>	<b>13,758</b>	<b>15,759</b>	<b>5</b>	<b>53</b>	<b>24</b>

49. There are two other key steps that management need to take. Firstly it is necessary to improve the access to e-technology and messaging for the wider LUSIP community. The proposal submitted (requiring an additional budget of SZL 220,000 pa should be proceeded with. It is also important that a review of training methods and material preparation be carried out to strengthen the quality of capacity building efforts across the whole project. Needless to say this will be carefully monitored and evaluated to assess its effectiveness for the LUSIP community to justify the costs.

50. The Government and SWADE Board have approved the 2012/13 AWPB for LUSIP I. IFAD is encouraged to issue its "no objection". The actual work-plan will need to be amended and sent to IAFD to reflect the use of IFAD resources for households that are not part of the irrigated FCs. This will strengthen their opportunities to benefit from LUSIP I as has been encouraged by several, recent IFAD Missions. The budgets approved by the SWADE Board and Government make the necessary financial provision for these activities to be implemented in 2012/13.

51. Monitoring and evaluation. The M & E team continues to work on developing a central data system. Once firmly established it will significantly improve the consistency of project reporting whilst reducing the amount of time management and team leaders spend chasing information that should routinely be available to them.

52. In this regard it is agreed that that the management team will undertake quarterly data audits to ensure that staff are not only regularly entering relevant data but also that this is "clean data" that is entered and secondly a stable reporting hierarchy (PDA, Chiefdom, water off-take points, WUAs and FCs. Each will have a unique number.

53. Poverty Focus and Effectiveness of targeting approach. LUSIP continues to work towards a wider coverage of poor households through the introduction on activities (village poultry, bee-keeping, home gardens). The inclusion of specific provision and specific targets in the 2012/13 is a positive step to ensure that maximum efforts are made for households not participating in irrigated agriculture companies. This will strengthen the breadth of LUSIP impact (see Figure 1 for the current position).

54. Knowledge management and Communications. LUSIP's strength lies in the fact that the project staff have a good understanding of the value of putting in place good KM and communications practices. They also appreciate the importance of vetting to ensure that the content placed in the public domain is factually correct and of high quality.



56. Financial management. The LUSIP financial reports need to be fully automated (through full use of the capacity of the AccPac accounting system). It is also necessary for a careful review of SOE records to ensure that there is clear delineation of LUSIP I, LUSIP II and GEF/LSUIP (CLIMB) accounts and that all SOE purchase/procurement document is correctly filed.

57. Disbursement. Overall disbursement of IFAD loan to LUSIP is reported in Table 4.

<b>Table 4: Disbursement of IFAD Loan - 28 Feb 2012</b>											
<b>(SDR,USD, SZL 000's)</b>											
<b>No</b>	<b>Category Description</b>	<b>Allocation Loan</b>	<b>Disburse (SDR)</b>	<b>Disb (%)</b>	<b>Disb Request SDR</b>	<b>Exp. NYR SDR</b>	<b>12/13 awpb</b>	<b>13/14 awpb indic</b>	<b>Pot water indic</b>	<b>Total Not Disb SDR</b>	<b>ReAll</b>
					<b>119</b>	<b>120</b>					
1	Civil Works	72	0	0	0	0	30	35	300	365	<b>370</b>
2A	Vehicles, Equip & Materials	660	379	57	48	21	11	0	400	480	<b>860</b>
3	Tech Assistance	5,000	5,515	110	22	70	50	85	0	227	<b>5750</b>
4	Training Studies & Workshops	820	276	34	45	53	423	140	0	661	<b>940</b>
5	Investment Matching Finance	40	0	0	0	0	400	200	0	600	<b>600</b>
6	Contracted Staff	2,350	480	20	74	75	620	205	0	974	<b>1450</b>
8	Recurrent Allowances	130	0	0	32	3	0	0	0	35	<b>40</b>
9A	Incre Operatings Costs -Ademu	1,700	969	57	360	268	129	75	0	832	<b>1800</b>
9	Unallocated	1,128	0	0	0	0	0			108	<b>90</b>
	<b>TOTAL</b>	<b>11,900</b>	<b>7,619</b>	<b>64</b>	<b>581</b>	<b>490</b>	<b>1662</b>	<b>740</b>	<b>700</b>	<b>4,281</b>	<b>11900</b>
10	Advance Special Account		<b>679</b>								
	<b>Total Incl Special Accounts</b>		<b>8,298</b>	<b>70</b>							

58. This revised reallocation proposal reflects up-to-date disbursement, the present AWPB (before the needed revision), the inclusion of potable water development, a much enhanced programme for households not involved in irrigated agriculture and an extension of the project completion date until 30 September 2013 and the loan closing date until 31 March 2014. These dates are in line with the GEF/LUSIP Project that is operating in parallel to LUSIP I.

59. Counterpart funds. Despite the acute financial crisis that confronts the Government it was still able to contribute significant counterpart funds. SWADE /LUSIP will provide to the Ministry of Finance quarterly and monthly cash flow projections to ensure that implementation is not negatively impacted.

60. Procurement. There have been no new significant procurement actions since the last mission. The main issue at present is the outstanding payments that need to be made to contractors although it is noted that these are not to be made from the IFAD loan.

61. Audit. Tax Liability: In discussion with the CFO it was understood by the Mission that SWADE has consulted with PWC on this matter and that they will be submitting an application to the Revenue office to waive the payment of such taxes on the basis of non-profit making status of SWADE. The tax liability is computed on the interest earned on all SWADE funds including funds from IFAD deposited in the Project account. SWADE has had several consultations with the SRA – in the current financial crisis these have been challenging however there appears to be the possibility that the SRA may recognise that whilst government resources need to be taxed those of IFAD shouldn't be. This position needs to be formally recognised.

62. Fixed Assets: The issue with regard to the two audit observations regarding the valuation of fixed assets relates to furniture and computers that have been depreciated to zero in the books but that are still used. The acting CFO argues that there is no value in bring in an external valuer to re-set the zero value of items that have no saleable value. It is agreed that these items should be set at 10% whilst still being used.

Agreed action	Responsibility	Agreed date
1. Training on ACCPAC for finance staff (SWADE),	CFO	immediate
2. Updating of bank reconciliations and presentation of financial accounting transactions report from the ACCPAC system to replace	CFO	On-going



the manual financial summaries(SWADE)		
3. Training IFAD Financial procedures and withdrawal application management	CFO/CPM	Next available course
4. Submit monthly cash flow projections to MoF	ADEMU/CFO	20th of each month

## **F. Sustainability**

63. The FC (sugar and non-sugar and mixed) hold the key to the long term sustainability of the irrigated agricultural areas whilst the WSP will hold accountability for maintaining the water infrastructure as an effective and safe deliverer of water. For the FCs a coordinated approach from LUSIP I, SHIP and UMBOMBO Sugar will need to be fully developed to guide the maturing process of the FCs. Action by the MNRE and the NWA in establishing an independent WSP and gazetting the necessary Regulations must proceed as a matter of urgency.

64. LUSIP is currently working with a number of partners/ stakeholders. Some will disappear at the end of the project because their associated outputs will have been completed. Other Partners will have an important role in ensuring the long term sustainability of the above identified outputs that needs sustaining beyond the end of the project. LUSIP will gradually shed its mandated responsibility as the lead development agent to these partners and stakeholders especially the FCs.

65. Exit strategy. The exit strategy proposes a gradual reduction in SWADE'S activities over the next few years. In an ideal environment, the hand over should be to the project owners or beneficiaries. This is necessary as LUSIP is being undertaken in a rural setting where the literacy levels are low. As such, it will not be feasible or practical to handover all the project elements to the community and still expect that the project will be viable and sustainable. It is therefore crucial that there is consensus and agreement with primary stakeholders on implementation modalities to ensure a seamless transition as SWADE'S involvement recedes and the project staff exit. This exit has meant that the primary stakeholders have been active participants during the implementation of the project. As from the 1st October 2014, a small team of 12 staff members will remain for monitoring and evaluation of the impact of the project until 31st March 2015.

## **G. Impact**

66. The first revenue streams were earned by FCs in 2011. The progressive development of these from both sugar and alternative agriculture and livestock enterprises needs to be monitored. One aspect that will need to be documented in a qualitative manner will be the vital steps taken in progressing the land and chiefdom development processes that have taken much time and effort to establish but are radical aspects of rural and agricultural development in Swaziland. The impact survey that will be carried out prior to the completion of LUSIP activities will be to address these vital initiatives.

## **H. Conclusion**

67. It is confirmed that the extension of the project completion date and loan closing dates should be 30 September 2013 and 31 March 2014. The Government noted that this is less time than its original request but is in line with the comparative dates for the LUSIP-GEF.

68. It is agreed that the next mission will be scheduled for October 2012 and March 2013 respectively when progress towards full completion will be carefully reviewed and any necessary actions initiated.

