

AFRICAN DEVELOPMENT BANK GROUP



SWAZILAND: COUNTRY PORTFOLIO PERFORMANCE REPORT.

REGIONAL DEPARTMENT SOUTH A (ORSA)

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AIDS	Acquired Immune Deficiency Syndrome
APPR	Annual Portfolio Performance Review
BADEA	Arab Bank for Economic Development in Africa
CMP	Comprehensive Mitigation Plan
CPR	Country Portfolio Review
CSP	Country Strategy Paper
DBSA	Development Bank of South Africa
DFI	Development Finance Institutions
DO	Development Objective
EIB	European Investment Bank
EU	European Union
GoS	Government of Swaziland
HIV	Human Immunodeficiency Virus
ICDF	International Cooperation and Development Fund
IFAD	International Fund for Agricultural Development.
IP	Implementation Performance
KDDP	Komati Downstream Development Project
LUSIP	Lower Usuthu Smallholder Irrigation Project
MIC	Middle Income Countries
MDG	Millennium Development Goal
MOFEPD	Ministry of Finance, Economic Planning and Development
MZFO	Mozambique Field Office
NTF	Nigeria Trust Fund
ORSA	Regional Department, South 1
SATCCO	Southern African Transport and Communication Commission
SEA	Swaziland Environment Authority
SICO	Swaziland Investment Consortium
SWADE	Swaziland Water and Agricultural Development Enterprise Limited.
WSS	Water Sector Study

I INTRODUCTION

- 1.1 This Country Portfolio Performance Report (CPPR) highlights the performance of the Bank Group ongoing portfolio in Swaziland. The purpose of the report is to inform members of the Board of Directors and Bank Management on the performance of Bank Group's ongoing operations in Swaziland and to make recommendations for improving the quality of the portfolio in order to achieve expected results. It also draws lessons for the design of future interventions in Swaziland. The report is based on key findings arising out of the CPPR mission undertaken during the period 3-10 May 2008. It is supplemented by the midterm review reports and recent supervision reports as well as the portfolio monitoring information in the Bank's Information System (SAP). The last CPPR was prepared in 2006¹.
- 1.2 The Bank Group commenced lending operations in Swaziland in 1972 and has approved 32 operations in the country, comprising 26 projects, four (4) studies and two (2) lines of credit. As at the end of April 2008, total commitment, net of cancellation, had amounted to UA 240.39 million, of which UA186.99 million (77.3 %) was from the ADB window, UA46.7 million (19.3 %) from ADF resources, UA6.7 million (2.8%) from NTF resources. As at 30 June 2008, 26 out of 32 operations have been completed, while two lines of credit and one private sector project have been cancelled.
- 1.3 The review covers only three public sector ongoing projects and one study that had positive disbursement balances. These three public sector projects were the same ones covered during the 2006 CPR. The other approved operations namely Institutional Support to Establish the Swaziland Revenue Authority approved on 28 November 2006 and WSS Study on Luvumisa-Nsalitje Corridor Revenue Authority approved on 17 May 2007 had not yet achieved disbursement effectiveness. There are no private sector operations in the country. The only private sector project, Fabulous Flowers approved on 21 July 2006 was cancelled in February 2008 because its promoters could not raise the required funding after the Pension Fund withdrew from the project.
- 1.4 This report covers seven sections. Beginning with the introduction; Section 2 gives an overall overview of the performance of the portfolio with Section 3 covering the performance of project implementation. Section 4 highlights management's implementation capacity and coordination with donors. Section 5 provides a comparative assessment of portfolio performance. Lessons learnt for future Country Strategy Papers and portfolio management are highlighted in Section 6 while conclusions and recommendations are presented in Section 7.

