

JOINT ANNUAL REPORT

2003

SWAZILAND – EUROPEAN COMMUNITY

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1. Executive Summary

Swaziland's national policy agenda for sustainable social and economic development is set out in a long-term vision, the National Development Strategy (NDS). The NDS guides the preparation of the three-year rolling National Development Plan, and forms the basis of the annual Millennium Action Programme (MAP). A draft extract of the Poverty Reduction Strategy (PRS) with prioritised programmes was produced in July 2001. A final draft Poverty Reduction Strategy and Action Plan will now be completed by May 2004. A Poverty Monitoring Unit has been established in the Ministry of Economic Planning and Development to co-ordinate the finalisation and implementation of the Strategy and Action Plan and monitor poverty trends. The Unit is presently establishing a computerised system to build a database on poverty.

Due to worldwide economic deceleration and decrease of foreign investment in Swaziland, overall growth in economic activity is anticipated to decline to 2.2% in 2003, compared to 3.6% achieved in 2002. Falling oil and food prices and the appreciation of the Lilangeni contributed to a decline in consumer price inflation from a peak of almost 13% in October 2002 to 4.8% in October 2003. The government's fiscal balance has been in deficit since 1999/2000 and in 2002/03 the deficit widened further to 4.5% of GDP. The weakening in public finances has reflected both lower revenues and higher expenditure on public wages and transportation.

Although Swaziland is classified as a middle-income economy, distribution of income is unequal and 65% of the population lives on less than \$1 a day. The major challenge facing the country is the threat posed by HIV/AIDS, which has been proclaimed as a national disaster. The Government showed a renewed sense of urgency in addressing the disease, by forming the National Emergency Response Committee (NERCHA) on HIV/AIDS in December 2000. In June 2003 NERCHA was successful in obtaining a grant of US\$ 30.6 million from the Global Fund for HIV/AIDS, Malaria and TB to be disbursed over the next two years. This grant will allow for a significant increase in budget spending on HIV/AIDS, which has so far been relatively small.

Concerning EDF implementation, the financing agreement for the last EDF 8 programme, Lower Usuthu Smallholder Irrigation Project, was signed in February 2003, and a Project Director was recruited and began work on the 1st April 2003. The contract for the design and supervision was awarded in November 2003 and the contractor will mobilise and commence work in early January 2004. The tender for the programme Management Unit was evaluated in December, and it is expected that a contract will be awarded early in 2004.

Implementation of the following ongoing 8th EDF programmes continued during the year: Capacity building (Support to policy reform and programme management; Trade policy strengthening; Private sector support, Fiscal restructuring), and HIV/AIDS Prevention and Care. The 8th EDF Micro-projects programme came to an end in September 2003.

Annual disbursement rates show that the total payments made in 2003 amounted to € 3.3 million. This is an increase from the €2.8 million paid in 2002.

The 9th EDF CSP was signed in September 2002. Support will be concentrated on Human Resource Development. Within the focal and non-focal areas of support, HIV/AIDS, gender equality, decentralisation, community participation, capacity building and, where appropriate, environmental management, will form important cross-cutting thematic issues. Across all areas of EC support, it is expected that non-state actors will be able to contribute to the design, implementation and/or monitoring of the interventions.

The feasibility study for formulation of a support programme in the education sector commenced in July 2003. The draft feasibility study and draft financing proposal were prepared in October. Final draft documents were prepared at the end of December and it is expected that the programme will be finalised during the first quarter of 2004.

The 9th EDF Micro-projects Programme was prepared and approved during 2003. A total of Euro 4.7 million was allocated to the programme, which is being implemented over a period of four years beginning 1st October 2003.

Concerning the other two 9th EDF non-focal sectors, in December 2003 a financing proposal was approved for Capacity Building for Development Planning (€ 2.7 million), and project formulation for Trade (€1.8 million) will be undertaken during the 1st quarter 2004, based on the evaluation of the ongoing 8th EDF Trade capacity project, which was extended until mid 2004.

New EC/EU policy commitments and initiatives were fully integrated into the existing programme. In particular the commitment to allocate 35% of EDF resources to the social sector and the initiative to promote education for all are given high priority. The government of Swaziland therefore remains committed to maintaining Education and Training as the focal sector in the CSP and does not intend to adapt the CSP strategy.

2. Policy Agenda

The Government of Swaziland works on the basis of a comprehensive policy and planning system, with the National Development Strategy (NDS) as its basic strategy. The NDS guides the preparation of the three-year rolling National Development Plan, and forms the basis of the Government's Millennium Action Plan (MAP), which establishes annual programmes of action and sets target dates for achievement.

2.1 National Development Strategy

The NDS provides a long-term development framework for the period 1997 to 2022. Its objective is to considerably improve Swaziland's world standing in terms of measurable indices of human development. Underlying this objective is the focus on the quality of life in the country, which will be dependant on poverty eradication, employment creation, gender equity, social integration and environmental protection, which in turn are crucially linked to education, health and other aspects of human resource development.

To achieve this objective the following key strategic areas were identified: (i) sound economic management; (ii) economic empowerment; (iii) human resource development; (iv) agricultural development; (v) industrialisation; (vi) research; and (vii) environmental management. In order to operationalise the NDS, specific short, medium and long-term programmes are developed around these key areas.

2.2 National Development Plan

Government's National Development Plan is elaborated in 3 year rolling plans, which details capital expenditure projects that are prepared in parallel with the recurrent budget preparation process. The Development Plan sets out the Government's public investment programme and provides an operational medium term perspective of the public sectors development efforts within the overall macro-economic and particularly fiscal parameters that are projected for the next few years.

Specific priority is being given to the "Millennium Projects", which are aimed at accelerating investment in infrastructure and tourism in order to create employment and improve living standards. Most projects, including a conference centre, amusement park and hotels, are still under preparation, but construction of a trade fair and international airport has started, and a number of factory shells have been completed. Millennium Projects are not part of the draft PRSP, and they will not be included in the Poverty Reduction Action Plan (see below). It is foreseen that Government, international financial institutions and the private sector will finance these projects.

2.3 Millennium Action Programme

The Millennium Action Programme (MAP), which began in 2002, selects targets for ministries that put into effect the principal objectives of the National Development Strategy. These targets include, among others, poverty alleviation, with an emphasis on rural development, employment creation, HIV/AIDS, efficiency and cost-effectiveness in the public service, and improved provision of essential services.

Ministries have been tasked to develop programmes and implementation schedules in line with these areas, which are monitored through monthly ministerial progress reports in a standardised format. Cabinet reviews all submissions on a monthly basis, and reports are produced bi-annually.

2.4 Medium Term Expenditure Framework

Government embarked on a medium term budgetary process for twelve pilot Ministries and Departments, during the 2003/4 financial year, in order to improve fiscal discipline, enhance the predictability of funding and make the budgetary process performance orientated.

The exercise will ensure that resources are allocated and utilised in accordance with national and strategic priorities and that Ministries and Departments can manage their resources more efficiently and effectively. During the 2004/5 financial year all Ministries and Departments will adopt the Medium Term Expenditure Framework.

2.5 Poverty Reduction Strategy

In December 2000 Government established a Poverty Reduction Task Force to take the lead in formulating a Poverty Reduction Strategy. This is considered a vital part of operationalising the NDS.

As part of the formulation process, the World Bank, in consultation with the Government, produced a Poverty Policy Overview Report. The report recommended a number of key interventions required for improving the living standards of the poor, namely:

- 1) **smallholder agriculture development**, through land tenure reform, sustainable cattle management, and the introduction of small-scale savings and credit mechanisms in rural areas;
- 2) **human resource development**, through improved primary, secondary and vocational education, expanding early childhood development programs for poor communities and emphasising a primary and preventive health service;
- 3) **insurance against major risks**, through a cross-sectoral response to the AIDS crisis, and drought preparedness;
- 4) **institutional strengthening**, to increase the poverty impact of policies, through poverty planning at central level, local level co-ordination and community participation and the establishment and use of a poverty monitoring and analysis system.

In February 2000 the Task Force, on the basis of consultations with NSAs, reconfirmed the previously identified priority areas and stressed the need to move towards implementation.

The Poverty Reduction Strategy and Action Plan will now be finalised by August 2004. A Poverty Monitoring Unit has been established in the Ministry of Economic Planning and Development to co-ordinate the finalisation and implementation of the Strategy and Action Plan and monitor poverty trends. The Unit is presently establishing a computerised system to build a database on poverty.

The Social Protection for Vulnerable Children including Orphans project is currently being implemented. This project will reduce the vulnerability of children by providing them with opportunities to access education, health services and improved nutrition.

3. Political, Economic and Social Situation

3.1 Poverty Reduction Indicators

The table below provides indicators for the last three years and forecasts for two years on ten selected Millennium Development Goals. These ten indicators were selected to systematically measure progress towards poverty reduction.

Although indicators for the national poverty reduction strategy are not yet determined, it is likely that the broad impact indicator from the NDS will be retained: “By the year 2022, the Kingdom of Swaziland will be in the top 10% of the medium human development group of countries”. Indicators based on the Millennium Development Goals will also be incorporated into the poverty reduction strategy.

Type	Indicator	2000	2001	2002	2003	2004
Impact	1. Proportion of population below \$1 per day ¹	66	66	65		
	2. Prevalence of underweight children (under-five years of age) ²	10				
	3. Under-five mortality rate ³	62				
Outcome	4. Net enrolment ratio in primary ⁴ education	76.1	72.7			
	5. Primary Completion Rate	24.2	21.6			
	6. Ratio of girls to boys in:					
	- primary education	1:1	1:1			
	-secondary education	1:0.9	1:0.9			
	- tertiary education					
	7. Proportion of births attended by skilled health personnel ⁵	70	70			
	8. Proportion of 1 year old children immunised against measles ⁶	72	72	86		
	9. HIV prevalence among 15-24 year old pregnant women ⁷	34	n.a.	39		
	10. Proportion of population with sustainable access to an improved water source ²	50		51		

- Source: 1 CSO Household Income and Expenditure Data
2 Southern Africa Regional Poverty Network (SADC) statistics,
3 UNICEF Social Indicators
4 Education Statistics, CSO
5 Reproductive Health Needs Assessment, Ministry of Health 2000/01
6 Health Statistics, CSO
7 7th and 8th HIV Sentinel Sero Surveillance Survey Report (2000 and 2002)

Whilst certain data is currently collected annually, other data is only obtained on a less regular or ad-hoc basis. The time taken to collate and analyse some data also means that results are only available after one or two years.

The prevalence of income poverty in Swaziland is determined from the Swaziland Household Income and Expenditure Surveys (SHIES). Current poverty assessments are based on the SHIES carried out in 1995. The Central Statistical Office carried out another SHIES in 2001. Analysis for the data is not yet complete, and a new poverty profile has not been constructed. It is expected that the same definitions of poverty will be used in the new profile so that changes in poverty since 1995 can be tracked and assist in future projections.

In the Prioritised Action Programme on Poverty Reduction (PAPPR), the government set a target of reducing the number of people living below the poverty line by a third by 2015 and eliminate it altogether by the year 2022.

According to the UNDP Human Development Report, Swaziland is classified as a medium human development country, performing better than most members of SADC. However, there is a high level of inequality. Swaziland's Gini coefficient of 51 classifies it as a country with highly unequal income distribution (Gini coefficient between 50 and 70).

3.2 Political Situation

The government comprises a Cabinet of Ministers responsible to a two-chamber parliament which advises the King as Head of State on the government of the country. He is also advised by the Swazi National Council, which is currently composed of twenty-four members appointed by the King, and other local government sub-systems including the traditional structures.

The "Westminster" type constitution adopted at independence was found to be unsuited to the particular circumstances of the Swazi Nation, and was repealed by the King, in a Proclamation in 1973. From 1973 all executive, legislative and judicial power was vested in the King, until the restoration of parliamentary government in 1978. A new electoral system was restored with a two chamber Parliament consisting of a House of Assembly and Senate. Fifty five members of the House of Assembly are elected by the fifty five Tinkhundla (local constituencies) into which the country is divided for electoral and other administrative purposes. A further ten members of the House of Assembly are appointed by the King.

The Senate is comprised of thirty members, of whom ten are elected by the House of Assembly and twenty are appointed by the King. The Prime Minister is appointed by the King, and the King also appoints Cabinet Ministers and Principal Secretaries, with the advice of the Prime Minister.

The Constitutional Review Commission (CRC) was established by King Mswati in 1996, to accelerate the process of constitutional reform by consulting with Swazi citizens on the type of constitution they want and to produce a report that would form the basis for the drafting of the Constitution. The Commission presented its reports to the King in 2001. A Constitution Drafting Commission began its work in 2002, and

submitted a final draft constitution to the King in November 2003. This draft will be translated into siswati to enable a further consultation round amongst the population.

Although it is in agreement with the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the Government has not yet complied with the commitment it entered into under the 8th EDF NIP to ratify this convention and to establish a Law Reform Commission to examine discriminatory legislation. Although the Government has set up a Gender Unit within the Ministry of Home Affairs, major steps still need to be taken to revise discriminatory legislation and to adapt customary practices to remove barriers to the social and economic empowerment of women. Among other UN Conventions awaiting ratification are the International Convention on Civil and Political Rights and the Convention against Torture. Where Swaziland has ratified UN human rights conventions, it has not yet enacted the enabling legislation to translate these conventions into domestic law.

During the latter half of 2002, certain tensions appeared between the Executive and the Judiciary. This culminated in the resignation of the Court of Appeal judges early in 2003. Elections were held in October 2003 and the new Prime Minister stated that Government was committed to addressing the issue of the rule of law.

The Government of Swaziland and the European Union agreed to engage in regular political dialogue and to monitor the political situation, in particular the rule of law, progress with the Constitution, and human rights. In October 2002 a ministerial committee was set up to initiate and sustain this dialogue. One meeting was held in June 2003, and the dialogue was temporarily suspended in October due to the parliamentary elections and change of government.

3.3 Economic Situation, Structure and Performance

The 1980s saw rapid growth in the Swazi economy. This was caused by an increase in foreign investment (largely disinvestment from South Africa) attracted by the benefits the Kingdom offered: access to larger southern African markets; preferential access to Europe and North America; availability of sugar and timber at competitive prices; a stable country and a government sympathetic to private business. Subsequently, major shifts occurred in the pattern of production. The contribution of agriculture to GDP declined from 21% to 10% between 1985 and 1999, whilst that of manufacturing increased from 16% to 36%. Over 30 companies employing more than 20,000 people now operate in the country in order to take advantage of the Africa Growth and Opportunity Act (AGOA). Due to worldwide economic decline and decrease of foreign investment in Swaziland, overall economic activity is anticipated to decline to 2.2% in 2003, compared to 3.6% achieved in 2002. Consumer inflation has eased since the end of 2002 in line with the trend in South Africa. Falling oil and food prices and the appreciation of the Lilangeni contributed to a decline in consumer price inflation from a peak of almost 13% in October 2002 to 4.8% in October 2003.

Swaziland's balance of payments reflects the openness of the economy and its membership to the Common Monetary Area (CMA) and the Southern African Custom Union (SACU). Under the CMA agreement, the lilangeni (SZL) is pegged at par to the Rand (ZAR), and monetary and financial policies are largely determined by the South African Reserve Bank. Both exports and imports exceed 80% of GDP but due

to an increase in exports in 2002, the trade gap has improved, illustrated by the overall balance of payments deficit of SZL 245 million in 2002 (compared to SZL486 million in 2001). The deficit is expected to fall again in 2003 to SZL 165 million.

