

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



COUNTRY PORTFOLIO PERFORMANCE REVIEW REPORT

KINGDOM OF SWAZILAND

June 2006

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AG	Auditor General
AGOA	African Growth Opportunities Act
APA	Advance Procurement Action
APPR	Annual Portfolio Performance Report
ATC	Agreement on Textiles and Clothing
BADEA	Arab Bank for Economic Development in Africa
BRC	Bypass Resettlement Committee
CBS	Central Bank of Swaziland
CE	Country Economist
CMA	Common Monetary Area
CMP	Comprehensive Management Plan
COMESA	Common Market for East and Southern Africa
CMP	Comprehensive Management Plan
CPIP	Country Performance Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
CTA	Central Transport Authority
DFIs	Development Financial Intermediaries
DO	Development Objective
EA	Executing Agency
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ESW	Economic and Sector Work
EU	European Union
FA	Farmers Association
FDI	Foreign Direct Investment
FINCORP	Finance Corporation of Swaziland
FRP	Full Resettlement Plan
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GOS	Government of Swaziland
HSA	Human Settlement Authority
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICB	International Competitive Bidding
IFAD	International Fund for Agricultural Development
IP	Implementation Progress
KDDP	Komati Downstream Development Project
LDVs	Local Disbursement Vouchers
LUSIP	Lower Usuthu Smallholder Irrigation Project
MDGs	Millennium Development Goals
MICs	Middle Income Countries
MEPD	Ministry of Economic Planning and Development
MOAC	Ministry of Agriculture and Cooperatives

MOF	Ministry of Finance
MOH	Ministry of Health
MOHUD	Ministry of Housing and Urban Development
MONRE	Ministry of Natural Resources and Energy
MOPWT	Ministry of Public Works and Transport
NCB	National Competitive Bidding
NEPAD	New Partnership for African Development
NGO	Non-Governmental Organisation
NIDCS	National Industrial Development Corporation of Swaziland
NSGL	Non-Sovereign Guaranteed Loan
NTF	Nigeria Trust Fund
NTP	National Transport Policy
ODA	Official Development Assistance
PAR	Project-At-Risk
PCR	Project Completion Report
PDA _s	Project Development Areas
PIU	Project Implementation Unit
PPAR	Project Performance Audit Report
PP	Problematic Project
PPP	Potentially Problematic Project
RMC _s	Regional Member Countries
RP	Resettlement Plan
RSA	Republic of South Africa
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SDSB	Swaziland Development and Savings Bank
SEA	Swaziland Environmental Authority
SEB	Swaziland Electricity Board
SIDC	Swaziland Industrial Development Company
SIPA	Swaziland Investment Promotion Authority
SME	Small- and Medium-Scale Enterprises
SNL	Swazi Nation Land
SWADE	Swaziland Water and Agricultural Development Enterprise
TDL	Title Deed Land
UA	Unit of Accounts of the Bank Group
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
UNFPA	United Nations Fund for Population Activities
WFP	World Food Programme
WTO	World Trade Organisation

CURRENCY EQUIVALENTS

(As at 30 June 2006)

Currency:

E	=	Emalangi
1 Emalangi	=	1 Rand
UA 1	=	E 9.92132
US\$ 1	=	E 6.63998

FISCAL YEAR

April 1st – March 31st

WEIGHTS & MEASURES

Metric Systems

The CPPR mission was undertaken on October 17-22, 2005. The mission team was composed of Mr. H. Nyame-Mensah, Chief Transport Economist & Mission Leader; Mr. L. Kiggundu, Senior Transport Engineer; Mr. K. Johm, Chief Agricultural Economist; Mr. P. Agboma, Principal Agronomist; and, Ms. A. Mbowe, Country Economist.

EXECUTIVE SUMMARY

1. Introduction

1.1 This Country Portfolio Performance Review Report (CPPR) provides a detailed assessment of the performance of the Bank Group's portfolio in Swaziland, looking at the overall management of the portfolio, including the quality and health of the portfolio, the age of the projects, constraints affecting their overall performance and possible remedies to the identified generic problems. The CPPR is based on the findings from the CPPR mission undertaken in October 2005 and supplemented by quarterly progress reports and supervision mission reports up to May 2006. Projects reviewed are all in the public sector domain.

1.2 Since the commencement of operations in Swaziland in 1972, the Bank has approved twenty-five (25) projects, four (4) studies and two (2) lines of credit, bringing the number of total approved operations to 31, compared to 29 approved projects in 1998. As of May 31, 2006, total commitment, net of cancellation, had amounted to UA239.9 million, comprising UA186.5 million (77.7 percent) from the ADB window, UA46.7 million (19.5 percent) from ADF, and UA6.7 million (2.8 percent) from NTF. Of the 31 approved operations, 26 have been completed, two lines of credit to the National Industrial Development Corporation of Swaziland (NIDCS) and the Swaziland Development and Savings Bank (SDSB) have been cancelled, and three projects are currently being implemented. Cumulative disbursements currently stand at UA 207.5 million, representing 86.5 percent of the total commitments, net of cancellations.

1.3 The Bank Group's portfolio in Swaziland consisted of three on-going public sector operations, comprising 2 operations in the agriculture sector and one in the transport sector, as of 31 May 2006. Total net commitments for on-going projects amounted to UA64.5 million, comprising UA59.6 million ADB and UA4.95 million NTF resources. The two on-going agricultural projects are the Komati Downstream Development Project (KDDP) and the Lower Usuthu Smaller-holder Irrigation Project (LUSIP) with a commitment value of UA26.9 million, comprising UA21.9 million (ADB resources) and UA 4.95 million (NTF resources). The on-going road project is the Mbabane By-Pass Road Project with a commitment value of UA37.7 million (ADB). Disbursements for the on-going projects amounted to UA32.1 million, with a disbursement/commitment ratio of 49.8 percent.

1.4 The existing Bank's portfolio in Swaziland is well aligned to the country's development priorities and the pillars of the Bank's strategy for the country and its portfolio is considered healthy, with no project at risk. The overall performance has remained satisfactory (2.1), with the IP and DO of 2.1 and 2.3, respectively. The 1998 CPPR, which was the last portfolio review for Swaziland, had also rated the performance of the Bank's portfolio as satisfactory. Overall, there has been progressive improvement in the quality of portfolio as a result of steps undertaken by both the Bank and the GoS to address some of the implementation bottlenecks. However, the portfolio is still characterized by generic problems. These include delays in fulfilment of Bank loans conditions, delays in communication between the Bank and the GoS/EA, difficulties in adhering to reporting requirements (quarterly progress reports), disbursement delays and inadequate skills mix for supervision teams.

1.5 To address some of these generic problems and further improve the quality of the Bank's portfolio, the Bank should strive to ensure that the quality of supervision missions is enhanced by improving the skills mix and strengthening the involvement of the Regional Office in Mozambique. To address the issue of procurement and disbursement delays, the Bank should continue to undertake regular training of project staff on Bank rules and

regulations as well as training in project performance and monitoring systems. An important lesson emerging out of this review is the importance of having better quality projects at entry. This will greatly minimize implementation delays and cost overruns currently being experienced. The observed design problems in the agriculture projects, for instance, largely emanate from the fact that project design is part of project implementation.

1.6 Overall, the capacity of the Government to execute Bank funded projects is satisfactory. This has been attributed to measures undertaken by the Government to strengthen its capacity to manage Bank projects. The Bank also continues to undertake measures to improve the effectiveness of its interventions in the country. This notwithstanding more needs to be done to further strengthen portfolio management so as to achieve sustained development effectiveness, as indicated below.

1.7 **Actions to be taken by the Bank:**

- In future, the Bank should work closely with the GoS to ensure that the agreed timetable for project effectiveness is strictly adhered to and that all critical issues are resolved at the appraisal stage, if possible.
- To minimize GoS/EAs related disbursement and procurement delays, the Bank should continue to undertake regular training and workshops on project implementation and loan administration to ensure that the EAs are familiar with the Bank's rules and procedures.
- To improve the quality of supervision missions, the Bank should adopt a multidiscipline approach to project supervision by ensuring that supervision teams include members of support departments and that the duration of a supervision mission should be aimed at a minimum of ten working days.
- To minimize the reporting and missions burdens on the GoS/EAs, especially in a multi-donor setting, the Bank should also strive to further harmonize its reporting requirements and should coordinate its supervision missions with other development partners.
- To ensure that all these recommendations are effectively implemented, the Bank, with the involvement of the Regional Office in Mozambique, should organize a CPPR workshop in Swaziland to discuss the key elements of the report and the way forward.

1.8 **Actions to be taken by the Government:**

- The GoS should also ensure that the EAs have a clear understanding of their roles in meeting reporting requirements (quarterly progress reports and audit reports). This is especially the case in the Mbabane By-pass Road Project and KDDP.
- To minimize future delays in project effectiveness, the GoS should work to ensure that they are capable of meeting all the agreed conditions and should indicate any concerns at the project preparation, appraisal or negotiations stages. The GoS will have to work closely with EAs to ensure that these conditions are met with minimal delays.
- To be well informed about the portfolio, the GoS should institute its own internal review process, where the Ministry of Finance, Line Ministries and PIUs meet on a quarterly or semi-annual basis to appraise each other on portfolio implementation issues.

1.9 The Boards of Directors are invited to take note of the issues and to consider the recommendations made in this Portfolio Performance Review Report for Swaziland.

I. INTRODUCTION

1.1 Objectives, Structure and Coverage of the Report

1.1.1 The main objective of the Country Portfolio Performance Review (CPPR) is to assess the overall performance of the Bank Group on-going Portfolio in Swaziland with a view to improve the quality and management of the Bank Group's interventions in the country. The report also aims at drawing out lessons towards improving the implementation of the current portfolio and the design of future Bank Group interventions in the country. The report is based on the findings from the CPPR mission undertaken between October 17– 21, 2005, and supplemented by quarterly progress reports and supervision mission reports up to May 2006. All projects reviewed in this report are in the public sector domain. The last portfolio review for Swaziland was undertaken by the Bank in 1998 and its report (ADB/BD/WP/99/05) was presented to the Boards of Directors in September 2000. The reason for the gap between the previous and the current portfolio reviews is partly due to the interruption that occurred, in view of the reallocation to Tunis in February 2003, when by deliberate management's decision, priorities shifted to the achievement of the lending programme for the year, with less attention paid to portfolio reviews and project completion reports (PCRs). A portfolio review could have been undertaken in 2004, but most of the on-going operations at that time had not entered into force and hence could not be rated. During the period in between, however, the Bank's portfolio in Swaziland has been monitored regularly through mid-term reviews and supervision of individual projects.

1.1.2 The Report is structured as follows. In addition to the introduction, this report is composed of six other sections, namely i) review of on-going projects, ii) assessment of management implementation capacity, iii) coordination with other donors, iv) Loan repayment, v) proactive management of the portfolio, and vi) conclusion and recommendations.

Recent Economic Developments

1.1.3 The review takes place at a time when the country is facing a number of challenges. On the domestic front, the country has been experiencing sluggish economic performance, high levels of poverty and inequality, rising unemployment and HIV/AIDS pandemic. The deterioration in real GDP growth from 3.5 percent in 1999 to 1.8 percent in 2005 is a reflection of the low growth rate in FDI, weaker performance of the manufacturing sector and low *agricultural productivity*, particularly on Swazi National Land.¹ The country has also been witnessing a declining trend in domestic investments, rising fuel prices and the decline in demand for the country's exports triggered by the appreciating Lilangeni against major currencies.² The recurrent regional drought has also affected the country's growth performance, especially in the agricultural sector³ and has exacerbated food insecurity in the country. HIV/AIDS still remains a problem in Swaziland with the national prevalence rate of 33.4 percent and the prevalence among women attending antenatal clinic standing at 43 percent.⁴ The pandemic threatens to wipe away the country's development achievements. These challenges are serious and the Bank through its current portfolio is trying to address some of them. Recently, the Bank assisted the country with an emergency relief grant of US\$500,000 to populations affected by the 2005 drought, and is currently preparing a health sector project to assist the country in the fight against HIV/AIDS. The Bank is also preparing private sector projects that will complement

¹ The agricultural and manufacturing sectors are the main drivers of growth in Swaziland. The recurrent drought has affected productivity in the agricultural sector.

² The Lilangeni is pegged one to one with the South African Rand

³ Particularly on the Swazi National Land

⁴ UNAIDS 2006 Global Report on HIV/AIDS

existing portfolio in its efforts to address the issue of unemployment, poverty reduction and growth.

