

## SUMMARY

# Annual Action Programme 2019 in favour of the Kingdom of Eswatini to be financed from the 11<sup>th</sup> European Development Fund (EDF)

### 1. Identification

EDF allocation	EUR 16 600 000
Total cost	EUR 16 600 000
Basic act	Commission Decision on the adoption of the National Indicative Programme between the European Union and the Kingdom of Eswatini C(2014)3646 final of 12.06.2014

### 2. Country background

Eswatini is classified as a lower middle-income country: 58.9% of the population live below the national poverty line, unemployment stands at 26% of active population, income inequality remains one of the highest in the world (Gini coefficient 51.5 in 2018; gender inequality index at 0.566, rank 137), largely reflecting high unemployment and unequal distribution of wealth, particularly in rural areas. It is estimated that 30% of the population suffer from food insecurity. Challenges to poverty reduction include slowing economic growth; adverse weather patterns, high prevalence of HIV/AIDS (27%), high inequality, and high unemployment. Inequality is high: the per adult equivalent consumption Gini index stagnated at around 49.0 between 2010 and 2017.

Eswatini is a predominantly rural country and poverty, HIV/AIDS, unemployment and food insecurity are particularly prevalent in rural areas. Lack of access to extension and financial services, inputs and natural resources such as land, water are the key constraints for the rural population.

Exports are an engine of growth for Eswatini but have been declining in the 2000s by 1.5%/year, with a significant decline of 12% in 2018. Trade is highly dependent on South Africa (81% of imports, 67% of exports, World Bank, 2017). Sugar manufactured goods, wood, honey and meats account for 80% of exports. Few large firms do most exports, especially in sugar. A few small and medium enterprises (SMEs) are also exporting from EU cooperation in horticulture and trade facilitation.

### 3. Summary of the action programme

The Annual Action Programme 2019 addresses priorities under the Agriculture focal sector of the 11<sup>th</sup> EDF National Indicative Programme (NIP) for Eswatini through two dedicated Actions: 1) Support to Agriculture value chains via sustainable and inclusive energy investments in Eswatini, and 2) the Eswatini Livestock Value Chain Development Programme.

#### 1) Background

**Support to Agriculture value chains via energy investments:** Eswatini is well-endowed with coal and renewable energy resources but it imports most of its power from South Africa and Mozambique. Eswatini Electricity Company (EEC) is procuring all imports from

Southern African Power Pool. Farmers and agro-businesses are exposed to power cuts/too low voltage in rural areas, long time to connect when launching new businesses and high costs of power with tariff increases of 12-15%/year during the last 5 years.

**Livestock Value chain development:** Despite 80% of rural households owning cattle and goats, for cultural, economic and social reasons, Eswatini is not meeting its allocated quotas for beef exports to international markets and domestic meat demand is met by large imports from South Africa. The livestock value chain currently supports around 62 000 jobs. Eswatini exports of meat and leather products are of small volume but high quality. Local banks are showing interest to provide loans to agri-businesses diversifying from sugarcane. The project will improve livestock production, marketing, investment capacities to unlock this potential.

## 2) Cooperation related policy of beneficiary country

The Eswatini National Development Strategy (NDP) 1997-2022, the 2008 Poverty Reduction Strategy and Action Plan, the National Development Plan and the Strategic Roadmap 2019/2022 foster commercial agriculture recognising that Swazi National Land (SNL) could generate more growth and jobs. These strategies promote business development, ease of doing business, investment and also sustainable energy. The NDP aims for 30% energy consumed sourced from domestic renewable energy and electricity price inflation stabilised to below 8% per year by 2023.

**Support to Agriculture value chains via energy investments:** The Ministry of Agriculture is developing commercial agriculture according to the Strategic roadmap 2019-2022 and the Eswatini National Agricultural Investment Plan (ENAIP) to 2025 - linked to the Malabo declaration to boost agriculture growth. The Ministry for Commerce, Industry and Trade is leading the ease of doing business priority under the strategic roadmap, value addition and industrialisation strategies.

The 2018 national energy policy (NEP) aims to ensure security of supply, stimulate growth especially with private sector participation.

**Livestock Value chain development:** The Eswatini National Agriculture Investment Plan (ENAIP) under the Comprehensive African Agricultural Development Programme (CAADP) promotes a sector wide approach in the agricultural sector, with EU EDF11 funds as a key catalyst. Eswatini subscribes to the Livestock Development Strategy for Africa 2015–2035, African Union, Inter-African Bureau for Animal Resources. Agriculture sector policies (Comprehensive Agriculture Sector Policy (2005), National Food Security Policy for Eswatini (2005), Livestock Development Policy (1995, updated in 2016)) foster the livestock sector to become an efficient and sustainable industry meeting the needs of local and international markets.

## 3) Coherence with the programming documents

Both actions are fully in line with the 11<sup>th</sup> EDF NIP agriculture sector objective of promoting environmentally sound agricultural practices, eradicating food insecurity and contributing to economic growth.

**Support to Agriculture value chains via energy investments:** The programme is aligned with EU communications on energy and energy resilience e.g. governance of the energy union and climate action (Regulation (EU) 2018/1999), EU Adaptation Strategy (COM(2013) 216 final) and the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy (COM(2015) 80 final). This action is fully in line with the European Commission's Communication "A stronger role of the Private Sector in Achieving Inclusive and Sustainable Growth in developing countries" (COM(2014)263 final); the EU Consensus on Development - in particular the "Planet" and "Prosperity" priorities; and the new Africa-Europe Alliance for Sustainable Investment and Jobs.

**The Livestock Value chain development:** is meant to implement the 11<sup>th</sup> EDF NIP agriculture focal sector policy priority and address the institutional, production and marketing challenges holding back Eswatini's agriculture potential, building on previous interventions and promoting environmentally-sound climate change-adapted agricultural practices. It relates to the EU Agenda for Change emphasis on smallholder agriculture and rural livelihoods, formation of producer groups, supply and marketing. This action is in line with the Africa-Europe Alliance for Sustainable Investment and Jobs focused on Africa's economic potential and the mobilisation of the private sector and with the European External Investment Plan (EIP) to encourage investment.

#### 4) Identified actions

The overall objective of both actions is to contribute to inclusive and economic growth and job creation in Eswatini.

The action '**Support to Agriculture value chains via energy investments**' focuses in particular on boosting the sustainable and inclusive development of the Eswatini key agriculture value chains via renewable energy and energy efficiency investments.

The action '**Livestock Value chain development**' specific objectives are to improve smallholder livestock productivity through a more inclusive management of assets at community/household level, promoting inclusive, efficient and transparent markets for livestock products and the establishment of new SMEs along the value chain.

#### 5) Expected results

**Support to Agriculture value chains via energy investments:** the programme will contribute to the improvement of the business environment and to support duty bearers to exert their roles to boost renewable energy and energy efficiency investments. It is expected that it will contribute to increase investments in renewable energy or energy efficiency projects in support of key agriculture value chains, ultimately benefiting smallholder farmers, women, youth and people living in vulnerable situations. Such investments will namely include: autonomous production projects based on renewable power generation (small and medium scale, on and off-grid), energy efficiency projects and independent power producer projects.

**Livestock Value chain development:** the programme is expected to, in relevant pilot communities, implement sustainable rangeland management, contribute to improved capacity of smallholders and improved quality of herds. Smallholders' participation to formal markets on a fair, profitable and equal basis and the offtake of cattle and goats on markets for local consumption and exports will be optimised. Further, the programme will contribute to the establishment of new SMEs and catalyse new investments/credits to livestock value chain SMEs, while contributing to the establishment of a public-private sector dialogue.

#### 6) Past EU assistance and lessons learnt

**Support to Agriculture value chains via energy investments:** The action integrates lessons learnt from on-going AIP programmes (e.g. ElectriFI country windows in Benin, Zambia, SUNREF programme in Africa, etc.). Power generation and access to electricity is rarely a stand-alone action and takes long time for implementation, this action thus favours the involvement of regulators and private sector and addresses strengthening institutional capacity.

**Livestock Value chain development:** Recent lessons learnt from ongoing programmes in the agriculture sector show that to improve productivity in a sustainable manner it is necessary to plan for rangeland management beyond the project lifetime; pilots for smallholder beef fattening have shown that locally available feed resources can be used to viably improve SNL

production; new approaches are needed to improve the herd as the direct supply of quality, drought tolerant animals (Nguni) and the Government Farms (breeding Sisa ranches) are not cost-effective. To develop marketing it is key to integrate local kraal owners as key livestock decision makers on SNL and to realise that dip tank site is where farmers meet.

#### 7) Complementary actions/donor coordination

The programmes will seek to ensure complementary and synergies with other EU-funded programmes in closely related areas.

**Support to Agriculture value chains via energy investments:** the programme will seek to achieve complementarity with other interventions financed in the agriculture sector, such as the High-Value crop programme. Under the country's development policy and for aid effectiveness, NAO at MEPD is organising the donor coordination. The Ministry of Agriculture (MoA) chairs the Agriculture Steering Committee with participation of agriculture/agro-processing stakeholders, including Government departments, development partners, private sector and farmers' organisations. Development partners working to develop agriculture value chains include: IFAD, FAO, China (Taiwan) and NGOs (World Vision, Red Cross, COSPE, ADRA, Catalyse, etc.) and in energy: USAID, UNDP.

**Livestock Value chain development:** The action will link with 11<sup>th</sup> EDF interventions in agriculture: for the use of crop residues for feedstock production, build the Livestock Marketing Information System (LMIS) on the Agriculture Management Information Systems (AMIS), and use climate-smart agriculture practices. It will build on Chiefdom Development Plan (CDP), community mobilisation, public-private sector dialogue and trade facilitation activities of 11<sup>th</sup> EDF bilateral and regional actions covering Eswatini.

#### 4. **Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. Actions under the AAP 2019 shall contain a specific Communication and Visibility Plan to be elaborated at the start of implementation and supported with the budget earmarked in the Action Documents.

Part of the budget might be reserved for a service contract covering visibility and communication activities for all European Union funded activities, including these projects.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Actions and the appropriate contractual obligations.

#### 5. **Cost and financing**

Support to Agriculture value chains via energy investments	EUR 7 450 000
Livestock Value chain development Programme	EUR 9 150 000
Total EU contribution to the measure	EUR 16 600 000



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This action is funded by the European Union

## ANNEX 1

of the Commission Decision on the financing of the Annual Action Programme 2019  
in favour of the Kingdom of Eswatini

### Action Document for "Support to Agriculture value chains via sustainable and inclusive energy investments in Eswatini"

<b>1. Title/basic act/ CRIS number</b>	Support to Agriculture value chains via sustainable and inclusive energy investments in Eswatini CRIS number: SZ/FED/038-585 Financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/location</b>	Kingdom of Eswatini The action shall be carried out at the following location: Eswatini	
<b>3. Programming document</b>	National Indicative Programme (NIP) 2014-2020 for Eswatini	
<b>4. Sustainable Development Goals (SDGs)</b>	<i>Main SDGs:</i> 5 "Achieve Gender equality and empower all women and girls", 7 "Affordable and clean energy", 8 "decent work and economic growth", 13 "Climate action to combat climate change and its impact" <i>Secondary SDGs:</i> 9 "Industry, innovation and infrastructure" 1 "No hunger"	
<b>5. Sector of intervention/ thematic area</b>	Agriculture	DEV. Assistance: YES <sup>1</sup>
<b>6. Amounts concerned</b>	Total estimated cost: EUR 7 450 000 Total amount of EDF contribution EUR 7 450 000	
<b>7. Aid modality and implementation modalities</b>	Project Modality This action shall be implemented in <b>indirect management</b> by the entities selected in accordance with the criteria set out in section 5.4 The contribution of EUR 5 000 000 to the Regional Blending Platform shall be implemented in indirect management by the entities indicated in the appendix 2 to this action document, in accordance with the Regional Blending Platform's award procedure.	

<sup>1</sup> Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

<b>8 a) DAC codes</b>	31120 - Agriculture development 23210 – Energy generation and supply 23110 – Energy policy and administration management			
<b>b) Main Delivery Channel</b>	12000 – Recipient government			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Trade Development	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Link to thematic priority of GPGC multiannual indicative programme: transformation towards an inclusive, green, resource efficient, non-polluting economy and mainstreaming of environmental sustainability. Contribution to the EU Sustainable Energy for All initiative (SE4All) objectives: (i) ensure universal access to modern energy services, (ii) double the rate of improvement in energy efficiency and (iii) double the share of renewable energy in the global energy mix. Investment support for improved access to sustainable energy services.			

