SWAZILAND

2015

Peninah KARIUKI / p.kariuki@afdb.org
Chief Country Economist, Southern Africa Resource Center, AfDB

Fatou LEIGH / Fatou.leigh@undp.org
Economic Advisor, UNDP Swaziland

www.africaneconomicoutlook.org

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- **Economic growth is estimated to have slowed down in 2014 to 2.5% and inflationary pressures increased, with prospects in 2015 and 2016 remaining lacklustre as performance of the export sector could decline if access to preferential trading agreements is lost.**
- **On the political front, relative calm continues to prevail after the September 2013 elections, but the country's ranking in participation and human rights remains low.**
- **There are remarkable divergences in the availability of social and economic amenities among the urban and rural areas, underscoring the need for the government to ensure that opportunities to promote inclusive growth are put in place for the benefit of all Swazis.**

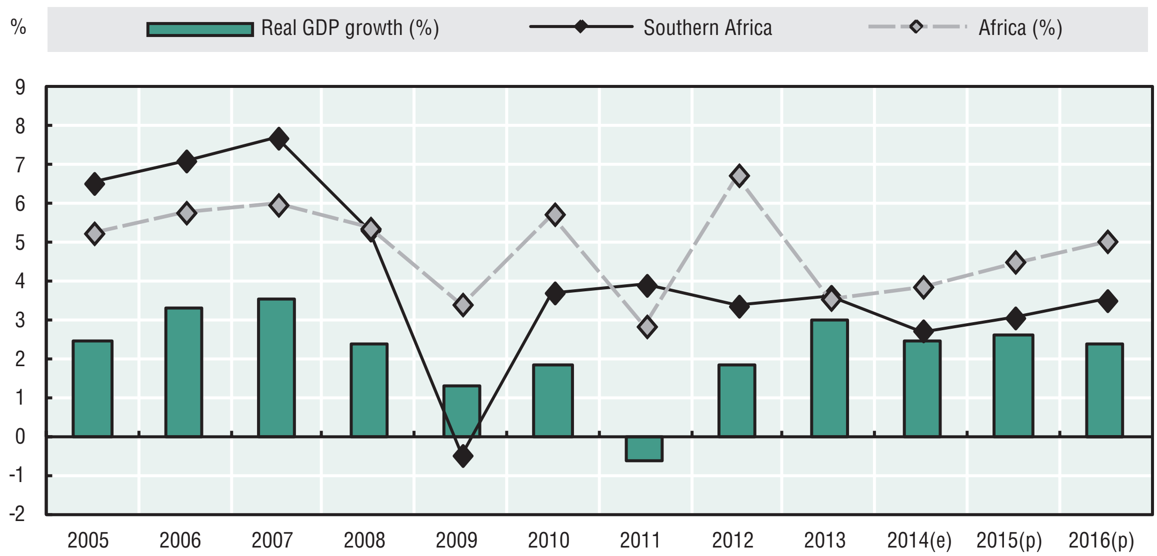
Overview

Economic performance in Swaziland, as indicated by real gross domestic product (GDP) growth, slowed half of a percentage point from 3.0% in 2013 to 2.5% in 2014. The much-needed recovery from the 2011 fiscal crisis has not materialised. Slack prospects in South Africa and persistent local structural constraints are hindering economic recovery. The secondary sector was the most adversely affected, particularly the predominant manufacturing sub-sector. The decline in growth in the secondary sector was somewhat counteracted by growth in the primary sector. Agriculture is estimated to have improved by 4.0%, reflecting enhanced productivity accruing from key interventions. Although growth in the tertiary sector slowed down, an increase in investment in government capital programmes tempered the outcome. Short-term prospects remain subdued with economic growth expected to remain low at around 2.5% per annum through to 2016. Growth prospects are predicated on the export sector, in particular the extension of the African Growth and Opportunity Act (AGOA) and the ratification of the Economic Partnership Agreement (EPA) with the European Union (EU) signed in August 2014.

Despite Swaziland's classification as a low middle-income country, economic issues that are mainly associated with low-income countries – such as a weak business climate and low foreign direct investment (FDI) inflows – prevail. The high rate of HIV/AIDS and an uneven distribution of resources remain major social concerns. The Gini co-efficient of 0.51 is one of the highest in the world, indicating wide disparities in household income. The incidence of poverty is also high, with 63% of the population living below the poverty line. Other challenges include a high unemployment rate of 17.8%, and a low Human Development Index (HDI) ranking with a score of 0.53 mainly due to the high HIV/AIDS prevalence. While Swaziland has made some improvements in the past three decades in the fight against the pandemic, the HIV prevalence of 26% among 15-49-year-olds is the highest in the world. This has contributed to plummeting life expectancy to 40.9 years as well as high numbers of orphaned and vulnerable children.

