PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC14814

Project Name	SZ: Private Sector Competitiveness (P151433)
Region	AFRICA
Country	Swaziland
Sector(s)	General industry and trade sector (20%), Agro-industry, marketing, and trade (20%), Public administration- Industry and trade (20%), SME Finance (20%), Other industry (20%)
Theme(s)	Regulation and competition policy (25%), Other Financial Sector Development (25%), Micro, Small and Medium Enterprise support (25%), Export development and competitiveness (25%)
Lending Instrument	Investment Project Financing
Project ID	P151433
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Economic Planning and Development
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	15-Oct-2014
Date PID Approved/ Disclosed	08-Mar-2015
Estimated Date of Appraisal Completion	29-Apr-2015
Estimated Date of Board Approval	30-Sep-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Swaziland’s primary development challenge is to address its high rates of poverty and inequality. To overcome this challenge, the country will need to break out of its low growth trap with labor-intensive growth. Overall GDP grew at 6.3 percent in the 1980s, falling to 3.7 percent in the 1990s, and 2.3 percent in the 2000s. Growth in GDP per capita has been around 1 percent annually from 2000 to 2012.

Swaziland’s underlying growth engine is agriculture-based production. Nominally, agriculture is only 7 percent of Swaziland’s GDP, but manufactured goods derived from agricultural products (sugar, concentrates, wood pulp, pineapple and citrus fruits) account for around 48 percent of GDP, and 75 percent of export revenues. Services including financial services have been growing in recent years; but few of them are internationally tradable, and thus are not injecting income into Swaziland's economy.

Export and investment in Swaziland are shrinking. Exports grew in the 1980s and 1990s, but have been declining in the 2000s (negative 3 percent growth from 2000 to 2012). Gross investment has fallen from14 percent in the 1980s, to 9 percent in the 2000s, and has further declined to 5 percent in the 2010s.

The development objective of this Project is to boost investment and job creation. The objective will be achieved through reforms to the business environment and through catalytic interventions in agribusiness and tourism sectors. These interventions will prompt a response from the private sector. The impact will be to increase incomes, particularly in labor-intensive sectors which have the highest impact on poverty and on shared prosperity.

Sectoral and Institutional Context

The ability of the private sector in Swaziland to be competitive and to generate jobs is hindered by several key constraints.

• First, business enabling environment. Swaziland is ranked 123rd of 189 countries according to Doing Business Indicators 2014. The World Economic Forum Global Competitiveness Report 2014-2015 ranks Swaziland 123rd out of 144 countries.

• Second, access to finance. There exists a moderately well-developed commercial banking sector in Swaziland; but SMEs find it difficult to access commercial financing for investment capital and working capital.

• Third, skills to seize market opportunities where they do exist. Swaziland has a good potential for growth in agribusiness, tourism, and some other industries, but these opportunities have not yet been well-leveraged by firms.

Relationship to CAS

The proposed operation is integral to the Bank's assistance to Swaziland, as outlined in the Country Partnership Strategy (CPS) which covers a four-year period (FY2015-2018). The CPS prioritizes two pillars: (i) promoting growth and job creation; and (ii) strengthening state capabilities. This project is the main lending operation under the first pillar and has been specified as such in the CPS. It is fully consistent with the twin goals of the WBG through its outcome of increased incomes for smallholder farmers and rural communities, thus potentially reducing poverty and promoting shared prosperity.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The development objectives of the proposed project are: to increase private investments and exports; and to increase jobs in the agribusiness and tourism sectors.

Key Results (From PCN)

Success in achieving the PDOs will be measured by the following PDO-level indicators:
(i) Increased private investment (value US$);
(ii) Increased exports (value US$);
(iii) Increased number of jobs in agribusiness (number);
(iv) Increased number of jobs in tourism (number);

(v) Direct project beneficiaries (number), of which female (percentage).

Owing to their macroeconomic nature, indicators (i), (ii) and (iii) will be attributable to many factors beyond the project interventions alone. They are chosen because the economy-wide reforms under Component 1 are intended to generate economy-wide results.

Progress on each of the components will be measured by intermediate outcomes, to be developed in detail for QER stage. These are likely to include the following Core Sector Indicators and project specific outcomes, listed here by project subcomponent:

- 1A: Assessed times and costs on the four target Doing Business Indicators (amount in US$ and time in days).
- 1B: Assessed performance on WBG Global Investment Promotion Best Practice (GIBP) (rating);
- 1C: Volume of Bank Funding: Lines of Credit – SME (amount US$);
- 1C: Portfolio at Risk – SME (%);
- 2A: Agribusiness SMEs (number);
- 2B: Average tourist nights spent in Swaziland (number);
- 2A & 2B: Private Capital Mobilized [as a result of catalytic funding] (amount US$).

