New Partnership for Africa's Development (NEPAD)

Comprehensive Africa Agriculture Development Programme (CAADP)

Food and Agriculture Organization of the United Nations

Investment Centre Division

GOVERNMENT OF THE KINGDOM OF SWAZILAND

SUPPORT TO NEPAD–CAADP IMPLEMENTATION

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Volume III of VI

BANKABLE INVESTMENT PROJECT PROFILE

Promotion of Value–Adding Activities in Agriculture

February 2005

SWAZILAND: Support to NEPAD–CAADP Implementation

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NEPAD–CAADP BANKABLE INVESTMENT PROJECT PROFILE

Country: Swaziland

Sector of Activities: Processing

Proposed Project Name: **Promotion of Value–Adding Activities in Agriculture**

Project Location: Country wide

Duration of Project: 5 years

Estimated Cost:
Foreign Exchange..... US$1.79 million
Local Cost ..... US$1.61 million
Total..... US$3.40 million

Suggested Financing:

Source	*US$ million*	*% of total*
Government	1.02	30.1
Financing institution(s)	2.21	65.1
Beneficiaries	0.17	4.8
Private sector	–	–
Total	***3.40***	***100***

SWAZILAND:

NEPAD–CAADP Bankable Investment Project Profile

"Promotion of Value–Adding Activities in Agriculture"

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Abbreviations

CAADP	Comprehensive Africa Agriculture Development Program
CAPM	Commercial Agriculture Production and Marketing Project
CSO	Central Statistics Office
EIA	Environmental Impact Assessment
FINCORP	Finance Development Corporation of Swaziland
GDP	Gross Domestic Product
GOS	Government of Swaziland
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
KDDP	Komati Downstream Development Project
LUSIP	Lower Usuthu Smallholder Irrigation Project
NAMBoard	National Agriculture Marketing Board
NEPAD	New Partnership for Africa's Development
NGO	Non–governmental Organisation
NMTIP	National Medium–Term Investment Programme
MEE	Ministry of Enterprise and Employment
MEPD	Ministry of Economic Planning and Development
MOAC	Ministry of Agriculture and Cooperatives
MOHSW	Ministry of Health and Social Welfare
PCU	Project Co–ordination Unit
RSA	Republic of South Africa
SACU	Southern African Customs Union
SEA	Swaziland Environment Authority
SEDCO	Small Scale Development Company
SKPE	Swaziland Komati Project Enterprise
SME	Small– and Medium–sized Enterprises
SNL	Swazi National Land
STH	Swaziland Trading House
TEBA	The Employment Bureau of Africa
TDL	Land under Title Deed
UNISWA	University of Swaziland
USAID	United States Agency for International Development
WTO	World Trade Organisation

I. PROGRAMME BACKGROUND

A. Programme Origin

I.1. In the late 1990s, the *Ministry of Agriculture and Co–operatives* (MOAC) requested the Commonwealth Secretariat to assist in the development of value adding activities and diversification in agriculture. The Secretariat responded to this request by fielding a two man mission in 2000, which produced a report in two volumes, titled *"Opportunities for value added investments in the smallholder agriculture sector and review of canning licensing policy in Swaziland"*. Essentially the study concluded that there were still some limited opportunities for value adding and the development of alternative crops in Swaziland. It also identified policy interventions that would have to be made in order for these opportunities to be realised. In particular, it recommended that the existing exclusive canning license that was issued to one fruit canning company in 1993 and running until 2008 would have to be re–negotiated and variated. The report also identified the need for having an institution that would be mandated with nurturing the development of agro–processing activities in the country. For policy co–ordination among players involved, an inter agency committee involving all stakeholders was proposed. Very little action has happened on the ground since this report was prepared. On the positive side is that the holder of the exclusive canning license has approached the government with the intention of re–negotiating the license. This presents an opportunity for Swaziland to implement a project for the development of agro–processing (especially food processing).

I.2. A project aimed at promoting value–adding (including processing) activities in the country is therefore proposed. This project will be integrated and focus not only on specific areas where value adding activities will be piloted but also at improving the whole supporting framework that is required for value–adding activities to flourish in the country. This includes institutional support in key areas such as food safety and regulation, skills development especially in food science and institutional support to the *Home Economics Section* of MOAC — which is expected to play the leading role in the promotion of food processing.

I.3. This project falls within CAADP pillar 2 *"Improvement of rural infrastructure and trade–related capacities for improved market access"* and cross–cuts to pillar 3 *"Enhancement of food supply and reduction of hunger"*.[1]

B. Country Information and Challenges

I.4. Swaziland is a landlocked country with a land area of approximately 17,364 square kilometres that is divided into six agro–ecological zones based on elevation, topography, climate, geology and soils: Highveld, Upper and Lower Middleveld, Western and Eastern Lowveld and Lubombo Range. Swaziland has a subtropical climate with summer rains (75 percent in the period of October till March) and distinct seasons. All regions receive a distinct seasonal rainfall, most of which falls in summer (September to March), whilst little or no rain is expected over the other months. The climatic conditions range from sub–humid and temperate climate in the Highveld to semi–arid climate in the Lowveld..

[1] The CAADP Pillars are:
1. Expansion of the area under sustainable land management and reliable water control systems.
2. Improvement of rural infrastructure and trade–related capacities for improved market access.
3. Enhancement of food supply and reduction of hunger.
4. Development of agricultural research, technological dissemination and adoption to sustain long–term productivity growth.
5. Sustainable development of livestock, fisheries and forestry resources.

I.5. Swaziland's population was projected at 1.01 million in 2002 of whom 73 percent live in rural areas. Its Gross Domestic Product (GDP) per capita in 2002 was US$1,180 and it is ranked 133 out of the 175 countries covered by the United Nations Development Programme's (UNDP) Human Development Index (HDI). The World Bank classifies Swaziland as a Lower Middle Income Less Indebted country. However, the incidence of poverty is very high and 2001 *Central Statistics Office* (CSO) estimates are that 69 percent (up from 66 percent in 1995) of the population live below the poverty line of about US$20 per person per month. The income distribution is also highly skewed with the richest 20 percent accounting for 56.4 percent of national consumption and the poorest 20 percent accounting for only 4.3 percent..

I.6. The performance of the Swazi economy has generally been sluggish for the better part of the 1990s and the new millennium. Economic growth for the 1997/98–2003/04 period is estimated at an average of 2.7 percent whilst population growth is at 2.9 percent. This implies declining income per capita. Unemployment is also very high. Although statistics is poor, many observers agree that unemployment may well be over 40 percent for some age groups, especially the youth.

I.7. Part of the sluggish performance of the Swazi economy emanates from the changed regional and global environment. The two most important developments of the 1990s in the Southern African region are the democratic reforms in the Republic of South Africa (RSA) and the end of civil war in Mozambique. One major implication of these otherwise very positive developments is that competition for investment has become stiffer and countries like Swaziland have started loosing out. There has also been a direct loss in employment opportunities for Swazis working in South Africa, especially mine workers who are being retrenched in numbers. *Ministry of Enterprise and Employment* (MEE) data show that the number of Swazis registered with *The Employment Bureau of Africa* (TEBA) — mainly miners — dropped from 15,892 in 1994 to only 8,308 in 2000.

I.8. At the global front, trade liberalisation under the *World Trade Organisation* (WTO) framework means competition in world and the domestic market is increasing. Some of the special dispensations that some Swazi products have been enjoying in some markets (such as in the European Union and the United States of America) are under threat and are being reviewed. Local industries are therefore under pressure to restructure in order to remain competitive. This has already lead to a number of job losses, a trend that is expected to continue in the medium term.

I.9. All this is happening at a time when the country is also grappling with a serious HIV/AIDS pandemic. The national prevalence rate is now estimated at 38.6 percent. The highest prevalence rates are found among the 15–49 year age group, which forms the skilled and most productive segment of the population. The HIV/AIDS pandemic has come with a number of problems including that of increasing numbers of orphans and vulnerable children.