Swaziland is small and sparsely populated, except in certain pockets in the regions of Manzini and Hhohho, the economic and commercial zones. The country has non-discriminatory and friendly policies for foreigners and a small foreign population of less than 2%, but high unemployment, especially among youth, is slowly generating resentment, particularly towards foreign small-business owners. Though the government is addressing youth unemployment through empowerment programmes such as implementing a Youth Enterprise Fund and introducing entrepreneurship education in the secondary school curriculum, these measures are nascent and not yet implemented ubiquitously or evenly across all regions of the nation. Government efforts in education led to enrolment parity across all regions and should be replicated in other sectors as well, as there are divergences in the availability of social and economic services among the regions. The government should continue investments in all regions and initiate opportunities in marginalised regions, like Shelsilweni, to promote inclusive and sustainable growth for the benefit of all Swazis.

Figure 1. **Real GDP growth**



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p)

Table 1. **Macroeconomic development**

	2013	2014(e)	2015(p)	2016(p)
Real GDP growth	3.0	2.5	2.6	2.4
Real GDP per capita growth	1.5	1.0	1.2	1.0
CPI inflation	5.6	5.7	5.4	5.4
Budget balance % GDP	0.9	-0.3	-0.6	-1.3
Current account % GDP	5.3	2.4	1.7	-0.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

Swaziland's economic performance remained moderate in 2014, with the real GDP growth estimated to have declined to 2.5% from 3.0% in 2013, as the country is vulnerable to external shocks, particularly from South Africa – where prospects remain slack – as well as persistent internal deficiencies. The decline mainly reflects a deceleration of growth in the secondary sector from 4.2% in 2013 to 2.7% in 2014. In particular, the manufacturing sub-sector, which accounts for about one third of GDP, was significantly affected by the shocks, with its growth performance decelerating to 1.3% from 2.5% in 2013. Other factors responsible for this decline include lack of competitiveness and low levels of private investment. The decline in growth in the secondary sector was counteracted, to some extent, by improved growth in the primary sector. Agricultural production expanded by approximately 4.0%, reflecting enhanced productivity accruing from key interventions, such as the Lower Usuthu Smallholder Irrigation Project. In contrast, performance in the mining sub-sector slowed. Information from the Central Bank of Swaziland indicates that coal production remained on a downward trend declining by almost 50% in the first half of 2014 to 80 673 tonnes compared with the corresponding period in 2013, reflecting persistent geological and technical challenges. There was also a significant decline of 33% in iron ore production over the same period to 465 752 tonnes, due mainly to a slump in international iron ore prices. In addition, the tertiary sector is showing signs of deceleration, growing only by 2.7% in 2014 after having expanded by 3.2% in the previous year. This slowdown occurred despite a boost from the implementation of a public sector investment programme that has bolstered the performance of government services.

On the demand side of the economy, performance across the components was mixed. With regard to the external front, the trade balance remained in surplus in 2014 at 190 million United States dollars (USD), marginally lower than the surplus of USD 196 million in 2013. Exports rose by an estimated 15.7% to emalangeni (SZL) 18.3 billion, indicating greater external demand for Swazi products, which counterbalanced the increase in imports of 7.7% to SZL 16.3 billion. Public investment remained strong, buoyed by capital expenditure for ongoing, as well as new projects. The 2014/15 fiscal year budget allocation depicts a 44% increase in envisaged capital expenditure, with approximately 81% of the total capital expenditure earmarked for completing ongoing projects while 19% is a provision for new capital projects. The key ongoing projects include the completion of the Sikhuphe International Airport, the Sikhuphe-Mbadlane road and the Sicunusa-Nhlangano road. The new capital projects include the Mhlume Siphon Scheme, the rehabilitation of the Malkerns Canal and the construction of three major roads (the Siphofaneni St Phillips Phase II road, the Mananga-Sihhoye road and the Manzana-Dvokolwako road). However, there are indications that public consumption will remain high in 2014, mainly due to public wage expenditures. The estimated expenditure for 2014/15 is expected to total SZL 5.9 billion, including pension contributions and cost-of-living adjustments; almost a 12% increase from the previous year. Regarding private consumption, there were no changes in personal taxes but civil servants' salaries effectively rose in 2014, due to a 6.5% cost-of-living increase awarded in October 2014 and backdated to April 2014.