## **Appendices and Annexes**

Appendix 1	Summary of Project Status and Ratings
Appendix 2	Summary of key actions to be taken with agreed timeframes
Appendix 3	Actual financial disbursements by Category
Appendix 4	Compliance with Loan Covenants: Status of implementation
Appendix 5	Key Project performance indicators
Appendix 6	Updated logical framework indicating progress against objectives, outcomes and outputs
Appendix 7	Audit Log
Technical Annex I	Commercial Gardens and Marketing
Technical Annex II	Knowledge Management and Communications

## Appendix 1: SUMMARY OF PROJECT STATUS AND RATINGS

### A. Basic Facts

<b>Country</b>	<b>Swaziland, Kingdom of</b>		<b>Project ID</b>	1159	<b>Loan/Grant No.</b>	574-SZ
<b>Project</b>	<b>Lower Usuthu Smallholder Irrigation Project</b>					
Date of Update:	29 March 2012	Last Supervision	3 July 2011		Financing terms	I
Supervising Inst.	IFAD	No. of Supervisions	11			
				USD million	Disb.rate%	
Approval	06 Dec 2001	Quality at entry rating		<b>Total costs</b>	<b>119.59</b>	
Agreement	24 Feb 2003	Effectiveness lag	26.1	IFAD loan	14.96	70
Effectiveness	27 Jan 2004	Problem project	no	Domestic	31.45	
MTR	14 Jul 2007			Cofinancing	73.18	
Current completion	31 Mar 2012	Last Amendment		Government		
Current closing	30 Sept 2012	Last Audit	30 Sep 2011	Beneficiaries		
No. of extensions	0			Cofinanciers		

### B. Project Performance Ratings

<b>B.1 Fiduciary Aspects</b>	<b>Last</b>	<b>Current</b>	<b>B.2 Project implementation progress</b>	<b>Last</b>	<b>Current</b>
1. Quality of financial management	5	5	1. Quality of project management	5	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	4	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with loan covenants	5	5	4. Gender focus	5	5
5. Compliance with procurement	4	4	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning (5 for Innovation, but 4 for Learning element)	5	5
<b>B.3 Outputs and outcomes</b>	<b>Last</b>	<b>Current</b>	<b>B.4 Sustainability</b>	<b>Last</b>	<b>Current</b>
1. Upstream Development	6	5	1. Institution building (organizations, etc.)	5	4
2. Downstream & Agricultural Commercialisation	5	4	2. Empowerment	5	5
3. Environmental Management	4	4	3. Quality of beneficiary participation	5	5
4. Project Coordination & Mgt	5	4	4. Responsiveness of service providers	5	5
5. Physical/financial assets	5	5	5. Exit strategy (readiness and quality)	3	5
6. Food security	5	5	6. Potential for scaling up and replication	5	5
<b>C. Overall Assessment and Risk Profile</b>				<b>Last</b>	<b>Current</b>
C 1 Overall <b>implementation progress</b> (Sections B1 and B2)				4	4
C 2 Likelihood of achieving the <b>development objectives</b> (section B 3 and B4)				4	4

**Appendix 2: Summary of key actions to be taken within agreed timeframes.**

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
	<b>Land Tenure and Community Development Foundations (CDFs)</b>		
1.	Agree on a framework and action plan for supporting dialogues on the draft land policy (SWADE,ADEMU, SLMP, MNRE, 11/11/11)	SWADE has become part of National Land Policy Task Team Force. In partnership with MNRE and GEF have prepared TOR for Consultant to review all land related policies and legislations and facilitate subsequent dialogues. Advert already out for procurement of a consultant.	Present lessons learnt on CLCs and leasing agreements to the LPTF (ADEMU, 30/09/2012) Facilitate a review of SLM policies and legislation (SLMP, 15/12/2012)
2.	Support the PDA Chiefs to present land leasing and CDT proposals to the King and other stakeholders (ADEMU, immediate and on-going)	Chiefs were engaged on the issue at their annual meeting in August 2011. However there has been significant progress towards the Registration of the Ngcamphalala Trust. Ngcamphalala Chief has an existing head lease with the King and has thus sub-let land to the Trust. A copy of the Head Lease available with SWADE. BoT has been put in place and approved by the Chief and have submitted their Tax-clearance certificates for Registration purposes Trust documents already submitted to Registrar Prospects are being looked at to register Trust as a Foundation in light of prevailing legal vacuum with regard to Trusts registration Ngcamphalala Trust might be registered as a Foundation by end of first quarter	Support the PDA Chiefs to present land leasing and CDF proposals to His Majesty the King and other stakeholders (ADEMU, 30/09/2012) Register Ngcamphalala CDF (ADEMU, 31/05/2012) Register Gamedze, Mamba and Shongwe CDFs (ADEMU, 31/05/2012)
3.	Depending on 2 above, grant head-leases, register CDT's and grant leases to registered FA's (ADEMU < PDA Chiefs, 30/6/12)	Subject to outcome of Chiefs' meeting with the King in March 2012 and SWADE's presentation to HMK on Projects Progress as recommended.	
	<b>Shongwe Compensation</b>		
4.	Transfer compensation to the SHONGWE CDT (ADEMU, 30/3/12)	Board of Trustees have been put in place and bank account opened for the Shongwe CDT. BoT awaiting approval by Shongwe Chief.	Transfer financial compensation due to the Shongwe CDF (ADEMU, 30/09/2012) Agree with the Traditional Authority and the CDC an investment plan for using the financial compensation (ADEMU, 30/09/2012)
	<b>Chiefdom Development Plans (CDPs)</b>		
5.	Make written submissions to the relevant Parliamentary Portfolio on the Tinkhundla	Met with Tinkhundla Officials and made presentation on proposed input in the Bill	Facilitate a workshop with Regional and Sub-regional Development Teams, Traditional Authorities and

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
	administration and Development Bill.(ADEMU, 4/11/11)	Yet to make written submissions to the Portfolio Committee during Bill Consultation sessions	other stakeholders on the CDPs, CIDPs and TADB (ADEMU, SLMP, LUSIP 2 31/05/2012) Make written submissions to the Parliamentary Portfolio on the TADB, drawing on lessons from the CDPs (ADEMU, SLMP, LUSIP 2 31/05/2012)
6.	Agree on a framework and action plan for strengthening collaboration in facilitating and monitoring CDP's (ADEMU, 4/11/11)	Meeting held with Ministry of Tinkundla top officials (Under Secretary, Director Decentralization & Director Planning) Agreed that a meeting with Ministry's heads of Departments be held to look into ways of formulating an MOU to spell out areas of collaboration Meeting planned for March 2012	Facilitate sensitization and training for Traditional Authorities on implementation of CDPs and regulation of land use (ADEMU, immediate and ongoing)  Finalise a MOU for strengthening collaboration in facilitating and monitoring CDPs (ADEMU, MTRA, 31/05/2012) Finalise the Mphumakudze CDP (ADEMU, 31/12/2012)
7.	Follow-up on establishing power network in the PDA (MoA/SEC/SWADE/ADU/Water/Contractor, 15/12/11)	Letter drafted for PS in the Ministry of Agriculture. <i>Needs follow-Up</i>	
8.	Remedial plan for 9 leaking water balancing dams (ADU/Water/Contractor, 28/2/12)	Drains are being cut by S&B and the work is still ongoing S&B is also sealing those seeping above threshold.	OK
9.	Linkages for sugar and non-sugar development financing (SAWDE/RFEDP/Stakeholders, Urgent)	Three meetings held with MFU on how to approach Commercial Financial Institutions (CFI) Template for presentation to CFIs developed and finalised Met with NEDBANK on financing of alternative crops. <i>Need to strengthen linkage with RFEDP and use them as the lead on financing issues</i>	Develop agreed action with RFEDP to lead linkages and product development with finance sector (FMU, LUSIP , 30/4/12 & on-going)
10.	Develop action plan for KK packhouse (ABDU/KK,30/11/11)	Engaging KK committee on group remobilisation into a registered incorporated company. Establishing ownership of the land and structure. MOU between SWADE and KK being drafted. <i>There is real need for a careful planning process to ensure that the KK revitalisation is not just a</i>	Develop comprehensive investment and operational plan with KK ( ADU, consultant, KK, 30/6/12)

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
		<i>building/equipment rehabilitation expenditure plan</i>	
11.	Re-visit horticultural crops marketing (ADEMU/IFAD, on-going)	Marketing strategy for alternative crops almost finalised and incorporates marketing of horticultural crops (draft to IFAD team). <i>The Plan is in very early planning stages, see Annex 1 for more detailed comment)</i>	Marketing strategy to be incorporated as a key element in Commercial Garden Strategy, ADU 30/9/12
12.	Participate actively in the review of NAMBoard (ADEMU, 30/9/12)	ToR's for consultancy finalised and consultant appointed (Value-chain pricing model). MFU and SADP are driving the process. <i>Agreed with RFEDP that they may add in some local horticultural expertise to support the price modelling consultant</i>	Follow-Up as part of study Peer Review team, ADU, 30/4/12
13.	Facilitate the identification of candidates for the position of coordinator of the ILRI Beef development project to be included in ADEMU staffing once the TORs are agreed.(ADEMU,30/9/12)	Work in progress, pending approval by IFAD. Reviewed proposals on TORs for staffing Beef Development project	Follow-Up within MoF and MPED regarding formal request to IFAD (CEO, Mission, immediate)
14.	Develop a livestock plan of action with clear benchmark results and indicators covering the period 2012-2013	Targets have been incorporated in the unit's annual plan. <i>Need is to focus on getting real on the ground progress</i>	OK
15.	Assist in the registration of two additional poultry associations and provide them with appropriate training on family poultry management (ADEMU Livestock Officer, 30/3/12)	One group already registered in the Gamedze Chiefdom One group mobilised in the Ngcamphalala chiefdom	OK
16.	Facilitate the piloting of a "beef fattening and marketing" scheme under the IFAD/ILRI grant project. (ADEMU Livestock Officer/SWADE/IFAD, 30/9/2012)	Pending IFAD approval. Traders group registered. Designs for a model feedlot to be constructed at Demo Centre have done and construction will commence soon. <i>Excellent preparatory work</i>	Prepare a Start-Up Plan for Project (Livestock Officers – ADU, IFAD, ILRI, 30/6/12)
17.	Evaluate the feasibility of Mr Mamba's proposal and facilitate the creation of a beekeepers'	A honey business group registered. An apiary at the demo plot is being established and	OK