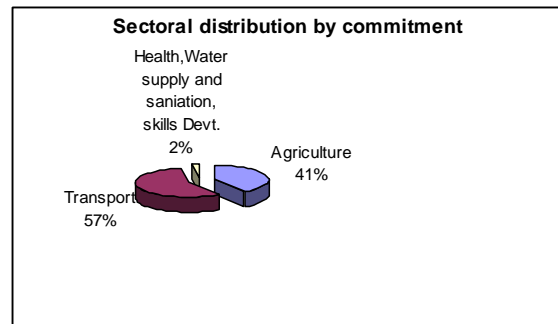
II OVERALL PERFORMANCE OF THE PORTFOLIO

A. Key characteristics of on-going projects

¹ The reference for the 2006 CPR is ADB/BD/WP/2006/75

2.1 As at 30th June 2008, four on-going operations were at varying stages of implementation. The operations consist of two 2 projects are in the Agriculture Sector the Lower Usuthu Irrigation Project with a commitment value of UA 10.21 million and the Komati Down Stream Development Project with a commitment value of UA 16.85 million, one project in the Transport sector the Mbabane Bypass Road project with a commitment value of UA 37.7 million and one study in the social sector with a commitment value of UA 0.5 million. there were also other Middle Income Countries (MIC) Trust Fund supported operations that were approved in 2006 but had not yet been effective due to delay in fulfilling conditions precedent to entry into force. These are the Institutional Support to Establish the Swaziland Revenue Authority with a commitment value of UA 0.49 million and water sector study on Luvumisa-Nsalitje Corridor with a commitment value of UA 0.46 million.

2.2 ***In terms of sectoral distribution***, transport and agriculture are the largest recipients of Bank Group financing with shares of 57% and 41%, respectively. The other sectors of health, water and multi-sector together account for 2% of the total commitment value. The major source of funding is the ADB window that accounts for over 90% of the total commitments while NTF (less than 10% of the total commitments) has been blended with ADB to finance LUSIP. Swaziland is an ADB only country and is therefore not eligible for ADF funding. The sectoral distribution of the country's portfolio is in line with the pillars of the just completed Country Strategy Paper (CSP)² covering the period 2005-2007 and the new CSP³ under preparation that will cover the period 2009-2011. The CSPs reflect Government's priorities that are articulated in its National Development Program.



2.3 ***The overall assessment:*** The performance of portfolio for the on going operations is rated satisfactory with an average portfolio rating of 2.0 and an overall disbursement rate of 73%. This portfolio rating has slightly dropped against the 2006 rating. The portfolio does not have any problem projects and all on-going operations have a likelihood of achieving their development objectives.

2.4 ***Ageing projects:*** The on going portfolio has no ageing projects. The oldest project is the KDDP aged 5.7 years, followed by LUSIP aged 4.7 years, Mbabane Bypass Road aged 4.6 years and the Health Sector Study approved 2.3 years ago. The average age of the portfolio (on-going and approved projects) is 3.1 years which is lower than the bank wide average age of 4.3 years in 2006. It is however higher than 2006 CPPR (2 years). The reason is because the three projects covered by the 2006 CPPR have now matured while no project

² The CSP (2005-2008) focuses on promoting sustainable pro-poor private sector led economic growth targeting agriculture, and infrastructure (roads, water and sanitation) sectors. The other pillar focuses on investing in people and improving welfare (education, health and social protection).

³ The new CSP (2009-2011) will focus on two pillars: (1) Enhancing Private Sector competitiveness by supporting infrastructure, promoting the growth of SMEs, and enhancing agricultural productivity and ensuring food security. (2) Investing in pro- poor and gender sensitive social economic services by focusing on better health (combating HIV/AIDS and other communicable diseases) and increased access to improved quality of education and skills development.

has exited the portfolio. In terms of sectoral performance, the agriculture sector has the highest average age of 5.2 years.

2.5 **Projects at Risk:** Swaziland did not have any project at risk for the period 2007-June 2008. The three ongoing projects and one study had an average IP rating of 2.0 and a DO rating of 2.4, and there were no potentially problematic projects. This is consistent with the findings of the 2007, APPR that has reported a reduced level of problem projects to a record low of 7%, surpassing the Bank's current target of 8%.

2.6 **Cross cutting issues**

2.6.1 **Poverty Reduction:** Swaziland is classified as a Middle Income Country (MIC) with a per capita income of about US\$ 2500. However, the country has high levels of poverty with 69% of the population living below the poverty line (2006), earning an average income of US\$ 24 per month (equivalent). Unemployment rate is estimated at 22% and income growth has been slow. Swaziland has one of the lowest Human Development Indices among MICs estimated at 0.547 (2005) making the achievement of the Millennium Development Goals (MGD) a challenge. Income distribution is very unequal with a gini co-efficient of 0.5⁴.

2.6.2 Accordingly, three out of four on-going operations are expected to directly address the issue of poverty and income distribution. The KDDP endeavors to increase house hold income, enhance food security and improve access to social infrastructure for the communities in the project area. Currently, there are 30 farmers associations 10 of which are engaged in sugar cane production and small and medium enterprises. The membership of each existing farmers associations ranges from 50-220. Similarly, the Mbabane Bypass Road Project has created employment opportunities with over 80% of the estimated 800 workforce on site being Swazis⁵. Furthermore, the project has created entrepreneurial opportunities to Swazi subcontractors who are handling 16% of works worth SZL 16million. The road is also opening up the rural areas, linking communities with markets and business opportunities. In LUSIP, contractors have been drawing skilled, semi skilled and unskilled labour through the Implementing Agency's subcommittee for labour. As at end of March 2008, total labourers employed were 1,133, 80-90% of whom are drawn directly from the communities within the LUSIP project area. Ten groups of people have been identified and undergone training in business planning.

2.6.3 **Gender and Economic Empowerment:** The situation of women in Swaziland shows that an estimated 40% of households are either headed or managed by women, among which 63% live below the poverty line. Of the total women population in the labour force, only 23% are employed compared to 57% among men. Consistent with the Bank supported projects, the KDDP has among its membership of the existing farmers associations, 30% women with some of them elected to the board of directors for the Associations. As for Mbabane Bypass Project, between 4 and 9% of the workforce on site are women employees.

⁴ Gini-coefficient of 0.4 is generally considered very high inequality in income distribution

⁵ People of Swaziland are known as Swazis.

2.6.4 Environment and social protection; The LUSIP and Mbabane Bypass Project were environmentally category 1 which requires full ESIA studies in accordance with Bank Policy and the Swaziland Environmental Act. In all cases comprehensive mitigation plans were prepared and measures there-in are satisfactorily being implemented. Implementation of the resettlement action plans have progressed well for both projects. Under LUSIP, 143 homesteads have been resettled/relocated and all the 804 graves relocated. Construction of a school is on-going and so are relocations of three churches, nine soccer fields and two neighborhood care points. With regard to Mbabane Bypass Road, 235 households will be resettled and currently over 186 households have already been provided with alternative housing. In terms of public health, the projects have interventions focusing on three main areas notably water and sanitation, public health monitoring and combating HIV/AIDS and STI.

2.6.5 Regional Integration: Of the three ongoing projects, the Mbabane Bypass Project addresses the cross cutting issue of regional integration. The project will provide a vital link towards enhancing regional integration through the development of the east/west corridor designated as Route 35 of the Southern Africa Development Community (SADC) Regional Trunk Road Network (RTRN) which forms part of the Swaziland's commitment to the Southern African Transport and Communication Commission (SATCC) Protocol. The project road connects Guateng Province of South Africa to the port of Maputo in Mozambique through Swaziland.