Going forward, economic growth is expected to remain lacklustre, remaining at 2.5% in 2015, and slowing marginally to 2.4% in 2016. Generally, medium-term growth prospects are predicated on developments in the export sector. The key developments include, in particular, the extension of preferential trading agreements, such as the AGOA and the EPAs. In June 2014, the United States (US) announced that the country's AGOA eligibility would be withdrawn in January 2015. The decision followed protracted engagement with the government regarding concerns about its compliance with the eligibility criteria related to internationally recognised worker rights. While it could be argued that the trade and growth impacts arising from the loss of the AGOA market would likely be moderate given the relatively low share of the textile industry to GDP of about 3%, it is also true that the Swazi economy cannot afford such an eventuality at this time and the ensuing consequences particularly related to the loss of jobs. The loss of the AGOA market in 2015 would affect the performance of the textile, curios, fruit canning and other agricultural products that benefited from the access to the US market through the arrangement. Hence, the signing of an Economic Partnership Agreement with the EU in August 2014 is a welcome development that can support a sizeable proportion of total exports that are destined to the EU market including sugar, meat, citrus and forestry products. To this end, ratification of the EPA will be critical for growth. Moreover, economic growth is expected to receive a stimulus from the expansionary Fiscal policy in the last two fiscal years that has led to increases in the allocation and implementation of critical government capital programmes.

Table 2. **GDP by sector (percentage of GDP at current prices)**

	2009	2012
Agriculture, forestry, fishing & hunting	7.9	8.0
of which fishing	...	...
Mining and quarrying	0.3	0.3
of which oil	...	...
Manufacturing	42.3	43.0
Electricity, gas and water	0.9	0.9
Construction	2.7	5.2
Wholesale & retail trade; repair of vehicles household goods; Restaurants and hotels	10.5	9.1
of which hotels and restaurants	1.9	1.6
Transport, storage and communication	7.2	6.2
Finance, real estate and business services	7.9	8.6
Public administration and defence	16.2	14.8
Other services	4.2	4.0
Gross domestic product at basic prices / factor cost	**100.0**	**100.0**

Source: Data from domestic authorities

Macroeconomic policy

Fiscal policy

After experiencing a fiscal crisis in 2010/11 mainly due to a significant decline of almost 25% in revenues from the Southern African Customs Union (SACU), the government has undertaken various fiscal reforms and Swaziland's budgetary outturn has since improved. The 2014/15 budget estimates indicate an increase in total revenue to SZL 14.6 billon, of which SZL 7.5 billion (51%) is SACU revenue. This implies that 49% of the budget will be financed by non-SACU revenue compared to 45% in 2013/14. This outcome strongly signals the government efforts to reduce dependency on SACU revenue as the Swaziland Revenue Authority (SRA) is putting in place measures to strengthen and broaden the tax base in an effort to enhance domestic tax. Conversely, total expenditure is expected to reach SZL 15.3 billion, of which SZL 3.7 billion is capital expenditure, thus resulting in a fiscal deficit of 2.6% of GDP. Despite this deficit, it does indicate improved performance in the past three years. This trend reflects reforms supported by the International Monetary Fund (IMF) Staff-Monitored Programme that have led to expenditure cuts, as well as the establishment of the SRA. The outturn for 2013/14 resulted in revenue of SZL 13.2 billion of which 7.2 billion was SACU revenue, accounting for 55% of total revenue. Domestic revenue increased by 12% from the previous year and is expected to reach SZL 5.5 billion, which will come mainly from income tax. This more than compensated expected value-added tax (VAT) refunds. Total expenditure is estimated to have reached SZL 12.9 billion resulting in a small fiscal deficit of 0.3% of GDP. In 2012/13, total revenue amounted to SZL 12.0 billion, of which SACU revenue amounted to SZL 7.06 billion, or 59% of total revenue. The VAT was introduced in April 2012 to replace the sales tax. In 2012/13, the VAT revenue accounted for 0.5% of GDP. Efforts to contain expenditure became effective and the total expenditure amounted to SZL 10.5 billion resulting in a budget surplus of 4.3%.