Over 80% of imports originate in South Africa compared to 5% in the EU. With 65% of total exports, South Africa is by far the main destination for Swazi exports followed by the EU (12%). Exports are derived largely from the commercial agricultural sector (mainly sugar cane and citrus fruit). Sugar (cane milling and refining) contributes around 20% of GDP, over 10% of total export earnings and accounts for 10% of total formal direct employment. Close to 30% of the sugar is sold to the EU (under the Sugar Protocol and as Special Preferential Sugar) where it enjoys high domestic support prices. The Swaziland Sugar Association estimates the benefits derived by Swaziland from sugar trade preferences to be Euro 13 million per year. These benefits may be threatened due to pressures for reform of the EU sugar regime, developments in the EU-ACP trade preferences, oversupply and sliding prices in the US. Swaziland's strategy, in case of discontinuation of these preferential treatments, is to capitalise on its comparative advantages vis-à-vis other sugar producing countries through further re-structuring of the sugar industry, investment in modern technologies, and increase in capacity (economies of scale) by incorporating small-holders into the production cycle.

Unemployment has increased in recent years, due to a decline in Foreign Direct Investment, the restructuring of private companies, the reduction of migrant labour opportunities, combined with a growing population and labour force. Whilst it is estimated that employment grew by 0.2% in 2003, the current unemployment level is estimated at between 30-40% for different classes of workers.

3.4 Structure of Public Sector Finances

The governments fiscal balance has been in deficit since 1999/2000 and in 2002/03 the deficit widened further to 4.5% of GDP. The weakening in public finances has reflected both lower revenues and higher expenditure on public wages and transportation. In previous years, the deficit was financed entirely from domestic non bank and foreign sources, and in 2002 the Government issued domestic debt worth E230 million to commercial banks. Total government debt stood at 25% of GDP in 2002/2003.

The IMF, in its report for the 2003 Article IV consultation, concludes that the fiscal balance deteriorated substantially in 2002/2003, that there is a need to reduce the fiscal deficit in order to restore macro-economic stability, and that spending needs to be controlled and reoriented toward critical social sectors such as health and education.

3.5 Poverty Profile and Social Context

Swaziland among the sub-Saharan African countries has the fourth highest GDP per capita (1,400 USD/capita) and ranks third highest on the Human Development Index with life expectancy of 44 years (2002), adult literacy of 78 % and school enrolment of 72%.

According to the 1997 Participatory Poverty Assessment and the poverty profile based on the 1995 Household Income and Expenditures survey, more than 48% of the population lives below the national poverty line of Emalangeni 71/month. Further, there are significant regional disparities, with the eastern lowveld and southern Shiselweni areas being the poorest in the country. Factors found to contribute to the incidence of poverty include: a rapid population growth; the prevalence of HIV/AIDS, a skewed distribution of income and resources, the rising trend of female headed households, growing unemployment and the vulnerability of large parts of the country to environmental degradation coupled with adverse weather conditions and resulting food insecurity.

Since independence, educational facilities and services have been significantly expanded and Universal Primary Education was attained in 1985, but the Government is now considering ways and means to attain Basis Education, though whether this will be conceptually consonant with the 'expanded vision' of 'Education for All' established at the Jomtien and Dakar Conferences is uncertain at this stage. Substantial investment has led to greater coverage and widening enrolment at primary, secondary and tertiary education levels. The geographical distribution of facilities is equitable with similar ratios of primary schools in each of the 4 regions, and there is no significant difference between the enrolment rates for boys (51%) and girls (49%). However, inefficient educational service delivery is of concern and it is widely accepted that there is need to improve the quality of education. Inadequately trained teachers, high drop out and repetition rates mark the education system. Many school leavers do not have the skills required in daily life and on the labour market.

Poverty alleviation and HIV/AIDS are two key cross-cutting issues and major determinants of strategic choices- not only for education but for all social services. The education, health and socio-economic development gains of the past are being unravelled through the impact of HIV/AIDS, which is systemic and affecting both the demand and supply of education in terms of quality, quantity and process. The present situation is not much one of an education crisis, more of a social crisis given the impact of poverty and HIV/AIDS on much of the population, and education is but one route to the alleviation of the overall situation. The education system is still faced with issues of access to and expansion of education, as well as its stated aim of "improving the quality, relevance and affordability of education". The trade-off between 'access', 'expansion' and 'quality' is compounded by the increasing demands on education through HIV/AIDS, which is leading to higher and higher numbers of 'out-of-school' children.

Due to significant investment in social infrastructure and services, Swaziland has achieved good health service coverage, but the quality of service delivery remains low. As a result mainly of decreased infant and child mortality, life expectancy has shown a steady increase over the past decades. However, with the emergence of a high prevalence of HIV/AIDS expected to translate into greater morbidity and mortality, the gains of the past are likely to be reversed.

3.6 HIV/AIDS

Despite past interventions, the HIV and AIDS pandemic continues to spread rapidly in the region. It is estimated that about 300,000 people in Swaziland are infected by

HIV. The rate of infection among pregnant women has risen from 3.91% in 1992 to 38.6% in 2002. Projections prepared by the US Bureau for Population Census in 1999 indicate that by 2010 population growth, life expectancy at birth and crude death rate (per 1,000) will be 1.7%, 37.1 years and 22.6 respectively, compared to 3.1%, 63.2 years and 7.5 respectively “without AIDS”. It is estimated that the number of orphans will increase from an estimated 50,000 in 2003 to over 120,000 (15% of the population) by 2010.

The trend of marked gender differences in HIV/AIDs prevalence rates among 15-24 year-olds is disturbingly high with a significantly worsening trend for women in the 1999-2001 period with a 20% increase. Women under 25 years of age represent the fastest growing group of HIV/AIDs in Sub-Saharan Africa and among those countries Swaziland has the second highest rate.

While Swaziland responded early to the epidemic, establishing a National AIDS Programme (SNAP) in the Ministry of Health and Social Welfare in 1987, this failed to have an impact on the spread of HIV. Levels of knowledge of HIV in the population are high, but behaviour change has not followed. NGOs have played a leading role in the implementation of HIV care and prevention activities in the community, and a special coordinating group has been formed under the Coordinating Assembly of NGOs (CANGO).

The Government showed a renewed sense of urgency in addressing the disease, by forming the National Emergency Response Committee (NERCHA) on HIV/AIDs in December 2000. NERCHA became fully operational in June 2002 and spent E20 million during the 2002 financial year. In June 2003 NERCHA was successful in obtaining a grant of US\$ 30.6 million from the Global Fund for HIV/AIDs, Malaria and TB to be disbursed over the next two years. This grant will allow for a significant increase in budget spending on HIV/AIDs, which has so far been relatively small.

3.7 Food Security

The overall food situation in Swaziland improved in 2003 (in terms of price and import capacity), but a large section of the population remains vulnerable. The World Food Programme (WFP) forecasts domestic production of maize at approximately 73,000 tons for 2003, which is 6% higher than the previous year, but remains 30% below the average over the last five years. In addition to commercial imports, Swaziland would require about 24,000 tons of aid in 2003/04 to cover domestic requirements.

3.8 External Environment And Regional Cooperation Agreements

Swaziland is currently a signatory to, or member of WTO, Cotonou Agreement, SACU, SADC, CMA, COMESA, and it is also a participant in the Regional Integration Facilitation Forum (formerly Cross-Border Initiative). The Kingdom's trade policy, in common with many of its regional neighbours, is thus determined by a proliferation of overlapping and sometimes conflicting regional trade groupings. This situation is further complicated by the varying nature of Swaziland's bilateral agreements. Some of the latter are based on WTO compliant and reciprocal Most Favoured Nation (MFN) status, while others are ad-hoc, preferential or duty-free

access agreements. With the high potential for trade deflection within such a trade environment, it is very difficult to predict the implications of policy changes on revenue, resource allocation, investment and competitiveness.

Given Swaziland economic openness, the changing trading relationships at both the multilateral level and within the region will have a profound impact on future macro-economic stability and growth. It is thus essential that Swaziland is able to participate in and/or assess effectively the impact of negotiations of inter alia the Free Trade Area within SADC, the Customs Union and free Trade Area within COMESA, the EU-South Africa Trade and Development Agreement, the Economic Partnership Agreement (EPA) with the EU, and further rounds of trade liberalisation under the auspices of the WTO.

The renegotiation process of the Southern African Customs Union (SACU) Agreement of 1969 took longer than was initially anticipated. The new agreement was signed by the SACU Heads of States and Governments in 2002, and a SACU Secretariat established in Namibia. The Agreement comprises a New Revenue Sharing Formula and it stipulates the Council of Ministers as the governing body of SACU.

3.9 Institutional Capacity

Several key government institutions operate in an environment in which their roles and responsibilities are not clearly defined. A public sector management programme, PSMP-1, was launched in 1995. In recognition of the fact that very little progress was made, the programme was redesigned and re-launched in 1999, to bring about an effective and responsive civil service, by addressing the following issues:

- A lack of clear and appropriate ministerial missions, objectives, strategies, structures and staffing levels.
- A missing clear definition of and distinction between the roles of public sector, private sector and civil society.
- Unsatisfactory levels of performance and productivity of the public sector to deliver services.
- Inadequate capacity and skill of civil servants.

It is expected that a proposal will be submitted to Cabinet in early 2004, concerning the right-sizing of the Public Service with reductions in numbers being achieved both by a series of administrative measures (no new hiring except for critical positions; natural attrition) and voluntary redundancies.

3.10 Sustainability And Medium-Term Challenges

The long-term objectives to improve the human development level founded on sustainable economic development, social justice and political stability are clearly defined in the National Development Plan. The medium term priority sectors are defined and incorporated in the public development expenditure budget. On the basis of these policies Swaziland should be able to secure a sustainable development if the weaknesses of its administration to deliver services improves and close monitoring of its public expenses adhered to.

In general terms, Swaziland is facing the medium-term challenge of attaining sustained economic growth with macroeconomic stability, a conducive investment climate, lasting employment creation, and of ensuring that the benefits of growth are equitably distributed throughout Swazi society. To meet the challenge, the Government has to achieve an appropriate balance between the provision of essential services and the creation of an enabling environment for economic growth.

Improvements in the provision of health and education services and the need to address gender inequalities are priorities in the social aspects of poverty reduction.

The single greatest medium-term challenge facing Swaziland is the impact of HIV/AIDS. Given the present level of seropositivity, it is likely that many traditional social safeguards and investments in human resource development will be eroded, that the demands made on health services will strain the government budget, and that government services in general could be put under threat.

Respect for the rule of law, and strengthening of transparency and accountability, are essential for the re-instaurating of a suitable enabling environment. Furthermore, public sector reform, restructuring or privatisation of several public enterprises, together with strengthening of fiscal management (revenue diversification and expenditure control) and improvements of the legal and regulatory framework, are essential processes.

On a broader basis, integration into the world economy through closer regional integration and the exploitation of relevant trade agreements, are essential elements in Swaziland's economic policies. In this regard, the development of medium and long-term policy planning and implementation capacity will remain essential.

4. Overview of past and ongoing cooperation

4.1 Main sectors of support

The three main sectors of support since 1976 have been Rural Development, Human Resource Development/Capacity Building and Private Sector Development.

EDF 4 and 5 funds were primarily used in support of projects in the agriculture and rural development sector. Lome I achieved only limited results due largely to the support provided to large, complex and multi-donor funded integrated development projects. Lome II was more successful in achieving its desired results due the more selective project approach it adopted. Due to the relative success of the interventions and the experience gained, the emphasis on rural development was continued under the 6th EDF, with the emphasis moving towards the provision of basic services and improvement of socio-economic conditions of the rural communities under the 7th EDF.

Human Resources Development was introduced as the second sector of support from 6th EDF onwards, with activities focusing on educational infrastructure, agriculture education, vocational and teacher training, natural science education and general institutional support. The increased awareness of the generally poor quality and standards of education in the country, the general shortage of educated and trained manpower, and the irresponsiveness of vocational education to the actual employment situation in the country, determined the priorities under the 7th EDF for the development of human resources. Funds were used a) to raise technical, vocational and professional skills by expanding vocational training in order to cover a wider range of skills, strengthening the quality of technical teachers, and giving increased attention to the training of women, and (b) to capacity building and institutional development within Government. The implementation of the 7th EDF included provision of TA in key areas of the public service due to persistent institutional weaknesses.

The two main focal sectors described above were complemented by private sector support. Initially, under the 6th EDF, this mainly focussed on specific promotion of trade, tourism and handicrafts. Under the 8th EDF, this continued into a more general support to development of the private sector and trade policy support.

Implementation of the 8th EDF was characterised by the fact that a major multi-donor small-holder irrigation project (LUSIP) faced serious delays, and absorbed funds more slowly than initially envisaged. The 8th EDF strategy needed to be adjusted in 1999 in favour of projects to support the Government in managing a process of fiscal reform, to further stimulate the private sector, and to a HIV/AIDS prevention and care programme.

The 9th EDF assistance will be concentrated on Human Resource Development. This sectoral choice is based on the following:

- Low availability and access to high quality education and training as an impediment for development,

- Existence of clear political commitment for education as a priority, in terms of budget allocation and as a priority in the poverty reduction strategy,
- Low capital expenditure development plans within the sector, and complementarities with other donors.

The paragraphs below present the on-going projects and programmes within the above mentioned sectors of support during the year 2003. Progress relating to Government's 8th EDF sectoral policy commitments are presented in Annex 1

4.1.1 Human Resource Development/Capacity Building

Technical Assistance in Support of the Economic and Social Reform Agenda and in the Preparation and Implementation of EC-funded Programmes

8 SW 013 – started August 2000 - duration 2 years – extended till end 2003.
Funds: €1.8 million - 97% committed – 83% disbursed: Closure early 2004.

The overall objective is to establish a policy framework that will lead to increased economic growth and increased employment through private sector investment, the promotion of small and medium enterprises and the commercialisation of agriculture in favour of small-holders. The purpose of the project is to strengthen capacity in Government to implement a process of policy reform and contribute to the planning and management of EC- financed projects.

The project started in August and September 2000, and an evaluation was undertaken in May 2002. The evaluation assessed that the quality of the assistance being provided was valuable and its delivery had been commendable in terms of commitment to the objectives and in its attempts to optimise inputs. However, it also concluded that the overall outcome was lower than expected because of the slow rate of implementing certain project activities, namely training, seminars and publicity. The main reasons being due to poor project design, which provided little guidance to implementation, and the existence of externalities, such as the slow rate of implementation of policy reform. The evaluation recommended that the project should be extended utilising the unspent balance of funds. The NAO requested the extension of the period of performance of the contract and for two of the three advisory positions to be extended for an additional 15 months. The contract of the advisor to the PPCU ended in September 2003 and the advisor to the NAO's contract ended in December 2003. The project will be closed in early 2004.

Provision of Education Consultancy Services

8 SW 023 – started July 2003 – duration 5 months - ongoing
Funds: €285,000 – 87% committed – 0% disbursed.

The purpose is to provide assistance to the Government of Swaziland to formulate a programme of support consonant with areas of interventions identified in the CSP (Primary Education, Technical and Vocational Training and Education Management), to formulate a Financing Proposal and an Action Plan and to produce a tender dossier.