B. General Assessment of Portfolio Performance.

2.7 Komati Downstream Development Project (KDDP) is rated satisfactory. It took 14 months for the project to be effective and 18 months for conditions precedent to first disbursement to be fulfilled. The project's disbursement rate is 71% from the ADB window while there was no disbursement from the NTF window. Reasons leading to non disbursement of NTF funds originated from the project side because of mistakes in the processing of the disbursement requests. Government has since funded the project and showed no urgent need to utilize Bank funds. Implementation of project activities has further more been hampered by a couple of other factors. Firstly, farmers have been experiencing challenges related to high on-farm costs (associated with high interest rates and electricity costs), declining world prices of sugar cane and inadequate marketing channels for non-sugar cane products. Secondly, due to the non submission of separate audited accounts for the credit funds being administered by the DFIs, the Bank imposed a disbursement suspension on the project from June 2007 until April 2008. The project has been extended for a further period of 2 years up to 2010..

2.8 Lower Usuthu Smallholder Irrigation Project (LUSIP) is rated satisfactory. 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. The project, which comprises two main components, the upstream works component and downstream development component, is being financed by seven different financiers including the ADB. The disbursement rate is 35% on the Bank loan since the bulk of Bank funding is for downstream activities. The disbursement rates for the rest of the co-financiers are; Arab Bank for Economic Development in Africa (BADEA) 79.8%; International Cooperation and Development Fund (ICDF) 100%; Development Bank of South Africa (DBSA) 97.9%, European Investment Bank (EIB) 79.8%; International Fund for Agriculture Development (IFAD)

64%; and Government of Swaziland (GoS) 85%. Implementation of the civil works has had slight delays in procurement and disbursement. The project is however likely to face insufficient provision of credit to farmers, as only meager amounts have been realised from the revolving fund under KDDP. The idea at appraisal was that the revolving credit from KDDP would be channeled for use by the farmers under LUSIP. However, because of delays from KDDP, this has not been the case.

2.9 ***Mbabane Bypass Road Project*** is rated satisfactory. All the conditions precedent to first disbursement were fulfilled in less than 12 months after the loan approval. Progress in outputs is at 84 % against a lapse of time of 66.7 % according to the revised work program while the disbursement rate is 99.4%. The lapse of time according to the original implementation schedule is 143%. The total cost of the project, inclusive of civil works and consulting services has increased by 129% from SZL440.69 million⁶ to SZL1, 009.36 million. The increase in cost is attributed to: (i) extension of time that increased the cost of fixed and time related obligations; (ii) increase in quantities of construction materials; (iii) increase in haulage distances due to change in material sourcing; (iv) change in some of the project's design; (v) crushing and blending rock materials previously not anticipated; (vi) increase in the number of houses required for resettling the project affected people (PAPs); and (vii) delay and disruption costs due to delayed relocation of services and removal of PAPs from the project corridor. The Government of Swaziland is financing the entire cost overrun.

2.10 ***Health Sector Study*** is rated unsatisfactory. While the deadline for disbursement is 31 December 2008, the disbursement rate is only 31.2% of the grant amount. Overall, the implementation of the study has been significantly delayed by mistakes made during the procurement process. Furthermore, delays were experienced in the process of procuring a planner, one of the key staff of the consultancy firm. The performance of the consultant in respect to deliverables is also unsatisfactory. The consultant's first draft report did not satisfactorily address the terms of reference and was, therefore, rejected by both Government and the Bank.

2.11 ***Generic problems:*** The portfolio review has revealed problems that affect the implementation of the projects. The main generic problems observed in the portfolio include: (i) start-up delays; (ii) failure to comply with reporting requirements; (iii) disbursement delays (vii) weak project management.and (vii) Communication problems.

III. PERFORMANCE OF PROJECTS IMPLEMENTATION.

3.1 ***Assessment of Supervision Frequency and Quality.*** The average supervision rate for the year 2007 is 1.5 and is consistent with the 2006 CPPR. However the average supervision rate for the half year 2008 is 1. While supervision missions have been of adequate skills mix, with an average length of 10 working days and considered sufficient, the average number of supervisions is considered low given the fact that KDDP and the Health Sector Study have had audit and procurement issues...

⁶ The loan currency is in South African Rand and 1 Swaziland Emulungeni is equivalent to 1 Rand.

