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ANNEX I

1. IDENTIFICATION

Country/Title/Number	SWAZILAND/Swaziland Health, HIV/AIDS and TB project CRIS No.: SZ/FED/022-066		
Total cost	Total cost approximately	EUR 32,780,000	
	i) EU contribution	EUR 16,500,000	
	ii) World Bank	EUR 14,800,000¹	
	iii) Government of Swaziland	EUR 1,480,000²	
Aid method / Method of implementation	Project approach i) joint management with World Bank ii) partially decentralised management		
DAC-code	120	Sector	Health

2. RATIONALE

2.1. Sector context

Statistics show that the majority of the Swazi population have a very poor health status, which does not correspond to Swaziland's classification as a middle-income country. The most recent Demographic Health Survey (DHS) 2007/08 confirmed that not only is Swaziland off track in meeting the three health related Millennium Development Goals (MDGs 4, 5 and 6) for child mortality, maternal health, and combating HIV/AIDS, malaria and other diseases, but that in almost all areas the situation is worsening rather than improving.

With regards to child mortality (MDG 4), the death rate for under-fives increased by 35% between 1990 and 2015. On maternal health (MDG 5), the maternal mortality increased 105% between 1990 and 2008. On combating HIV/AIDS, malaria and other diseases (MDG 6), Swaziland has the highest prevalence rates in the world for both HIV/AIDS and tuberculosis (TB) leading to a co-epidemic. TB rates increased 600 % between 1990 and 2006. This situation is compounded by 69% of the population living below the poverty line of USD 1 per day and has resulted in life expectancy dropping from 56 years in 1986 to 32 years in 2007.

A study mapping the availability of health services in 2008 found a total of 6 hospitals, 5 health centres and 218 clinics. However most clinics provide only out patient care and only 10% of clinics provide maternity services. In reality the provision of health services is further eroded by the widespread lack of medicines and materials; the lack of trained nurses – especially with regard to maternal and child health; and poor coordination between various health programmes.

The inability of front line clinics to provide basic preventative health care services means that patients overburden health facilities higher up the referral pyramid. A recent Public Expenditure Review (PER) of the health sector showed that 67% of the recurrent health

¹ The WB contribution of USD 20,000,000 at "inforeuro" rate of April 2010 (1,3482) is equivalent to EUR 14,834,594.

² The Swazi government's contribution of USD 2,000,000 at "inforeuro" rate of April 2010 (1,3482) is equivalent to EUR 1,483,459.

budget is spent on central urban hospitals and curative services while only 20 % was spend on rural clinics, despite the fact that clinics provide 80% of health care services.

The PER also showed that the Government of Swaziland is spending approximately USD 120 per capita per year, which rises to almost USD 170 per capita when cooperating partners contribution are added. The quality of services provided does not reflect this high level of per capita expenditure, suggesting considerable inefficiencies symptomatic of the lack of proper management and control systems. And lastly, due to the prevailing governance systems (dual modern/traditional system with absolute monarch) Swazis have little recourse or means for expressing their views as end users of the health systems.

The project will address four main problems.

Firstly, the project will improve the regulatory, planning, financial, and procurement systems of the Ministry of Health leading to “better value for money” in the sector.

Secondly, through the rehabilitation and proper resourcing of clinics and health centres (medicines, equipment and staff) – with a particular focus on maternity units and HIV/TB co-epidemic – it will readdress expenditure in favour of preventative rural basic health care. This will be complemented by the rehabilitation of nurse training facilities leading to the training of a greater number of midwives.

Thirdly, the piloting of cash transfers to 8,000 to 14,000 households with the Orphans and Vulnerable Children (OVCs) will increase access to health and education services and the meeting of basic needs.

And fourthly, through the development of a health charter and a scorecard system for the grading of services provided by health facilities it will allow Swazis to voice their views on the quality of the health services being provided.

There are three main sectoral policy documents; i) the 2007 National Health Policy (NHP); ii) the 2008 National Health Sector Strategic Plan (NHSSP) and iii) the 2009 Annual Action Plan (AAP). The National Health Policy (NHP) sets three overall goals which are: i) to reduce morbidity, disability and mortality; ii) to promote effective allocation and management of resources; and iii) to reduce the vulnerability of the population to social welfare problems. It also includes a number of guiding principles which are; i) respect of fundamental human rights; ii) transparency, accountability, predictability and fairness; iii) health services for all; iv) improved coordination within government; v) decentralisation; vi) partnerships between government and NSA and; vi) evidence based policy making.

