

AFRICAN DEVELOPMENT BANK



PROJECT: **MKHONDVO - NGWAVUMA WATER
AUGMENTATION PROGRAM PHASE IA (MNWAP-
1A)**

COUNTRY: **ESWATINI**

PROJECT APPRAISAL REPORT

Date: November 2021

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AFRICAN DEVELOPMENT BANK



ESWATINI

MKHONDVO - NGWAVUMA WATER AUGMENTATION PROGRAM PHASE IA (MNWAP-1A)

APPRAISAL REPORT

RDGS/AHAI

November 2021

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Currency Equivalents, Fiscal Year, Weights and Measures, Acronyms

As of June 2021

1 UA = 1.4447 USD	1 UA = 19.8451 ZAR (SZL)	1 USD = 13.7368 ZAR (SZL)
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Fiscal Year

1 April – 31 March

Weights and Measures

1 metric ton	=	2204 pounds (lbs)	1 millimetre (mm)	=	0.03937 inch (“)
1 kilogram (kg)	=	2.200 lbs	1 kilometre (km)	=	0.62 mile
1 meter (m)	=	3.28 feet (ft)	1 hectare (ha)	=	2.471 acres

List of Acronyms and Abbreviations

ADB	African Development Bank
CSP	Country Strategy Paper
EIRR	Economic Internal Rate of Return
ESAP	Environmental and Social Assessment Procedures
ESMP	Environmental and Social Management Plan
ESWADE	Eswatini Soil, Water and Agriculture Development Enterprise
FIRR	Financial Internal Rate of Return
GoE	Government of Eswatini
ICB	International Competitive Bidding
ISS	Integrated Safeguard System
LUSIP	Lower Usuthu Smallholder Irrigation Project
MNWAP	Mkhondvo Ngwavuma Water Augmentation Program
NAMBoard	National Agricultural Marketing Board
NCB	National Competitive Bidding
NDS	National Development Strategy
PPA	Public Procurement Act
RMC	Regional Member Country
SMEs	Small and Medium Enterprises
SNL	Swazi Nation Land

Loan Information

Client's information

BORROWER:

Kingdom of Eswatini

EXECUTING AGENCY:

Eswatini Water and Agriculture Development
Enterprise (ESWADE)

Financing plan

Source	Amount (ZAR'000)	Amount (UA'000)	Instrument
ADB	2,684,000	128,000	1 st Phase Loan
	1,720,000	82,000	2 nd Phase Loan
Government	430,000	20,000	Counterpart
TOTAL COST	4,834,000	230,000	

ADB's key financing information

Loan Currency	South African Rand (ZAR)
Loan Type	Fully Flexible Loan
Interest Rate	Base Rate +Funding Cost Margin+ Lending Margin + Maturity Premium
Base Rate	Floating Base Rate based on 3-month JIBAR
Funding Cost Margin ¹	Refer to footnote
Lending Margin	80 basis points (0.8%)
Maturity Premium ²	10 years
Fees	Front end 25bps Commitment 25bps on undisbursed amount
Tenor	Up to 24 years inclusive of Grace Period
Grace period	Five years
Average Loan Maturity	14.75 years
NPV (base case)	ZAR 1,826 million
EIRR (base case)	8.7%, ZAR 1,743 million

Timeframe - Main Milestones (expected)

<i>Concept Note approval</i>	<i>July 2021</i>
<i>Project approval</i>	<i>December 2021</i>
<i>Effectiveness</i>	<i>March 2022</i>
<i>Closing Date</i>	<i>December, 2028</i>
<i>Completion</i>	<i>June, 2029</i>
<i>Last repayment</i>	<i>30 December, 2048</i>

Project Summary

Project Overview

¹ The six months adjusted average of the difference between: (i) the refinancing rate of the Bank as to the borrowings linked to the Floating Base Rate and allocated to all its floating interest loans denominated in the Loan Currency and (ii) the Floating Base Rate for each semester ending on 30 June and on 31 December. This spread shall apply to the Floating Base Rate which resets on 1 February and on 1 August. The Funding Cost Margin shall be determined twice per year on 1 January for the semester ending on 31 December and on 1 July for the semester ending on 30 June.

² The Maturity Premium is based on the Average Loan Maturity, which is defined as the weighted average time to repay a loan, calculated as the average number of years until each principal repayment amount of the loan is due, weighted by the principal repayment amounts. Loans with – an Average Loan Maturity less than or equal to 12.75 years will incur no (Nil) Maturity Premium; an Average Loan Maturity greater than 12.75 years and up to 15 years will incur 10 bps (0.10%) Maturity Premium; an Average Loan Maturity greater than 15 years and up to 17 years will incur 20 bps (0.20%) Maturity Premium.

The Eswatini Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP) is a top priority of the Government of the Kingdom of Eswatini. The overall objective of MNWAP is to enhance food security, poverty reduction and resilience to climate change, through supporting water and irrigation infrastructure development in Eswatini. MNWAP is a holistic development program that cuts across several sectors but centered around agricultural and agro-industrial development. MNWAP aims at the reclamation of 30,000 ha under horticulture and oil crops through irrigation water transfer from the Mkhondvo River to the Ngwavuma River via the construction of three dams (Mpakeni on Ngwavuma River, and Mahamba and Ethemba on Mkhondvo River) together with a diversion system and a conveyance scheme. In addition to the agricultural development, a special agro-processing zone (SAPZ) for oil and textile production will be set up in the program area. MNWAP also includes transportation, energy, urban development, education, health, eco-tourism and other necessary services for the evolving population centers in the program area. At its final form, MNWAP aims to be the center of regional excellence benefiting from its location at the crossroad between South Africa and Mozambique. The program targets employment of 100,000 direct jobs and much more indirect work opportunities. There is an urgent need to implement the program to benefit communities in that very poor region of the Kingdom and lay the ground for a strong industrial base to reduce the current high rate of unemployment. The program is transformative in nature and will elevate an entire region to commercial agribusiness for the benefit not only to Eswatini, but also spillover to South Africa, Mozambique, and the rest of the SADC region. MNWAP will be implemented in three overlapping phases with different financiers entering at different times and in parallel financing arrangements. Phase I of the program, MNWAP I, involves the construction of the first dam -Mpakeni Dam- and associated infrastructure in addition to the downstream development in 10,000 ha. MNWAP I has three components: i) Infrastructure Development; ii) Project Management, Engineering Supervision and Environmental and Social Management Plan, and iii) Agricultural development. The project will contribute to poverty reduction in the project target region. Increased production will lead to higher incomes for producers and improve their social and economic well-being. It will also contribute to raising agricultural productivity and growth in the agriculture sector, and significantly increase the food and nutritional security and incomes. When completed, MNWAP I will transform about 9,400 hectares of uncultivated land into diversified commercial cash cropping. It is estimated that the project will generate total net gross profit of at least ZAR 635 million per annum starting from the fourth year and up to ZAR 1.06 billion by year 10. Each of the 4,000 farmer households is estimated to make an income of at least ZAR 158,750 starting from the second year of production.

Cost and Financing

MNWAP I will be financed in two parts where the first part (ZAR 2,890 million), will finance the construction of the Mpakeni Dam and the project management and environmental and social management costs (component 1&2). The government is expected to meet the project and environmental management costs (ZAR 430 million) in the entire Phase I. The second part to be appraised in 2022 (ZAR 1,944 million) will finance the downstream agricultural development in 10,000 ha.

Implementation

The Project will be implemented by the Eswatini Water and Agricultural Development Enterprise (ESAWDE), a government company established in 1999 with the purpose to assist farmers on communal land to convert from subsistence agriculture to commercial agriculture through the provision of water, skills and other necessary support systems. ESWADE facilitated the planning and implementation of the Komati Downstream development Project (KDDP) and Lower Usuthu Smallholder Irrigation Project (LUSIP) Phase I and II. ESWADE is headed by a Chief Executive Officer and reports to the Minister of Agriculture through its Board of Directors. ESWADE has

acquired great experience in project implementation using Bank rules and procedures and currently has good project management capacity. Like all previous successful projects, a consulting firm will be contracted by Government for contract supervision and management.

Bank's Added Value

The Bank's intervention in this project will add significant value to the investments made by the Government of Eswatini. The project will substantially address the agricultural production constraints and mitigate against the recurring drought through the development of water storage and irrigation. This is in line with the priorities identified in the 2020 AfDB's Eswatini Country Strategy Paper which include, namely: (1) Scaling up infrastructure investments to foster economic diversification; and (2) Strengthening economic governance and improving the investment climate. It also aligns with the Bank's High-5 priorities, especially "Feed Africa" and "Improve the Quality of Life for the People of Africa". MNWAP I will also contribute to the attainment of the Bank's overarching inclusive growth agenda and transitioning to green growth. The Project is equally aligned to the Bank's Feed Africa Strategy for Agricultural Transformation in Africa (2016 – 2025), which prioritizes wide dissemination of productivity enhancing technologies and identifies several enablers, including increased investment into enabling infrastructure as well as inclusivity, sustainability and effective nutrition. The project also aligns with the recently approved Bank Policy on Water through increasing the storage capacity and equitable access to water resources.

Knowledge Management

The knowledge gained through the implementation of several projects and studies in the sector in Eswatini has been duly applied in designing this project. In the same pattern, the knowledge that will be generated by this Project will be instrumental in designing and managing subsequent phases of the MNWAP and other future projects. The results from the various surveys, including the socio-economic impact study and Environmental and Social Impact Assessment will inform stakeholders on how to put the acquired knowledge attributes into practical use for sustained benefit flows.

Project Result Matrix

A PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: Mkondvo Ngwavuma Water Augmentation Program Phase I (MNWAP I) - P-SZ-A00-005				COUNTRY/REGION: Eswatini	
PROJECT DEVELOPMENT OBJECTIVE: Increase agriculture productivity and raise income for [indicate the #] of households in the [Indicate project intervention area (s)]					
ALIGNMENT INDICATOR (S): Agricultural labor productivity (\$ per worker); Population living below the poverty line (%)					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	RMF/A DOA INDICATOR	UNIT OF MEASUREMENT	BASELINE (2020)	TARGET AT COMPLETION (2028)	MEANS OF VERIFICATION
OUTCOME STATEMENT 1: Increased household income					
Increase in household income	X	Rand per year	5,000 (2021)	32,940 (2027)	ESWADE Project Reports
OUTCOME STATEMENT 2: Increased job opportunities					
OUTCOME INDICATOR 2.1: Direct jobs created	X	No	0	10,000 (50% woment)	ESWADE progress reports
OUTCOME INDICATOR 2.2 Indirect jobs created	X	No.	0	30,000 (60% women)	ESWADE Progress Reports
OUTCOME STATEMENT 3: Increased access to water by households					
OUTCOME INDICATOR 2.3 People benefiting from improvements in agriculture		No.	0	20,000 (50% women)	ESWADE progress reports
Component 1: Infrastructure Development					
OUTPUT STATEMENT 1: Climate reliant agricultural infrastructure developed					
OUTPUT INDICATOR 1.1: Climate proof Irrigation Dam Constructed & commissioned		No.	0 (2021)	1 (2028)	Project Progress Report
OUTPUT INDICATOR 1.2: Infield irrigation infrastructure in place; land with improved water management		Ha	0 (2021)	10,000 (2028)	Project Progress Reports
Component 2: Agriculture Development					
OUTPUT STATEMENT 2: Increased area under irrigation					
3.1 Increased yield of target crops	X	Mt/ha	Maize (6), soya beans (1.5). Sunflower (2) Banana (14), dry beans (2); Vegetables (varied)	Maize (14), soya beans (4). Sunflowers (4), Banana (30), Dry beans (3), Vegetables (varied)	Crop forecasting surveys,
3.2 Multiple crop cycles		No.	1	4	Crop forecasting surveys,
OUTPUT INDICATOR 2.2 Increased area under higher value crops		Ha	0	9,400	Crop forecasting surveys,
Component 3: Project Management, Engineering Supervision and Environmental and Social Management Plan					
OUTPUT STATEMENT 3:					
OUTPUT INDICATOR 3.1: Project Management Unit in place		No.	0 (2021)	1 (2022)	Project progress reports
OUTPUT INDICATOR 3.3: Environmental and Social Management Plan implemented		No	0 (2021)	RAP approved & implemented (2025)	SEA Reports
		No	0 (2021)	Land scaping completed (2026)	SEA Reports

Implementation Schedule

Year	2021				2022				2023				2024				2025				2026				2027				2028			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Initial Activities																																
Appraisal																																
Loan negotiations and approval																																
Signature of loan agreement and fulfilment of first disbursement conditions																																
Publication of the General Procurement Notice																																
Project Launching																																
Procurement of property goods works and services for the PIUs / First Disbursement																																
Phase I: Construction of Irrigation Infrastructure																																
Award of contracts for the construction of infrastructure																																
Construction infrastructure																																
Project Management and Monitoring																																
Mnagement and monitoring																																
ESMP																																
Mid Term Review																																
Project Completion																																
Disbursement Deadline																																

REPORT AND RECOMMENDATION OF THE MANAGEMENT TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN TO THE KINGDOM OF ESWATINI FOR THE MKONDVO-NGWAVUMA WATER AUGMENTATION PROGRAM PHASE I (MNWAP I)

Management submits the following Report and Recommendation on a proposed ADB loan of ZAR 2,684 million to finance the Mkondvo-Ngwavuma Water Augmentation Program Phase I Part A (MNWAP-1A) in Eswatini.

I – STRATEGIC THRUST & RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 The project aligns with the Kingdom of Eswatini’s Country Strategy Paper (2020-2024) - **Scaling-Up Infrastructure Investments to Foster Economic Diversification**. One of the focus sectors under this priority area is agriculture, where the Bank will provide a mix of debt facilities and technical assistance to support the development of agribusiness and commercial horticulture value chains that will boost productivity, diversification, supply of value added agro-based products for the local and external market as well as provide entrepreneurship and employment opportunities for women and youth. At full development the Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP) will not only develop a large area under irrigation but also provide value addition and processing facilities.