Comparison of CPPR Ratings			
Indicator	1998	2006	2008
Compliance with conditions	1.5	2	1.9
Procurement of goods and services	2.1	2.1	1.8
Financial Performance	2.1	2.2	2.1
Activities and Outputs	2.2	2	1.96
Impact on Development	3	2.3	2.4
Overall assessment	2.2	2.1	2.0

3.2 **Compliance with Conditions and Commitments:** Compliance with loan conditions for the projects under review is rated unsatisfactory with an average rating of 1.9. This is because of the two agriculture projects that had delays in fulfilling loan conditions which took 13 months before effectiveness and about an average of 20 months to fulfill other conditions. There has also been non compliance with submission of audit reports for the KDDP which resulted into suspension of disbursement by the Bank since June 2007 until April 2008. These sanctions were due to failure of Development Finance Institutions (DFI's) to submit separate accounts since the project started.

3.3 **Procurement Performance.** At 1.8 the average rating for procurement performance for the on-going projects is unsatisfactory. It has dropped from 2006 (2.1) and 1998 (2.2). The low rating is mainly attributed to the Health Sector Study as indicated earlier on.

3.4 **Financial Performance.** The financial performance is rated satisfactory with an average rating of 2.1, a slight drop from the 2006 rating. While availability of foreign exchange is rated highly satisfactory, the availability of local currency is rated satisfactory. As for disbursement flows, the average rate is as low as 1.75⁷ The low rate of disbursement flows is attributed to suspension of disbursements on KDDP and the Health Sector study because of procurement problems.

3.5 **Project activities and works.** The average rating for the adherence to implementation schedule is barely satisfactory with a rating of 1.96, specifically brought about by the slippage in the implementation schedule of KDDP, Mbabane Bypass Road Projects and the Health Sector Study.

IV. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY AND COORDINATION WITH OTHER DONORS

4.1 **Government performance:** The Ministry of Finance, Economic Planning and Development (MOFEPD) is responsible for coordinating the Bank Group projects in Swaziland. However, monitoring of projects falls under the purview of line ministries. For the two agriculture projects, the Swaziland Water and Agricultural Development Enterprise (SWADE) is the executing agency responsible for overall projects' execution and implementation. The SWADE is well organized and adequately staffed with a well developed monitoring framework and project implementation manual and a financial management system. The roles and responsibilities of SWADE, MOFEPD, Ministry of Agriculture and Cooperatives and Ministry of Natural resources and Energy are clearly demarcated. As far as the Mbabane Bypass Project is concerned, The Ministry of Transport and Public Works is the executing agency. The GoS and executing agencies have put in place a mechanism of retaining staff for the duration of projects in order to build capacity

⁷ Source: ADB Management Information System (SAP)

and institutional memory. MOFEPD has an ADB desk officer in charge of overall coordination although the staff has other responsibilities in addition to the project coordination role.

4.2 **Bank's performance:** Overall, the frequency and quality of supervisions by the Bank, is satisfactory but mission follow-up activities are not expeditiously undertaken. However, despite this, good portfolio management is evidenced by the fact that the ongoing portfolio has neither a problematic project nor a project at risk.

4.3 **Aid Coordination:** There is no aid coordination mechanism identified in Swaziland at the moment but plans are under way to put one in place with UNDP as the main convener. At the Government level, the responsibility lies with the External Assistance Unit in the Ministry of Finance, Economic Planning and Development. Within the framework of aid coordination however, of the four on-going operations, the Bank Group is co-financing

4.4 LUSIP (UA 10.95m) with the following donors: BADEA (UA 7.94m), EU (9.76m), DBSA (UA 8.04m), IFAD (UA 10.17m), EIB (UA 19.18) and ICFD (UA 3.40m). The Bank has honoured its commitment to the Paris Declaration by aligning its strategy to Government's development strategies and helping in strengthening institutional capacity through an MIC Grant.