The second level policy document is the National Health Sector Strategic Plan (NHSSP) which reflects and implements the NHP and shares the same mission statement and overall goals, although an additional goal related to the enhancement of health system capacity and performance is introduced.

The third level policy document is the Annual Action Plan (AAP) while it is based on the same structure as the NHSSP. The AAP provides a prioritised update of objectives and activities, as well as elements missing from the HSSP, such as the designation of responsibilities, a monitoring framework, and a budget.

The project fully supports both the NHSSP and the AAP taking its objectives and activities from these government policies. The project fully supports all seven guiding principles of the NHP.

2.2. Lessons learnt

The EU has limited experience in health sector in Swaziland with the only previous health related support being the HIV/AIDS Prevention and Care Programme (HAPAC) I and II (8

ACP SW 19 / 9 ACP SW 4. The main lessons that can be learnt from sectoral assessments are; i) the need to increase expenditure in primary preventative health care; ii) the need to improve the accountability, transparency and efficiency of health systems; iii) need to build capacity of The Ministry of Health ; iv) the need to move towards performance based on the memorandum of understanding (MoUs) with NSAs who currently receive 18% of the MoH budget; v) and the need for better coordination among stakeholders in the sector.

2.3. Complementary actions

The 9th EDF project on Support to Education and Training SET (9 ACP SW 3 – EUR 23 million) provides grants to primary schools in order to increase OVC enrolment, which can be seen as a complement to cash transfers provided under component 3 of this project. It is envisaged that under the 10th EDF (subject to approval of the 10th EDF MTR) there will be a second phase to the SET project. A key element of SET II (EUR 12.5 million) would be the development of a mechanism for making grants to schools, as the previous system of using small grants has proved unwieldy. The possibility of setting up a common mechanism for both the cash transfers under this project and the education grants for SET will be investigated.

Under the 10th EDF a Micro Project Programme (10 ACP SW 2 – EUR 5.39 million) will start in 2010, which includes a health component covering health centres, health staff housing and school sanitation facilities. Therefore this project will only focus on the rehabilitation of existing clinics and not extend to the construction of nurses housing, etc. The MPP Steering Committee has already agreed that its health activities will be coordinated with, and complimentary to, those of this project. The Delegation also has a number of health related grants with NGOs – Action Against Hunger (EUR 0.6 million), COSPE (EUR 2.15 million) and the Finish Red Cross (EUR 0.75 million).

2.4. Donor coordination

- No EU member states are present, or have ongoing activities, in Swaziland. The main donors in the health sector are the US (PEPFAR – USD 27 M), Global Fund (USD 115 M), WB (USD 20 M), EU (EUR 16.5 million), UN agencies (USD 27 4 M). The Taiwanese, through the University of Taipei, provides training and a medical mission. Donor coordination is nascent and is co-chaired by the Government of Swaziland and donors. The Health Partners Coordination Consortium (HPCC) is meant to meet twice a year; in April to review sector performance; and in October to agree on priorities for the next budget cycle. The project will help support the development of a clearer division of labour in the sector and a mapping of donor activities against the HSSP. The EU/WB support to the project is fully in line with the the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; a joint project will help reduce transaction costs. It is expected that once country procurement systems, which have recently be substantially improved, are finalised and assessed to be of an equivalent standard of EU/WB procedures, they may be used up to a specific threshold; the project is fully aligned to Government of Swaziland policies (NHSSP and AAP); no external PIU. Project Implementation Unit (PIU) will be established; and to date five joint missions have been conducted.

3. DESCRIPTION

3.1. Objectives

The overall objective of the joint project is to *"To improve the health and social welfare of the people of Swaziland by providing preventative, curative services that are of high quality, relevant, accessible affordable, equitable and socially acceptable"*. This is fully in line – although slightly narrower in scope – to the mission statement of both the National Health Sector Strategic Plan (NHSSP), and the National Health Policy (NHP).