## **SUMMARY**

The action aims at strengthening the development of key agriculture value chains in Eswatini (sugarcane, horticulture, livestock), which are the essential sources of growth and jobs for rural areas where the poverty is concentrated. The action does so by addressing one major weakness of these value chains: inefficient and costly energy access, as this weakness is not covered by other actions to boost these value chains' growth and if unaddressed this weakness could undercut the benefits of other actions developing these value chains. This action will thus enable sustainable and inclusive energy investments to strengthen key agriculture value chains in Eswatini. The action aims at consolidating the sustainability and the positive impact of other EU interventions in the agriculture sector of Eswatini which are developing key value chains: horticulture (11<sup>th</sup> EDF High value crop and horticulture programme HVCHP and Water Harvesting, Small and medium earth dams project WHDP), livestock (11<sup>th</sup> EDF Eswatini Livestock Value Chain Development Programme (ELVCDP) and sugarcane (EU budget sugar accompanying measures DCI-SUGAR) and EU aid for trade for Eswatini to seize the benefits of SADC-EU Economic Partnership Agreement (EPA) and of regional integration. All these actions are coordinated to create business and jobs opportunities for small-holders farmers, women, youth, people/groups living in vulnerable situations, especially in rural areas, encourage investment in agriculture, seize the export potential of Eswatini agriculture, and thereby address growth poverty and inequality challenges, in line with the vision of the Strategic Roadmap and the National Development Plan 2019-2022. Getting involved or benefitting from self-generation of renewable energy and energy efficiency investments would enable smallholder farmers, women, youth and people/groups living in vulnerable situations to stay competitive in their current agri-business, to develop new agri-businesses and overall to get new income and jobs. The action will unlock investment in Eswatini's renewable energy and energy efficiency (RES/EE) potential for agriculture value chains through: 1. Improving the business environment, building capacity of all relevant stakeholders and encouraging a lively public-private dialogue in this field; 2. Enabling access to finance for relevant RES/EE projects through creating an Eswatini country window for blending. Technical assistance, capacity strengthening and "integrating"/"catalysing" business ideas on the ground will facilitate the emergence of a pipeline of projects and accompany the public and private stakeholders in implementing the investments backed by the blending component. Realising these RES/EE investments will directly and indirectly enable Eswatini to mitigate and adapt to climate change. The action will mainstream climate-smart agriculture practices and circular economy approach to ensure the best possible benefits for the environment. The action recognises that women, youth and people/groups living in vulnerable situations are facing higher barriers to investment and agri-business opportunities and therefore includes specific objectives and activities to ensure the action is transformative for women, youth and people/groups living in vulnerable situations. The action will be guided by the Agriculture steering committee to enable synergies with the agriculture value chain development strategies and programs. Government and stakeholders will guide the actions through the Ministry of Agriculture and its parastatals involved in sustainable and inclusive development of commercial agriculture, the Ministry of Natural Resources and Energy (MNRE), the Eswatini Energy Regulatory Authority (ESERA), the Eswatini Electricity Company (EEC), the Ministry for Commerce, Industry and Trade, the Eswatini Sugar Association and private sector representatives, including local financial institutions, representatives of the right holders especially women, youth and people/groups living in vulnerable situations.

# **1 CONTEXT ANALYSIS**

## **1.1 Context Description**

Eswatini is classified as a lower middle-income country; 58.9% of the population live below the national poverty line, unemployment stands at 26% of active population, income inequality remains one of the highest in the world (Gini coefficient 51.5 in 2018; gender inequality index at 0.566, rank 137), largely reflecting high unemployment and unequal distribution of wealth, particularly in rural areas. Poverty, HIV/AIDS, and food insecurity disproportionately affect Swazi women. Eswatini's Human Development Index is low compared to its middle-income country status (0.541, rank 148, UNDP Human Development Report, 2017). Access to extension and financial services, inputs and natural resources such as land, water (for people, animals, and crops) are the key constraints for rural people, particularly for population living under the poverty line and women living in vulnerable marginalised situations, especially in the most deprived regions of the country, such as Lubombo and Shiselweni (UN Compilation prepared by the OHCHR for the UPR, 2016).

Sugar is key in Eswatini. It accounts for 10% of employment (17% of formal private sector employment). Sugarcane is produced on 57,000 ha (all irrigated) especially in Lowveld. Eswatini produces 700,000 tonnes sugar/yr, 74% of its agricultural gross domestic product (GDP). It is a globally competitive producers, with yields of around 100 tonnes sugarcane/ha and on average 15 tonnes sucrose/ha. Large private companies and smallholders who have benefitted from accompanying measures to the sugar protocol (DCI-SUGAR) interventions are run along modern business lines, employing high tech irrigation systems. Eswatini sugar industry is second in cost efficiency in Africa after Mauritius and competitive in sugar production costs with Brazil and even more competitive than South Africa.

Exports are an engine of growth for Eswatini but have been declining in the 2000s by 1.5%/year, with a significant decline of 12% in 2018. Trade is highly dependent on South Africa (81% of imports, 67% of exports, World Bank, 2017). Sugar manufactured goods, wood, honey and meats account for 80% of exports. Few large firms do most exports, especially in sugar. A few Small and Medium Enterprises (SMEs) are also exporting from EU cooperation in horticulture and trade facilitation.

Eswatini is well-endowed with coal and renewable energy resources but imports most of its power from South Africa and Mozambique. Eswatini Electricity Company (EEC) is procuring all imports from Southern African Power Pool. In 2016, the total energy supply to the grid amounted to 1,256 GWh with EEC generating 10% (hydro). The cost of electricity imports is negatively impacting the balance of payments, with risks that these will worsen.

Farmers and agro-businesses are exposed to power cuts/too low voltage in rural areas, long time to connect when launching new businesses and high costs of power with tariff increases of 12-15%/year during the last 5 years. Power represented 14-16% of sugarcane production costs in 2012, rising to 24-27% in 2018. Firms with a capacity to access finance have invested to protect their competitiveness: Royal Swaziland Sugar Corporation (RSSC) (65.5 MW, bagasse self-use), Ubombo Sugar Limited (USL) (41.5 MW, bagasse, self-use and on-grid), USA Distillers (2.2 MW, coal-based, self-use), United Plantations (1.5 MW, solar PV, self-use). Smallholders, SMEs, women, youth, and people/groups living in vulnerable situations do not have access to finance or information to equally benefit from renewables or energy efficiency to develop their business.

Current tariff projections indicate that renewable energy production will be cost competitive in a few years (even without purchasing power agreements PPA). European SME Wundersight works to demonstrate the country's solar PV potential (pilot: 100 kW, solar PV, on-grid, constructing a 850kW solar Independent Power Producer (IPP). Eswatini Energy



Regulatory Authority (ERESA) is now tendering for 20 MW of solar PV, 40-50 MW of biomass, to come online in 2020 and 2022.

## 1.2 Policy Framework (Global, EU)

This action will contribute to the **European Consensus on Development**<sup>2</sup> towards achieving the Sustainable Development Goals (SDGs) by 2030, and in particular SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all". The action also contributes to the progressive realisation of the right to an adequate standard of living for all, as laid out in Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR), ratified by Eswatini.

It is aligned with EU communications on energy and energy resilience e.g. governance of the energy union and climate action (Regulation (EU) 2018/1999), EU Adaptation Strategy (COM(2013) 216 final) and the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy (COM(2015) 80 final). It is also in line with the **EU-Africa Alliance for Sustainable Development and Jobs** focused on Africa's economic potential and the mobilisation of the private sector and with the **European External Investment Plan (EIP)** to encourage investment. It aligned with the **EU Global Public Goods and Challenges 2014-2020**, and is guided by the EU strategies to contribute to the Paris Agreement on Climate Change and to promote sustainable consumption and production. It fits with implementing the **Africa Renewable Energy Initiative** of the Africa Union, supported by the EU. It contributes to the Africa-EU Energy Partnership to bring access to modern, sustainable energy services to at least +100 million Africans by 2020 (vs. 2010), focusing on sustainable models.

The action links to the **EU Gender Action plan GAP II 2016-2020**<sup>3</sup>, its thematic priority: "Economic and Social Empowerment", its objectives 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship" and 16 "Equal access and control over clean water, energy, transport infrastructure, and equitable engagement in their management, enjoyed by girls and women". The Kingdom of Eswatini has ratified the **Convention on the Elimination of all forms of Discrimination against Women** in 2004.

The **11<sup>th</sup> EDF National Indicative Programme** (2014-2020) is to address challenges holding back Eswatini's agriculture potential, building on previous interventions and promoting environmentally-sound climate change-adapted agricultural practices. The action is for securing the long-term growth of Eswatini key value chains Sugar, horticulture and livestock that are generating most of the exports of the country. These value chains have been identified as the most promising for job creation and growth in the Eswatini Jobs and Growth Compact. The action will equally support the implementation of the **SADC-EU Economic Partnership Agreement** signed by the EU and Eswatini. The UN Guiding principles on Business and Human Rights will be promoted to ensure the private sector upholds its human rights and social responsibilities under the action and more broadly.

## 1.3 Public Policy Analysis of the partner country/region

**Eswatini National Development Strategy 1997-2022, the 2008 Poverty Reduction Strategy and Action Plan, the National Development Plan (NDP) and the Strategic Roadmap 2019/2022** foster commercial agriculture recognising Swazi National Land could generate more growth and jobs. **These strategies promote business development, ease of doing business, investment and also sustainable energy.** The NDP aims for 30% energy consumed

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<sup>2</sup> OJ C 210 of 30.6.2017.

<sup>3</sup> SWD(2015)182 final of 21.9.2015.

sourced from domestic renewable energy and electricity price inflation stabilised to below 8% per year by 2023.

The Ministry of Agriculture is developing commercial agriculture according to the Strategic roadmap 2019-2022 and the **Eswatini National Agricultural Investment Plan (ENAIP)** to 2025 - linked to the Malabo declaration to boost agriculture growth. The Ministry for Commerce, Industry and Trade is leading the **ease of doing business** priority under the strategic roadmap, value addition and industrialisation strategies. The **SADC-EU EPA** implementation strategy, also aims to boost agro-processing, which will generate new energy demand.

The **2018 national energy policy (NEP)** aims to ensure security of supply, stimulate growth especially with private sector participation. The Ministry of Natural Resource and Energy (MNRE) implements the Energy Regulatory Act and Electricity Act of 2007 setting the obligation to hold licenses for the generation, transmission, operation, distribution, supply, off-grid and mini-grid supply, import or export of electricity, it has regulated the procurement of new capacities. EEC tariffs make large customers (mostly industrial and large commercial) pay true cost-reflective tariffs at peak time during high demand season. For domestic, small commercial and agriculture customers (approx. 70% of total sales), EEC charges much less than it pays to ESKOM. This situation is unsustainable even if common in SADC and COMESA. Energy regulator ESERA is currently studying the cost of service. The **energy master plan 2018** aims to reduce dependency on import electricity and on primary fuels. Under its preferred future scenario, 676 MW of domestic capacity (coal/RES) are required to meet the projected demand and to provide adequate reserves by 2034 (demand is expected to increase from 1,270 GWh in 2014 to 2,648 GWh in 2034). **Eswatini nationally determined contribution** to global climate action under the UNFCCC aims for renewable energy resources up to 50% of the energy mix by 2022. **SE4All Country Action Plan 2014** identified potential investments with internal rates of return (IRR) above 12% (the cut-off opportunity cost of capital in Eswatini according to African Development Bank (AfDB)), with solar power projects at IRR 16-18%. The **national energy policy implementation strategy (NEPIS, 2018)** calls for a policy framework to develop RES, namely a long-term biomass programme and deployment of net metering countrywide from 2021 to 2026-2031. ESERA and EEC with USAID support started to evaluate the capacity of the Eswatini electricity network to absorb intermittent renewables. **Eswatini Independent Power Producer (IPP)** policy was published in 2015. ESERA supported by the African Legal Support Facility (ALSF) intends to develop standardised Purchase Power Agreement and other contracts.