V. COMPARATIVE ASSESSMENT OF PORTFOLIO PERFORMANCE

5.1 The current CPPR indicates an improvement in the lapse of time from approval to effectiveness compared to the 2006 CPPR and the ADB countries (see Table 2). This low average is however attributed to the sector study that took only 2.8 months to effectiveness. The disbursement rate for the portfolio has gone up from 49.8%-73%⁸. This is because of maturing projects specifically the Mbabane By pass Road. The disbursement ratio for 2006 was higher than the ADB countries during the same period.

5.2 The average project size has dramatically reduced because of small commitments of grants of not more than UA 500,000. The average size for the three projects excluding grants is however UA 21.5 million which is lower than the average for ADB countries at UA 59.5million. The big project size for the ADB Countries is attributed to countries like Tunisia, Egypt and Morocco with large investment loan sizes. The current portfolio in Swaziland has no problematic projects as compared to the 2006 CPPR with 33.3% and other ADB countries with 10% of the projects as problematic.

5.3 The World Bank has no public sector operations in Swaziland at the moment. However, the International Finance Corporation (IFC) has three investments in the manufacturing sector for a total of US \$ 5.5million. The Multilateral Investment Guarantee Agency (MIGA) has one guarantee for US\$ 36.6million involving the construction and operation of electricity transmission lines that will interconnect South Africa, Swaziland and Mozambique. The operations therefore are non comparable.

⁸ The disbursement rate represents disbursements throughout the entire period of the on-going operations.

Table 1
Swaziland: Comparative Performance Indicators.

Performance Indicators		Evolution of portfolio performance		Internal Comparison	
		2006	2008	Swaziland	ADB (2006)
Implementation and Impact	Time from approval to effectiveness in months.	11.7	7.6	7.6	17
	Disbursement rate %	49.8	73	73	N/A
	Disbursement ratio.	39.6	16.5 ⁹	16.5	28
	Average project size (UA millions)	21.5	11	11	59.5
	CAR (% of commitments)	0	0	0	8
	Problematic projects (% of ongoing projects)	33.3	0	0	10
	Average project age in years.	2	3.1	3.1	4.3
Harmonization and Alignment	Use of Country Systems (%)	n.a	n.a	n.a	n.a
	Number of Co-financed projects.	1	1	1	
	Number of Parallel PIUs	n.a	n.a	n.a	n.a

VI. LESSONS LEARNT FOR FUTURE COUNTRY STRATEGY PAPERS AND PORTFOLIO MANAGEMENT

- 6.1 This portfolio review brings out a number of issues and lessons learnt for future interventions in the country and for portfolio management. The first lesson stems from the size of the portfolio. There is need for the Bank Group to have due cognizance of having more interventions in the country. Without compromising the issue of selectivity, it is prudent that the Bank improves on its interventions especially within the private sector. The issue of pricing to ensure the Bank's competitiveness must be underscored and a favorable decision undertaken in respect to pricing of bank products
- 6.2 A second lesson relates to the need to ensure high quality at entry in the process of project identification, preparation, design and appraisal. In this context, it is important to carefully cost all possible activities and to consider possible assumptions to avoid enormous cost overruns and longer execution periods in future like in the case for Mbabane Bypass Road Project.
- 6.3 The third lesson is to consider the importance of Banks presence in the region for expedition of arising issues and mission follow up activities. Activities like following up of reports, disbursements and procurements can be handled instantly without referring to head office.

⁹ This ratio represents disbursements for the first six months of 2008.

- 6.4 Executing agencies like SWADE could be duplicated in other sector projects. SWADE has done satisfactorily well as a project implementation agency.

VII. CONCLUSIONS AND RECOMMENDATIONS

- 7.1 The above assessment revealed a generally satisfactory overall performance of Bank Group portfolio in Swaziland. The overall evaluation is slightly lower than that of the 2006 CPPR with a significant drop in the rating for procurement of goods and services. There are no problematic projects or projects at risk and there is likelihood that the ongoing operations will achieve their development objectives. In line with the above findings, the following measures are recommended to further enhance the performance of the Bank Group portfolio in Swaziland.