I.10. Prospects for economic performance are not optimistic in the short to medium term. The *Ministry of Economic Planning and Development* (MEPD) forecasts economic growth averaging 2 percent over the medium–term. The openness and smallness of the Swazi economy renders its performance to be mainly dependant on the external environment. Important determinants for economic performance remain the country's ability to attract and retain investment (both foreign and local) which requires macro–economic stability and fiscal discipline. For an essentially agro–based economy, environmental factors such as the weather are also very important determinants of economic performance.

C. Agriculture Sector, Value Adding and Diversification

I.11. The direct contribution of agriculture to GDP has been declining from a high of about 40 percent at independence (1968) to around 10 percent in 2002. However, the sector remains very important considering that it provides most of the raw materials used in manufacturing. Agriculture is also of great importance in terms of employment and provides over 20 percent of all formal sector jobs. *Swazi Nation Land* (SNL) also provides a large number of jobs on which unfortunately no formal statistics is available. It suffices to mention that over 70 percent of the population live in rural areas where farming dominates economic activity, if not in terms of earnings then in the amount of time dedicated to it.

I.12. Food processing is a very important sector in Swaziland and contributes substantially to GDP. At present, this sector is dominated by a few relatively large enterprises processing a few crops such as sugar, pineapple and citrus. There are also one or two processing industries dealing in beverages and confectionery. Some of these industries are multinationals that relocated to Swaziland from the RSA during the late 1980's mainly as a strategy for avoiding sanctions. Some observers have suggested that the then lower sugar price in Swaziland compared to South Africa was also an attraction. These companies tended to have very little backward linkages with the local agriculture sector i.e. outside sugar. It is therefore not surprising that a number of these tended to leave Swaziland after the democratic reforms in South Africa. A more recent closure is Bromor Foods, which relocated to RSA in 2001. Bromor was mainly manufacturing the Brookes and Moirs brand of squashes and jellies.

I.13. Besides the few relatively large food processing industries, there is a serious dearth of small and medium sized food processing industries. This is considered a constraint for agricultural development since a vibrant agro and food processing sector also serves to provide a market outlet for agriculture products.

I.14. Swazi agriculture also suffers from mono–cropping. According to the *2002 Annual Agriculture Survey*, maize still accounts for over 70 percent of area planted on SNL. Land under Title Deed (TDL) is dominated by sugar cane and there is evidence that land previously planted to citrus is being converted to sugar cane production. The two largest development initiatives that government has embarked on in agriculture over the last decade namely the *Komati Downstream Development Project* (KDDP) and the *Lower Usuthu Smallholder Irrigation Project* (LUSIP) are also anchored around one crop: sugar cane. At full development, the two projects will bring another 18,000 ha under irrigated agriculture.

I.15. There are however a few efforts at diversification that have been tried by different agencies. These include the following:

- Production of vegetables (mainly tomato and green pepper) under the *Commercial Agriculture Production and Marketing Project* (CAPM): MOAC and USAID;
- The *Oyster Mushroom Production Project*: UNDP, *Tibiyo Taka Ngwane*[2] and MOAC;

[2] *Tibiyo Taka Ngwane*, whose name means "core of the Swazi nation", was established through a royal charter in 1968 to complement government's development efforts. Tibiyo's significant growth enables it to be funded entirely through internally generated resources. The organisation possesses a portfolio of some 30 diverse interests embracing mining, manufacturing, property, finance, agriculture, tourism and transport, among others. These are held in trust for the Swazi nation and in many cases operate in partnership with other major companies and international development agencies. Profits are reinvested into further activities,

- The *Groundnut Production Promotion Project*: the Kellogg Foundation;
- Promotion of sweet potato and cassava, especially in the Lowveld: MOAC;
- The Lavumisa High Value Vegetable Project: private sector initiative involving the local community;
- The *Marula Processing Project*: Kellogg Foundation and MOAC.

I.16. Some of these projects are still ongoing and therefore prematurely to judge. However in general, results have not been encouraging among those that have completed.

I.17. The next section attempts to explain briefly the regulatory environment under which food processing businesses operate in Swaziland. It comes out from this section that there are probably too many legislations, required licenses as well as players governing the operation of food processing businesses in the country. This is an area which government has to correct if she is to promote the entrepreneurship spirit required for business to thrive.

D. The Regulatory Framework for Food Processing

I.18. The regulatory framework for food processing is partly a legacy of the past and is quite complex and confusing. Several legislations control the operation of food processing businesses in Swaziland. The most important of these is the *Canning Control Act* of 1961. This Act empowers the Minister responsible for agriculture to issue a license to businesses that "can" food. The definition of "canning" is quite broad such that effectively it covers food processing in general. Other food processing–related legislations also under the control of the Minister responsible for agriculture are the *Cereals Millers Act* and the *Slaughter Houses Act*. These Acts license milling operations and abattoirs respectively.

I.19. The MOEE licenses businesses so that they can trade i.e. to be able to actually sell their products. This is done through the *Trading License Order* of 1975. The same Minister administers the Shop Hours Act of 1955 and the *Registration of Business Act* of 1933. The importation of some "sensitive" products (such as second hand cars) require an import permit which is obtained from the Ministry for Finance. Other import controls apply to agriculture products that are listed as "scheduled" in terms of the *National Agriculture Marketing Board* (NAMBoard) *Act*. The importation of such products requires a special permit from NAMBoard. Other controls are for sanitary and phytosanitary purposes and these are handled by relevant departments of the Ministry of Agriculture and Co–operatives.

I.20. A key player in food safety regulation is the *Ministry of Health and Social Welfare* (MOHSW). MOHSW administers the *Public Health Act* which empowers the Minister to appoint health inspectors who have a right to enter into business premises to inspect hygiene standards both at the factory and shop level. However both MOHSW and MOAC are involved in issues of food safety (especially on animal products) and the exact demarcation of responsibility is sometimes not very clear. Through its licensing of canning industries and cereals millers the MOAC is also involved in business licensing. One would normally expect business licensing to be the responsibility of the

which are always to benefit the country and its people. Tibiyo Taka Ngwane is headed by the H.M. the King under whom fall the main committee. Tibiyo invests mainly in large joint ventures with both foreign and local technical partners who take equity stakes and provide shareholder loans. Tibiyo's shareholding is usually between 25 and 50 percent. The technical partners are expected to provide management.

ministry responsible for commerce (MOEE in this case) with other interested departments making specialist input during the consideration of the license application.

I.21. There are ongoing efforts though aimed at streamlining the involvement of the different players in food regulation as well as at improving communication and collaboration. MOAC through FAO support, has prepared a *Food Bill*, which aims at providing a framework for regulating food safety and standards at the primary production level. MOHSW has also prepared a *Public Health Bill* whose aim is to safeguard public health, which also includes enforcing issues to do with food safety. To improve communication and collaboration among players, a *National CODEX Committee*[3] has been created understandably with support from FAO. This committee now provides a forum for discussing food safety and standards issues across all concerned institutions. Parliament has also approved the establishment of a *Standards Authority* in the country under MOEE. This body will be responsible for promoting, certifying and enforcing (in case of compulsory) standards in the country. However the extent to which the proposed legislations will assist in addressing the confusion indicated above remain to be seen.