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
	association. (ADEMU Livestock Officer, 30/3/12)	progressing well. Beehives for Mahlabatsini farmers have been constructed. Trapping of colonies for the demo centre and Mahlabatsini farmers on progress. Training for Mahlabatsini farmers almost complete. Terms and conditions of engaging Chief Mamba are under review.	
18.	Collect basic data on aquaculture and allocate funds for an international consultancy for a feasibility study on an aquaculture project (ADEMU, 30/3/12)	TOR's prepared. Currently awaiting a meeting with the Department of Water affairs on usage of balancing dams. Working on designs for a fish pond at the demo centre.	Fish Farming Plan needs to be elaborated (ADU, DWA, MoA (Aquaculture), 30/9/12)
19.	The DWA/SWADE forum needs to ensure that water and sugar matters in the Ubombo zone are shared in a transparent manner. (Task Team Chair, On-Going)	Sharing of water and sugar matters currently occurring at management level & LUSIP II Technical Committee Level. <i>Good progress, need to standardise reporting requirements</i>	OK
20.	Provide technical monitoring for ADEMU water/engineering team (SWADE, 28/2/11)	Ongoing/ LUSIP II Feasibility Studies team to train some technicians & engineers. Awaiting Board approval for consultant to capacitate WSP. <i>This will be part of the Dam Safety Study</i>	Prepare Dam and water infrastructure safety and O & M SOPs (consultant and Water Unit)
21.	Initiate WSP feasibility study (SWADE, 15/12/11)	The study awaits Board Approval and is targeted to start in March 2012. <i>Follow-Up plan will be critical – key milestones need to be clearly laid out in study</i>	OK
22.	Review status of 9 balancing dams that are seeping badly (ADEMU/Contractor/30/3/12)	The 9 balancing dams were reviewed and a report of the reviewed is available.	OK
23.	Issue Variation order for procurement of maintenance machinery(Water Engineering, 15/12/11)	Not possible from within existing contracts. Manual maintenance being done, equipment rented as and when required.	OK
25.	Follow-up on OFID agreement (MoF/CFO, Urgent)	Reported to ministry of finance and attending to loan procurement processes which were ignored.	SWADE Board to move paper through MoA and DWA to ascertain MoF position ( SWADE,



No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
		Exploring possibility of assisting MoF engage legal officer.	urgent)
26.	Provision in the 2012 work-plans of ADEMU and Ubombo for replacing the farmer organisation support that has been provided by SHIP (Agribusiness(Sugar)	SHIP's contract extension finalized (up to 15 December 2012) and need to map out plan post the extended period. SHIP to apply for another extension for next year. USL to take over SWAZIBANK business accounts management. 3 extension officers engaged by USL, and one engineer being recruited. <i>Need to jointly prepare a SHIP Exit Plan</i>	OK
27.	The proposed ADEMU: Ubombo submissions for EU funding are developed and submitted in a timely manner (ADEMU)	Waiting for the fund rules. <i>Briefing was held early March, some review of procedures and purpose may unfold. Maintain watching brief</i>	OK
28.	Operationalization of Lower Usuthu Irrigation District – establishment at the LUSIP Dam Office (WMU)	Operationalization of the Lower Usuthu Irrigation District awaits formalization of institutional arrangements for managing Lubovane infrastructure.	Develop and seek approval of implementation plan once funds are available(Water Unit, 30/9/12)
29.	ADEMU should continue supporting exchange visits to expose communities to different ideas and approaches, and facilitate the 'mining' of successes and analysis of local failures to design and develop better management systems. (ADEMU)	Farmers taken to a share fair in the Komati Down Stream project Potential fish farmers taken on a guided tour Vegetable farmers taken to GAME fresh produce distributor Sugar cane farmers taken to sugar cane growers meetings and workshops Chiefs to be taken on a study tour/exchange visit. <i>Need to monitor usefulness of visits</i>	Continue programme (ADEMU, on-going)
30.	Construction of communal water points. (ADEMU Water, 31/1/12)	Communal washing points currently under construction. <i>Need to prepare a capacity building programme for womens' mgt committees</i>	OK

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
31.	Pending release of the OFID resources, supply of water should follow in Ngcamphalala in 2012 and Mamba in 2013. (ADEMU, Water Unit, On-going)	OFID funding still pending finalisation Ngcamphalala water scheme advertised. Mphumakudze potable water scheme under design. Mamba will follow late 2012.	Start Mamba implementation form IFAD loan resources (WMU, PMIU, immediate)
32.	Set up a mechanism for monthly meetings between the water users and the WSP to discuss operational issues and levels of service (Water Unit, On-going)	reports on abstractions and water management issues being discussed with users in relation to water rights.	On-going
33.	Census figures for all chiefdoms need to be updated and planning adjusted accordingly. <i>Expansion within and around LUSIP must be acknowledged, assessed, and plans adjusted accordingly (M &amp; E, On-Going)</i>	Process to update census data has already commenced in the Gamedze chiefdom. LUSIP II & GEF data will be managed same way by LIMS.	OK
34.	Finalisation of the appointment of the ADEMU Manager issue, subject, in accordance the LUSIP Financing Agreement, to the no objection of IFAD (SWADE Board, urgent)	Being handled by the Board. <i>Follow-Up by Board needed</i>	
35.	Review of Job descriptions and salary levels for SWADE (and for donor financed Programmes / Projects in Swaziland) to ensure they are on a parity basis within the country that is rational and sustainable. (SWADE Board)	KQ Consulting still finalizing the report.	
36.	M&E to take a more consistent approach on the structure of progress reports with more emphasis on the substance of achievements – not merely reporting physical progress (M & E, Feb 12 & On-Going)	Report format developed and currently discussed with project teams before endorsement by Management. IFAD Mission requested to assist in its finalization.	Data audit need to be carried out on quarterly basis (ADEMU management team. On-going on a quarterly basis
37.	Establishment of a consistent hierarchy of physical reporting be established – Project, Chiefdom, Canal, Water Users Association, farmer organisation and homestead/household be agreed	IFAD has been asked to assist (David Rendall). <i>Discussed with various units</i>	OK

No	Agreed Action October 2012	SWADE/LUSIP Up-Date with Mission Comments	Agreed Action March 2012
	and adhered to. (M & E, Feb 12)		
38.	Development of KM Strategy (M & E, 30/12)	Proposal to appoint consultant to build capacity of KM champions (& PM) and assist facilitate development of strategy approved. Quotations are being sought. Explore possibility of using GEF consultant for LUSIP 1 KM strategy as well. <i>Action on KM products needs to be taken</i>	
38.	Training on ACCPAC for SWADE finance staff (CFO,15/11/11)	Being handled by CFO <i>needs attention</i>	CFO and new HQ Finance staff to attend IFAD training ( CEO, as training is scheduled)
39.	Updating of bank reconciliations and presentation of financial accounting transactions report from the ACCPAC system to replace the manual financial summaries (CFO,15/1/12)	Being handled by CFO <i>needs attention</i>	
40.	Off-site storage of back-up file (CFO,15/12/11)	Being handled by CFO <i>needs attention</i>	
41.	Finalisation of the SWADE Exit strategy (CEO)	Draft exit framework in place. IFAD requested to provide support in narrating the exit strategy.	<i>Exit Strategy needs to be incorporated in ley milestones and reported in quarterly reports (ADEMU management team, quarterly)</i>

### Appendix 3: Actual financial disbursements by category

#### IFAD loan disbursements (SDR, as at 28-02-2012)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil Works	820 000	72 000	0		72 000	0
II	Vehicles, Equipment & Materials	550 000	660 000	378 950		281 050	57
III	Technical Assistance	5 830 000	5 000 000	5 515 366		-515 366	110
IV	Training, Studies & Workshops	1 460 000	820 000	275 520		544 480	34
V	Investment Matching Finance	160 000	40 000	0		40 000	0
VI	Contracted Staff	680 000	2 350 000	480 131		1 869 869	20
VIII	Recurrent Allowances	20 000	130 000	0		130 000	0
IX	Incremental Operating Costs for ADEMU	660 000	1 700 000	969 261		730 739	57
	Unallocated	1 290 000	1 128 000				
	Initial deposit			679 306			
	Total	11 900 000		8 298 535		3 601 465	70

#### Appendix 4: Compliance with loan covenants: Status of implementation

Section	Covenant	Compliance Status	Remarks
<b>Section 2.03 (c)</b>	The Borrower shall operate the Special Account in accordance with Section 4.08 of the General Conditions. The Borrower shall designate the Principal Secretary, the Head of Policy and Planning and the Under Secretary Budget of its Ministry of Finance as authorised signatories of the Special Account. Any two of the authorized signatories shall be required for any transaction relating to the Special Account.	Compliance	
<b>Section 3.02</b>	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. The draft AWPBs shall include, among other things, a detailed description of planned Project activities during the coming Fiscal Year, and the sources and uses of funds therefore, based on the respective work plans and budgets prepared by each of the Project Parties.	Compliance	
	(b) the ADEMU Manager shall submit the draft AWPBs to the Project Director of the PMU, who shall consolidate it with the draft AWPB related to the Upstream Works and Distribution System IEMU. The Project Director shall submit the consolidated draft AWPB to the Lead Project Agency for its approval. When so approved, the Lead Project Agency shall submit each draft AWPB to IFAD and UNOPS for their respective comments and approval, no later than 60 days before the beginning of the relevant Fiscal Year. If IFAD and UNOPS or any other Financing Partner have not commented on the draft AWPB within 30 days after receipt, the AWPB shall not be deemed approved.	Compliance	
	(c) The Lead Project Agency shall adopt the AWPBs in the form approved by IFAD and UNOPS and the other Financing Partners and shall provide copies thereof to WAD and UNOPS prior to the commencement of the relevant Fiscal Year.	Compliance	
	(d) If required, the PMU, the ADEMU or the IEMLJ may propose adjustments in the AWPB during the relevant Fiscal Year, which shall become effective upon approval by the Lead Project Agency, IFAD and UNOPS and the other Financing Partners.	Compliance	

Section	Covenant	Compliance Status	Remarks
<b>Section 3.03</b>	<p>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"). The Chief Executive Officer of the Lead Project Agency, the Finance Director of the Lead Project Agency and the Project Director of the PMIJ shall be designated as authorized signatories of the Project Account Any two of the authorised signatories shall be required for any transaction relating to the Project Account.</p> <p>(b) The ADEMU and the IEMU shall each open and thereafter maintain in a reputable commercial bank in Swaziland, accepted by IFAD, a current account denominated in Swaziland Lilangeni for Project operations at the respective upstream and downstream levels of the Project (hereinafter referred to as the "ADEMU Account" and the "IEMU Account", respectively). The Manager of ADEMU shall be fully authorised to operate the ADEMU Account and the Management Engineer of IEMU shall be fully authorised to operate the IEMU Account</p>	Compliance	
<b>Section 4.01</b>	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 in accordance with paragraph 13 of Schedule 3A and Section 8.02 (Monitoring of Project Implementation) of the General Conditions, based on key performance indicators agreed by the Borrower and IFAD.	Compliance	Need to establish a more consistent reporting base and to use standard base figures
<b>Section 4.02</b>	Progress Reports. The Lead Project Agency shall submit to IFAD and UNOPS progress reports on Project implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than two months after the end of each six-month period during the Project Implementation Period.	Compliance	
<b>Section 4.03</b>	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. Among other things, the Mid Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be	Compliance	<p>a) Loan Amendment needs to be done by IFAD</p> <p>b) well adhered to</p>

Section	Covenant	Compliance Status	Remarks
	<p>required to achieve such objectives and remove such constraints.</p> <p>(b) The Borrower 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.</p>		
<b>Section 4.04</b>	Completion Report The Lead Project Agency shall submit to IFAD and UNOPS the completion report on the Project required by Section 8.04 (Completion Report) of the General Conditions no later than the Loan Closing Date.	Not yet due	
<b>Section 4.05</b>	Evaluations. The Borrower and each Project Party shall facilitate all evaluations and reviews of the Project that the IFAD may carry out during the Project Implementing Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Project) of the General Conditions.	Not yet due	
<b>Section 5.01</b>	Financial Statements. The Lead Project Agency shall prepare the financial statements of the operations, resources and expenditures related to the Project required by Section 9.02 (Financial Statements) of the General Conditions in respect of each six-month period during each Fiscal Year. The financial statements shall be forwarded to the Borrower for submission to IFAD and UNOPS within three months after the end of each such reporting period.	Compliance	
<b>Section 5.02</b>	<p>Audit Reports. (a) Within 90 days after effectiveness, the Borrower shall appoint, with the prior approval of IFAD, independent auditors selected by the Borrower in accordance with the procedures and criteria agreed by the Borrower and WAD to audit the accounts relating to the Project for the first two Fiscal Years. Thereafter, as soon as practicable but in no event later than 90 days after the beginning of each succeeding Fiscal Year, the Borrower, with the prior approval of IFAD, shall confirm such auditors' appointment or so appoint new independent auditors for such Fiscal Year.</p> <p>(b) The Borrower shall have the accounts relating to the Project audited each Fiscal Year by such auditors in accordance with International Standards on Auditing and deliver a certified copy of a long form audit report required by Section 9.03 (Audit of Accounts) of the General Conditions and in accordance with paragraph 17 of Schedule 3A to WAD and UNOPS within six months after the end of such Fiscal Year.</p>	Compliance	

Section	Covenant	Compliance Status	Remarks
<b>Schedule 3A</b> <b>1</b>	Interim Water Agreement. During the first Project year, the Borrower shall pursue negotiations with the Republic of South Africa and the Republic of Mozambique with respect to an Interim Water Agreement concerning the use of water from the Usuthu River. The Borrower shall ensure that such agreement shall comply with the terms of the 2000 Southern African Development Community Revised Protocol on Shared Watercourses. The signature of the Interim Water Agreement by the Three parties shall be a precondition for the release of funds from Financing Partners for the purpose of Civil works under the Upstream and Distribution System Component of the Project	Compliance	
<b>2</b>	Environmental Compliance During the course of the Project Implementation Period, the borrower shall ensure that the Project complies with the conditions set forth in any Environmental Compliance Certificate issued by SEA iii respect of the Project, in terms of environmental compliance.	Compliance	
<b>3</b>	Environmental Review Panel The Borrower shall have established an independent and operational environmental Review Panel by the end of the first Project year, with the composition and responsibilities described in paragraph 8 (d) of Schedule 3 to the Loan Agreement.	Compliance	
<b>4</b>	Land Tenure and Resettlement. The Borrower shall pursue and sustain the community consultative process on land tenure and resettlement throughout the Project Implementation Period, with a view to reaching an equitable conclusion satisfactory to the Project beneficiaries and the Financing Partners and, if appropriate, enacting relevant legislation.	Compliance	Land Act is still in draft form, enhanced Chief's Letter a major innovation
<b>5</b>	Annual Resettlement Reports. The Borrower shall submit to the IFAD annual reports on the implementation of the Resettlement Plan, which shall provide the status of scheduled activities undertaken and details of the households resettled and the compensation paid, including the following information: (i) number of resettlers; (ii) allocation of land per household for irrigation scheme development — which shall not exceed an average area of 2.5. ha and a maximum of 3.5 ha per household; (iii) hose areas identified for resettlement; (iv) mechanisms and indicators for monitoring and evaluating the resettlement process; and (v) timetable for implementing the remaining work.	Compliance	
<b>6</b>	Structure of Lead project Agency. The Borrower shall ensure that within the first six months of the first Project Year, it shall have restructured the Board of the Lead Project Agency to extend the representation from the private sector and to include representatives	Compliance	Some issues to be dealt with for representation from PDA



Section	Covenant	Compliance Status	Remarks
	from the Project beneficiaries, satisfactory to WAD.		
7	Lubovane Block Planning Structure. The Borrower shall ensure that by the end of the second Project year, an appropriate legal framework shall be in place to empower the Lubovane block planning structure, as shall be described in the Project Implementation Manual.	Compliance	CDP process well established although not all Chiefdoms are complete
8	Water Management. The Borrower shall ensure that by the end of the second Project Year, an appropriate legal framework shall be in place for the establishment of the Lower Usuthu River Basin Catchment Authority, the Lubovane Irrigation District and water user associations.	Part-compliance	River Basin Authority Gazetted
9	Water Charges. The Borrower shall ensure that by the end of the second Project Year, it shall have adopted regulations on the scope and calculation of water charges applicable to the Project water users.	Compliance	Water Charges in place in PDA Draft National Policy in draft form – need to be gazetted
10	Water Service Provider. The Borrower shall ensure that by the end of the fourth Project Year, the Lubovane Irrigation District shall have contracted a suitable private Water Service Provider to operate and maintain the entire water delivery system established under the Project on a commercial and self-financing basis at the sole expense of the water users.	Part-compliance	SWADE is acting as an interim water service provider, feasibility study for permanent arrangement to start May 2012
11	Development Credit. The Borrower shall, by the end of the third Project Year, have concluded (i) a Subsidiary Loan Agreement with the Enterprise Trust WAD, or any other institution satisfactory to WAD, for on-lending of credit funds under the Participatory Planning and Irrigated Farm Development sub-component of the Project, and (ii) a Memorandum of Understanding with the Enterprise Trust IFAD and the Ubombo Sugar Company, or any other institutions, entities satisfactory to IFAD, stipulating the duties and obligations of each of the institutions	Compliance	Funds are been provided from EU and GoS for 70% with balance coming from CBs – this remains a key challenge
12	Administration of credit. The terms and conditions of the Subsidiary Loan Agreement and the Memorandum of Understanding shall be subject to approval by the Financing Partners.		
13	Pest Management Practices. As part of maintaining sound environmental practices as required by Section 7.15 (Environmental Factors) of the General Conditions, the Project Parties shall maintain appropriate pest management practices under the Project and, to that end, the Borrower shall ensure that pesticides procured under the Project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Good and Agriculture Organisation of the United	Compliance	