7.2 *Recommendations for the Bank.*

- 7.2.1 The Bank should put up measures to improve quality at entry of new projects by introducing greater skill mix specifically during project preparation and appraisal. This would reduce delays in compliance with conditions precedent to entry into force and most importantly during the implementation stage, to guard against slippages in implementation as well as cost overruns.
- 7.2.2 Put up a system of ensuring timely submission of audit reports to avoid repercussions that affect the overall implementation schedule. Recruitment of audit firms at the launching of projects would be more helpful.
- 7.2.3 Ensure frequent project monitoring by sustaining the 1.5 average supervision rate to enable follow up of implementation issues as well as early detection of anomalies.
- 7.2.4 There is great need to organize training workshops on Bank rules of procedure for the procurement of goods and services, disbursement and audits, project cycle, contract management as well as general project monitoring and evaluation.
- 7.2.5 The Bank should make an effort to promote private sector operations and also explore more business on much wider sector coverage within the country in line with the Bank CSP and the country's National Development Program.
- 7.2.6 In a bid to achieve the objective of alleviating poverty, the Bank should consider financing farmers in the LUSIP Project since the concept of funding through the revolving fund for KDDP do not seem to be working out as anticipated.
- 7.2.7 Reduce time taken to respond to queries and processing disbursement and procurement requests
- 7.2.8 Ensure active participation of the Regional Office.

7.3 *Recommendations for the Government.*

- 7.3.1 Government needs to ensure that there is an aid coordination mechanism to facilitate dialogue with donors and monitoring of progress in achieving results.
- 7.3.2 Strictly comply with Bank requirements and time limits of submission of reports to avoid delays in project implementation.
- 7.3.3 Put efficient and reliable systems in place for better auditing and accountability.
- 7.3.4 In collaboration with the Bank, provide training in accounting, auditing, public procurement, disbursements, project monitoring and evaluation.

7.3.5 The Government and the Bank should work together and ensure an efficient communication system to help in the expedition of issues that affect project implementation.

7.4 ***The Board***

CODE members are invited to consider the conclusions following the Swaziland Country Portfolio Review and to adopt the above recommendations.

ANNEXE1: Key data on ongoing operations (Updated June 2008)

Project	Financial Data			Duration		Rating*						
	Amount Approved (UA million)	Disbursements (UA million)	Disbursement Rate (%)	Number of extensions	Age (years)	Compliance with conditions	Procurement Performance	Financial Performance	Activities and works	Impact on Devt	Overall Rating	Status**
KDDP	11.9	8.5	71.4	1	5.7	1.6	2	2.3	2.5	2.75	2.1	NPP
	4.95	0	0									
LUSIP	10.2	3.6	35.29	0	4.7	1.6	3	2.75	2.25	2.25	2.4	NPP
Mbabane	37.7	37.5	99.4	1	4.6	2.3	2.5	1.4	1.5	2.75	1.93	NPP
Health Sector Study	0.5	0.156	31.2	0	2.3	2	0	2	1.6	2	1.9	NPP
Total	65.25	49.75	73.3		4.3	1.9	1.8	2.1	1.9	2.4	2.0	

** Rating obtained during the last project supervision mission

** NPP=Non potentially problematic project
 3=highly satisfactory; 2=satisfactory; 1=unsatisfactory, 0=highly unsatisfactory

ANNEX 2: COUNTRY PORTFOLIO IMPROVEMENT PLAN.