I.22. An issue that still complicates the environment for food processing is the fifteen year exclusive canning license which the then Minister for Agriculture and Co–operatives issued to a fruit canning firm in 1993. This license gives this firm exclusive rights to can food (except milk, meat and beer) over the period 1993 to 2008. It is understood that the spirit of the license at the time was to avoid company closure and the retrenchment of hundreds of employees. It is also understood that the license was intended mainly to "protect" the main raw materials of the company which essentially are pineapple and citrus. However the license was crafted with loopholes such that as it stands it virtually gives this firm sole rights to process food in general, with the exceptions indicated above. As already indicated earlier, MOAC has engaged in discussions with this firm with a view to relaxing the exclusivity and restrictiveness of the license

II. PROJECT AREA

II.1. As described in more detail under section IV.B below, the proposed project has four components (excluding project management) among which three will be national in focus and one area specific. Components that will be national are (i) institutional support to the Home Economics Section under MOAC; (ii) support towards human resource development in food science; and (iii) institutional support towards improving the regulatory environment for food hygiene, standards and safety. The component that will be area specific is the actual piloting of community based food processing schemes. The exact locations of these pilots have not yet been fully identified and this will be done as part of the project. An important point to be noted is that raw material for processing will be sourced from wherever it is economic to do so. Hence the physical sitting of processing facilities should not be seen as a strict definition of project boundaries. There is however a strong case for considering the following two sites during the first three years of this five year project:

II.2. ***Pilot Area 1:*** ***Falling within Northern Hhohho***. This region has a good supply of mango. Several products can be made from mango including jams, chutney, fruit juice etc. However, since consumers demand a wider choice and profitability comes with capacity utilization, other fruits and crops will be processed. These will include guava (for jam & juice), melon (for jam), pumpkin (for

[3] The *"Codex Alimentarius"* is a collection of international standards for the safety and quality of food as well as codes of good manufacturing practice and other guidelines to protect the health of the consumer and remove unfair practices in international trade.

jam), tomato (for jam and juice), oranges (for jams and juice). Generally, the range of fruits and crops used and products developed will continuously be widened as part of product development. The northern Hhohho region has distinct advantages in that it is well served by a well resourced *Rural Development Area Centre*, a farmer training centre (kaGesawu) and is close to other sources of raw material such as citrus at Ngonini Estates within Swaziland. There are also possibilities for importing some fruit from South Africa, some 80–120 kilometres away.

II.3. ***Pilot Area 2:* Falling within the Komati Downstream Development Project.** Government has invested heavily in irrigation development in the KDDP and continues to do so under the LUSIP. This creates opportunities for growing vegetables relatively easily and specifically for processing. It is therefore proposed that one food processing scheme be based in the KDDP area. This pilot scheme will primarily target the processing of vegetables. Targeted vegetables include tomato, chili, onions, cabbage, pepper and possible products include sauces, atchars, soups, chutneys, pickles. There are also possibilities for growing crops that are considered to have medicinal properties such as *inkakha* and *inshubaba (Momordica involucrata* and *M. foetida)* and *emahala (Aloe vanbalenii* and *A. saponaria).*

II.4. A lot of community mobilisation has already been done by the *Swaziland Komati Project Enterprise* (SKPE) in the KDDP area as part of the irrigation development project and there are number of vibrant farmer groups which if assisted should be able to spearhead this initiative. Therefore a lot of social capital and cohesion already exists in these communities and this should contribute positively to project success.

II.5. ***Future Expansion.*** The full duration of this project is five years but it will start by being piloted first for three years. As lessons are learnt from the pilot, the initiative will be expanded to cover more areas, crops and products. Other possible foods to be considered in the future include sweet potato, cassava (could be used for flour making). Other wild fruits such as *tineyi* (*Berchemia zeyheri*), *marula* (*Sclerocarya birrea* subsp. caffra), etc. will also be considered. There is already an ongoing national project promoting the processing of marula. Although the marula project is only just a few months into implementation, there clearly are opportunities for the two projects to co–operate and learn from each other.

II.6. The following criteria will be important in considering the final selection of pilot areas and future expansion:

- ***Economic considerations:*** there has to be a distinct economic advantage for sitting a food processing scheme in any particular area. This could include strategic advantages such as proximity to raw materials or to the target market;
- ***Community participation:*** processing schemes will have to be in communities where people show the enthusiasm that is required for project success;
- ***Climatic suitability:*** in cases where it will be necessary to grow crops specifically for processing, climate would obviously be an important determinant;
- ***Socio–cultural:*** care should be taken that food processing operations do not conflict with the socio–cultural setting in the community.

II.7. In spite of its small size, Swaziland is blessed with a good climate that varies widely mainly according to altitude. This allows for a wide range of agriculture products to be grown and over a much longer growing season. In recent years, Swaziland has started investing aggressively in irrigation development. It is expected that over the next 10 years, at least 2,000 ha of land will be put

under irrigation every year. Most of this irrigation development is in the Lowveld, which has good soils as well as a much longer growing season due to its warmer temperatures, even in winter.

II.8. Swaziland is also blessed with a variety of crops that grow in the wild in appreciable quantities. Wild fruits available in appreciable quantities include guava, marula, tineyi and others. Other fruit also available in significant quantities include mango, peaches, paw paw and some fruit mainly grown by large TDL farmers, such as citrus and pineapple. This together with the fact that the increasing area being put under irrigation will now make year–round production of vegetables much easier should be taken advantage of and a vibrant food processing sector developed. Establishing an agro processing industry – especially food processing– is expected to help "pull" farmers produce in much the same way that sugar processing has done for sugar cane farmers.

II.9. The uncertainty over the long–term profitability of sugar also gives impetus to the need to start searching for opportunities in terms of alternative crops and activities to pursue in some of these irrigation schemes.

III. PROJECT OBJECTIVES

III.1. The ***overall objective*** of the project is to improve and diversify livelihoods in rural communities through supporting and promoting value–adding in agriculture and putting in place the infrastructure that is required to make these activities sustainable.

III.2. Other more ***specific objectives*** of the project are:

- To pilot food processing schemes in selected locations so as to help participating communities to improve their standard of living;
- To support the development of the skills required to nurture a vibrant food processing industry in the country;
- To support and strengthen the key institutions involved in the regulatory framework for food hygiene, safety and standards so that they do their work more efficiently and effectively;
- To provide appropriate redirection to the Home Economics Section of MOAC so that it is adequately capacitated to drive and nurture value–adding activities in agriculture, especially at the SME and cottage industry level;
- To diversify the agriculture sector by helping provide a reliable local market through food processing, thus reducing the vulnerability of the sector.

IV. PROJECT DESCRIPTION

A. Project Outline and Principles

IV.1. The world market for conventional agriculture crops is quite saturated and competition is tough. Most agriculture products are commodities, which means that margins are low and profitability derives from economies of scale. The small size of the country and its land tenure system that inadvertently seems to encourage land fragmentation means that economies of scale is not a strength

for Swazi agriculture, especially on SNL. The strategy of the project therefore is to support and nurture value–adding activities in agriculture, thus providing an opportunity for Swazi products to compete not only at the basic commodity level but also at the processed product level. Processing presents another opportunity for Swazi agriculture to penetrate world markets.

IV.2. Value adding in Swazi agriculture has for a long time been confined to a few large to medium sized operations mainly dealing in crops that are primarily produced by TDL farmers. Therefore outside these large establishments, knowledge and skills in the area of food processing are very scarce. It is for this reason that besides just piloting food processing at a few sites, the project will also make interventions aimed at ensuring that the whole framework required to support the development of a sustainable food processing sector is developed and strengthened. This will include interventions aimed at (i) ensuring that training institutions, particularly the *University of Swaziland* (UNISWA) are assisted to produce the skills required by the food industry; (ii) supporting the development of the regulatory framework for promoting and supporting food standards and safety; and (iii) creating capacity within those institutions that have a primary role in promoting food processing so that they play their role more effectively, in particular the *Home Economics Section* of MOAC.

IV.3. The main thrust of the project will be to pilot the establishment of food processing schemes starting with two communities during the first three years and spreading to two others during years four and five. At the initial stages, the schemes will target products that can sell firstly in the local market and secondly in neighbouring countries such as Mozambique and the SACU region.

B. Project Components

<u>Component 1:</u> Pilot food processing schemes in four locations (starting with two) aimed at helping participating communities to improve their standard of living

IV.4. Two communities will be selected as pilot areas. The proposed locations, crops to be processed and products to be developed are tentative at this stage and final selection will be done as part of project implementation. Annex two shows that there is a total of about 10,142 ha of land that is under crops that could be considered for processing. Of these about 1,222 ha are fruit (including mango, peaches, paw paw), 90 ha are vegetables and 8,830 ha are crops such as pumpkin, melon, sweet potato and groundnuts. Information on actual production is weak and obviously unavailable for wild fruits. Irrigation schemes such as the KDDP have already made more land potentially available for both fruit and vegetable production. Discussions with Eswatini Kitchen, a successful small food processing project (handling 200–250 tons of fruits and vegetables annually) based in Manzini revealed that there is an ample supply of raw materials `especially mango and vegetables. It is proposed that projects of a comparable size to Eswatini Kitchen be started in each of the four pilot sites. However the proposed approach is that projects should start small and grow with the market.

IV.5. As already indicated proposed sites for the pilot phase (first three years) are one area in the northern Hhohho region and another in the KDDP. The main target crop in the northern Hhohho is mango and target products are jams, chutney and fruit juice. Other crops such as guava, melon, tomato, oranges, grapefruit and others will be used so as to widen consumer choice and improve capacity utilisation. In the KIDP area, the target crops are vegetables especially since the water and irrigation development in the area presents an opportunity for a steady supply of raw material and hopefully at reasonable prices if farmers can be efficient. Targeted vegetables include tomato, chilli, onion, cabbage, pepper. Possible products that could be made include sauces, puree, atchars, chutneys, pickles. There are also possibilities for widening the crops grown into those considered to have medicinal properties such as *inkakha* and *inshubaba* and *emahala* (cf. II.3 above). Products possibly in

the form of spices could be developed from these. The final choice of crops and products will be continuously widened as part of the product development that will be an important part of this project. SKPE is also promoting diversification among farmers within the KDDP and are generally welcoming to ideas on alternative crops to grow.

IV.6. ***Specific activities*** under this component will include the following:

- Conducting market research to help finalise the choice of target crops and products whose processing will be promoted;
- Mobilising communities and forming them into legally recognized entities (such as co–operatives, associations or *Community Trusts*) and final selection of two pilot areas where the programme will start;
- Conducting a training needs assessment and providing the required training to participating communities. Training is to cover areas such as group formation and dynamics, processing technologies and equipment, business management, food marketing etc.;
- In a participatory manner, the project will get participants to agree on the preferred mode for organizing production i.e. whether production would be collective or individual or two or three women working together. Whatever the preferred choice would be, the project will still provide basic central processing facilities (pots and stoves), storage facilities — especially for raw materials — laboratory equipment, packaging equipment within each pilot area. What is certain at this stage is that for quality control, the marketing and possibly the packaging and labelling (at initial stages) will have to be done centrally by the project. A lot of training on and monitoring of quality, hygiene and standards will have to be done to ensure that there is uniformity in products;
- Development and implementation of a marketing strategy. Marketing will be a very important component of this project and a budget has been provided for a food marketing expert who will be available throughout the life of the project. Some assistance will also be provided to up–coming SME processors to participate in events that promote their products e.g. food fairs (preferably within the region, especially RSA). Some marketing of Swazi food will also be targeted at the tourist industry, local restaurants, institutions such as schools, hospitals, kitchens for the disciplined forces etc. For marketing, the project will also utilize the services of the newly established *Swaziland Trading House* (STH) under the MOEE. According to MOEE, STH's objective is to *"promote exports of products supplied by Swazi SMEs"* The thinking behind STH is that there can be economies of scale if SMEs did collective marketing of their products in foreign markets.
- Providing financial assistance to pilot SME food processing projects. To get things off the ground, it is proposed that a special *Revolving Fund* be established along the lines of the ones operated by the *Finance Corporation of Swaziland* (FINCORP) for maize and dairy farmers. Being a promotional pilot project, it may be desirable for the credit advanced to be concessional, especially to first time borrowers who are just establishing.
- Providing advocacy for the SME food–processing sector. This would cover issues that affect the sector such as legislation and policy, those affecting prices of raw materials (due e.g. to existing high tariffs and trade controls on important processing inputs such as sugar). Other issues would include the policy and legislation relating to the issuing of permits required by food processing businesses, food safety and others. Also government

institutions will be lobbied so that they simplify their procurement procedures and make them more friendlier to SMEs;

<u>Component 2:</u> Institutional support to the Home Economics Section of MOAC so that it can drive SME value adding/food processing activities in the country

IV.7. The *Home Economics Section* also houses the *Food Technology Unit and Laboratory*. Different types of support would be required in order for this section to perform the role of leader in promoting SME food processing in the country. Key interventions to be done by the project to the Home Economics Section will be in terms of institutional capacity building and re–orientation. There will also be TA and equipment provided to the Food Technology Laboratory. Below is a detailed description of the anticipated ***activities*** and ***areas of support***.

IV.8. ***Support to Home Economics Head Quarters:***

- Conducting a brief re–organisational review of the section; as much as possible this would be focused on how to re–arrange things (rather than expansion) so that there can be more effective service delivery;
- Conducting a training needs assessment for the section;
- Providing Technical Assistance as required;
- Providing long and short term training to equip/re–orient the section so that it delivers on the task of piloting food processing projects in the country.

IV.9. ***Support to the Food Technology Laboratory:***

- Preparing a Strategic Plan for the Food Technology Laboratory at Malkerns using input from all stakeholders;
- Setting–up an Advisory Board for the laboratory so as to ensure that it is driven by the industry it was created to serve;
- Procuring long–term TA (micro–biologist & food chemist) so as to provide on–the–job training to existing laboratory staff;
- Procuring additional equipment for the laboratory in line with the Strategic Plan that will have been prepared. It is important that the procurement of equipment is linked to demand and skills development so that equipment is purchased only if there is a justified need for the service as well as trained personnel to operate equipment;
- Providing long and short–term training for the staff of the unit as required.

<u>Component 3:</u> Support towards human resource development in food science

IV.10. Different skills are required in order for the food processing industry to flourish. These include food scientists, marketers, business managers, financial analysts etc. The most lacking among these skills in Swaziland are food scientists, especially food technologists. The project will work with training institutions especially the UNISWA so that they are assisted to produce graduates that are adequately trained to service the industry. It is understood that UNISWA has proposed to introduce a food technology major within the *B.Sc. Home Economics Programme* that they offer. It is also

understood that the University has approved the establishment of a *Food Science Laboratory* so as to support a more practical approach to the training offered. The project will collaborate with the University and support the institution in these efforts so that it produces graduates that can adequately service the food industry.

IV.11. Proposed ***areas of support*** include the following:

- Support with equipment for the UNISWA *Food Technology Laboratory* so that graduates are exposed to the practical side of food technology;
- Short–term training for the staff of the *Home Economics Department* of UNISWA;
- Financial support for an internship programme where food science students do their practicals in the proposed pilot food processing schemes, at MOAC and in industry in general;
- Supporting food science students to do their final year research projects on areas that are of practical importance to the SME food processing sector that the project intends developing;
- Technical Assistance for supplementing the skills available within the *Home Economics Department* of UNISWA so that it can better handle the proposed food technology major.

IV.12. In return, the UNISWA *Home Economics Department* will be expected to open more communication lines with government and industry so that the institution remains updated on industry training needs. Also the department will be expected to at agreed intervals e.g. during end of year breaks, plough back by assisting with targeted short–term training for industry — on a full cost recovery basis.