1.1.2 **Country Alignment:** The MNWAP program aligns with the Kingdom of Eswatini’s National Development Plan (NDP 2019-2022) which promotes the diversification of agricultural production whilst intensifying production of high valued crops. Agricultural development is identified as a priority sector for growth in the Strategic Roadmap for Economic Recovery (2019-2022) and Post COVID-19 Economic Recovery Plan. Moreover, it aligns with Eswatini’s National Agricultural Investment Plan and National Strategy for sustainable development and inclusive growth through 2030 and recognizes the critical dimensions of human development including poverty reduction, employment creation and gender equality to guide its economic development.

1.1.3 **Demonstrated complementarity and comparative advantage.** The MNWAP program is aligned with other development partners approaches in the same sector of intervention and will ensure complementarity. MNWAP will leverage the agro-value chain diagnostic studies, funded by the European Union (EU) in collaboration with the Eswatini Ministry of Commerce and Industry. The study undertaken in 2019, identified fruit, vegetable, dairy and honey as the value chains that hold a potential for high growth, industrialization, employment and export market. The Government is also supporting initiatives through Eswatini Soil, Water and Agriculture Development Enterprise (ESWADE) and National Agricultural Marketing Board (NAM Board) where at least 30,000 seedlings of lily, avocado, mangoes, and paw paws have been distributed to farmers to produce for the local market. Therefore, promoting and developing these identified value chains complements the works undertaken by the EU & GoE in the sector and will also play a catalytic role in mobilizing co-financing opportunities with other development partners.

1.2. Rationale for Bank’s Involvement

1.2.1 The vast majority of Eswatini’s population of 1.2 million depend on subsistence farming. Over the recent years, the agriculture sector in Eswatini has suffered from low productivity associated with rainfed farming, compounded by frequent droughts, attributed to climate change as well as inadequate infrastructure, including for irrigation. Improving food security and

nutrition of the rural population and helping smallholder farmers to transit from subsistence farming to commercial is a key priority for the Eswatini's National Agricultural Investment Plan and National Strategy. With its Feed Africa Strategy, which supports RMCs in transforming their agriculture sectors to become more vibrant and competitive, the Bank is better placed to support Eswatini in this much-needed transition. The Feed Africa Strategy prioritizes wide dissemination of productivity enhancing technologies and identifies several enablers, including digitizing the value chains and increased investment into enabling infrastructure as well as inclusivity, sustainability, and effective nutrition.

1.2.2 The MNWAP aligns with the **AfDB's Ten Year Strategy (2013-2022)** aimed at promoting inclusive and green growth. It also aligns with the Bank's High-5 priorities, especially the "Feed Africa" and the "Improve the Quality of Life for the People of Africa" strategies. MNWAP will also contribute to the attainment of the Bank's overarching inclusive growth agenda and transitioning to green growth. The Program will complement several transformative activities and investments in these priority areas. These include provision of financing for rural infrastructure (water storage, irrigation, electricity, storage facilities, and access to markets) to improve agricultural productivity and competitiveness. The Project is equally aligned to the Bank's Feed Africa Strategy for Agricultural Transformation in Africa (2016 – 2025), which prioritizes wide dissemination of productivity enhancing technologies and identifies several enablers, including increased investment into enabling infrastructure as well as inclusivity, sustainability and effective nutrition. The project also aligns with the recently approved Bank Policy on Water through increasing the storage capacity and equitable access to water resources.

1.2.3 Despite advances in legislative and policy frameworks, life experiences of most women in Eswatini have remained unchanged and difficult. Women continually bear the triple jeopardy of poverty, unemployment and inequality. Gender inequality in Eswatini is exacerbated by strong patriarchal traditions, values and norms. Female labor force participation is low with only 40% in the formal labor force and in wage employment. Women therefore dominate the informal sector representing over 70%. Micro, Small and Medium-sized Enterprises (MSMEs) are the backbone of Eswatini's economy and it is estimated that 65% of MSME business owners are female and many concentrated in wholesale and agriculture related enterprises. However, these businesses are mainly informal and unable to transform into larger and more sustainable enterprises. Through the enterprise support programs to be implemented by ESWADE, the project will support women's entrepreneurship in agriculture around the water resource. The project is aligned to the **Bank's 2021 –2025 Investing in Africa's women** to accelerate inclusive growth. It aligns to the two pillars on accelerating employability and job creation for women through skills enhancement and increasing women's access to social services through infrastructure. The project is categorised as GEN III project on the Gender Marker System (GMS) and will contribute to entrepreneurship development for women in the project area.

1.2.4 The Bank through MNWAP will support Eswatini to develop its horticulture sector by developing about 29,000 ha out of which 10,000 ha in the first stage will be under crops other than sugarcane. Horticultural production provides a good avenue for the participation of youth groups and women which is important for inclusivity. It is worth noting that the Bank has vast experience in supporting the agricultural sector not only in Eswatini but in the region as a whole and is therefore a natural partner. MNWAP will therefore seek to scale up the successful business models of the Komati Downstream Development Project and the Lower Usuthu Smallholder Irrigation Project Phase I and II. The formation of farmers' companies operating on commercial terms and getting finance from local commercial banks were introduced and tested successfully in those operations and will be replicated under MNWAP. Through provision

of water storage and other critical infrastructure, technical assistance and financial support, the MNWAP program will contribute to improving Eswatini's agricultural productivity, nutrition needs and reduce the country's dependence on food imports.

1.3. Donor Coordination

Donor Support to Agriculture (2019/21)

	Sector or subsector*	Size			
		GDP	Exports	Labour Force	
	Agriculture (including fisheries and forestry)	8.6%	27%	70%	
	Players - Public Annual Expenditure (average): Budget				
	Government	Donors	EU 57%		
USDm	USD 37.8 m	USD 12.2 m	Taiwan 19%		
%	76%	24%	FAO 27%		
			Level of Donor Coordination		
	Existence of Thematic Working Groups (this sector/sub-sector)			[Yes]	
	Existence of SWaps or Integrated Sector Approaches			[No]	
	ADB's Involvement in Donors Coordination			[Co-Leader]	

Source ACMS (MoDP); Preliminary Estimates- External Assistance to Eswatini

1.3.1 The Kingdom of Eswatini received USD 262.8 million as donor contribution in 2018/19. Of this total, about 10.4% supported the agricultural sector according to the External Assistance Report 2018/19. The African Development Bank is among the leading development partners in the sector and accounted for about 49% of the overall support to the agriculture sector in 2019/20 financial year. The agriculture sector has over the years seen momentous developments during which the Ministry of Agriculture has formulated policies such as Comprehensive Agriculture Sector, National Food Security, National Irrigation, Livestock Development, National Forestry, National Agriculture Research policies, all aimed at creating an enabling environment within the agriculture sector. The sector is guided by the Eswatini National Agriculture Investment Plan 2015-2025 which aims to improve food and nutrition security, reduce rural poverty, and increase the contribution of agriculture to economic development. The Agriculture Sector Steering Committee chaired by the Principal Secretary in the Ministry plays a pivotal role in overall implementation of all donor funded activities in the sector.

II – PROJECT DESCRIPTION

2.1 Project Objectives and Components

2.1.1 The overall goal of the Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP) is to contribute to food security, poverty reduction and resilience to climate change, through supporting water and irrigation infrastructure development and business development in Eswatini. The program level Theory of Change (ToC) is based on a pathway to prosperity in which farm level challenges including low productivity and limited access to water for crop and household use are addressed by providing infrastructure and business support (Appendix 7). MNWAP is a top priority of the Government of the Kingdom of Eswatini. The overall objective of MNWAP is to enhance food security, poverty reduction and resilience to climate change, through supporting water and irrigation infrastructure development in Eswatini. MNWAP is a holistic development program that cuts across several sectors but centered around agricultural and agro-industrial development. MNWAP aims at the reclamation of 30,000 ha under horticulture and oil crops through irrigation water transfer from the Mkhondvo River to the Ngwavuma River via the construction of three dams (Mpakeni on Ngwavuma River, and Mahamba and Ethemba on Mkhondvo River) together with a diversion system and a conveyance

scheme. In addition to the agricultural development, a special agro-processing zone (SAPZ) for oil and textile production will be set up in the program area. MNWAP also includes transportation, energy, urban development, education, health, eco-tourism and other necessary services for the evolving population centers in the program area. At its final form, MNWAP aims to be the center of regional excellence benefiting from its location at the crossroad between South Africa and Mozambique. The program targets employment of 100,000 direct jobs and much more indirect work opportunities. There is an urgent need to implement the program to benefit communities in that very poor region of the Kingdom and lay the ground for a strong industrial base to reduce the current high rate of unemployment. The program is transformative in nature and will elevate an entire region to commercial agribusiness for the benefit not only to Eswatini, but also spillover to South Africa, Mozambique, and the rest of the SADC region. MNWAP will be implemented in three overlapping phases with different financiers entering at different times and in parallel financing arrangements. MNWAP Phase I (MNWAP I) involves the construction of the Mpakeni Dam and associated infrastructure in addition to the downstream development in 10,000 ha. MNWAP I has three components: i) Infrastructure Development; ii) Project Management, Engineering Supervision and Environmental and Social Management Plan, and iii) Agricultural development. On account of headroom challenges, MNWAP I will be financed in two overlapping parts where the first part (MNWAP-1A) with a cost of ZAR 2,890 million, will finance the construction of the Mpakeni Dam and partially the project management, and environmental and social management costs (Components 1 & 2). The Government will finance the project management and environmental and social management costs³. The second part (MNWAP-1B) will be appraised in 2022 with a cost of ZAR 1,944 million covering the downstream agricultural development in 10,000 ha with a water conveyance scheme (Component 3) and the remaining activities from component two. MNWAP-1B Agricultural Development Component will include farmer support and business development. This will be facilitated by ESWADE which was established with to assist farmers on communal land to convert from subsistence agriculture to commercial agriculture through the provision of water, skills and other necessary support systems. Details of MNWAPI three components are presented in Table 2.1.

Table 2.1: Project Components

Component	Cost (Million ZAR)	Description
MNWAP-1A		
i) Infrastructure Development	2,684	<ul style="list-style-type: none"> • Ngwavuma River diversion at the Mpakeni Dam site • Construction of an Earthfill embankment Dam with a central clay core. • Ten 1,500 mm diameter pipes installed and tested • One bulkhead gate installed and tested • Two 1,500 mm diameter pipes fitted with butterfly valves installed and tested
ii) Project Management, Engineering Supervision and E&S Management Plan	206	<ul style="list-style-type: none"> • Resettlement Action Plan approved and implemented • Land scaping completed • Water supply and sanitation in project areas • Project management • Project supervision
Total MNWAP-1A	2,890	

³ ESMP activities relevant to the Works will be financed under the Works contract and covered in the contract price that will be financed by the Bank. Government will finance the RAP and ESMP activities that are not part of the Works contract. Government will also finance the Supervision Consultant including and E&S experts.

MNWAP-1B		
ii) Project Management, Engineering Supervision and Environmental and Social Management Plan (Continue)	224	<ul style="list-style-type: none"> • Land scaping completed • Water supply and sanitation in project areas • Project management • Project supervision
iii) Agricultural Development	1,720	<ul style="list-style-type: none"> • Irrigation supply to 600 ha existing farms at St. Philips area. • Irrigation infrastructure for 400 ha of new sugarcane at St. Philips area. • Irrigation infrastructure for 7,200 ha of Legume and Sunflower at St. Philip area. • Irrigation infrastructure for 1,000 ha of Legume and Sunflower at Maloma area. • Irrigation infrastructure for 800 ha of Legume and Sunflower at Mconcwane area. • Business support and development.
Total MNWAP-1B	1,944	
Total MNWAP I	4,834	

2.2. Technical Solutions Retained and Other Alternatives Explored

2.2.1 The feasibility design of the Mpakeni Dam is based on a phased approach with a series of dams and transfer structures for the use of the water resources from the Mkondvu/ Ngwavuma rivers in Eswatini. The transfer of water by gravity is preferred from a costing and maintenance point of view.

2.2.2 The project scheme was studied at the pre-feasibility and feasibility level to identify the most technical and financially feasible scheme layouts. The Mpakeni Dam site was identified in 2011, with the layout refined in subsequent studies. Various dam types were evaluated based on the site topography, materials availability and founding conditions. While the MNWAP scheme will likely comprise the construction of at least a second dam, the Mpakeni Dam was chosen as the preferred option to be constructed first. This dam is located closest to the proposed irrigation areas. An earth fill dam with an impervious clay core, multi-level intake tower and side-channel spillway was identified as the most suitable for the site.

Table 2.2: Project Alternative Considered and Reason for Rejection

Alternative name	Brief Description	Reasons for Rejection
RCC dam type	This is a roller compacted concrete dam whose construction could be faster than conventional concrete	Unsuitable founding conditions (excessive depths to sound rock) made the dam type unviable and expensive
Spillway on the left bank	The initial studies proposed a spillway on the left bank	The right bank is less steep, has more favourable founding conditions and better access, consequently, the spillway on the left bank was rejected

Position of dam	Position in relation to tributary river	The dam was located to also store water from a significant tributary of Ngwavuma River
Optimise dam using available materials	Use materials from excavations for dam construction	Rather than importing materials or haul from longer distances, which will increase cost, rock from the excavation can be used for the embankment shells

2.3 Project Type

MNWAP I is the first phase of the MNWAP Program. It focuses on the construction of the Mpakeni Dam on the Ngwavuma River for water storage for irrigation of 10,000 ha in the downstream area.

2.4 Project Cost and Financing Arrangements

2.4.1 The total project costs with contingencies for MNWAP I is estimated at ZAR 4,830 million. The project will be financed in two parts. The current part, MNWAP-1A, will finance infrastructure development, specifically the construction of the Mpakeni Dam, the environmental and social management activities and project management including Engineering Supervision at an estimated cost of ZAR 2,890 million. MNWAP-1B which will run concurrently with MNWAP-1A, is expected to finance the main conveyance structure and the downstream agricultural development in 10,000 ha. MNWAP-1B will be appraised and implemented starting from 2022. The price contingencies were based on projected local and foreign inflation rates of 5% and 2% per annum, respectively. The physical contingencies ranged from 0% (consultants' salaries) to 10% (works) based on common technical practices. Summaries of the project costs by phases, components, sources of financing and schedule are presented in Tables 2.3 to 2.5. This funding proposal relates to MNWAP-1A only.

Table 2.3: Project Cost Estimates by Component

Components		ZAR '000			Foreign Exchange
		Local	Foreign	Total	(%)
MNWAP-1A I:	1. Infrastructure Development	466,783	1,867,130	2,333,913	80
	2. Project Management, and S&E Management	16,122	163,009	179,130	91
	Sub-total	482,904	2,030,139	2,513,043	
	Ph. Contingency	57,800	231,200	289,000	80
	Price Contingency	17,591	70,365	87,957	80
	Total Phase 1	558,296	2,331,704	2,890,000	
MNWAP-1B	2. Project Management, and S&E Management	17,530	177,252	194,783	91
	3. Agricultural Development	299,130	1,196,522	1,495,652	80
	Sub-Total	316,661	1,373,774	1,690,435	
	Ph. Contingency	38,880	155,520	194,400	80
	Price Contingency	11,833	47,332	59,165	80
	Total Phase II	367,374	1,576,626	1,944,000	
Total (Phase I&II)				4,834,000	

Table 2.4: Sources of Finance (MNWAP-1A)

Source of Financing	ZAR'000			%
	Local	Foreign	Total	
ADB	536,800	2,147,200	2,684,000	93%
Govt of Eswatini	18,540	187,460	206,000	7%
Total	555,340	2,334,660	2,890,000	100

Table 2.5: Project Cost by Category of Expenditure (MNWAP-1A)

Category	ZAR '000			Foreign Exchange (%)
	Local	Foreign	Total	
1. Works	466,783	1,867,130	2,333,913	80
2. Services	16,122	163,009	179,130	91
Sub-total	482,904	2,030,139	2,513,043	
Ph. Contingency	57,800	231,200	289,000	80
Price Contingency	17,591	70,365	87,957	80
Total Phase 1	558,296	2,331,704	2,890,000	

Table 2.6: Total Project Cost by Year (MNWAP-1A), (ZAR'000)

Components	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL
1. Infrastructure Development	553,400	553,400	552,400	384,000	338,500	302,300	0	2,684,000.00
2. Project Management and E&S Management including MNWAP-1B	150,000	47,000	47,000	47,000	47,000	47,000	45,000	430,000.00
Total	703,400	600,400	599,400	431,000	385,500	349,300	45,000	

2.5. Project's Target Area and Population

2.5.1 Location: The project is located in the lower altitude of the Southern region of Eswatini called the Lowveld lying between latitude -27.07 and -27.32.

2.5.2 The Southern Lowveld of the country that includes areas such as Nsoko, Lavumisa and Matsanjeni, experiences frequent droughts and has been particularly hit by the 2016 drought. The frequent droughts have impoverished households in the region despite the fact that these areas have high grade soils with good agriculture potential. Poverty eradication is one of the principal objectives of Government enshrined in all of its development policies. The Government endorsed the principle of using water from the MNWAP Program to target areas with extreme poverty. This principle includes making sure that communities affected by the Project also receive benefits at least in terms of potable water and water from for small gardens to address food security and nutrition issues.

2.5.3 MNWAP I will provide much needed water to areas such as greater St Phillips and Mconcwane, passing through areas such as Maloma. In the subsequent phases, MNWAP would also convey water to areas such as Matsanjeni and Somntongo. The Mpakeni Dam will increase water assurance supply to existing users downstream to Nsoko area and could provide water going all the way to Lavumisa.

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 Environmental and Social Stakeholder Consultations and Engagement: During project preparation and preparation of the Environmental and Social Impact Assessment (ESIA) and Full Resettlement Action Plan (FRAP) studies for the Mpakeni Dam, the Bank verified and ensured that public consultations were adequately completed by ESWADE in line with the regulatory requirements set out by the Government of the Kingdom of Eswatini as well as the ADB ISS. Stakeholders were identified, engaged, and consulted in the planning and design stages of the project, in a series of meetings held between 23rd June 2020 up-to 22nd April 2021 specifically on environmental and social aspects of the project. Primary stakeholders included the immediate communities that have interest or will be impacted upon by the MNWAP i.e., all the communities, individual and groups within the project area including those that are directly affected and might be physically or economically displaced by the project as well as project beneficiaries. Institutional stakeholders included the institutions responsible for planning and implementation of the Mpakeni Dam Project, namely Traditional Authorities, Public sector institutions, Community-based/informal organizations, non-governmental organizations, Parastatals, and Project Committees. The project shall ensure continued stakeholder consultations throughout project implementation phase.

2.7. Bank Group Experience, Lessons Reflected in Project Design

2.7.1 The Bank has 10 ongoing operations in Eswatini including one non-sovereign operation, with a total commitment of UA 161m (USD 233.5m) and a disbursement rate of 59%. The portfolio is spread over four sectors: transport (34%), water and sanitation (33%), agriculture sectors (26%) and finance (7%) which corresponds to Improve the Quality of Life of the People of Africa, Integrate Africa, Feed Africa and Industrialize Africa, respectively, under the High-5's. The overall performance of the portfolio has steadily improved and is currently classified as satisfactory, with a rating of 2.0 (for rated projects) on a scale of 1-4. The portfolio flashlight report of 22 June 2021 shows good portfolio performance, a significant improvement from 80% satisfactory to 90% and from 20% red flagged to 10% red flagged project.

2.7.2 In November 2003, the ADB approved LUSIP I with a total cost of UA 85.39 million out of which the AfDB Group Loan was UA 9.31 million (ZAR 98.49 million) of ADB Resources. LUSIP I was jointly financed with BADEA, the EU, DBSA, IFAD and EIB. Upon successful completion of the project, the Bank led donors to finance LUSIP II with a total cost of UA 104.15 million (ZAR 2,008 million) out of which the Bank Loan of UA 44.36 million (ZAR 855 million).

2.7.3 The construction of infrastructure under LUSIP I & II (concrete diversion weir, feeder canal, reservoir, dams and the main conveyance system) was completed as per the desired quality. ESWADE coordinated the implementation of two projects activities efficiently. The Bank and Eswatini ensured good compliance with safeguards by implementing a Resettlement Plan and monitoring the health care delivery, water and sanitation facilities and impact of civil works.

2.7.4 In addition, the Bank's knowledge work, such as the Fiscal Adjustment Roadmap (FAR) and the Economic Diversification Study (EDS), have provided a better understanding of bottlenecks in policy and program implementation. Institutional support activities, where the Bank and other development partners are involved, are informed by the knowledge work. It is noted that a strong outreach and information dissemination program to encourage debate and share information on available Bank instruments will enhance dialogue and broaden the funding modalities in Bank interventions.

2.7.5 Eswatini has most of the institutions needed to implement economic and structural reforms, but their capacity needs to be assessed. Development partners' insistence on reform

implementation without significant institutional support and capacity building has therefore proven to be ineffective. Similar observations have also been made at the project level, especially in critical areas such as procurement and project management. Ensuring that prior conditions are met or that sufficient progress is made in that regard is important in avoiding delays in project implementation after loan approval and signature.

2.7.6 Lessons drawn from the ongoing projects and previous projects completion reports highlighted the following: (i) Participatory approach: It is imperative for a supply led irrigation to integrate the distribution of water and associated land use within the expressed needs and preferences of the local community and to recognise and ensure that the project addresses population needs for those households not benefiting from access to irrigated land; (ii) an exit strategy for the project and its management team that is based on empowering community and giving them more responsibilities in operations and maintenance; and (iii) acknowledge the important roles played by the traditional chiefs in land allocation as chiefs are custodians of lands under the Swazi Nation Land (SNL). These lessons learnt have guided both the Bank and the Government in project design and will continue to guide the implementation process of the project.

2.8. Key Performance Indicators

2.8.1 The key performance indicators for monitoring the project achievements are identified and captured in the results based logical framework. The key outcomes include increased crop production, increased farmers' income and increased employment opportunities which will result in improved standard of living of the population in the Mkhondvo-Ngwavuma Region specifically St. Philips, Maloma and Mconcwane areas. The key indicators are increased crop productivity and increased land under irrigation. These indicators will be collected and analysed regularly by the M&E unit of ESWADE through crop area and yield samples and monitoring progress on drainage construction. The M&E unit will collect and report data disaggregated by gender during project implementation.

2.8.2 ESWADE will prepare quarterly project progress reports presenting the progress on output indicators. Outcome indicators will be monitored through ESWADE's management system and national statistics. Indicators will be updated in the Implementation Progress Report (IPR) and necessary adjustments will be made as appropriate. A medium-term report (MTR) and Project Completion Report (PCR) will be prepared to provide an assessment of the project. All of these reports will be circulated widely within the Government, the Bank and to other development partners.

III – PROJECT FEASIBILITY

3.1. Economic and Financial Performance

Table 3.1: Key Economic and Financial Figures

FIRR, NPV (base case)	5.21%: ZAR 1,649 million
EIRR, (base case)	5.70%: ZAR 1,723 million

Note: detailed calculations are available in Annex B6

3.1.1 The economic and financial assessment has been carried out for the entire project (MNWAP I). The project economic viability assessment involved assessing the direct benefits and costs resulting from increased agricultural production brought about by the project as well as the indirect benefits to economic activity attributable to the development. Key to the viability benefits is the benefit of water storage that will help mitigate future droughts. The analysis is based on a crop-mix and combination of the following crops: bananas, maize (winter), soya beans and sunflower. The base scenario also assumes additional development including hydropower in future phases.

3.1.2 The construction of the Mpakeni dam and associated canals and downstream development is considered financially and economically viable. At full operation, each farmer household will be making a net income of ZAR 44,800 (USD 3,200) per annum at its full operational level. The discounted cash flow (DCF) analysis carried out on the net cash-flow gave a Financial Net Present Value (NPV) of ZAR 1,723 million (USD 125 million) at a discount rate of 3% (the average cost of borrowing). In Eswatini a figure of 5% has commonly been used for assessing the validity of large water infrastructure schemes – mostly recently for LUSIP I and II. The ERR for the whole scheme (including Mkhondvo transfer) is assessed at 5.7%. Given the strategic climate mitigation and poverty alleviation factors of this drought-stricken area of Eswatini, this rate is considered a viable base for this project. The assumptions made in the economic analysis are detailed in Annex B7 of the Technical Annexes.

3.1.3 **Sensitivity Analysis (Economic):** The sensitivity analyses have been carried out under three (3) assumptions and the results are as follows:

Assumptions	IRR (%)	NPV at 9% cost of capital (ZAR'000)
Base Figures	5.7%	1,723
Assumption 1: 10% increase in project costs	4.4%	1,543
Assumption 2: 10% fall in revenues	4.1%	1,421
Assumption 3: 2 % increase in the discount rate	5.3%	1,634

3.2. Environmental and Social Impacts

Environment

3.2.1 **Confirmed Project E&S Category:** The Mkhondvo-Ngwavuma Water Augmentation Program Phase I Project (MNWAP I) is assigned Environmental and Social (E&S) Category 1 according to the national legislation and the Bank's Integrated Safeguards System (ISS). The Environmental and Social Impact Assessment (ESIA) and a Resettlement Action Plan (RAP), the ESIA and RAP were reviewed and cleared by the Bank, were approved by Eswatini Environmental Agency on 26th July 2021 before disclosure and then disclosed by ESWADE on 28th July 2021. The Bank has disclosed on 28th July 2021 upon authorization by the Government of Eswatini issued on 28th July 2021. The project ESIA shall be updated to include detailed assessment of the conveyance pipeline to the command area and its associated Resettlement Action Plan (RAP), during preparation of the second batch of the loan for Component 1 (MNWAP-1B for the Conveyance Pipeline/ Distribution system to irrigation command area).

3.2.2 **Major E&S Risks and Significant Impacts:** As the project involves dam and irrigation system construction, anticipated significant impacts during construction and operation may include: (i) alteration of river hydrology, which lead to impacts on aquatic and riparian habitats, and water quality; (ii) health and safety impacts (both public/community and occupational); (iii)

flooding risks; (iv) degradation of natural habitats such as wetlands and rivers; (v) hydrological impacts and land pollution arising from inappropriate waste management practices; (vi) community impacts; and (vii) labour influx impacts including risks of GBV and disease outbreaks. Biodiversity studies indicate the dam area to be inundated is a modified habitat which has been significantly disturbed by human activities, notably subsistence farming. To mitigate the impacts, a set of mitigation measures, construction and contractor management and catchment management have been considered in the project design and ESMP.

3.2.3 The RAP identified affected 146 homesteads who will require a combination of physical and economic displacement. The completion of outstanding RAP elements and RAP implementation shall be undertaken before displacement of any PAPs. This includes the development of a Livelihood Restoration Plan (LRP), detailed compensation procedures and adequate reporting templates.

3.2.4 Before first disbursement, ESWADE will undertake the following additional studies: socio-economic impact assessment at the host replacement sites that have been identified as the sites that people will resettle to, and this will feed into the Livelihoods Restoration Plan (LRP) and compensation processes, (ii) Cumulative Impact and Environmental Flow Assessments, (iii) update baseline and assessment of likely vegetation loss within the Dam Reservoir area, recommending appropriate forestry interventions, and (iv) accordingly update the project ESMP. The updated ESMP shall include refined catchment management (tree planting/ landscaping) activities, and other relevant management and reporting plans. If needed, appropriate adjustments to dam design and/or operation will be introduced prior to dam construction in a manner satisfactory to the Bank. Details of the impacts/mitigations are presented in Annex B8 of PAR Volume II.

3.2.5 **ESMP & RAP Implementation:** The total cost of the RAP budget allocation is ZAR 192 million, from Government's contribution/counterpart funding of ZAR 430 million (UA 20 million) for Phase I (A&B). Government of Eswatini shall ensure provision of adequate and timely funding and resources for E&S implementation. [Submission of evidence of availability of resources mobilized in an account for financing implementation of project RAP by Government of Eswatini shall be an 'effectiveness condition' in the Financing Agreement of the project.](#) The ESMP and RAP will be implemented by ESWADE that has adequate staff and capacity to undertake implementation of MNWAP. ESWADE shall undertake monthly reporting of E&S implementation and undertake annual E&S performance audits in line with the National requirements and AfDB's ISS. Eswatini Environment Authority shall undertake their ESA oversight and provide guidance to ESWADE on aspects that require project's attention during implementation. ESWADE has in place a dispute resolution mechanism that outlines the procedure to be followed for grievance redressal and steps which need to be followed for the resolution of grievances. The primary responsibility to address all complaints and grievances as a result of the implementation of the project lies with ESWADE and the resolution of homestead grievances will occur through the participation structure of the Traditional Authorities, as well as a Dispute Resolution Tribunal.