Terms of reference were prepared to undertake the programme feasibility/formulation exercise for support to the education sector, which commenced in July 2003. On the basis of broad-based stakeholder participation through consultative meetings, interviews and workshops with the Ministry of Education and Non State Actors,

consultants prepared a draft feasibility study and draft financing proposal which were submitted in October. Comments were transmitted to the consultant in November, and final draft documents resubmitted at the end of December. It is expected that the programme will be finalised during the first quarter of 2004.

Capacity Building for Development Planning and Programme Management

9 SW 002 – to start early 2004 – duration 4.5 years till 31/10/2008.
Funds: €2.7 million – 0% committed

The programme will support MEPD by providing capacity building for priority areas of development planning. It will improve the capacity of External Assistance Unit staff to co-ordinate donor support, and more effective project management will lead to stronger links between MEPD and line ministries. Improved planning and monitoring tools and enhanced capacity will produce much improved analysis of the impact of ongoing projects, particularly on economic growth and poverty reduction.

The project Capacity Building for Development Planning and Programme Management (Euro 2.7 million) was formulated during the first half of 2003 and approved by the EDF Committee in December.

4.1.2 Agriculture and Rural Development

The Micro-projects Programme

8 SW 003 – started November 1998 - duration 3.5 years – finished 30/9/2003.
Funds: €4.3 million – 94% committed – 78% disbursed: Completed.

9 SW 001 – started October 2003 – duration 4 years
Funds: €4.7 million

The overall objective of the Micro-projects Programme is sustained social and economic development amongst poor Swazi communities. This includes increased participation by the people in community groups and institutional structures that affect lives, greater equality between men and women, improved productive capacity and environmental conservation by understanding poor peoples livelihood systems.

The 8th EDF project, due to expire end March 2003, was extended by 6 months until the start of its 9th EDF successor project on 30th September 2003. By that date, a total of 116 Social and Economic Infrastructure projects had been approved and completed under the programme.

An earlier evaluation conducted in October 2002 concluded that the MPP is a successful programme that has succeeded in empowering the rural poor, especially women. Specifically the project's capacity to plan and implement direct disbursement capacity building and development projects was found to be a major success.

An EC project monitoring exercise conducted in January 2003 confirmed this conclusion saying that the quality of project results were good as indicated by the impact being made in the rural communities and that the Programme has adapted well to changing needs. For instance, along with decentralisation a more participatory approach in project planning has improved community commitment.

The 9th EDF successor Micro-projects Programme was prepared and approved during 2003. A total of Euro 4.7 million was allocated to the programme, which is being implemented over a period of four years beginning 1st October 2003.

Lower Usuthu Smallholder Irrigation Development Project

7 SW 046+047, 8 SW 020+021 – approved October 2002 - duration 8 years
Funds: €11.45 million - 6% committed – 0.6% disbursed. Ongoing.

The Lower Usuthu Smallholder Irrigation Development Project is a large-scale irrigation project, which will allow smallholder farmers to shift from risky rain-fed agriculture and low-productivity extensive cattle grazing, to high-value irrigated crops in order to diversify and improve productivity, to increase rural incomes and improve nutrition, as well as to increase agricultural exports. Phase I project cost is estimated at SZL 1.3 billion over an 8-year period and will be co-financed with five other donors (AfDB, EIB, IFAD, BADEA and DBSA). The EC assistance will be utilised to strengthen project management and co-ordination including design and supervision.

Following approval of the financing proposal by the EDF committee in October 2002, a Project Manager was selected and began work on the 1st April 2003. The contract for the design and supervision was tendered during the year and awarded in November 2003. The contractor will mobilise and commence work in early January 2004. The tender for the Programme Management Unit was evaluated in December, and it is expected that a contract will be awarded in January 2004 and that the management team will mobilise in March 2004.

Negotiations were held with the African Development Bank on 20-21st October to finalize the Loan Agreement, which was approved by the ADB Board on 25th November. The Loan Agreement with the Development Bank of Southern Africa and the International Cooperation and Development Fund was signed on 19th November 2003.

Recruitment of the consultants for the downstream development financed by IFAD will begin during the first quarter of 2004 and the Environmental Monitor financed by DBSA will also be recruited during this period.

4.1.3 Private Sector Development

Private Sector Support Programme

8 SW 016 – started November 2001 - duration 3 years.
Funds: €5.9 million - 79% committed – 45% disbursed: Delays in implementation.

The overall objective of this project is to create new employment opportunities through private sector expansion leading to a reduction in poverty and improved standards of living. Its purpose is to develop a conducive institutional and policy environment in order to attract both domestic and foreign investment for sustainable private sector growth focusing on labour intensive sectors, in particular tourism, and to facilitate the development of small-scale enterprises.

The project experienced delays right from its start in early November 2001. Throughout 2002 both the NAO and the EC expressed concern to the contractor that, except for the SME component, the project was making only limited progress. As the

situation did not improve during the year, the contractor replaced some staff in the team.

The team leader resigned and was replaced in February 2003 by an interim team leader. A substantive team leader was recruited and mobilised in April 2003. As the tourism TA was unable to perform his duties in accordance with his terms of reference, the contractor relieved him off his duties in June 2003, and a replacement was finally mobilised on the 30th September for a three month probationary period.

A mid term evaluation of the programme was undertaken during November 2003. An initial draft report produced in December concluded that the programme was significantly behind schedule in terms of conducting activities and even more so in terms of achieving results. This is largely attributed to the poor performance of the contractor and hence the report recommends replacing the current contractor. An alternative option recommended in the report is that the contractor replaces the current TA team consisting of the team leader and the tourism TA.

A decision on the preferred option will be taken by the NAO in consultation with the EC in January 2004.

Strengthening Capacity in Trade Promotion and International Trade Management

8 SW 007 – started October 2000 - duration 3 years – suspended in 2002.

Funds: €1.2 million - 83% committed – 39% disbursed: extended to June 2004.

The project has the objective of ensuring that Swaziland develops an effective international trade policy linked to trade promotion. It also assists in maximising the benefits to Swaziland from the ongoing trade negotiations through ensuring decision-making is informed by improved analysis. The project contributes to improved co-ordination and follow up on trade policy issues and improved local research capacity. The project provides long-term and short-term experts for capacity building in the management of international trade relations and trade promotion over a period of 3 years. In addition funds are allocated for training and seminars on trade issues.

The consultant's long-term advisor was involved in a fatal accident in June 2001. Following the accident project activities ceased until a replacement advisor was recruited in November 2001.

During the year 2002 it was apparent that most of the scheduled activities in the work plan had not been undertaken. The contractor was informed of the lack of progress and it was agreed that the contractor would closely monitor and assess the performance of the long-term expert in order to ensure delivery of the project outputs.

In August 2002 the NAO was informed by the EC of their decision to suspend all outstanding payments to the contractor due to a legal claim by the family of the former TA. The contractor subsequently suspended the project activities foreseen under the work-plan pending clarification on the issue, and the long-term expert resigned. The EC decided to resume payments in November 2002, and the candidature of a replacement long-term expert was approved in December 2002.

The replacement expert arrived in February 2003 and provided advice on various trade-related and trade policy issues, including preparations for US/SACU FTA

negotiations and management of trade relations with USA under the AGOA. In addition, short-term experts undertook a Mercosur FTA impact study and prepared a Trade Policy Strategy Paper.

A rider to the Financing Agreement for extension of the implementation period from end September 2003 until end June 2004 was signed, and the consultant's contract extended.

4.2 Non Focal Sectors

Fiscal Restructuring Programme

8 SW 017 – started June 2002 - duration 4 years.

Funds: €5.6 million - 42% committed – 44% disbursed: some delays in implementation

The overall objective of the project is the achievement of sustainable economic growth and the reduction of poverty. The purpose of the project is to assist the Government of Swaziland in building up its capacity to formulate and implement a sound and equitable fiscal policy within a continued stable macro-economic environment.

Between June and December 2002 the PMU was established and a start-up work plan and cost estimate and an Inception Report was prepared and approved. The initial phase of the Medium Term Expenditure Framework were successfully undertaken on a number of pilot Ministries in 2002 and this was extended to all Ministries and Departments in 2003.

Proposals for revenue diversification and redefining the tax structure were further developed and these will now be now incorporated into Cabinet papers for approval and enactment. Broad proposals for a unified revenue authority were also defined and accepted and these will now be incorporated into a Cabinet Paper for approval.

Training was undertaken in order to enhance the capacity to undertake post import audits and a standard double tax agreement was developed. Support was also provided for the preparation of the Budget Outlook Paper and developing a policy on domestic debt.

The tender process for the provision of computer equipment was completed during the fourth quarter and the computers will be delivered early in 2004.

HIV/AIDS Prevention and Care Programme

8 SW 019 – started June 2002 - duration 3 years.

Funds: €1.96 million - 60% committed – 59% disbursed: On course

The overall objective is to reduce the rate of spread of HIV and alleviate the impact of AIDS in Swaziland, and the project purpose is to reduce the rate of transmission of HIV and to develop programmes for the provision of home-based care for those with AIDS. Project activities will include Voluntary Counselling and Testing, Treatment of Sexually Transmitted Infections, and Home-based care.

The project is being implemented through a Project Management Unit (PMU) established within the Ministry of Health and Social Welfare. The PMU comprises a

technical assistant (TA) for the first year of the project, a local Project Manager (PM) for its three year duration, and specific short-term TA inputs.

The contract for the provision of the technical assistance was signed in March 2002, and the long term TA arrived in June. The establishment of the PMU was delayed as the candidate who was initially selected at Programme Manager ultimately decided not to take up the position. Another candidate was offered the position and he commenced work in January 2003, some six months later than planned. It was agreed that the contract of the TA should be extended by six months to December 2003 to ensure that the programme manager had a full year working with the advisor in order ensure that the project could achieve its intended results.

Activities undertaken to date include provision of equipment and supplies to VCT Centres and training of VCT staff, mapping of home based care (HBC) activities in Northern Lubombo, provision of HBC supplies and means of transport, training of STI care providers, integration of national STI guidelines in nursing schools curricula, and initial STI biological surveillance.

The Programme is applying two implementation approaches to achieve its objectives, namely contracting out services to NGOs, and direct funding of public health services. A Mid Term Review will take place in January 2004.

4.3 Utilisation of Resources for Non State Actors

As already mentioned, a wide range of NSAs was involved during the preparation of the 9th EDF Education and Training programme, including investigation of the potential and effective role of NSAs particularly in the TVET sector. This was carried-out with a view to propose specific activities and resources to support NSA in exercising their role. On the basis of the conclusions of the feasibility study, it is proposed to earmark approximately €2.4 million (10% of the total available for the Education support programme) for contracts with NGOs.

The 9th EDF Capacity Building for Development Planning and Programme Management will promote co-operation with and reinforce capacities of Non State Actors (NSA). It will support the establishment and operation of appropriate consultation mechanisms, both among NSA and with Government. The programme was approved in December 2003 and implementation will commence during the second quarter of 2004.

As regards ongoing activities, the Micro-projects programme continued to implement community projects. Its partners are the beneficiaries themselves, a range of NGOs, various Government Departments, donor agencies and small business entrepreneurs. Apart from the involvement of these partners in implementing Social and Economic Infrastructure projects (75% of the budget), out of the total project funds of €4.35 mio (which is 15% of 8th EDF), 10% is specifically allocated for capacity building of local communities through training in participatory development methods, 10% is allocated for provision of loans and training to small businesses through 2 local NGOs. Government budgeted 5 million Emalangeni as counterpart funding for the programme, which completes the total of 10 million Emalangeni, which was agreed between the EC and the Government.

The HIV/AIDS programme is implemented both directly through the Ministry of Health and Social Welfare, and by contracting out services to NGOs. Government and NGOs are represented in the Project Steering Committee. Specifically the provision of Voluntary Counselling and Testing (VCT) services, and provision of Home-Based Care (HBC) are being implemented by NGOs. Two VCT centres plus outreach capacity in two northern regions (in Piggs Peak and Siteki) have been established by NGOs, and a third centre will be established in 2004. HBC activities for people living with AIDS are being implemented by NGOs in one of the northern regions (Northern Lubombo).

NSA are routinely involved in project reviews and evaluation, and therefore were extensively consulted during the evaluations of the HIV/AIDS Prevention and Care Programme and the Private Sector Support Programme.

4.4 Utilisation of B-envelope

The B-envelope is destined to cover unforeseen needs such as emergency assistance, where such support cannot be financed from the EU budget. It is envisaged to use this envelope (€12 mio) to provide support to vulnerable children, particularly those in the 0-5 years age group (infants), that have been affected by the HIV/AIDS, drought and the poverty crisis.

The combined effects of HIV&AIDS, drought and poverty have caused an unforeseen increase in the vulnerability of infants and a dramatic increase in the number of out-of-school children. It is estimated that about 32,000 infants are physically stunted due to insufficient and poor nourishment and that 37,800 are anaemic. The justification for improving infant nutrition is unquestionable as malnutrition has been found to be the cause of about 40% of all childhood hospital deaths and together with other factors account for the high infant and child mortality rates in Swaziland.

Current access to primary education is estimated to be around 70% and it is estimated that there are approximately 60,000 out-of-school children. The rationale for bringing children back into school is overwhelming and multi-dimensional. There is a general agreement that school attendance ensures that children are much less sexually active²; they tend to be more protected from abuse; they are more likely to receive at least one meal a day; they are more likely to achieve functional literacy and numeracy; and they have an opportunity of acquiring life-skills – all of which lead to greater societal stability.

Overwhelming poverty is the cause of serious malnourishment in infants. The provision of food and food supplements will enhance the physical and psychosocial development of vulnerable infants by reversing stunting, under nourishment and poor health. Socio-economic hardship is the main cause for inaccessibility to education. The provision of incentives to pupils to overcome this barrier in the form of school fees and school feeding is seen as a strategically important humanitarian intervention. This support mainly consists of school feeding to increase access to a full, balanced diet for primary schoolchildren, and to improve school performance and decrease dropout and repetition.

4.5 Other instruments

4.5.1 EIB

Under the Second Financial Protocol to the Lomé Convention the Bank had envisaged an amount of EUR 10 million under the National Indicative Programme. In fact, the actual volume of operations generated in the Kingdom of Swaziland greatly exceeded this amount, with just under EUR 93 million actually having been signed, EUR 53.5 under the Bank's Own Resources, and EUR 39.45 million under Risk Capital Resources. This underlies the Bank's continuing substantial support for the Kingdom's economic development.

Debt servicing for EIB funded projects in Swaziland has traditionally been very good, with no major problems with arrears.

The EIB's main fields of operation in Swaziland under this protocol have been the following:

- A follow-up Global Loan facility of EUR 10 million (signed 02/05/2000) through the Swaziland Industrial Development Co.Ltd. (SIDC). This facility provides for loan and indirect equity finance for small to medium-sized private sector investments in productive activities in eligible sectors (manufacturing,

² 70% in-school youth are not sexually active; more than 70% of out-of-school youth are sexually active. Source: 'What is driving the HIV/AIDS epidemic in Swaziland, and what more can we do about it?' – Alan Whiteside a.o., NERCHA/UNAIDS Mbabane, April 2003'

agro-industry, horticulture, mining, tourism, transport and communications). The sub-projects are appraised by SIDC (for which they are liable for the commercial risk) and if the outcome is positive, SIDC can request the EIB for disbursement under this facility. Up to the end of December 2003, the Bank had disbursed just under EUR 4.9m under this facility. In order to access more than EUR 5m under this facility, SIDC has to demonstrate that it has been able to raise an equivalent amount on the local financial markets. It is anticipated the SIDC will be able to raise a portion of this, but it is unlikely that the full amount of this loan will be disbursed prior to the disbursement date limit of 20/04/2004. Any remaining balance will be cancelled.

- A number of Swaziland Electricity Board (SEB) projects have been co-financed by the EIB, totalling just under EUR 32 million, EUR 21.95 million under Risk Capital and EUR 10 million under Own Resources. Two projects were signed in 2003 (MOTRACO II and Maguga hydro-power) for a total of EUR 8.75m. SEB is well run and debt servicing is regular.
- A large agro-industrial project for the sugar industry has been successfully completed (Simunye). The loans were signed 27/1/2000 for a total amount of EUR 15 million, 7.5 Risk Capital and 7.5 million Own Resources. The project consisted of the expansion of the existing plantations, replacement of the on-farm irrigation systems and the expansion and modernisation of the sugar mill. Disbursements under the Own Resource loan have yet to be made, but should follow shortly following the signing of the Guarantee agreement by the Government of Swaziland on 19/12/2003. Debt servicing under these loans commence in 2004.
- The Bank signed a loan for EUR 23m in 2003 for the purposes of assisting in the co-financing of the Lower Usuthu Irrigation Project (LUSIP). The objective of the project is to abstract and store water from peak flows of the Usuthu River for irrigation purposes. The project (which will primarily facilitate smallholder sugar-cane development) is in one of the poorest areas of Swaziland and is expected to have a significant poverty alleviation impact

The Bank will continue to support the economic development in the Kingdom by providing funding for economically viable projects.

4.5.2 Community Budget lines

ECHO contracts

A number of humanitarian aid operations have been financed from the European Community budget.

The following ECHO contracts have been finalised during the year 2003:

- Finnish Red Cross	€02,0000
Food aid to vulnerable people in Northern Hhohho.	
- UNICEF	€00,000
School feeding and supplementary feeding for pregnant and lactating women in the emergency and drought affected areas.	

The following ECHO contracts have been signed in 2003 and are ongoing:

- FAO	€75,000
Establishment of community gardens for vulnerable households	
- Finnish Red Cross	€35,000
Food aid to vulnerable people in Northern Hhohho.	
- UNICEF	€1,199,000
Community Care for Highly Vulnerable Children through Neighbourhood Care Points	
- German Red Cross	€75,000
School feeding for children of food insecure households.	

4.5.3 Regional Co-operation

Economic Integration Support Programme to the BLNS – Phase I

8ACP TPS 154

Funds: €3 million from EPRD + €3 million from 8th EDF Intra ACP fund

The project objective is to assist the BLNS to achieve increased economic growth and development as their economies reduce trade barriers and South Africa implements the Trade, Development and Co-operation Agreement with the EU. Its purpose will be to assist the BLNS to respond to the challenges created by the implementation of the EU-SA TDCA and in particular to ensure the BLNS economies are positioned to take maximum advantage of the opportunities presented by the more open trading environment within SACU.

The project financing agreement for this support package for Botswana, Lesotho, Namibia and Swaziland was signed in February 2001, with an allocation of Euro 3 million from the European Programme for Reconstruction and Development – South Africa, and 3 million from the regional integration line of the 8th EDF Intra-ACP fund.

Implementation of the project was delayed, as not all BLNS countries had officially concurred with the EU-SA TDCA, which was a precondition for its implementation. This concurrence requirement has now been superseded by the adoption of the new SACU treaty (see chapter 3.8). Following the decision to locate the SACU secretariat in Namibia, the EC expressed the view that the project should now be transferred to Namibia.

In June 2003 the NAO agreed to the EC's proposal to relocate the implementation base of the project to Namibia, so as to ensure its consistency and coherence with the strategy and activities of the SACU Secretariat. Given the changed implementation modalities and new structures, the project will be redesigned.

5. Programming perspectives

5.1 Integration of new EC/EU policy initiatives and commitments

Many new EC/EU policy commitments and initiatives are fully integrated into the existing programme. In particular the commitment to allocate 35% of resources to social sector and the initiative to promote education for all are given high priority in the programme and government remains committed to maintaining Education and Training as the focal sector in the CSP.

As mentioned (see par 3.6) the government showed a renewed sense of urgency in the fight against HIV/AIDS. In June 2003 Swaziland obtained from the Global fund a grant of US\$ 29.6 million for HIV/AIDS, and US\$ 1.0 million for Malaria for years 1 & 2. The total lifetime budget is US\$ 54.9 million for HIV/AIDS, which translates into a total per capita allocation of US\$58.5 and US\$ 322.8 per PLWHA (Person Living With HIV/AIDS).

Regarding Trade and Development: the €1.8 million earmarked under the 9th EDF non-focal sector support for Trade and Regional Integration, will provide a link between the ongoing 8th EDF support in the areas of trade, private sector support, investment promotion, fiscal restructuring, and regional initiatives such as EPAs, BLNS support packages and regional private sector support.

Concerning linking relief, rehabilitation and development (LRRD), the proposed use of the B-envelope will strengthen the link between ongoing (ECHO funded) relief interventions and the comprehensive (EDF 9 funded) programme of support in the education sector.

As regards Disability and Development: the component under 9th EDF Education support programme for Special Education Needs (SEN) will build on the existing provision of full and inclusive education and training by the Ministry of Education, by providing capital, material and human resource development for a system-wide application. The Inspectorate for Special Education will be assisted to implement its Operational Plan.

5.2 Proposal on a review and adaptation of the CSP

The government does not intend to adapt the CSP strategy.

An updated and completed chronogramme and indicative timetable for commitments and disbursements for the 9th EDF is presented in Annex 6.

As mentioned under par. 4.5 above, the formulation and appraisal of the comprehensive programme of support for the 9th EDF Education and Training focal sector took place in the third quarter of 2003. The formulation exercise will be finalised during the first quarter of 2004.

The 9th EDF micro-projects programme for an amount of €4.7 million commenced in October 2003, on expiry of the 8th EDF programme. This is a small increase in the financial envelope compared to what was foreseen under the CSP for Decentralised Poverty Reduction: €4.3 million.

A total of €4 million from 9th EDF (from reserves of 8th EDF) was approved in October 2002 by the EDF Committee as part of the financing of the Lower Usuthu Smallholder Irrigation Project (see par. 4.1.1).

Project formulation for the other two non-focal sectors (Capacity Building for Development Planning – €2.7 mio) was undertaken during the first half of 2003.

Project formulation for Trade (€ 1.8 mio), will be undertaken during the 1st quarter 2004, as the EDF 8 Trade capacity project was extended until mid 2004.

6. Conclusions

There is common agreement that the current cooperation strategy is in line with the government's priorities and therefore cooperation shall continue on the basis of the CSP/NIP. Hence the choice of Education and Training as the focal sector remains valid. The NAO accepts the MTR conclusions and has expressed comments as captured in annex 10a. Both the MTR conclusions and the detailed NAO comments are annexed to this document.

Similarly, the Commission decision to maintain the original indicative allocation for the A-envelope is also supported by the Government of Swaziland. Both the MTR conclusions and the detailed NAO comments are annexed to this document. Nonetheless, the Government of Swaziland would like the reduced B-envelope to be reserved for vulnerable children that have been affected by the HIV/AIDS, drought and poverty crisis.

The Project Pipeline is revised to indicate that B-Envelope funding will thus be allocated to the A-Envelope and directed towards support to Orphans and Vulnerable Children at the End of Term review.

Some NSAs have been consulted in the MTR process and a workshop is envisaged for early 2005 where the conclusions of the MTR will be disseminated.

As regards Swaziland's participation in EU initiatives and commitments this is planned for further discussion and elaboration by the Government of Swaziland and some initiatives could be targeted under 10th EDF.

Further issues, which arose from the internal consultation process during the MTR exercise, include the following:

- i. The commitment of the EC and Government of Swaziland cooperation to ensure that the political and governance situation of the country is conducive to poverty reduction strategies.
- ii. That public expenditure is directed towards critical social sectors and fiscal discipline is improved through public sector restructuring and the utilisation of limited resources in accordance with national and strategic priorities.
- iii. That dialogue is planned between the government and non state actors and a provision is made to ensure that an updated environmental profile of the country is reflected in the next CSP/NIP.
- iv. Furthermore, under the performance appraisal forecasts of commitments and disbursements, a decision is made to increase payment forecasts for 2004 to €6.5million and for 2005 to €6 million to reflect a more realistic absorption capacity of current and pipeline projects.

Signatures

For the Government
Of the Kingdom of Swaziland

For the European Community

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Annex 1 a

PROGRESS IN THE IMPLEMENTATION OF POLICY MEASURES INCLUDED IN THE 8TH EDF NIP

Sector	Objectives to be pursued	Measures to be taken	Date	Indicators of achievement	Sources of verification	Progress
General	Improvement in the status of women	Ratification of the UN Convention to end all discrimination against women	1998	Convention ratified	Government Gazette	Ongoing: The ratification is awaiting Royal Consent.
		Initiate revision of discriminatory legislation against women	1998	Law Reform Commission established	Government Gazette	Ongoing: A draft gender policy is awaiting Cabinet approval.
Agriculture and Rural Development	Establishing an enabling environment for the development of the agriculture sector and increase productivity and sustainability of smallholder agriculture	Finalise the up-date of the Agricultural Development Strategy as part of the National Development Strategy	1997	Final NDS document adopted	Cabinet paper	Achieved: The NDS document has been approved by Cabinet and was officially launched by His Majesty in August 1999.
		Redefine the role of public and private sector in agricultural service provision, and	1998	New policy for the delivery of sector services agreed	MOAC policy document	Ongoing: MOAC still to undertake the study. Achieved: PSMP Management Audit completed.
		Review MOAC structure and core functions accordingly	1999	Core functions of new MOAC structure defined	Draft MOAC mandate and draft organogram	
		Preparation of a Land Use Management Plan	1998	Land Use Management Plan for SNL	MOAC policy paper	Achieved: Land use management plan has been developed.

Sector	Objectives to be pursued	Measures to be taken	Date	Indicators of achievement	Sources of verification	Progress
Agriculture and Rural Development (continued)		Pursue the experience of participatory approach to land use management	1998	Pilot experience expanded	Final Report of FAO Pilot Project	Ongoing: Final report completed detailing the results of pilots in 2 areas.
		Review the land tenure system in order to eliminate constraints to investment, access to credit and optimal land use including irrigated agriculture	mid 1998	Draft policy paper prepared Compatibility of land tenure system with the establishment and management of irrigation schemes confirmed	Cabinet paper Feasibility study	Achieved: A National Land Policy paper, including a programme of granting leases on SNL, drafted and submitted to Cabinet. 99 year leases being piloted. Ongoing: The National Land Policy awaits Royal consent.
		Adopt legislation on water rights, formulate and adopt water pricing policy ensuring that the interests of smallholders are adequately catered for.	1997	New Water Act enacted Autonomous National water Authority established	Government Gazette	Achieved: The Water Act was approved March 2003.

Sector	Objectives to be pursued	Measures to be taken	Date	Indicators of achievement	Sources of verification	Progress
Agriculture and Rural Development (continued)	See above	Finalisation and adoption of Environmental Action Plan	1997	SEAP adopted	MOAC/ MNRE policy paper	Achieved: The SEAP was adopted in 1998 and is being implemented by the Swaziland Environmental Agency.
	Facilitate and promote the integration of smallholder farmers in a commercial environment	Complete the restructuring of Namboard, Swaziland Dairy Board (SDB) and National Maize Corporation (NMC) and separate their regulatory and commercial functions	1998	Restructuring completed	Restructuring complete	Achieved: The restructuring of SDB and NMC has been completed, and their regulatory and commercial functions separated. Ongoing: Namboard currently being restructured.
		Deregulate the sugar industry	1998	Quota Board dismantled Sugar Act amended	Government gazette	Achieved: Amendments to the quota system were agreed between the cane growers and the millers in 1997 to facilitate greater small-holder participation.
Private Sector Development	Improve investment climate and help diversify Swaziland's economy making it more internationally competitive.	Establishment of Investment Promotion Capacity (SIPA)	1997	SIPA formed	Government Gazette	Achieved: The Investment Promotion Authority Act was approved by Parliament in 1997 (reference Government Gazette Vol. XXXV no. 269). Private sector members of the Board have been appointed and senior staff have been recruited.

Sector	Objectives to be pursued	Measures to be Taken	Date	Indicators of Achievement	Source of Verification	Progress Achieved
Private Sector Development (continued)	Improve investment climate and help diversify Swaziland's economy making it more internationally competitive (continued)	Provide enabling investment environment (tax bill, investment code)	1997	Legislation enacted	Government Gazette	Achieved: The new Income Tax Bill was approved by Parliament in 1999. The Investment Code has been published by SIPA in 1999.
	Develop Local Business Skills	Detail strategy	1997	Strategy Document in place	Ministry of Enterprise and Employment	Achieved: A strategy paper was approved by Cabinet in 1998 and an SME Task Force established under the ESRA Initiative.
		Consultation with the Private Sector on how to adapt vocational and training schemes to meet private sector needs	1998	Joint consultative body established	Ministry of Enterprise and Employment	Achieved: A joint consultative body, including private sector and union representatives, was set up in 1998. A pilot programme of company-based vocational training with support from GTZ ended end 2002.

Annex 1 b

EDF 9 PROGRAMME INTERVENTION FRAMEWORK

	Intervention Logic	Indicators	Verification source	Assumptions & Risks
Overall Objectives	1. To improve access and quality of education for all			-The assumption is that GoS agrees to an appropriate poverty scheme using objective targeting criteria.
Project Purpose	1. To improve capacity to implement poverty education-focused policy measures consistently and effectively	Redistributed sector allocations .MTEF document prepared & accepted HIV/AIDS strategy prepared by MoE in 2005	Budget Estimates & MTEF documents HIV/AIDS strategy endorsed by MoE	-The assumption is that GoS agrees to accept a capitation grant system and to eventually change over from bursaries to capitation
	2. To improve the capacity of the MoE to plan and manage the education system in line with the general public sector and fiscal reforms to promote moves towards SWAP	Policy commitment & public sector & fiscal reform ongoing	MDG monitoring EFA Plan completed	-The assumption is that GoS will make the return of OVCs to school one of the conditions of providing a school with a capitation grant for all pupils
	3. To increase access to education with the particular focus on free primary education and Education for All	By 2009 increase NER from 72.7% to 90% EFA Programme developed by 2007 New primary schools + classrooms	Annual school census + enrolment audit reports MoE documents Construction/PMU Reports	-The assumption is that MoE will accept the concept of a Quality Assurance (QA) framework within the inspectorate
	4. To improve teaching/learning outcomes at pre-primary, primary and technical and vocational education and training	1. Reduced G1-4 Dropout to av. 3% 2.Reduced Repetition to av. 7% 3. 80% failure rate for English halved	MoE documents. PMU Progress reports Exam Council statistical reports.	

	<p>5. To implement a TVET policy for sustained economic growth and improved employability of TVET graduates</p>	<p>By 2009 comprehensive strategy for TVET developed (MoE/ MoEE). By 2009 80% of the graduates employed</p>	<p>Document prepared and endorsed by the Cabinet Tracer Studies Employment Statistics</p>	<p>The assumption is that the Government of Swaziland is committed to create an enabling environment for public-private partnership in TVET through moving forward the Human Resource Development Bill that would establish the National Qualification Authority and enable the development of the National Qualification Framework</p>
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Results	1. Improved financial planning, management & prioritisation	1. MTEF document prepared & accepted	MTEF document	
	2. Increased capacity to provide relevant and reliable information for policy formulation and implementation	1. EMIS/TSC database in operation	Annual school census + enrolment audits	
	3. Increased access for OVC's and moves towards free primary education	1. Regular meetings - service providers, inspectorate+ schools 2. HIV/AIDS strategy implemented at community level	MoE statistics PMU progress reports	
	4. Quality Assurance Framework adopted and implemented by all service providers and schools	A comprehensive policy document and quality assurance guidelines developed.	Inspectors QA reports .Annual school & audit reports	
	5. Enhanced capacity to design and implement institutional and teacher performance management systems and contracts	1 Supply-demand balance + database 2. Timeous disciplinary process 4. Staff.Performance system	- MoE/PMU Reports - MoE Statistical Year Book - Staff Contracts	
	6. Improved transition from ECCD to primary education	1. ECCD in the NCP's.	- EMIS data base - School enrolment figures - PMU progress reports	
	7. Improved learning outcomes for students in Grades 1 -4	1. Reduced G1-4 Dropout to av. 3% 2.Reduced Repetition to av. 7% 3. 80% failure rate for English halved	MoE Statistics EMIS Examination council statistics	

	8. Children with Special Education Needs identified and greater inclusivity of main-streaming SEN students	1. All SEN children registered on dBase 2. Doubling of SEN students in schools	MoE Statistics Year EMIS data base	
	9. Increased primary schools in urban/peri-urban areas and more classrooms to accommodate out-of-school and OVC's	Approximately 6000 intake of new students	MoE Statistic Year Book & QA reports	
	10. Improved TVET provision through QF in place, SCOT & VOCTIM and Non-formal TVET institutions strengthened, & diversified funding mechanisms developed for TVET	By 2008 Competency Based Modular Curricula in place Regular meetings: Fed of Employers + DIVT & cooperation system Income generating activities in place	1. SAQA adaptation when NQA not yet in place 2. PMU Reports 3. Institution audits 4. Legal framework & procedures in place PMU Reports	

Annex 2

**Financial Performance Figures for EDF 9 Projects
(Euro)**

Project No.	Project Title	Date committed	Primary Commit.	Secondary Commit.	%	Total Paid	% Exp.	2003 Disbursement
9 SW 001	Microprojects Programme		4.700.000	555.600	12	13.849	2	13.849
	TOTAL ONGOING PROJECT		4.700.000	555.600		13.849		13.849
	TOTAL 9th EDF		4.700.000	555.600	12	13.849	0	13.849

NIP Commitment	29.070.217
Uncommitted balance	24.370.217
% NIP Committed	16%
% NIP disbursed	0%

Annex 3

**Financial Performance Figures for EDF 8 Projects
(Euro)**

Project No.	Project Title	Date committed	Primary Commit.	Secondary Commit.	%	Total Paid	% Exp.	2003 Disbursement
8 SW 002	Microprojects Programme	31.07.98	4.350.000	4.072.276	94	3.183.781	78	391.237
8 SW 007	Trade Promotion & Management	19.01.99	1.200.000	995.000	83	392.426	39	76.290
8 SW 013	TA for Policy & Management	14.07.99	1.800.000	1.738.320	97	1.450.004	83	323.112
8 SW 016	Private Sector Support	12.04.00	5.900.000	4.653.332	79	2.080.359	45	1.060.512
8 SW 017	Fiscal Restructuring	09.06.00	5.600.000	2.325.958	42	1.033.732	44	781.735
8 SW 019	HIV/AIDS	01.01.01	1.960.000	1.179.055	60	699.601	59	601.173
8 SW 020	LUSIP	25.07.02	5.550.000	0	0	0		0
*8 SW 021	LUSIP	25.07.02	4.000.000	0	0	0		0
8 SW 023	Education Consultancy Services	19.02.03	285.000	248.700	87	0		0
	TOTAL ONGOING PROJECT		26.645.000	15.212.641		8.839.903		3.234.059
	CLOSED Projects		1.644.833	1.644.633		1.561.648		0
	REGIONAL Projects-closed							
	TOTAL 8th EDF		28.289.833	16.857.274	60	10.401.551	37	3.234.059

NIP Commitment	28.289.833
Uncommitted balance	-
% NIP Committed	100%
% NIP disbursed	37%

*Advance on 9th EDF (from 8th EDF)

Annex 4

Financial Performance Figures for EDF 7 Projects (Euro)

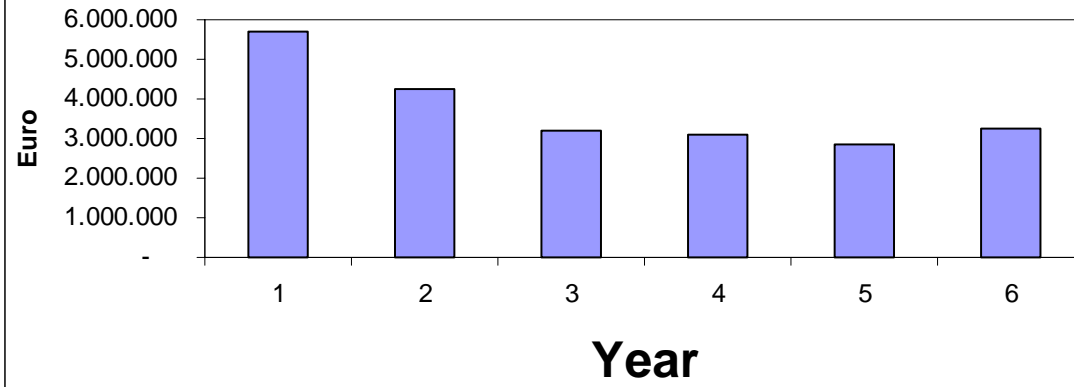
Project No.	Project Title	Date Committed	Primary Commit.	Secondary Commit.	%	Total Paid	% Exp.	2003 Disbursements
7 SW 008	Institutional Strengthening	22.06.93	5.000.000	2.838.375	57	2.809.289	56	0
7 SW 009	VOCTIM Phase II	04.11.93	1.100.000	935.256	85	935.256	85	0
7 SW 019	SMART	23.02.94	720.000	649.173	90	644.051	89	0
7 SW 023	Rural Dams II	28.11.94	1.993.000	1.875.829	94	1.797.325	90	1.222
*7 SW 046	LUSIP	25.07.02	157.116	0	0	0	0	0
7 SW 047	LUSIP	25.07.02	1.742.884	740.000	42	72.814	4	72.814
TOTAL ONGOING PROJECTS			10.555.884	7.038.632		6.258.734		74.036
CLOSED PROJECTS			17.181.867	17.181.867		17.132.955		-
REGIONAL Projects-closed								
TOTAL 7th EDF			27.737.751	24.220.499		23.391.689		74.036

NIP Commitment	27.737.751
Uncommitted Balance	0
% NIP Committed	87%
% NIP disbursed	84%

Annex 5
Annual EDF Disbursement Rates (Euro)

	TOTAL NIP	Total primary Commitments	Balance uncommitted	Total second. commitments	Paid Prior to 1998	Paid in 1998 (Y1)	Paid in 1999 (Y2)	Paid in 2000 (Y3)	Paid in 2001 (Y4)	Paid in 2002 (Y5)	Paid in 2003 (Y6)	Total Paid
6th EDF	25.500.000	24.614.500	885.500	24.614.500	23.360.557	1.128.122	117.072	8.749	0	0	0	24.614.500
7th EDF	28.100.000	27.737.751	362.249	24.922.931	14.613.623	3.555.923	2.955.023	1.528.708	436.030	272.644		- 23.361.951
8th EDF	29.000.000	28.255.188	744.812	12.978.448	-		962.516	1.421.468	2.382.035	2.563.975	3.234.462	- 10.564.456
9th EDF	33.070.217	4.700.000	28.370.217	555.600							13.556	13.556
Regional	RIPs 6,7 + 8	-	-	11.597.869	9.757.554	1.021.136	218.739	225.448	264.339	-	20.253	11.507.469
TOTAL	82.600.000	80.607.439	1.992.561	62.515.879	47.731.734	5.705.181	4.253.350	3.184.373	3.082.404	2.836.619	3.268.271	- 70.061.932

Annual disbursements



Annex 6

Program 9th EDF - Swaziland

2005					2006			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<i>Mobilisation</i>		Start Implementation						
<i>ers and Mobiliation</i>		Start Implementation						

2005	2006		2007		2008		2009		2010		Total
S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	
2,0	5,0	5,3	5,0	3,0	2,0	1,0					24,0
1,5	1,5	1,0	1,0	0,9	0,9	0,8	0,7	0,7	0,7	0,5	11,5
0,8	0,8	0,7	0,5	0,4							4,7
0,3	0,3	0,4	0,4	0,2	0,2						1,8
0,5	0,4	0,4	0,3	0,2	0,2						2,7
5,1	8,0	7,8	7,2	4,7	3,3	1,8	0,7	0,7	0,7	0,5	44,7

Annex 7 DONOR MATRIX

EEC MEMBER COUNTRIES AND OTHER BI-LATERAL DONORS	SECTORS/ AREAS/ THEMES (Grants and Loans, T.A. and Capital Expenditure)										
	Education & Training	Governance, Policy & Management	Poverty reduction	Health	Social Services Welfare	Water	Agriculture and Forestry	Environment	Community Development	Roads/Transport/ Communications & Energy	SME and Private Sector
Sweden	X									X	
Japan	X		X	X		X	X	X		X	
U.K.				X		X			X		X
CFTC	X	X									
Denmark								X			
Italy				X						X	
Germany				X							
Egypt				X							
Taiwan	X	X	X	X		X	X	X	X	X	X
DBSA						X					X
Kuwait										X	
UNDP		X	X				X	X	X		X
UNICEF	X				X						
WHO				X		X					
UNAIDS				X							
ADB	X						X	X		X	
BADEA							X			X	
IFAD	X						X			X	
EIB							X			X	X

ANNEX 8 MIGRATION PROFILE SWAZILAND

Box 1: Immigrants

Total number of residents		0.9 - 1.1 million ³
Of which:	Own nationals	95.5%
	Immigrants	4.5% in 2000 ⁴
Status immigrants		
Refugees		No data available, but not likely to be
high after the end of the civil war		
		in Mozambique.
Labour migrants /permanent		No data available.
Labour migrants/seasonal		
p.m. internally displaced persons		No data available.
Immigration trend		
Number of arriving immigrants in 90/95:		No data available.
Number of arriving immigrants in 95/2000:		
Education: Skilled labour		No data available.
Main countries of origin		No data available. Mozambique?
Rate of return		No data available, but many
Mozambican refugees are likely to have		
		returned.
Finance		
Amount of outgoing migrant remittances:		No data available.
Remittances as % of GDP:		

Box 2: Emigrants

Total number of emigrants		No data available.
Status emigrants		
Refugees		No data available.
Labour migrants /permanent		
Labour migrants/seasonal		No data available, but authorised and unauthorised
labour migration		
		clearly does take place, and recorded remittances contribute about 3% to the country's GDP.
Legal situation emigrants		
Documented		No data available.
Undocumented		

- ⇒ While there is a high number of recorded border crossings, unauthorized crossings clearly also take place.
- ⇒ 18,795 Swazi permit overstayers were recorded in South Africa in 2000.⁵

Trend⁶

³ <http://www.worldbank.org/data/countrydata/countrydata.html>

⁴ <http://www.un.org/esa/population/publications/ittmig2002/locations/748.htm>

⁵ "The Border Within: The Future of the Lesotho-South African international boundary", *Migration Policy Series No. 26*, Southern African Migration Project 2002, <http://www.queensu.ca/samp/publications/policyseries/policy26.htm>

⁶

⇒ More relevant data not available.

⇒ However, recorded border crossings to and from South Africa are as follows:

Border crossings into SA in 1997	2,042,291	Recorded returns	1,942,235
Border crossings into SA in 1999	2,000,949	Recorded returns	
	1,993,347		

Education: Skilled labour No data available.

Main countries of destination South Africa

Rate of return No data available.

Finance

Amount of incoming migrant remittances 38 \$ million (2001)⁷

Remittances as % of GDP: 3%

Box 3: Other Comments

Given the small size of the country, data on migration in and out of Swaziland is not easily found. Authorised and unauthorised (labour) migration especially to South Africa clearly takes place, but little data on this exists. Official remittances contribute about 3% to the country's GDP.

8

¹ <http://www.worldbank.org/data/countrydata/countrydata.html>

¹ <http://www.un.org/esa/population/publications/ittmig2002/locations/748.htm>

¹ "The Border Within: The Future of the Lesotho-South African international boundary", *Migration Policy Series No. 26*, Southern African Migration Project 2002, <http://www.queensu.ca/samp/publications/policyseries/policy26.htm>

¹ "The Border Within: The Future of the Lesotho-South African international boundary", *Migration Policy Series No. 26*, Southern African Migration Project 2002, <http://www.queensu.ca/samp/publications/policyseries/policy26.htm>

¹ http://pstalker.com/migration/mg_stats_5.htm (from IMF Balance of Payments Statistics 2002)

ANNEX 9

Swaziland Environmental Profile

The current CSP for Swaziland (2001-2007) does not contain a Country Environmental Profile. What follows is a condensed compilation of available and relevant environmental information produced recently on Swaziland by authoritative information sources (see bibliography below).

Institutional framework and legislative

The Department of the Environment is under the Ministry of Tourism, Environment and Communications. The Department of the Environment acts as the Secretariat of the body dealing with environmental issues known as the Swaziland Environment Authority (SEA). The SEA was established through an Act of Parliament in November 1992. Presently, environmental legislation is scattered over several ministries and government departments. However, the Swaziland Environment Act, 1992, supersedes all other environmental legislation in the country. The main function of the Authority is to coordinate the government's effort to incorporate environmental factors into Swaziland's development process. In addition to this role, the Authority has wide ranging responsibilities to:

1. coordinate all environmental issues;
2. monitor environmental quality;
3. set environmental standards;
4. develop environmental policies;
5. implement and enforce mechanisms to ensure that environmental consideration is taken into account in the authorisation and management of development.

The environmental policy is laid down in the Swaziland Environment Act, and the Environmental Management Act and in subsequent implementing legislation. Swaziland has adopted the Swaziland Environmental Action Plan which proposes a hierarchy of actions intended to structure a consistent approach to land and environmental management.

The Government of Swaziland has ratified the following relevant international agreements since 1992:

- Convention on Biodiversity ratified in 1994;
- Montreal Protocol on substances that deplete the ozone layer, ratified in 1992;
- Convention to Combat Desertification, ratified in 1996;
- Framework Convention on Climate Change, ratified in 1996;
- Convention on Prohibition of Chemical Weapons, ratified in 1996.

State of the environment

Swaziland is one of Africa's smallest states and has a landmass covering an area of 17,364 sq km. Land is often regarded as the most valuable resources a country has in terms of the other associated resources that are found in association with it e.g. soils, flora, fauna, surface water and minerals.

Environmental issues in Swaziland include soil degradation, soil erosion, overgrazing and loss of biodiversity.

Land degradation: The magnitude of land degradation in Swaziland varies with the different land tenure types. There are the three main following categories of land tenure: 1. Swazi Nation Land (SNL) Communal Land (75%); 2. Crown Land (Government holds title) (1%) and 3. Private

Freehold or Title Deed Land (24%). Swazi Nation Land occupies 75% of the total land area and this category suffers most degradation.