<u>Component 4:</u> Support towards improving the regulatory environment for food safety and standards

IV.13. This component will support and strengthen the institutions that are involved in food safety and regulation. As already explained in previous sections, the regulatory framework for food safety and standards is very weak and there are many institutions involved with mandates that are as yet not very clear and sometimes overlapping. Food safety standards are also not well defined and public awareness on these is also weak. At the same time there has developed a big informal and unregulated food vending industry, especially in urban areas, which puts public health at risk. It is therefore considered important that some regulation is introduced. However, it would be important that a gradualist approach is adopted regarding food standards so that the industry that is being nurtured is given time to learn and adapt. This requires that when standards are set care is taken that these are not set so high that they actually suffocate the very industry the project is trying to develop. Therefore there is a great for good planning and synchronization of activities. For example it would be required that activities are scheduled such that the message aimed at encouraging people to engage in processing businesses goes out earlier than that of regulation.

IV.14. Specifically, the project will support the following ***interventions*** and ***activities*** under this component:

- Develop/adapt and publish food safety standards for the country, starting with the most widely traded foods as well as those where food safety is most critical e.g. foods where food poisoning is most common;

- Conduct training and sensitization workshops for the CODEX committee members and other stakeholders covering different areas and issues in food safety;
- Setting–up a small *National Information Centre* (NIC) for sensitization on and monitoring of food safety in the country. Possible host institutions for this office include MOAC, the *National Nutrition Council*, MOHSW, and MEE;
- Develop and disseminate IEC material on food safety and standards in the country;
- Provide all the support deemed necessary (e.g. lobbying, sensitization etc) for the passing (or review if necessary) of the *Food Bill* and *Public Health Bill* into acts;
- provide long and short–term training for staff from key institutions that are relevant to food safety and standards.

***Component 5:* Project Management**

IV.15. At the initial stage, the project will be managed by a semi autonomous *Project Co–ordination Unit* (PCU) that will be attached to the Home Economics Section of MOAC. With time and a demonstration that results are being achieved, more autonomy will be given to this office and consideration given to options such as transforming it to a parastatal, an NGO or attaching it to an existing parastatal. The PCU will be staffed by a co–ordinator and a counterpart seconded by government. The Project Co–ordinator should preferably be an expert in food technology and also have experience working in SME development. Ultimate responsibility for ensuring that project funds are managed in accordance with donor and government procedures will rest with the co–ordinator. The co–ordinator will serve for three years within which s/he will be training the counterpart who will then take over during years four and five. An audit will be done every year by a team of professional auditors appointed jointly by all sponsors involved.

IV.16. ***Specific activities*** under project management will include;

- Managing and co–ordinating all project activities towards the achievement of project objectives;
- Ensuring that monitoring and evaluation (evaluation at end of months 18, 36 and 60) of the project is undertaken. The PCU will also ensure that an Environmental Impact Assessment (EIA) is undertaken in line with regulations of the *Swaziland Environment Authority* (SEA);
- Keeping proper books of accounts in line with procedures agreed among project sponsors; and
- Ensuring that the project is audited annually.

IV.17. At the pilot community project area level, it is anticipated that the schemes will be managed either as co–operatives, associations or *Community Trusts*. However the final choice of institutional arrangement will be decided upon with the communities in a participatory manner, taking into account the nature of the product being processed as well as the level of social capital and cohesion within the community. It is anticipated though that most people will prefer working individually, or in small groups of 5–10 e.g. of women coming from the same area (*sigodzi*), probably specialising in one product. However it is considered to be important that most of the marketing, packaging and labelling of products be done centrally by the project.

IV.18. In each pilot area, the project will provide some centralized services such as basic processing facilities (pots and stoves), storage facilities — especially for raw materials — laboratory equipment, packaging and labelling equipment and transport services. At first these services will be funded by the project but will increasingly be financed from proceeds from the sale of products.

V. INDICATIVE COSTS

Table 1: Estimated Project Cost by Component (E'000)

Component/Activity	Component/Activity Cost				% of Base Costs
	Local	Foreign	Total	% Foreign	
1. Project Management Unit	2,264	1,754	4,018	43.7%	21.5%
– Personnel	*1,206*	*1,254*	*2,460*	51.0%	13.2%
Project co–ordinator (@E35,000 for 36 months)	126	1,134	1,260	90.0%	6.7%
Counterpart to co–ordinator (@E20,000 for 60 months)	1,080	120	1,200	10.0%	6.4%
– Transport (1 pick–up)	*50*	*200*	*250*	80.0%	1.3%
– Office space & furniture (60 months)	120	0	120	0.0%	0.6%
– Professional Services	*600*	*0*	*600*	*0.0%*	*3.2%*
Auditing fees	100	0	100	0.0%	0.5%
Monitoring, evaluation and EIA	500	0	500	0.0%	2.7%
– Workshops and meetings	*75*	*75*	*150*	*50.0%*	*0.8%*
– Operations and maintenance	*213*	*225*	*438*	*51.4%*	*2.3%*
Vehicle maintenance	38	150	188	80.0%	1.0%
Other O&M	75	75	150	50.0%	0.8%
Communication	100	0	100	0.0%	0.5%
2. Pilot Food Processing Schemes	4,365	5,235	9,600	54.5%	51.4%
– Personnel	*2,340*	*1,860*	*4,200*	*44.3%*	*22.5%*
Personnel (2 staff seconded from MOAC–HE)	2,160	240	2,400	10.0%	12.8%
TA–Food Marketing Specialist (@E30,000 for 60 months)	180	1,620	1,800	90.0%	9.6%
– Buildings	*900*	*300*	*1,200*	*25.0%*	*6.4%*
Processing Units: materials	700	300	1,000	30.0%	5.4%
Labour	200	0	200	0.0%	1.1%
– Processing Equipment	*200*	*1,800*	*2,000*	*90.0%*	*10.7%*
– Vehicles	280	1,120	1,400	80.0%	7.5%
Truck	70	280	350	80.0%	1.9%
Vans (3)	90	360	450	80.0%	2.4%
Vehicle maintenance	120	480	600	80.0%	3.2%
– Working capital	*200*	*0*	*200*	*0.0%*	*1.1%*
– Farmer training	*200*	*50*	*250*	*20.0%*	*1.3%*
– Marketing/promotion	*245*	*105*	*350*	*30.0%*	*1.9%*
3. Support to Home Economics Section	734	1,766	2,500	70.6%	13.4%
Headquarters:	*440*	*110*	*550*	*20.0%*	*2.9%*
– Special studies	*150*	*0*	*150*	*0.0%*	*0.8%*
Re–organisational study (including Strategic Plan)	100	0	100	0.0%	0.5%
Training needs assessment	50	0	50	0.0%	0.3%
– Staff training	*290*	*110*	*400*	*27.5%*	*2.1%*
Long–term (Two Masters level)	190	10	200	5.0%	1.1%
Short–term	100	100	200	50.0%	1.1%
Food Technology Laboratory:	*294*	*1,656*	*1,950*	*84.9%*	*10.4%*
– Personnel	*144*	*576*	*720*	*80.0%*	*3.9%*
TA–Food Chemist (@E20,000 for 18 months)	72	288	360	80.0%	1.9%
TA–Microbiologist (@E20,000 for 18 months)	72	288	360	80.0%	1.9%
– Laboratory Equipment	*120*	*1,080*	*1,200*	*90.0%*	*6.4%*
– Advisory Board Meetings	*30*	*0*	*30*	*0.0%*	*0.2%*