Responsibility for tracking progress on these results will be taken by the Project Implementation Unit, where applicable leveraging existing data collected by Government Ministries and agencies. For example, the Swaziland Investment Promotion Authority tracks investment data in the course of its work; and the Swaziland Tourism Authority already estimates the number of jobs in Swaziland's tourism sector.

III. Preliminary Description

Concept Description

COMPONENT 1: Improving the business environment

Subcomponent 1A: Accelerated implementation of the Investor Road Map (IRM)

The Government of Swaziland deems it a key priority to improve its business environment, and has requested that this World Bank project should focus on four priority areas: starting a business; registering property; protecting investors; and trading across borders.

Project activities will address the main constraints to implementation of the IRM, which will improve the business environment in Swaziland regardless of sector:

(i) Improved legal foundations for implementation.
(ii) Refined IRM plan and institutional structure for implementation.
(iii) Adoption of new ICT systems to streamline key business processes.

Sub-component 1B: Increased focus and strategy for investment, export, and tourism promotion

Evidence from most countries shows that active investment and export promotion is a necessary complement to a business enabling environment. Swaziland will need to strategically market and facilitate new investments, so that reforms are publicized and known amongst potential investors, and so that new investments can be guided and assisted. Public sector assistance to exporters will facilitate entry into new markets and increased exports into existing markets.

The project will support the following activities:

(i) Strengthened investment promotion and facilitation (including strategy, branding, a customer relationship management system, and improved aftercare functions).

(ii) Strengthened export promotion and facilitation.

(iii) Improved tourism sector strategic planning and regulations.

Sub-component 1C: Improved access to finance for SMEs

There does exist in Swaziland a moderately well-developed commercial banking sector; but SMEs find it difficult to access commercial financing for investment capital and working capital. Commercial lending to agriculture in Swaziland is focused almost entirely on the sugar industry, which is the most established agricultural industry, is constituted mainly by large firms, and is perceived to be lower risk than other agricultural products.

In order to increase access to finance for SMEs, the project will support the following activities:

(i) Restructuring of the Export Credit Guarantee Scheme (ECGS) and Small Scale Enterprise Loan Guarantee Scheme (SSELGS) to simplify application requirements, achieve more stability, and generate increased uptake.

(ii) Improved risk strategies and business assessment skills in financial institutions.

(iii) Investments in new payments and credit infrastructure, including a collateral registry for secured interests in movable assets.

(iv) Extension of financial inclusion via producers' cooperatives.

COMPONENT 2: Job creation in strategic industries

This component comprises activities to catalyze a sustained growth amongst private sector firms in Swaziland.

Sub-component 2A: Competitive business plans in agribusiness and tourism

The project will engage with a key constraint to the establishment and scaling-up of firms in agribusiness and tourism: the ability of entrepreneurs to identify and pursue competitive advantages, through technical and sector knowledge plus the development of viable business plans.

Project interventions will support:

(i) Establishment of SWADE and STA as mentorship organizations for entrepreneurs;

(ii) Focusing of SEDCO business skills training on development of viable business plans.

Sub-component 2B: Catalytic Fund for start-ups and early stage 'market makers'.

A Catalytic Fund will complement the development of competitive business plans, given that entrepreneurs pursuing new product-market segments or riskier activities including test marketing will not have access to commercial bank financing. In order to complement the skills needs required for this move to new products or markets, the fund will include financing for technical and managerial training identified by firms.

Project interventions will support:
(i) Design and establishment of a Catalytic Fund.

COMPONENT 3: Project Implementation

This component will support the costs of the Project Implementation Unit including: externally consultants if required; safeguards support; and monitoring and evaluation.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	**Yes**	**No**	**TBD**
Environmental Assessment OP/BP 4.01	×		
Natural Habitats OP/BP 4.04			×
Forests OP/BP 4.36		×	
Pest Management OP 4.09	×		
Physical Cultural Resources OP/BP 4.11	×		
Indigenous Peoples OP/BP 4.10		×	
Involuntary Resettlement OP/BP 4.12		×	
Safety of Dams OP/BP 4.37		×	
Projects on International Waterways OP/BP 7.50		×	
Projects in Disputed Areas OP/BP 7.60		×	

V. Financing (in USD Million)

Total Project Cost:	25.00	Total Bank Financing:	25.00
Financing Gap:	0.00		

Financing Source	**Amount**
Borrower	0.00
International Bank for Reconstruction and Development	25.00
Total	25.00

VI. Contact point

World Bank

Contact: Austin Francis Louis Kilroy
Title: Private Sector Development Spe
Tel: 458-1905
Email: akilroy@worldbank.org

Contact: Smita Kuriakose
Title: Senior Economist
Tel: 458-9003
Email: skuriakose@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Finance
Contact: Bheki Bhembe
Title: Principal Secretary
Tel:
Email: bheki.bhembe@gmail.com

Implementing Agencies

Name: Ministry of Economic Planning and Development
Contact: Vusie Dlamini
Title: Head of ACMS
Tel: 26876024434
Email: vusie@mepd-acms.org

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop