

7-11-72397
11-11-5

**COMMERCIAL AGRICULTURAL PRODUCTION
AND MARKETING PROJECT**

INTERIM ASSESSMENT and REALIGNMENT REPORT

November 1990

Table of Contents

	<u>page</u>
I. Introduction.....	1
A. Background.....	1
B. Purpose of Interim Assessment.....	2
C. Project Goal.....	2
D. Project Purpose.....	2
II. Current Status of CAPM.....	3
A. CAPM Progress Toward Achieving Project Goal and Purpose.....	3
B. Project Elements as They Relate to Achieving Project Purpose.....	4
III. Remaining Issues.....	6
A. Policy Constraints/Issues.....	6
B. Implementation Constraints.....	8
C. Farm Level Analysis.....	8
IV. Recommendations for Follow-On Project Phase II.....	11
A. Focus on Smallholder Commercial Agriculture.....	11
B. Practical Training.....	12
V. Complementation of CAPM - Support for Phase II.....	13
A. Refocus of Activities.....	13
B. Limited Training.....	14
C. Technical Assistance for Balance of CAPM Phase I.....	14
D. Recommended Timeframe for Completion of Current CAPM Activities.....	15
E. Implementation Actions.....	16
VI. Phase II Design Issues.....	17
A. Long-Term Objective.....	17
B. Student Enterprise Project.....	17
C. Private Sector Participation in Phase II Activity.....	18
D. Role of Government.....	18
E. Profile for Irrigated Schemes.....	19

Executive Summary

The purpose of this report is to review project accomplishments, identify constraints likely to adversely affect achievement of project purpose, and make recommendations for refocusing project resources for the remaining life of project.

The project is experiencing difficulty with implementation. It is trying to implement a broad range of activities that are not specifically linked to efforts to achieve stated project purpose. It is **recommended** that the project be refocused in support of small commercial farm production. Farm production should be linked with domestic and regional market opportunities.

The technical assistance team should increasingly work at the farm level. There is a critical shortage of information related to production potential and viability of small commercial farms. Marketing initiatives are being promoted without knowing if there is adequate incentive to motivate farmers to expand production or adopt new technologies.

The project should initiate a pilot on-farm production program on IFAD rehabilitated irrigation schemes in the Piggs Peak area. Comprehensive production and economic data should be collected and analyzed to ascertain the profitability of various crops under different levels of management. This information is essential for design of follow-on project activity.

The technical assistance team should be reorganized including the phasing out of redundant positions and redefining workloads for other team members. The economic policy advisor position should be converted to a long-term position.

Support to UNISWA should be reassessed in light of the termination of the visiting professor position, failure to adopt a revised curriculum for agribusiness studies, and the current unrest on campus. Further training activities should be limited to short-term in-country seminars and specialized programs.

The economic policy advisor should continue to facilitate dialogue with GOS officials on policy issues and constraints that negatively impact on small commercial agricultural production and processing.

Design for a follow-on project should commence using CAPM generated data for the technical analysis. The PACD should be brought forward to coincide with start-up of the follow-on project. The technical assistance contract should be renegotiated to reflect changes in composition of the TA team, modification of the SOW, and an earlier PACD.

CAPM Interim Assessment and Realignment Report
(Project Number 645-0229)

I. Introduction

This assessment is not intended to be an evaluation of CAPM. Implementation issues will be addressed in the context of bringing CAPM to an orderly conclusion and concurrently undertaking design of a follow-on project. Specifically this assessment will identify constraints and shortcomings that are likely to negatively impact on the successful achievement of project purpose.

This report will also recommend a specific plan of action for the remaining life of project (LOP) which will contribute to CAPM achieving project purpose. Lessons learned as a result of implementing CAPM will feature prominently in the recommendations for project activity for remaining LOP and in the design of follow-on project activity.

A. Background

The Swaziland Commercial/Agricultural Production and Marketing Project (CAPM) is a four-year \$6 million project. The project was authorized and grant agreement signed on August 31, 1988. A Project Agreement was signed with the Government of Swaziland (GOS) on the same day. The GOS was informed on January 17, 1989 that all conditions precedent to disbursement had been met. The conditions precedent were: 1) the establishment of a Project Steering Committee, 2) identification of persons authorized to represent the GOS, 3) provision of GOS counterparts for project-funded technical advisors, 4) establishment of an Inter-Ministerial Working Group for project coordination and technical direction, and 5) provision of housing for technical advisory team. The Project Activity Completion Date (PACD) is June 30, 1993.