Operations	Major Issues	Actions Required	Responsible	Timing	Status of implementation of required actions.
		GENERIC ISSUES			
1. Quality at entry.	1.1. Delayed effectiveness and start up	1.1.1. Better use of lessons learnt from the PCRs and ESWs in designing new operations 1.1.2 Arrange for PIUs and staff during appraisal. 1.1.3 Involve procurement and disbursement experts during appraisal and supervision. 1.1.4 Involve all stakeholders in the preparation stage. 1.1.5 Selectivity of conditions and dialogue precedent to entry into force. 1.1.6 Ensure skills mix during appraisal.	Sector Ministries/Bank/Executing agencies	Periodic	

		1.1.7 Ensure that commercial banks are aware of the importance of special accounts ahead of project approval.			
2. Fiduciary assurance	2.1 Delay in submission of audit reports	2.1.1 Appoint audit firms early enough.	Ministry of Planning and Economic Development	Periodic	
		2.1.2 Address skills shortage in the Auditor General's office	Auditor General's Office	Ongoing	
		2.1.3 Ensure that PIUs have procurement specialists	Line Ministries/ executing agencies	Immediate	
		2.2.2 Have regular procurement audits	Line Ministries/ Executing agencies	Periodic	
	2.2 delays in procurement	2.2.3 Increase training in Bank rules of procedure	Line Ministries/ Implementing agencies/Bank	Immediate	

	2.3 Delays in disbursements	2.3.1 Expedite disbursement reviews by MOF	Implementing agencies	Ongoing	
		2.3.2 Provide training on disbursement procedures.	Implementing agencies/Bank	Immediate	
3. Project Implementation	3.1 Weak Project implementation Unit.	3.1.1 Provide training to staff	MOTWP	Immediate	
	3.2 Low frequency of supervision	3.2.1 Increase number of supervisions per project especially where there are outstanding issues	Bank	Immediate	
4. Aid Coordination	4.1 Lack of Aid Coordination mechanism.	4.1.1 Put in place a mechanism to harmonize aid.	Government	Immediate	
		SPECIFIC ISSUES			

KDDP	1. Delays in submission of audit reports	1.1 DFIs to reconstitute their respective accounts retrospectively from inception (2005)	DFIs and SWADE	Immediate.	Done
		1.2 Submit audited accounts of SWADE including the FINCORP and SIDC (DFIs).	DFIs (FINCORP and SIDC)	July 2008	Done
		1.3 DFI's to open Credit Account	DFIs	On-going	Done
	2. Inadequate marketing channels for non sugar cane products	2.1. Improve efforts to create market linkages especially with private sector.	SWADE/ Government	July 2008	Done
	3. Poor loan repayments and therefore challenges in creating a revolving fund	3.1. Open a credit repayment account	Ministry of Planning and Economic development	July 2008	Done

	for LUSIP				
	4.Implementation of project activities behind schedule because of suspension of disbursements	4.1 Request for an extension of disbursement deadline until Dec. 2010	Government SWADE	On-going	Done
	5. Land disputes in KDDP PDA	5.1 Strengthen measures in resolving chieftom land disputes	Government.	On-going.	
	6. Delays in submission of NTF disbursement request	6.1. Submit NTF disbursement requests to the Bank	SWADE/ Government	Immediate	Under process
LUSIP	1. Lack of credit facilities to farmers.	1.1 Provisions to be made for dealing with the anticipated shortfall in the Revolving fund caused by delay in implementing the KDDP.	SWADE/ Government	Immediate	

	2. Challenges related to resettlement and land access	2.1 Ensure equal allocation of land and strengthen security of tenure	Government/ Chiefdoms	On-going	
Mbabane	1. Delays in final submission of disbursement requests for audit services	1.1 Expedite and submit audit reports to the Bank.	MOTPW	Immediate so as to enable cancellation of the loan balance after payment to auditors	Done
	2. Resettlement of one remaining affected person at Mangwaneni	2.1 Finalise agreement	MOTPW	Immediate	
Health Sector Study	1. Delays in procurement of a Health Planner	1.1 Expedite the procurement process	Ministry of Health /Bank	Immediate	underway
	2. Delay in finalization of a consultant's report	2.1 Review the submitted report	Min. of Health/Bank	Immediate	Done