Table 3. **Public finances (percentage of GDP at current prices)**

	2005/2006	2010/2011	2011/2012	2012/2013	2013/2014(e)	2014/2015(p)	2015/2016(p)
Total revenue and grants	**31.8**	**23.0**	**22.3**	**33.5**	**33.0**	**34.5**	**30.7**
Tax revenue	29.9	22.2	21.8	32.6	32.0	33.2	29.5
Grants	1.0	0.0	0.1	0.1	0.5	0.6	0.5
Total expenditure and net lending (a)	**35.1**	**30.7**	**25.2**	**32.6**	**33.4**	**35.1**	**32.0**
Current expenditure	27.0	26.9	24.9	25.5	26.5	27.6	25.6
Excluding interest	25.8	26.2	24.1	24.6	25.7	26.4	24.1
Wages and salaries	13.9	14.8	13.3	12.4	13.1	13.3	12.2
Interest	1.1	0.7	0.8	1.0	0.9	1.2	1.5
Capital expenditure	8.1	3.8	0.3	7.0	6.8	7.4	6.4
Primary balance	**-2.2**	**-7.1**	**-2.1**	**1.8**	**0.5**	**0.6**	**0.2**
Overall balance	**-3.4**	**-7.7**	**-2.9**	**0.9**	**-0.3**	**-0.6**	**-1.3**

Note : a. Only major items are reported.
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations

Monetary policy

Due to Swaziland's membership in the Common Monetary Area (CMA), the country does not have independent monetary and exchange rate policies. Under the CMA arrangement, the lilangeni remains tied to the South African rand at a one-to-one exchange rate. An assessment conducted by the IMF in the context of the 2014 Article IV Consultation suggests that Swaziland's real effective exchange rate (REER) is moderately overvalued. The report noted that the REER has been depreciating since its peak at end-2010 in line with the depreciation of the South African rand. Over the past three years, the REER has depreciated to stand at its current level of 2% below its long-term average over 1995-2013. The implication of the REER being below historical average and the possibility of overvaluation suggests that Swaziland's equilibrium real exchange rate, as determined by fundamentals, may have declined over the past 20 years. Moreover, it should also be noted that since its inflation is relatively higher, Swaziland has been losing competiveness vis-à-vis South Africa. With regard to bilateral nominal exchange rates, the lilangeni/rand depreciated against major currencies in the 12 months to December 2014 by 11.3% against the US dollar, 6.2% against the United Kingdom pound, and appreciated marginally by 0.1% against the euro.

Monetary policy is *de facto* set by the South African Reserve Bank (SARB), with the policy rates set by the Central Bank of Swaziland following closely those of the SARB. While this arrangement has served the country well in attaining price stability, it constrains the use of monetary policy to mitigate adverse fiscal impacts. Thus, inflation is mostly imported from South Africa and/or supply driven by shocks to food and fuel prices. The country has been recording single-digit inflation since 2009. In 2014, inflationary pressures affected the economy, with headline inflation rising from 4.4% in December 2013 to 6.2% in December 2014. This reflected a substantial increase in transport prices as well as higher prices of food and non-alcoholic beverages, which constitute about 29% of the consumer price index basket. The monetary authorities had maintained the discount rate at 5% since July 2012, but raised it to 5.25% in July 2014.

Economic co-operation, regional integration and trade

Due to Swaziland's landlocked nature, regional integration and trade play a major role in the economy. The country is a member of SACU, the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). It also had preferential access to the EU market under the Cotonou Agreement, which expired at the end of 2007, after which it signed an interim Economic Partnership Agreement (EPA) with the EU in 2009, paving the way for the signature of a full EPA in August 2014. Swaziland has also been benefiting from duty-free access to the US market under the African Growth and Opportunity Act (AGOA). In June 2014, the US announced that it would withdraw Swaziland's AGOA eligibility in January 2015 following concerns about the country's implementation of the eligibility criteria related to workers' rights. The US government concluded that Swaziland had not demonstrated progress on the protection of internationally recognised workers' rights, particularly in protecting freedom of association and the right to organise. The US concerns included Swaziland's use of security forces and arbitrary arrests to stifle peaceful demonstrations, as well as the lack of legal recognition for labour and employer federations.

Swaziland has signed regional and multilateral trading arrangements that shape its tariff structure. Its tariff policy is governed by SACU, which controls customs and excise duties on goods imported from non-SACU countries, and establishes transit rights for products transported over Southern African territory. Intra-SADC trade is based on the SADC Protocol on Trade, while extra-regional trade is based on both the World Trade Organization (WTO) negotiated tariff liberalisation process, as well as bilateral and/or inter-regional trade arrangements. Trade with non-SACU countries is administered through the SACU common external tariff. Nonetheless, the government supports a carefully planned tariff liberalisation process, including restructuring and simplification with a view to achieving the country's objective of moving away from the use of the tariff as a source of revenue to a tool for industrialisation. Swaziland has erected some non-tariff barriers to trade, including import permit requirements for a variety of food products, seasonal trade bans on selected agricultural goods and a state monopoly on beef exports. There has been no change in Swaziland's tariff structure in recent years although there are efforts to improve trade facilitation. Swaziland could reduce the burden of customs procedures if an agreement with South Africa could be reached to avoid double declarations of imports, similar to South Africa's arrangements with Lesotho. The external tariff for non-SACU imports amounted to an average rate of 11% in 2014, but this varies widely across products. Swaziland has 157 tariff bands, with 21 tariff lines at more than 15% duty.