Climate Change and Green Growth

3.2.6 *Vulnerability and resilience:* Using the Bank Climate Safeguards System (CSS), this phase of the program is classified as a category2 project. The Mpakeni dam and downstream irrigation scheme are located in the Shiselweni district, exposed to frequent droughts; flooding, and heatwaves. However, the operation of the Mpakeni dam and downstream irrigation schemes are likely to be affected by future extremes such as drought and poor runoff of the Ngwavuma river. These may result in the dam water storage and supply deficits, thus affecting the

downstream cropping activities. In building the infrastructural future resilience and the sustainability of the investment, the dam and irrigation schemes should be designed to fully integrate flood and drought control, and soil erosion management measures. This includes, for instance, enhancing the hydraulic design; apply green nature base flood and erosion control solutions (afforestation or reforestation at upstream and downstream); communities' awareness and capacity building on integrated water allocation practices both for crops and livestock; adoption of climate-smart technologies such as drought resilient seeds, and water pricing for efficiency, etc. (See ANNEX C3). On the other hand, to mitigate a potential streamflow deficit at Mpakeni dam, water will be diverted from the Mkhondvo River through the construction and operation of Mahamba Dam.

3.2.7 Carbon footprint and mitigation: Analysis of the project carbon footprint using respectively the G-res tool⁴ and EX-ACT⁵ to assess associated Green House Gas (GHG) emission of respectively dam construction & operation and irrigation schemes related activities revealed a total annual net emission of 29671.02 tons of CO₂eq (See ANNEXC3). This includes 29479,593 tons of CO₂eq per annum from the dam and conveyance system, and 201.42 tons of CO₂eq per annum from the cropping activities. To mitigate the project carbon footprint, cropping irrigation to include no-tillage to enhance sustainable land management practices, and restoration of degraded land for cropping activities. Medium and long-term mitigation options to integrate a micro-hydro-electricity component will likely be viable; displace household use of fossil fuel and cost-effective electricity generation. This is to support the project toward the Paris alignment framework.

3.2.8. Alignment and climate finance: Overall, the project is aligned with Eswatini Climate Change Policy (2016); the Nationally Determined Contribution (NDC,2015), and National Drought Plan (2020) aiming to strengthen water and agricultural sector resilience to climate extremes. Moreover, it is aligned with the Bank Climate Change Action Plan (CCAP) while 97.20% of the total budget account for climate finance more likely adaptation finance.

Gender

3.2.9 Eswatini has made progress in putting in place policies, laws and strategies to protect and promote the rights of women. The constitution provides for equality before the law and equal opportunities for women and men in political, economic and social spheres. Regarding agricultural participation, generally men own and control agricultural enterprises, while most women work as labourers or junior employees. Women tend to own the small to medium enterprises. The key challenges facing women are the limited access to land, capital and technical knowledge.

3.2.10 In line with the Constitution and the National Policy, ESWADE has developed a Gender Policy and Strategy that will be used to mainstream gender related activities in the implementation of the of the project. Cognizant of the existing gender challenges, the ESWADE gender policy aims at mainstreaming gender equality across the project sectors in which ESWADE operates. Which include the chieftdom development planning, economic empowerment, life sustenance and engineering and water management.

Under this project ESWADE will undertake the following activities:

⁴ GHG Reservoir (G-res) UNESCO/IHA

⁵ FAO (2020)

- Mobilization, advocacy and negotiation with communities and chiefdoms to ensure women have access to land
- Specific targets will be set for women's employment and participation as contractors.

3.2.11 The Project is categorized as GEN III on the Gender Marker System. Its implementation will have a number of positive impacts on gender, which include economic empowerment of both women and men through employment opportunities and subsequently through commercial farming leading to poverty reduction; capacity building particularly for women through skills training; and changing social dynamics through promotion of equal participation. The main challenge on gender that would require mitigation is ensuring that women have access to farming land and skills to ensure productivity. Traditional leaders will be particularly targeted to ensure acceptance of equal participation for both men and women, and also inclusion of the youth in the whole program.

IV – IMPLEMENTATION

4.1. Implementation Arrangements

4.1.1 The Ministry of Agriculture will be the Executing Agency of the Project. The Project will be implemented by the Eswatini Water and Agricultural Development Enterprise (ESWADE), a government company established by the Government of Eswatini in 1999. The project will be managed through the existing structure of ESWADE which is comprised of a Chief Executive Officer, the Chief Financial Officer, Human Resources (HR) and Administration Manager, IT Manager, Executive Director and Project Managers. Given the nature and complexity of procurements anticipated under MNWAP I, ESWADE will additionally recruit, on competitive basis, a Project Manager, an Agribusiness Specialist, a Project Accountant, and an Assistant Procurement Specialist with qualification satisfactory to the Bank to complement the existing team. To fill the technical capacity gaps in large engineering contracts supervision and implementation, ESWADE will engage the service of a consulting firm to provide support to the PCU during the entire project implementation period.

4.1.2 **Procurement Arrangements:** Procurement of goods, non-consultancy services and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the "Procurement Policy for Bank Group Funded Operations", dated 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out following:

- i. BPS – Borrower Procurement System: The BPS shall not be used for any goods, works or consulting services contracts financed by the Bank except for miscellaneous operational costs.
- ii. Bank Procurement Policy and Methodology (BPM): Bank Standard Procurement Methods and Procedures (PMPs), using the relevant Standard or Model Solicitation Documents (SDs) shall apply.

4.1.3 **Review Procedures:** all procurements under Bank PMPs shall be subject to prior review by the Bank.

4.1.4 **Advance Contracting:** In order to accelerate implementation of the project, the Borrower submitted to the Bank a request for advance contracting for the prequalification of contractors for the construction of Mpakeni Dam. The request was approved by the Bank. The

Borrower will undertake such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award(s) does not commit the Bank to provide Financing of the project.

4.1.5 Financial Management: The financial management for the Project will be under the responsibility of ESWADE using its existing structure to carry out the Financial Management functions. The Bank undertook a virtual review of the financial management capacity of ESWADE to assess whether the existing system meets the minimum requirements of the Bank. ESWADE has adequate experience in implementing Bank financed projects including the LUSIP I and the ongoing LUSIP II project, ESWADE also has experience implementing other donor funded projects. ESWADE has a Finance department that has adequately qualified personnel. The Finance Department is headed by the Chief Finance Officer who will be responsible for ensuring that a qualified finance officer is recruited by ESWADE to fill the position of Project Accountant to assume responsibility for the accounting function for the project. The existing financial management processes including budgeting, treasury management, accounting and financial reporting, and internal controls are adequate. The financial management system at ESWADE is fully computerised and is sufficient to provide the reports that are required by the Bank. The existing systems shall be adopted for budgeting, accounting, data/transactions processing and day to day work which shall be governed by the existing Accounting Manuals which will be updated with any project specific processes. ESWADE has an Internal Audit function which reports directly to the Audit and Risk Sub-Committee of the Board. The project will be included in the Internal Audit work programme. The Financial Management assessment concludes that ESWADE has adequate systems to provide, reasonably accurate and timely information on the status of the project. The assessed risk for the project is Moderate.

4.1.6 Financial Reporting and Auditing Arrangement: To meet the Bank's fiduciary requirements, ESWADE will submit to the Bank quarterly Interim Financial Reports (IFRs) in a format to be agreed with the Bank. The IFR will be submitted no later than 45 days after the end of each calendar quarter reported on. The quarterly financial reports will include a statement of sources and uses of funds, with the uses of funds analysed by activities/components and categories, comparing actual expenditure with budget and notes explaining significant variations in expenditures. The project shall also prepare Annual Project Financial Statements at the end of each financial year.

4.1.7 Audit Arrangements: The annual financial statements will be audited by an Independent Audit Firm recruited through a competitive process by ESWADE, using terms of reference acceptable to the Bank. If requested by ESWADE, and to minimize the number of auditors 'auditing' different aspects of the institution, the procurement process leading to the appointment of the existing external auditors of ESWADE may be reviewed by the Bank with a view to ascertaining its competitiveness and to determine if the existing auditors could assume the role of external auditors of the project. The Audit Report, comprising of the Annual Financial Statements and the Management Letter, will be submitted to the Bank no later than six months after the end of the financial year audited. The cost of the Audit will be borne by ESWADE.

4.1.8 Disbursement Arrangements: The project will utilise the Direct Payment Method in accordance with the Bank's rules and procedures as laid out in the Disbursement handbook as applicable. The Bank will finance only one major construction activity plus the related goods. A disbursement letter will be issued by the Bank specifying the Bank's expectations with regards to disbursement.

4.2 Monitoring

4.2.1 ESWADE Monitoring and Evaluation unit has a very detailed and current database on the key indicators of: (i) projects at various stages; (ii) water table; and (iii) crop yields in selected sites of the five agricultural regions. The report of Socio-Economic Baseline Survey was submitted in 2015. The report provided the physical and socio-economic baseline status of the project area as well as selected project indicators. The baseline information, which included sex-disaggregated data and was based on gender analysis covered areas such as education, health, income levels etc. The project will incorporate gender sensitive results-based indicators and target values. The project will also conduct at its onset, a start-up workshop, with the aim of sensitizing and training of ESWADE staff, implementing partners and project beneficiaries on the project objectives and scope and review the Results Based Logical Framework as well as Bank's Procedures.

4.2.2 Through ESWADE's Monitoring and Evaluation (M&E) department, the Project will provide: (i) timely and accurate information on project implementation progress and constant feedback for decision making and addressing potential work plan deviations and problems during implementation; and (ii) the basis for assessing the achievements of the project as per the Results Based Logical Framework. The project will submit quarterly progress reports to the Bank and the Bank will undertake two supervision mission per year and prepare an Implementation Progress Report (IPR) for each supervision mission. An MOU will be signed among the financiers to facilitate effective M &E for all the project component with particular emphasis on the infrastructure of the main, secondary and tertiary canals. The key milestones are summarized in the table below:

Table 4.1: Project Key Milestones

Timeframe	Milestone	Monitoring process / feedback loop
Year 0	Prequalification of contractors, preparation of procurement packages etc.	GoS, ADB
Year 0	Project approval, signature and launching Implementation	ADB Board, GoS Beneficiaries, ESWADE, MoA
Year 1 – 6	Oversight	Steering Committee (MOF, MoA, ESWADE)
Year 1 – 6	Audit Reports	Annually by ESWADE
Year 3	Mid-Term Review	Bank and ESWADE to monitor
Year 6	Impact Study	ESWADE
Year 7	Project Completion Report	ESWADE and MoA to monitor; Bank to participate

4.3 Governance

4.3.1 The overall governance ranking of Eswatini in the 2020 Ibrahim Index of African Governance (IIAG) was 36 out of 54 and with the score dropping to 43.8/100 from 48.9 the year before. It scored below the continental average in terms of participation, rights and gender and remains the lowest scoring Southern African country in the governance dimension despite a marginal improvement in Participation and Human Rights. The Kingdom however performed above the continental average in personal safety, national security, infrastructure, rural sector, education and health. The overall CPIA rating improved marginally from a constant of 3.4 in the preceding 4 years (2016-2018), to 3.5 in 2020. The Freedom House 2019 accords Eswatini an aggregate low freedom score of 16/100 on political rights, civil liberties and freedom. Eswatini scores 52.0 in Sustainable Economic Opportunity, ranking 22nd on the continent. Eswatini's weakest sub-category performance in the Sustainable Economic Opportunity category is in

Infrastructure, scoring 48.0. Eswatini has shown an improvement (+1.4) in Sustainable Economic Opportunity since 2015 driven by improvement in three of the four sub-categories: Public Management (+1.5), Infrastructure (+0.9) and Rural Sector (+3.9).

4.3.2 The country's corruption perceptions as gauged by the Transparency International Corruption Perception Index have shown some deterioration. In 2018, Eswatini was ranked 89th out of 180 countries (score 0.38). In the 2019 CPI index the corruption rank deteriorated to 117/180 and score went down to 0.33. There are some efforts by the Authorities to tackle corruption. In 2017 the Anti-Corruption Commission was operationalized and a website for reporting corruption put in place. The Prevention of Organized Crime Act enacted in 2019. In the same year Eswatini signed the *Dar es Salaam Declaration on Strengthening Asset Forfeiture for Development* and established an Assets Recovery Fund to trace and forfeit all proceeds of corruption. Progress in implementation of these initiatives remains unclear as of 2021 in part due to resource constraints. In terms of Economic Governance Government is implementing a fiscal consolidation program and approved a medium-term fiscal adjustment plan to contain public debt while protecting the most vulnerable. A Post COVID economic recovery plan has also been adopted aiming to jumpstart the economy through private sector led growth. There are key reforms in PFM. A PFM Act was enacted in 2017. PFM regulations to support implementation of the requirements of the Act have been approved by Cabinet and presented to Parliament as of 2021. These reforms are expected to enhance efforts to comply with international standards, ensure fiscal discipline and accountability and increase efficiency.

4.3.3 Eswatini has recently witnessed protests amidst growing internal calls for the country to democratize by having an elected Prime Minister, instead of one appointed by the King as per the 2005 Constitution. The calls for opening up the political space and increased participation resonate with the September 2016 High Court ruling that the ban on political parties undermines the constitutional right to freedom of expression and association. Furthermore, although the African Union (AU) and the Southern Africa Development Cooperation (SADC) Observers described the last elections as orderly, peaceful and calm, the Observers encouraged the country to consider reviewing the ban of political parties and allow them to participate in elections in accordance with the country's international commitments. The more recent calls have been in the form of public petitions from some Members of Parliament (MPs), and protestations particularly from civil society and the youth. The SADC and the AU have sent missions and encouraged the use of dialogue through the established structures to resolve the issues. On 16 July, the King appointed a new Prime Minister, Mr. Cleopas Siphos Dlamini to replace Mr. Ambrose Dlamini who died in December 2020.