The dual project purpose (equivalent to WB Project Development Objectives – PDOs) is to *"i) to improve access to and quality of health services in Swaziland with a particular focus on primary health care, maternal health, TB and waste management"*, and *ii) "to increase social safety net access for orphans and vulnerable children (OVC) through a cash transfer pilot."*

3.2. Expected results and main activities

Result 1. The planning, management and governance capacity of the Ministry of Health is improved (*supportive of Strategic Objectif (SO) 1 of the HSSP- approx 11 % of total budget*). Activities will strengthen the capacity of health care systems at different levels with respect to governance, management and performance. The establishment of a standard care package; quality assurance, oversight and coordination, support to financial management and the development of a sector wide approach.

Result 2. Access, quality and efficiency of services at health facilities will be improved (*supportive of SO 2 and SO 3 of the HSSP; approx 59% of total budget*). The two sub components are:

Result 2.A Services provided by selected clinics, health centres and hospitals are improved. In order to improve the quality of services being provided, especially services related to preventative health care, HIV/TB co-epidemic, and emergency obstetric and neonatal care, the following activities will be undertaken: (i) developing and disseminating guidelines and protocols; (ii) rehabilitating/renovating selected hospitals, health centres and clinics; (iii) providing essential equipment and supplies; (iv) strengthening the referral and transport system; and (v) building skills and capacity to manage health facilities (to be coordinated with the support under sub-component 1; (vi) improving health care waste management, provision of incinerators and waste pits.

Result 2.B Nurse training institutions are improved and train more nurses and midwives. As a complement to activities under result area 2.A the project will support will support the capacity building of nurse training institutions (University of Swaziland Faculty of Health Sciences, Nazarene College of Nursing and Good Shepherd Hospital) and will include: (i) development of a national strategic plan for nursing and midwifery; (ii) rehabilitation of training facilities; (iii) strengthening management capacity; (iv) revision of training curriculum to ensure Basic Emergency Obstetric and Neonatal Care (EmONC) skills for midwives; and (v) development of guidelines and manuals for mentorship.

Result 3. The impacts of HIV/AIDS will be partially mitigated (*approx 15 % of total budget*). This component aims to strengthen the capacity of the Department of Social Welfare (DSW) and the National Children's Coordination Unit (NCCU) to provide social safety nets for OVCs:

Result 3.A The OVC support management systems will be strengthened. Activities will include; (i) development of a comprehensive implementation manual (IM); (ii) development of a payment mechanism for the cash transfers; (iii) establishment of a management

information system; (iv) training for DSW and NCCU in project management, financial management and procurement, and in cash transfers; and (v) external monitoring and evaluation.

Result 3.B An OVC grant transfer mechanism will be established and implemented. This sub-component focuses on the provision of cash to households caring for OVCs with the objective to increase social safety net access for OVCs.

Result 4. Scorecards measuring citizen satisfaction with health services will be regularly produced. (*approx 6 % of total budget*). This component will help monitor the overall progress of the project by presenting citizens satisfaction with the level of services provided through both Government of Swaziland and NSA run health facilities. Activities will include the adoption of a sector wide health charter; the contracting of an NSA to produce regular scorecards as well as working with clinic and health centres on ways of improving services provided (capacity building element). It will be implemented by an NSA following a Call for Proposals.

3.3. Risks and assumptions

The following assumptions and risks have been identified:

- That there is political and macro-economic stability in Swaziland.
- The reduction in SACU revenues does not significantly affect the MoH budget.
- That the World Bank loan is approved by Cabinet and Parliament.
- That contributions from other major co-operating partners do not change significantly.
- That the MoH shows leadership in implementing the NHSSP, the AAP and project.
- That clinics are sufficiently staffed
- That the Government of Swaziland complies with any specified conditionalities.
- That the Call for Proposals is successful.

The conditionalities to be met under the project will be agreed during WB/Government of Swaziland negotiations due to take place.

The project may lead not only to a significant improvement in the quality of health services, and hence the health status of Swazi's, but also to efficiency gains meaning that "more can be done with less". This is particularly significant in view of reduced SACU revenues. The project will stimulate the demand for accountability of the Government of Swaziland by Swazis through the production of scorecards on the various health facilities; once started such processes are difficult to contain.

3.4. Crosscutting Issues

Cross cutting issues are integrated in the NHP and the NHSSP that the project supports. In fact one of the reasons for updating the NHP was to be consistent with the new Constitution and in particular with the 'Bill of Rights'. Similarly, one of the three pillars of the NHSSP seeks to reform health systems in order to improve institutional governance and accountability. With regards to gender the project will improve the provision of maternal health and family planning but also help address other health issues that have a disproportionate impact on women, such as HIV/AIDs. The jointly funded project component will address environmental aspects by helping to address the issue of medical waste. The WB will undertake a Strategic Environmental Assessment (SEA) and Environmental Impact Assessments (EIAs) will be carried out prior to any major construction work.

3.5. Stakeholders

Stakeholders and beneficiaries can be grouped into a number of overlapping groups.

- The ultimate beneficiaries of the project are the Swazi population as a whole (1 million) in particular; the poor (69%) and the rural population (77%). Primary interest is in receiving better health care services.
- The specific target groups vary depending on the activity but include; women; pregnant women; children under 5, orphans and vulnerable children (OVCs). Primary interest is in receiving better health care services.
- Doctors, nurses and other health staff, the majority will be indirect beneficiaries although some current and future nurses will be direct beneficiaries of both training and rehabilitation of the health facilities where they are employed. Primary interest is in receiving greater support and resources in order that they can provide better health care services.
- NSAs including NGOs and private sector. A number of NSAs are directly involved in the sector and play a key part in providing health care services. NGOs are seen as having a comparative advantage in the sector (experience; specialist knowledge; advocacy; agents of change; monitoring progress).
- Co-operating partners (US - PEPFA, World Bank, Global Fund, EU, Taiwanese). Primary role is providing funding, policy direction and holding Government of Swaziland jointly accountable.
- Government of Swaziland, notably the Ministry of Health, the Deputy Prime Minister's Office (DPM) as well as Ministry of Public Works. Role is to coordinate all stakeholders in sector and improve health service delivery. Capacity is weak, hence the need for capacity building in this project.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

A Financing Agreement will be signed between the European Commission and the Government of Swaziland. The project will be managed and implemented through a combination of delivery mechanisms:

i) Joint management through the signature of an Administrative Agreement between the World Bank and the EU Delegation. Components 1, 2 and 3 are managed by the WB, with components 1 and 2 implemented through the The Ministry of Health and component 3 implemented through the DPM's office.

The IBRD/World Bank will administer EU funds in accordance with the provisions of the Trust Fund and Co-financing Framework Agreement signed on the 20 March 2009.

ii) Partially decentralised management will cover component 4, which is implemented by a single grant contract to an NSA following a Call for Proposals.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > EUR 50,000 and may apply ex post for procurement contracts ≤ EUR 50,000 .

The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< EUR 300 000	≤ EUR 150 000 (EDF)	< EUR 200 000	≤ EUR 100 000

4.2. Procurement and grant award procedures

- For joint management components. All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the World Bank.

- For partially decentralised management components.

1) Contracts. All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the 10th European Development Fund.

2) Specific rules for grants. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80 %. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

4.3. Budget and calendar

The total project cost is estimated at EUR 32,780,000 of which EUR 16,500,000 shall be financed from the NIP in the framework of the revised Cotonou Agreement, EUR 14,800,000 by the IBRD/WB loan and EUR 1,480,000 by the Government of Swaziland. A future contribution from the grant beneficiary has not been budgeted.

In Euros (US dollars converted at inforeuro rate of April 2010)	EU	WB³	GoS⁴	Total
A. Administrative Agreement with WE	14,500,000	14, 800,000	1,480,000	30,780,000
B. Grant to NSA	1, 350, 000			1,350,000
C. Evaluation (MTR, ETR)	100, 000			100,000
D. Audit	50, 000			50,000
E. Contingencies	500, 000			500,000
Total	16, 500, 000	14,800,000	1,480,000	32,780,000

The foreseen operational duration is 72 months as from signature of the Financing Agreement.

4.4. Performance monitoring

Progress towards project objectives will be monitored by the following key performance indicators; a) percentage of health facilities that provide at least 5 essential primary health care services; b) TB case detection rate; c) percentage of births delivered in a health facility; d) number of OVCs supported with the cash transfer system.

4.5. Evaluation and audit

A provision for evaluations and audit is made although both WB and grant beneficiary are obliged to carry out audits and evaluations under their respective contracts within the amounts allocated to them.

4.6. Communication and visibility

Great importance is attached to visibility, which for components 1-3 are covered under “European Commission-World Bank Group Joint Visibility Guidelines”, an annex to the Administrative Agreement. Visibility actions for component 4 are covered under Article 6 of the General Conditions of the grant agreement. The rehabilitation of health centres and nurse training institutions and the production of health scorecards will be highly visible actions.