1.1.4 On the external front, the country is witnessing dramatic changes in the world trade regimes, including changes in the EU Sugar regime and the expiry of the Agreement on Textiles and Clothing (ATC). Despite the fact that Swaziland is a low-cost sugar producer, the strengthening of the currency since 2002 has forced some Swazi sugar exporting companies to downsize as external demand diminished. The drought situation has also affected sugar farms in Swaziland. Although sugarcane, largely grown on Individual Tenure Farms, is irrigated, the drought has reduced the amount of water available for irrigation. The two Bank-funded agriculture projects, focusing on irrigation activities in the sugar farms, are aiming to improve sugar production in a global environment of price uncertainty. These developments seek to reemphasize the need for the country to diversify its export markets and products as well as broaden its export base.

1.2 Size and Composition of the Cumulative Portfolio

1.2.1 Since the commencement of Bank Group's operations in Swaziland in 1972, the Bank has approved twenty-five (25) projects, four (4) studies and two (2) lines of credit, bringing the number of total approved operations to 31. As of May 31, 2006, total commitment, net of cancellation, had amounted to UA 239.9 million, comprising UA186.5 million (77.7 percent) from the ADB window, UA46.7 million (19.5 percent) from ADF, and UA6.7 million (2.8 percent) from NTF (see table 1.1 below). This represents a 44.2 percent growth in cumulative commitment from UA 166.4 in 1998. Of the 31 approved operations, 26 have been completed, two lines of credit to the National Industrial Development Corporation of Swaziland (NIDCS) and the Swaziland Development and Savings Bank (SDSB) have been cancelled, and three projects are currently being implemented. The line of credit to NIDCS was cancelled due to lack of sub-projects for financing, whereas, the one for SDSB was cancelled due to failures to fulfil outstanding conditions for lowering its debt/equity ratio to 4:1 as well as SBSB's institutional and management problems. Although the Bank has never had a private sector operation in the country, there is a private sector project currently under preparation. A complete list of approved loans/grants as of May 31, 2006 is provided in annex 2.

Table 1.1: Summary of Bank Group Operations by Financing Instrument (UA million) as of 31 May 2006

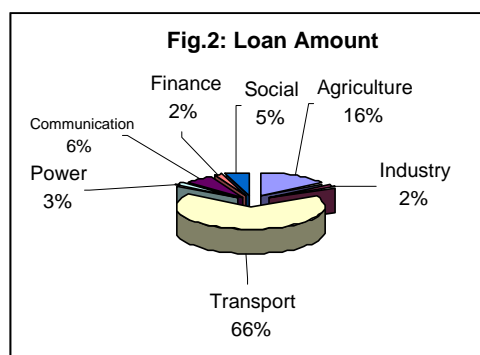
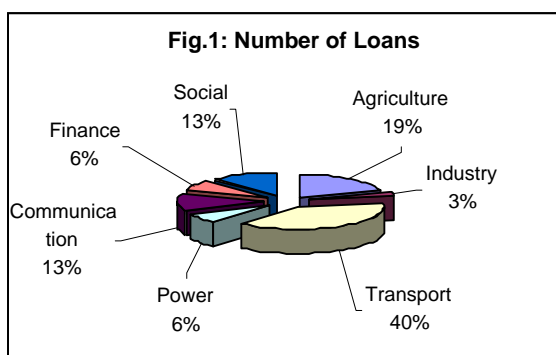
Financing Window	Commitments, net of cancellation	Disbursements	Rate of Disbursement (%)
ADB	186.5	159.0	85.3
ADF	46.7	46.7	100
NTF	6.7	1.7	25.4
Total	239.9	207.5	86.5

1.2.2 As with regards to disbursements, cumulative disbursements for all sectors stood at 85.3 percent, 100 percent and 25.4 percent for ADB, ADF and NTF loans, respectively, at end-May 2006. Since the attainment of a lower middle income country status, Swaziland has only been accessing loans through the ADB and NTF windows. The last ADF loan to be approved was in 1992 and was for the Transport Sector Project (see annex 2). As of May 31, 2006, total cumulative disbursements had amounted to UA 207.5 million, representing 86.5 percent of the total commitments, net of cancellation. Meanwhile, disbursements for the three on-going projects amounted to UA 32.1 million (ADB resources), representing about 49.8 percent of commitments.

1.2.3 The sectoral composition of the portfolio is provided in Table 1.2 and figures 1 & 2 below. In the country, the Bank is a leading actor in both the agriculture and transport sector, as these sectors dominate both in terms of number of loans and loan amounts. As illustrated, the transport sector has 12 cumulative number of loans with net commitment amount of UA 159.5 million (66.5 percent) of which, UA 124.2 million is from ADB window and UA 35.3 million from ADF. The agriculture sector follows with a net commitment of UA 36.9 million (15.4 percent) for the six projects, comprising UA 31.1 million ADB, UA 5.0 million NTF and UA 0.9 million ADF resources. Public utilities sector accounted for 9.2 percent of total net commitment (UA 21.1 million). A total of 6 projects was financed, with two power projects with net commitment of UA 6.2 million (ADB window) and four communication projects with net commitment of UA 15.3 million (of which, UA 14.9 million from ADB window and UA 0.4 million from the ADF window). The Bank's interventions in the social sector amounted to UA 13.0 million (5.4 percent) for the four projects, with two health projects (UA 3.9 million) and two education projects (UA 9.2 million). There was only one project in the industrial sector (2.0 percent) and two in the finance sector (1.6 percent).

Table 1.2: Cumulative Bank Group Operations - Net Commitments As of May 31 2006

Sector	No. of Operations	Net Commitments (UA million)			Total (4) = (1)+ (2)+ (3)	% of total (4)
		ADB (1)	ADF (2)	NTF (3)		
Agriculture	6	31.1	0.893	4.95	36.9	15.4
Industry	1	5.0	-	-	5.0	2.1
Transport	12	124.2	35.3	-	159.5	66.5
Power	2	6.2	-	-	6.2	2.6
Communication	4	14.9	0.4	-	15.3	6.4
Finance	2	3.4	0.5	-	3.9	1.6
Social	4	1.7	9.6	1.7	13.0	5.4
Total	31	186.5	46.7	6.7	239.9	100.0
% of total (4)		77.8	19.5	2.8	100.0	



II. Review of On-going Projects

2.1 The current Bank portfolio is well aligned to the country's development priorities and the pillars of the Bank's strategy for the country covering 2005-2009. As of 31 May 2006, there were 3 on-going public sector operations in Swaziland, comprising 2 operations in the agriculture sector and one in the transport sector. The three operations amount to a total commitment of UA 64.5 million, comprising UA 59.6 million ADB and UA 4.95 million NTF resources (see table 2.1 below). The Bank's portfolio displays attention to selectivity, which is also reflected in the level of investment in these two sectors. The sector with the largest share of allocations is the transport sector, with 58.4 percent of total commitments.

Table 2.1: The Sectoral Breakdown of the Bank Group On-going Portfolio (as at 31 May 2006)

	No. of Operations	Net Commitments (UA million)			Total (4) = (1)+ (2)+ (3)	% of total (4)
		ADB (1)	ADF (2)	NTF (3)		
Agriculture	2	21.9	-	4.95	26.9	41.6
Transport	1	37.7	-		37.7	58.4
Total	3	59.6	-	4.95	64.5	100.0
% of total (4)		92.3	-	7.7	100	

A. The Agricultural Sector

2.1.1 Overview: The country's economy is largely dependent on the agricultural sector. The sector's contribution to GDP currently stands at about 9 percent of GDP and employs 20 percent of the active population. The dual land tenure system affects the productivity of this sector, as communal land (Swazi National Land), which is not irrigated, is used for subsistence farming, whereas private land (Title Deed Land), which is largely irrigated, is used for commercial farming. Sugarcane and maize are two important commercial agricultural crops and the two on-going agriculture projects are into sugarcane production. According to sectoral allocation, the agricultural sector constitutes 15.4 percent of the Bank Group's net commitments in the country. Since its involvement in the agricultural sector in 1975, the Bank has approved 5 projects and one study for the total commitment amount of UA 37.0 million (net of cancellation). Of these five projects, two are still being implemented. The two on-going projects are the Komati Downstream Development Project (KDDP) and the Lower Usuthu Smaller-holder Irrigation Project (LUSIP). LUSIP is co-financed with five other donors, whereas, the Bank is the only donor financing the KDDP. The two operations have a total commitment value of UA 26.9 million, comprising UA 21.9 million (ADB resources) and UA 4.95 million (NTF resources). Both these projects are geared towards poverty reduction through improved agricultural income, enhanced food security and improved access to social services.

A.1 Komati Downstream Development Project (KDDP)

Table A.1.1: Basic Data and Project Objectives

<u>Approved Amount :</u> ADB: UA11.99 million NTF: UA4.95 million Cancelled amount: None Net Commitment: UA16.94 million	<u>Disbursements :</u> Total : UA 8.6 million ADB : UA 8.6 million NTF : 0 Rate of Disbursement : 51.0%	Balance : UA 8.3 million
Approval Date : 12/12/2002	Date of Signature : 20/10/2003	Date of Effectiveness : 18/02/2004
Deadline for Last Disbursement : 31.12.2007 Audit : The audit report for the financial year ended 31 March 2006 yet to be submitted. Progress Reports: Only three quarterly progress reports have been submitted since project became effective	Executing Agency : Swaziland Water and Agricultural Development Enterprise Ltd (SWADE) Date of Last Supervision Mission : 17/10/2005	
<u>Objectives, Description and Components :</u> The overall objective of the project is to reduce poverty through increased household income, enhanced food security and improved access to social and health infrastructure for the rural population of the Komati Downstream Development area. The project will provide the required irrigation systems and infrastructure as well as credit funds to enable smallholder farmers intensify and diversify their agricultural production building on existing market linkages with the private sector. This will be achieved by creating the conditions for the transformation of subsistence level smallholder farmers into small-scale commercial farmers. The KDDP comprises three components with activities in (i) Agricultural Development to develop 4,200 ha of irrigated farms by 27 Farmer associations with credit to the tune of ZAR150 million; (ii) Infrastructure Development to provide basic infrastructure comprising roads, river crossings, electric power transmission, potable water supply and conveyance as well as bulk water supply for irrigation. Specifically the project will provide funds to construct 4 standard river pumps, 18 small river pump stations, 3 mobile pump stations, 60 km of gravel roads opened, 9 water supply systems constructed and/or upgraded, high tension power lines and step down transformers; (iii) Project Management at Tshaneni with training Teams and project Execution by SWADE in Mbabane funded by the Government of Swaziland.		

2.1.2 Compliance with Conditions: Adherence to loan conditions has been less than satisfactory (1.67) since it took about 14 months for the project to be declared effective and about 18 months for other conditions to be fulfilled. As a result, the rating for compliance with general conditions and compliance with other conditions was 2.0 and 1.0, respectively. Nevertheless, project implementation is now well underway with the declaration of project effectiveness by the Bank and the signing of the Credit Administration Agreements by the Ministry of Finance with the selected Development Financial Intermediaries on June 11, 2004.

2.1.3 Procurement Procedures: Procurement of goods and services has also been rated as less than satisfactory (1.5). So far, no procurement activities have been undertaken with respect to civil works (1.0). According to the loan agreement, the procurement of civil works to the tune of UA1.21 million would be carried out by National Competitive Bidding (NCB). However, in order for this procurement to be carried out smoothly, SWADE, the executing agency, needs to prepare a Procurement Plan, undertake a verification of the designs and then proceed with the preparation of the necessary tender documentation for the Bank's 'No Objection'. Procurement of consultancy services has however been rated satisfactory (2.0).

2.1.4 Financial Performance: Financial performance has overall been satisfactory (2.3), with a financial implementation rate of 51.0 percent (in line with physical implementation rate). It should be noted however that a large part of the physical implementation was carried out with

resources from the DFIs and Commercial Banks prior to the Bank's funds being made available. Regarding the availability of funds, both foreign exchange and local currency have been made available in a timely manner, although there have been some disruptions in disbursement flows. The initial delays in the provision of credit to the Farmers' Associations were largely due to lack of clarity on the role of the Executing Agency (EA) in credit administration, procurement and financial administration that resulted in the misunderstandings by SWADE and DFIs on their roles in the project. Despite disbursement delays that occurred due to inadequate preparation of disbursement documents by the EA, UA 8.6 million (about ZAR76.9 million) has to date been disbursed, which is satisfactory. The EA has also not been submitting quarterly progress reports to the Bank on regular basis. As the executing agency of the project, SWADE is required to submit quarterly progress reports to the Bank through the Ministry of Finance (MOF) after review by its Board of Directors and to ensure that annual independent audits of the project accounts as well as those of SWADE are submitted to the Bank within six months from the end of the financial year. The reporting format and the need to meet this obligation have been communicated to the EA.