Land degradation on grazing lands: The predominant land-use of the country is grazing land and this covers 11,630 sq km. Seventy one percent of this land is communal grazing and studies have indicated that more than half of communal grazing suffers serious or very serious soil erosion. Factors causing land degradation are numerous and they do not operate in isolation. However, the increased livestock population contributes largely to the problem.

Biodiversity loss: There are two groups where decline in biological diversity is most evident. These are the large mammals and the indigenous flora. Factors which are responsible for decline in biodiversity in Swaziland are common to most countries in the world. The widest impacts are due to agro-industry, such as sugar cane and timber plantations, and dense subsistence farming and settlements. The former results in monotypic "green deserts," unfavourable to most local species of fauna, and usually annihilating indigenous flora. The latter results in the annihilation of most larger mammals, either for human consumption or due to perceived competition, and the eradication of the more specialised or sensitive species of animal due to habitat destruction and alteration. Threats to flora occur through clearing of fields, cutting for building and fuel wood and selective pressures on species used for traditional medicine. The pollution of the aquatic ecosystem by persistent organic pollutants and other agro chemicals continues to be a major threat to the aquatic biodiversity. Swaziland has not yet ratified the Basel convention, which currently makes it difficult for the country to take advantage of advanced hazardous waste facilities in neighbouring South Africa. The main area of pollution that can be identified in Swaziland other than that caused by pesticides is river pollution. As a consequence of major industrial expansion, the rivers of Swaziland are increasingly susceptible to occasional accidental release of chemical pollutants. Nutrient enrichment with accompanying eutrophication is liable to occur as a result of run-off effluent from agro-industry fields and also inadequate sewage facilities in human settlement. Adequate controls are currently lacking here. Furthermore, since not all of Swaziland main rivers originate within the country, pollution may occur outside of the country's borders.

Water resources: Swaziland is a relatively well-watered country with vast arable land. Several rivers within the five major river basins traverse the country. All these rivers are international and therefore surface water development is done in collaboration with the riparian states namely South Africa and Mozambique. Dams contribute to freshwater resources. Most dams were constructed for irrigation or hydropower generation but are used for domestic purposes, agriculture, fishing and ecotourism as well. The major source of water to rivers is atmospheric moisture through precipitation. The five river basins have 36 gauging stations that use weirs as measuring hydraulic structures. Naturalized simulations of water flows in and out of Swaziland present a good environmental blanket and no abstractions in the catchments. Run off generated within Swaziland is about 2706 million cubic meters of water per annum while the mean annual precipitation is 14800 million cubic meters of water per annum. This means that only 18% of rainwater is transformed to run off. Water shares for Swaziland from the major river basins are based on signed treaties and water resources basin studies. Where water-sharing agreements do not exist, 20% of the total runoff is left for sustaining the environment.

Climate change: A green house gas inventory study was carried out in 1998 to assess the country's contribution to global green house gas (GHG) emissions, as an indicator to the country's overall contribution to global climate change. Swaziland's contribution of CO₂ amounted to 873,870 tonnes in the year 1994, (representing 0.873 tonnes per capita). Virtually all CO₂ emissions

emanate from fuel combustion (energy) by households, manufacturing, commercial and transport. There were no CO₂ emissions from industrial processes. The largest single source of CO₂ in Swaziland is the transport sector, which accounted for 50% of energy CO₂ emissions in 1994. Manufacturing, household, residential and commercial accounted for 32.0%, 15.0% and 3.0% respectively.

Globally ODS concentrations have levelled off reflecting marked declines world wide in ODS consumption. In Swaziland the CFC consumption rates show a downward trend. The lack of Methyl bromide consumption data in Swaziland makes it rather difficult to analyse and visualize any trends.

Waste Management: Waste management is an issue in Swaziland. The problems are lack of awareness and training, weak management structures insufficient infrastructure for sustainable waste management. Currently, the National Solid Waste Strategy is being prepared. Legal tools used in waste management are the Swaziland Environment Act 1992, Environment Management Bill 2000 and Swaziland Waste Regulations, 2000

Forestry: The total forest cover of Swaziland as indicated by the 1999 forest Resource Assessment Report is 788 434 hectares. This represents 45% of the total land area. Three categories of forest types are identified in Swaziland. These are indigenous forest covering 82.7%, wattle forests 3.4% and commercial plantations 14%. The current deforestation and degradation in the natural forest and woodland areas are caused by factors such as conversion of land to agriculture, uncontrolled extraction of forest products from commercial land and the large livestock populations. During the period 1985 to 2000 forests have been affected by a series of competing land users. For example a total of 17 950 hectares of indigenous forests was lost to other land uses which included sugar cane growing, construction of dams, built up areas, cotton planting and conversion to exotic tree species. There is also heavy exploitation of indigenous forests for firewood, wood curving, furniture making and building material. In the rural areas over 75% of the homestead population uses firewood for cooking and heating.

The underlying causes for depletion of natural forest resources in Swaziland include rapid population growth exerting pressure on land, growing poverty, inequalities in land tenure, access and use rights and lack of capacity to manage forests.

Bibliography: - State of Environment Report for Swaziland, March 2001
- Swaziland Country Profile Implementation of Agenda 21
- The Swaziland Environment Action Plan

ANNEX 10a

SWAZILAND MID-TERM REVIEW CONCLUSIONS

1. Executive Summary

On 23 September 2002, the EC and the Government of Swaziland signed the Country Strategy Paper and the NIP of Community aid for the period 2001-2007. As a middle-income country Swaziland benefits from a total indicative allocation of €43 million, €31 million under the envelope A for long-term development needs and €12 million under envelope B to cover unforeseen events. The Country Strategy Paper focuses on the education and training sector. Other areas of intervention include the decentralised poverty reduction programme and support for institutional capacity building and for non-state actors and the smallholder irrigation project.

Overall, the political situation in Swaziland was characterised by tensions during the period 2001-2003 because serious issues on the constitution, human rights and the rule of law have still not been solved. It is against this background that the Government of Swaziland and the EU agreed to engage in regular political dialogue based on Article 8 of the Cotonou Agreement. In October 2002 a ministerial committee was set up to initiate and sustain this dialogue. Three meetings have been held up to now but progress moves at a very slow pace.

The major challenge facing the country is the threat posed by HIV/AIDS. On 18th February 2004, the Government of Swaziland declared a national disaster due to the combined effects of drought and land degradation, increasing poverty and HIV/AIDS.

It is expected that all funds under the A envelope will be committed by the end of 2005 on the basis of the agreed pipeline of projects between the Commission and the Government of Swaziland. Overall, the country's financial performance is insufficient. The performance of the focal sector education, the single key area for cooperation, is sufficient.

Given the special needs of Swaziland (in particular those related to HIV/AIDS) and the assessment of results in the focal sector, the Commission proposes to maintain the financial allocation of the A envelope and to reduce the B envelope by €6 million.

2. The Policy Agenda of the Partner Country

Swaziland's national policy agenda for sustainable social and economic development is set out in a long-term vision, the National Development Strategy (NDS) drawn up in three-year rolling plans. The NDS guides the preparation of the National Development Plan (NDP), and forms the basis of the annual Millennium Action Programme (MAP).

The NDP sets out the Government's public investment programme and provides a medium-term operational perspective of the public sector's development efforts within the overall macro-economic framework. The Millennium Action Programme (MAP), which began in 2002, selects targets for ministries that implement the principal objectives of the NDS. These targets include, among others, poverty alleviation, with an emphasis on rural development, employment creation, HIV/AIDS, efficiency and cost-effectiveness in the public service. Ministries have been requested to develop implementation schedules for all these areas.

The **Poverty Reduction Strategy and Action Plan (PRSAP)** will be ready for adoption early 2005. A Poverty Monitoring Unit has been established in the Ministry of Economic Planning and Development to co-ordinate the finalisation and implementation of the Strategy and Action Plan and monitor poverty trends. Although indicators for the national poverty reduction strategy are not yet determined, it is likely that indicators based on the Millennium Development Goals will also be incorporated into the poverty reduction strategy. Given the delay in the adoption of the PRSAP, Swaziland has not yet set intermediate targets for attaining the millennium development goal indicators. It is crucial for Swaziland to adopt the PRSAP since these will form the basis for the formulation of a coherent sector

policy. The table in Annex 1 provides indicators on ten selected MDGs. According to available data, 65% of Swaziland's population lives on less than \$ 1 per day. In the health sector, the situation as regards the expansion of HIV/AIDS has deteriorated. The number of HIV victims among 15-24 year-old pregnant women increased from 34% to 39% between the year 2000 and 2002. As regards the evolution of the MDGs for education please refer to section 3 on "Main political, economic and social developments in the country".

3. Main Political, Economic and Social Developments in the Country

Political situation and good governance: Two-stage parliamentary elections were held in September and October 2003 and no significant changes in the political composition of the House of Assembly occurred.

A Constitution Drafting Commission began its work in 2002, and submitted a final draft constitution to the King in November 2003. This draft is being subjected to further consultations with the population. It is not clear yet when this draft constitution will be adopted. This means that the present dual governance system is creating tensions and also hindering the government's performance in managing the country's affairs. The political dialogue initiated with Swaziland in June 2003 is marked by a serious lack of progress. Following an intervention by the EU Presidency in March 2004, the Prime Minister proposed a timetable and benchmarks for solving issues about the constitution, human rights and the rule of law. The Commission and the Member States have discussed the need to see substantial and rapid progress and, unless progress is achieved in the second half of 2004, consideration could be given to measures beyond the scope of Art. 8 of the Cotonou Agreement in view of the risk that the present political situation jeopardises the sustainability of EC-Swaziland cooperation.

There continue to be issues of **governance** in Swaziland. At the present time, the most acute of these are justice and the rule of law. A serious confrontation between the Executive and the Judiciary has persisted since November 2002. It has included the government's rejection of two judgments of the Appeal Court, the consequent resignation of the Appeal Court Judges, the premature departure of the Chief Justice and the Director of Public Prosecutions.. This crisis is still not resolved. The immediate practical consequence has been a serious decline in the functioning of the judicial system and therefore in the rule of law. Another concern is public finance management. Improvements in governance, particularly a restoration of the rule of law would go a long way toward strengthening domestic and foreign confidence in the Swazi economy, and attracting investment and assistance.

Swaziland finally ratified in April 2004 the UN Convention on the Elimination of All Forms of Discrimination against Women, a commitment the Government of Swaziland had taken under the 8th EDF. However, discriminatory legislation still remains to be examined. Among other UN Conventions, Swaziland has ratified the International Convention on Civil and Political Rights and the Convention against Torture. However, where Swaziland has ratified UN human rights conventions, it has not yet enacted the enabling legislation to translate these conventions into domestic law. Furthermore, Swaziland has neither signed nor ratified the Second Optional Protocol of the International Covenant on Civil and Political rights (ICCPR). Policy discussion should be enhanced to facilitate a comprehensive institutional performance assessment (key institutions' constraints, analysis and impact assessment of government's policy responses) and to identify institutional issues.

Economic situation: Swaziland's **growth performance** has weakened since the early 1990s, in part reflecting the erosion of its advantage as an investment location after South Africa emerged from economic and political isolation. The average annual rate of real GDP growth fell from 7¾ percent in the 1980s to 3¾ percent in the 1990s. Due to worldwide economic decline and the

decrease of foreign investment in Swaziland, overall economic growth is anticipated to decline to 2.2% in 2003, compared to 3.6% achieved in 2002. As a result of this and the restructuring of private companies and the reduction of migrant labour opportunities **unemployment** has increased, its level being estimated at between 30-40%. According to Swaziland's migration profile the number of employed in South Africa is decreasing and miners' remittances are declining and represent 3% of the GDP.

Inflation has declined from 13% in October 2002 to 6% in August 2003. The effects of increasing wage costs have been offset by falling oil and food prices, and an appreciation of the Lilangeni in line with the South African Rand. The government's **fiscal balance** has been in deficit since 1999/2000 and in 2002/03 widened further to 4.5% of GDP. This weakening in public finances has reflected both lower tax receipts revenues and higher expenditure on public wages. In previous years, the deficit was financed entirely from domestic non-bank and foreign sources, and in 2002 the Government issued domestic debt to commercial banks. Total **government debt** stood at 25% of GDP in 2002/2003.

Swaziland still has a deficit in **trade balance**, this being estimated at US \$ 79 million in 2002. Swaziland's main exporting partners in 2000 were South Africa (60% of its exports and 93% of its imports), SADC, other than South Africa (17% and 0%), the EU (8% and 1% respectively) and the US (9% and 0.2%). As regards bilateral **trade between the EU and Swaziland**, in 2002 total Swazi exports to the EU amounted to €129 million and imports to €19 million, showing a positive trade balance with the EU of €110 million. Agricultural products are the predominant products exported by Swaziland to the EU, as they represent more than 85% of total exports.

On balance, with moderate growth and constrained inflation, macro-economic stabilisation can be considered sufficient. The major weaknesses in public expenditure management are concentrated in the government's domestic debt, the consolidation of the fiscal position, the relatively low level of fiscal transparency and accountability and the slow pace of legislative change. **Quality** of public expenditure will largely depend on how far the government can push ahead with the reform of the public sector, control spending and **redirect it towards critical social sectors such as health and education**. Improvements in governance, particularly the restoration of the rule of law, would, as set above strengthen domestic and foreign confidence in the Swazi economy, attracting investment and assistance, and generally improving Swaziland's economic prospects.

Social sectors and food security: According to the UNDP Human Development Report, Swaziland is classified as a medium human development country, performing better than most of the members of SADC. However, there is a high level of inequality. Swaziland's Gini coefficient of 51 classifies it as a country with highly unequal income distribution. In addition, there are significant regional disparities. Factors found to contribute to the incidence of poverty include rapid population growth, the prevalence of HIV/AIDS, a skewed distribution of income and resources, growing unemployment and food insecurity.

Swaziland's **education policies** are embodied in the *National Development Strategy Vision 2022*, which promotes three main areas of concentration: poverty alleviation, unemployment reduction and HIV/AIDS (Millennium Goals and Millennium Action Programme); the *draft Constitution* which stipulates that "free basic education" should be introduced by 2007; the *draft national statement on Education (1999)*, which defines the overall government objective in the education sector to provide quality education to all citizens with a long-term view to the socio-economic benefits of Swaziland; and the *Draft National Policy on Vocational Education (1998)*, which is endorsed by the National Policy Statement on Education and emphasises the development of a functional gender-sensitive, affordable and efficient VET-system.