³ The WB contribution of USD 20,000,000 at inforeuro rate of April 2010 (1,3482) is equivalent to EUR 14,834,594.

⁴ The Swazi government contribution of USD 2,000,000 at inforeuro rate of April 2010 (1,3482) is equivalent to EUR 1,483,459.

ANNEX II

1. IDENTIFICATION

Country/Title/Number	SWAZILAND/Swaziland/Capacity Building Programme II (CBP II) for NAO support unit, line ministries and Non State Actors. CRIS n°: SZ/FED/22116		
Total cost	Project total cost : EUR 5,100,000, of which: - EU contribution: EUR 4,800,000 - Government of Swaziland : EUR 300,000		
Aid method / Method of implementation	Project approach : - Partially decentralised management - Centralised management		
DAC-code	151	Sector	Government and civil society

2. RATIONALE

2.1. Sector context

Swaziland's National Development Strategy (NDS) called "Vision 2022", was adopted in 1997 with a 25 year timeframe which privileges human development, notably education and health. Its overall aim is that by 2022 Swaziland is in the *"top 10 % of medium human development group of countries founded on sustainable economic development, social justice and political stability"*. The NDS was followed in 2007 by the Poverty Reduction Strategy and Action Plan (PRSAP) which both updated and operationalised the NDS. The PRSAP's overall aim is *"to reduce poverty by more than 50% by 2015 and ultimately eradicate it by 2022"* and is supportive of the Millennium Development Goals (MDGs).

The PRSAP highlights eight national priorities which are: i) fiscal prudence; ii) equitable growth iii) investing in people's education and health; iv) food security; v) increasing agricultural production; vi) investing in rural infrastructure; vii) reducing the vulnerability of the poor and viii) decentralisation and improved governance of institutions.

The Government of Swaziland is developing and updating sectoral policies and respective action plans across a number of ministries, prioritising health, education, agriculture and water and sanitation. The 10th EDF supports three of these four priority areas and the fourth is supported by use of 2007 FLEX funds through a EUR 14 million agriculture project⁵; all these sectors are critical for the achievement of the MDGs. The CBP II project, by improving all stages of project cycle management, will improve the efficiency and effectiveness of EU support in these four critical sectors and therefore support implementation of the PRSAP and assist progress towards achieving the MGDS.

Swaziland's classification as a middle income country is often misleading, given the high levels of poverty (69%), food insecurity (25-50% of population dependent on food aid) and

⁵ 9 ACP RPR 193 Swaziland Agricultural Development Programme which is implemented through a contribution agreement with the FAO.

co-epidemic of tuberculosis and HIV/AIDS (highest HIV and TB rates in the world). In 2009 Swaziland suffered a reduction in the Southern African Custom Union (SACU) receipts, due to the global crisis, which led to a 28 % reduction in the 2010/11 government budget.

Therefore Swaziland must not only turn around deteriorating trends in most MDGS but it has significantly less resources in order to do so. It is crucial that Swaziland makes better use of current donor funding by getting 'better value for money', but also looks to increase donor funding by increasing its absorptive capacity. EU support in Swaziland is encountering following four main problems:

(1) Lack of human resources at the National Authorizing Officer (NAO) support unit.

The NAO is currently the Principal Secretary (PS) of the Ministry of Economic Planning and Development (MEPD) who is supported by staff in the Aid Coordination Management Section (ACMS) of MEPD. The ACMS is responsible for donor grants. However the NAO /ACMS unit has four government officers who have to deal with multiple demands meaning that they are unable to dedicate sufficient time to EU projects. It is estimated that these four officers 'part time' are equivalent to 1.5 people full time, which is insufficient to deal with the current portfolio of projects.

(2) Insufficient familiarity with EU procedures and Project Cycle Management by line ministries and NAO.

Even at current levels of implementation EU funded projects are experiencing significant delays at all stages of project management. By end of 2009 global commitments under 10th EDF had reached only 6%. Current rates of contracting and payment would need to be significantly increased if the 9th and 10th EDF allocations are to be absorbed. The lack of familiarity of EDF procedures, coupled with a lack of control systems, meant that while EUR 11 million was paid under the both the EDF and Budget in 2009, an amount of EU 3 million was identified as to be recovered from previous and ongoing projects.

(3) Poor infrastructure for the NAO support unit. The four NAO support staff currently share two small offices in the building which houses MEPD and two other ministries. The offices are not conducive to good project management and also have extremely limited filing and archiving, a lack of proper information technology and office equipment and one meeting room for the whole ministry. Poor working conditions are also not favourable to attracting and maintaining qualified staff.

(4) Limited capacity and engagement of NSAs in the development process. The Cotonou Agreement underlines the important role that NSA actor can play in the development process. However the current governance situation has created a tense relationship between Government of Swaziland and many elements of civil society. In certain sectors, notably health, Government of Swaziland and NSAs work side-by-side. However, in other sectors dialogue between government and NSA is limited. In part this is due to a lack of national for a for dialogue, and in part due to the fact that NSAs are not well organised, reducing their potential advocacy role. Despite NSAs specific comparative advantages in certain areas most national NSAs have capacity and organisational constraints, which limit their participation in development processes and their ability to access funds in order to recruit more skilled staff for advocacy and project management. Few international NSAs are currently active in Swaziland.

2.2. Lessons learnt

A number of lessons have been learnt from the 10th EDF MTR, reviews of the Capacity Building Project (9 ACP SW 2); a systems audit of the NAO, and other projects. These include:

(1) There is an urgent need to increase the number of government and contract staff at the NAO support unit given the increased workload resulting from a 100% increase between 9th and 10th EDF allocations as well as an additional EUR 63.5 million under the EU Budget Line for Sugar (400% increase over 9th EDF levels).

(2) That capacity building effort can only be successful if government allocates adequate human resources for functions to be strengthened. In addition, clear job descriptions highlighting NAO duties and lines of accountability must be drawn up and enforced.

(3) Need for technical assistance (TA) to support capacity building and not just project implementation. While implementation support continues to be essential in the short term, there must be an agreed strategy for building a dedicated full time NAO support unit in the medium term (2-5 years). TA should not act as a substitute to government management.

(4) A systematic approach to monitoring projects activities and results needs to be adopted including the development of a NAO management information system.

(5) That training should be job orientated rather than academic.

(6) That while previous projects have shown that NSAs can be highly effective implementers they are often wary of working directly with government.

2.3. Complementary actions

Explicit complementarities exist between CBP II and all 9th, 10th EDF and EU Accompanying Measures for Sugar Protocol Countries (AMSP - BGUE- financed by budget line 21.06.03 of the EU Budget (SUCRE)) projects in Swaziland, given the key role that the NAO and NSAs play in project implementation. Swaziland's allocation under the 9th EDF was EUR 33 million, under the 10th EDF EUR 63 million with an additional amount of EUR 14 million from 2007 FLEX funds, and under the AMSP it has received EUR 63.5 million. While actions under the 2006, 2007 and 2008 Sugar Annual Action Programmes were centralised, from 2009 onwards they have been decentralised, resulting in greater responsibility for the Ministry of Economic Planning and Development (MEPD) / NAO.

There is a clear thematic division of labour between EDF and AMSP funds with the former focusing mainly on the social sectors, water for human consumption, sanitation, governance and the latter on the sugar sector, water for irrigation and infrastructure. Coordination of EDF and AMSP funds will be reinforced by merging the existing external project implementation unit with the NAO as from 1 January 2011. Not only will they be housed in the same building but it also means that the same unit (NAO) and individuals will have oversight for both EDF and AMSP funds. Thus synergies will be realized in terms of streamlined project management and use of funds with an aim to increase complementarities and to avoid overlaps.

2.4. Donor coordination

No EU member states are present or have ongoing activities in Swaziland. The main co-operating partners in Swaziland are the US, the Global Fund (EU participates in CCM meetings), the World Bank, the African Development Bank, Taiwan and nine UN agencies. Donor coordination is emergent with no explicit division of labour between donors. It is expected that the CBP II steering Committee will provide a platform for better coordination of EU projects. Given that the ACMS unit is responsible for donor coordination, capacity building under this project should lead to improved donor co-ordination.

3. DESCRIPTION

3.1. Objectives

The overall objective, which is fully in line with both EU development policy and Swaziland PRSAP, is: *"To assist in the reduction of poverty in Swaziland"*. The project purpose is: *"To improve the speed, the quality and the amount of EU support to Swaziland⁶"*.

3.2. Expected results and main activities

Expected results and indicative corresponding activities under each of these specific objectives are:

(1) The capacity of the NAO support unit is increased. The NAO support unit capacity is increased in terms of; i) the number of staff (both civil servants and contract staff), ii) the NAO staff are better trained in EU procedures, project cycle management and sound financial management; and iii) the NAO support unit is better resourced in terms of office space, office equipment and vehicles. Indicative activities include: i) recruiting staff and formalising job descriptions; ii) merging NAO and Restructuring and Diversification management Unit RDMU⁷; iii) training in EU procedures and establishing a training database; iv) setting up MIS for EU and other donor projects; v) improving control systems following recent systems audit; vi) drafting and implementation guidelines and action plans on cross cutting issues; vii) office rehabilitation and construction; viii) procurement of office equipment and vehicles; viii) improving coordination with NAO, NSAs, EU and other donors by supporting implementation of Paris Declaration and Accra Agenda.

(2) The capacity of line ministries⁸ and parastatals relevant to the 9th and 10th EDF are increased; line ministries and parastatal staff are better trained in EU procedures, project cycle management and sound financial management. Indicative activities include: i) training in EU procedures and establishing a training database; ii) setting up MIS for EU and other donor projects; iii) improving control systems following recent systems audit; vi) drafting and implementation guidelines and action plans on cross cutting issues; vii) improving coordination with NAO, NSAs, EU and other donors by supporting implementation of Paris Declaration and Accra Agenda..

(3) The capacity of Non-State Actors (NSAs) is increased. This component will be implemented through a Call for proposals which will create partnerships between an international NSA and local NSAs in order to build the capacity of local NSAs. As a result NSA capacities' will be increased in terms of; i) NSAs are better coordinated between themselves; ii) NSAs are better able to engage with Government of Swaziland with regards to advocacy and project implementation; iii) NSAs are better able to access EU and other donor funding. Indicative activities include: i) strengthening NSA networks; ii) improving coordination and dialogue with NAO, line ministries/projects and EU in particular in programme design, implementation and evaluation as well as with regards to the Joint Annual

⁶ This equates to Aidco's principle of 'More; faster; better'.

⁷ EU funded external PIU responsible for dealing with EU Sugar Accompanying Measures.

⁸ The line ministries directly involved, in addition to Ministry of Economic Planning and Development, in the implementation of 9th and 10th EDF projects included; i) Ministry of health, ii) Ministry of Education and Training, iii) Ministry of Natural Resources, iv) Ministry of Justice, v) Ministry of Agriculture, vi) Ministry of Public Works, vi) Ministry of Finance, and vii) Ministry of Trade.

Report (JAR).; iii) sub-granting; iv) training on all aspects of project cycle management; v) drawing up and implementing of guidelines and action plans on cross cutting issues.

3.3. Risks and assumptions

The main assumptions and risks affecting the project include (mitigating measure are show in italics)

- That there is political and macro-economic stability in Swaziland.
- That Government of Swaziland maintains existing staff levels and creates additional positions in the NAO support unit. (*Has been included as a special condition in the TAP*)
- That NAO staff turnover is minimised. (*The NAO has adopted the similar terms and conditions for contract staff as EU staff including health benefits for extend family*)
- That capacity building is effective and the focus moves from implementation support to capacity development over time. (*NAO staff will sit exams on procedures and PCM before and after training, acting as an incentive to maximise capacity building*)
- That the Call for Proposals for NSA capacity building and the tender for long term TA are successful.
- That Government of Swaziland and NSAs are willing to engage in meaningful discussions.
- Suitable office space is available. (*Appropriate interim and long term solutions have been identified and costed*).

Sustainability rests predominately on the project's ability to demonstrate that an enlarged and better performing NAO will increase Swaziland absorptive capacity and so lead to greater funding from the EU and other donors.

3.4. Crosscutting Issues

While CBP II will directly support the sound financial management aspects of governance. The integration of other cross cutting issues including; i) human rights, ii) good governance, iii) gender, iv) HIV/AIDS and v) environment will be tackled in two main ways. Firstly, the long term technical assistance (TA) contract will assist both the CBP II project, and all other EDF and Budget funded projects in Swaziland, to draw up simple concise guidelines and action plans on how projects can best integrate these five cross cutting issues and monitor progress and follow their implementation. Secondly, CBP II includes a specific budget line for cross cutting actions. In order to access funds under this budget line, cross cutting activities must be undertaken.