2.1.5 Activities and Work Programme: The overall implementation of activities in the field is rated as satisfactory (2.0), as the implementation schedule is currently being adhered to and the overall project management is good. Project execution by the EA and the implementation at the field level is also well organised. As of December 31, 2005, physical implementation rate for the project had reached 43 percent, with 3,033 (out of 6,000) hectare of land under sugarcane production. The implementation of Infrastructure Development has however been delayed, since the tendering for the execution of these works has not yet been concluded. Designs and technical studies for these works are to be financed by the GoS in accordance with the Project Loan Agreement and are to be carried out by SWADE. Project supervision by the Bank Group will however need to be improved with longer duration and with better skills mix from 2006 onwards.

2.1.6 Likely Impact on Development: This indicator has been rated as highly satisfactory (3.0). In line with the project's objective of reducing poverty through income generating farming activities, KDDP is already generating income to farmers association (FAs), with 50 percent of the target farming area under production. The FAs are currently realising an income of about E16,565 per ha, which is likely to increase in the near future. At full development, the project is expected to generate on average, annual net income of SZL 70,260 (US\$6,900) for each family household or about per capita of US\$ 1000. The project has already created employment opportunities for over 2500 Swazis and will also provide some institutional capacity building to institutions such as the Development Financing Institutions, project management units and SWADE to effectively discharge their responsibilities. It is therefore expected that once all project activities are completed, the project will improve the quality of life of farmers in the Komati area and contribute to the overall reduction of poverty in the country.

2.1.7 Overall Assessment: The overall performance is rated as satisfactory (2.1) with an IP of 1.9 and a DO of 3.0.

Table A.1.2: Summary of Performance Rating

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	1.67	1.5	2.3	2.0	3.0	2.1

A.2 Lower Usuthu Smaller-holder Irrigation Project (LUSIP)

Table A.2.1: Basic Data and Project Objectives

<p>Approved Amount : ADB: UA9.93 million (ZAR 98.49 million) Cancelled amount: None Net Commitment: UA9.92million (ZAR 88.7 million) The project is being co-financed by six other donors to the tune of UA 62.87 million)</p>	<p>Disbursements : Total : UA 0.00 (ZAR 0.00) Rate of Disbursement : 0%</p>	<p>Balance : UA 9.93 million (ZAR 88.7million)</p>
<p>Approval Date : 27/11/2003</p>	<p>Date of Signature : 25/05/2004</p>	<p>Date of Effectiveness : 13/12/2004</p>
<p>Deadline for Last Disbursement : 31/12/2009 Audit : No outstanding audit report Progress Reports: Submitted regularly, none outstanding</p>	<p>Executing Agency : Swaziland Water and Agricultural Development Enterprise Ltd (SWADE) Date of Last Supervision Mission : 5 May 2006</p>	
<p>Objectives, Description and Components: The project objective is to increase agricultural productivity and raise incomes and living conditions of communities in the project area through the provision of appropriate irrigation infrastructure and social services. The project will enable the target group to move from low income rain fed agriculture to the production of high value crops, consistent with the National Indicative Program for Swaziland. The project will support the development of the water resources of the Lower Usuthu and the provision of irrigation infrastructure and credit funds to enable smallholder farmers to intensify and diversify their agricultural production building on existing market linkages with the private sector. The project comprise four main components: (A) Upstream Works (including the construction of 3 dams) and Water Distribution System, (B) Downstream Development, (C) Environmental Mitigation, and (D) Project Co-ordination and Management.</p>		

2.1.8 Compliance with Conditions: This indicator has been rated as less than satisfactory (1.67), since it took 13 months for the project to be declared effective and more than 24 months for the condition precedent to first disbursement to be fulfilled. Specifically, the two conditions, that is, compliance with condition precedent to entry into force and compliance with general conditions of the loan are rated as satisfactory (2.0), whereas, compliance with other conditions was rated as unsatisfactory (1.0). The conditions precedent to disbursement of the loan proceeds were fulfilled in February 2006.

2.1.9 Procurement Procedures: The performance of this indicator is rated as satisfactory (2.0). The procurement process for the civil works financed by other financiers, especially the three dams and associated structures, have reached an advanced stage. Contract for the Bank Group financed civil structures (weir, intake, sand trap and associated works) has recently been awarded.

2.1.10 Financial Performance: This indicator has been rated as more than satisfactory (2.5). Although the Bank has not yet started disbursing, three other co-financiers are disbursing according to the agreed disbursement plan and thus the given rating. It is expected that the Bank will commence disbursements during the second half of 2006. The first independent audit report of SWADE's overall finances as well as for the project was timely submitted to the Bank in 2005 and the same is expected in 2006. Quarterly Progress Reports are also being submitted timely. To date, twelve such reports have been submitted to the Bank. On the existing financing gap of about US\$27.0, the GoS has reiterated its commitment to meet financing shortfall and would approach other financiers, possibly the Bank Group, for additional funds to bridge the gap, if need be.

2.1.11 Activities and Work Programme: Progress in activities and works has been overall satisfactory (2.0). Implementation of activities in the upstream section of the project, with respect to civil works, and the overall project management are progressing well, but implementation schedule has been affected by delays encountered in the procurement process for these activities.

2.1.12 Likely Impact on Development: This indicator has been rated as satisfactory (2.0). It is likely that the project objective, which is to increase agricultural productivity and raise incomes and living conditions of communities in the project area, would be realised. Implementation of activities in the upstream section of the project is already underway, and will be followed by downstream activities. With the current economic internal rate of return of 6.15 percent, it is expected that once all project activities have been completed (especially the downstream activities) the project will contribute towards improving the quality of life of farmers along the Usuthu River (about 2600 farm families) and also contribute to the overall reduction of poverty in the country. For the sustainability of the project, operations and maintenance tasks will be contracted out to a private water service provider who will finance itself from charges for water supplies to the farm gate.

2.1.13 Overall Assessment: The project is rated as satisfactory (2.0), with both IP and DO being rated satisfactory (2.0).

Table A.2.2: Summary of Performance Rating

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	1.67	2.00	2.50	2.00	2.00	2.00

B. The Transport Sector

2.1.14 Overview: Given the landlocked nature of the country, the transport sector plays an important role in the national economy. The transport system in Swaziland is made up of the about 3,165 km of roads, 301 km of railway, an international airport at Matsapha and 11 air strips. The transport system constitutes a vital link and service provider in the national economy as it facilitates the movement of goods and services within the country. It also contributes to tourism development as in Swaziland about 80 percent of foreign tourists arrive by road from or through South Africa and Mozambique. Over the past five years, its share to GDP averaged at about 3.5 percent.

2.1.15 The Bank's involvement in the transport sector commenced with its first loan in 1975. So far, the Bank has made substantial contribution to this sector as it has undertaken a total number of 12 operations with a net commitment value of UA 159.5 million. In terms of sectoral allocation of resources, the transport sector constitutes 66.5 percent of the Bank Group's net commitments in the country. Currently, there is one on-going project, the Mbabane By-Pass Road Project. This operation has a commitment value of UA 37.7 million (ADB resource only). The objective of this project is to improve the road network and contribute to poverty reduction and private sector promotion.

B.1 Mbabane Bypass Road Project

Table B.1.1: Basic Data and Project Objectives

Approved Amount : ADB: UA37.7million Cancelled amount: None Net Commitment: UA37.7 million	Disbursements : Total : UA 23.6 million Rate of Disbursement : 63.0%	Balance : UA 14.1 million
Approval Date : 17/12/2003	Date of Signature : 25/05/2004	Date of Effectiveness : 18/08/2004
Deadline for Last Disbursement : 31/12/2007 Audit: Audit Report of March 31, 2006, covering 2004/05-2005/2006 is yet to be submitted. Progress Reports: One quarterly progress report submitted since the project became effective.	Executing Agency: Roads Department, Ministry of Public Works and Transport Date of Last Supervision Mission: 18/04/2006	
Objectives, Description and Components: The project objective is to improve the quality of transport service levels and reduce vehicle operating costs on the Mbabane Bypass. The project comprises the following components: a) Upgrading 5-km of existing two-lane paved road and construction of 6-km road to 50-mm thick asphalt concrete dual carriageway (2x7.0-m lanes per direction) and 2.0-meter wide paved shoulder on each side of the Mbabane Bypass (total length 11 km); b) Consultant services for the supervision of the civil works; and, c) Project audit services. When completed, the project is expected to contribute towards providing an efficient and cost-effective transport system for both national and international traffic within the country. The outcomes of the operation will include an increase in the upgraded roads in Swaziland by 10 per cent in 2006, and an overall growth in traffic by 4 per cent.		

2.1.16 Compliance with Conditions: Compliance with conditions precedent to entry into force has been rated as satisfactory (2.3), as the GoS timely complied with all the conditions i.e. Conditions precedent to entry into force, General Conditions Applicable to Loan Agreements and Agreements of the Bank Conditions precedent to first disbursement by (i) assigning an engineer of qualifications and experience acceptable to the Bank to act as project coordinator (ii) giving an undertaking to implement the Environmental Comprehensive Management Plan (CMP) and the Full Resettlement Plan (FRP) according to SEA regulations (iii) submitting documentary evidence that the affected people will be compensated and (iv) submitting documentary evidence that all land and road reserves required for the project will be acquired. All these conditions were fulfilled in less than twelve months after the loan was approved. However, there were some delays in meeting the ‘other condition’ (making adequate arrangements to relocate services -water, electricity, telephone etc), which are already having a knock-on effect on implementation progress.

2.1.17 Procurement Procedures: The procurement of goods and works as well as the consultancy services have both been rated as more than satisfactory (2.5). The procurement for consulting services and civil works for the project was carried out in accordance with Bank’s Rules of Procedure under International Competitive Bidding (ICB). The contract for consulting services was awarded to BCEOM of France and the civil contract to WBHO on September 1, 2004, for a contract period of 913 days. The periods were reasonable as the advance procurement (APA) was used for the civil works and the consultant was retained.

2.1.18 Financial Performance: This indicator has been rated as satisfactory (2.0). Although the GoS was at least three months late in submitting payments certificates to the Bank for payment, disbursements to date are commensurate with progress of works. Since there were only two disbursements during 2004, namely the advance payment and the monthly certificate payment

for December 2004, it was agreed during the May 2005 supervision mission that the GoS will prepare a combined audit report for the period ending March 2005 and 2006. But as of April 2006, the GoS had not yet recruited an audit firm. Quarterly Progress Reports have been submitted late; to date only one report has been submitted. With regards to cost management, this indicator has been rated weak (1). Cost control has not been effective resulting in rising claims and likelihood of cost overruns.

2.1.19 Activities and Work Programme: The civil works on both the road and the resettlement sites are progressing well (2.0). The physical performance of the project works as of April 2006 was rated at 59 percent, completed over a lapse of time of 65 percent. The slippage noted in the programme of works was due to delays in possession and handing over of sites due to obstructions of public utilities to be relocated, residential buildings to be demolished and a few graves to be relocated, and was also due to weather conditions. These delays have slowed the work of the contractor and has resulted in the submission of mounting claims by the contractor to the Government. Meanwhile, implementation performance with respect to major work is progressing well.

2.1.20 Likely Impact on Development: This indicator is rated as satisfactory (2.0). It is likely that the objective of improving the quality of transport service levels and reduce vehicle operating costs on the Mbabane Bypass would be achieved once all project activities are completed. Specifically, the project is expected to contribute significantly to the reduction of road accidents and therefore improve road safety, enhance business/development opportunities and promote regional integration. The project is also expected to improve accessibility to industrial, commercial and agricultural settings and to international trunk roads thereby promoting regional integration and poverty reduction. The work has already started. The resettlement programme has already provided over 50 homesteads affected by road construction work with new modern housing facilities.

2.1.21 Overall Assessment: The overall performance of the project is satisfactory (2.1), with the IP and DO of 2.2 and 2.0, respectively.

Table B.1.2: Summary of Performance Rating

Indicator	Compliance with Conditions	Procurement of Goods and Services	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	2.3	2.5	2.0	2.0	2.0	2.1

2.2 Aging, Potentially Problematic, and Problem projects

Aging Projects

2.2.1 Projects are considered to be aging if they are still on-going 8 years from the date of approval. According to the aging criteria, none of the projects in the current Bank's portfolio in Swaziland is aged. The average age for the three on-going projects is two years, compared to 2.5 years in 1998. Of the three, the KDDP is the oldest, approved on December 12, 2002, followed by LUSIP approved on November 27, 2003, and then, the Mbabane Bypass Road Project approved on December 17, 2003.

Potentially Problematic and Problem Projects

2.2.2 The Bank Group portfolio in Swaziland is considered healthy, with no project classified as Project at Risk. The assessment is reached by analysing the portfolio performance in terms of time taken for loan effectiveness from approval, quality and timeliness of procurement processes, disbursement efficiency, cost management, adherence to the implementation schedule, and likelihood of achieving the stated development objectives. Specifically, loan signing and effectiveness in Swaziland currently stands at an average of 12 months. That is, the time lag between loan/grant approval and signature is approximately 7 months, whereas, the time lag between signature and loan effectiveness stand at an average of 5 months. This is in comparison to 5 months for loan approval to signature and 11 months for loan signature to effectiveness reported in 1998. According to the 2002/2003 Bank-wide Annual Portfolio Performance Report (APPR), of the 3 on-going operations at that time one was classified as a potentially problematic project with 33.3 percent of the commitments at risk, whereas, in the 2004 APPR, one project was rated as a potentially problematic project with 50 percent of the commitment at risk.⁵ By definition, potentially problematic projects (PPP) are those projects that have a higher probability of not achieving satisfactory or higher ratings in future. This is based on the level of Implementation Progress (IP) and Development Objective (DO) if rated equal to or greater than 1.5 in addition to existence of two or more of a set of 11 criteria listed as concern areas. These include, among others, delays in declaring the project effective, delays in meeting the conditions for first disbursement, slow disbursement, and delays in project completion. The project identified as PPP in the 2004 APPR was the Education I Project approved in 1993. But at the time of undertaking this review, this project had been completed.

2.3 Assessment of Supervision Frequency and Quality

According to the Bank's policy, Bank funded projects need to be supervised on average 1.5 times per year (once every nine months). The tendency is that projects in the early and mid-implementation phases tend to need more supervision than those near completion. In Swaziland, Bank funded projects are supervised regularly, with a mix of field and desk supervision. The three on-going projects, which are in their early stages of implementation, have been field supervised at least once in 2004 and twice in 2005. Specifically, the Mbabane By-Pass project was supervised once in 2004 and three times in 2005 (one desk supervision and two field missions), whereas, KDDP and LUSIP were field supervised twice in 2005. During the first half of 2006, LUSIP and Mbabane Bypass road project were field supervised once. In terms of length of the supervision missions, the average number of days for the supervision of agriculture projects has been five working days and 7 working days for the transport sector. This is however inadequate. The minimum number of days in the field should at least be 10 working days. Regarding skills mix, the two agricultural projects tend to be supervised by one person, either an agricultural economist or an agronomist, who may not be well versed with all technical aspects of project implementation— procurement, finance, environment, population etc. Meanwhile, in the road project supervision has been undertaken by a transport economist and a transport engineer. Therefore, the Bank should adopt a more multidiscipline approach to supervisions missions in the country.

2.4 Cross-Cutting Issues (CCIs)

2.4.1 Poverty Reduction: Swaziland, with a per capita income of US\$1,660 (in 2004), is classified as a lower middle income country. Despite relatively high level of per capita income, human condition is deteriorating and poverty is deeply entrenched. The percentage of the

⁵ Bank-wide average for 2004 is 33 percent

population living below the poverty line is estimated at 69 per cent, three-percentage points higher than the 1995 figure. With a gini-coefficient of about 0.507, income is highly skewed towards a few.⁶ All three on-going projects in Swaziland directly or indirectly address poverty. For instance, KDDP project is already making progress in delivering benefits to farmers, with the provision of potable water supply to farmsteads. There is also growth of successful small scale business in the Komati area. Already 50 percent of the target area under KDDP is under production and sugar yields are encouraging with farmers incomes poised to improve with sugar prices stabilising in the near future. Specifically, as of October 31, 2005, KDDP farmers association (FAs) were already realising a gross income of about E16,564.5 per ha (against the target of E17,820 per ha). In terms of sugar yields, the FAs achieved the yield of 98.95t/ha against the target of 110t/ha. In terms of employment opportunities, 570 long-term and 2,224 short-term employment opportunities have already been created in KDDP⁷ and 26 long-term and 20 short-term employment opportunities in LUSIP. In the Mbabane By-Pass Road Project, the contractor is employing locals from the surrounding areas. Of the 1,101 persons employed in this project, 1,015 are Swazis, and the remaining 86 are non-Swazis. In both the transport and agriculture sector projects, the Bank has supported the successful implementation of a resettlement plan for displaced people. In the Mbabane Bypass Road Project, out of 132 homesteads affected by the road construction work, 45 have already been settled, provided with new modern housing facilities.

2.4.2 Gender and economic empowerment: Serious challenges remain with regard to gender equality in Swaziland. Gender disparity in legal rights has exacerbated women's vulnerability and has constrained their participation in the economy. De facto female-headed households (i.e. where a male co-head is non-resident for large parts of the year) have the highest core poverty levels of any household type. With the new Constitution, signed by the King Mswati III in July 2005 and became effective in January 2006, situation may gradually change since women have been accorded the same rights and opportunities as men in political, economic and social. In the KDDP, about 30.6 percent (347 out of 1,133) of all project beneficiaries are women and that the leadership of at least six of the 14 Farmer Associations in place to date comprise women. However, the project management oversight body needs to do more to include female members, since women constitute less than 50 percent of the number of men. However, in the Mbabane By-pass Road Project, only 20 out of 1,015 Swazi's employed are women (2 percent), which is below the target of 25 percent. In LUSIP, gender mainstreaming is partly reflected through the participation of both men (376) and women (373) in sensitization meetings related to the project. Regarding participation in FAs, more though could be done through the incorporation of women in FA committees in the position of office holders and in land use plan committees at sigodzi level either as members of the committee. Women headed households comprise of around 20 percent of all homesteads, and will therefore comprise a significant number of FA members.

2.4.3 Environment: Given the fact that the three on-going projects in Swaziland have been classified as category I & II projects, according to the Bank's guidelines, they all have undergone environmental impact assessments. To address some of the environmental challenges, the KDDP has put in place an impressive series of procedures and practices to effectively assure environmental safeguards in the implementation of the project. The project has developed a comprehensive Social Livelihood Monitoring System for the PDAs in line with the MDGs requirements and include indicators on changes in the living conditions of beneficiaries. To date a 72 percent environmental compliance has been achieved against the target of 100 percent set for 2007. With regard to the environmental compliance in the Mbabane By-Pass Project, monitoring the enhancement and mitigation program is being adhered to by the contractor as to when the project has reached the stage where the proposed mitigation measures are required.

⁶ The richest 10 percent of the population controls about 43 percent of income.

⁷ The short term employment in the KDDP was due to harvesting

With respect to health, the contractor is enforcing all dust and noise abatement procedures and always informing the local communities of the intention to carry out blasting activities. The campsite is being operated under healthy conditions in terms of clean environment with necessary sanitary facilities, fencing etc. The contractor is complying with the risks and hazards mitigation by educating workers on possible dangers of construction activities and providing safety and environmental awareness training. In LUSIP, there is an Environmental Review Panel that will ensure compliance with environment safeguards in the implementation of the project. A Comprehensive Mitigation Plan (CMP) for the Construction phase contains measures that would mitigate the biophysical and social impacts of the weir, intake weir, three dams, etc., whereas, the resettlement CMP covers socio-economic impacts related to the relocation of settlers. The public health CMP will focus on HIV/AIDS to mitigate the threat of the long term sustainability of the project.

2.4.4 HIV/AIDS: The HIV/AIDS pandemic has emerged as one of the greatest challenges to the socio-economic well being of the country. The Bank projects have mainstreamed HIV/AIDS and have succeeded in building mechanism to stamp out the scourge of this disease among project beneficiaries. For example, in the Mbabane-By Pass Project, the contractor provides workers at construction sites with information and preventive measures in order to reduce the spread of HIV and AIDS. In terms of compliance, the contractor supplies the work force at the campsite with condoms. On one of the sites, the contractor has utilized the services of the officials of the Ministry of Health to provide HIV/AIDS education. However, the contractor has not yet complied with the requirement of providing inhabitants of his campsite with basic HIV/AIDS information via leaflets to be distributed within the campsite. In LUSIP, a number of training activities have already been undertaken. Community based health providers trained are now carrying out home visits to monitor trends in community health. A more comprehensive training plan for health in 2006 has already been developed. A KAP survey on HIV/AIDS is currently under preparation. A massive HIV/AIDS campaign has also been launched at the Inkundla level and plans are underway for mini launches at Chiefdom level.

2.4.5 Regional Integration: Regional integration and cross border trade are important in the Swazi economy, given its location and the size of the market. Of the three on-going projects, the Mbabane By-Pass Road Project is the only one that will directly contribute to regional integration as it will be connecting Swaziland to South Africa and Mozambique by road network.

2.5 General Assessment of the Portfolio Performance

2.5.1 Project Progress: Compliance with loan conditions has been rated as fairly satisfactory with a score of 1.9, partly due to the fact that there were delays in declaring the two agricultural projects effective (a total of 13 months from loan approval to loan effectiveness – with seven months between loan/grant approval and signature, and five months between signature and loan effectiveness). This is however an improvement from the 1998 rating of 1.5, with 16 months gap between loan approval and loan effectiveness (five months for loan approval to signature and eleven months for loan signature to effectiveness). With regards to compliance with loan conditions precedent to entry into force and the adherence to general conditions, the performance has been overall good (see table 2.5.1). The average duration between approval and project effectiveness for the three projects was twelve months. However, fulfilment of ‘other conditions’ has been unsatisfactory in the two agriculture projects. Whereas, for the Mbabane Bypass road project, the delays in relocating services has resulted in large claims and implementation delays.

2.5.2 Procurement Performance: The average rating for procurement performance was satisfactory, with the rating of 2.0 a slight drop from 2.1 in 1998. Specifically, the procurement of goods and services for the KDDP was considered unsatisfactory. Moreover, instances of non-

adherence to Bank procurement rules resulted in some delays in the procurement processes in KDDP and LUSIP.

2.5.3 Financial Performance: This indicator has been rated as satisfactory, with the average score of 2.3, compared to 2.1 recorded in 1998. Specifically, the availability of foreign exchange and local currency has been smooth, since the GoS and the co-financiers (in LUSIP) have been able to provide timely foreign exchange and local currency contributions to the project. With regard to disbursement flows, the KDDP and Mbabane Bypass road project have been rated satisfactory. As of May 2006, the disbursement rate for the KDDP had reached 51.9 percent and that of the Mbabane By-Pass Project 63.0 percent. In terms of cost management, however, Mbabane By-Pass road project performed poorly with the rating of 1.0. This is largely attributed to mounting claims due to delays in the possession of sites.

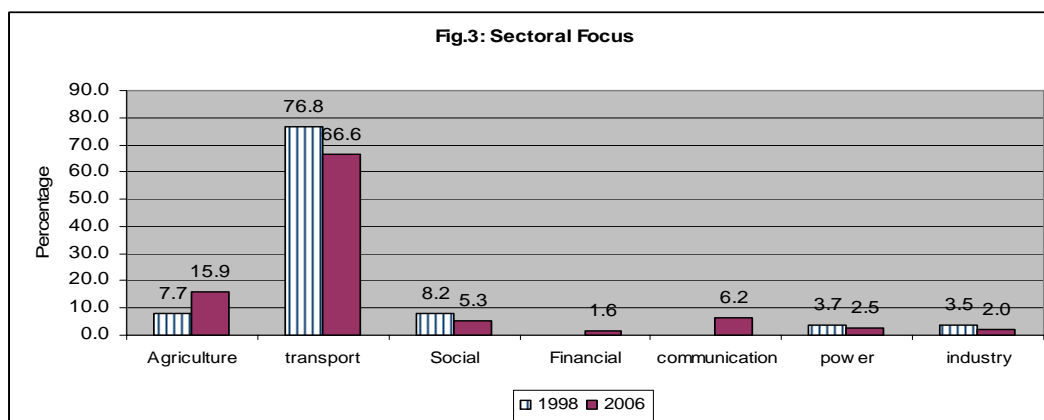
2.5.4 Activities and Works: The performance under this category has been rated as satisfactory with a score of 2.0, a slight drop from 2.2 in 1998. As far as the adherence to the implementation schedule is concerned, the performance has been satisfactory (2.0). Specifically, for the Mbabane By-Pass Road Project, civil works, both on the road and the resettlement sites are progressing well with an overall progress of 40 percent. But the programme is over 12 months behind schedule due mainly to weather and delays in the possession of site resulting from slow relocation of services by the providers, which is likely to result into cost overruns. In LUSIP, the implementation of activities in the upstream section of the project is progressing well, as the implementation schedule with respect to civil works is currently being adhered to.