#### 1.4 Stakeholder analysis

**Right holders: Renewable Energy Sources (RES) Businesses:** some South African and EU developers are interested in Eswatini's market potential (Mulilo Energy Partners, Repower SA, JCM Power and Scatec Solar, WunderSight, Ecolibri, etc.). **Sugar value chain businesses:** Independent small growers (with less than 50 ha, 7,000 families, 50,000 people, 22% of sugarcane surface areas) have more than tripled their share of sugar production in 20 years from 8% to 25%, in particular from registering as farmer companies (FCs). In FCs, farmers return their customary land rights to chiefs and get shares of a company over an irrigation perimeter (on average an FC is 80 – 100 ha, up to 650 ha, it gathers 50 shareholders led by a board of directors and a manager runs its operations). Most shareholders collect dividends that contribute to lift them out of poverty. Under the 'Sugar Act', Eswatini Sugar Association regulates production and market all sugar based products. Eswatini Sugar cane growers association represents 13,000 small-scale growers. **Horticulture and livestock value chain actors:** most Eswati households grow rain-fed maize and vegetables on Swazi national land allocated by traditional chiefs (most farm less than 0.5 ha). Parastatal Eswatini Water and

Agricultural Development Enterprise (ESWADE) is replicating the creation of FCs from sugar to these value chains, enabling commercial agriculture through agronomical and irrigation technical assistance, social organisation and business management. ESWADE currently works with 98 FCs (sugar, horticulture), under 3 irrigation projects (KDDP, LUSIP I and LUSIP II) and supported by the 11<sup>th</sup> EDF. Eswatini National Agricultural Union (SNAU) represents agricultural producers with across 7300 members and 17000 farmers registered. Smallholders, **women, youth and people/groups living in vulnerable situations face barriers to investment and entrepreneurship** (Eswatini gender analysis report 2017, FinScope MSMEs annual reports, NDP). **Medium to large private sector** is represented by Business Eswatini. **MSMEs representation is scattered. In livestock, horticulture, the community mobilisation and structuring of Micro, Small and Medium Enterprises (MSMEs)** is being worked on under the Eswatini-EU cooperation programmes to give a greater voice especially to women, youth entrepreneurs and people/groups living in vulnerable situations.

**Duty bearers: Ministry of Economic Planning and Development (MEPD), Ministry of Agriculture (MoA), Ministry for Commerce, Industry and Trade (MCITD)** and their parastatals are mandated for agriculture value chain development. Bagasse, bioethanol and biogas development, the Eswatini Sugar Association and Eswatini Investment Promotion Agency are under the lead of the Ministry for Commerce. The **Ministry of Natural Resources and Energy (MNRE)** oversees the energy sector and distributes water rights, **ESERA and the Eswatini Electricity Company (EEC)** set the level of intermittent renewable generation open for private investment. The parastatal under the Ministry for Finance (MoF) **Centre for Financial Inclusion (CFI)** aims to increase access to finance for rural households and MSMEs. Local banks (Standard Bank, Swazi Bank, First National Bank (FNB), Nedbank, Eswatini Industrial Development Company, FinCorp) have a loan portfolio in agriculture, mainly sugar; some could finance other agri-business and energy with adequate equity/guarantee/senior partners (gearing criteria 30% equity-70% debt is not yet met). Nedbank has invested in one hydro, one solar and three RES projects, it signed loans to FCs set up in the horticulture value chain under the 11<sup>th</sup> EDF financed High Value Crop and Horticulture project (HVCHP). FinCorp, which is 80% owned by the Government, provides debt financing to SMEs in the agriculture sector. The **European Investment Bank (EIB)** is scoping the Eswatini financial market to possibly launch an intermediate concessional lending facility targeting commercial Financial Institutions (FIs) in Eswatini for on lending to SMEs, including in agriculture. EIB would support up to 50% of investment by providing unsecured senior debt with a maturity from 2 to 7 years (1 year grace period). The **Agence française de développement (AFD)** signed a Memorandum of Understanding (MoU) with Nedbank and is now loan guarantor to Farmer companies (FCs) through its credit risk sharing mechanism ARIZ (ARIZ is a special guarantee from AFD). **EU, IFAD** have large programmes to support the agriculture sector. **USAID** supported the energy sector in Eswatini through their Southern Africa Energy Program (SAEP) 2017-2022 with technical assistance, capacity building and regulatory support. In particular, USAID supported the drafting of the Eswatini SIPP policy, NEP 2018 and a study through EEC to assess the capacity of the Eswatini grid to absorb intermittent renewables.

## 1.5 Problem analysis/priority areas for support

### Agriculture value chains are key for rural development and growth but are vulnerable

Eswatini is aiming to get out of a decade of low growth and insufficient poverty reduction. Eswatini agriculture is the mainstay of the economy; farmer companies have lifted rural households out of poverty; sugarcane, horticulture and livestock value chains have a potential to grow further through increased exports; such growth is critical to create jobs, income and growth. The import of electricity is increasing since 2013/14, domestic demand grows and power prices are expected to rise. FCs and MSMEs in sugarcane, horticulture and livestock

value chains could lose competitiveness or even go bankrupt because of the increased imported power costs, low voltage and power outages recurrently occurring in rural areas.

Eswatini rural areas are vulnerable and affected by climate change. Droughts in 2015/16 led to stop domestic electricity production and destroyed agriculture assets and income. Under the current climate change trend, droughts are expected to become more frequent. Domestic generation capacity needs to diversify and agriculture needs to adopt climate resilient practices.

#### Eswatini has a potential for RES/EE investment for agriculture but it is scattered

There are untapped market opportunities (valued USD 13 million in the sugarcane sector alone) for EE investments (e.g. retrofitting of existing water pumps with Variable Speed Drives (VSDs) and other power correction measures). Solar and biomass are viable alternatives to imported electricity. Even if their profitability and sustainability is at stake, most FCs and MSMEs who use electricity for irrigation or agro-processing cannot directly invest in RES/EE for self-consumption or selling the surplus to the EEC as they cannot meet debt-equity requirements of banks.

Private sector is eyeing Eswatini potential in agriculture value chains and energy but due to the small-scale investments (less than USD 10 million), it is difficult to attract foreign financing.

There is a need to bundle smallholders, FCs, MSMEs or to promote partnerships with larger companies to meet the threshold and criteria for them to be capable of self-production or to become IPPs. Experience to develop such bankable projects or how to manage these investments on their behalf is lacking. ESWADE, NAMBoard and private TA providers like RMI Outgrower Development have experience in "bundling" beneficiaries for agriculture production, marketing and processing and they have already started to identify opportunities in solar water pumping or pump retrofitting, but they need to be guided in preparing new bankable investment proposals in RES/EE for agriculture.

#### Lack of previous experience on RES/EE investment, barriers to attract investment

Time to connect to power is a barrier to doing business (World Bank reports). Regulators and agencies have to strengthen their capacity to improve the business environment and coordination; public-private dialogues are ad hoc. Even if Eswatini has an IPP policy in place, regulations around net-metering, wheeling and standardised PPA need to come into force.

Eswatini financial sector is not short of liquidity but banks are reluctant to take full risk exposure in RES/EE investments as they lack the information/expertise for investment appraisal, credit scoring and assessing technical market risks (carrying out the due diligence is seen as difficult as licenses, environmental permits, land rights documents are needed). There are few (partial) loan guarantees available. Banks expressed interested in first loss facilities to help de-risk projects and in syndicating with a financial partner with a "longer term view" to cover those investments which exceed the tenure that the bank can/is willing to offer.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
<u>Regulatory framework</u> : despite the existence of an IPP policy, regulations around net-metering and wheeling are not in place yet. A standardised Purchase Power Agreement is also still to be developed. The absence of such instruments currently holds back investments in the IPP market.	M/L	Provision of technical assistance and policy advice to Eswatini authorities including on increasing the voice of women, youth entrepreneurs and people/groups living in vulnerable situations, developing MSMEs or benefitting from new services in rural areas.
<u>Actors' capacity</u> : Insufficient capacity among small and medium-sized independent farmers to identify and structure RE investments. Insufficient technical capacity among FI staff to assess commercial and financial risks related to solar PV investments.	M	Involvement of a local organisation with a capacity to reach small farmers, women, youth and people/groups living in vulnerable situations, facilitate and promote their grouping or association.
<u>Absorption capacity</u> : limited diversity of bankable projects: in the agriculture sector, there is limited potential in other subsectors than the sugar cane sector. In the sugar cane value chain, most potential investment originates from large independent farmers and milling companies.	M	Provision of technical assistance and advice to Eswatini financial institutions. EU Delegation and technical assistance to closely follow developments in other value chains.
<u>Lack of engineering, financial and business skills</u> : skills mismatch is high in Eswatini	M	Provision of technical assistance to develop some specialised skills in local organisation with capacity to reach small farmers, women, youth people/groups living in vulnerable situations, policy dialogue and coordination with other intervention developing skills and Technical and Vocational Education and Training (TVET).
<b>Assumptions</b>		
<p>The Government of Eswatini remains committed to the NDC and aware of the importance of making the energy sector more resilient to the impacts of climate change.</p> <p>The Government takes necessary fiscal measures to secure the peg to the South African Rand, in line with the 2018-2023 strategy for macro-economic stability and growth.</p> <p>The Government of Eswatini meets the sovereign debt repayment deadlines.</p> <p>The Government of Eswatini is aligned to internationally agreed tax good governance standards and not part of the EU list of non-cooperative jurisdiction.</p> <p>The Government of Eswatini remains committed to improve business environment.</p> <p>Development and Local financing institutions and EU/regional private sector confirm their current interests in renewable energy/agriculture value chains in Eswatini.</p>		

### **3 LESSONS LEARNT AND COMPLEMENTARITY**

#### **3.1 Lessons learnt**

Under the EU Sustainable Energy for All initiative (SE4All), the EU financed a mission (ES-0104 Mission Report - A study for sustainable energy investment in agriculture value chains in Swaziland, 2017) to map the feasibility to exploit Eswatini's RES potential for the benefit of agriculture value chain actors. In 2019, a second mission assessed the Eswatini ElectriFI market potential for RES in agriculture (sugar cane, horticulture, dairy, poultry, meat, forestry value chains) and the rationale and viability of establishing a dedicated ElectriFI-type country window. These missions confirmed such market potential of roughly around EUR 120 million and a funding potential for an EU blending country window of up to EUR 14 million, including concrete opportunities of EUR 11.5 million in sugar VC, for solar PV and biomass co-generation investments requiring extra equity or finance beyond 5 years.

This action integrates lessons learnt from on-going Africa Investment Platform (AIP) programmes (e.g. ElectriFI country windows in Benin, Zambia, SUNREF programme in Africa, etc.). Power generation and access to electricity is rarely a stand-alone action and takes long time for implementation, this action thus favours the involvement of regulators and private sector and addresses strengthening institutional capacity.

The mid-term evaluation of 11<sup>th</sup> EDF interventions to develop the Eswatini horticulture value chains and the programming of an action to develop the livestock value chain are ongoing. Implementation of these interventions, evaluation of the DCI-SUGAR interventions, implementation of allocations to Eswatini under SADC and COMESA aid for trade programmes, all demonstrate that investments in structuring farmer companies, developing marketing and market access locally, regionally and to the EU under SADC-EU EPA, blending grants with local and Development Finance Institutions (DFI) loans/loan guarantees are efficient and effective for Eswatini economy, rural development, women and youth economic and social empowerment and adaptation to climate change. Mobilising parastatals or other organisations with a rural development mandate and community mobilisation know-how is key for coordination, scale and for integrating smallholders, women and youth in businesses and investments. In the absence of such local "catalyser"/"integrator", previous experience shows that interventions would have difficulties in delivering the intended results (9<sup>th</sup> EDF Swaziland Agriculture Development Programme (SADP) project).

#### **3.2 Complementarity, synergy and donor coordination**

There are no EU Member States present in Eswatini. MS missions in Mozambique or South Africa address Eswatini issues and participate in political dialogues. Through work to implement 11<sup>th</sup> EDF agriculture interventions, the Agence française de développement (AFD) has started to act as a loan guarantor for Eswatini horticulture value chain investments; in April 2019, Nedbank passed the AFD due diligence procedure and signed a guarantee agreement with AFD to cover two individual loans, more loans/use of ARIZ (special guarantee from AFD) are in preparation.

Under the country's development policy and for aid effectiveness, NAO at MEPD is organising the donor coordination. The MoA chairs the Agriculture Steering Committee with participation of agriculture/agro-processing stakeholders, incl. Government departments, development partners, private sector and farmers' organisations. Development partners working to develop agriculture value chains include: IFAD, FAO, China (Taiwan) and NGOs (World Vision, Red Cross, COSPE, ADRA, Catalyse, etc.) and in energy: USAID, UNDP.

The Prime Minister's office, MCITD, MoF and their parastatals are developing policies to improve Eswatini's ease-of-doing business conditions which includes ease of access to

electricity as well as investment attractiveness and trade. The EU takes such matters as a priority at its political and policy dialogues. The EU is discussing with the NAO and relevant Cabinet members to consolidate donor coordination on economic governance.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Overall objective, specific objective(s), expected outputs and indicative activities**

The 11<sup>th</sup> EDF NIP 2014-2020 focuses on support to agriculture to eradicate food insecurity while contributing to sustainable economic growth. This action feeds into the NIP goal to establish environmentally sound "high-impact" commodity chains building resilience to climate risks.

**Overall objective: to contribute to inclusive economic growth and job creation**

**Specific objective: to boost the sustainable and inclusive development of the Eswatini key agriculture value chains via renewable energy and energy efficiency investments**

**Value chains considered as key** under this action include sugarcane, horticulture and livestock, in view of their current importance for rural development and trade under SADC EU EPA, as well as their potential for sustainable and inclusive growth and job creation. This list is not limitative; other value chains that could develop with the same characteristics could also be considered as key under this action (e.g. honey).

#### **Outputs expected:**

**Output 1 (O1)** Business environment is improved and duty bearers are supported to exert their roles to boost renewable energy and energy efficiency investments

**Output 2 (O2)** Increased investments in renewable energy or energy efficiency projects in support of key agriculture value chains, ultimately benefiting smallholder farmers, women, youth and people living in vulnerable situations

#### **Targeted investment projects under O2 include namely:**

- Autonomous production projects based on renewable power generation (small and medium scale, on and off-grid)
- Energy efficiency projects
- Independent power producer projects where significant women, youth and people/groups living in vulnerable situations hold a significant role or get significant benefit from.

All targeted investment projects will need to relate to key agriculture value chains and be in line with the UN Guiding principles on Business and Human Rights and other relevant guidelines securing a right-based approach.

Indicative activities to deliver these outputs:

#### **A1. Strengthen the capacity of:**

**- Relevant regulators, policy-makers and Government agencies** (indicatively: MNRE, EEC, ESERA, MoA, MCITD, MoF and their parastatals) to develop or update sectoral regulations, standard contracts and procedures, grid codes for IPPs and captive power systems, financial models, analysis of impact of variable renewable energy on grid stability, processes related to concessions and licenses, processes to conduct environment and social impact assessment of new investments and other **regulatory aspects to improve the business environment for delivering O2;**

**- Relevant public and private stakeholders to conduct a public private sector dialogue improving the business environment for delivering O2.** This activity will also encompass promoting the UN Guiding principles on Business and Human rights;

- **Smallholder farmers, SMEs, women, youth and other people/groups living in vulnerable situations** to seize the agri-business opportunities of RES/EE, to develop projects for O2 and to get access to financial instruments and services;
- **Local financing institutions, business and stakeholders organisations, project developers** for business plan preparation and implementation of O2 investment projects.

Capacity strengthening will take a holistic approach: promoting the implementation of environment and climate-friendly agriculture practices to mitigate environment and climate risks, raising awareness on the best available techniques in terms of designing, building, maintaining, operating and decommissioning RES systems and energy efficiency appliances; promoting the maintenance of systems installed, etc.

#### **A2. Provide necessary technical assistance:**

- **To conduct technical and financial studies, to tailor financial products and services** financed by an ElectriFI type of country window as necessary for realising O2;
- **To enhance the marketing of O2 projects** to potential investors at special events.

Capacity strengthening and technical assistance will particularly aim to stimulate the creation of businesses, jobs and income for smallholder farmers, SMEs, women, youth and other people/groups living in vulnerable situations, by scouting for business ideas in rural areas, mobilising communities, etc.

#### **A3. Set up the ElectriFI type of country window as relevant to deliver O2 and ensure the absorption of this window.**

#### **4.2 Intervention Logic**

The action will address the gaps in the regulatory environment and promote a lively public-private dialogue to lift barriers to private sector investment and boost interest for RES/EE as necessary to unlock the sustainable and inclusive development of Eswatini key agriculture value chains (sugarcane, horticulture, livestock). These value chains concentrate most of the growth and jobs for rural areas where the poverty is concentrated. The development of these value chains to their full potential is currently held back by several challenges. Some on-going actions supported notably by the EU address challenges such as too low agriculture productivity, capacity gaps to access markets, lack of irrigation, etc. Inefficient and costly energy access is another critical weakness not yet covered by any other action to boost these value chains' growth. If unaddressed, this weakness could undercut the benefits of other actions developing these value chains. Moreover, Eswatini needs new investment projects ideas for creating growth and jobs in rural areas. These projects need to integrate or benefit smallholders, women, youth and people/groups living in vulnerable situations to tackle poverty and inequalities. To uplift such project ideas to the level of development required for financing by the country window and investors at large, tailor-made support will be provided to smallholding farmers, farmer companies, women, youth and people/groups living in vulnerable situations with business ideas to help to (a) identify the renewable energy and energy efficient investment potential in their operations; (b) create awareness on the legal and financing requirements of such investments; (c) bundle investment projects so that they meet FIs' criteria; (d) develop bankable investment concepts and applications; (e) provide coaching and monitoring during their investment project implementation when desired or necessary. In this perspective, it is expected to mobilise the know-how of local "catalyser"/"integrator" (a consortium or a single entity selected by call for proposals amongst relevant and interested parastatals, farmers or business organisations, NGOs, international organisations, etc.).



The action will facilitate new financial instruments and know-how that are currently lacking for new investment projects to develop and get financed. The Eswatini AIP country window would support private investments for RES and EE projects (off-grid, mini-grids, on-grid, with or without PPA) providing sustainable power to key agriculture value chains. Such ElectriFI type of instrument shall provide a wide range of financing solutions to help projects overcome obstacles and reach a sufficiently mature stage that could attract private financiers (debt investments, quasi-equity and equity investments, as well as guarantees and development finance loans could be used). In a first phase, the country window could be used by projects or operations in a stage of active development, i.e. which have a completed pre-feasibility study, where sources of finance have been identified (sponsor equity, venture capital) and some pre-development has started. Overtime, thanks to the technical assistance to lenders and borrowers and the "social engineering" delivered by a local institution acting as "catalysers" / "integrators" of the most vulnerable actors of the key agriculture value chains, it is expected that project ideas with a strong potential for inclusive growth and rural development will grow in size, reach maturity and materialise in renewable energy production or energy efficiency investments. The involvement of a local "catalyser"/"integrator" will enable to take forward projects which will directly include women, youth and people living in vulnerable conditions as shareholders (e.g. through the farm companies they belong to becoming an investment partner of such project together with a more "senior" investor, as it has happened for investments in developing land production or irrigation) or as beneficiaries of new jobs (e.g. through being trained for providing maintenance of RES/EE systems in their communities), or as beneficiaries of more secure and more affordable power for their agriculture and agro-processing activities. Overall and in combination with other agriculture sector interventions, the profitability of farms or agribusiness companies will then be increased, the dependency of the country on electricity imports reduced, helping to restore the trade balance of payments and reducing the budget deficit. The enhanced profitability of farms will enable further investments for growth and crop diversification, resulting in broader income and job creation.

#### 4.3 Mainstreaming

**Gender equality and women empowerment (GEWE)/youth employment:** Women farmers and entrepreneurs will specifically be targeted under this action, recognising social norms make it difficult for women to access finance, jobs and business skills. GEWE will be mainstreamed in activities; the log-frame includes disaggregated indicators; GEWE and youth employment will get particular attention during steering committees and meetings. Evaluation, SE4All studies enable to analyse in detail GEWE and youth involvement aspects of EU support to Eswatini's agriculture value chains, including this action. Involving a local "catalyser"/"integrator" with community mobilisation experience and a mandate for financial inclusion and business development of underserved Swazis is critical for this action to be "gender transformative" and to benefit youth. The action will also build on lessons learnt from the on-going CSO project implemented by Bulembu/Catalyse to develop skills and business opportunities for youth by tapping into Eswatini renewable energy potential.

**Climate action and environmental protection:** Eswatini has a minimal hydropower production; adding RES will reduce new imports from South Africa carbon intensive energy mix. Improved access to sustainable energy will help Eswatini to implement its NDC under the Paris Agreement. Developing EE irrigation, promoting climate-smart agriculture practices and circular economy approaches will help to build Eswatini's resilience against climate change and protect Eswatini's environment. New investments will follow existing environmental policy in terms of environmental impact assessments. Project proposal brought to a financial close stage will abide with national and international legislation applicable.

#### **4.4 Contribution to Sustainable Development Goals (SDGs)**

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 5 "Achieve Gender equality and empower all women and girls", SDG 7 "Affordable and clean energy", SDG 8 "decent work and economic growth", SDG 13 "Climate action to combat climate change and its impact" and to secondary SDGs 9 "Industry, innovation and infrastructure" and 1 "No hunger".

### **5 IMPLEMENTATION**

#### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the Kingdom of Eswatini.

#### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 144 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

#### **5.3 Implementation of the budget support component**

N.A

#### **5.4 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>4</sup>.

##### *5.4.1 Indirect management with a Member State organisation*

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria: a) a Member State Agency with expertise in providing technical assistance specialised in sustainable energy technologies and in the preparation of a pipeline of investment projects for financing by an ElectrIFI type of window and b) a specific sector/thematic expertise to successfully deliver the same implementation tasks in other countries in Africa, and the logistical and management capacities based on the entity's regional experience.

This Agency could be contracted through an amendment to an existing contribution agreement or a new contribution agreement.

The implementation of the Technical assistance, to be realised under O1 by this entity entails:

- 1) to support regulators implement regulatory processes to accelerate private investment and to balance the risks for all parties, as intended under O1;
- 2) to facilitate business-to-business contacts, accelerating the development of projects targeted under O2;

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<sup>4</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

3) to act as an honest broker, helping projects under O2 achieve readiness for and access to financing;

4) any other technical assistance to the institutions and agencies involved in the programme that require expertise about renewable energy and energy efficiency solutions, as it would be required for the achievements of the action's objectives.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.4.

#### *5.4.2 Indirect management with the partner country*

A part of this action with the objective of providing capacity building and policy advisory assistance may be implemented in indirect management with the Kingdom of Eswatini according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex- ante all the procurement and grant procedures.

Payments are executed by the Commission.

The partner country shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement to be concluded with the partner country.

#### *5.4.3 Contribution to Africa Investment Platform*

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix 2 to this action document.

The action may contribute to establish a country window under an ElectriFI type of instrument.

#### *5.4.4 Changes from indirect to direct management mode due to exceptional circumstances*

For the purposes of the technical assistance specified under point 5.4.1., in case the preferred implementation modality under indirect management cannot be implemented due to circumstances outside of the Commission's control, procurement of the technical assistance under direct management could be envisaged.

### **5.5 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions:

- a) The Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: South Africa. The supplies originating there shall also be eligible.
- b) The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.6 Indicative budget

The preliminary budget for the action is estimated at EUR 7 450 000 to be fully covered by the resources of the 11<sup>th</sup> EDF.

Budget line	EU contribution (in EUR)
<b>5.4.1 Output O1 - Indirect management with a Member State organisation</b>	
Capacity building and technical assistance (indicative amount)	<b>1 000 000</b>
<b>5. 4. 2 Output O1 - Indirect management with the partner country</b>	
Social catalyser (indicative amount) Grant	<b>820 000</b>
<b>5.4.3 Output O2 - Contribution to the Africa Investment Platform</b>	<b>5 000 000</b>
<b>5.9 Evaluation and 5.10 Audit</b>	<b>200 000</b>
<b>5.11 Communication and visibility</b>	<b>50 000</b>
<b>Contingencies</b>	<b>380 000</b>
<b>Total</b>	<b>7 450 000</b>

## 5.7 Organisational set-up and responsibilities

To implement the action, a two-fold approach has been chosen:

Funds allocated to the Africa Investment Platform will be governed by its established structure. Projects will be selected according to the decisions taken in this order by the Strategic Steering Committee, the Technical Assessment Meeting and Board. The relevant financial institutions will propose the specific governance arrangements. In addition, activities implemented in indirect management by third institutions will be also governed by the specific arrangements defined on the description of the action.

The rest of the action will be guided strategically by the setting up of and Steering Committee. The Steering Committee will be chaired by the Government of Eswatini, and include representatives of the line Ministries relevant to the action, the Private Sector and the EU Delegation.

## 5.8 Performance and Results monitoring and reporting

The organisational set-up and responsibilities for the part of the Action implemented through the Africa Investment Platform (AIP) are those put in place in the context of the AIP.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.9 Evaluation**

Having regard to the importance of the action, a final evaluation will be carried out for this Action or its components via independent consultants contracted by the Commission. A mid-term evaluation may be carried out if the action does not progress according to the initial plan or does not deliver expected outputs.

A mid-term evaluation will address problem solving, learning purposes, and in particular with respect to with its impact on jobs creation. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

## **5.10 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

## **5.11 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that a contract for communication and visibility may be contracted under a framework contract.

## APPENDIX 1 - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain: Main expected results	Indicators	Sources of data	Assumptions
<b>Impact (Overall Objective)</b>	To contribute to inclusive economic growth and job creation	OO.I1. Annual real GDP growth (**EURF1.04) OO.I2. Proportion of population below the national poverty line (by sex/age/location) (**EURF1.01) OO.I3. Nb. households reporting new income and new jobs, by sex/age/location (**EURF2.11) OO.I4. Unemployment rate, disaggregated by sex/age (**EURF1.17)	All OVIs in M&E of Eswatini National Development plan 2018/2022 and UN SDG 2030 reports	<i>Not applicable</i>
<b>Outcome (Specific Objective)</b>	To boost the sustainable and inclusive development of the Eswatini key agriculture value chains via renewable energy and energy efficiency investments	SO.I1. Renewable energy capacity installed (MW) with EU support (**EURF2.10) SO.I2. Yearly volume of credit/investment to key agriculture value chains (sugarcane, horticulture, livestock) SO.I3. Nb. smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land (by sex/age/location) (**EURF 2.3) SO.I4. Nb. of MSMEs receiving EU support reporting the adoption of sustainable consumption and production practices (e.g. water/energy/material efficiency...) (**EURF2.20)	SO.I1, SO.I4: SE4All studies, NDP monitoring SO.I2. MoA, CAADP reports. SO.I3. MSMEs FinScope reports, CAADP monitoring SO.I4. MSMEs FinScope reports	Eswatini strategic roadmap 2019/2022 improving macro-economic conditions, overall investment/business/SME business climate, fostering agro-business growth, introducing a culture of excellence across Ministries and agencies. Youth/women interest in agri-business is sustained, despite other pull factors identified as risks.
<b>Output 1</b>	Business environment is improved and duty bearers are supported to exert their roles to boost renewable energy and energy efficiency investments	O1.I1. Ease of doing business score improvement, esp. score related to access to electricity O1.I2. Status of public private dialogue related to the action O1.I3. Nb. of people trained to sustainable agriculture, circular economy practices by sex/age/status (EURF) (**EURF2.03)	O1.I1 and O1.I2 WB and SB4A reports. O1.I3, O2.I1, O2.I2, O2.I3 SE4All studies and program reports O2.I3. MSMEs FinScope reports.	Continued interest in the proposed activities by traditional authorities, smallholders, women, youth, financing institutions. Duty bearers are supportive of new approaches. Experiences can be scaled-up at regional/national level. Eswatini complies with the criteria to be kept out of Annex II of the Non-cooperative jurisdiction list.
<b>Output 2</b>	Increased investments in renewable energy or energy efficiency projects in support of key agriculture value chains, ultimately benefiting smallholder farmers, women, youth and people living in vulnerable situations	O1.I1. Nb. of firms/individuals that utilise business development services supported by the EU by sex/age/location (**EURF2.03) O2.I2. Nb. of people with bankable business plans prepared, disaggregated by type of investments listed in section 4, sex/age/location O2.I3. Nb. of new loans/equity/guarantees provided from the action, recipients disaggregated by sex/age/location (**EURF2.13)		

## APPENDIX 2 - LIST OF ELIGIBLE LEAD FINANCE INSTITUTIONS

Acronym of Legal Entity	Legal Entity (sub-entities covered (if any) via hyperlink)
ADB	Asian Development Bank
AfDB	African Development Bank
AU-IBAR	African Union
CABEI	Central American Bank for Economic Integration
CIFOR	Centre for International Forestry Research
EBRD	European Bank for reconstruction and development
EIB	European Investment Bank
EDFI	European Development Finance Institutions
EIF	European Investment Fund
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
NEFCO	Nordic Environment Finance Corporation
OIE	World Organisation for Animal Health
SPC	The Pacific Community
SPREP	South Pacific Regional Environment Programme
WBG	World Bank Group (IBRD, IDA, IFC, MIGA, ICSID)
WFP	World Food Programme

Acronym	National Agency, Country
AECID	Agencia española de cooperación internacional al desarrollo, Spain
AFD	Agence française de développement, France
CDP	Cassa depositi e prestiti S.p.A., Italy
COFIDES	Compañía española de financiación del desarrollo, Spain
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, Netherlands
KfW	Kreditanstalt für Wiederaufbau, Germany
PROPARCO	Groupe Agence Française de Développement, France
RVO	Rijksdienst voor Ondernemend Nederland (Netherlands Enterprise Agency), Netherlands
SIMEST	Società Italiana per le Imprese all'Estero, Italy
USAID	United States Agency for International Development, USA



# EN

This action is funded by the European Union

## ANNEX 2

of the Commission Decision on the financing of the Annual Action Programme 2019 in favour of the Kingdom of Eswatini

### Action Document for the "Eswatini Livestock Value Chain Development Programme" (ELVCDP)

<b>1. Title/basic act/ CRIS number</b>	Eswatini Livestock Value Chain Development Programme (ELVCDP) CRIS number: SZ/FED/038-582 financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/location</b>	Kingdom of Eswatini The action shall be carried out at the following location: Kingdom of Eswatini	
<b>3. Programming document</b>	National Indicative Programme (NIP) 2014–2020 for Eswatini	
<b>4. Sustainable Development Goals (SDGs)</b>	Main SDG Goals: 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture Other significant SDGs: 1 (End poverty in all its forms everywhere); 5 (Gender Equality), 8 (Decent Work and Economic Growth); 15 (Life on Land).	
<b>5. Sector of intervention/ thematic area</b>	Sector 1: Agriculture, with emphasis on Food Security	DEV. Assistance: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 9 150 000 Total amount of EDF contribution: EUR 9 150 000	
<b>7. Aid modality and implementation modality</b>	Project Modality <b>Indirect management</b> with the Government of Eswatini	
<b>8 a) DAC codes</b>	31163 Livestock – 60% 31120 Agricultural Development – 20% 32130 SME Development – 20%	
<b>b) Main Delivery Channel</b>	Public Sector Institutions – 10000	



<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<b>x</b>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<b>x</b>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	<b>x</b>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<b>x</b>
	Reproductive, Maternal, New born and child health	<b>x</b>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<b>x</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	<b>x</b>	<input type="checkbox"/>
	Climate change mitigation	<b>x</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<b>x</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Link to 2 thematic priorities of GPGC Multiannual Indicative Programme: i) valuation, protection, enhancement and sustainable management of ecosystems and natural resources and ii) transformation towards an inclusive green resource efficient, non -polluting, economy and mainstreaming of environmental sustainability.			

## **SUMMARY**

The Eswatini Livestock Value Chain Development Programme (ELVCDP) aims to contribute to economic growth and job creation, poverty reduction, gender equality and women empowerment in the country. It aims to create economic opportunities for smallholder farmers, women and youth through strengthening the livestock value chain, following on the national Agriculture Investment plan and on the Africa-EU Alliance. It will support enterprise development, sustainable use of rangeland in poverty-stricken communities and improved access to domestic and international markets, taking advantage of the SADC-EU Economic Partnership Agreement (EPA).

Despite 80% of rural households owning cattle and goats, for cultural, economic and social reasons, Eswatini is not meeting its allocated quotas for beef exports to international markets and domestic meat demand is met by large imports from South Africa. The livestock value chain currently supports around 62 000 jobs. Eswatini exports of meat and leather products are of small volume but high quality. Local banks are showing interest to provide loans to agri-businesses diversifying from sugarcane. The project will improve livestock production, marketing, investment capacities to unlock this potential. To have a multiplier effect on the economy, it will focus on SMEs development along the value chain.

The specific objectives of this action are 1) SO1 Improved smallholder livestock productivity, with a more inclusive management of assets at community/household level; 2) Inclusive, efficient and transparent markets for livestock products; 3) New SMEs established, jobs created in a more sustainable and inclusive value chain. This action links to Eswatini's National Development Plan and turn-around economic strategy up to 2022 and to Africa-EU Alliance, aiming for sustainable and inclusive growth, jobs and investment.

## 1. CONTEXT ANALYSIS

### 1.1. Context Description

Eswatini is classified as a lower middle-income country; **58.9% of the population live below the national poverty line, unemployment stands at 26% of active population**, income inequality remains one of the highest in the world (Gini coefficient 51.5 in 2018; gender inequality index at 0.566, rank 137), largely reflecting high unemployment and unequal distribution of wealth, particularly in rural areas. Poverty, HIV/AIDS, and food insecurity disproportionately affect Swazi women. Eswatini's Human Development Index is low compared to its middle-income country status (0.541, rank 148) (UNDP Human Development Report, 2017). Lack of access to extension and financial services, inputs and natural resources such as land, water (for people, animals, and crops) are the key constraints for rural people, particularly for population living under the poverty line and women living in vulnerable marginalised situation especially in the most deprived regions of the country, such as Lubombo and Shiselweni (UN Compilation prepared by the OHCHR for the UPR, 2016).

**Eswatini enjoys a fairly diversified open economy, with agriculture/sugar value chain as its mainstay** (agriculture, forestry and mining account for about 13% of gross domestic product (GDP); manufacturing - textile and sugar-related processing - represents about 37% of GDP). 70% of the population live in rural areas but few are doing commercial agriculture. 52% women and 48% men relies on smallholder farming for their livelihoods (World Food Programme (WFP), 2017). **Beef value chain is: 2% of GDP and 32% of agriculture GDP** (Value Chain Analysis for Development (VCA4D 2018): the value added created by the beef value chain is around EUR 85 million.

**Agriculture is exposed to droughts, overgrazing, bush encroachment, erosion and invasive species.** In 2015/16, El Niño related drought caused crops and livestock to fail on a massive scale with 160 000 people living in vulnerable situations becoming more food insecure and poorer, important cattle death and agriculture sector taking several years to catch back (Value Chain Analysis for Development (VCA4D), World Food Programme (WFP) and National Disaster Management Agency (NDMA) reports). Overgrazing and poorly managed rangelands have led to a decline in plant species, reduced water infiltration into the soil, an increase in soil erosion, reduced soil nutrients and a negatively altered plant community composition. Siltation dams and rivers fill up with sand and some have dried, areas of palatable grasslands have become barren, invasive alien plant species (*Chromolaena odorata*, *Lantana camara*, *Acacia mearnsii* and *Solanum mauritianum*) are affecting about 44% of all land (Technical assistance support in livestock development in Swaziland, Community rangeland management strategy, 2016).

Poorer rural Swazis live on Swazi National Land (SNL) subject to customary law and administration. With dual legal systems, land disputes are difficult to address, affecting widows or people living in vulnerable situations. Women and girls do not have yet equal opportunities, access to and control over resources, as aimed for with **2010 National Gender Policy** due to prevailing discriminatory clauses and practices. Data is missing on integration of women and youth in agriculture and progress to **Malabo Declaration** goals. Cattle and goats are kept for cultural and economic reasons (including manure, draught power). Men and women may acquire cattle and goats by inheritance, purchase, as marriage payments/gifts. Cattle are traditionally kept in one 'kraal' managed by the homestead head. The dip tank registration system gives a say to one person (male, with higher status in the community) for sales of cattle of other homesteads' members. Women successfully pioneer the development of feedlots (as such activities do not require land); cattle producers and traders are overwhelmingly men's businesses (ILRI 2017).