3.5. Stakeholders

The key stakeholders and beneficiaries are as follows:

- **NAO support unit, ACMS and MEPD** will be direct beneficiaries. Their key role is to coordinate, with assistance from the EU Delegation, all decentralised EU funding at all stages of the project management (programming, identification, formulation, implementation and evaluation).
- **Government line ministries and parastatals**⁹ relevant to the 9th and 10th EDF projects will be direct beneficiaries. Line ministries often act as Supervising Authorities on behalf

⁹ Including: Ministry of Education and Training, the Ministry of Agriculture, the Ministry of Health, the Ministry of Natural Resources and Energy, the Ministry of Public Works and Transport and Parastatals such as Swaziland Water and Agriculture Development Enterprise, Swaziland Water Services Corporation

of the NAO. All implementation transactions (tenders, contracts, payments and replenishments) are initiated by line ministries and projects and they therefore have a direct bearing on the quality of operations.

- **NSAs, in particular civil society organisations and NGOs** will be either be direct beneficiaries (both the grant beneficiary and those NSAs that take part in the capacity building) or ultimate beneficiaries. NSAs play key roles in advocacy and project implementation in all sectors and are representative of different sections of Swaziland society. During MTR consultations NSAs complained of a lack of understanding of EU projects and highlighted the need for dialogue with both EU and Government of Swaziland.
- **Swazi population** are the ultimate beneficiaries as better project management by all key actors (line ministries, NAO, NSAs and EU Delegation) will lead to faster and better development results in the short term, and in the longer term, potentially a greater allocation of funds for Swaziland.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

A Financing Agreement will be signed between the Commission and the Government of Swaziland. The project will be managed and implemented through a combination of delivery mechanisms:

- Centralised management: The component "Capacity building to NSA" will be centralised. A grant will be awarded by the Commission on behalf of the Beneficiary.
- Partially Decentralised Management: The other components will be implemented by direct decentralised operations, service and supply contracts.

A Long Term Technical Assistance will be recruited to assist in project implementation but over the course of the project the focus of the TA will shift towards training. A prior approval will be requested in order to launch the Technical Assistance tender before the decision is adopted.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > EUR 50,000 and may apply ex post for procurement contracts ≤ EUR 50,000 .

The Commission controls ex ante the contracting procedures for all grant contracts. Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< EUR 300,000	< EUR 150,000	< EUR 200,000	≤ EUR 100,000

4.2. Procurement, grant award procedures and programme estimates

1) Contracts. All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the 10th EDF.

2) Specific rules for grants. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 90%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.

3) Specific rules on programme estimates: All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

4.3. Budget and calendar

The total estimated budget for the action is EUR 5,100,000 of which EUR 4,800,000 financed from the NIP in the framework of the Revised Cotonou Agreement, EUR 300,000 by Government of Swaziland. A future contribution from the grant beneficiaries has not been budgeted.

Component	EU contribution in EUR	Government contribution in EUR	Total Amount in EUR
Support to NAO and line ministries- <i>PEs, works, supply & service contracts.</i>	1,977,000	300,000	2,277,000
Support to NSAs – <i>grant</i>	1,000,000		1,000,000
Technical Assistance – <i>service contracts</i>	1,250,000	-	1,250,000
Cross cutting issues – <i>PEs, supply & service contracts.</i>	150,000	-	150,000
Evaluations and audits – <i>service contracts.</i>	125,000	-	125,000
Visibility – <i>PEs, supply & service contracts.</i>	48,000	-	48,000
Contingencies	250,000	-	250,000
Total	4,800,000	300,000	5,100,000

The foreseen operational duration is 72 months as from signature of the Financing Agreement.

4.4. Performance monitoring

A high level project Steering Committee will be established to oversee and validate the overall direction and policy of the project and to monitoring progress on all EU funded project in Swaziland. A systematic approach to monitoring projects activities and results need to be adopted including the development of a NAO management information system. Monitoring will be closely linked to the mid and end of year quantitative performances for Swaziland.

4.5. Evaluation and audit

A mid term and end of term evaluation will be undertaken. Regular audits of programme estimates will be undertaken during implementation with a final project audit after the end of activities.

4.6. Communication and visibility

The NAO will ensure maximum visibility of this project as well as ensuing that all other EU funded projects in Swaziland have visibility plans and monitor that their implementation is in line with EU visibility guidelines.