2.5.5 Impact on Development: With an average rating of 2.3, it is likely that the three on-going projects would achieve the stated development objectives upon completion of project activities. This rate is slightly lower than the rate given to this indicator in 1998 (rated 3.0), given the implementation hiccups noted especially in the LUSIP and Mbabane By-Pass Road Project.

Table 2.5.1: Comparison of CPPR Ratings

Indicator	1998	2006
Compliance with Conditions	1.5	2.0
Procurement of Goods and Services	2.1	2.1
Financial Performance	2.1	2.2
Activities and Outputs	2.2	2.0
Impact on Development	3.0	2.3
Overall Assessment	2.2	2.1

2.5.6 Overall Assessment: The portfolio performance remains satisfactory with an average rating of 2.1, with the IP and DO score of 2.1 and 2.3, respectively. However, compared to the overall rating of 2.2, and the IP and DO of 2.0 and 3.0 in 1998, this reflects a marginal drop (see table 2.5.2). However, this should not be interpreted to imply deterioration in performance quality. One thing to bear in mind is that in 1998 the Bank did not have proper portfolio measuring tools in place. But since then, the Bank has introduced more rigorous performance measuring tools, which have enhanced the overall quality of portfolio reviews. In terms of sectoral focus, the current CPPR reflects a slight portfolio shift from the social sector, public utilities and industry, to the agriculture sector (see figure 3 below). This reflects the strategic alignment of the Bank's strategy to the Government's priorities aimed at promoting sustainable pro-poor economic growth and improving the welfare of the Swazis.



2.5.7 In the recent past, there have been numerous efforts by both the Bank and the GoS to strengthen the overall management of the portfolio. For instance, to address the issue of weak institutional environment, the Government appointed the Swaziland Water and Agriculture Development Enterprise (SWADE) to backstop two big Bank-financed agricultural projects, KDDP and LUSIP, and in the process creating a single well equipped clearing house for project implementation. To address the issue of inadequate human resources, the GoS/EAs have striven to retain project staff at post for the duration of the projects. This has facilitated retention of institution and project memory and improved knowledge of the Bank rules and procedures. Specifically, in the ministries of agriculture, Public Works & Transport and Finance, dedicated teams of staff overseeing the Bank's portfolio have been put in place, with the ADB desk officer facilitating the overall coordination. On the Bank side, efforts have been made to rationalise loan conditions, enhance knowledge of Bank procurement and disbursement rules and procedure through regular training, and reduce the existence of aged projects in its portfolio. For instance, in June 2005, the Bank organised project implementation training where about 30 project coordinators and project officers from the MoF, Line Ministries and EAs were trained. The Bank has also introduced the MIC Trust Fund, which provides grant resources to MICs like Swaziland for project preparation activities, among others, to enhance the quality of projects at entry as well as improve the country pipeline of projects. In October 2005, the Bank undertook a mission to dialogue with the GoS, the public and private sector representatives on the MIC Trust fund and on how to access these resources. As a result, the country has recently been awarded an MIC grant totalling UA500,000 to undertake an assessment of the status of Primary Health Care Facilities and institutions in order to establish and quantify the rehabilitation and upgrading requirements, and more proposals are on the way. In addition, the Bank has also helped the country to develop a procurement system, which has been adopted by the Cabinet. It is expected that the GoS will seek the Bank's support for procurement legislation and capacity building for the new system, which will go a long way towards improving the Bank Group portfolio quality in the country.

Table 2.5.2: Portfolio Performance 1998 and 2006

	1998	2006
IP	2.0	2.1
DO	3.0	2.3
Average Age of Portfolio	2.5 years	2 years
Projects-At-Risks	1	0
Cum. Disbursement/Commitment ratio	75.8	86.5
Disbursements/Commitment ratio for on-going projects	52.2	49.8
Supervision Rating	2.2	2.1

2.5.8 Generic Problems

- **Delays in fulfillment of loan conditions:** It was noted that the problem of delays in fulfillment of loan conditions continues to persist, despite efforts by the Bank to rationalize loan conditions and streamline the number of conditions attached to loans. The problem of delays in signing loan agreements, as witnessed in the two agricultural projects, needs to be managed properly to minimize implementation delays and cost escalations. Moreover, the agriculture portfolio also continues to suffer from the generic problem of quality at entry, with designs activities being part of project implementation. For instance in LUSIP, it has been necessary to modify project scope and financing plan, after the project had been approved. So far there have been two design reviews in LUSIP and as a result project cost overrun is currently being estimated at UA44.6 million. Although 14 months had elapsed before the KDDP was declared effective, the project has managed to gain momentum at the implementation stage and there are good prospects for achieving the development objectives. As for the Mbabane By-pass road project, delays in meeting ‘other conditions’ has resulted in mounting claims from the contractor arising from delays in possession of sites.
- **Failure to comply with reporting requirements:** This problem also continues to persist, despite the fact that during launching missions all these issues are clearly emphasized. Delays in the submission of quarterly progress reports were particularly noted in the KDDP and the Mbabane By-Pass Road Project. It should be noted that irregular submission of these reports hampers effective project monitoring and proactive problem solving.
- **Communication delays between the Bank and the Executing Agency:** Concerns were raised by both the Government and the EA on undue delays in responses from the Bank, especially those related to project implementation and those of a general nature. This problem is however not unique only to the Bank, since there have also been delays emanating from the GoS side. However, the persistence of this problem could affect the overall implementation of the project and the achievement of results on the ground.
- **Non-conformity with Bank procurement rules and disbursement delays:** this was notable in the KDDP and Mbabane Bypass Road Projects. It was noted that most of the delays emanated largely from the GoS/EAs late and sometimes incomplete submissions of requests.
- **Inadequate Project Supervision:** It was noted the quality of Bank’s supervision has been compromised by inadequate skills mix and inappropriately short field visits by the Bank teams. This was most pronounced in the two agriculture projects, where a Task manager supervised a project alone within a very short period of time—usually five working days. What is needed is a more multidiscipline team of not less than 5 to undertake extension supervision for a period not less than 10 working days.

Box 1: Generic Problems in 1998 CPPR

Issues	Measures taken
Delays in loan and grant effectiveness	Loan conditions rationalized and number of conditions streamlined
Slippage in implementation schedules	The frequency of 1.5 supervision missions per year reinforced to follow-up on project implementation issues.
Improper execution of ADB procurement procedures	The Bank instituted regular training of project staff on project implementation
Weak institutional environment and inadequate human resources- inadequately staffed PIUs	Dedicated staff in Ministries (retained for the duration of the project) and ADB Desk officer oversee the implementation ADB projects.
	Appointment of SWADE to oversee the two agriculture projects.

2.6 Disbursements

2.6.1 As of May 31, 2006, cumulative Bank Group's disbursement had amounted to UA 207.5 million, comprising UA 159.0 million from ADB window, UA 46.7 million from ADF and 1.7 million from NTF. The cumulative disbursement/commitment ratio currently stands at 86.5 percent, compared to 75.8 in 1998. The analysis by sectors indicates that for the on-going projects, the transport sector had the highest rate of cumulative disbursement ratio with 91.2 percent, and the agricultural sector with 50.4 percent. Of the two agricultural projects, the KDDP project is the only one currently disbursing with a disbursement rate of 51.9 percent for both ADB and NTF windows- this reflects 71.3 percent disbursements through the ADB window and no disbursements yet through the NTF window. The relatively low disbursement levels for the two agriculture projects compared to the road project could partly be explained by delays in loan effectiveness and the fact that LUSIP had not yet started disbursing. For the Mbabane By-Pass Road Project, disbursements currently stand at 63.0 percent. Some of disbursement problems identified include late submissions of disbursement requests and sometimes submissions of incomplete disbursement applications and non-adherence to Bank disbursement rules and procedures. On loan cancellation, about UA 23.8 million of loan/grant balances have been cancelled, following completion and/or cancellation of operations.

Table 2.6.1: Status of Cumulative Disbursement by Sector

Sector	As of May 31, 2006		
	Net Commitments (UA million)	Disbursement (UA million)	Disbursement/ Commitment Ratio
Agriculture	36.9	18.6	50.4
Industry	5.0	5.0	100.0
Transport	159.5	145.5	91.2
Power	6.2	6.2	100.0
Communication	15.3	15.2	100.0
Finance	3.9	3.9	100.0
Social	13.0	13.1	100.0
Total	239.9	207.5	86.5

Table 2.6.2: Disbursement Profile of On-Going Projects by Sector

Sector	As at May 31, 2006		
	Net Commitments (UA million)	Disbursement (UA million)	Disbursement/ Commitment Ratio
Agriculture	26.9	8.6	32.0
Transport	37.7	23.6	62.6
Total	64.5	32.12	49.8

III. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY

3.1 Government's Performance

Overall, the Borrower's performance has been satisfactory. This is despite delays that have been experienced in the fulfilment of loan conditions and failure by the EAs to comply with reporting requirements. Specifically on coordination of Bank Group operations, the GoS has satisfactorily undertaken this responsibility. The role of the ADB desk officer has been crucial in facilitating this coordination function. The Government has also appointed the Swaziland Water and Agricultural Development Enterprise (SWADE) to oversee the two Bank funded agriculture projects. SWADE has a strong team of 30, with specialists in various fields i.e. finance and accounting, planning etc, taking care of different aspects of the two projects, including the cross-cutting issues such as environmental and HIV/AIDS. SWADE has all the requisite capacity to undertake sound financial administration of its projects and programs and reports regularly to its Board and the GoS and publishes annual audited statements of financial position as required under the Public Enterprises Act. For the road project, the Roads Department is the EA and it is also equally endowed with an able team. On project financing, there are no real issues concerning counterpart funding as the GoS has timely fulfilled its part of commitment. Although there is a big financing gap in the LUSIP project, the GoS has indicated its commitment to ensure that this gap is filled. On adherence to reporting requirements, there has been irregular submission of quarterly progress reports, especially in both KDDP and Mbabane Bypass Road Project. This has been partly attributed to the fact that SWADE was not clear about its reporting role and moreover there was little effort by both the GoS and SWADE to internally dialogue to resolve this.

3.2 Bank's Performance

The performance of the Bank has overall been satisfactory. In the recent period, a number of measures have been undertaken by the Bank to improve the effectiveness of its interventions in the country. The Bank has established a regional office in Mozambique, harmonized reporting requirements with other donors and has engaged the GoS/EAs on continuous dialogue on project implementation. This notwithstanding, the current review has revealed a number of weaknesses that need to be addressed, a) the Bank needs to improve its response turnaround time to all correspondences received from the RMCs; b) Communication channels between the Bank and the EAs need to be further strengthened- continuous effective communications between the EAs and the Task Managers; c), the quality of projects at entry should also be further improved; d) the quality of project supervision by the Bank needs to be improved – in terms of skills mix of the supervision team to ensure effective resolution of project-related problems in a real-time fashion; and, e) the Bank should also strive to better synchronize its supervision missions to minimize coordination burden on the GoS as well as to maximize on cross-sectoral synergies.

IV. COORDINATION WITH OTHER DONORS

4.1 Assessment of Government Capacity to Coordinate Donor Assistance

Since Swaziland attained middle-income country status, a number of donors have scaled down their activities in the country, preferring instead a more regional approach. As a result, the volume of donor funding has dwindled substantially, with ODA flows declining from US\$35 million (or 2.6 per cent of GNI) in 1998 to US\$27 million (or 1.4 per cent of GNI) in 2003. Most of the aid that flows into Swaziland is bilateral. The smallness in size of donor presence in the country makes donor coordination easy. The External Assistance Unit in the Ministry of Economic Planning and Development is responsible and has capacity for coordinating, managing and monitoring externally funded projects and the implementation of the Public Debt Policy. Apart from the EU and the UN agencies (UNDP, UNICEF, WFP and UNFPA), there are only a handful of foreign embassies represented in the country. Swaziland does not have any formal donor consultation mechanism, but within the donor community, UNDP has a mandate over coordination functions.