Chemonics International was selected as the lead contractor. The contractors' technical advisory team arrived in August 1989. The four person team consisted of a COP/Agribusiness Advisor (MOAC), an Agribusiness Advisor (MCIT), a Marketing Advisor (MOAC), and a Visiting Professor of Agribusiness at the University of Swaziland. The long-term technical advisory team is supplemented by short-term consultants notably for economic policy advisory assistance.

B. Purpose of Interim Assessment

CAPM is the initial phase of a longer term commitment to support development of the smallholder commercial agricultural sector in Swaziland. The purpose of this interim assessment is to review accomplishments, identify constraints likely to adversely affect achievement of project propose, and make recommendations for refocusing project resources for the remaining life of project.

C. Project Goal

The Goal of the project is "to increase the agricultural sector's contribution to the national economy". This is consistent with the GOS's commitment to a free market economy and a strategy of looking to the private sector as the principal force to foster sustainable economic growth. To this end, CAPM is focusing its efforts on increasing the level of productivity of commercial farmers on Swazi Nation Land (SNL) and small-scale commercial Title Deed Land (TDL) farmers.

D. Project Purpose

Efforts to realize a higher level of goal achievement are often frustrated by technical, institutional, and policy constraints. While the GOS has identified many of these constraints, resolving these constraints requires an action orientated program based on the selection of clearly defined options. The resources of CAPM are being applied to assist the GOS with policy review, assessment of constraints and the formulation of an action plan that will result in a much improved environment that is favorable to growth in the target sector.

The Purpose of CAPM is "the establishment of an environment that is stimulating the increase in small-scale commercial agricultural production and other agribusiness and domestic marketing activities". CAPM is expected to undertake action oriented analyses and support GOS and private sector activities that will result in 1) improved policies and programs, 2) identify and develop opportunities for increasing productivity in the targeted sector, and 3) enhance the capacity of GOS and the private sectors to respond positively to new opportunities.

Project purpose will have been determined to have been accomplished if there is demonstrated initiatives in the following areas:

Policy Analysis, Decisions, and Implementation - The GOS, working in collaboration with the private sector, to identify, recommend and implement improved policy changes that contributes to an improved policy framework environment conducive to growth in the target sector;

Private Sector Response - The private sector is responding positively to new opportunities in agriculture as a result of an improved business environment;

Training - Both formal and non-formal training will be offered to private and public sector individuals to improve their capacity to effectively support further development of commercial agriculture and agri-business.

II. Current Status of CAPM

A. CAPM Progress Toward Achieving Project Goal and Purpose

CAPM has realized limited success in achieving project purpose. Most of these accomplishments relate to the special action orientated studies and somewhat less to training activities. There is less evidence of project benefits accruing to the small-scale commercial farmers or to agri-business that supports small-scale commercial farmers. Lack of response from the small-scale commercial farmers and the low level of interest from associated agri-business can be attributed in part to implementation efforts that did not envision the need to assess whether there are adequate economic incentives at the farm level to encourage expanded production including surplus production for cash markets.

Following review of project documents, progress reports, and interviews with GOS officials and the CAPM technical team, this assessment concludes that the current focus of CAPM activities is less directed toward specific interventions in support of small-scale commercial agriculture and are more favorably disposed towards improvements in the overall commercial agricultural environment in which the small commercial farmer is only one of several beneficiary groups.

Direct CAPM project assistance is being provided to larger commercial farmers and agribusiness. The rationale for this approach is that support to the larger commercial farmers will serve as a base from which a small farmer outgrower scheme can be developed. Outgrowers in these schemes are at a disadvantage if the agro-processor has a central farm as the principal source of material for the processing facility. Priority often goes to the central farm to supply the processing facility, with the outgrowers often experiencing problems in getting their crops processed. The often cited successful cotton schemes relies only on outgrowers to supply cotton thus avoiding conflict of supply from a central farm.

The development of CAPM activity in support of small commercial farmers had been hampered by a critical shortage of accurate information on operational costs associated with various sizes and cropping mixes of small-scale farms. The MOAC, with the

*By Request of the...
Outgrower...*

assistance of CAPM, is attempting to address policy issues and formulate new agricultural programs supporting small-scale commercial farming without requisite information concerning the financial viability of small farm operations with existing technologies and management practices. While market development and value added through agricultural processing are important elements in the overall strategy to develop this sector, an adequate return on the farmer's investment is a prerequisite to acceptance of new technologies and changes in farming practices.