**Exports are clearly a very important engine of growth for Eswatini** but have been declining in the 2000s by 1.5% per year, to record a significant decline of 12% in 2018. Trade is highly dependent on South Africa (81% of imports and 67% of exports in 2016, World Bank, 2017). Sugar manufactured goods, wood, honey and meats account for 80% of exports. Few large firms do most exports, mostly in sugar. **A few agriculture Small and Medium Enterprises (agro-SMEs) are now also exporting**, with EU and other partners' cooperation in horticulture and for trade facilitation. Smallholders' farmers who are structured as farmer companies gain significant income from exports in sugar, horticulture and livestock value chains, like large producers do, and Eswatini's agriculture exports' volumes produced by smallholders are large. However, rural population cannot set up agro-processing businesses, as faces difficulties to access finance and lacks business skills. The 11<sup>th</sup> EDF High Value Crop and Horticulture Project (HVCHP) is funding pack houses and processing where smallholders' farmers, women and other people living in vulnerable situations manage these as SMEs.

## **1.2. Policy Framework (Global, EU)**

This action will contribute to the **European Consensus on Development**<sup>1</sup> towards achieving the Sustainable Development Goals (SDG) by 2030. It is in line with the **EU-Africa Alliance for Sustainable Development and Jobs** focused on Africa's economic potential and the mobilisation of the private sector and with the **European External Investment Plan (EIP)** to encourage investment. It aligns with the **EU Global Public Goods and Challenges 2014-2020**, and is guided by the EU strategies to contribute to the Paris Agreement on Climate Change and to protect biodiversity/combat desertification, notably the action is not aiming to increase the number of cattle but to promote sustainable rangeland management for protecting ecosystems and climate-smart agriculture practices, enabling household to adapt their cattle production to climate change (in relation to Eswatini's Nationally Determined Contribution (NDC) to Paris agreement, aiming for scaling up investments in managing its ecological infrastructure and landscape).

Eswatini implements the **SADC-EU Economic Partnership Agreement** and COMESA guidelines; it uses aid for trade to export, e.g. deploying ASYCUDA World at all border posts. By maintaining its Foot and Mouth Disease (FMD) free status, Eswatini exports Swazi meat to European Free Trade Area (EFTA).

The action links to **EU Gender Action Plan (GAP) II**<sup>2</sup> (2016-2020), especially objectives 4 (robust gender evidence used to inform all EU actions) and 15 (equal access by women to financial services, productive resources including land, trade and entrepreneurship). It is in line with the Universal Declaration of Human Rights and EU values for human rights, gender equality and women empowerment. It will encourage Eswatini to follow up on the international instruments it has ratified (Convention on the Elimination of all forms of Discrimination Against Women, International Covenant on Economic, Social and Cultural Rights).

The **11<sup>th</sup> EDF National Indicative Programme** (2014-2020) is to address the institutional, production and marketing challenges holding back Eswatini agriculture potential, building on previous interventions and promoting environmentally-sound climate change-adapted agricultural practices. It relates to the EU Agenda for Change<sup>3</sup> emphasis on smallholder agriculture and rural livelihoods, formation of producer groups, supply and marketing. The

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<sup>1</sup> OJ C 210 of 30.6.2017.

<sup>2</sup> SWD(2015)182 final of 21.9.2015.

<sup>3</sup> COM(2011)637 final of 13.10.2011.

**11<sup>th</sup> EDF mid-term review** confirmed the approach to strengthen agriculture value chains (horticulture and livestock) to boost jobs, growth, investment and poverty reduction.

### **1.3. Public Policy Analysis of the partner country/region**

**Eswatini National Development Strategy 1997-2022, the 2008 Poverty Reduction Strategy and Action Plan, the National Development Plan 2019/2022, the Strategic Roadmap 2019/2022** encourage commercial agriculture for growth and jobs, recognising the current underproduction of SNL, which contributes only about 6% to the country's GDP and overall these strategies promote business development and investment.

The **Eswatini National Agriculture Investment Plan (ENAIP)** under the Comprehensive African Agricultural Development Programme (CAADP) promotes a sector wide approach in the agricultural sector, with EU 11<sup>th</sup> EDF funds as key catalyst. Agricultural productivity and growth, public expenditure for agriculture remains low, data is missing about private investment and contribution to poverty reduction (CAADP report 2017). Eswatini subscribes to the **Livestock Development Strategy for Africa 2015 – 2035**, African Union, Inter-African Bureau for Animal Resource. **Agriculture sector policies** (Comprehensive Agriculture Sector Policy (2005), National Food Security Policy for Eswatini (2005), Livestock Development Policy (1995 updated in 2016)) foster the livestock sector to become an efficient and sustainable industry meeting the needs of local and international markets.

Swazi households use SNL as cropland as allocated to them by the chiefs, and communal SNL as grazing land. The EU supports the Government, Land Management Board and traditional authorities to pilot approaches for sustainable land management in line with the FAO voluntary guidelines in 23 communities under 5 chiefdoms. Through EU and other development partners' support, the Ministry of Tinkhundla uses chiefdom development guidelines and some of 392 chiefdoms have a **Chiefdom Development Plan (CDP)**. Women, youth, people living in vulnerable situations access to land depends on the practices, norms, values and judgements of individual traditional leaders (UN Compilation prepared by the OHCHR for the UPR, 2016).

**The 2018 Financial Inclusion Strategy** recognises Micro, Small and Medium Enterprises (MSMEs) key economic role, especially in rural areas. About 26% of MSMEs are involved in agriculture. Eswatini has a moderately well-developed commercial banking sector, yet most firms, including Small and Medium Enterprises (SMEs), have limited access to commercial financing for investment and working capital. Poor business and financial illiteracy of entrepreneurs, a lack of information and experience in assessing SMEs outside of the sugar sector in financial institutions limit access to finance, and the strategy aims to address these.

### **1.4. Stakeholder analysis**

**Right-holders:** 80% of population relies on livestock for food security but inequalities are strong in owning cattle and goats and benefitting from related income. Around 52 000 households (around 30 000 men, 20 000 women led) own 500 000 head of cattle, 38 000 households (15 000 men, 23 000 women led) own almost the same number of goats (2017 Livestock Census). Cattle producers are on average 53 year old, traders 52 and fatteners 47, as it is not easy for youth to do business in this value chain (ILRI 2017). 83% of cattle graze on SNL but productivity is high only on Title Deed Land (TDL). Households own an average of 9 head of cattle, but many own only 2, 90% less than 40 and a few up to 80. Livestock has a strong cultural value (cattle and goats) and provides social status, so urban people as well as 40%-50% of SNL homesteads own cattle (a homestead is a group of households under the authority of one man – in a few cases one woman – as polygamy is common, it may include the households of several wives). Cattle heads are used for draught and manure (VCA4D). The cattle and goats from SNL, TDL and imports from South Africa are processed by

informal slaughters, commercial abattoirs and butcheries. Goats are for self-consumption, butcheries and cultural purposes. Livestock value chain also includes feed producers, leather SMEs.

Duty bearers: Ministry of Agriculture is managing (steering the Eswatini National Agricultural Investment Plan (ENAIIP), agriculture sector, livestock and Sanitary and Phytosanitary measures (SPS) policies implementation), especially through its Department of Veterinary and Livestock Services (DVLS), Department of Land Use Planning and Development; Department of Economic Planning and Analysis and MoA parastatals - National Marketing Board (NAMBoard), Eswatini Agricultural Development Enterprise (SWADE). Ministry of Tinkhundla and Development (developing Community and Chiefdom development plans together with ESWADE); Ministry of Natural Resources and Energy (managing water permits) and Ministry of Tourism and Environmental affairs (promoting landscape approaches, biodiversity protection); Ministry of Commerce, Industry, Trade and its parastatals - Eswatini Investment Promotion Agency, SEDCO (taking forward the Strategic roadmap priority to improve ease of doing business, national value chain development strategies to promote industrialisation, diversified industries and participation of SMEs in manufacturing); Ministry of Economic Planning and Development (with NAO ensuring aid cooperation and Chief economist leading with national development plan implementation and monitoring and SDG related processes); Ministry of Finance and its parastatal Centre for Financial Inclusion; Development finance institutions, non-governmental organisations (NGOs) and international organisations, local financial institutions, private investors, Business Eswatini (local financiers are now required to invest 50% of financial resources mobilised in Eswatini domestically, hence organisations such as Old Mutual and African Alliance have strengthened their investment portfolios in country and are actively investigating opportunities, including in the rural sector).

### **1.5. Problem analysis/priority areas for support**

#### Productivity improvement challenge linked to institutional, environmental and skills issues

- SNL production is marked by high stocking rates, poor nutrition and poor breeding (the previous bull lending programme was not successful, leading to a sub-optimal selection and conservation of indigenous Nguni cattle and goats genetic potential) with low annual offtake; communal grazing resources are seriously mismanaged and exploited; smallholders had losses and are at serious risk of losing further assets in absence of a risk management framework for weather related shocks (African Union (AU) mutual fund to provide parametric insurance covering climate change impact not used; no local insurance products for livestock owners' risks management); limited access to water for livestock;
- Large Government resources are mobilised for SNL livestock producers (for dip-tanks, SiSa farms, etc.) but production and productivity remain low; animal health services for goats are not as developed as for cattle; commercial agriculture skills are to be developed;
- Small-holder farmers use cattle as a source of income, draught power, milk, manure and for cultural obligations, but policies do not integrate all these uses; animal health depends on decisions by households, kraal owners and dip tank veterinary officers from MoA-DVLS but policies and services do not reflect this collective approach.

#### Marketing missing link – Inability to meet international and national market demands

- With the existing herd and abattoirs, it could be possible to market 100 000 cattle/year but many cattle owners do not sell; with only 60 000 cattle/year processed, Eswatini imports from South Africa beef carcasses and cattle to meet domestic and SADC regional demand, which translates in lost job opportunities in Eswatini;
- Exports of fresh beef to South Africa, Norway, Mozambique, Indian Ocean and EU have

been ongoing without interruption for nine years until an FMD scare in September 2017 to March 2018; veterinary services effectively manage trans-boundary diseases, Eswatini could export more quality meat and reach new markets (goats for Middle East)

- Quality of meat is good but local actors are not benefitting from it in terms of income or jobs in absence of effective grading system, pricing information, trust among different actors;
- Smallholders, people living below poverty line, women and youth face additional barriers to markets and are often not leading in farmer companies or businesses.

#### Value addition/job creation challenges

- Poor access to finance for processing, marketing, value addition / inability to present bankable projects for smallholders, people living below poverty line, women and youth; inadequate vocational and enterprise management skills;
- Feedlots have the potential to relieve grazing pressure caused by overgrazing and add value to cattle for sale; pilot feedlots with inclusive financing and innovative feeding methods show profitability, lack of transparency on prices and lack of cattle for sale has constrained feedlots business development in the country;
- Limited innovation (in farming, in products/services/business ideas, such as catering); incomplete understanding of the value chain/market/job creation potential; actors are not focused on business related to high-end or by-products (skins and hides, horns, manure).