In the 1990s, **net enrolments** in primary education were around 76-77%, with upward and downward peaks of 80% and 67% for some years (suggesting that data quality may be questionable). There are signs that enrolment rates have started to decline in the last few years and net enrolment was 72.7 % and gross enrolment 95.4 % in 2001 (the latest year available) (see Annex 2). Decreasing enrolments are the result of poverty and the inability to pay school fees and could also be indicative of the beginnings of the long-term effect of HIV/AIDS. Enrolment rates in Swaziland are still, however, clearly above the Sub-Saharan average of 58.2% for net enrolment and 81.5% for gross enrolment. **Primary completion rates** are very low and declining: from 25.8 % in 1997 to 21.6 % in 2001. This is a clear indication of quality problems in the education system. **Repetition rates** are also high, around 15 % for the past 7 years, with no signs of improvement. Although this well behind international standards (the FTI benchmark is 10 % or less), it is better than the Sub-Saharan average of 18% for the year 2000. Drop-out rates have stagnated around an average of 7-9 %. The drop-out rate increases into double digits as pupils enter their teens, i.e. 10.8 % in grade 6, increasing to 15.2 % in grade 7. The exam-driven focus of teaching and the fact that pupils are tested every year contributes to an increase in repetition and/or drop-out. The average student takes 13 years to complete the 7-year primary education cycle. These figures reflect both the **lack of quality and relevance** of primary education and the **inefficiency of the system**. The **HIV/AIDS incidence** is critically high within the age profile for teachers (49.5 % for ages 20-24; 58.9 % for ages 25-29; and 57.8 % for ages 30-34). Consequently Swaziland is likely to face acute shortages in meeting the future demand for teachers. The **pupil teacher ratio** in primary school stayed at around 33:1 throughout the 1990s and on to 2001. This is well within the international standards (FTI benchmark is 40:1). However, the ratio varies considerably (high ratios of 1:45/70) depending on the school's location. As for **gender parity**, Swaziland is close to the goal in primary education (net enrolment for boys 74.4 % and for girls 71 % in 2001; UNESCO's gender parity index of 0.95 for 2000 compares well). As regards children with disabilities, Swaziland estimates that 49.6 % of those with disabilities have no formal education (32.2 % having primary and only 9.6 % secondary education) compared to a national average of 20 %. The Ministry of Economic Planning and Development seeks to allocate Education a steady 22.7% of Swaziland's recurrent budget. **Education receives the largest sectoral share of the budget**. The Education budget is distributed between the sub-sectors as follows (2001-04): Pre-primary 0.3%, Primary 37%, Secondary 30%, TVET 5% and Tertiary 28%. However, the Ministry of Education is in the process of developing strategies to reverse the trend of declining enrolments. The quality of the statistical data provided by Government of Swaziland sources is not always reliable and there is insufficient factoring-in of the impact of HIV/AIDS on the population in the Central Statistical Office data, which assumes an average 2.9% annual population increase since the 1997 census. Under the 9th EDF statistical data and indicators for the educational sector will be developed.

Poverty alleviation and **HIV/AIDS** are two key cross-cutting issues and major determinants of strategic choices- not only for education but also for all social services. The education, health and socio-economic development gains of the past are being unravelled through the impact of HIV/AIDS, which is systemic and affecting both the demand and supply of education in terms of quality, quantity and process. The present situation is not so much one of an education crisis, as of a social crisis, given the impact of poverty and HIV/AIDS on much of the population, and education is but one way of alleviating the overall situation. The education system still faces issues of access to, and expansion of, education, over and above its stated aim of "improving the quality, relevance and affordability of education". The trade-off between 'access', 'expansion' and 'quality' is compounded by the increasing demands on education through HIV/AIDS, which is leading to higher and higher numbers of 'out-of-school' children.

Due to significant investment in social infrastructure and services, Swaziland has achieved good **health service** coverage, but the quality of service delivery remains low. As a result mainly of decreased infant and child mortality, life expectancy has shown a steady increase over the past decades. However, a decreasing trend in life expectancy has arisen, as the **HIV/AIDS** pandemic continues to spread rapidly in the region. It is estimated that about 300,000 people in Swaziland are infected by HIV. The rate of infection among pregnant women has risen from 3.91% in 1992 to 38.6% in 2002. Projections prepared by the US Bureau for Population Census in 1999 indicate that by 2010 population growth, life expectancy at birth and crude death rate (per 1,000) will be 1.7%, 37.1 years and 22.6 respectively, compared to 3.1%, 63.2 years and 7.5 respectively “without AIDS”. It is estimated that the number of orphans will increase from approximately 60,000 in 2003 to over 120,000 (15% of the population) by 2010. The trend of marked gender differences in HIV/AIDS prevalence rates among 15-24 year-olds is disturbingly high, with a significantly worsening trend for women in the 1999-2001 period with a 20% increase. Women under 25 years of age represent the fastest growing group of HIV/AIDS victims in Sub-Saharan Africa and among those countries Swaziland has the second highest rate. In 1998 a new HIV/AIDS policy was developed and approved by Cabinet. This policy focuses on 3 components: prevention, care and support, and impact mitigation. In 1999 King Mswati III declared HIV/AIDS a national disaster, two new committees (the Cabinet Committee on HIV/AIDS and the Crisis Management and Technical Committee) were created, and the Economic and Social Reform Agenda (ESRA) recognised the threat posed by the epidemic. The response went beyond government, with programmes being initiated by the private sector, NGOs, religious groups and communities. In 2001 the National Emergency Response Committee on HIV/AIDS (NERCHA) was created, with a mandate to coordinate and mobilise resources for an expanded and coordinated response in Swaziland. In early 2003 Swaziland was awarded 2 grants by the Global Fund. The total award (over 5 years) is for US\$ 56.7 million, but funding is only guaranteed for the first 2 years, totalling US\$ 31 million. However, donations to the Global Fund have depreciated by about 30% due to the appreciation of the exchange rate between the Rand/Lilangeni and the US\$. While Swaziland responded early to the epidemic, this failed to have an impact on the spread of HIV/AIDS. Levels of knowledge of HIV/AIDS issues in the population are high, but behaviour change has not ensued.

The **food security** situation remains fragile. Although the overall food situation in Swaziland improved in 2003 (in terms of price and import capacity), a large section of the population remains vulnerable. To improve the situation, reform of land tenure is important as well as the enactment into law of measures, such as the Land Policy Act (approved in 1999), which would provide greater security of land tenure and institute long-term leases for agricultural land. In addition, allowing the use of landholdings as collateral would contribute to investment and productivity gains, enhance farmers’ access to commercial credit, and help alleviate poverty. Finally, agricultural commodities are very important to the economy of Swaziland and a discussion with the government on policies and potential support for these sectors may be needed, in line with approaches put forward in the recently adopted EU Action Plan on Agricultural Commodities, Dependence and Poverty. In particular, the upcoming reform of the EC common market organisation for sugar could have a significant impact on the sugar sector in Swaziland, which is an important sector of the economy.

Gender: Women are legal minors and do not have the right to own property. Despite this weak legal status many women participate in business life or are working in the public sector. However, women’s equal rights have still to be legally endorsed. The Government has ratified the CEDAW and established a Law Reform Commission to examine discriminatory legislation but steps have to be taken to revise and adapt the legislation.

Environment: The Department of the Environment is under the Ministry of Tourism, Environment and Communications. The Department of the Environment acts as the Secretariat of the body dealing with environmental issues known as the Swaziland Environment Authority (SEA), created in 1992. Currently, environmental legislation is scattered over several ministries and government departments. However, the Swaziland Environment Act, 1992, supersedes all other environmental legislation in the country. The main function of this Authority is to coordinate the incorporation of environmental policy into the development process and to develop, implement and enforce environmental policy. This policy is laid down in the Swaziland Environment Act, in the Environmental Management Act and in subsequent implementing legislation. Swaziland has adopted the Environmental Action Plan, which proposes a hierarchy of actions intended to create a consistent approach to land and environmental management. The Government of Swaziland has ratified the most important international agreements. However, the lack of administrative capacity and budget does not allow the implementation of an effective environmental policy. Swaziland has provided an environmental profile whose issues include soil degradation, soil erosion, overgrazing and loss of biodiversity. It is proposed that in the next programming exercise the content of the current “skeleton” of the country environmental profile be updated and once updated its content be reflected in the CSP/NIP in an attempt to improve the integration of environment as a cross-cutting issue in EC interventions.

Regional and international developments: Swaziland is currently a signatory to, or member of WTO, Cotonou Agreement, SACU, SADC, CMA, COMESA, and it is also a participant in the Regional Integration Facilitation Forum. Trade policy is thus being confused by a proliferation of overlapping and sometimes conflicting regional trade groupings. Given Swaziland’s economic openness, it is essential for Swaziland to participate in and/or assess effectively the impact of negotiations of inter *alia* the Free Trade Area within SADC, the Customs Union and Free Trade Area within COMESA, the Economic Partnership Agreement (EPA) with the EU, and further rounds of WTO trade negotiations. The new agreement on the Southern African Customs Union (SACU) was signed in 2002.

Capacity building and institutional development: Several key government institutions operate without their roles and responsibilities being clearly defined. A public sector management programme, PSMP-1, was launched in 1995. In recognition of the fact that very little progress was made, the programme was revised and re-launched in 1999, to create an effective civil service, by addressing the following issues: the lack of clear and appropriate ministerial missions, objectives, strategies, structures and staffing levels; the lack of a clear definition of, and distinction between, the roles of the public sector, private sector and civil society; unsatisfactory levels of performance and productivity of the public sector to deliver services and poor civil service skills. A proposal is expected to be submitted to Cabinet in early 2004, concerning the right-sizing of the Public Service. There is an urgent need for implementation of the profound reforms announced a long time ago.

4. State of Play in Implementation of the EC Co-operation Programme

Results achieved in the focal sector: The 9th EDF programme for the support of education and training with an allocation of € 24 million is only expected to start in 2005. This delay in implementation is due to the need to prepare thoroughly the project on education and training in response to the issues raised above and to establish a sustainable education policy securing access to, and better quality of, education for all. Preparatory work for this programme has been

undertaken to define the scope of EC support and establish reliable means of monitoring progress through data collection, analysis and reporting.

Project and programmes outside the focal sector: Outside the focal sector, two programmes under the 9th EDF that have started are the *Capacity Building for Development Planning Project* (€ 2.7 million) and the *Micro-projects Programme* (€4.7 million). Both projects have been approved by the EDF Committee in 2003. From the 8th EDF the following projects are still ongoing: the major multi-donor *small-holder irrigation project (LUSIP)* (€4 million from 9th EDF), which faced serious delays; the *Private Sector Support Programme* (€5.9 million), which is delayed due to the poor performance of the contractor; the *Project on Strengthening Capacity in Trade Promotion and International Trade* (€1.2 million), which had to be extended for nine months until June 2004; the *Fiscal Restructuring Programme* (€5.6 million), under which proposals for revenue diversification and redefining tax structure were further developed and will now be submitted to Cabinet for approval; and the *HIV/AIDS Prevention and Care Programme* (€1.96 million). Project activities include Voluntary Counselling and Testing, Treatment of Sexually Transmitted Infection, and Home-based care.

Cross-cutting issues (gender, environment, capacity building and institutional development) have been integrated in all the ongoing programmes and will be reinforced in particular in the education sector project. However, as regards environment, strategic environmental assessments are yet to be performed at least for EC cooperation sectors in Swaziland, an issue which needs to be addressed in the future as part of our joint policy dialogue and reported on in the next JAR.

Utilisation of resources for non-state actors (NSAs): A wide range of NSAs were involved during the preparation of the 9th EDF Education and Training programme, including investigation of the potential and effective role of NSAs particularly in the TVET sector. This was carried out with a view to proposing specific activities and resources to support NSAs in exercising their roles. On the basis of the feasibility study's conclusions, it has been proposed to earmark approximately €2.4 million (10% of the total available for the Education support programme) for contracts with NGOs. The 9th EDF Capacity Building for Development Planning and Programme Management will promote co-operation with, and reinforce capacities of, NSAs. It will support the establishment and operation of appropriate consultation mechanisms, both among NSAs and with Government. The programme was approved in December 2003 and implementation will commence during the second quarter of 2004. Furthermore, the Micro-projects programmes are an important instrument to strengthen the capacity of non-state actors. In addition, the HIV/AIDS programme is implemented both directly through the Ministry of Health and Social Welfare, and by contracting out services to NGOs. However, a strategy for regular dialogue with NSAs needs to be set out and agreed.

Utilisation of the B envelope: So far Swaziland has not used funds from the B envelope.

ECHO performed a number of humanitarian aid operations on food aid, school feeding and the financing of community gardens and community Care for Highly Vulnerable Children.

Regional Co-operation is concentrated on the support of economic integration. The purpose of the programme is to assist Swaziland's response to the challenges created by the implementation of the EU-SA TDCA and, in particular, to ensure that Swaziland's economy is able to take advantage of the opportunities of the open trading environment within SACU.

5. Programming perspective for the future

The revised programming of the 9th EDF (pipeline of projects) shows that, by the end of 2005, 100% of the A envelope plus transfers from previous EDF funds will be committed. Community assistance under the 9th EDF concentrates on education and training as a focal sector. Outside the focal sector, the EC will contribute to community development through the continuation of the micro-projects programme and support the strengthening of the administrative capacity with the Capacity Building for Development Planning and Programme Management Project, which will also promote co-operation with, and reinforce capacities of, **NSAs**. Finally, a project on Trade and Regional Integration will support capacity building in trade matters. In the next programming exercise it would be important to set aside financial resources to address some of the most pressing environmental concerns in the country (e.g. capacity building, land degradation, biodiversity loss) and ideally, to establish linkages between environmental protection and poverty reduction.

Under the 9th EDF, the EC contribution to the social sectors will amount to around 70% of its assistance. In **the fight against communicable diseases**, Swaziland is benefiting from the Global Fund. The total award (over 5 years) is for US\$ 56.7 million, but funding is only guaranteed for the first 2 years, totalling US\$ 31 million. As regards **EPA negotiations**, Swaziland decided to negotiate within the SADC framework which, however, comprises only four SACU members (Botswana, Lesotho, Namibia and Swaziland) plus Angola, Mozambique and Tanzania. As regards preparations for the EPA negotiations, the GoS is currently discussing the conclusions of the draft final report on “Impact and Sustainability of the EPA with the EU”.

No revision of the strategy is required as the rationale and considerations which led to the choice of the focal sector agreed in the CSP remains highly relevant.

6. Performance appraisal

Criteria I: Country's financial performance (on the basis of data for the past five years, status 31.12.03)

I. EDF

1. Calculated number of years to complete EDF commitments **3.94 years < 4 years**
((Total EDF country allocations-current commitments)/average of commitments for the last 5 years)
2. Calculated number of years to complete EDF assigned funds **14.66 years > 7 years**
((Total EDF country allocations-current assigned funds)/average of assigned funds for the last 5 years)
3. Calculated number of years to EDF payments **17.56 years > 9 years**
((Total EDF country allocations-current payments/average for payments for the last 5 years)

CRITERIA	Possibility to increase country allocation	Maintain country allocation	Possibility to reduce country allocation
Financial performance			
1. Commitments		3.95 years	
2. Assignments			14.66 years
3. Payments			17.56 years

II. Level of utilisation of the 9th EDF A and B envelopes

- **A+B: Commitments: 19.64%** **Contracted: 1,25%** **Paid: 0,02%**
- **A: Commitments: 26.41%** **Contracted: 1,68%** **Paid: 0,03%**
- **B: Commitments: 0.00%** **Contracted: 0.00%** **Paid: 0,00%**

III. Forecast for commitments and disbursement for the year 2004-2006

Applying financial criteria only would indicate that Swaziland's financial performance is insufficient given the number of years for assignment and payment. However, this assessment must be put in the context of recent positive trends. There are clear indications for an **improved absorption capacity** and that all funds from the 9th EDF, plus transfers from previous EDFs, will be fully committed by the end of 2005. Two projects are planned for 2004, i.e. the *Capacity Building for Developing Planning Project* (€2.7 million) and the *Education and Training Project* (€24 million); to be followed in 2005 by the project on *Trade and regional Integration* (€1.8 million).