B. Project Elements as They Relate to Achieving Project Purpose

1. Analytical Studies

The most notable accomplishment so far has been the completion of analytical studies and baseline surveys. Studies completed include a training needs assessment, credit constraints and requirements, investment criteria, marketing information, nontraditional exports opportunities, and survey reports for primary baseline and institutional profiles. These studies are contributing directly to the GOS policy analysis process, to formulating workplan for CAPM activities, and will be of considerable value in the design of follow-on project activity.

2. Training

There are two groups of training activities in CAPM: (1) programs and activities at UNISWA and (2) other training including long-term degree training, study tours, and short-term training.

The UNISWA program consisted of a visiting professor of business management, curriculum development, the rehabilitation of university facilities, and procurement of computer equipment. Short courses on applied farm management and agribusiness studies were also to be offered. These activities were initiated with the arrival of the visiting professor. The first series of courses were taught, curriculum development was underway, preparation of specialized teaching material had started, and computer requirements were assessed and equipment identified. However, senior UNISWA officials and the visiting professor were unable to reach agreement concerning several aspects of the program. A decision has been made to terminate services of the visiting professor. This has been endorsed by the PSC. UNISWA is also experiencing student disturbances on campus. It is unlikely that UNISWA would be in a position to receive further assistance from CAPM in the near term.

Three short-term training courses were offered at either UNISWA or the Swaziland Trade Promotion Unit. CAPM sponsored participant also attended several specialized training courses in

the U.S. CAPM has been successful in developing in-country training programs and in identifying personnel for these courses and overseas courses.

Funding is available through CAPM to support two UNISWA faculty members for long-term graduate degree training in the U.S. UNISWA was unable to identify faculty members for these training opportunities. At this juncture it is too late to consider long-term training.

3. Marketing

Contractor efforts to strengthen marketing focus primarily on developing an agricultural marketing and agribusiness information system. Most of this activity is still in the planning stages. The proposed system will (1) collect information, (2) analyze the information, and (3) disseminate the information to users. Other donors are also actively supporting this activity. CAPM has also undertaken specialized research on the potential of European markets for selected Swazi agricultural produce. Agribusiness observation tours were also conducted under the auspices of market development efforts. These tours focused mainly on business activities suitable for medium- to large-scale farms and enterprises rather than for the small commercial farmer.

4. Agribusiness

Many of the CAPM supported activities cited as being part of the agribusiness component are also included under marketing and training activities. CAPM advisors have provided only limited support to Swazi agribusiness (one fresh produce exporter and an observation tour to visit dehydration facilities). There is little evidence to cite examples where the technical advisors assisted small Swazi agribusiness enterprises. External consultants undertook studies on nontraditional exports and investment criteria.

5. Policy Analysis

A key component of the CAPM project is to enhance the GOS capability to undertake policy review and revision. Studies commissioned by CAPM have identified several major policy constraints. Specific recommendations are being made by these studies on strategies to address these constraints. Major policy constraints identified thus far include (1) land tenure, (2) constraints to expanding commercial activity on SNL, (3) preferential marketing of imported produce over domestic produce, (4) inability of small business to access credit, (5) restrictive business licensing procedures, and (6) parastatal monopoly in agricultural processing. These issues should form the basis for an ongoing dialogue with relevant GOS officials with the CAPM Policy Advisor facilitating that dialogue. The MOAC has requested

that the Policy Advisor assist the ministry with internal reorganization. The MOAC considers reorganization to be a priority matter. However, the MOAC Principal Secretary confirmed that assistance from the Policy Advisor with reorganization should not be done at the expense of the Advisor's responsibilities to other CAPM activities. *Under the current - K... with impact on a change in production of the Ministry and... A change in policy.*

III. Remaining Issues

A. Policy Constraints/Issues

There are a number of policy issues which should be viewed as constraints to the expansion of small-scale commercial agricultural production and marketing in Swaziland. Although some of these constraints may be beyond the scope of activity for CAPM and the Mission to effectively address, any concerted development effort to increase small holder participation in commercial agriculture must address those policy issues that negatively impact on this sector.

1. Amadoda control of business on SNL

The marketing of fresh agricultural produce in Swaziland can not be characterized as a free and open competitive system. One factor which inhibits the market is the Amadoda. The Amadoda seriously restricts the entry of new traders in the SNL, effectively reducing competition among traders and restricting the impact the market might have on demand for produce in these areas. This has a negative impact on prices farmers on SNL receive as well as the ability of SNL farmers to establish formal market contacts.

Although the Amadoda appears to be deeply embedded in Swazi tradition, it is a formal policy issue which restricts commercial agricultural production and marketing.