## **2. RISKS AND ASSUMPTIONS**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Limited institutional capacity to manage the changes required; insufficient cooperation by Ministries, public and private actors; social conflicts within communities or between value chain actors	M	Strategically use technical and steering committee meetings and technical assistance; relate with public-private sector dialogue platforms; work with pilot communities where there is interest for new approaches and with a potential for scale-up at regional/national level
Traditional Authorities not supportive of project strategy; smallholders not commercialising off-take	M	Ensure community mobilisation across activities; use Chiefdom Development Plans (CDP) where these exist already; strengthen market linkages to ensure tangible benefits
Natural disasters of medium and high impact, especially drought	M	Support early warning, preparedness for climate change; involve communities to take actions of their own choosing to manage perceived risks
Limited involvement of women, youth, people living in vulnerable situations due to cultural perceptions, the pull effects of urban areas; other vulnerabilities	M	Explicitly foster the participation of women, youth, people living in vulnerable situations, women and men with less status or power in the design of activities and in the transparent, fair and effective platforms for public-private dialogue set up under the action; measure effectiveness of this approach with M&E using disaggregated data

Lack of support by financial institutions towards livestock enterprises	M	Financial institutions interest is present and growing in other sectors (horticulture, pilot feedlot) and can increase; expected opening of new financial instruments from FIs (EIB, AFD) and the EIP , involvement of the Centre for Financial Inclusion in the action
<b>Assumptions</b>		
<p>Profitable markets remain available for livestock and livestock products from Eswatini despite competition from South Africa or other SADC Member States.</p> <p>No major regional/transboundary disease outbreaks; no major drought.</p> <p>Eswatini strategic roadmap 2019/2022 improving macro-economic conditions, overall investment/business/SME business climate, fostering agro-business growth, introducing a culture of excellence across Ministries and agencies.</p> <p>The legal framework in place allows women to take full advantage of the programme.</p>		

### 3. LESSONS LEARNT AND COMPLEMENTARITY

#### 3.1. Lessons learnt

To improve productivity in a sustainable manner: one TDL farm practices high density grazing, together with neighbouring smallholders; it is necessary to plan for rangeland management beyond the project lifetime; pilots for smallholder beef fattening have shown that locally available feed resources can be used to viably improve SNL production; new approaches are needed to improve the herd as the direct supply of quality, drought tolerant animals (Nguni) and the Government Farms (breeding Sisa ranches) are not cost-effective. To develop marketing, it is key to integrate local kraal owners as key livestock decision makers on SNL and to realise that dip tank site is where farmers meet. There is latent private sector/investors' interest: African Development Bank (AfDB) loan to FINCORP is creating new opportunities for rural and SMEs financing, the Memorandum of Understanding (MoU) signed between AfD and Nedbank under the 11<sup>th</sup> EDF HVCHP can be used for backing smallholders business plans in livestock; there are nearby champions in the region (Namibia beef exports; southern Zimbabwe and northern Mozambique goat production).

#### 3.2. Complementarity, synergy and donor coordination

The action will link with 11<sup>th</sup> EDF interventions in agriculture: for the use of crop residues for feedstock production, build the Livestock Marketing Information System (LMIS) on the Agriculture Management Information Systems (AMIS), and use climate-smart agriculture practices. It will build on CDP, community mobilisation, public-private sector dialogue and trade facilitation activities of 11<sup>th</sup> EDF bilateral and regional actions covering Eswatini.

To achieve its SO1, the action will link to: EU Civil Society Organisations- "Cooperazione per lo Sviluppo dei Paesi Emergenti" EU CSO-COSPE project testing eco-business planning of common land, UNDP support to rangeland conservation and community based eco-tourism, Ministry of Tourism and Environmental Affairs (MTEA) leading with the National Climate Adaptation Strategy and envisaging a proposal to the Green Climate Fund including rangeland management. To achieve its SO2, the action will link to: EU CSO-World Vision project promoting Farmer Managed Natural Regeneration approaches (targeting 5 000 households, it assisted in income generating with 4 feedlots in Matsanjeni, Maseyisini and Lubulini, each feedlot with carrying capacity of 50 animals), the Innovative Beef Value Chain Development Schemes International Livestock Research Institute/International Fund for Agricultural Development/Swaziland Water and Agriculture Development Enterprise (ILRI/IFAD/SWADE) and IFAD programme - Small-holder Market-Led Project (SMLP) (2016-2022) (targeting poor smallholders, investing in value chains and chiefdom planning).

To achieve its SO2 and SO3, the action will link to: the SADC-EU EPA implementation, the EU funded Regional Integration Implementation Support Project (RIISP-COMESA) developing a Eswatini leather value chain strategy as the industrial development pillar of the EAC-COMESA-SADC Tripartite Strategy, enhancing industrial productivity and competitiveness by addressing supply-side constraints, promoting linkages among industries and other economic sectors; strengthening skills; the Trade Related Facility (TRF) (EU support to SADC) supporting Eswatini trade facilitation and addressing technical barriers to trade; the 11<sup>th</sup> EDF Support towards industrialisation and the productive sectors (SIPS) in the SADC region enhancing private sector participation in the regional leather value chain with technical missions on-going in 2019 to identify possible activities in Eswatini. Synergies will be sought between the public-private dialogue to be established under this project and the broader in-country public-private dialogue, including on EPA implementation. The work towards O3 will built on SB4A experiences and may be complemented by support from the Trade and Private Sector Development and Engagement Facility (TPSDE).

#### **4. DESCRIPTION OF THE ACTION**

##### **4.1. Overall objective, specific objective(s), expected outputs and indicative activities**

The 11<sup>th</sup> EDF NIP focus is on support to agriculture to eradicate food insecurity while contributing to sustainable economic growth. This action feeds into the NIP goal to establish environmentally sound "high-impact" commodity chains building resilience to climate risks.

**Overall objective: To contribute to economic growth and job creation, poverty reduction, and gender equality and women empowerment in the country**

**Specific Objectives:**

**SO1. *Improved smallholder livestock productivity, with a more inclusive management of assets at community/household level***

**Outputs expected, in relevant pilot communities:**

- 1. Implemented sustainable rangeland management**
- 2. Improved capacity of smallholders, women, youth and people living in vulnerable situations**
- 3. Improved quality and health of herds**

Indicative activities to deliver these outputs:

- rangeland mapping integrating indigenous knowledge and community practices; integrate sustainable rangeland management in the pilot communities' Chiefdom Development Plans,
- run sustainable/rotational grazing on communal lands,
- develop fodder production/trade taking a circular economy approach (e.g. re-using agriculture residues, sugar molasses, etc.) and integrating agro-forestry potential,
- promote climate-resilient watershed interventions, inclusive use of watering points,
- implement the livestock breeding policy to produce better quality, climate-resilient animals,
- organise livestock groups, develop governance and business skills, promote referral to anchor farmers, for successful small-scale farming at household and community levels,
- improve access to strengthened extension, animal husbandry and animal health services,
- capacity strengthening promoting the implementation of environment and climate-friendly agriculture practices to minimise negative impacts of livestock production.



## ***SO2. Inclusive, efficient and transparent markets for livestock products***

### **Outputs expected:**

- 1. Smallholders, women, youth and people living in vulnerable situations participate to formal markets on a fair, profitable and equal basis**
- 2. Optimised offtake of cattle and goat on markets for local consumption and exports**

Indicative activities to deliver these outputs:

- facilitate the involvement of women and youth in contract farming,
- develop and enforce a transparent grading system for livestock and products of animal origin to ensure fair trade within the value chains,
- build skills to improve the quality of products (benchmark to quality standards, SWASA seal, quality meat branding, train on SPS, etc.),
- facilitate commercial contacts with key international markets,
- develop and encourage the use of an ICT-based Livestock Market Information System (LMIS) with information on outputs, inputs, fodder, diseases and rangeland conditions,
- foster the establishment of private sector-led meat marketing services to promote sustainable local production, marketing and consumption of products of animal origin.

## ***SO3. New SMEs established, jobs created in a more sustainable and inclusive value chain***

### **Outputs expected:**

- 1. New SMEs established, with at least half led by women, youth and people living in vulnerable situations**
- 2. New investments/credits to livestock value chain SMEs, creating new jobs**
- 3. Established public-private sector dialogue taking forward the growth of a more sustainable and inclusive livestock chain**

Indicative activities to deliver these outputs:

- implement strategies for value addition, industrialisation, exports of livestock products,
- encourage an open, inclusive and effective public-private sector dialogue on improving the business environment,
- build the business skills and capacity of SMEs,
- catalyse the development of sound business plans (in stall feeding/mini feedlots, cottage industries, abattoirs, leather and hides; branding and marketing, catering, eco-tourism),
- encourage the development of SMEs and jobs related to "circular economy" approaches,
- develop mentoring of enterprises in receipt of loan and mentoring of financed SMEs investment projects in the first years of their operation,
- catalyse private investment through the use of existing and upcoming financial instruments,
- provide technical assistance to local financing institutions and other stakeholders in terms of product development and appraisal of SME business plans in the value chain.

## **4.2. Intervention Logic**

The action is grounded on national, regional and EU policies listed in section 1, recognising that Eswatini's agriculture and agro-processing has much potential for growth and jobs due to a favourable climate, good soils and demand from domestic and international markets. The action also recognises that the current underperformance of the agriculture sector stifles economic growth and development, given the forward and backward linkages with the agro-based manufacturing sector and the large number of Swazi living in rural areas, on subsistence agriculture. The programme thus seeks to address the institutional, production and marketing challenges holding back the livestock value chain: it addresses cattle and goats jointly based on communities' current use of both types of livestock and related untapped potential for new exports/income/jobs/opportunities for women, youth and people living in

vulnerable situations. The action takes a value chain approach to encourage businesses to produce, process, market, export beef/goat meat, leather and feedstock to maximise social, economic and environmental benefits; it builds on the lessons learnt from previous/other interventions; it will particularly aim to ensure a greater access for women, youth and people living in vulnerable situations to business opportunities in this value chain in line with EU GAP II and the rights-based approach; it banks on Eswatini belonging to the SADC-EU EPA and COMESA hence benefitting from trade facilitation measures and access to profitable market; it promotes environmentally sound agricultural practices that mitigate and adapt to the changing climate, that protect biodiversity of rangeland ecosystems by addressing over-grazing and unsustainable use of water, land and bush encroachment and that integrate "circular economy" best practices (e.g. in terms of animal feed production, production of healthier animals whose manure is using for farming, productive use of leather and hides which are currently sent to waste); it is open to linkages with new financial instruments.

Some activities will be nationwide (e.g. developing of marketing or catalysing SME creation/value addition) and some activities will focus on demonstrating new approaches in pilot communities (e.g. rangeland management), aiming for replication/scale up beyond the scope and duration of the action. Pilot communities will be selected in the Shiselweni, Lubombo and Hhohho regions as these are areas best for grazing, feature the highest levels of poverty in the country, and are in great need of diversifying from sugar income. Pilot communities could include communities already participating to Beef Cattle Grazing Management Demonstration to reduce risks identified in section 2. Pilot communities will be selected taking into account that some host a large number of households (around 900 to 1000 households) and can involve people with different social or economic status, some through their existing CDP and others requiring community mobilisation or facilitation by Ministry of Thinkhundla Administration and Development (MTAD). For instance, the following communities could be targeted: Lokhayiza and Siphameni (Kalanga chiefdom in Lubombo region), Vulingcondvo and Kamnyani (Lubulini chiefdom in Lubombo and Shiselweni region), Linkonyane (Mayiwane chiefdom in Lubombo and Hhohho region), Mlindzini, Mahlangatsha chiefdom in Shiselweni and Hhohho regions).

### 4.3. Mainstreaming

As there is a strong risk of excluding women from the most profitable roles in livestock value chain (VCA4D, ILRI) and from participating in household and public decision making, **the project shall adopt a gender transformative approach throughout the implementation of its activities**, e.g. it will improve the use of rangeland not only for the nutrition of livestock but as a source of raw materials as this will mostly benefit the income for rural women; it will develop gender sensitive extension services in line with female farmers' time and travel constraints; it will foster women-led business creation encouraging women and the youth to in processing and value addition through innovatively using meat, hides, and other livestock products to produce processed meat foods, leather and fertiliser products.

**Nutrition and food security – Eswatini National Agriculture Investment Plan (ENAIIP)** integrates nutrition objectives but Eswatini has not achieved self-sufficiency in staple food production nor in beef/dairy production. 26% of children are stunted (WFP, 2018) especially in rural areas (33%). The prevalence of stunting increased from 27% in 1983 to 40% in 2008 but recovered somewhat to 31% in 2010 and since. The high prevalence of stunting is linked to a lack of dietary diversity and poor health, related to high rates of HIV/AIDS. Overall 42% of children under five years and 18% of those 5-11 years have some degree of anaemia. (ENAIIP, 2015). The project will develop Eswatini capacity to meet its local food demand and it will help in jobs creation / income generation for vulnerable groups, like the HIV/AIDS affected population.

**Climate change, biodiversity and environment** – Rangeland (communal grazing areas), predominantly under SNL tenure, is seriously overgrazed – possibly to the extent of 125–130% of its carrying capacity. This leads to soil erosion, an increase in invasive unpalatable species and poor animal performance. The project will work within Chiefdom Development Planning process (CDP) to promote the use of fodder trees and shrubs, improve the management of communal grazing resources, use feeding rations for livestock, systematically promoting climate change adaptation and integrating the best available practices for climate-smart agriculture, circular economy and environment protection. The action will make livestock production on Swazi national land more environmentally performant through good herd management practices. The action monitoring will control impacts in GHG emissions, biodiversity and environment and take corrective measures accordingly.