4.2 Assessment of ADB coordination with other donors

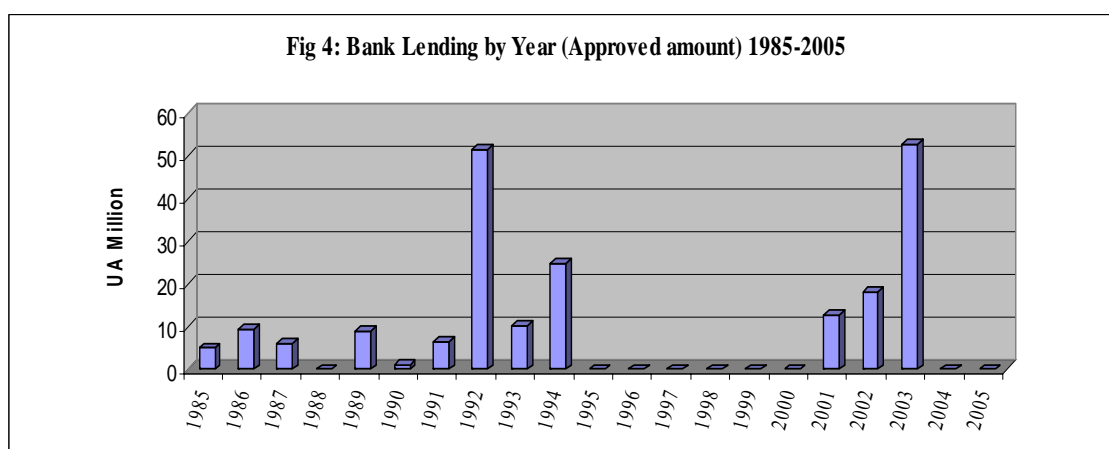
The Bank's coordination is overall satisfactory. The Bank takes the issue of donor coordination seriously, as part of its role to promote the harmonisation and alignment agenda. Since the donor presence in the country is quite small and in the absence of a formal donor consultation mechanism, the Bank missions visiting the country regularly consult with locally based development partners on issues of mutual interest. Moreover, the Bank, in partnership with the World Bank, UNDP and OECD-DAC, has been undertaking a series of high level policy workshops in the region to address coordination challenges and managing for results. And now, with the operationalisation of the Regional Office in Mozambique, the Bank's coordination role in Swaziland would be further enhanced.

4.3 Assessment of Co-financiers in Co-financed Projects

Co-financing is an essential part of the Bank's operational programme. In view of limitations that exist in accessing concessional resources, co-financing is a better option for Swaziland, since they offer room for a more balanced loan portfolio and greater synergies. In the past, co-financing was successfully mobilised for various projects in the agriculture and transport sector, and there are future co-financing opportunities in other sectors, including the social sector. Of the three on-going projects, only one is being co-financed with other donors. As a leading actor in the agricultural sector in Swaziland, the Bank has successfully co-financed its LUSIP operation with five other donors, including BADEA, the European Union, Development Bank of Southern Africa, IFAD and the European Investment Bank. The overall performance of the co-financiers in LUSIP is rated as satisfactory. The challenge of donor coordination is currently being met through regular consultations. This notwithstanding, the co-financiers should further strive to coordinate their related activities in the field and harmonise some of their rules and procedures, to maximise on the synergies and minimise on coordination burden and the duplication of efforts. On non-lending activities, opportunities for collaboration with other development partners also exist; for example, with the UNDP and EU, in the area of governance and capacity strengthening for the implementation of Swaziland's poverty reduction strategy. Also, in implementing the Economic Sector Work (ESW) work program, the Bank should seek to collaborate with other development partners to benefit from their knowledge and field presence, and to avoid duplication of efforts.

V. LOAN REPAYMENTS AND ARREARS

5.1 Overall, Swaziland has a sustainable public debt level with a satisfactory record of meeting its debt obligations to the Bank. Currently Swaziland has no debt repayment arrears and is current on its capital subscription. Total external debt to GDP ratio is trending downwards from 25.8 percent of GDP in 2000 to 22.6 percent in 2004 and 21.6 percent in 2005. The decline in total debt stock is partly attributed to the appreciation of the local currency against major currencies. The country's debt service is below 3 percent of GDP, reflecting the country's capacity to service Bank's debt and also its ability to absorb more debt, if need arises. Given the sensitivity of the country's debt stock to exchange rate movements and the need to cushion it against unfavourable exchange rate movements, the GoS hedges its external debt in hard currency.



5.2 Historically, the Bank's annual lending to the country has exhibited a fluctuating trend (see figure 4) and the size of the portfolio has mainly reflected the country's borrowing capacity. The large increases recorded in 1992 and 2003, for instance, emanated from large investments in the transport sector. The Bank's lending strategy in Swaziland has always been guided by the CSPs. The current results-based CSP 2005-2009 focuses on two pillars. Pillar one is focusing on the promotion of sustainable pro-poor private-sector-led economic growth, and the second pillar focuses on investing in people and improving welfare. Preparations of a new project in the Health sector and two in the private sector are currently at preliminary stages. In view of the GoS's fiscal situation, its borrowing policy on non-concessional terms will continue to remain conservative. This will imply modest borrowing from the public sector window in the short-to-medium term. Therefore, the role of the private sector and the non-sovereign guaranteed loan facilities would be important in the economy.

VI. PROACTIVE MANAGEMENT OF PORTFOLIO

6.1 Potential Future Problems and Mitigation Measures

6.1.1 Proactive management of the portfolio and project monitoring are important elements that will contribute to enhancing the development effectiveness of the Bank's intervention in Swaziland. As it has already been mentioned, unnecessary delays in declaring projects effective are likely to persist in Swaziland unless the Bank takes a more proactive approach towards ensuring that the Government adheres to all conditions in a timely manner. Although all compliance issues are addressed at project launching, the Task managers should continue to work closely with the Government to ensure that a timetable is set for loan effectiveness and that

all critical issues are resolved at project preparation, appraisal or negotiation stage. To enhance the quality of Bank supervision, a more multidiscipline approach to project supervision should be adopted with the inclusion of members of support departments in the supervision teams to provide real time solutions to specific problems identified in a given project. The Bank should also use supervision mission and other project related missions to follow-up on outstanding portfolio issues with the involvement of the Regional Office. The minimum number of days in the field should be ten working days. On contract administration, it is likely that the Mbabane Bypass Road project will face cost overrun problem because of delays in possession of sites. It should be noted that the problem is not related to compensation, but rather to difficulties encountered in relocating a few graves, public utilities and delays in demolishing residential buildings. The GoS would be the one to bear the full burden of these claims and has already accepted this responsibility. This notwithstanding, the Government should work to expedite the relocation process and should introduce stringent cost control measures to minimize the cost overruns.

6.1.2 The agriculture sector projects will continue to face the problem of quality at entry as long as project designs continue to be part of project implementation. To overcome this, the Bank should ensure that quality of projects at entry is enhanced and that project designs are separated from project implementation activities. To ensure that the EAs are familiar with the Bank's rules and procedures regarding procurement and disbursement, regular training and workshops on project implementation and loan administration should continue to be organized, at least once a year. To strengthen the financial management of Bank funds, extensive training for development finance organizations (FINCORP) should be undertaken. In June 2005, for instance, the Bank was able to conduct training on project implementation, where about 30 project coordinators and project task managers attended. The Bank's Regional Office should also play an active role in the overall portfolio management in the country. The problem of weak coordination and delays in the communication between the Bank and the GoS is likely to persist unless both the Bank and GoS/EA resolve to take necessary steps to address it. On the part of the Bank, there is need to ensure that Task managers and all supporting departments involved in facilitating effective implementation of concerned projects, give necessary urgency to matters brought to their attention for either guidance and/or execution. In this, the Bank staff need to be sensitized on their respective roles in promoting development effectiveness in the RMCs. To ensure prompt responses from the Bank, Task Managers, Country Economist and support Departments should strive to ensure that the turnaround time for responding to communications from the country is limited to two weeks.

6.1.3 To reduce the coordination burden, the Bank should better plan its missions to the RMCs and should strive to coordinate its supervision missions with other co-financiers, especially those in LUSIP, whenever possible. The preparation of quarterly mission programme should be well coordinated within the Bank and the mission programme should be sent to the country at least two weeks before the beginning of the quarter in question. This will give the Government sufficient time to clear the missions. On the other hand, the Government should as much as possible clear mission requests on the specified quarter to facilitate proactive management of the portfolio. To strengthen national Monitoring and Evaluation systems, the Bank should continue to build national capacity for M&E to ensure effective management of development results.

6.2 Summary of Country Performance Improvement Plan/Action Plan

The Country Performance Improvement Plan (CPIP) provided in annex 8, gives a summary of the generic issues/problems identified during this review. These include delays in the fulfillment of loan conditions, delays in Bank's responses to communication from the GoS/EA, weak communication between the Bank and the EAs, difficulties in adhering to reporting requirements, inadequate project supervision, and non-conformity with Bank

procurement rules and procedures. The list of project specific issues/problems is covered in section 2.1 of the report.

6.3 Lessons Learnt for Future Country Strategy Papers and Portfolio Management

Portfolio Management

6.3.1 The appointment of the SWADE as the EA for the two agricultural projects is contributing to the improvements in portfolio management in the country. Apart from enjoying existing synergies, the existence of a single clearing house for project implementation facilitates project supervision and enhances overall portfolio management. Another lesson is that poorly designed projects tend to result in delays in project implementation and cost overruns. This has been especially the case in the agricultural projects where design is part of implementation. Future agriculture sector projects should ensure that project design issues are finalized at the preparation and appraisal stages to ensure better quality at entry. Another lesson is that for projects that involve resettling those affected by the project activities, it is important to have in place comprehensive resettlement plans and to engage as much as possible those to be affected at all stages of the process to facilitate smooth resettlement operation. In KDDP and Mbabane Bypass Road projects, the Bank has successfully supported the implementation of a resettlement plan for displaced people. This best practice is now being shared with Namibia where the Caprivi Green Scheme Project is being developed.

Future Country Strategy Papers

6.3.2 In view of the GoS's borrowing limitations on non-concessional terms, the Bank should proactively explore opportunities to co-finance with other development partners in Swaziland, especially for activities in the social sector to ensure blending of non-concessional and concessional resources. The issue of selectivity and focus will continue to be quite critical in Swaziland as the country is facing numerous development challenges with limited donors' resources. In this context, the issue of reclassification of Swaziland as a blend country and/or the issue of sectoral differentiation in project funding needs further attention. For example, to address the issue of HIV/AIDS, the Bank needs to explore possibilities of introducing some soft resources to assist the country to combat the HIV/AIDS pandemic.

VII. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

The Bank's portfolio in Swaziland is performing satisfactory, with the average rating of 2.1 for the entire portfolio. This represents a marginal decline from 2.2 recorded in 1998. The average Implementation Progress (IP) and the Development Objective (DO) stand at 2.1 and 2.3, respectively, in comparison to 2.0 and 3.0, respectively, in 1998. However, this should not be interpreted to imply deterioration in performance quality because in 1998 the Bank did not have the most rigorous performance measuring tools as it has now, which account for the improved quality of portfolio reviews. Among generic problems listed include delays in fulfilment of Bank loans conditions, delayed responses from the Bank, weak communication between the Bank and the EA, inadequate supervision missions, difficulties in adhering to reporting requirements and non-conformity by EA with Bank procurement and disbursement procedures. Future prospects for the Bank in Swaziland still look bright; with emerging lending opportunities through the private sector window as well as some lending activities in the public sector non-sovereign guarantee loan facility.

7.2 Recommendations

7.2.1 Based on the findings of this CPPR, the following actions are being proposed to improve the portfolio performance:

7.2.2 Actions to be taken by the Bank:

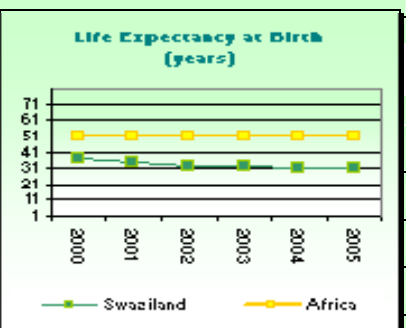
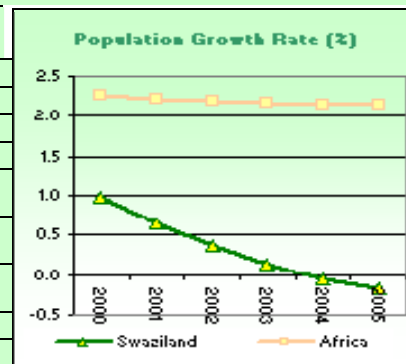
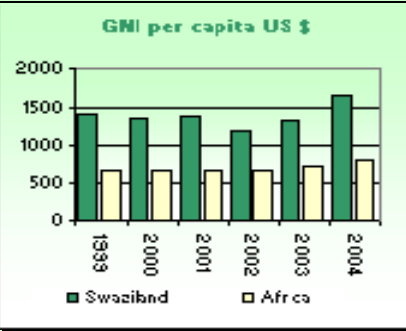
- In future, the Bank should work closely with the GoS to ensure that the agreed timetable for project effectiveness is strictly adhered to and that all critical issues are resolved at the appraisal stage, if possible.
- To minimize GoS/EAs related disbursement and procurement delays, the Bank should continue to undertake regular training and workshops on project implementation and loan administration to ensure that the EAs are familiar with the Bank's rules and procedures.
- To improve the quality of supervision missions, the Bank should adopt a multidiscipline approach to project supervision by ensuring that supervision teams include members of support departments and that the duration of a supervision mission should be aimed at a minimum of ten working days.
- To minimize the reporting and missions burdens on the GoS/EAs, especially in a multi-donor setting, the Bank should also strive to further harmonize its reporting requirements and should coordinate its supervision missions with other development partners.
- To ensure that all these recommendations are effectively implemented, the Bank, with the involvement of the Regional Office in Mozambique, should organize a CPPR workshop in Swaziland to discuss the key elements of the report and the way forward.

7.2.3 Actions to be taken by the Government:

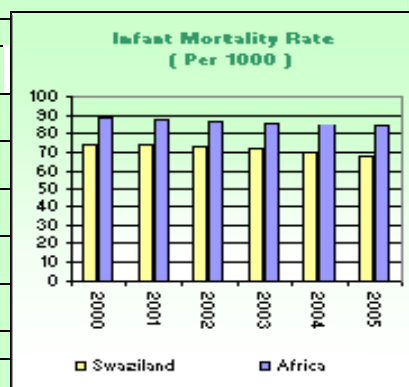
- The GoS should also ensure that the EAs have a clear understanding of their roles in meeting reporting requirements (quarterly progress reports and audit reports). This is especially the case in the Mbabane By-pass Road Project and KDDP.
- To minimize future delays in project effectiveness, the GoS should work to ensure that they are capable of meeting all the agreed conditions and should indicate any concerns at the project preparation, appraisal or negotiations stages. The GoS will have to work closely with EAs to ensure that these conditions are met with minimal delays.
- To be well informed about the portfolio, the GoS should institute its own internal review process, where the Ministry of Finance, Line Ministries and PIUs meet on a quarterly or semi-annual basis to appraise each other on portfolio implementation issues.

The Boards of Directors are invited to take note of the issues and to consider the recommendations made in this Portfolio Performance Review Report for Swaziland.

COMPARATIVE SOCIO-ECONOMIC INDICATORS					
	Year	Swaziland	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		17	30 307	80 976	54 658
Total Population (millions)	2005	1.0	904.8	5 253.5	1 211.3
Urban Population (% of Total)	2005	25.1	38.9	43.1	78.0
Population Density (per Km ²)	2005	59.5	29.9	60.6	22.9
GNI per Capita (US \$)	2004	1 660	811	1 154	26 214
Labor Force Participation - Total (%)	2003	34.5	43.4	45.6	54.6
Labor Force Participation - Female (%)	2003	39.2	41.1	39.7	44.9
Gender -Related Development Index Value	2003	0.485	0.460	0.694	0.911
Human Develop. Index (Rank among 174 countries)	2003	147	n.a.	n.a.	n.a.
Human Poverty Index (HPI-1-Value)	2003	52.9	45.0	32.0	20.0
Demographic Indicators					
Population Growth Rate - Total (%)	2005	-0.2	2.1	1.4	0.3
Population Growth Rate - Urban (%)	2005	1.3	3.4	2.6	0.5
Population < 15 years (%)	2005	41.0	41.5	32.4	18.0
Population >= 65 years (%)	2005	3.5	3.4	5.5	15.3
Dependency Ratio (%)	2005	80.2	81.4	57.8	47.8
Sex Ratio (per 100 female)	2005	93.1	99.8	102.7	94.2
Female Population 15-49 years (% of total population)	2005	28.4	26.7	27.1	25.0
Life Expectancy at Birth - Total (years)	2005	31.1	51.2	64.1	76.0
Life Expectancy at Birth - Female (years)	2005	30.9	52.0	65.9	79.7
Crude Birth Rate (per 1,000)	2005	28.7	36.8	22.8	11.0
Crude Death Rate (per 1,000)	2005	29.4	15.0	8.7	10.4
Infant Mortality Rate (per 1,000)	2005	67.5	83.6	59.4	7.5
Child Mortality Rate (per 1,000)	2005	138.4	139.6	89.3	9.4
Total Fertility Rate (per woman)	2005	3.7	4.8	2.8	1.6
Maternal Mortality Rate (per 100,000)	2002	229	622.9	440	13
Women Using Contraception (%)	2000	27.7	26.6	59.0	74.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)*	2004	16.5	38.2	78.0	287.0
Nurses (per 100,000 people)*	2004	660.2	110.7	98.0	782.0
Births attended by Trained Health Personnel (%)	2000	72.0	43.7	56.0	99.0
Access to Safe Water (% of Population)	2002	52.0	64.5	78.0	100.0
Access to Health Services (% of Population)*	2000	55.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2002	52.0	42.4	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2003	44.3	6.4	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2003	683.0	406.4	144.0	11.0
Child Immunization Against Tuberculosis (%)	2004	84.0	78.2	82.0	93.0
Child Immunization Against Measles (%)	2004	70.0	68.8	73.0	90.0
Underweight Children (% of children under 5 years)	2003	19.0	39.0	31.0	...



Daily Calorie Supply per Capita	2003	2 343	2 439	2 675	3 285
Public Expenditure on Health (as % of GDP)	2002	3.6	2.7	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2002/03	98.0	96.7	91.0	102.3
Primary School - Female	2002/03	94.0	89.3	105.0	102.0
Secondary School - Total	2002/03	45.0	43.1	88.0	99.5
Secondary School - Female	2002/03	46.0	34.6	45.8	100.8
Primary School Female Teaching Staff (% of Total)	2002/03	75.0	44.1	51.0	82.0
Adult Illiteracy Rate - Total (%)	2005	17.1	35.0	26.6	1.2
Adult Illiteracy Rate - Male (%)	2005	16.3	26.9	19.0	0.8
Adult Illiteracy Rate - Female (%)	2005	17.9	42.9	34.2	1.6
Percentage of GDP Spent on Education	2001	5.50	4.7	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005	9.8	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000	-1.18	0.70	0.40	-0.20
Annual Rate of Reforestation (%)	2000	...	10.9
Per Capita CO2 Emissions (metric tons)	2005	0.36	1.0	1.9	12.3



Source : ADB Statistics Division databases; UNAIDS; World Bank Live Database and United Nations Population Division; Country Reports
Notes: n.a. Not Applicable ; ... Data Not Available. * : latest data available within 1995-2000

Annex II

SUMMARY OF BANK GROUP OPERATIONS- As of May 31, 2006

	Approvals (mill.)			Cancelled											
	ADB	ADF	NTF	ADB	ADF	NTF	Total	Net Commitment	Date Approved	Date signed	Date Entry into Force	Amount Disb.	% Disb. Net Comm.	Deadline Final disb.	Statu
Agriculture (6)															
SUGAR PROJECT	5.00			0.12			5.00	4.88	6-Apr-77	29-Nov-77	6-Jan-78	4.9	100	31-Dec-93	Completed
KOMATI DOWNSTREAM DEVELOPMENT PROJECT	11.99						11.99	11.99	12-Dec-02	20-Oct-03	18-Feb-04	8.55	71.3	31-Dec-07	On-going
			4.95				4.95	4.95	12-Dec-02	20-Oct-03	18-Feb-04	0	0	31-Dec-07	On-going
LOWER USUTHU SMALLHODER IRRIGATION PROJECT	9.93						9.93	9.93	27-Nov-03	25-May-04	13-Dec-04	0	0	31-Dec-09	On-going
INTEGRATED DEVELOPMENT	4.50			0.22			4.50	4.28	18-Aug-77	29-Nov-77	26-Jan-78	4.28	100	31-Dec-83	Completed
INSTITU.SUPPORT IN AGRICULTURE SECTOR		0.68			0.07		0.68	0.61	17-Apr-90	29-May-90	19-Apr-91	0.61	100	30-Jun-98	Completed
NGWAVUMA IRRIGATION STUDIES		0.32			0.04		0.32	0.28	22-Mar-74	3-Jan-75	12-Oct-76	0.28	100	30-Jun-78	Completed
Sub-Total	31.70	1	4.95	0.34	0.11	0	37.65	37.2				18.73			
Transport (12)															
ROAD REHABILITATION	3.22			1.7			3.22	1.52	23-Feb-89	15-Nov-89	30-Oct-90	1.52	100	31-Dec-94	Completed
TRANSPORT SECTOR PROJECT	39.5			0.01			39.5	39.49	26-Aug-92	13-May-93	30-Sep-94	39.49	100	31-Dec-00	Completed
		9.39			0.4		9.39	8.99	26-Aug-92	13-May-93	30-Sep-94	8.99	100	31-Jul-04	Completed
		0.92			0.25		0.92	0.67	26-Aug-92	13-May-93	30-Sep-94	0.67	100	31-Jul-04	Completed
TWO INTERNATIONAL ROADS PROJECT	24.73			0.92			24.73	23.81	18-Nov-94	29-May-97	15-Sep-97	23.81	100	31-Dec-03	Completed
MANZINI MAHAMBA ROAD STUDIES	0.17						0.17	0.17	24-Jun-75	6-Nov-75	9-Dec-76	0.17	100	30-Jun-77	Completed
ROAD PROJECT	5.3			1.19			5.3	4.11	29-Dec-81	5-May-82	29-Nov-84	4.11	100	31-Dec-95	Completed
MAFUTSENI-MLIBA ROAD	6.2			0.03			6.2	6.17	25-Aug-86	10-Jun-87	5-Jun-89	6.17	100	31-Dec-94	Completed
		3.11					3.11	3.11	25-Aug-86	9-Jun-87	30-Nov-88	3.11	100	30-Jun-94	Completed
2 INTER. ROADS PROJ.(SUPPLEMENTARY-ZAR)	11.44			0.14			11.44	11.30	10-Oct-01	17-Oct-01	31-Oct-01	11.30	100	21-Dec-03	Completed
MBABANE BYPASS ROAD(2 INT. RDS PHASE II)	37.66						37.66	37.66	17-Dec-03	25-May-04	18-Aug-04	23.57	62.6	31-Dec-07	On-going
NKONDO RIVER - MAHAMBA ROAD COSTRUCTION		4.61			0.33		4.61	4.28	24-Aug-84	11-Sep-84	22-Jan-86	4.28	100	31-Dec-87	Completed
N'KONDO-MAHAMBA ROAD COSTRUCTION		7.37					7.37	7.37	7-Jun-78	3-Apr-79	6-Aug-80	7.37	100	31-Dec-83	Completed
FEEDER ROADS STUDY (GRANT)		0.54			0.27		0.54	0.27	23-Feb-89	15-Nov-89	23-Jul-92	0.27	100	30-Jun-94	Completed
MAIN ROADS REHABILITATION		5.23			0.6		5.23	4.63	23-Feb-89	15-Nov-89	2-Sep-91	4.63	100	31-Dec-94	Completed
MBABANNE-MBALAMBANYASTI ROAD		4.79					4.79	4.79	15-Dec-87	22-Nov-88	28-May-92	4.79	100	31-Dec-93	Completed
ROAD NETWORK STUDIES		1.24			0.04		1.24	1.2	17-Sep-87	11-Dec-87	3-Nov-90	1.2	100	30-Jun-84	Completed

Sub-Total	128.85	37.2		3.99	1.89		166.05	160.17				145.9				
Communications (4)																
TELECOM. NETWORK PHASE I	1.5						1.5	1.5	22-Nov-72	8-May-73	28-Dec-73	1.5	100	31-Dec-76	Completed	
	0.7						0.7	0.7	24-Jun-75	6-Nov-75	30-Aug-76	0.7	100	23-Nov-78	Completed	
TELECOM. NETWORK PHASE II	5			0.08			5	4.92	20-Dec-76	1-Mar-77	2-Mar-77	4.92	100	31-Dec-82	Completed	
TELECOM. NETWORK PHASE III	7.82			0.08			7.82	7.74	24-Nov-81	5-May-82	12-Oct-82	7.74	100	30-Jun-94	Completed	
TELECOMMUNICATION MASTER PLAN STUDY		0.55			0.18		0.55	0.37	10-May-93	13-May-93	21-Jun-94	0.37	100	30-Jun-96	Completed	
Sub-Total	15.02	0.55	-	0.16	0.18	-	15.57	15.23				15.23				
Finance (2)																
AGRICULTURAL LINE OF CREDIT TO S.D.S.B	6			3.48			6	2.52	16-Dec-91	12-May-92	26-Aug-92	2.52	100	30-Jun-95	Completed	
		0.48					0.48	0.48	16-Dec-91	12-May-92	26-Aug-92	0.48	100	30-Jun-95	Completed	
LINE OF CREDIT	5			4.09			5	0.91	22-May-80	12-May-81	11-Jan-82	0.91	100	31-Dec-85	Completed	
Sub-Total	11	0.48	-	7.57	-	-	11.48	3.91				3.91				
Industry (1)																
COTTON YARN MANUFACTURING	5			0.02			5	4.98	13-Feb-85	30-Apr-85	26-Oct-85	4.98	100	31-Dec-87	Completed	
Sub-Total	5	-	-	0.02	0	0	5	4.98				4.98				
Power (2)																
ELECTRICITY	1.5						1.5	1.5	5-Apr-74	2-Jul-74	24-Apr-74	1.5	100	30-Jun-77	Completed	
LUPOHLO-EZULWINI ELECTRICITY	6.5			1.8			6.5	4.7	28-Nov-80	12-Aug-81	2-Feb-82	4.7	100	30-Jun-94	Completed	
Sub-Total	8	-	-	1.8	-	-	8	6.2				6.2				
Social Sector (4)																
HEALTH SERVICE IMPROVEMENT	5.13			3.45			5.13	1.68	15-Dec-83	10-May-84	1-Sep-86	1.68	100	30-Jun-88	Completed	
			5			3.27	5	1.73	15-Dec-83	10-May-84	26-Nov-85	1.73	100	31-Dec-88	Completed	
EDUCATION I PROJECT		9.21			0.49		9.21	8.72	24-Nov-93	12-Jul-94	1-Jul-95	8.72	100	31-Dec-04	Completed	
EDUCATION STUDY		0.48			0.01		0.48	0.47	15-Feb-90	29-May-90	22-Apr-91	0.47	100	31-Dec-98	Completed	
HEALTH SECTOR STRATEGY AND PLAN OF ACTION		0.53			0.07		0.53	0.46	18-Oct-93	3-Dec-93	24-Aug-94	0.46	100	31-May-99	Completed	
Sub-Total	5.13	10.22	5	3.45	0.57	3.27	20.35	13.06				13.06				
Grant Total	203.79	49.45	9.95				263.19	239.8				207.5				

Net Commitment ADB = 186.5 77.7%
Net Commitment ADF = 46.7 19.5 %
Net Commitment NTF = 6.7 2.8%

Disb = 159.0 76.7%
Disb = 46.7 22.5%
Disb = 1.7 0.8%

Project Performance Ratings for On-Going Projects

Project Performance Indicators	Komati Downstream Development Project	Lower Usuthu Smallholder Irrigation Project	Mbabane By-Pass Road Project	Total
A . <u>Project Implementation</u>				
1. Compliance with loan conditions precedents to entry into force	2	2	3	2.3
2. Compliance with general conditions	2	2	2	2.0
3. Compliance with other conditions	1	1	2	1.3
B. <u>Procurement performance</u>				
1. Procurement of consultancy services	2	2	2	2.0
2. Procurement of goods and services	1	2	3	2.0
C. <u>Financial Performance</u>				
1. Availability of foreign exchange	3	3	3	3.0
2. Availability of local currency	2	2	2	2.0
3. Disbursement flows	2	2	2	2.3
4. Cost management/recovery			1	1.0
5. Performance of co-financiers (where applicable)		3		3.0
D. <u>Activities and Works</u>				
1. Adherence to implementation schedule	2	2	2	2.0
2. Performance of consultants or technical assistants		2	2	2.0
3. Performance of contractors.	2		2	2.0
4. Performance of project management		2	2	2.0
E. <u>Impact on Development</u>				
1. Likelihood of achieving project objectives	3	2	2	2.3
2. Likelihood that benefits will be realised and sustained beyond the investment stage	3	2	2	2.3
3. Likely contribution of the project towards an increase in institutional capacity	3	2	2	2.3
4. Expected rate of return			2	2.0
F. <u>Overall Assessment</u>				
1. At present	2.15	2.13	2.12	2.1
2. Trend over time	2.18	1.66	2.64	2.2

Komati Downstream Development Project		
Project Performance Indicators	Previous Report	Current Report
A. <u>Project Implementation</u>		
1. Compliance with loan conditions precedents to entry into force	N/A	2
2. Compliance with general conditions	N/A	2
3. Compliance with other conditions	N/A	1
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	N/A	2
2. Procurement of goods and services	N/A	1
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	N/A	3
2. Availability of local currency	N/A	2
3. Disbursement flows	N/A	2
4. Cost management/recovery	N/A	
5. Performance of co-financiers (where applicable)	N/A	
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	N/A	2
2. Performance of consultants or technical assistants	N/A	
3. Performance of contractors.	N/A	2
4. Performance of project management	N/A	
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	N/A	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage	N/A	3
3. Likely contribution of the project towards an increase in institutional capacity	N/A	3
4. Expected rate of return	N/A	
F. <u>Overall Assessment</u>		
1. At present	N/A	2.15
2. Trend over time	N/A	2.18
Code :		
3 = Highly satisfactory		
2 = Satisfactory : occasional problems, Bank should monitor		
1 = Unsatisfactory : problems, Bank should monitor closely but no immediate action required.		
0 = Highly unsatisfactory : serious problems, Bank action required		

Lower Usuthu SmallHolder Irrigation Project

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Implementation</u>		
1. Compliance with loan conditions precedents to entry into force	N/A	2
2. Compliance with general conditions	N/A	2
3. Compliance with other conditions	N/A	1
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	N/A	2
2. Procurement of goods and services	N/A	2
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	N/A	3
2. Availability of local currency	N/A	2
3. Disbursement flows	N/A	2
4. Cost management/recovery	N/A	
5. Performance of co-financiers (where applicable)	N/A	3
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	N/A	2
2. Performance of consultants or technical assistants	N/A	2
3. Performance of contractors.	N/A	
4. Performance of project management	N/A	2
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	N/A	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage	N/A	2
3. Likely contribution of the project towards an increase in institutional capacity	N/A	2
4. Expected rate of return	N/A	
F. <u>Overall Assessment</u>		
1. At present	N/A	2.13
2. Trend over time	N/A	1.66
Code : 3 = Highly satisfactory 2 = Satisfactory : occasional problems, Bank should monitor 1 = Unsatisfactory: problems, Bank should monitor closely but no immediate action required. 0 = Highly unsatisfactory : serious problems, Bank action required		

Mbabane Bypass Road Project

Project Performance Indicators	Previous Report	Current Report
A. <u>Project Implementation</u>		
1. Compliance with loan conditions precedents to entry into force	N/A	3
2. Compliance with general conditions	N/A	2
3. Compliance with other conditions	N/A	2
B. <u>Procurement performance</u>		
1. Procurement of consultancy services	N/A	2
2. Procurement of goods and services	N/A	3
C. <u>Financial Performance</u>		
1. Availability of foreign exchange	N/A	3
2. Availability of local currency	N/A	2
3. Disbursement flows	N/A	2
4. Cost management/recovery	N/A	1
5. Performance of co-financiers (where applicable)	N/A	
D. <u>Activities and Works</u>		
1. Adherence to implementation schedule	N/A	2
2. Performance of consultants or technical assistants	N/A	2
3. Performance of contractors.	N/A	2
4. Performance of project management	N/A	2
E. <u>Impact on Development</u>		
1. Likelihood of achieving project objectives	N/A	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage	N/A	2
3. Likely contribution of the project towards an increase in institutional capacity	N/A	2
4. Expected rate of return	N/A	2
F. <u>Overall Assessment</u>		
1. At present	N/A	2.12
2. Trend over time	N/A	2.64
Code : 3 = Highly satisfactory 2 = Satisfactory : occasional problems, Bank should monitor 1 = Unsatisfactory : problems, Bank should monitor closely but no immediate action required. 0 = Highly unsatisfactory : serious problems, Bank action required		

Annex V

Summary of Performance Rating by Sector and Projects

Projects	Compliance with Conditions	Procurement Performance	Financial Performance	Activities and works	Implementation progress	Development Objectives
Agriculture Sector						
Komati Downstream Development Project	1.7	1.5	2.3	2.0	1.9	3.0
Lower Usuthu Smallholder Irrigation Project	1.7	2.0	2.5	2.0	2.1	2.3
Average	1.7	1.8	2.4	2.0	2.0	2.6
Transport Sector						
Mbabane Bypass Road Project	2.3	2.5	2.0	2.0	2.2	2.0
Overall average	2.0	2.1	2.2	2.0	2.1	2.3
Code :						
3 = Highly satisfactory						
2 = Satisfactory : occasional problems, Bank should monitor						
1 = Unsatisfactory: problems, Bank should monitor closely but no immediate action required.						
0 = Highly unsatisfactory : serious problems, Bank action required						

Matrix of Generic Problems

Generic Problems	Komati Downstream Development Project	Lower Usuthu Smallholder Irrigation Project	Mbabane Bypass Road Project
Delays in fulfillment of loan and grant conditions	√	√	
Poor communication between the Bank and the Executing agencies	√	√	
Weak adherence to reporting requirements	√		√
Disbursement delays	√		√

Matrix of Cross Cutting Issues

	Komati Downstream Development Project	Lower Usuthu Smallholder Irrigation Project	Mbabane Bypass Road Project
Poverty Reduction	√	√	√
Environment And Social Protection	√	√	√
Gender mainstreaming	√	√	√
HIV/AIDS		√	√
Regional integration			√

Country Portfolio Improvement Plan

Annex VIII

Issues/Problems	Actions by the Government	Actions by the Bank	Timeframe
Delays in fulfillment of Bank loan conditions and general conditions	The GoS should ensure timely fulfillment of all loan conditions. A timetable for the fulfillment of the loan conditions should be agreed upon and monitored by the GoS	The Bank the conditions set are few and easy to fulfill and that the GoS has the capacity to fulfill them. The Bank should pro-actively monitor the fulfillment of loan conditions	For projects in the pipeline
Difficulties in adhering to reporting requirements	The GoS/EAs should adhere to all reporting requirements and should seek assistance and clarification from the Bank if need arises. The GoS should also ensure that all projects are audited as per requirement and the audit reports are timely submitted. The same should also apply to the quarterly progress reports. The MoF should hold regular consultative meetings with the EAs to ensure that any project implementation huddles emanating from the country are promptly resolved and any concerns communicated to the Bank.	The Bank should provide the GoS/EA with relevant guidance on reporting and reporting formats and this should be emphasized at project launching as well as during the supervision missions. And should ensure that any problems related to these submissions are immediately communicated to the GoS/EAs	September 2006
Delayed responses from the Bank	The GoS should ensure that all procurement and disbursement related submissions to the Bank are in line to the Bank's rules and procedures and necessary documentation is provided	The Bank should ensure prompt responses and shorter turnaround time (2 weeks) for procurement and disbursement related submissions from the GoS. Any submission seeking guidance from other support departments should be given due attention and the urgency it deserves.	January 2006
Non-conformity by EA/PIUs with Bank procurement procedures and disbursement delays	The GoS should work closely with EAs to ensure timely submission of procurement plans and disbursement requests. The GoS should ensure that the Bank's procurement rules and procedures are adhered to and that disbursement requests are properly filled with relevant support documentation.	The Bank should provide regular training to the EA staff on project implementation and should provide guidance on the preparation of relevant procurement and disbursement documentations.	January 2006
Weak communication between the Bank and PIUs/EAs	The GoS should ensure that relevant documentation sent to the Bank is also copied to the EAs and that all correspondences to the Bank are also faxed to ensure timely receipt and prompt responses.	The Bank should ensure that all relevant documentation sent to the Government are also copied to the EAs and the Country Operations Department.	December 2005
Inadequate supervision missions	The GoS should facilitate the clearance of supervision missions and the ADB desk officer should accompany the supervision teams in the field to facilitate subsequent follow ups.	The Bank should ensure that the supervision teams are well constituted with a better/balanced skills mix. The Regional Office staff should also participate in the supervision missions.	January 2006