2. Business Licence/Approval in non-SNL

The business licence approval system in non-SNL also serves to restrict the trade in local agricultural produce. Obtaining a business licence is characterized as being expensive, time consuming and difficult in terms of having to complete numerous government forms. In an effort to protect their larger established businesses, town councils tend to restrict the numbers of traders and exercise control over their location. As a result there is a noticeable absence of small roadside stands and street vendors in Swaziland which characterize much of Africa. This certainly has a negative impact on local consumption of fresh produce and leaves local producers with fewer marketing outlets, not to mention the impact on income and employment for those who are unable to enter the market.

3. NAMBOARD

NAMBOARD, as currently structured, serves mainly as an outlet for South African produce. Although NAMBOARD intends to increase the share of Swazi produce passing through their market, it is definitely more costly and inconvenient to do so. To this extent it is likely that NAMBOARD will favor local produce from larger farms or from small farmers in their immediate vicinity.

NAMBOARD serves as a regulatory body for the control of imports. This function may prove to be useful as Swazi smallholder farmers increase their capacity to produce commercial crops and attempt to gain entry to formal marketing channels in Swaziland.

Fortunately it is quite easy to operate around NAMBOARD in the domestic markets as there are no restrictions that local producers have to use their facilities. CAPM should continue assistance to NAMBOARD in the form of policy advice such that they strengthen their ability to monitor and control imports and do not undertake any policy which will directly undermine local smallholder producers.

4. Parastatal Monopoly Positions

There are various parastatals operating in the agribusiness realm. In many cases they enjoy monopoly position through government controls and regulations. By moving these to private ownership, or least to private management, there would likely be considerable gains in agribusiness value added. In addition the removal of monopolist control over some markets would likely result in increased production. The USAID Mission may want to engage GOS as well as the bilateral and multilateral donors in discussions regarding the future of many of these parastatals.

5. Land Tenure

Land tenure is perhaps the most obvious constraint to increasing commercial agricultural production in Swaziland. SNL consists of fragmented small landholdings severely limiting the financial and economic viability of commercial agriculture in these areas. While the system affords most Swazis the opportunity of maintaining a country homestead, it is not without some cost to the nation. As time progresses the GOS will have to assess the usefulness of maintaining this system versus allowing more of its farmers access to landholdings that are suitable for commercial farming.

Perhaps the best role that CAPM can play at this point is to demonstrate that commercial agricultural production is viable on these lands thus stimulating demand among local commercial farmers for larger farming units.

B. Implementation Constraints

The CAPM project has experienced some difficulty with the first year of project implementation. The most significant issue has been the inability of convene regular meeting of the Project Steering Committee and the failure of the Inter-Ministerial Group to meet. During project design interministerial coordination was deemed to be an essential condition for effective project implementation as CAPM would be supporting activities in three separate GOS ministries.

Failure to convene PSC and IWG meetings has made it difficult for CAPM advisors to actively promote a process of ongoing policy dialogue. Failure to meet has also resulted in delaying approval of the revised CAPM LOP plan. Furthermore, ministries have been slow to appoint counterparts to CAPM advisors who continue to function without designated counterparts. The termination of the full-time position at UNISWA is a further indication of the problems that CAPM has confronted during its first year.

This situation may be an indication that the level of GOS commitment is not as forthcoming as was originally anticipated.

C. Farm Level Analyses

Production and economic analyses at the farm level need to be undertaken to assess the potential returns on small-scale agricultural units. This needs to be done to facilitate adoption of commercial agricultural production by small holder farmers in Swaziland. The objective of this analysis is to determine the types of crops which are most suitable for smallholder farmers and the cost and returns associated with their production. Emphasis must be placed on the financial viability of the individual farm with net returns sufficient enough to provide economic incentive to the farmer.

While the focus of concern is on the individual farmer, it is much more economical to purchase inputs, access credit and market output for organized groups of farmers. Thus the analysis should consider how these activities can be managed through an association. Several irrigation schemes established by IFAD have already organized farmers into such associations and are presently under-utilized.

1. Financial and Economic Analyses

Actual production budgets need to be prepared which clearly show cost and returns from growing specific crops. Actual prices should be available for inputs for most crops to be marketed in the region. Actual or realistic production figures should be used. Analysis should include methods which allow for the comparison of

economic returns for alternative crops (such as NPV) and to determine production alternatives which allow smallholder Swazi producers to compete with South African producers in local and regional markets.

2. Production

Irrigated production activities should be studied to determine how yields may be increased through more appropriate application of fertilizers and pesticides, through more appropriate row and plant spacings, through proper irrigation techniques, and proper crop varietal selection. The analysis should also cover approaches for extending the crop growing season through staggered planting dates as well as crop mixing alternatives and diversification. The objective is to determine the production potential for a variety of crops which are in the realm of capability of local smallholder producers.

3. Marketing

Marketing analysis should work from the basic principle that the farmers marketing problem begins when he decides what to plant. That decision should be based upon knowledge of where his customers are. At present there is uncertainty surrounding market outlets for most smallholder commercial farmers in Swaziland and the challenge is to find or create them.

There is considerable room in the domestic market which presently is largely supplied by South Africa. Swazi farmers should be able to compete with the RSA in some crops, taking advantage of lower transportation costs and a slight difference in growing seasons. These factors should also allow opportunities for Swazi producers in the Southern Africa regional market where widows of opportunity may exist.

The fact that some Swazi smallholder producers are located in areas that are close to all-weather roads with relatively quick and easy access to Johannesburg and Durban make not only the regional prospects look promising but international markets beyond the region look favorable as well. While it is recommended that the identification of market opportunities in Europe continue to be pursued, it should be stressed that we are dealing with farmers who have barely graduated from subsistence agriculture. Thus it may be wise to move them up gradually, noting that their horticultural skills are limited and their aversion to risk high. It is important not to get them overextended technically nor financially. In addition, international markets can be more difficult to maintain and may be susceptible to greater international competition, interruptions in transportation or other uncertainties that may jeopardize the enterprise.

The role that private traders play in marketing Swazi smallholder produce is another important consideration. There is considerable uncertainty regarding how local and regional traders can profitably distribute produce grown on SNL by smallholders. There is also concern regarding the reliability of producers to deliver the crop and the reliability of traders to show up to pick it up. These issues need to be examined and analyzed. Furthermore an assessment will be required on the profitability for local traders to handle local produce.

Further analysis of NAMBOARD should be done to determine just how much local produce it can be expected to handle and how that might be managed in a profitable manner.

4. Credit to Small Farmers

Credit is not a constraint from an overall bank liquidity perspective as there is plenty of excess liquidity in the banking system. However it is seen as a constraint when it comes to small farmers trying to access that credit. There are two basic problems here. One is that it is just not profitable for financial institutions to make small loans to farmers scattered all over the countryside. Secondly, most small farmers don't have much in the way of collateral for securing a loan. Thus, it really isn't advisable to try to coerce the system through subsidies or guarantees.

Lending to small farmers can be done profitably by financial institutions if they can be organized into groups. There are many farmers associations which have been successfully organized around input purchases and who receive and pay back loans to financial institutions. However there is a basic principle that must be followed; credit is no substitute for equity. In the case of smallholder Swazi farmers it is important not to encourage over-extension. Farmers need a period of growth where they can build equity. This may require more time to fully develop production potential.

Smallholder farmers should be able to obtain credit for production inputs if done collectively through an association. Given that most rural households have access to off-farm income it is not unrealistic to expect farmers to finance at least half of their annual input cost out of pocket.¹ Loan repayments are much higher when these programs are designed such that the borrower

¹Estimated average input costs over ten crops, under high management, is approximately E 2,300 per acre. Farmers in the Piggs Peak scheme have land holdings on average of 0.74 acres. Thus, total input costs would be approximately E 1,700 per farmer, requiring the farmer to contribute approximately E 850 to cover half of his input costs.

knows that by repaying his loan he will be allowed to access more financing in the future. Credit programs that have this feature provide additional incentive to the individual farmer to repay his loan. There could also be mechanisms built in such that group pressure to repay loans is also a factor.

With respect to high interest rates, they are not excessive in Swaziland. The Central Bank of Swaziland is quite generous to set the prime lending rate at 14.35% when the prime rate in the RSA is 21%. With inflation around 14% this means that real interest rates are only slightly positive.

IV. Recommendations for Follow-On Project (Phase II)

A. Focus on Smallholder Commercial Agriculture

Potential exists to increase income and employment for smallholder farmers on SNL through commercial agricultural production. Follow-on project activity should focus on those farmers who are interested in commercial agriculture. It is evident that many rural dwellers are not interested in commercial agricultural production. In fact it is questionable whether many are even farmers. In many cases they are content to maintain their rural homestead, growing subsistence crops and holding some livestock.

Phase II should focus solely on those farmers with an interest in commercial production and a will to commit some of their own resources to the effort. The ideal place to start is in the irrigated schemes established by IFAD. The basic idea is to work with two or three of these schemes in a particular area, such as the three in Piggs Peak area. These schemes would serve as a model for replication in other areas.

The advantages of starting with these schemes are: (1) physical irrigation systems are established, (2) facilities are in place for storing inputs and packing produce, (3) farmers are organized in some form of association, and (4) the farmers have been exposed to irrigated horticultural crop production. An additional advantage of the schemes in the Piggs Peak area is that they are located close to good roads with easy access to major market areas.²

Phase II should be geared toward field level intervention and support. Long-term TAs should be located near the production sites. The project advisors should have technical skills and experience

²The extent to which the schemes in Piggs Peak can be replicated would need to account for the advantage of easy and close access to markets.

in horticultural crop production under African smallholder conditions and marketing and farm management experience under the same conditions. This type of field level intervention may be suitable for joint implementation with a Peace Corps program.

Project advisors skilled in working with farmer's associations would be needed to help strengthen existing associations in the schemes. The association building exercise should be centered around increasing the benefits to farmers from belonging and actively participating in an association. The association can serve as a mechanism to purchase inputs in bulk quantity, to disperse technical information and to assist in packaging and marketing produce.

The farm management/marketing TA would assume primary responsibility for the collection and analysis of all production and marketing data. This would include actual production costs, returns, and output per crop, per acre, and per farmer. In collaboration with the horticulturalist, production forecasts would be made and a marketing plan developed prior to planting. After planting, marketing functions would consist of facilitating interaction between producers and traders. It should be stressed that the marketing problem is that of the producer (and the association of producers). They must be encouraged to seek out and to produce for markets.

At all levels local expertise should be utilized. Individual record keepers, extension agents and marketing assistants/agents should be locals either hired by the project or, preferably, by the association of farmers (they could even be farmers themselves who might have an aptitude for this). It is essential for sustainability purposes that farmers don't become too reliant on the TAs and that they are capable of managing on their own upon completion of project activity.

B. Practical Training

Phase II could also direct some resources toward practical training in support of the adoption of commercial agricultural practices. One avenue to pursue is to adopt a Student Enterprise Program modelled after the USAID funded project in Lesotho. This projects allows third year agriculture students the opportunity to manage an agricultural enterprise on their own with the benefit of resident technical assistance. It affords students the chance to experience managing an enterprise, it requires that they keep records so they know their financial position throughout the production period, it teaches them how to access credit, and, in most cases, allows them to earn some income which they can use to start an enterprise upon graduation.

The question that prevails in Swaziland is how interested the agriculture college at UNISWA is in participating and running such a program. Past experience is that they are not very interested in outreach programs. An alternative would be to set up a program for agriculture graduates within the MOAC at a farmer training center (this was actually suggested by the MOAC Director of Agriculture).

This type of program could be done with limited number of TAs working with local specialists in irrigated horticultural crop production, farm management, and intensive livestock activities. The Lesotho SEP program includes a home economics component which assists in commercial baking, sewing and weaving. This could also be considered if appropriate for Swaziland. The program in Lesotho also has its own credit union which was capitalized by USAID funded project.

V. Completion of CAPM - Support for Phase II

A. Refocus of Activities

There are a number of activities which the existing CAPM team can undertake to support proposed activities for phase II. Since the CAPM team has established relations with producers in the Piggs Peak scheme they should continue to support activities there. The immediate emphasis should be collecting crop production data for this growing season. It is recommended that CAPM hire a local enumerator for each scheme solely to collect data on production cost, yields and sales. These field assistants would be supervised by the CAPM team leader and policy analyst who would be responsible for compiling and analyzing the data.

CAPM should also continue efforts in facilitating linkages between producers in the area and traders. Analysis should be directed toward establishing marketing plans for phase II. This would include analysis of existing marketing channels to determine what their maximum potential might be and to identify other domestic and regional opportunities. Actual market tests should be conducted when possible.

For phase II it would be useful to identify as many market constraints and potential outlets as possible. It would be helpful to know which of the crops being grown in the Piggs Peak scheme can be competitive with South African produce. In addition it would be desirable to review all of the IFAD irrigation schemes in the country to determine their size (acreage), number of farmers, the types of crops presently grown and their level of production, the status of the irrigation system, and some information regarding their accessibility to markets (i.e., distance from tarred road, conditions of roads, number of traders who buy at farm gate, description of how they market produce). An

assessment of the production potential in each scheme would be useful.

B. Limited training

Select training should continue during the remaining LOP. However, all proposed training should be linked to activities likely to be included under the follow-on project. Efforts should be made, when possible, to identify appropriate courses that can be offered in-country. In this context, special consideration should be given to relevant residential courses being offered by the Mananga Agricultural Management Center, specifically the "Enterprise Development", "Agricultural Marketing", and the "Management Development Program". Consideration should also be given to offering a basic course designed for small-scale commercial farmers in farm planning and record keeping at a FTC or other appropriate venue. This course should introduce the farmer to basic concepts of planning and production costing.