Section	Covenant	Compliance Status	Remarks
	Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.		
14	<p>Monitoring. (a) The ADEMU and the IEMU shall each establish an objectives- related and indicator-focused information system for the upstream and the downstream level of the Project, respectively. The Project Director of the PMU shall have direct responsibility for overall monitoring of the Project and shall, in agreement with IFAD and the Financing Partners, define the process and progress indicators, implementation milestones, data collection systems and report design.</p> <p>(b) The ADEMU shall be responsible for establishing an information management system for the Downstream Development and Agricultural Commercialisation Component and the Environmental Mitigation Component of the project, based on key performance indicators which shall be agreed by the Borrower and IFAD during the first Project Year. During the first Project Year, the ADEMU shall carry out at least the following monitoring activities:</p> <ul style="list-style-type: none"> <li>• Designing an appropriate baseline sample survey methodology for use within economic interest groups;</li> <li>• Establishing methods for monitoring of data collection at the irrigation scheme or planning unit level;</li> <li>• Testing data entering procedures for the GIS database; and</li> <li>• Establishing methods for validation and analysis of the data.</li> </ul>	<p>Compliance</p> <p>Compliance</p>	<p>The quality and consistency of the M &amp; E system needs constant attention</p>
15	Tax Exemption. The Borrower shall exempt from Taxes the importation, procurement and supply of all goods, civil works and services financed by the Loan. To this end, the Minister for Finance shall make budgetary allocations for each Fiscal Year. The value of such exemptions shall be credited against the obligation of the Borrower to provide counterpart funds for the Project under Section 3.05 of the Loan Agreement.	Compliance	
16	Counterpart Funds. The Borrower shall take necessary action to ensure that its counterpart funds for the Project are accurately reflected in its annual Public Investment Budget, as required under Section 3.05 of the Loan Agreement Such counterpart funds shall, in accordance with the AWPB for each Fiscal Year, be applied to the payment of foregone Taxes, resettlement compensation payments and payments related to social infrastructure. In addition, the Borrower	Compliance	In the current financial crisis the government is struggling to meet its commitments across a wide range of projects – traditionally GoS has more than met its obligations – there have been some delays but LUSIP continues to receive priority attention

Section	Covenant	Compliance Status	Remarks
	shall ensure that any shortfall in financing of the Project shall be financed from its own resources. The Borrower shall further ensure that its counterpart funds are made available to the Lead Project Agency annually throughout the Project Implementation period, in accordance with the AWPBs.		
17	Gender. Focus. The Borrower shall ensure, through the recruitment of Project staff that women are represented in the organisation and management of the Project. The Borrower shall also ensure that women beneficiaries shall be represented in all Project activities and that they receive appropriate benefit from the Project outputs.	Compliance	Gender Policy recently developed – this was launched jointly with the RFEDP in February 2012.

## Appendix 5: Key Project Performance Indicators –

Status at March 2012

Project Component Outputs	Unit	Targets & Milestones		Achievement		% Achievement	
		Total Project	AWPB Reporting Period: 2011/12	Total Project	AWPB Reporting Period: 2011/12	Cum	AWPB 2011 2011/12
Chiefdom Dev Plans	No.	7	5	4	1	57	20
Water Users Assoc. (1)	No.	12	3	6	2	50	67
Farmer Coy formed	No.	65	10	60	10	92	100
Area - sugar	Ha	3500	1371	2196	825	63	60
Area - alt crops	Ha	2057	532	9.2	9.2	0	2
Area - commercial gardens	Ha	347	129.3	129.3	129.3	37	100
Not Suitable for dev	Ha	596					
Total Irrigated Area	Ha	6500	2032.3	2334.5	963.5	36	47
Livestock Enterprises	Ha	10	10	7	4	70	40
Graves relocated	No.	800	0	807	0	101	na
Homestead constructed	No.	157	5	154	3	98	60
Irrigation district estab	No.	1	1	1	1	100	100
Domestic Water supply	No.	2600	860	860	860	33	100
Sanitation units	No.	2600	500	1757	288	68	58

Source: ADEMU Quarterly Report

(1) three WUAs were formed but 2 were merged into 1 consolidated WUA

## Appendix 6: Updated logical framework: Progress against objectives, outcomes and outputs

<i>Narrative Summary</i>	<b>Objectively Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
<b>Goal</b>			
Standard of living of the population in the Lower Usuthu Basin area of Swaziland improved through an environmentally and culturally sustainable process.	<ul style="list-style-type: none"> <li>♦ Reduction in the percentage of the absolute poor living in the lowveld area (from 40%)</li> <li>♦ Reduction in rate of illiteracy (from 17%)</li> <li>♦ Reversal in the rate of outmigration</li> <li>♦ Reduction in the prevalence of chronic malnutrition among children under five.</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline Studies</li> <li>• Case studies</li> <li>• Household surveys.</li> <li>• Census reports</li> <li>• Population survey (sampling)</li> </ul>	
<b>Objective</b>			
Smallholder farmers (approximately 2 600 households residing within the boundaries of the five Chiefdoms affected by LUSIP Phase I) directly integrated into the commercial economy through the establishment of farmer-managed and self-financing irrigation schemes.	<ul style="list-style-type: none"> <li>♦ Change in production system (from extensive rainfed to intensive irrigated), hectares under cultivation by commodity</li> <li>♦ On and off-farm paid employment (days or equivalent)</li> <li>♦ Increased diversity and nutritional content in household diet</li> <li>♦ % of O&amp;M met by WUAs, annually</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly and annual project reports.</li> <li>• Quarterly and annual EDDMU reports.</li> <li>• Satellite imagery and GIS.</li> <li>• Farm surveys and annual farmer association/WUA accounts.</li> <li>• Participatory diagnostic studies</li> <li>• Food frequency surveys (24 hour dietary recall)</li> </ul>	<p>World price of sugar remains stable and Swaziland maintains current sugar quotas.</p> <p>No abrupt changes in macro-economic context.</p> <p>Increased incomes at household level used to reduce the effects of poverty.</p> <p>Interim Water Agreement signed</p>

<i>Narrative Summary</i>	<b>Objectively Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
<b>Outputs</b> 1. Adequate and environmentally sustainable supply of irrigation water assured for some 6 500 ha of high-value commercial crop production assured.  2. About 130 new farmer owned and managed irrigation schemes (50 ha each), growing high value commercial crops, established by PY 8.  3. Legal framework put in place for water user associations (WUAs), economic interest groups and irrigation district and catchment authorities by PY3.  4. Policy for participatory and equitable resettlement process, including environmental mitigation and compensation payments, operational by PY 3.  5. Fully equipped and staffed health clinic self-financing by PY 8.  6. Provision of improved Household water supply and sanitation by PY8.  7. Strategies for community-based natural resource management put in place, by PY4.  8. Process for effective project management established, with particular emphasis on participatory planning process and environmental issues.	1.1. Amount, proportion of requirement, and timeliness water delivery to plots 1.2. Water delivery data and system performance.  2.1. Payment of water delivery charges 2.2. Cropping patterns, intensity and yields per ha  3.1. About 130 WUAs operational by PY 8. 3.2. # of irrigation and catchment authorities operational with WUA representatives. 3.3. # of economic interest groups operational. 4.1. # of civil/traditional actions alleging unfair compensation. 4.2. Environmental mitigation measures adopted.  5.1. Water-borne illnesses reported and treated. 5.2. % of clinic expenses met by clients.  6.1. Prevalence of hygiene related illnesses reduced.  7.1. # of new hectares planted to local grasses/vegetation 7.2. Intensification of livestock activities 7.3. Reduction in degraded land 8.1. Water quality and downstream flows sustained 8.2. Acceptable disbursement rate & progress reporting 8.3. Completion of activities as compared to APW&B	<ul style="list-style-type: none"> <li>Quarterly and annual project reports.</li> <li>Water service provider and WUA records and reports</li> <li>Participatory diagnostic studies.</li> <li>MOAC records (extension service)</li> <li>Case studies; EDDMU reports.</li> <li>Trade &amp; EDDMU reports.</li> <li>EDDMU &amp; Auditor's reports</li> <li>Quarterly and annual project reports.</li> <li>Legal/court records.</li> <li>Chiefdom reports and interviews</li> <li>Health clinic records and reports</li> <li>Cattle census and production data</li> </ul>	Average annual rainfall remains constant.
<b>Activities</b> 1.1. Upstream civil works including diversion weir, feeder canals, dams and traps completed by PY 5.	1.1.1. Construction contracts awarded to qualified firms by PY 2. 1.1.2. Detailed design completed by PY 2. 1.1.3. Physical progress of civil works by type	<ul style="list-style-type: none"> <li>Quarterly and annual project reports.</li> <li>MOAC reports</li> </ul>	ICB regulations followed. No unforeseen geographic features discovered. Private sector organisation appointed as water service provider.
2.1. Secondary and tertiary distribution	2.1.1. Construction contracts awarded to	<ul style="list-style-type: none"> <li>Quarterly and annual project</li> </ul>	ICB regulations followed.