Table 1: Estimated Project Cost by Component (E'000)					
Component/Activity	Component/Activity Cost				% of Base Costs
	Local	Foreign	Total	% Foreign	
4. Human Resources Development (UNISWA)	*280*	*570*	*850*	*67.1%*	*4.6%*
– UNISWA Laboratory Equipment	*50*	*450*	*500*	*90.0%*	*2.7%*
– In–service training: short–term	*30*	*120*	*150*	*80.0%*	*0.8%*
– Student internship & research fund	*200*	*0*	*200*	*0.0%*	*1.1%*
5. Food Safety & Standards Regulatory Framework	1,197	513	1,710	30.0%	9.2%
– Food Regulatory Expert (@E35,000 for 12 months)	42	378	420	90.0%	2.2%
– National Information Centre	*1,055*	*135*	*1,190*	11.3%	6.4%
Office space	60	0	60	0.0%	0.3%
Information officer (@E8,000 for 60 months)	480	0	480	0.0%	2.6%
IEC material	300	0	300	0.0%	1.6%
Broadcasting	200	0	200	0.0%	1.1%
Training (short–term)	15	135	150	90.0%	0.8%
– Sensitisation workshops	*100*	*0*	*100*	*0.0%*	*0.5%*
Total Base Costs	8,840	9,838	18,678	52.7%	100.0%
Physical contingency (10%)	884	984	1,868	52.7%	10.0%
Price contingency (7.50%)	729	812	1,541	52.7%	8.3%
Total Project Costs	10,453	11,633	22,086	52.7%	118.3%

Table 2: Estimated Project Cost by Component (US$'000)					
Component/Activity	Component/Activity Cost				% of Base Costs
	Local	Foreign	Total	% Foreign	
1. Project Management Unit	348	270	618	43.7%	21.5%
– Personnel	*186*	*193*	*378*	*51.0%*	*13.2%*
Project co–ordinator (@E35,000 for 36 months)	19	174	194	90.0%	6.7%
Counterpart to co–ordinator (@E20,000 for 60 months)	166	18	185	10.0%	6.4%
– Transport (1 pick–up)	*8*	*31*	*38*	*80.0%*	*1.3%*
– Office space & furniture (60 months)	*18*	*0*	*18*	*0.0%*	*0.6%*
– Professional Services	*92*	*0*	*92*	*0.0%*	*3.2%*
Auditing fees	15	0	15	0.0%	0.5%
Monitoring, evaluation and EIA	77	0	77	0.0%	2.7%
– Workshops and meetings	*12*	*12*	*23*	*50.0%*	*0.8%*
– Operations and maintenance	*33*	*35*	*67*	*51.4%*	*2.3%*
Vehicle maintenance	6	23	29	80.0%	1.0%
Other O&M	12	12	23	50.0%	0.8%
Communication	15	0	15	0.0%	0.5%
2. Pilot Food Processing Schemes	672	805	1,477	54.5%	51.4%
– Personnel	*360*	*286*	*646*	*44.3%*	*22.5%*
Personnel (2 staff seconded from MOAC–HE)	332	37	369	10.0%	12.8%
TA–Food Marketing Specialist (@E30,000 for 60 months)	28	249	277	90.0%	9.6%
– Buildings	*138*	*46*	*185*	*25.0%*	*6.4%*
Processing Units: materials	108	46	154	30.0%	5.4%
Labour	31	0	31	0.0%	1.1%
– Processing Equipment	*31*	*277*	*308*	*90.0%*	*10.7%*
– Vehicles	43	172	215	80.0%	7.5%
Truck	11	43	54	80.0%	1.9%
Vans (3)	14	55	69	80.0%	2.4%
Vehicle maintenance	18	74	92	80.0%	3.2%
– Working capital	*31*	*0*	*31*	*0.0%*	*1.1%*
– Farmer training	*31*	*8*	*38*	*20.0%*	*1.3%*
– Marketing/promotion	*38*	*16*	*54*	*30.0%*	*1.9%*

Table 2: Estimated Project Cost by Component (US$'000)					
Component/Activity	Component/Activity Cost				% of Base Costs
	Local	Foreign	Total	% Foreign	
3. Support to Home Economics Section	113	272	385	70.6%	13.4%
Headquarters:	*68*	*17*	*85*	*20.0%*	*2.9%*
– Special studies	23	0	23	0.0%	0.8%
Re–organisational study (including Strategic Plan)	15	0	15	0.0%	0.5%
Training needs assessment	*8*	*0*	*8*	*0.0%*	*0.3%*
– Staff training	45	17	62	27.5%	2.1%
Long–term (Two Masters level)	29	2	31	5.0%	1.1%
Short–term	15	15	31	50.0%	1.1%
Food Technology Laboratory:	*45*	*255*	*300*	*84.9%*	*10.4%*
– Personnel	*22*	*89*	*111*	*80.0%*	*3.9%*
TA–Food Chemist (@E20,000 for 18 months)	11	44	55	80.0%	1.9%
TA–Microbiologist (@E20,000 for 18 months)	11	44	55	80.0%	1.9%
– Laboratory Equipment	*18*	*166*	*185*	*90.0%*	*6.4%*
– Advisory Board Meetings	*5*	*0*	*5*	*0.0%*	*0.2%*
4. Human Resources Development (UNISWA)	43	88	131	67.1%	4.6%
– UNISWA Laboratory Equipment	*8*	*69*	*77*	*90.0%*	*2.7%*
– In–service training: short–term	*5*	*18*	*23*	*80.0%*	*0.8%*
– Student internship & research fund	*31*	*0*	*31*	*0.0%*	*1.1%*
5. Food Safety & Standards Regulatory Framework	184	79	263	30.0%	9.2%
– Food Regulatory Expert (@E35,000 for 12 months)	*6*	*58*	*65*	*90.0%*	*2.2%*
– National Information Centre	*162*	*21*	*183*	*11.3%*	*6.4%*
Office space	9	0	9	0.0%	0.3%
Information officer (@E8,000 for 60 months)	74	0	74	0.0%	2.6%
IEC material	46	0	46	0.0%	1.6%
Broadcasting	31	0	31	0.0%	1.1%
Training (short–term)	2	21	23	90.0%	0.8%
– Sensitisation workshops	*15*	*0*	*15*	*0.0%*	*0.5%*
Total Base Costs	1,360	1,514	2,873	52.7%	100.0%
Physical contingency (10%)	136	151	287	52.7%	10.0%
Price contingency (7.50%)	112	125	237	52.7%	8.3%
Total Project Costs	1,608	1,790	3,398	52.7%	118.3%

VI. PROPOSED SOURCES OF FUNDING

Table 3: Estimated Project Cost by Source of Funding (E'000)				
Component	Total	Government	Donor	Beneficiaries
1. Project Management Unit	4,018	940	2,963	115
2. Pilot Food Processing Schemes	9,600	3,305	5,640	655
3. Support to Home Economics Section	2,500	237	2,248	15
Headquarters	550	150	400	0
Food Technology Laboratory	1,950	87	1,848	15
4. Human Resources Development (UNISWA)	850	0	750	100
5. Food Safety & Standards Regulatory Framework	1,710	1,132	563	15
Total Base Costs	18,678	5,614	12,164	900
Physical contingency (10%)	1,868	561	1,216	90
Price contingency (7.50%)	1,541	463	1,003	74
Total Project Costs	22,086	6,639	14,383	1,064

Table 4: Estimated Project Cost by Source of Funding (US$'000)				
Component	Total	Government	Donor	Beneficiaries
1. Project Management Unit	618	145	456	18
2. Pilot Food Processing Schemes	1,477	508	868	101
3. Support to Home Economics Section	385	36	346	2
Headquarters	85	23	62	0
Food Technology Laboratory	300	13	284	2
4. Human Resources Development (UNISWA)	131	0	115	15
5. Food Safety & Standards Regulatory Framework	263	174	87	2
Total Base Costs	2,873	864	1,871	138
Physical contingency (10%)	287	86	187	14
Price contingency (7.50%)	237	71	154	11
Total Project Costs	3,398	1,021	2,213	164

VI.1. Tables 3 and 4 above present a summary of the proposed financing of the project among government, donors and beneficiaries. Generally the project has a strong Technical Assistance (TA) and institutional strengthening focus. These components have a long payback period, hence are more suitable for grant rather than loan financing. In terms of overall financing, the proposal is that government, donors and beneficiaries will contribute 30.1 percent, 65.1 percent and 4.8 percent respectively.

VI.2. Beneficiaries will contribute a portion of the cash and all the labour required for the construction of processing buildings; all the working capital required to operate the food processing businesses; and some of the staff training costs in terms of travelling to training centres.

VI.3. Donors are expected to finance mainly the TA costs; processing equipment for pilot processing schemes; laboratory equipment for the MOAC and UNISWA *Food Technology Laboratories*; all vehicles for PCU staff and some for the Pilot Processing Schemes and most of the staff and farmer training costs. Consideration should be given to financing some of the equipment and vehicles for the Pilot Processing Schemes through a *Revolving Fund*, which may have to be concessional.

VI.4. Government finances mainly her own counterpart staff; part of the buildings for food processing; vehicles to be used in monitoring the Pilot Processing Schemes; and some of the local costs of TA such as accommodation and office space.

VII. PROJECT BENEFITS

VII.1. The project will result in more value adding activities in the country and a diversified agricultural base. Value adding means more foreign exchange earnings for the country as well as more jobs created within borders. Developing value adding activities (processing) also provides a good market outlet for farmers' produce. This will in turn allow farmers more time to concentrate their efforts on improving yields and the general productivity of their farms. The project will also lead to some degree of diversification. Diversification is one of the best know forms of insurance in agriculture: if one crop does not do well (such as sugar), there is a chance that an alternative crop will not be affected by the same adverse factors, thereby farmers income is stabilised.

VII.2. The exact number of participants and jobs to be created are not known at this stage. However, the anticipated technology to be used will be very basic and therefore very labour intensive. An existing 200–250 tons food processing operation that uses the same basic technology directly employs about 40 people. Therefore given the project target of four such operations, jobs created can be estimated at 160 (i.e. 40 x 4) people. Using the 6.5 average rural household size, this translates to about 1,040 direct beneficiaries. Further, food processing is expected to improve market access for farmers. The operation referred to above buys from at least 50 farmers per year. Using this figure as a benchmark, the project can be expected to benefit at least 200 (i.e. 50 x 4) small scale farmers. Again using the average family size of 6.5, this translates to 1,300 people, thus bringing the total number of direct beneficiaries of the project to 2,340 (1,040 + 1,300) people. There would be significant other secondary benefits from the project, especially in view of the fact that the project is mainly going to benefit rural people, where the multiplier effect is considered to be very high. In fact the World Bank estimates that every Lilangeni spent in rural Swaziland creates another Lilangeni i.e. the multiplier is 2.

VII.3. Other more specific benefits of the project include the following:

- Improved rural incomes for participants in the processing project;
- Improved farmer incomes as processing will provide a stable local market;
- Improved communication between the agro–processing industry, government and training institutions will ensure that human resource needs are identified and addressed timely;
- Improved competitiveness of the food industry in world markets as the university starts producing much needed food technologists (about 15–20 graduates per year) and the *Food Technology Laboratory* (at Malkerns) starts researching on issues relevant to the food industry;
- Improved co–ordination between the food technology laboratory and the food industry will ensure that the laboratory realigns its activities in line with industry needs, thus improving service delivery;
- Introducing food safety standards and improved co–ordination in the food safety regulatory environment will have public health benefits. There is already a large informal sector in Swaziland of people selling food on the streets.

VIII. IMPLEMENTATION ARRANGEMENTS

VIII.1. As specified in IV.15 above, the project will have a PCU which will be headed by a Project Co–ordinator. Due to skills shortage in food processing and value adding activities locally, the Project Co–ordinator will most likely be an international expert. A suitable officer would be identified by government and designated as counterpart to the Project Co–ordinator. This officer will have to be relieved of his/her duties so that the required time and attention can be dedicated to this project. Although on–the–job training will be provided, it is important that participating officers possess some minimum skills and aptitude in the relevant area.

VIII.2. The component for piloting food processing schemes will also identify two officers, each of whom will work full time as co–ordinator/manager of the first two pilot schemes during the first three years of the project. The same officers will be used to co–ordinate the additional two schemes that will

be added during phase two of the project i.e. years four and five. All other components of the project will each identify an officer who will be designated as Component Head to work on the project. It is not considered necessary that Component Heads other than those working on pilot processing schemes should be full–time. Below is a summary of the key personnel requirements.

Table 5: Implementation Arrangements and Participating Organisations

Component	Responsible officer	Skill type	Duration
1. PMU	• Project Co–ordinator	Food processing	Full time, three years
	• Counterpart to Project Co–ordinator	Food processing	Full time, whole duration
2. Pilot Schemes	• Marketing expert	Marketing	Full, time, whole duration
	• Project Manager: Northern Hhohho	Home Economist/food processing	Full time, whole duration
	• Project Manager: KDDP area	Home Economist/food processing	Full time, whole duration
3. MOAC Support	• Head of MOAC Home Economics Department	Home Economist	Part time, whole duration
4. Regulatory Environment	• Chairperson of National CODEX Committee	Food Safety/Public Health Expert	Part time, whole duration
5. Human Resources	• Head–UNISWA Home Economics Department	Food Scientist	Part time, whole duration

VIII.3. The PMU will be guided by a *Steering Committee* comprising government departments, the private sector, NGOs, training institutions and all relevant stakeholders.

VIII.4. At the completion of the project, it is expected that the project PCU would have been transformed into a semi independent entity (e.g. parastatal or NGO) or attached to an autonomous entity such as the *Small Scale Development Company* (SEDCO) or NAMBoard. It is considered important though that the Project Steering Committee continues to exist (maybe under a new name and format) so that it continues to monitor and support the initiative as well as to address new problems that may emerge. The other institutions that would have received assistance from the project are expected to by then have developed enough capacity to support food processing in the country.

IX. TECHNICAL ASSISTANCE REQUIREMENTS

IX.1. For project success, many different skills will be required, most of which are not readily available in Swaziland. Being an essentially new initiative, it is not easy to anticipate all the skills requirements for the project. Listed below therefore are the most obvious TA requirements but this list is by no means exhaustive:

- ***Project Co–ordinator.*** Beside general project management skills, this person should also be qualified as a food technologist with a proven track record in developing SMEs. It is expected that this TA would be required during the first phase (year one to three) of project and then handover to the local counterpart during the second phase (years four and five).

- ***Food Marketing Specialist.*** For the success of the pilot food processing schemes, it would be important to have TA that will be dedicated to finding new markets for the products. Practical skills in this area are lacking in Swaziland, hence the need for TA. It is proposed that this TA be available throughout the five years of the project. However it

would be expected that this expert gradually hands over this function to the project co–ordinator and the beneficiaries themselves.

- ***Food Chemist.*** This expert will be required to support the MOAC Food Technology Laboratory as well as to provide on–the–job training to staff. The proximity of the MOAC *Food Technology Laboratory* (at Malkerns) to UNISWA–Luyengo would make it possible for this expert to assist at both institutions.

- ***Microbiologist.*** This will be required to support the MOAC *Food Technology Laboratory* as well as provide on–the–job training to staff of the laboratory. Again it is possible that this expert could also assist at the proposed UNISWA *Food Technology Laboratory*.

- ***Organisational Specialist.*** This TA will be required to look into the restructuring of the Home Economics Department so that it adequately fulfils its mandate with regards to driving SME food processing in the country.

- ***Food Safety/Standards Expert.*** This expert will assist in the setting up of or adaptation of food safety standards in the country. The expert will also assist in setting up the *National Information Centre* as well as in designing and disseminating the IEC material on the subject.