In-country seminars for enterprise development and agribusiness should also be offered. These seminars should focus on a specific theme or topic, i.e. domestic market development, rural enterprise, business planning, and that have linkages to on farm production and processing.

Long-term degree training, new observation tours, and overseas short-term training should be moved to the follow-on project. Overseas study tours and training are management intensive activities that consume a disproportionate amount of CAPM advisors' time. The balance of CAPM advisors' time would be more profitably spent on in-country activities, including policy analysis and dialogue, that support design efforts for the follow-on project.

C. Technical Assistance for Balance of CAPM Phase I

1. Marketing

Given the present level of commercial agricultural production by small holder Swazi farmers it is recommended that marketing assistance focus on domestic and regional markets for the time being. Perhaps the potential for greater returns lie in the markets beyond the region, however, there also lies the greatest risk. Since the team has already begun exploring marketing possibilities in Europe they should be encouraged to complete work in progress but direct all new efforts to domestic and regional markets for the duration of the project. The CAPM team should continue to facilitate marketing relationships with local producers and local and regional traders. Responsibility for this could be picked up by the team leader.

The marketing advisor should continue providing advise and assist with strengthening analytical capabilities at NAMBOARD. In addition he should also monitor and analyze periodic (weekly, monthly) data on prices and quantities of major crops in Swaziland and South Africa. He should also work on developing a marketing plan and strategy which is aimed first at domestic markets and secondly at regional markets. This will provide valuable information for design of Phase II.

2. Farm Level Analysis

The policy analyst should assume primary responsibility for the farm level analysis outlined above. Particular attention needs to paid to making sure cropping schemes being promoted are economically and financially viable. In addition, a production consultant should be recruited to assist in conducting production potential for the Piggs Peak schemes as well as others (as is practical).

D. Recommended Timeframe for Completion of Current CAPM Activities

Based on the assumption that the Mission intends to design a follow-on project to CAPM, time should be allocated under the current project to collect data from actual farm operations during the current planting season. The timing of the completion of CAPM should coincide with a design schedule for the follow-on project. Studies currently in progress and the farm production data collection and analysis should be completed by the third quarter of FY-91. The PID for the follow-on project should be scheduled for third quarter FY-91 as well with the PP design scheduled for start during the forth quarter of FY-91. Project authorization could then be scheduled for early FY-92.

The visiting professor position has already been terminated. Long-term technical advisor positions should be further reduced by eliminating the agribusiness advisor at MCIT. This is in line with refocusing CAPM activities toward the small commercial farm producer. The marketing advisor would complete his revised SOW by end of third quarter of FY-91. The COP and the Policy Advisor would continue until the end of the first quarter of FY-92 to maintain an appropriate level of policy analysis activity and to continue to facilitate a dialogue with the GOS. This timeframe would also provide a minimum level of continuity of project activity. Contract selection for the follow-on project should be completed within six months of project authorization (estimated to be June 1992. Current CAPM activities should also be completed by June 1992.

Illustrative timeframe for CAPM technical advisors:

1. COP/Agribusiness Advisor - continued through to PACD.
2. Policy Advisor/Economist - converted to long-term position and extended to PACD.
3. Marketing Advisor - continue for 6 to 9 months and complete an comprehensive analysis imported and domestic marketed produce by price, volume, and time.
4. Agribusiness Advisor/MCIT - terminate.
5. Visiting Professor - terminate.
6. Production Specialist - replaces Agribusiness/MCIT advisor. Farm level analysis and on-farm production trials for 6-9 months.

E. Implementation Actions

1. Project Paper Supplement - A PP Supplement will be required to effect a refocusing of CAPM project activities as outlined in this report. This assessment recommends a realignment of CAPM activities rather than a major modification of the project. No changes are proposed for project purpose, no new activity is being proposed other than what was in the project agreement description, and no increases in authorized level of funding is required. The supplement will review project paper analyses to ascertain that the conclusions still remain valid, revise the implementation plan to reflect proposed changes, and describe project activity for the remaining LOP in line with the realignment. Budgets will also need to be revised.

2. Project Agreement - No changes are proposed for Section 2.1 Definition of Project. Section 2.1 provides for changes in the amplified project description (Annex 1 of the Project Agreement) provided that proposed changes are within the limits of the definition of the project as stated in Section 2.1. Such changes can be accomplished through PILs. Initial discussion were held with the Mission RLA on this proposed approach.