4.4 Sustainability

4.4.1 The project is financially sustainable. The analysis indicates that the farmers will be able to service their loans, as well as obtain handsome net profits for re-investments in running the farms. The Government and ESWADE is currently working on a detailed plan on how operation and maintenance will be undertaken on the existing and forthcoming infrastructure developed under projects financed by the Bank. It is envisaged that under this new arrangement, farmers will be charged with the full cost of the irrigation water management, which Government estimates at ZAR1,350 per ha, but are currently charging only ZAR 450 per ha, with a Government subsidy of ZAR 900 per ha. The Government by putting in place a mechanism for full recovery of the operation and maintenance cost will contribute significantly to the sustainability of the project. The Government has committed to making yearly adequate budget provision for counterpart funding. The irrigation development, marketing of value-added products, provision of institutional support and development of strong farmer groups will work in synergy to ensure sustainability.

4.5 Risk management

Risk category	Risk Description	Rating	Mitigation measures	Risk owner
Fiduciary	Delay in project start-up and procurements.	M	Use of an existing ESWADE structure staffed by professionals with many years of Bank project management experience will help to reduce the risk in start-up delay.	ESWADE
Fiduciary	Project cost overruns due to rise in the cost or changes in the final design of the Dam.	S	Efficient procurement timing to address the increases, as well as adequate price contingencies for any unavoidable design changes will mitigate the risk.	ESWADE
Dialogue	Complex engagement with Project Affected Person (PAP) and beneficiaries may delay process.	M	Use a participatory approach including traditional authorities engagement building on experience from previous projects	ESWADE
Institutional capacity	ESWADE limited technical capacity may affect project implementation	M	The project will engage a supervising consulting firm to oversee implementation.	ESWADE
Political	Rejection of the project by the riparian states (South Africa or Mozambique)	M	Agreement for shared use of Ngwavuma/ Mkhondvo Rivers Resources are in place.	GoE/ ESWADE
Climate	Climate change impacts including variations in precipitation patterns, high temperatures and other severe weather events such as droughts and floods may affect the project.	M	All Climate Change impacts will be catered for in the design with measures taken to eliminate or reduce those risks.	ESWADE and Design Consultant
Technical	Risk of dam break	L	The Dam design will include a spillway big enough to accommodate extreme flood events. The design will also undertake potential failure mode analysis, risk assessment, detailed dam break study, compile inundations maps and emergency preparedness plan. During construction, quality control will limit the risk of foundation/piping failure.	ESWADE and Design Consultant
Political	Impact of the political unrest on the project	L	Appendix 6 provides a detailed assessment of the impact and mitigation	GKE
E&S	Delay to implement RAP due to insufficient or late release of funds by Government.	H	Funds for RAP implementation to be provided in Annual budgets following the compensation schedule. No displacement of PAPs without prior compensation.	GoE/ ESWADE
E&S	Lack of funds to implement ESMP, including monitoring.	M	Annual allocation and release of ESMP implementation budget.	GoE/ ESWADE

4.6 Knowledge Building

4.6.1 The knowledge gained and lessons learnt through the implementation of LUSIP I&II and other Bank's projects in Eswatini as well as studies carried out in the sector have been duly applied in designing this project. Similarly, the knowledge that will be generated by ongoing MNWAP Study and this Project will be instrumental in the designs and implementation of the anticipated MNWAP I and the subsequent phases. The results from the various studies and other surveys, including the socio-economic impact component of the MNWAP Study will inform the stakeholders on how to put the acquired knowledge into practical use sustained benefit flows.

4.6.2 At the project level, the project implementation review, quarterly progress reports, audit, sector M&E, ESMP monitoring, etc. as well as other reports will also provide information on various aspects of the project for further diagnosis and improvement. The knowledge obtained will be shared within the AfDB and with other development partners as well as with RMCs.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1 The legal instrument to finance this operation is an ADB loan agreement for an amount of ZAR 2,684 million between the Kingdom of Eswatini (the “Borrower”) and the African Development Bank (the “Bank”) (the “Loan Agreement”).

A. Condition Precedent to Entry into Force of the Loan Agreement

The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank.

B. Conditions Precedent to First Disbursement of the Loan

The obligation of the Bank to make the first disbursement of the Loan shall be conditional upon the entry into force of the Loan Agreement and satisfaction of the following conditions by the Borrower:

- (i) submission of evidence of the execution and delivery of the Project Agreement between the Bank and the Executing Agency in form and substance satisfactory to the Bank; and
- (ii) submission of evidence of the recruitment of designation or appointment of staff for the Project Coordination Unit (PCU) with qualifications and terms of reference acceptable to the Bank, as follows: (i) Project Coordinator; and (ii) Project Accountant; (iii) Procurement Specialist; (iv) Monitoring and Evaluation Officer; and (v) Environmental and Social Officer.
- (iii) submission of evidence of availability of resources mobilized in an account for financing implementation of project ESMP and RAP by Government of Eswatini.

C. Conditions Precedent to Disbursement for Works

Subject to the Entry into Force of the Loan Agreement and the fulfillment of the Conditions Precedent to First Disbursement, the obligation of the Bank to disburse the Loan for works that involve resettlement shall be subject to the fulfillment by the Borrower of the following additional conditions:

- (i) Submission of a works and compensation schedule prepared in accordance with the Resettlement Action Plan (RAP) and the Bank’s Safeguards Policies, in form and substance satisfactory to the Bank detailing: (i) each section of civil works under the Program, and (ii) the time frame for compensation and/or resettlement of all Project Affected Persons (PAPs) in respect of each section;

- (ii) Submission of satisfactory evidence that all Project Affected Persons (PAPs) in respect of works have been compensated and/or resettled in accordance with the Environmental and Social Management Plan (ESMP), the RAP, the agreed works and compensation schedule and the Bank's Safeguards Policies, prior to the commencement of such works in such sections of each lot and in any case before the PAPs' actual move and/or taking of land and related assets; or
- (iii) In lieu of paragraph (ii) above, submission of satisfactory evidence indicating that the resources allocated for the compensation and/or resettlement of PAPs have been deposited in a dedicated account in a bank acceptable to the Bank or remitted to a trusted third party acceptable to the Bank, where the Recipient can prove, to the satisfaction of the Bank that, compensation and /or resettlement of PAPs in accordance with paragraph above could not be undertaken fully or partially, because of the following reasons: (i) The identification of the PAPs by Recipient is not feasible or possible; (ii) Ongoing litigation involving the PAPs and/or affecting the compensation and/or resettlement exercise; or (iii) Any other reason beyond the control of the Recipient, as discussed and agreed with the Bank.

D. Other Conditions:

- (i) The Borrower shall make available the amount of [ZAR 430 million] equivalent to [Amount in local currency] as its counterpart contribution (the "Counterpart Contribution") towards the costs of the Program and, to this end, shall [within six (6) months of the Date of the Grant Agreement] [within three (3) months of the first disbursement of the Grant] or such later date as may be approved by the Bank, have that the Counterpart Contribution budgeted for in the national budget in accordance with [Public Financial Management Act] and shall submit to the Bank, a copy of the national budget no later than [forty-five (45)] days after approval by the Parliament.

E. Undertakings:

- (i) The Borrower shall, and shall cause the Executing Agency, all its contractors, subcontractors and agents to: (i) carry out the Program in accordance with the ESMP, the RAP and/or the agreed works and compensation schedule, the Bank's Safeguards Policies and the applicable national legislation in a manner and in substance satisfactory to the Bank; (ii) prepare and submit to the Bank, quarterly reports on the implementation of the ESMP and the RAP including any deficiencies identified and the corrective measures thereto; and (iii) refrain from taking any action which would prevent or interfere with the implementation of the ESMP, the RAP, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Bank;
- (ii) The Borrower shall not, and shall cause the Executing Agency and all its contractors, sub-contractors and agents not to commence implementation of any works on any section of a given lot under the Programme, unless all PAPs such lot have been compensated and/or resettled in accordance with the RAP and/or the agreed works and compensation schedule;
- (iii) The Borrower shall appoint or assign respective teams with qualification and terms of reference acceptable to the Bank to support the implementation, monitoring and reporting of the ESMP and RAP within the Executing Agency and [CESMP] for the Contractors;

- (iv) The Borrower shall maintain at all times during implementation of the Program the PCU with mandate, staffing and resources satisfactory to the Bank; and
- (v) The Borrower shall and shall cause the Executing Agency to undertake additional studies including: (a) Socio-economic Impact Assessment at the Program host resettlement sites; (b) Livelihood Restoration Plan (LRP) that describes the approach and implementation of livelihood restoration activities for the resettled households including mitigation measures for impacts on the receiving host community; (iii) Compensation Processes and Procedures, (c) Cumulative Impact and Environmental Flow Assessments; and (d) accordingly update the Program ESMP, satisfactory to the Bank.

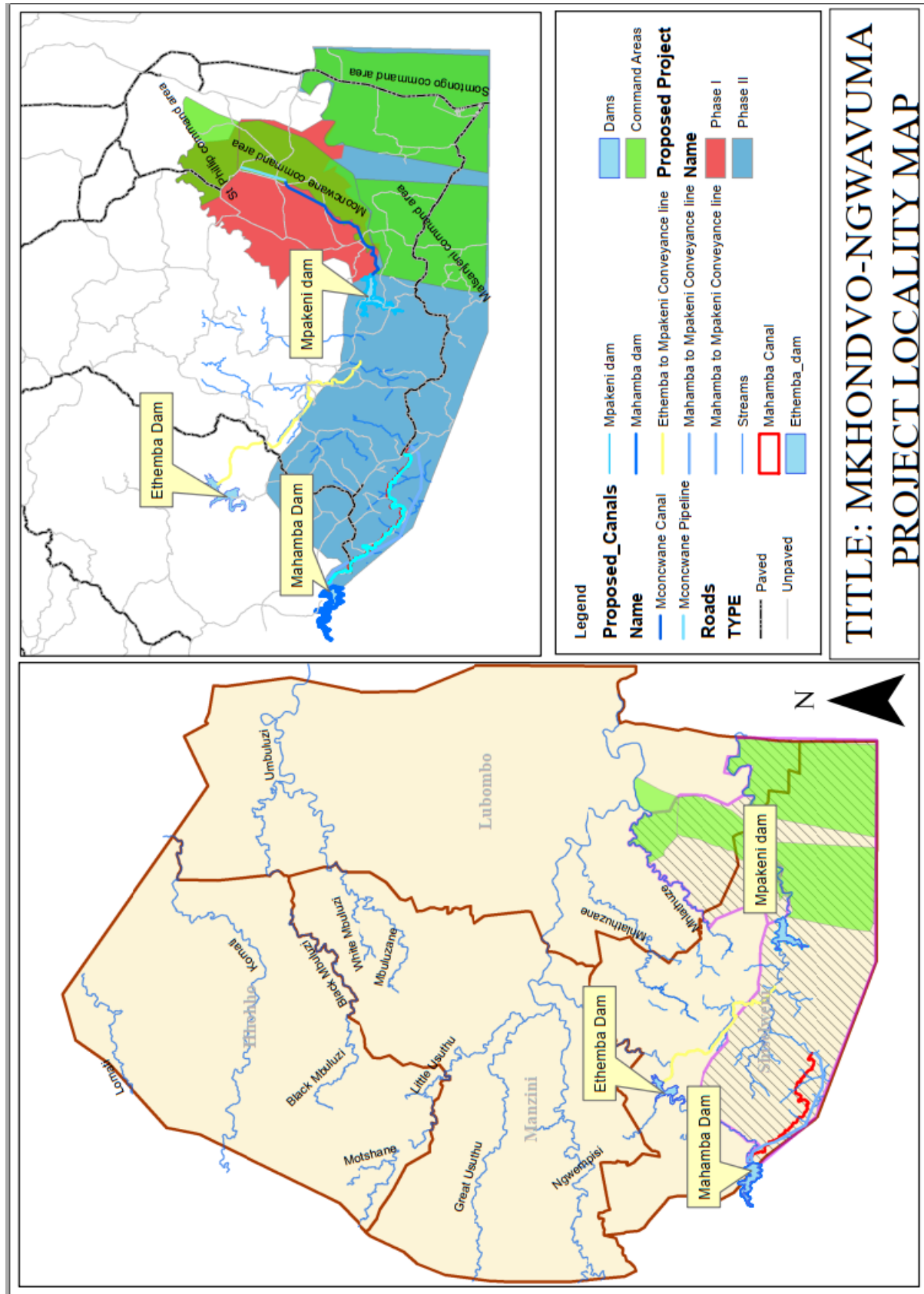
5.3 Compliance with Bank Policies

- 5.3.1 This Program complies with the applicable Bank policies. In line with the Bank Group's Policy on Eligible Expenditure for Financing (2008), justification for counterpart funding by the Government of Eswatini is provided in Appendix 5 of this Report.

VI – RECOMMENDATION

- 6.1 Management recommends that the Board of Directors approve the proposed ADB loan of **ZAR 2,684 million** to the Kingdom of Eswatini for the purposes and subject to the conditions stipulated in this report.