<i>Narrative Summary</i>	<b>Objectively Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
<p>system, including earth works, structures, pipelines, road works, fencing, etc. completed by PY 6 with the participation of the beneficiaries in the design and construction of schemes.</p> <p>2.2. Training in business planning, agricultural diversification and commercial management provided to government staff and scheme shareholders.</p> <p>2.3. Credit for on-farm works made available beginning in PY 4.</p> <p>2.4. Matching grant funds available for establishment of small and medium-scale enterprises in support of commercial agricultural production.</p>	<p>qualified firms by PY 3.</p> <p>2.1.2. Detailed design completed by PY 2.</p> <p>2.1.3. Land use planning surveys undertaken by future scheme shareholders with external assistance</p> <p>2.1.4. 26 schemes completed annually beginning in PY 3.</p> <p>2.2.1. # of WUA members attending courses, from PY 3.</p> <p>2.2.2. # of extension staff (crops and livestock) attending courses</p> <p>2.3.1. Loans made to schemes (number and amount, by type of scheme)</p> <p>2.3.2. Repayments of loans by shareholders</p> <p>2.4.1. # of grants made disaggregated by purpose</p>	<p>reports.</p> <ul style="list-style-type: none"> <li>• MOAC reports</li> <li>• Beneficiary interviews/focus groups</li> </ul>	<p>No unforeseen geographic features discovered.</p> <p>Use of fragile soils possible under good management practices.</p> <p>Future shareholders recognise the advantage of irrigated agriculture over other income-generating opportunities and land use systems.</p>
<p>3.1. Water user associations and other economic interest groups established.</p> <p>3.2. Irrigation and catchment authorities established with representatives of user groups.</p> <p>3.3. Policy and legal reforms completed in the area of land and water use.</p>	<p>3.1.1. # of WUAs established annually.</p> <p>3.1.2. # of economic interest groups established annually.</p> <p>3.2.1. # of authorities established annually, membership disaggregated by gender and interest group.</p> <p>3.3.1. Legal acts and regulations drafted approved by PY 2</p>	<ul style="list-style-type: none"> <li>• Government policy statements; legislation/regulations.</li> <li>• Quarterly and annual project reports.</li> <li>• Beneficiary interviews/focus groups</li> <li>• Project Steering Committee meeting reports</li> </ul>	<p>Government committed to land, water and farmer organisation reform.</p>
<p>4.1. Comprehensive Environmental Mitigation Plan (CMP) completed by PY 1.</p> <p>4.2. Resettlement Action Plan operational with effective participation of the community.</p> <p>4.3. Equitable compensation payments (in cash or kind) made to individuals and communities.</p>	<p>4.1.1. CMP completed and adopted.</p> <p>4.2.1. CMP completed and adopted.</p> <p>4.2.2. # of <i>Sigodzi</i>, zonal and chiefdom planning committees established and consulted.</p> <p>4.2.3. # of h/hs resettled, by gender of head of h/h</p> <p>4.3.1. % of eligible h/hs receiving compensation, by gender of h/h.</p>	<ul style="list-style-type: none"> <li>• Government records; legislation</li> <li>• Committee meeting records</li> <li>• Project Steering Committee meeting reports</li> <li>• Quarterly and annual project reports.</li> <li>• Beneficiary interviews/focus groups</li> </ul>	<p>Traditional authorities willing to allocate land for cross boundary resettlement.</p> <p>Draft Resettlement Action Plan ready by end-June 2001.</p>
<p>5.1. Health clinic built and fully operational by PY 2.</p>	<p>5.1.1. # of patients treated annually.</p> <p>5.1.2. # and type of health information campaigns completed.</p> <p>5.1.3. Staffing levels by PY 8.</p>	<ul style="list-style-type: none"> <li>• Clinic records</li> <li>• Beneficiary interviews/focus groups</li> </ul>	<p>Medical clients willing and able to pay for treatment.</p>
<p>6.1. Boreholes and hand pumps installed (15 by PY 8)</p>	<p>6.1.1. # per year beginning in PY 4.</p>	<ul style="list-style-type: none"> <li>• Quarterly and annual project reports.</li> </ul>	

<i>Narrative Summary</i>	<b>Objectively Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
6.2. Latrines, sand pits and washing areas provided.	6.2.1. # per year beginning in PY 3.	<ul style="list-style-type: none"> <li>Beneficiary interviews/focus groups</li> </ul>	
7.1. Community-based natural resource management plans defined.	7.1.1. # of plans elaborated annually.	<ul style="list-style-type: none"> <li>Quarterly and annual project reports.</li> </ul>	Livestock production and range management commercialised
7.2. Matching grant facility for community-based natural resource management established.	7.2.1. # and types of grants applied for and made.	<ul style="list-style-type: none"> <li>Beneficiary interviews/focus groups</li> </ul>	
8.1. Project staff employ participatory methods in the elaboration of APW&B and for M&E.	8.1.1. # of workshops/meetings held annually with beneficiaries or their representatives.	<ul style="list-style-type: none"> <li>Quarterly and annual project reports.</li> </ul>	
8.2. Independent environmental monitoring system established.	8.1.2. M&E system established in PY 1. 8.2.1. Water and air quality	<ul style="list-style-type: none"> <li>Beneficiary interviews/focus groups</li> </ul>	
<b>Inputs</b>	<b>Financier</b>		
<b>Expenditure Account</b> <u>USD '000</u> Civil and Earth Works      67 672 Vehicles, Equipment and Goods      990 Technical Assistance      17 933 Training, Studies and Workshops      3 250 Credit and Matching Grants      13 129 Contracted Staff Resettlement Compensation      4 728 Other Operating Costs      7 219 Total	<u>USD '000</u> IFAD      14 958 African Development Bank      22 277 BADEA      8 304 Development Bank of South Africa      7 165 European Union      10 999 EIB/Others      32 576 Beneficiaries      4 894 Government      15 370 Total      116 545	Loan Agreement Subsidiary Agreements Appraisal Report	IFAD Executive Board approves project Co-financing made available Government financing made available Subsidiary/Implementing Agreements approved and executed



## Appendix 7: Audit Log

**Summary Audit Table**

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value	Numbers	Value	Numbers	Value
2010	3	SZL 2 384 242	0	-	3	SZL 2 384 242
Total :	3	SZL 2 384 242	0	-	3	SZL 2 384 242

**1. Detailed Audit Table**

Sl. No.	Financial year	Class: Serious/ General	Audit Ref.	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (BDT)	Remarks
1	2010	Serious		<u>Current Income Taxes</u> Non-compliance with Income Tax laws of Swaziland. The entity should submit tax returns annually or obtain an exemption from the GoS over the payment of Income Taxes.	SZL 2 384 242	Issue relates to interest on all SWADE accounts – for the Project account for IFAD funds the SRA is expected to conform shortly that there should be not tax on interest – other accounts will continue to be treated as per the rules for GoS parastatals – the value applied represents all the interest earned by SWADE since 1999 – most of which will be taxable		EUR 2 384 242	
2	2010	Minor		<u>Property, Plant &amp; Equipment</u> Non-compliance with IAS 16. Useful lives and residual values of assets should be reviewed at each financial year-end.	-	The issue here is that when furniture and small equipment has been fully depreciated and continues to be used then it needs to be re-valued to something above zero value – cost of the re-valuation exceeds to benefit		-	
3	2010	Minor		<u>Control Activities</u> Completeness and accuracy of Fixed Assets balances in the General Ledger. The Fixed Assets register should be reconciled to the General Ledger on a monthly basis.		Recognised		-	
		<b>Sub Total:</b>			SZL 2 384 242			EUR 2 384 242	

## **Commercial Gardens and Marketing**

1. This section provides an update on progress in commercial gardens, homestead gardens and alternative cash crops alternate cash crops and provides suggestions on key on key short and medium term implementation issues. In particular, there is a focus on preparations for the upcoming commercial garden production activities, the development of extension actions from the six hectare demonstration farm, the proposed refurbishment of the KK pack house, considerations to strengthen the very preliminary draft of the LUSIP commercial gardens marketing strategy and a review of the current status of on-going or scheduled studies which have particular relevance for LUSIP's economic empowerment programme of work.

2. To date, 129 hectares of commercial gardens have been fully developed (land cleared, irrigation infrastructure in place, electrical hook-up completed, fencing established) and 32 hectares are almost complete, awaiting only electrical hook-up. A further 12 hectares have been developed for rainfed alternative cash crops. Almost twenty nine hectares have been planted with maize at Nxutsamlo, Sibhotela, Sukumani, Setamimphilo, Ngcwaleni and Maweni to address food security and nine hectares have been planted at Kuhle Kutentela farm with sweet potato. These operations have not used bank financing but rather have been funded through own funds by the farmer companies.

3. As of yet, none of the four projects submitted to banks during the second quarter of 2011 for funding have begun production activities. Two projects have been approved for financing. FINCORP Bank has approved a loan for SZL 1.5 million to the Ziyahle Farmer Company to fund the first year's operating costs. The farm will produce a variety of conventional vegetables on 19.4 hectares and planting is scheduled to begin in April. Swazibank has approved a similar sized loan for the establishment of cassava production which will supply product to CASQUIP Enterprise for starch production. on 74 hectares but land preparation is not yet terminated due to delays in GoS disbursement to complete land development. Two other loan applications submitted to Standard Bank (Chubekani for 5.2 hectares and Kusetandleni for 9.2 hectares) have been provisionally approved, pending repayment of the first season loan to finance sugar production activities. Repayment is anticipated during April. Seven business plans are currently under development for both conventional vegetables as well as cassava, seed maize and bananas. Four of these business plans (Mbali Yamadlenya, Nxutsamlo, Sibhotela, Sukumani) concern FCs which have fully developed land and are currently planted to maize while the remaining three (Lupluko, Babili, Lomveshe) are not yet developed but tenders have been floated for land clearing and irrigation establishment.

4. **Preparations for the upcoming commercial garden production activities:** According to LUSIP projections, 221 hectares of commercial gardens will be planted by the end of 2012. Although some members of the farmer companies have experience producing vegetables for home consumption, virtually none have experience producing for the market. There is thus a very steep learning curve which must be climbed to produce product which will satisfy market requirements for both quality and quantity and achieve prices required to fulfil loan repayment obligations and generate profit.