X. ISSUES AND PROPOSED ACTIONS

X.1. ***Policy environment.*** The current policy environment with regards to food processing is being constrained by the Exclusive Canning License that was granted by government to a private firm. In the late 1990s, this firm successfully used this license to stop a fruit juicing operation (Swazi Nectars). However, in recent years, the firm has shown a more open approach to the license issue and seem more willing to negotiate. The Ministry is encouraged to pursue this issue more vigorously and to seek a negotiated settlement. However, the Ministry should also be prepared to seek a legal remedy should be need arise. An approach of just deferring all food processing initiatives until the expiry of the license is not desirable.

X.2. ***Readiness of MOAC's Home Economics Section to adopt a business orientation.*** MOAC's *Home Economics Section* currently focuses on providing extension on homestead management and development issues such as hygiene education, nutrition, food security and income generation education is minimal. However for the section to be able to promote food processing enterprises as a business they will require some degree of re–orientation. This will require that participating staff get training especially on business skills.

X.3. ***Groups sizes.*** Normally the project would like to reach as many people as possible, which means from a benefit sharing point of view, bigger groups will be preferred to smaller ones. However it has been observed in Swaziland that larger groups tend to lack cohesion and a sense of purpose. The nature of the processing schemes is that these are businesses and therefore require people to work together as a team. It would therefore be important to strike a reasonable balance between wanting larger groups (so as to spread benefits more widely) and the need to have reasonably cohesive groups, which favours smaller numbers.

X.4. ***Farmers' reluctance to take-up new initiatives.*** The farming community especially on SNL is generally made up of older people who are more likely to be conservative and unwilling to embrace new ideas. The food processing project requires a more proactive attitude and a willingness to embrace new ideas. It is proposed that the project should be particularly targeted at the youth and women.

XI. POSSIBLE RISKS

XI.1. ***The Exclusive Canning License.*** Although very unlikely, it is still theoretically feasible that the holder of the Exclusive Canning License could frustrate efforts for developing a food processing industry in the country.

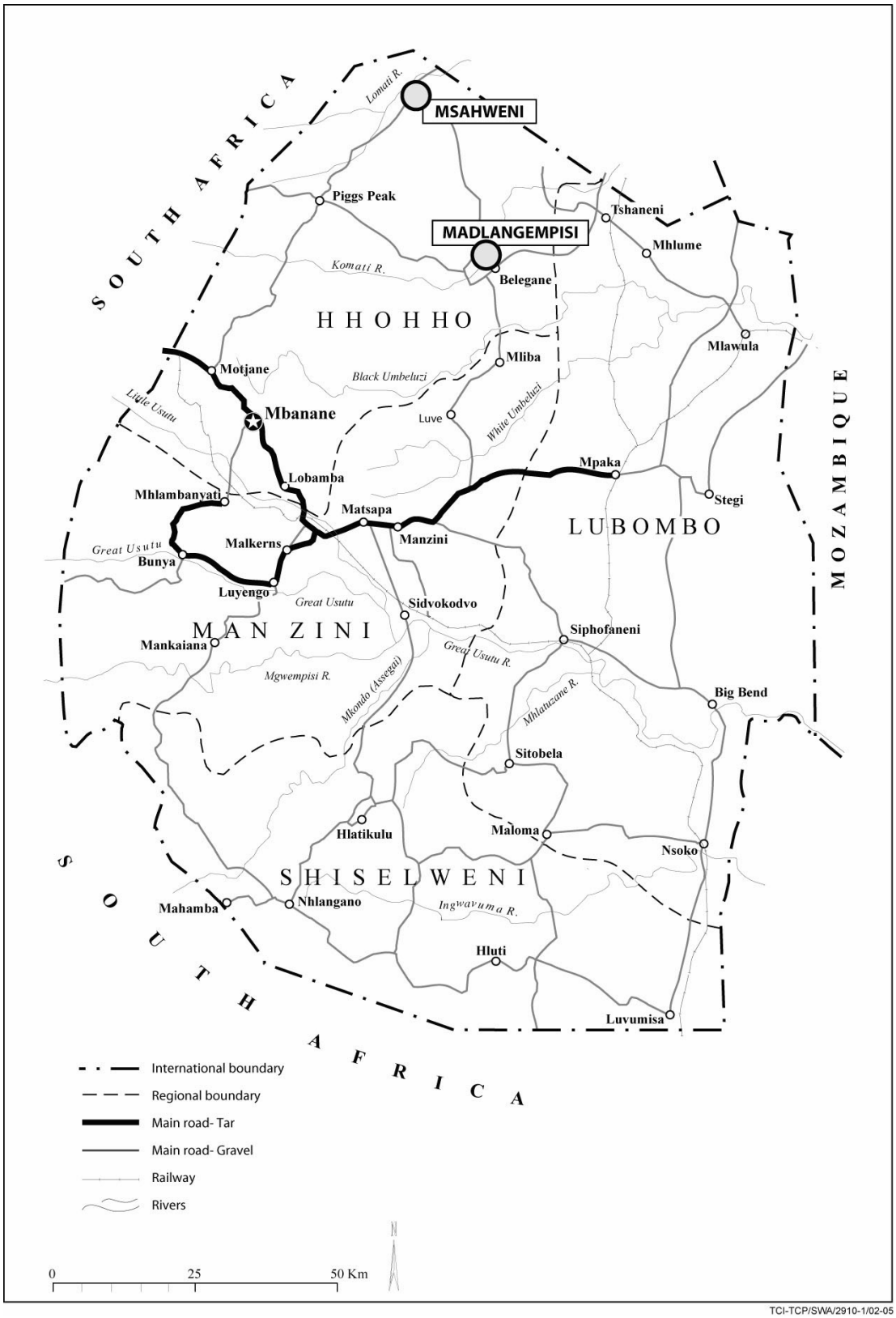
XI.2. ***Preference of foreign products among the local population.*** There is a general perception among Swazi consumers that foreign goods are always superior to those manufactured locally. A lot of marketing and "buy Swazi" campaigns will have to be mounted to change this often unfounded perception. Should these fail to work, then the success of the project would be at risk.

XI.3. ***Competition from imports especially from the Republic of South Africa.*** The proximity to the bigger Republic South African (RSA) market, the good road linkage and membership of the two countries to both a Customs Union and a Common Monetary Area whilst mutually beneficial, also pose serious challenges for developing industry in Swaziland. This strong economic integration makes the movement of goods and services easy and therefore creates heavy competition for small industries in the smaller economy. The pilot processing industries would therefore need to concentrate on niche markets rather than taking the large RSA processors head–on.

XI.4. ***Loss of trained food technologists to large highly paying multinationals and to RSA.*** The demand for food technologists is very high in Swaziland and the sub–region in general. It is possible therefore that small processors such as the ones proposed in this project would find it difficult to retain such scarce resource. This problem is expected to be bigger at the initial stages but should reduce as more graduates are produced.

XI.5. ***The food industry is very sensitive to food scares.*** It is very important therefore that the pilot processing schemes observe very high and consistent food hygiene and safety standards and that no food scares occur. If a food scare does occur, it would be very important that it is well managed, otherwise this could destroy the industry and its reputation very quickly.

Appendix 1: Possible Sites for Food Processing Schemes under Phase 1



Appendix 2: Estimated SNL Area Planted to Different Crops with Processing Prospects (2002/03)

Crop	Planted Area (ha)
Fruits	
• Mango	119
• Paw paw	553
• Peaches	550
Sub–total fruit	*1,222*
Vegetables	
• Cabbage	60
• Tomato	7
• Spinach	10
• Onion	1
Sub–total vegetables	*90*
Other crops	
• Pumpkin	2,493
• Melon	348
• Sweet potato	306
• Ground nuts	5,683
Sub–total other crops	*8,830*
Grand Total	10,142

Source: Central Statistics Office.