3. Technical Assistance Contract - Discussions will be required with the Regional Contracting Officer concerning issues related to reductions in the required level of effort from the contractor. These discussions should be initiated as soon as the RCO returns to post as options available will have considerable bearing on how the proposed realignment of project activity can be accomplished. A revised Plan of Work for the remaining LOP should

be prepared in consultation with the Contractor's COP. Each sub-contract should also be reviewed and adjusted to be in line with proposed project activity remaining under the current CAPM project. Sub-contracts would be adjusted accordingly.

4. Revised SOW for Technical Assistance Advisors - The SOWs should be revised to reflect changes in project focus and levels of effort. Workplans for each advisor would be prepared for remaining LOP.

VI. Phase II Design Issues

A. Long-Term Objective

The goal level statement should be reviewed with reference to the longer term objectives of AID support to small commercial agriculture. The project requires quantifiable outputs that contribute to achievement of project purpose and support the overall project goal. Measurable indicators are essential for project monitoring and evaluation. Examples to be considered would include increased levels of production and productivity, farm income, and rural employment. South Africa currently supplies over 90% of Swaziland's horticulture requirements. Swaziland is likely to have a comparative advantage in producing specific crops suited for Swaziland conditions but imports from South Africa will continue to feature prominently in Swazi markets.

B. Student Enterprise Project

There are design issues with respect to a student enterprise project (SEP) for Swaziland. One is to determine if the project should be linked directly with the agriculture college at UNISWA or with the MOAC. If the project were to be associated with UNISWA it would require changing the degree program allowing for an additional year dedicated solely to practicals. It would also require access to land and facilities of the college farm. This approach would also require a certain level financial support to the college to make these changes. The interest of UNISWA in a SEP has yet to be determined.

On the other hand, the MOAC Director of Agriculture is quite enthusiastic about the prospects of such a program under the Ministry. He indicated that the MOAC has suitable facilities at the local farmers training center. If a SEP were to be included in the follow-on project or as a separate project, both options would need to be fully assessed in terms of costs and potential for successful implementation. A SEP would likely require at a minimum two long-term technical assistance positions if local professional staff developed under the cropping systems project were also available for use in the SEP.

In either case, it is recommended that the project modify the Lesotho model and build into the program extension support to entrepreneurs for a year or two after they have graduated from the program. Often the need for technical assistance and support is greatest when the student moves from the controlled environment of the education facility to his own farm or business. Extending assistance to newly established enterprises in the field would improve the chances of the enterprise succeeding.

Another design issue is to determine whether the SEP should be part of a CAPM phase II project or be designed as a separate project directed solely at student enterprise development. The main advantage to making the SEP a separate project is that it would allow both projects to remain focused on specific objectives and activities thus making them easier to implement. Another factor is that each project activity (enterprise training and small farm development) require a different mix of professional skills.

C. Private Sector Participation in Phase II Activities

The primary project beneficiaries are in the private sector, the small commercial farmers. The degree to which the project is able to foster development of improved linkages to the private sector for services to the farmers can be influenced by project design. Project design will need to assess the ability of farmers to access a wide range of supporting services that are essential for successful small commercial farm production. These include input supply, marketing, credit, transport, field cultivations and processing. The project can focus on expanding the role of the private sector for these services or it can continue to use a combination of public and private sector enterprises. Using marketing as an example, the farmers could market through NAMBOARD or seek outlets in the private sector for marketing. Should participating farmers look to the government tractor hire service for cultivation or should they be encouraged to use private contractors? What is the better source of extension information - government extension agents or private agricultural input suppliers and marketing agents?

D. Role of Government

These questions relates to how Government can best support project implementation. Should Government's role be one of approval and general guidance, or should Government be a principal implementation agent? What services are best provided by Government and what services are better provided by the private sector. Does Government have the resources, both personnel and financial, to effectively respond? At a minimum, Government endorsement is required. The Government's role in maintaining/improving the policy environment is of critical

importance. How can project resources support Government efforts to review and improve policies that directly impact on project activities? What are the best channels of communications between the project and Government?

E. Profile for Irrigated Schemes

For the design of phase II it is essential that some initial information is available on the production potential of the small commercial farmer irrigated schemes in Swaziland. Of most importance is information on the viability of producing specific horticultural crops in the context of local and regional markets. It is important to identify which crops local small scale farmers can produce competitively with South African farmers and where the market advantages lie.

There also needs to be an assessment of the production potential in each irrigated scheme so that in the design of phase II those which show the best promise can be targeted. This analysis will also help to make realistic assessments of the impact the project may have on local smallholder farmers, local traders, and the domestic economy.