5. There is a pressing need to develop instructional materials to assist farmers up this learning curve. Given the high rates of illiteracy among farmer company (FC) members, LUSIP should strongly consider developing pictorial posters and laminated flip charts which depict required spacing, correct soil preparation and planting methods, weed control, harvesting and post-harvest handling procedures, common pest control problems and market quality requirements. Good sources of information include the FAO and the University of California-Davis websites. Much useful information is available, though not necessarily easy to find. It is suggested that LUSIP follow up with the contacts listed on the sites. The project should also contact the University of Swaziland Agricultural College and

Stellenbosch University in RSA to see what types of visual learning products are available. LUSIP may consider developing a contract with the local university to produce visual aids in support of the commercial garden extension activities. It is very important to leave instructional materials with the farmer companies. The project may wish to consider establishing mini-demonstration plots on farms to provide a reference and an instructional support for the FCs. Examples of useful instructional materials and posters (on chili production and tomato blight) are annexed to the report as a reference.

6. Developing extension activities from the demonstration farm: Currently the demonstration farm is trialing and marketing various crops through NAMBOARD and monitoring costs and revenues. This information is feeding into the business plans submitted to financial institutions. Recording costs and revenues also provides valuable information for future research within Swaziland's horticultural sector. The demonstration farm has yet to engage in field demonstration activities. In the near term, LUSIP should consider holding field days for FCs who are about to plant to provide an overview of key issues associated with the crops scheduled for production. In the medium term, a purpose built meeting room (combined with the construction of a programmed store room) should be built on site to provide a location for classroom activities related both to production and business management.

7. Status of the marketing studies: two important horticultural marketing studies are in the works, both of which are of great importance to the development of LUSIP's horticultural marketing strategy. The first study, financed by FAO's Swaziland Agricultural Development Project (SADP) covers the competitiveness of vegetable production in Swaziland and provides an institutional assessment of NAMBOARD. The report was submitted to the Ministry of Agriculture in mid-March but has not yet been made public. The report is reputed to conclude that NAMBOARD should discontinue marketing horticultural produce, transfer its extension activities to the Ministry of Agriculture and focus its activities on market regulation, market information and identification of commercial outlets for Swazi products. NAMBOARD management evidently has issues with the two aforementioned conclusions. GoS reaction and follow-up to the report will have significant implications for LUSIP.

8. The second study, financed by the RFEDP, is of equal import. It will examine the price evolution from production through sales to NAMBOARD clients with a view to determining a "fair" market price for farmers, propose a transparent pricing model to establish prices which are equitable to both seller and buyer and assess the contractual relationship between NAMBOARD and its smallholder suppliers. Terms of reference have been drafted but a consultant has not yet been selected among applicants to undertake the study. The Swaziland National Agricultural Union (SNAU), on behalf of its members, requested the implementation of this study as there is a widespread perception that NAMBOARD's suppliers are not receiving an equitable price nor equitable contractual terms for their produce.

9. Without passing judgement on the pricing issue, it is clear that the terms of NAMBOARD's standard contract are frequently not respected by both buyer and seller. Conversations with SNAU and individual farmers indicate that NAMBOARD frequently does not respect the minimum prices included in the contract, nor adhere to mutually agreed transport schedules so farmers are left with harvested product but no readily available means of transport to market, this, despite a contractual requirement for "exclusive right to purchase the programmed and contracted produce". Furthermore, "NAMBOARD undertakes to purchase all of the contracted produce, subject to the grower meeting the specifications" is not systematically honoured. In addition, contract provisions to supply agronomic support often do not materialize.

10. As is often the case, non-respect of horticultural contracts is not a one-sided affair. The SNAU secretary estimated that probably only 10% of suppliers grade their products as per contract requirement. This negatively affects prices achieved as NAMBOARD (legitimately) declassifies to second grade the entire unit of produce. Product specifications are frequently not respected by suppliers.

11. NAMBOARD's non-respect of established floor prices is substantially due to its inability to control the amount of produce which it must market. The parastatal contracts for product but is also obliged by the MoA to sell all product delivered to the pack house on a consignment basis. Although NAMBOARD can evidently establish the quantity of produce it contracts and the associated delivery schedules, it is not able to regulate inflows of consigned product. Thus, in times of oversupply and decreased prices, it is hard pressed to respect announced floor prices which may be considerably higher than prices achieved for consigned product.

12. These pricing and contractual issues are clearly intertwined with NAMBOARD's regulation of vegetable imports from RSA. It is hoped that these two critical studies will help put Swazi horticultural marketing on a more solid ground, to the benefit of producers, marketers and consumers.

13. LUSIP commercial gardens marketing strategy: The consultant reviewed a very preliminary commercial gardens draft marketing strategy which had not yet been vetted by the unit head. A few suggestions are hereby offered in view of strengthening the document.

14. It is suggested that the development of the final draft of the horticultural marketing plan be postponed pending the distribution or elaboration of key documents which should feed into the strategy. The conclusions of the FAO-funded study on the competitiveness of Swaziland's horticultural sector, the institutional assessment of NAMBOARD and the soon to be started pricing study by the RFEDP are all extremely relevant. Moreover, the development of a detailed training plan and a programme to rehabilitate the KK pack house should be conducted prior to drafting the marketing strategy.

15. The strategy should provide a historical overview of the horticultural sector in Swaziland. This section should cover national production volumes of key crops over time, monthly variations in supply and price, historical price trends, and average yields of different crops. Monthly import statistics over time for different vegetables should be detailed. A sub-section on historical exports would be helpful. Because of the preponderant role played by low cost imports from RSA in the structure, conduct and performance of the national horticultural market, a paragraph detailing the roles of NAMBOARD as market regulator, market participant and provider of horticultural extension services would be useful. It is important to characterize the market. It is one of high price sensitivity where the majority of consumers' purchasing decisions are driven by price and prevailing prices are greatly influenced by third grade product which is "dumped" on the market from RSA.

16. The strategy would greatly benefit from a summary of experiences to date by other projects and programmes promoting horticultural production in Swaziland. How have these fared? What have been the major challenges and success stories garnered from these endeavours? What are the lessons learned that need to be applied to LUSIP's strategy?

17. The document needs to detail realistic production and marketing objectives as, currently, only a projected 5% increase in revenue is mentioned. What quantities are expected by month over the coming two to three year period? What are the objectives in terms of percentage of first and second grade product over time? What are the price expectations for the different grades and the associated revenue projections?

18. A section should be devoted to LUSIP's strategy to train up farmers in horticultural production, post-harvest handling and business management skills (at least for the FC farm clerk and supervisor). Because production for market is a new activity for the overwhelming majority of farmers who will participate in the scheme, a key success factor will be a well-considered, realistic and detailed training plan. In fact, ideally the training plan should precede and then feed into the marketing strategy. The training plan would cover inter alia materials to be developed in support of the training (posters, fact sheets, laminated flip charts etc.), the use of demonstration plots, a preliminary schedule of visits based on production schedules, the possible mobilization of NAMBOARD extension personnel in support of the LUSIP project. There is a wealth of relevant information on training on the internet and consulting these sources is advised.

19. Obviously, a clear definition of the future role of the KK pack house is fundamental to the development of the marketing plan. LUSIP envisages rehabilitating the KK pack house to process vegetables from LUSIP FCs (and presumably those from current KK members). Preliminary to the development of any rehabilitation plan, KK must obtain written authorization from the Ministry of Agriculture to exploit the unit as a registered company rather than as a cooperative. Secondly, official ownership of the structure must be certified by the ministry. Once achieved, the project needs to consider the nature of LUSIP and its FCs relationship with KK. Will it pay a rent to use the facility or will the FCs assume an ownership stake in the pack house? Who will manage the pack house? How will the structure accommodate both product from LUSIP FC and non-LUSIP FC members? Will products from different FCs be marketed in one lot? Will the pack house process both conventional and baby vegetables? If so, when will baby vegetable production begin? Will conventional vegetables require cold storage? How will product be transported from field to pack house and from pack house to market? How will pack house operations be funded at start-up?

20. There are a host of key issues which must be discussed before entering into detailed discussions with the current KK management and prior to drawing up a rehabilitation plan and associated budget. The pack house feasibility study and business plan elaborated by Technoserve will serve as a very useful resource to both identify further issues needing clarification and as a framework for a possible management structure for the rehabilitated structure. The project may wish to consider using TNS to adopt the study to the KK pack house.

**Additional resources:** electronic copies of some useful documents have been transmitted to the Economic Empowerment team. These are:

1. Horticultural Marketing, FAO Marketing Extension Guide No. 5, 2005 which provides a good overview of key issues.
2. Good Agricultural Practices (GAP) on Horticultural Production for Extension Staff in Tanzania, FAO GAP Working Paper No. 13. Which should be helpful to develop training materials for both NAMBOARD extension staff and FC managers.
3. The Good Life of Chillis, USAID TIPCEE Project, Ghana (no date) which serves as a good example of visual instructional posters
4. Late Blight of Tomato, Potato and Eggplant. Monograph, Dr. Anne Turner, IITA, Malawi which also can serve as an example of extension material aimed at vegetable crop protection.

## **Knowledge Management and Communications**

### **Introduction and Overview**

1. The Knowledge Management Implementation Team (KMIT) is made up of staff from communication, monitoring and evaluation and Information Technology Units. Key challenges recognised by KMIT right from the beginning are that if information is not organised and stored in right formats then it is making it difficult to share. As a result a lot of know-how is lost when people go on vacation, get sick or leave the organisation. This denies individuals and the organisation the power to take knowledge based action. The KMIT has therefore been focusing on organising data and information using data base systems to store collected data and to connect people to share the information. In this regard the information communication technology department has created a central data base system and central filing system. The process of developing an electronic library with support of IFADAFRICA Knowledge Management network is at an advanced stage. Formal links with the national library are being explored. Project site offices are organising all documents so that they are catalogued and stored in a central place. A farmer information system was developed and an M&E data base system was developed. Neither are being effectively utilized.

2. A lot of self-reflection and learning about the project M&E system has been taking place. One of the key observations is that the M&E system appears to be focused on reporting inputs (resources, activities, etc.) and outputs and appears to be missing reporting on processes and impacts. It is therefore planned to develop reporting formats that will correct the situation. It is planned to develop a KM and a communication strategy.

3. Information management appears to have been the strongest part of the LUSIP KM system and as such LUSIP's strength lies in the fact that the KMIT and some staff have a good understanding of the value of putting in place good KM and communications practices. They also appreciate the importance of vetting to ensure that the content placed in the public domain is factually correct and of high quality. However this appreciation has not yet been effectively put into action.

4. The project identified a number of inter-related challenges which can be grouped in three broad categories:

- information and knowledge management
- communications and public advocacy
- organizational issues

### **Information and knowledge management**

5. To overcome the challenges in the area of information and knowledge management, the team is planning to put in place an information and document repository. While this is commendable initiative, for it to be successful, there is a need for everyone to use and contribute to it. This requires that all stakeholders communicate, share and collaborate in an open and transparent manner.

6. A well-structured and fully operative Monitoring and Evaluation system needs to be the cornerstone of this repository. The M & E system should focus on analysis of data collected and documentation of results and lessons. It is agreed that developing new frameworks or strategies (KM, reporting, communication, etc.) will not add value to the project this late in the project life. There are however four key steps that need to be instigated by management:

- i. establish a monthly review of data being entered into the system and follow-up with those who are late
- ii. carry out full data audits on a quarterly basis to ensure that all reports are consistent and have the same base data
- iii. organise the central data base with a strict reporting hierarchy: PDA, Chiefdom, Off-takes (WUAs), balancing dams and farmers companies( sugar, other crops, livestock and other common-interest-groups (CIGs)) and a separate section for activities such as potable water, food gardens, household livestock activities – all should have *permanent unique number*
- iv. standard reports for GoS, the Board, IFAD, EU should be generated by and from the system

7. Before designing and implementing such a repository and definitely before embarking on a costly laborious exercise of scanning all available content, it is paramount for the project to consider the following:

- What are the organization's knowledge needs?
- What knowledge assets or resources does it have and where are they?
- What gaps exist in its knowledge?
- How does knowledge flow around the organization?
- What are the blockages that prevent knowledge from flowing across the organization ( people, process, technology )?

8. Answering the above questions is vital because it provides a comprehensive picture of strengths and weakness, thus enabling everyone to focus their efforts in the right direction. Furthermore, by answering these questions, the project will have to:

- analyze key documents and current information systems
- interview a representative cross-section of staff
- analyze information and knowledge flows
- develop knowledge and social maps (to know who has what knowledge and who needs what type of information/knowledge)
- create an action plan

9. Once the above questions are answered, a clear picture of the knowledge structure will start emerging, and using these results the project will be able to:

- establish processes to tackle the identified shortcomings.
- understand what type of knowledge is being effectively managed and the what improvements are required.
- identify what knowledge is needed to support overall organizational goals and individual and team activities.
- identify the untapped knowledge.
- clearly understand the knowledge and communication flows and networks.
- have a comprehensive inventory of knowledge assets, giving a clearer understanding of information/knowledge flow and usage and how it contributes to improve organizational performance.

10. LUSIP team may wish to consider reviewing and using “mainstreaming knowledge management at SWADE” document prepared by P. Mamba, P. Mnisi, I. Dlamini, L. Kota and G. Hlophe as a starting point.

11. Furthermore, it would be highly beneficial for the team to expand their KM network and join the Knowledge Management for Development on-line group at the following urls. This community is an invaluable resource where LUSIP colleagues can share their challenges, ask questions and have immediate and instantaneous feedback:

- KM4Dev community: <http://www.km4dev.org>
- KM4Dev group on Africa: <http://www.km4dev.org/group/km4devforafrica>
- on-line email group: <http://dgroups.org/Community.aspx?c=038278af-a7cd-4c4e-bed0-ac8ea0b7b57f>
- link up with IFADAFRICA KM network to analyse and document this case on e-libraries.

12. It is equally important for the team to draw on the knowledge and capacity of other IFAD-funded projects such as the Rural Finance and Enterprise Development Programme (RFEDP) and other local actors.

### **Instilling a culture of learning and sharing**

13. LUSIP staff understand the value of learning and the fundamental role it plays to ensure projects are effective and efficient. What seems to be lacking is a vision for learning and a learning strategy. This requires both leadership and the rest of the workforce to believe, embrace, practice and communicate the values and principles of learning and sharing and put in place a conducive and transparent learning agenda with clear and time-bound deliverables

14. Leadership should recognize the:

- purpose and reason for learning (why learning is important)
- models, methods, and competencies required (how and what)
- need to create spaces for learning (where and when)
- need to include KM and learning related activities in project staff terms of reference

15. To instil a culture of learning and sharing it is necessary for leadership to:

- breakdown silos and minimize unnecessary levels of hierarchy
- put in place and foster use of communication systems that facilitate the lateral transfer of information and knowledge across formal structural boundaries
- support the workforce to do what they excel in and build their capacity where needed
- provide the workforce equitable opportunities for learning and sharing
- champion and role model “sharing is power” paradigm
- institutionalize learning and sharing techniques such as seminars, exchange visits, hand-over notes

16. Project staff need to contribute to the learning agenda by:



- reflecting on, documenting and sharing their experiences and activities. This will allow everyone on the team to keep abreast with what is happening within the project
- celebrating achievements as a team
- tackling challenges collectively by providing advice and guidance thus avoiding falling in the trap of reinventing the wheel continuously providing constructive feedback and circumvent the derailing of project activities

17. It proposed to strengthen and even formalise linkages with LUSIP- GEF. The LUSIP M&E coordinator has been supporting the LUSIP- GEF process of developing a learning oriented M&E system. It is recommended that this arrangement continues and be formalised if necessary. It is particularly recommended that the LUSIP Monitoring and evaluation coordinator in coordination with the RFEDP project manager should participate fully in the development of LUSIP-GEF M&E/KM system to ensure the lessons learnt are incorporated.

### **Communications and public advocacy**

#### *Operationalizing the communication strategy and changing public's perception of LUSIP*

18. LUSIP team had developed a comprehensive communication strategy in 2006, underscoring their appreciation and understanding of the importance of communications. The strategy amongst other things called for recruiting a communications officer and conducting a communications audit.

19. It appears that LUSIP was unable to conduct the audit as they could not find a suitable service-provider. To overcome this challenge, SWADE's office of strategy and communication developed a "communications data collection questionnaire" and circulated this internally and to 15 key stakeholders.

20. In the meantime, SWADE/LUSIP has been experiencing negative publicity which needs to be addressed. At this juncture, LUSIP team needs to analyze the results of the above mentioned questionnaire, as it will provide useful information which can identify communication gaps and highlight the needs and requirements for future communications activities.

21. To rebuild the project's image, future LUSIP communication efforts should focus on:

- segmenting the audience base and reaching out to them using the most appropriate tool
- enhancing external and internal communications efforts and putting in place a plan to manage reputational risks to safeguard the project's reputation and correct misconceptions by sharing timely and accurate information
- raising awareness about the importance of communications within the project and SWADE
- raising awareness about all aspects of project's activities
- showing project impact by systematically capturing and widely sharing stories using different communication tools such as radio programme, print media,

social media channels, updating the LUSIP website, regular visits to project sites and interaction with beneficiaries

- putting in place a team of communication professionals preferably with M&E background, strong writing skills, a good understanding of the national media landscape and with good contacts. Should this not be possible draw on the LUSIP/GEF communications resources
- engaging with the media and taking them on media trips so that they can see first-hand the impact of LUSIP activities
- using social media channels to reach out to the younger audience

22. A robust external communication depends on a good internal communication. This is why it is absolutely crucial for LUSIP to:

- put in place an internal communication strategy to keep the workforce informed and of and involved with different activities. This will help get the entire workforce on the same page
- foster seamless information sharing and learning together (see information/KM section)

### **Organizational issues**

23. Despite numerous attempts to clarify the roles and responsibilities of LUSIP and SWADE vis-a-vis KM and communication, there is still some confusion. This has led to delays in the delivery of certain activities and at times “reinventing the wheel”.

24. An example of this was evident when the Mission learnt that SWADE had developed a communication protocol highlighting a number of communications good practices. While these seem to have been shared widely, they do appear to have been internalized nor used (if so the session on effective use of emails, would not have been necessary considering this training was given earlier – it is recognised that follow-training is important but this should be in the context of an overall consolidated programme.

25. To ensure the successful implementation of the KM and communications agenda there is a need for all stakeholders to understand their respective roles and responsibilities. It would be advisable if LUSIP and SWADE leadership put in place an accountability framework outlining responsibilities and timeframes for the different KM and communications deliverables. It is paramount that the teams accept and adhere to this framework and leadership closely monitors progress and takes corrective action as and when needed.