APPENDIX 1: MAP OF PROJECT AREA

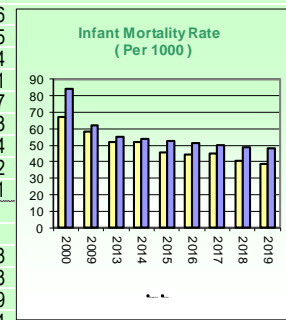
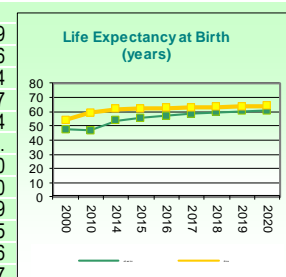
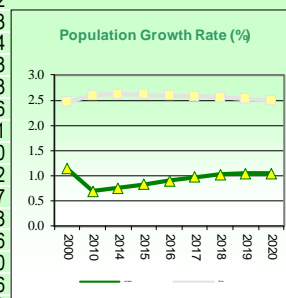
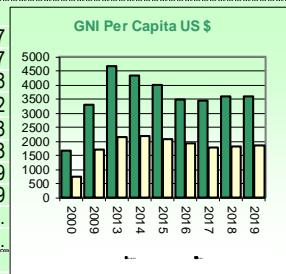


APPENDIX 2: ESWATINI SOCIO-ECONOMIC INDICATORS

eSwatini

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Swaziland	Southern Africa	Africa	Developing Countries
Basic Indicators					
Area ('000 Km²)	2020	17	6,571	30,067	94,557
Total Population (millions)	2020	1.2	213.2	1,338.8	6,437.7
Urban Population (% of Total)	2020	30.0	50.0	43.8	50.8
Population Density (per Km²)	2020	67.5	32.8	45.6	67.2
GNI per Capita (US \$)	2019	3 590	2 814	1 843	5 093
Labor Force Participation *- Total (%)	2020	50.9	68.5	61.3	58.3
Labor Force Participation **- Female (%)	2019	48.6	62.7	55.8	45.9
Sex Ratio (per 100 female)	2020	96.7	96.8	99.9	106.9
Human Develop. Index (Rank among 189 countries)	2019	138
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-18	29.2	45.5	34.4	...
Demographic Indicators					
Population Growth Rate - Total (%)	2020	1.0	2.3	2.5	1.2
Population Growth Rate - Urban (%)	2020	2.5	3.2	3.6	2.3
Population < 15 years (%)	2020	37.4	38.9	40.4	27.4
Population 15-24 years (%)	2020	20.9	19.3	19.3	16.3
Population >= 65 years (%)	2020	4.0	3.6	3.5	7.3
Dependency Ratio (%)	2020	70.8	73.8	78.1	54.6
Female Population 15-49 years (% of total population)	2020	26.9	25.2	24.2	25.1
Life Expectancy at Birth - Total (years)	2020	60.7	63.7	63.8	71.0
Life Expectancy at Birth - Female (years)	2020	65.4	66.6	65.6	73.2
Crude Birth Rate (per 1,000)	2020	25.4	30.4	32.6	19.7
Crude Death Rate (per 1,000)	2020	8.9	7.8	7.8	7.3
Infant Mortality Rate (per 1,000)	2019	38.6	41.0	47.9	30.6
Child Mortality Rate (per 1,000)	2019	49.4	57.0	69.5	41.0
Total Fertility Rate (per woman)	2020	2.9	3.8	4.3	2.6
Maternal Mortality Rate (per 100,000)	2017	437.0	245.8	432.3	231.0
Women Using Contraception (%)	2020	66.7	54.6	39.1	59.1
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-18	32.9	48.0	33.4	127.9
Nurses and midwives (per 100,000 people)	2010-18	414.2	102.1	107.8	247.6
Births attended by Trained Health Personnel (%)	2010-18	88.3	73.5	64.7	79.4
Peop. Using at least basic drinking water services (% of Pop.)	2017	69.0	69.5	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	58.4	44.6	40.3	68.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2019	27.0	11.3	3.1	...
Incidence of Tuberculosis (per 100,000)	2019	363.0	382.2	198.2	152.0
Child Immunization Against Tuberculosis (%)	2019	98.0	83.8	81.0	88.0
Child Immunization Against Measles (%)	2019	81.0	75.6	71.9	84.9
Underweight Children (% of children under 5 years)	2010-19	33.0	13.4	18.1	14.5
Prevalence of stunting	2010-19	38.2	31.6	32.4	23.6
Prevalence of undernourishment (% of pop.)	2018	16.9	20.3	15.1	9.7
Current health expenditure (% of GDP)	2018	6.5	6.8	5.2	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-20	114.7	114.9	101.0	101.6
Primary School - Female	2010-20	110.1	112.9	98.8	100.5
Secondary School - Total	2010-20	82.4	63.0	53.5	72.4
Secondary School - Female	2010-20	82.2	58.8	50.5	72.1
Primary School Female Teaching Staff (% of Total)	2010-20	69.7	59.3	49.2	63.7
Adult literacy Rate - Total (%)	2010-18	88.4	81.7	67.9	84.3
Adult literacy Rate - Male (%)	2010-18	65.4	78.7	73.5	88.4
Adult literacy Rate - Female (%)	2010-18	88.5	79.4	61.7	80.2
Gouvernement expenditure on Education (% of GDP)	2010-19	7.1	5.7	4.8	4.1
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	10.2	6.1	8.0	11.3
Agricultural Land (as % of land area)	2016	71.0	55.7	38.2	38.3
Forest (As % of Land Area)	2016	34.3	30.9	13.2	31.9
Per Capita CO2 Emissions (metric tons)	2016	1.0	2.9	1.1	3.4



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

March 2021

UNAIDS; UNSD; WHO; UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

APPENDIX 3: BANK PORTFOLIO IN ESWATINI

Current Portfolio: Since the Bank commenced lending operations in Eswatini in 1974, total cumulative commitments approved in loans and grants amounted to about USD 592m. As of 03 August 2021, the Bank's active portfolio in Eswatini comprised ten operations with a total commitment of USD 233.5m (UA 161.1m) and a disbursement ratio of 59%. The portfolio's sector distribution is spread over four sectors and mostly invested in infrastructure (93%) as follows: transport (34%), water and sanitation (33%), agriculture (26%) and finance (7%).

Portfolio Performance: The overall performance of the portfolio has continued to steadily improve over the past few years, and is currently classified as satisfactory, with a rating of 2.0 (for rated projects) on a scale of 1 to 4, 1 being the best performance.

The overall performance of the portfolio has continued to steadily improve over the past few years, and is currently classified as satisfactory, with a rating of 3.0 (for rated projects) on a scale of 1 to 4. The portfolio is relatively young with an average age of 4.0 years and has no outstanding Project Completion Reports of closed projects. The portfolio flashlight report of 31 July 2021 shows that portfolio performance is at 80%, 10% close watch and 10% Red flagged. It is expected that in Q3 the portfolio will improve due to the scheduled fiduciary clinic and supervision missions.

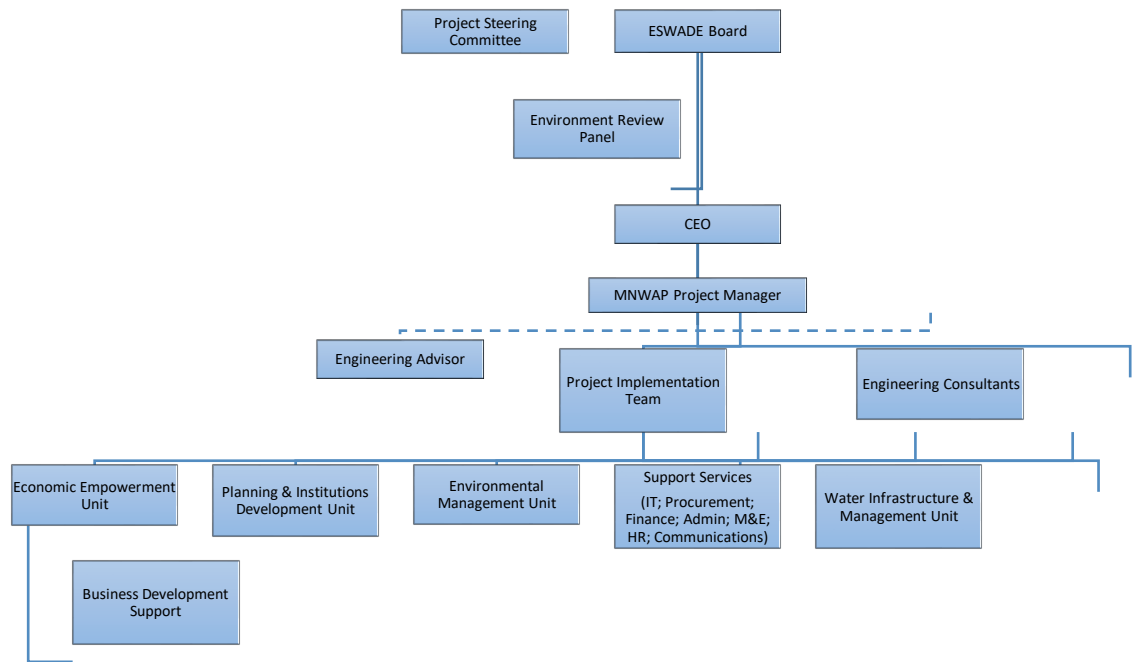
Implementation Challenges: COVID-19 restrictions negatively affected; there has been delays in procurement which impacted negatively on disbursement of funds. A fiduciary clinic and supervision missions are planned for September 2021.

Eswatini ongoing portfolio as at August 2021

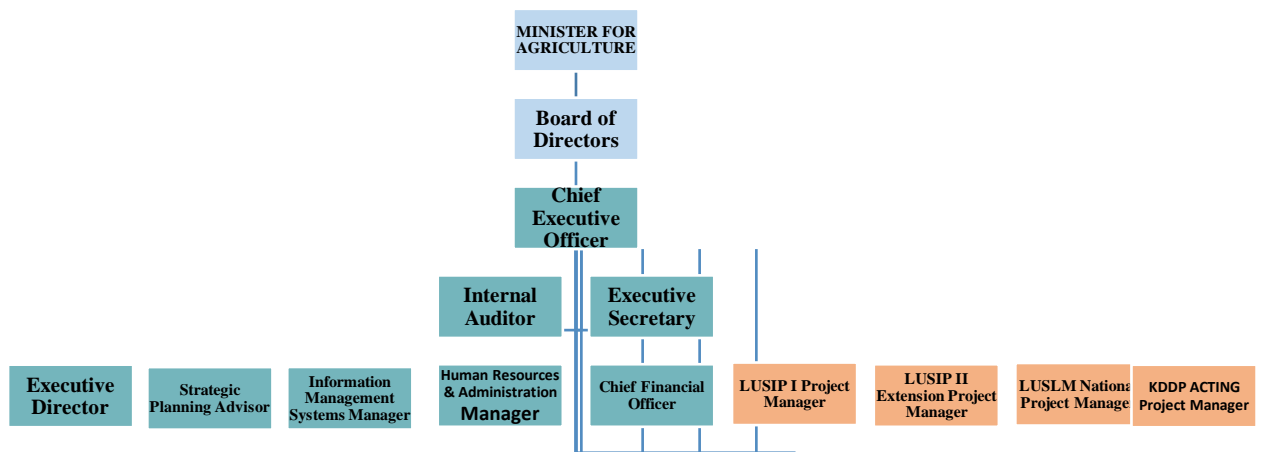
Division	Project name	Approval date	Planned project completion date	Amount App (UA) million	Amount Dis. (UA) million	Age
AHWS2	Manzini Region Water Supply and Sanitation Project	29/11/2018	31/12/2023	35,321,140	303575.	7
AHWS2	Mbabane Manzini Corridor (Nondvo) Multipurpose Dam Study	21/12/2015	31/12/2022	797,416	654061.	3
PIFD1	Line of Credit to Swaziland Development Finance Corporation	05/12/2017	19/01/2028	11,287,845	11287845.	6
RDGS1	Construction of Manzini Mbadlane Golf Interchange	24/10/2018	30/06/2023	21,013,580	5440574.	4
RDGS1	Manzini-Mbadlane Highway Project	28/05/2014	30/06/2022	32,129,358	28284454.	3
RDGS1	Manzini-Mbadlane Highway Project	28/05/2014	30/06/2022	1,200,000	367983.	7
RDGS2	Mkondvo-Ngwavuma Augmentation Scheme Feasibility Studies	30/03/2020	30/09/2022	1,200,000	206301.	7
RDGS4	Lower Usuthu Smallholder Irrigation Project II	05/04/2016	31/12/2021	41,967,764	34676180.	1
RDGS4	Mbabane Manzini Multipurpose Dam	21/12/2015	31/12/2021	1,067,120	905351.	5
AHWS2	Manzini Region Water Supply and Sanitation Project	29/11/2018	31/12/2023	35,321,140	303575.	6

APPENDIX 4: ORGANOGRAM

MNWAP Organogram



ESWADE Organogram



APPENDIX 5: Justification of Government's Level of Counterpart Funding Contribution

Introduction

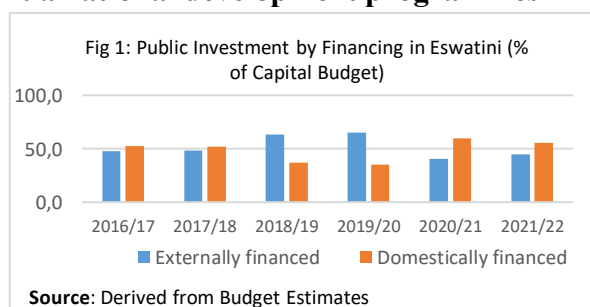
The Kingdom of Eswatini's contribution to the ZAR 4.83 billion Mkondvo-Ngwavuma Water Augmentation Program Stage 1, Phase I (MNWAP I), amounts to ZAR430 million, and represents 8.9% of the total project cost. The counterpart funding amount is less than the recommended 50% minimum counterpart funding according to the Bank's 2008 Policy on Eligible Expenditures for Bank Group Financing. The policy stipulates that "ADB may finance more than 50% of the total project costs on a case-by-case basis and up to a limit that does not exceed 100%."

The recommendation, therefore, is for the Bank finance up to 91.1% of the project cost. The basis for this recommendation is that Eswatini is currently facing a challenging macroeconomic environment characterised by low growth and mounting fiscal imbalances. These challenges have been exacerbated by the emergence of the COVID-19 pandemic which seriously affected Government's capacity to mobilise domestic revenues. When the COVID-19 pandemic broke out, the economy was slowly emerging from the lingering effects of a severe 2015/16 El Nino induced drought and a difficult external environment. The pandemic regressed economic activity and plunged the economy into negative growth territory for the first time in nearly half a century. Real GDP contracted by 2.4% in 2020, down from 2.2% growth registered in 2019. In addition, the country suffers from low growth due to limited competitiveness, low investment levels, high cost of doing business as well as fiscal and cash flow challenges. The fiscal deterioration in recent years has largely been attributed to the Government maintaining higher spending levels against a prolonged decline of the revenue base, particularly the Southern Africa Customs Union (SACU) receipts, which has resulted in persistent budget deficits, liquidity challenges and rapid accumulation of domestic arrears and public debt levels. The Government is also facing elevated financing needs to fund the post COVID-19 economic recovery agenda aimed at quickly turning around the economic fortunes of the country.

Against this background, reducing Eswatini's financing contribution to this project will provide the Government with the much-needed fiscal space to deal with the socio-economic effects of the pandemic and implement its development programmes aimed at promoting sustained and inclusive growth. The Government is also implementing a fiscal adjustment plan (equivalent to 6.5% of GDP) over the period 2021-2023 that is aimed at restoring macroeconomic and fiscal stability. The justification for the reduced Government contribution is further strengthened on the considerations highlighted below.

The Government's commitment to implement a national development programmes

The National Development Strategy (NDS, 1997-2022) is Eswatini's overarching long-term planning framework, currently operationalised through the National Development Plan (2019-2022) the Strategic Roadmap for Economic Recovery (2019-2022) and the Post COVID-19 Economic Recovery Plan (2020-2022). The NDP is aimed at addressing Eswatini's key development challenges that include endemic poverty (58.9%), unemployment (23.1%) and inequality (Gini index 0.49) as well as reversing pervasive sluggish growth, persistent fiscal deficits and domestic arrears. The NDP also seeks to address the challenges of weak investment climate, hence low investment inflows and a small and stagnant private sector. The NDP is anchored on the principles of good governance and focuses on attaining fiscal consolidation, achieving inclusive and sustainable growth as well as creating a conducive environment for a



vibrant private sector that is export-oriented and generation of employment. The Strategic Roadmap outlines key structural reforms aimed at supporting economic recovery by creating an enabling business climate in Eswatini, a regulatory environment that promotes stability, economic efficiency, and prosperity. The priority areas articulated in the Strategic Roadmap include ease of doing business, fiscal consolidation, arrears clearance, and infrastructure development. It focuses on five sectors identified by their potential to spur higher GDP growth, boost revenue mobilisation and employment creation and these are education and ICT, mining and energy, tourism, manufacturing and agro-processing and agriculture. The Post-COVID-19 Economic Recovery Plan developed in the wake of the COVID-19 pandemic, complements the NDP and Strategic Roadmap and is articulated around addressing the effects of the pandemic and on propelling the economy to long-term stability and growth. This will be done by creating opportunities for employment, expanding the tax base, income generation and wealth creation through implementation of high impact public and private sector-led projects and reforms. The plan seeks to stimulate the economy through “big projects” that can enable the private sector to expand, thrive and be at the center of the country’s economic transformation.

The Government, through the NDP (2019-22), Strategic Roadmap and Post COVID-19 Economic Recovery Program recognizes the importance of infrastructure development and its vital contribution to effective, productive and trade processes in the economy. Despite its middle-income country (MIC) status, Eswatini still faces development challenges akin to low-income countries highlighted above. These include infrastructure bottlenecks in climate resilience infrastructure, including dams, irrigation and power infrastructure, among others. To increase the country’s productive capacity and support growth in the long term, the country needs to address its infrastructure shortcomings. In this regard, Eswatini has equipped itself with the strategy and policy instruments it needs to do so; but an enormous investment in infrastructure is still required.

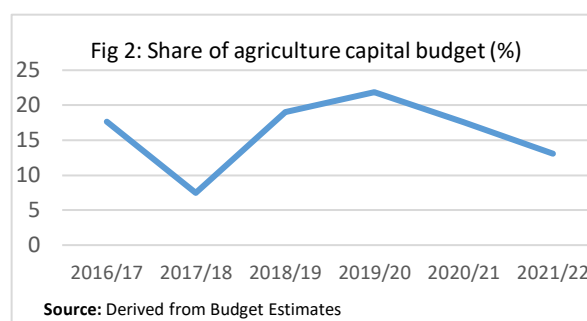
The Mkondvo-Ngwavuma Water Augmentation Program (MNWAP) is, thus, aligned with Eswatini’s national development strategies outlined which promote the diversification of agricultural production whilst intensifying production of high valued crops. Agricultural development is identified as a priority sector for growth in the NDP, Strategic Roadmap for Economic Recovery (2019-2022) and Post COVID-19 Economic Recovery Plan. Moreover, it aligns with Eswatini’s National Agricultural Investment Plan and National Strategy for sustainable development and inclusive growth through 2030 and recognizes the critical dimensions of human development including poverty reduction, employment creation and gender equality to guide its economic development.

The Country’s Commitment to Finance Infrastructure

The infrastructure bottlenecks that the country continues to face to some extent constrain agricultural development. Despite the increased fiscal challenges experienced over the last few years, the Government has placed priority to financing infrastructure development as evidenced by the consistent budgetary allocations towards public investment. Since 2016/17, when the country started to experience elevated fiscal pressures, the country’s budget on infrastructure spending remained stable, averaging 9.2% of GDP or 26% of the total budget. Over the years, the financing of public investment in Eswatini has largely been financed from domestic sources but, in recent years, external financing has assumed greater significance in the form of loans and to a lesser extent grants (around 5% of total capital budget). On average, between FY2016/17 and FY2021/22, the proportion of public investment externally financed stood at 51.5%, and the rest domestically financed through the government budget. Notable increases in budget for external financing were witnessed in FY2018/19 and FY2019/20 as the Government faced

increased domestic constraints to mobilise revenues. The uptick in the external financing for infrastructure correlates with the increase in the country's indebtedness. External support towards infrastructure spending comes from traditional funding sources, such as multilateral development banks (MDBs) while private investment, which has averaged 6% of GDP since 2016 remains low.

Agriculture is the backbone of the Eswatini economy and government prioritizes continued investments in this sector. The NDS, 1997-2022, highlights the need to raise the productivity of the agricultural sector in Eswatini. To this end, Government formulated various policies for the agriculture sector aimed at creating an enabling environment within the sector and these include the Swaziland



(Eswatini) National Agricultural Investment Plan (SNAIP) 2015-2025 and the Comprehensive Africa Agriculture Development Program (CAADP). The SNAIP aims to, among others, increase the country's agricultural productivity and the sector's contribution to economic development as well as diversification of agricultural production and overall consumption. To realize these objectives, Government recognizes the criticality of water resources and irrigation infrastructure for agriculture development, especially in the face of climate variability where dependency on rainfall alone is no longer sustainable. Government is, therefore, seeking to increase investments in agricultural infrastructure in the form of small earth dams as well as large dams for irrigation purposes in smallholder schemes and thereby boost agriculture production and build the country's resilience to climate change. However, enormous funding is required and given the obtaining fiscal challenges, the Government is increasingly finding it difficult to finance infrastructure projects alone, which presents a challenge in meeting some of the Vision 2022 targets and 2030 Sustainable Development Goals (SDGs). Agriculture's share of the budget, at around 5%, remains below the AU target for member countries to spend at least 10% of their national budgets on agriculture and rural development. The share of agriculture infrastructure allocation in the government's capital budget has not been consistent, fluctuating by between 7.5% and 21.9% percent (Table 1).

Table 1: Infrastructure financing in Eswatini (SZL million) – Agriculture

	FISCAL YEAR					
	2016/17	17/18	18/19	19/20	20/21	21/22
Total capital budget (% of GDP)	9.3	9.4	9.0	8.9	9.6	8.8
Total capital budget as % of total budget	25.6	25.6	26.0	26.4	26.5	26.5
Share of agriculture in the capital budget (%)	17.7	7.5	19.0	21.9	17.6	13.1
Share of agriculture capital budget (% of GDP)	1.7	0.7	1.7	1.9	1.7	1.2

Source Ministry of Finance, Budget Estimates, Fiscal Years 2016/17-2022/23

The Budget Situation and Debt Levels

Eswatini has faced persistent fiscal imbalances and cash flow challenges over the last few years, attributed to elevated public spending which has outpaced constrained revenues. This precarious situation has inevitably led to persistent fiscal deficits, rapid accumulation of public debt and growth in domestic payment arrears. Eswatini's main revenue streams, as a proportion of total, comprise income taxes (33%), SACU receipts (33%) and VAT (20%). Before 2015/16, SACU receipts contributed above 50% to the public coffers but its contribution has significantly declined (to around 35%) and has become increasingly volatile, attributed to a difficult external environment and weak growth in SACU states. The ratio of total revenue-GDP stands at 27%, while domestic tax revenue-GDP (less SACU receipts) has averaged 16.6% over the last few

years. Grants contribute a very small component to government revenue, at 0.7% of GDP, partly attributed to the country's middle-income status. On average, public spending stand at 34% of GDP, higher than revenues (27%), thus giving rise to deficits. Recurrent spending, at 66% of total expenditures account for the highest share of the budget, followed by capital expenditures at 26%, while the rest is apportioned to statutory expenditures that include interest payments, debt amortization and emoluments. Public sector wages and salaries is the single largest expense at 30% of the total budget (11% of GDP) and expanded by 125% since 2009. Transfers account for around 24% of total budget while goods and services take 12.1%.

Due to the persistent macroeconomic challenges and unsustainable fiscal situation, Eswatini's fiscal deficit averaged 6.2% of GDP, above SADC's macroeconomic convergence target of 3% of GDP. The fiscal deficit increased from 6.0% of GDP in 2017/18 to 6.7% in 2018/2019 before slightly declining to 6.7% of GDP in 2020/21. The deficit has been financed through central bank advances, drawdowns on international reserves, increasing external and domestic borrowing and accumulation of domestic arrears. In 2020/21, COVID-19 eroded potential government revenues and increased financing needs towards health and mitigating its negative socio-economic impacts. In the medium term, the fiscal deficit is expected to slightly decline but remain elevated at an average of 5.9% of GDP over 2021-23, partly attributed to the anticipated fall in SACU receipts in response to the COVID-19 induced economic downturn. It is also worth noting that Government struggled with clearing and containing domestic arrears, which have ranged between 5-8% of GDP since 2016. In early 2021, government commendably reduced the arrears to less than 2% of GDP, benefiting from the fiscal space afforded by the above average SACU inflows and budget support from the IMF and World Bank.

Table 2: Public Finance (SZL million)

	Fiscal Year (Ending March)				
	2017/2018	2018/2019	2019/20	2020/21	2021/22
Tax revenue and grants (SZL millions)	16,785	15,684	17,772	18,806	19,381
Total expenditure & net lending (SZL millions)	20,350	20,014	21,772	23,245	24,044
Overall balance (SZL millions)	-3,565	-4,330	-4,000	-4,438	-4,663
Overall balance (% of GDP)	-6.0	-6.9	-6.2	-6.7	-6.4

Source: Ministry of Finance

In order to restore fiscal sustainability and hence overall macroeconomic stability, since 2018, the government has implemented fiscal consolidation measures aimed at boosting revenue and eliminating wasteful and inefficient spending. Further, in 2020, government further adopted a 3-year Fiscal Adjustment Plan (2021-2023) equivalent to 6.5% of GDP, supported by the IMF. The adjustment plan is centered around four pillars: reducing public wage spending, through gradual employment reduction and below inflation salary adjustments; rationalizing transfers and expenditure of state-owned entities; reducing operational expenditures and improving the targeting of the main social assistance programs; and, increasing domestic revenue through rate increases of some major taxes and base broadening measures, while suspending plans to introduce reforms that would reduce corporate income revenue. Authorities also intend to contain reductions in capital spending and better prioritize investments toward high growth impact projects.

Eswatini's public debt has historically been low but has escalated remarkably since 2016/17 in tandem with the deteriorating fiscal situation and macroeconomic imbalances. External debt, which is mostly long term and on concessional terms in nature, has been primarily incurred to finance large capital projects which are deemed to spur growth. As the Government increasingly relied on the domestic markets to cover budget-financing gaps, domestic debt overtook external

debt in 2016/17 and as at end March 2021, public debt stood at E24.8 billion (37.4% of GDP), with domestic debt (21.4 % of GDP) accounting for 57% of total debt (Table 3). Domestic debt is raised, mainly through central bank advances, treasury bills and government bonds.

Table3: Public Debt (% of GDP)

	Year (Ending March)				
	2017/2018	2018/2019	2019/20	2020/21	2021/22
Total public debt (% of GDP)	21.9	26.7	31.9	37.4	39.1
Domestic public debt (% of GDP)	12.9	16.4	18.2	21.4	21.5
External public debt (% of GDP)	9.0	10.3	13.7	16.0	17.6

Source: Ministry of Finance

As noted above, Eswatini raised its public debt levels in a relatively short space of time to cater for successive fiscal deficits. The increase in indebtedness was accompanied by growing expenditure arrears which seriously affected the cash flow positions of contractors owed by the Government. The rapid rise in public debt, in the face of sluggish economic growth, also raised some concerns over increases in future debt service payments and, thus potentially crowd-out critically needed public investments if the pace is maintained. However, it is noteworthy that despite the increase in Eswatini's public debt profile, the country's debt stock is still relatively low and within the SADC macroeconomic convergence threshold of 60% of GDP. The government also benchmarks its public debt threshold against the internationally recommended levels of 35% of GDP. According to the IMF's 2020 Debt Sustainability Analysis, although public debt is expected to peak at around 53% of GDP in FY2023/24, it still remains sustainable and below the stress threshold. With the implementation of the fiscal adjustment plan the IMF anticipates that public debt will stabilize, decline and maintain a sustainable level over the medium-term. In terms of improving debt management, the Government's Debt Management Unit (DMU) is developing a Debt Management Policy and Medium-Term Debt Strategy (MTDS) to help the government in managing debt risks exposures.

Based on the foregoing, the recommendation is for the Bank to finance 91.1% of the ZAR4.83 billion Mkondvo-Ngwavuma Water Augmentation Program Phase I – (MNWAP I) while the Government of the Kingdom of Eswatini finances the remaining 8.9%.

APPENDIX 6: POTENTIAL IMPACT OF THE POLITICAL UNREST ON THE MKHONDVO-NGWAVUMA WATER AUGMENTATION PROGRAM PROJECT IMPLEMENTATION

Background

Since independence in 1968, Eswatini has experienced long years of remarkable peace and political stability under the monarchy. However, recently there have been increasing calls to open the political space by allowing political parties to participate in the country's electoral processes. In mid-2021, the country experienced heightened civil unrest pursuant to public protests for democratic reforms. Sections of the population including opposition elements, youths, civic society, and students engaged in protests calling for constitutional reforms and clashed with law enforcement agents deployed to maintain peace. The protests and ensuing clashes ended in vandalism, destruction of property, injuries, and sadly, loss of lives. The civil unrest, however, subsided in July 2021, following continued deployment of law enforcement agencies. SADC, through the Chairman of the Organ on Politics, Defence and Security dispatched two fact finding missions in July to gather more evidence regarding the situation from all relevant parties. In September/October 2021, the civil unrest resurfaced again with renewed calls for democratic reforms, resulting in further clashes between protestors and law enforcement agencies deployed to calm the situation. SADC also dispatched a task force on 21-22 October 2021 that met with all stakeholders with a view to diffuse tensions. Following discussions with the SADC delegation, King Mswati III announced, through a representative, on 23 October that a process of national dialogue through Sibaya – an open forum discussion – will be initiated after the nation's annual Incwala ceremony around November/December 2021. The Government estimates that damages caused by the civil unrest sit at about USD210 million (about 4.5% of GDP) and the loss of at least 5,000 jobs.

Potential Impact of The Political Unrest on Project Implementation

Although the civil unrest may have raised Eswatini's risk profile, the disturbances are not expected to significantly impact project implementation barring the unforeseen. This is due to the following factors:

- **Project implementation timelines:** According to the project implementation schedule, physical works are expected to commence in 2023 and be completed in 2029. It is, thus, anticipated that by that time, all the project's initial activities requiring less physical interaction would have been completed, hence the take-off risks are minimal. The project is of strategic importance to both the Government and the country at large given its expected benefits to the people, including reducing poverty and unemployment.
- **Proximity of project sites to main population centers:** The MNWAP project sites are far removed from the main urban centers where civil unrest usually happens and are located in the remote parts of the country where they can be easily secured from any threats.
- **State capacity to restore order and economic activity:** although the protests resulted in damage to property, infrastructure and the unfortunate loss of lives, in both the cycles of recent unrest the Government swiftly intervened to quell the violence and bring the situation under control. The state seems capacitated to enforce rule of law and order and taking lessons from this experience, Government should be in a better position to effectively respond to potential threats to peace and stability. Further, in order to help businesses that were affected by the disturbances, the Government established a Reconstruction Program Fund capitalised to the tune of more than E 1billion (approx. USD70 million).
- **Continued international community engagement:** In July and October 2021, when the civil unrest peaked, SADC dispatched high level missions in attempt to diffuse

tensions . The regional body is expected to keep track of developments in the country and engage all parties to ensure continued stability. The UN, AU as well as South Africa, the country biggest neighbour continue called for calm, stability, and dialogue, which is a positive development. In addition, development partners, donors and international financial institutions continue to engage normally with the country.

- **Appointment of the new Prime Minister:** The appointment of a substantive Prime Minister in July 2021 is expected to further galvanize and consolidate stability as he gives new impetus to government's development agenda. The appointment filled the gap in a key government leadership position that existed since December 2020 and the country can focus on reviving the economy.
- **Commitment to National Dialogue by the King:** On 23 October 2021, His Majesty King Mswati III committed to national dialogue, which is a positive development as it signals an important step towards finding common ground.

Conclusion: By end October 2021 calmness had returned to the country. However, the political situation remains uncertain given that protestors have vowed to resume their demonstrations until their demands are met. This notwithstanding, the commitment to dialogue by Government and continued SADC mediation efforts are expected to foster stability. The Government is also committed to the success of the project and ensure its successful implementation. Based on the foregoing, the civil unrest is not expected to have significant impact on overall project implementation given the factors outlined above

APPENDIX 7: THE PROJECT LEVEL THEORY OF CHANGE

Context: Following the drought of 2016, the Eswatini Government developed the National Emergency Response, Mitigation and Adaptation Plan (NERMAP). Part of the NERMAP called for the development of water storages on the country's major rivers. The National Water Resources Master Plan (2016) has identified possible dam sites that include Mpakeni Dam on the Ngwavuma River and Mahamba Gorge Dam on the Mkhondvo River.

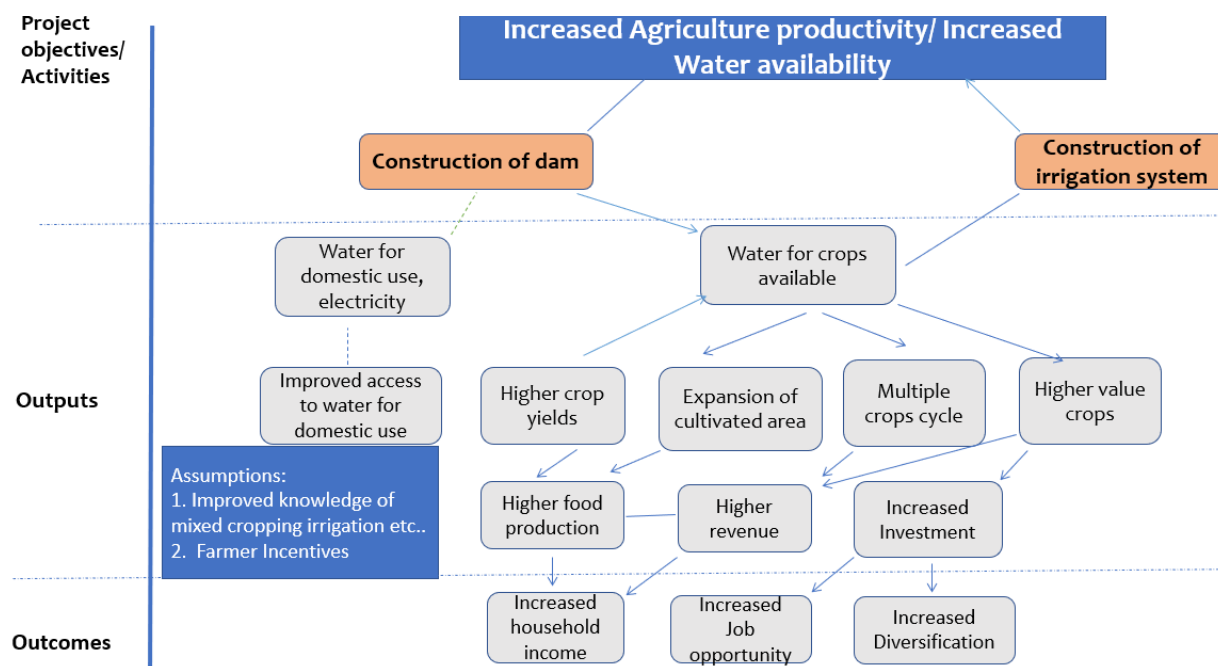
To mitigate the drought situation which has resulted in loss of crops in the Nsoko area, the water from Mpakeni Dam will improve the assurance of supply to existing permitted users downstream of the dam. Water is the limiting resource in irrigated agriculture development in the Mkhondvo-Ngwavuma Water Augmentation Project and indeed in Eswatini as a whole. It is therefore critical that irrigation water is used efficiently and effectively.

Project development objectives: The overall goal of the Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP) is to contribute to food security, poverty reduction and resilience to climate change, through supporting water and irrigation infrastructure development in Eswatini. Poverty eradication is one of the principal objectives of the Government enshrined in all its development policies. The Government has therefore endorsed the principle of using water from the project to target areas with extreme poverty.

Outcomes and output of the project: The project outputs and immediate and intermediate outcomes and interventions are depicted in the diagram below. The project level Theory of Change (ToC) is based on a pathway to prosperity in which farm level challenges including low productivity and limited access to water for crop and household use are addressed by providing infrastructure and business support. These socio-economic benefits are expected to be realized through increased and more sustained agricultural production, domestic water supply, industry development and eventually power generation. Greater access to irrigation water will lead to higher yields, the expansion of cultivated areas and the adoption of more commercialized agricultural production systems. This will lead to increased production, higher revenue and greater investment in agriculture. The end results are higher household incomes, job opportunities and increased diversification and resilience in the project area.

Assumptions: The main assumptions underlying this TOC is that farmers in the project area have improved knowledge of irrigated mixed cropping, use of modern technologies and are sufficiently market oriented. This risk is mitigated by the fact that ESWADE will work with the farmers to improve crop management and explore viable business opportunities. ESWADE was established with the purpose to assist farmers on communal land to convert from subsistence agriculture to commercial agriculture through the provision of water, skills and other necessary support systems

Figure 1: Project Level Theory of Change



APPENDIX 8: M&E ARRANGEMENTS

A.	B. Alignment indicators							
Indicator name		Definition/ description	Source		Baseline and targets (where possible)			
<ul style="list-style-type: none">• Agricultural labor productivity (\$ per worker)• Population living below the poverty line (%)		<ul style="list-style-type: none">• Value of total agricultural output per labor• People living on less than US\$1.9 a day	<ul style="list-style-type: none">1. Ministry of Agriculture, Eswatini2. Bank Statistics		<ul style="list-style-type: none">• Baseline (2020): \$5.10 per day (ZAR 75.0) Target (2025): \$14.7 per day (ZAR 216.1)• Baseline (2020): 58.9% of the population Target (2025): 54% of the population			
C.	D. Outcome and output indicators (<i>performance indicators</i>)							
Indicator name	Definition/ description	Methodology for collection	Responsibility for collection	Frequency of reporting		Results planning		
					2023	2024	MTR	2028
Outcomes								
Increase in household income	Income generated to households due to involvement in project activities	ESWADE Social Activity Team (ESAT) collects data on farm inputs/outputs	ESWADE	Annual	0	14,000	24,000	32,940
Direct jobs created	Number of direct jobs created by the Bank including: <ul style="list-style-type: none">1. Jobs in construction and related activities; and2. Jobs in farming and services in the newly developed areas	ESAT will collect data on labor from the contractor books and register land allocation by household and the number of household members operating	ESWADE	Bi-annual	2,400 (50% Women)	6,000 (50% Women)	8,000 (50% Women)	10,000 (50% Women)
Indirect jobs created	Number of jobs created in the project area as a result of the development including but not limited to jobs in transportation, food supply, tele-communication, entertainment, tourism, etc.	ESAT will undertake surveys to estimate the number of jobs created	ESWADE	Annual	6,000 (60% Women)	12,000 (60% Women)	24,000 (60% Women)	30,000 (60% Women)
People benefiting from improvements in agriculture	Number of people benefiting directly from the project in terms of nutrition and access to services and improved livelihood due to increased income	ESAT will undertake surveys to collect information on improved nutrition, better livelihood (schooling, housing, etc)	ESWADE	At end of the project	0	0	0	20,000 (50% Women)
Outputs								
Climate proof Irrigation Dam Constructed & commissioned	Mpakeni Dam construction to store water during the flood season to irrigate during the dry season	Bank Supervision Missions	Bank (RDGS.2)	Bi-annual	10%	40%	70%	100%

Infield irrigation infrastructure in place; land with improved water management	Area of land put under irrigation by the project		Contractors' reports	ESWADE	Annual	0	2,000	5,000	10,000
Increased yield of target crops	From Mt/ha	To Mt/ha	ESAT will undertake surveys to assess productivity per hectare	ESWADE	Bi-annual	40%	70%	100%	100%
	Maize (6), soya beans (1.5). Sunflower (2) Banana (14), dry beans (2); Vegetables (varied)	Maize (14), soya beans (4). Sunflowers (4), Banana (30), Dry beans (3), Vegetables (varied)							
Multiple crop cycles	Number of crops per hectare per year		ESWADE Agricultural Development Team Reports	ESWADE	Annual	1	2	2.5 ⁶	2.5
Increased area under higher value crops	Areas converted from subsistent farming to irrigated high value crops		ESWADE Agricultural Development Team Reports	ESWADE	Annual	0	2,000	5,000	9,400
Project Management Unit in place	Recruitment of the Project Coordinator, Procurement Expert and Financial Controller		Project Launching BTOR	Bank (RDGS.2)	Annual	100%	100%	100%	100%
Environmental and Social Management Plan implemented	<ul style="list-style-type: none"> •RAP approved & implemented •Land scaping completed 		ESAT Reports	ESWADE	Bi-annual	0	50%	100%	100%
			Bank Supervision missions	Bank (RDGS.2)		0	0	70%	100%

⁶ Number of crops per hectare per year will depend on the selected crops and soil class. Some areas will allow three crops per year. Apart from the 400 ha that will be put under sugarcane at St. Philips area, the rest of the developed areas will have two crops per year.

ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)



AFRICAN DEVELOPPEMENT BANK GROUP

A. Basic Information⁷

Project Title: Mkhondvo-Ngwavuma Water Augmentation Program Phase I – (MNWAP I)		Project "SAP code": P-SZ-A00-005	
Country: Kingdom of Eswatini	Lending Instrument⁸: DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>		
Project Sector: Agriculture	Task Team Leader: Wael SOLIMAN		
Appraisal date: 7 th - 18 th June 2021	Estimated Approval Date: December 2021		
Environmental Safeguards Officer: Herbert OULE			
Social Safeguards Officer: Herman ROOS / Daniel Ouma OGOL			
Environmental and Social Category: 1	Date of categorization: 6 th April 2021	Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Is this project processed under a waiver to the Integrated Safeguards System?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

B. Disclosure and Compliance Monitoring

B.1 Mandatory disclosure

Environmental Assessment/Audit/System/Others (specify: Environmental and Social Impact Assessment, ESIA)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[28 th July 2021]
Date of receipt, by the Bank, of the authorization to disclose	[28 th July 2021]
Date of disclosure by the Bank	[28 th July 2021]
Resettlement Action Plan/Framework/Others (specify: Resettlement Action Plan, RAP)	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[28 th July 2021]
Date of receipt, by the Bank, of the authorization to disclose	[28 th July 2021]
Date of disclosure by the Bank	[28 th July 2021]
Vulnerable Peoples Plan/Framework	
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: NA.	



B.2. Compliance monitoring indicators

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Is the total amount for the full implementation of the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>

C. Clearance

Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?

Yes ☒ No ☐

<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	Herbert OULE		08/09/2021
Social Safeguards Officer:	Herman ROOS / Daniel Ouma OGOL		08/09/2021
Task Team Leader:	Wael SOLIMAN		17/09/2021
<i>Submitted by:</i>			
Sector Director:	Martin FREGENE		17/09/2021
<i>Cleared by:</i>			

⁷ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

⁸ DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Participation Agreement; EF=Equity Financing; RBF=Results Based Financing.

Director SNSC:	Maman-Sani ISSA		11/10/2021
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