**Youth unemployment** - The youth unemployment challenge is massive: unemployment stands at 53% for the youth and 46% for women in 2016 (UNDP, Human Development Report). Over 70% of the country's total youth population resides in rural Eswatini, where the Constituencies (Tinkhundla) and Traditional Leaders' structures (Imiphakatsi) are tasked to address poverty. In the 55 Tinkhundla, Youth Associations had been set up to address youth concerns, and they channelled some resources for the Regional Development Fund to communities. To increase impact, the centre for financial inclusion is now the lead agency for developing access to finance for underserved people like the youth and this action will build on such role of the CFI to create business opportunities for youth.

#### **4.4. Contribution to SDGs**

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture, SDG1 End poverty in all its forms everywhere, SDG5 Achieve gender equality and empower all women and girls, SDG8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, and SDG15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

### **5. IMPLEMENTATION**

#### **5.1. Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

#### **5.2. Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

#### **5.3. Implementation of the budget support component**

N/A

#### **5.4. Implementation modalities for an action under project modality**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>4</sup>.

##### **5.4.1. Indirect management with the Kingdom of Eswatini**

This action with the objective to contribute to economic growth and job creation, poverty reduction, and gender equality and women empowerment in the country, may be implemented in indirect management with the Kingdom of Eswatini according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex-ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex-ante control for procurement contracts above EUR 100 000 (or lower, based on a risk assessment) and may apply ex-post control for procurement contracts up to that threshold. The Commission will control ex-ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300 000 for procurement and for grants.

The financial contribution partially covers for an amount of EUR 2 000 000 the ordinary operating costs incurred under the programme estimates.

The partner country shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement to be concluded with the partner country.

#### **5.5. Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

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<sup>4</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

## 5.6. Indicative budget

	<b>EU contribution (in EUR)</b>
5.4 Indirect management with Kingdom of Eswatini (SO 1 to 3):	8 050 000
<i>Programme estimate</i>	<i>6 050 000</i>
<i>Technical assistance service contract</i>	<i>2 000 000</i>
5.9 Evaluation and 5.10 Audits	400 000
5.11 Communication and visibility	100 000
Contingencies	600 000
<b>Totals</b>	<b>9 150 000</b>

## 5.7. Organisational set-up and responsibilities

The Contracting Authority for the programme shall be the National Authorising Officer. The programme's supervisor will be Ministry of Agriculture supported by relevant Ministries, parastatals and agencies as appropriate (e.g. Ministry of Commerce, Ministry of Finance and their parastatals). The daily management of the programme will be undertaken by the ESWADE, with support from Technical Assistance (long and short-term experts). The programme will be housed within ESWADE.

Responsibility for the implementation, coordination, monitoring and evaluation of the activities will vest in a **Technical Working Group (TWG)**, made up of at least:

- The Director of Veterinary and Livestock Services (Chair) or an alternative representative of the Ministry of Agriculture as relevant and appropriate
- A representative of each of the implementing agencies delivering the activities and objectives of the action
- A representative of the NAO
- A representative of the private sector
- A representative of the right-holders (including women, youth, people living in vulnerable situations)
- A representative of the EU Delegation as an observer
- A representative of the financial institutions

The established agriculture steering committee will provide the strategic and policy coordination of the programme. This Committee is chaired by the Principal Secretary of the Ministry of Agriculture, with possible co-chairing with the Principal Secretary of the Ministry of Commerce, Industry and Trade and NAO involvement to ensure the Steering Committee is inclusive and strategic. The ministries, departments, agencies and non-state organisations who have a mandate to trigger economic growth and job creation, poverty reduction, gender equality and women empowerment should be participating to the Steering Committee or at least informed and consulted. A strong expertise in gender equality, human rights and RBA in the sector will be ensured during the implementation, notably continuing to invite the Deputy Prime Minister office to steering committee, continuing to rely on ESWADE community mobilisation teams with experiences and skills at encouraging women, youth and people living in vulnerable situations participation and leadership and further strengthening the "gender analysis" through M&E activities. The Steering Committee invites development partners as observers, including the EU. It meets at least twice a year to discuss various

programmes' achievements and lessons learnt, coherence within the sector, policy relevant issues and to set strategic orientations.

### **5.8. Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality), relevant national policies/strategies and SDGs indicators.

Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

Any monitoring and evaluation will be gender-sensitive, assess gender equality results and implementation of rights-based approach working method principles (participation, non-discrimination, accountability and transparency) in terms of implementation of the project and project outcomes. Monitoring and evaluation will be based on disaggregated indicators, at least by sex and age. In order to monitor development and inequalities, data/indicators could be disaggregated to include disability, location urban/rural, group etc. when applicable. Key stakeholders will be involved in the monitoring process.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.9. Evaluation**

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to: contributing to gender equality and women empowerment, mainstreaming of climate change and environmental policy objectives, enabling exports, investment, job creation and inclusive growth as these are innovative elements. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action aims to 1) catalyse private sector investment by facilitating access to new financial instruments that may be available in the country and 2) work in pilot communities and through approaches with a potential for scale-up replication of the action at regional/national level.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and

recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract. Indicatively, two contracts for evaluation services shall be concluded under a framework contract, the first one will be launched in the last quarter of 2021 for mid-term evaluation, and the second one in the third quarter of 2024 for final evaluation of the programme.

#### **5.10.Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract. Indicatively, one contract for audit services shall be concluded under a framework contract in the first year of implementation for programme estimates. As for other contracts, it will depend on the risk assessment.

#### **5.11.Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that a contract for communication and visibility may be concluded under a framework contract.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain: Main expected results	Indicators	Sources of data	Assumptions
<b>Impact (Overall Objective)</b>	Contribute to economic growth and job creation, poverty reduction, and gender equality and women empowerment in the country <i>As per section 4 of the Action Document</i>	OO1: Annual real GDP growth (** EURF1.04) OO2: Proportion of population below the national poverty line (by sex/age/location(** EU RF 1.01) OO3: Nominal export growth (** EU RF 1.16) OO4: Unemployment rate, by sex/age/location (**EURF 1.17)	All indicators in Eswatini National Development plan 2018/2022 M&E, UN SDG 2030 reports	<i>Not applicable</i>
<b>Outcome 1 (Specific Objective)</b>	Improved smallholder livestock productivity, with a more inclusive management of assets at community/household level <i>As per section 4 of the Action Document</i>	SO1.I1. Livestock mortality rate SO1.I2. Value added of livestock value chain in % GDP SO1.I3. Ha of land covered by improved rangeland management structures and practices, sustainable water management practices (**EURF 2.04) SO1.I4. Nb. of people trained to sustainable agriculture, circular economy practices by sex/age/status (**EURF 2.03)	All indicators in MoA reports (CAADP monitoring for Ending Hunger by 2025) and VCA4D study (Oct 2018 baseline, to repeat during project).	No major disease outbreaks; no drought. Eswatini strategic roadmap 2019/2022 improving macro-economic conditions, overall investment/business/SME business climate, fostering agro-business growth, introducing a culture of excellence across Ministries and agencies. Profitable markets accessible despite competition from South Africa. Youth/women interest in agri-business.
<b>Outcome 2 (Specific Objective)</b>	Inclusive, efficient and transparent markets for livestock products <i>As per section 4 of the Action Document</i>	SO2.I1. Volume of sales by involved beneficiaries on local markets SO2.I2. Volume and value of livestock exports/imports SO2.I3. Grading system for livestock and meat Marketing Board established by 2022	All indicators in MCITD and MoA reports (NDP, CAADP monitoring for boosting Intra-African Trade in Agriculture Commodities), VCA4D study (Oct 2018 baseline, to repeat during project)	
<b>Outcome 3 (Specific Objective)</b>	New SMEs established, jobs created in a more sustainable and inclusive value chain. <i>As per section 4 of the Action Document Please, see our comments in the section 4.1.</i>	SO3.I1. Nb. households reporting new income and nb. jobs created disaggregated by sex/age (** EU RF 2.11) SO3.I2. Number of new businesses and jobs created in the value chain, disaggregated by sex/age of business owner SO3.I3. Proportion of women/youth in managerial position (in producers' organisations, public private dialogue committees, etc.).	All indicators in MoA and MCITD reports (NDP, CAADP monitoring for halving Poverty through Agriculture by 2025), VCA4D study (Oct 2018 baseline, to repeat during project), FinScope report on financial inclusion/SME creation.	



	Main expected results	Indicators	Sources of data	Assumptions
Outcome 1 - Improved smallholder livestock productivity, with a more inclusive management of assets at community/household level				
SO1. Output 1	Implement sustainable rangeland management in relevant pilot communities	1. Nb of communities and households implementing sustainable rangeland and water management, with an active rangeland management committee (**EU RF 2.04) 2. Nb. of people trained to sustainable agriculture practices by sex/age/location (**EU RF 2.04)	All indicators in Chiefdom Development plans, Project monitoring and evaluation reports. VCA4D study (Oct 2018 baseline, to repeat during project).	Active interest in the proposed activities by traditional authorities, smallholders, women, youth. Duty bearers are supportive of new approaches. Experience in selected pilot communities can be scaled-up at regional/national level.
SO1. Output 2	Improve the capacity of smallholders women, youth, people living in vulnerable situations, in relevant pilot communities	1. Nb of people receiving rural advisory, veterinary and livestock husbandry services with EU support, by sex/age/type of service (**EU RF 2.03) 2. Nb. of people gaining income from livestock value chain with secure customary tenure and/or joining farmer companies, by sex/age/location (**EURF 2.03)		
SO1. Output 3	Improved the quality and health of herds in relevant pilot communities	1. Nb of HH with drought-resistant, healthy, productive animals (**EURF 2.03) 2. Nb of people trained on animal health by sex/age (**EURF 2.03)		
Outcome 2 Inclusive, efficient and transparent markets for livestock products				
SO2. Output 1	Smallholders, women, youth and people living in vulnerable situations participate to formal markets on a fair, profitable and equal basis	1. Nb of farmers accessing Livestock Market Information Systems (LMIS) (**EURF 2.03), by sex/age and location 2. Nb of producer groups/cooperatives having contractual arrangements with marketing agents facilitated with support of this action (**EURF 2.03)	All indicators in LMIS reports, Project monitoring and evaluation, VCA4D study (Oct 2018 baseline, to repeat during project).	Smallholders, women, youth engage in commercial agriculture in addition to keeping livestock for cultural or other uses (manure, draught), cooperation across Ministries, Departments and agencies to enable marketing and exports.
SO2. Output 2	Optimised offtake of cattle and goat on markets for local consumption and exports	1. Nb of business/individuals supported that meet SPS/quality standards or requirements for meat, leather, other products, by sex/age (**EURF 2.03, 2.14 and 2.20) disaggregated by sex and location 2. No. of contracts established with buyers on new regional & international markets		
Outcome 3 New SMEs established, jobs created in a more sustainable and inclusive value chain.				
SO3. Output 1	New SMEs established, with at least half led by women, youth and people living in vulnerable situations,	1. Nb of people trained by the action to engage in income generating activities in the local and regional feed/food processing/leather value chains (**EURF 2.03) disaggregated by sex and location 2. Nb of firms/individuals that utilise business development services supported by EU, by sex/age/service (**EURF 2.03) disaggregated by sex and location	All indicators in SB4A reports, Project monitoring and evaluation, VCA4D study (Oct 2018 baseline, to repeat during project).	Current interest by local and international financiers is reinforced by the action. Women, youth, people living in vulnerable situations take forward their business proposals despite other socio-economic or cultural challenges they may face beyond the scope of the action (e.g. drought, health issues).
SO3. Output 2	New investments/credits to livestock value chain SMEs, creating new jobs	1. Nb of business plans developed with the action, by sex/age/location of owner 2. Nb of new loans provided from the action disaggregated by sex/age/location of recipient (**EURF 2.13)		
SO3. Output 3	Established public-private sector dialogue taking forward the growth of a more sustainable and inclusive livestock chain	1. Status of dialogue, with the representation from all relevant stakeholders, with agreed objectives, progress tracking, meeting at least twice a year 2. Nb of business environment policy actions designed and discussed during the action that facilitate livestock value chain development		