Individual commitments are expected to amount to €14.9 million in 2004. **Payments are expected to amount to €6.5 million in 2004, to €6.0 million in 2005 and to 15.8 million (9th EDF only) in 2006.**

IV. Community budget lines: Currently there are no activities funded from Community budget lines in Swaziland.

Criteria II: Country's sectoral (and macro-economic) performance

1. Macro-economic performance: (Budget support is not a focal sector and therefore macro-economic performance is not analysed)

2. Education:

<i>Key components:</i>	Good	Sufficient	Insufficient
Financial resources (<i>input</i>)		X	
System delivery (<i>output</i>)		X	
Final outcomes (<i>outcomes</i>)			X

The spread of the HIV/AIDS pandemic in Swaziland is a major threat to the social and economic development of the country. Serious concerns for the education sector are: (1) the growing number of **orphans** (presently estimated at 75,000 to 80,000, i.e. 25-30 % of children), who need to be provided with full primary education; and (2) the very high HIV/AIDS prevalence rates in the adult population, which will strain the supply of teachers and other education personnel in the coming years. The high repetition and drop-put rates as well as the prolonged schooling times (it takes an average of 13 years to complete the 7-year cycle of primary education) and very low completion rates **indicate the need to improve the efficiency and quality of the education system**. There are signs that enrolments in primary education have started declining and there is a danger that Swaziland will not achieve the **Millennium development goals (MDGs)** in education. **System equity in the education sector** needs to be strengthened. The bias in financing in favour of tertiary education needs to be corrected and more financial resources should be channelled into primary education. Primary education fees are an obstacle to equal access; the poor and the disadvantaged in particular are excluded from the system as the costs are too high for parents to be able to send their children to school. The government of Swaziland has acknowledged the above challenges and is addressing them in its policies. The Ministry of Education is in the process of developing strategies to reverse the trend of declining enrolments. Additional funding sources are being considered in addition to proposals to restructure the education budget so as to redress the balance from its present bias in tertiary education towards the primary education. In 2004, the Government of Swaziland decided to introduce a per pupil capitation grant to meet other non-wage recurrent costs on a progressive basis starting in 2005.

The government needs to accelerate the pace of implementation of the reforms. It is clear, however, that to do so the government will need external support to carry them out. Taking into consideration the impact of HIV/AIDS, the performance of the education sector can be considered **sufficient**.

Criteria III: “Special considerations”

Of a crucial importance to Swaziland will be the adoption of the PRSAP, and there is concern about the **lack of prioritisation of development plans**. There are severe shortcomings in the data presently available for Swaziland, as well as in the capacity to gather and analyse the required statistics. One purpose of the new EDF9 capacity building project is to address this problem. Although Swaziland is classified as a middle-income country, distribution of income is unequal (Swaziland has a Gini coefficient of 51) and 65% of the population lives on less than US \$1 per day. An evaluation of the 10 MDGs indicators is difficult due to the lack of data. In 2001, the Central Statistical Office carried out the “Swaziland Household Income and Expenditure Survey”. However, analysis of the data is not yet complete, and a new poverty profile has not been constructed. **Measuring the sectoral performance based on indicators is difficult, as statistics are few and unreliable. Therefore poverty outcomes are qualified as insufficient.** Overall, macro-economic performance is insufficient although macro-economic stability is rated as sufficient.

An assessment of the socio-economic background of Swaziland indicates that poverty alleviation and HIV/AIDS are jointly the two current key cross-cutting issues. Poverty is spreading throughout the country as the development gains of the past are unravelled by the impact of HIV/AIDS. **In particular, this impact is seen on the demand and supply of education in terms of quality, quantity and process.** This situation is not just an education crisis, but a general social malaise, in view of the impact of poverty and of HIV/AIDS on the population. **Education is considered to be the most promising way of alleviating the overall crisis situation.**

With regards to **staffing issues**, the **EC office is in a difficult position**, being staffed in the past in practice by just one permanent official, which has put at risk the timely implementation of EC development cooperation with Swaziland.

- **Commission position on a possible revision of the country financial allocation**

In view of the general trend in the economic situation, the rapid expansion of HIV/AIDS and its impact on poverty, the **special needs** of Swaziland, particularly those related to HIV/AIDS and education, show that the present strategy has proven to be correct and should not be changed. In particular, **education** which is the focal sector and a high EU priority, is an **important instrument to contribute to poverty reduction and to raise awareness and address HIV/AIDS**. In this respect, the project on education and training under the 9th EDF which provides, amongst others, for the financing of school fees for orphans and other vulnerable children will make for a higher enrolment rate, which in turn is expected to help protect young people from HIV/AIDS (awareness, delayed start of sexual life, strengthening of self-esteem, a more structured daily life) and thus to address HIV/AIDS. The Commission therefore proposes, as regards the **envelope A, to maintain the financial allocation** under the 9th EDF so that the project on education and training can be maintained in its full dimension. Since the B envelope has not been used, the Commission proposes to **reduce the B envelope to 50%** of the initial allocation. Of the remaining €6 million, €0.6 million is earmarked for the Africa Peace Facility and €0.84 million would be reserved for possible humanitarian assistance operations managed by ECHO. **The remaining €4.56 million would be used to respond to unforeseen circumstances related to vulnerable groups due to the persistent effect of the food/humanitarian crisis.**

In the light of the above analysis and taking into account the special considerations, it is proposed that:

- the country strategy for Swaziland, as contained in the CSP and NIP be maintained;

- the funds available under the envelope A be maintained;
 - the funds available under the envelope B be decreased by €6 million.

ANNEX I

Indicators on Millennium Development Goals

Type	Indicator	2000	2001	2002
Impact	11. Proportion of population below \$1 per day ⁹	66	66	65
	12. Prevalence of underweight children (under-five years of age) ²	10		
	13. Under-five mortality rate ³	62		
Outcome	14. Net enrolment ratio in primary ⁴ education	76.1	72.7	
	15. Primary Completion Rate	24.2	21.6	
	16. Ratio of girls to boys in:			
	- primary education	1:1	1:1	
	-secondary education	1:0.9	1:0.9	
	17. Proportion of births attended by skilled health personnel ⁵	70	70	
	18. Proportion of 1 year- old children immunised against measles ⁶	72	72	86
	19. HIV prevalence among 15-24 year- old pregnant women ⁷	34	n.a.	39
20. Proportion of population with sustainable access to an improved water source ²	50		51	

- Source: 1 CSO Household Income and Expenditure Data
 2 Southern Africa Regional Poverty Network (SADC) statistics,
 3 UNICEF Social Indicators
 4 Education Statistics, CSO
 8 Reproductive Health Needs Assessment, Ministry of Health 2000/01
 9 Health Statistics, CSO
 10 7th and 8th HIV Sentinel Sero Surveillance Survey Report (2000 and 2002)

Outcome indicators relating to education

Net Enrolment ratio in formal basic education			
Year	Average	Female	Male
2001	72.7	71.0	74.4
2000	76.1	75.5	76.8
1999	76.7	76.6	76.8
1998	67.9	68.0	67.8
1997	80.7	80.4	80.9
1996	76.8	76.9	76.8
1995	80.3	80.3	80.3
1994	76.5	77.3	75.6

Average Repetition, drop out rates 1995- 2000			
	Enrolment	Drop-outs	Repetition
1995	201.307	3.6	15.3
1996	202.437	7.3	15.2
1997	205.829	7.7	15.3
1998	208.779	8.7	15.7
1999	213.041	9.7	14.7
2000	213.986	7.7	15.6
2001	212.064	8.0	15.9

Number of primary schools, pupils-teachers

Number of pupils	Year	No. Primary schools	Number teachers	P:T Ratio	P:S Ration	GER %	NER %
212.064	2001	541	6.594	32.16	391.99	95.39	72.7
213.986	2000	540	6.307	33.93	396.27	100.50	76.1
213.041	1999	539	6.425	33.16	395.25	102.96	76.7
208.779	1998	530	6.195	33.70	393.92	103.82	67.9
205.829	1997	529	6.094	33.78	389.09	105.32	80.7

Source: EC Feasibility Study on EU support for the education sector in Swaziland

DONOR MATRIX**Planned disbursements for 2004 (million €)**

Sectors	Countries											Total	
	EC	B	DK	D	E	F	IR	I	NL	S	UK		
Education	0.24												0.24
Health	0.89							0.25					1.14
Water supply and sanitation											0.21		0.21
Government and Civil Society	1.99												1.99
Transport and storage													
Communications													
Banking and financial services													
Business/Private sector	1.68												1.68
Energy													
Agriculture, forestry, fishing	2.51												2.51
Industry, Mining and Construction													
Trade and tourism	0.15												0.15
Environmental Protection													
Gender													
Commodity aid													
Budget support /SAP													
Food aid													
Debt relief													
Emergency assistance	1.00												1.00
Support to NGOs ¹⁰				0.06					0.03		0.07		0.16
Others (decentralised poverty reduction)	1.17												1.17
Total	9.63			0.06				0.25	0.03		0.28		10.25

Using June 2004 Exchange Rates

¹⁰ Support for NGOs comes in the form of Small Embassy Projects

List of acronyms

ACP	ACP countries (Africa, the Caribbean and the Pacific)
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CMA	Common Monetary Area
COMESA	Common Market of Eastern and Southern Africa
CSP	Country Strategy Paper
EC	European Community
EPA	Economic Partnership Agreement
ESRA	Economic and Social Reform Agenda
EU	European Union
EDF	European Development Fund
GDP	Gross Domestic Product
GoS	Government of Swaziland
JAR	Joint Annual Report
MAP	Millennium Action Programme
MDGs	Millennium Development Goals
NDP	National Development Plan
NDS	National Development Strategy
NERCHA	National Emergency Response Committee on HIV/AIDS
NIP	National Indicative Programme
NSAs	Non-State Actors
PRSAP	Poverty Reduction Strategy and Action Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SEA	Swaziland Environment Authority
WTO	World Trade Organization



EUROPEAN UNION

Delegation of the European Commission
in the Kingdom of Swaziland

PC/lh

Our reference: 04/484

5 October 2004

BY HAND

Mr. E.M. Hlophe
Principal Secretary
National Authorising Officer of the European Development Fund
Ministry of Economic Planning & Development
P O Box 602
MBABANE

Subject: Mid-Term Review (MTR)

Dear Mr Hlophe,

I have the honour to refer to the cooperation between the Kingdom of Swaziland and European Commission in the framework of the Cotonou agreement.

On 23 September 2002, the Government of Swaziland and the European Commission signed the Country Strategy Paper and the National Indicative Programme of Community aid for the period 2001-2007. Swaziland benefits from a total indicative allocation of € 43 million, € 31 million under the envelope A for long-term development needs and € 12 million under envelope B to cover unforeseen events.

As stipulated in Article 5 of Annex IV of the above agreement a Mid-Term Review (MTR) of the CSP/NIP is to be carried out. The review process has been conducted over the past few months. Please find attached the draft conclusions of this MTR-exercise.

I would be grateful if I could have your comments on the draft conclusions by 1st November 2004.

Yours sincerely,


Peter Beck Christiansen
Head of Delegation

draft conclusions of the MTR-exercise

SWAZILAND**GOVERNMENT****MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT**

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 Swaziland

EC DELEGATION SWAZILAND							
DATE:	28.10.04			REG. No.:	04/1186		
HoD	RA	DA	ECO	EDU	HGA	PM	SEC
DEADLINE:							

26th October 2004

Delegation of the European Commission
 in the Kingdom of Swaziland,
 Swazi Plaza, Mbabane.

Ref. ECO/PS/25

Subject: **Conclusions of Mid Term Review : EC/Swaziland Co-operation (2001-2007).**

Dear Mr. Christiansen,

Thank you for your letter Ref 04/484 dated 15th October and the draft conclusions of the Mid Term Review (MTR) of the Swaziland Country Strategy Paper (CSP) and the National Indicative Programme (NIP).

We would like to make the following comments on the draft conclusions, which could form the basis for the discussions to be held with the mission on the 1st November 2004.

Chapter 2 (page 1), "The Poverty Reduction Strategy and Action Plan (PRSAP) will now be finalised by August 2004."

A draft PRSAP has been produced and this will now be discussed with all stakeholders. A finalised PRSAP will be ready for adoption early in 2005.

2. Chapter 3 (page2), Political situation and good governance.

Everyone would be affected if anything were to jeopardise the sustainability of EC-Swaziland co-operation. Therefore, the MTR conclusions have been forwarded to the Minister of Foreign Affairs and Trade, together with a request for a response to the statements and concerns outlined in this section.

3. Chapter 3 (page 3), Economic situation, "the quality of public expenditure will largely depend on how far Government can push ahead with reform of the public sector, control spending and redirect it towards critical social sectors such as health and education."

Government embarked on a medium term budgetary process for twelve pilot Ministries and Departments, during the 2003/4 financial year. This was expanded to all Ministries

during the 2004/5 financial year. This process will improve fiscal discipline, enhance the predictability of funding and ensure that resources are allocated and utilised in accordance with national and strategic priorities.

4. Chapter 3 (page 6), Environment.

We agree with the proposal to "update the country's environment profile and its content be reflected in the next CSP/NIP."

5. Chapter 4 (page 7), Cross-cutting issues, "environmental impact assessments are yet to be performed at least for EC co-operation sectors in Swaziland."

This is not strictly accurate as The Lower Usuthu Smallholder Irrigation Project was subject to a comprehensive and rigorous environmental impact assessment.

6. Chapter 4 (page 8), Utilisation of resources for Non-State Actors (NSA's).

We agree with the recommendation that, "a strategy for regular dialogue with NSA's needs to be set out and agreed." This will be one of the tasks undertaken during the mapping exercise of NSA's, which is currently on-going.

7. Chapter 6 (page 9), Performance appraisal forecasts of commitments and disbursements.

The paragraph outlining the projects planned for 2004 should also include the Micro-projects Programme (Euro 4.7 million).

We are pleased that you conclude there are indications of improved absorption capacity, but it seems that the payment forecast for 2004, (Euro 8.2 million) is too high, and that the forecast for 2005 (Euro 4.6 million) is too low, given that the Private Sector Support Programme will hopefully continue during 2005, and the HIV/AIDS Programme will only come to an end on the 30th June 2005, if it is not extended beyond that date. A more realistic payment forecast would be 2004 (Euro 6.5 million) and 2005 (Euro 6 million).

8. Chapter 6 (page 9), Community budget lines, "currently there are no activities funded from Community budget lines in Swaziland."

This statement is not clear as we were under the impression that the humanitarian activities undertaken by ECHO, that are mentioned on the previous page and described in the 2003 Joint Annual Report, were financed from Community budget lines.

9. Chapter 6 (page 10), Special considerations, "the capacity to gather and analyse the required statistics does not exist."

This overstates the situation in the Central Statistics Office (CSO). Whilst the CSO faces constraints relating to the timely analysis of data, the data required to update the poverty profile exists. The Poverty Unit is currently in the process of collating the information required to undertake the update, whilst at the same time identifying any data gaps that might exist.

10. *We were pleased to learn that the EC has decided to maintain the financial allocation of the A-envelope and that Education and Training remains highly relevant as the focal sector. However, it is somewhat disappointing that the allocation of the B-Envelope has been reduced by 50%, given that we indicated in the 2003 Joint Annual Report, that it was envisaged to use this envelope to provide support to vulnerable children, that have been affected by the HIV/AIDS, drought and the poverty crisis.*

Yours sincerely,



E.M. Hlophe
EDF National Authorising Officer

CC: Secretary to Cabinet.
Principal Secretary, Ministry of Foreign Affairs and Trade.
Principal Secretary, Ministry of Finance.