In the 2014/15 budget speech, the government reiterated the intention to continue implementing some of the recommendations contained in the World Bank supported Time Release Study that was done for the Ngwenya, Lavumisa and Lomahasha border posts. A remarkable achievement to this end relates to the extension (by the Swaziland Revenue Authority) of the border opening hours at Ngwenya (up to midnight) to give traders more flexibility when transporting their goods. The Authority, in partnership with COMESA, has also embarked on upgrading the Automated System of Customs Data (ASYCUDA), aimed at providing an improved customs administration platform, including the direct payment of VAT refunds at the borders to reduce transaction costs. Furthermore, the government is looking into aligning its customs systems to those of South Africa, which would make it easier for the operationalisation of "One-Stop Border Posts" (OSBPs). Through assistance from the Southern Africa Trade Hub, Swaziland is implementing a system that would allow the exchange of customs information at its borders with South Africa.

Table 4. **Current account (percentage of GDP at current prices)**

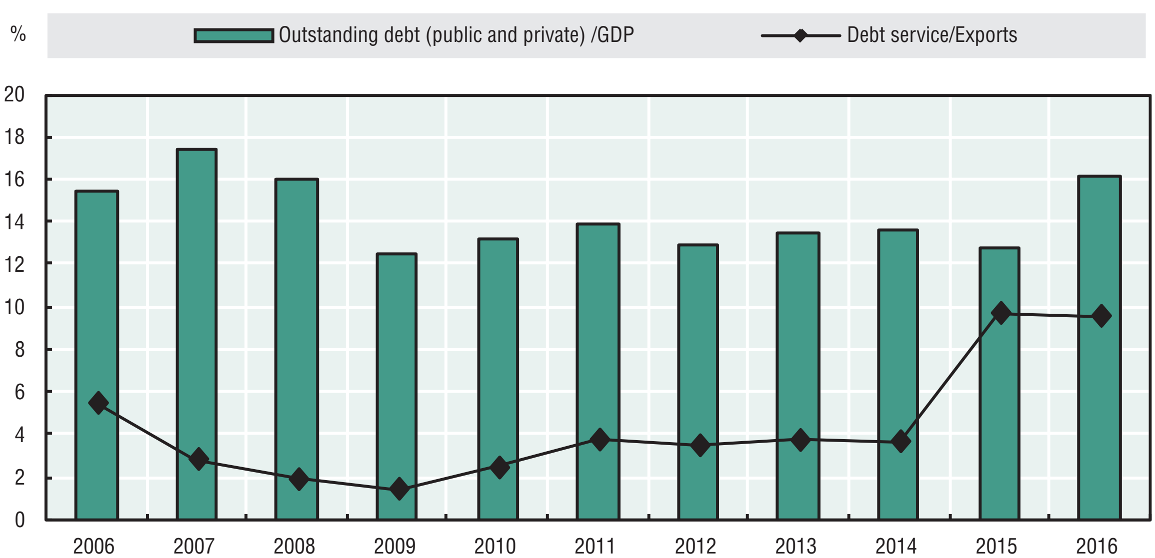
	2006	2011	2012	2013	2014(e)	2015(p)	2016(p)
Trade balance	-8.3	-0.9	1.9	6.7	5.9	7.3	6.2
Exports of goods (f.o.b.)	52.9	45.9	47.6	49.5	50.1	42.4	42.0
Imports of goods (f.o.b.)	61.2	46.8	45.6	42.8	44.2	35.1	35.7
Services	-3.3	-13.9	-14.4	-14.5	-14.9	-13.8	-13.8
Factor income	0.5	-6.2	-7.8	-9.7	-9.0	-8.4	-8.3
Current transfers	4.5	12.8	24.1	22.8	20.4	16.6	15.5
Current account balance	**-6.7**	**-8.2**	**3.8**	**5.3**	**2.4**	**1.7**	**-0.5**

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Debt policy

The total debt to GDP ratio increased from 16.2% in 2011/12 to 16.9% in 2013/14 and is expected to reach 17.7% in 2014/15. The evident increase in public debt is attributed to the fiscal crisis, which necessitated domestic borrowing to finance priority services. Parliament has to authorise all proposals to contract debt on a case-by-case basis, while the Ministry of Finance initiates the process. All debt proposals have to demonstrate that the debt to be contracted is in line with the national development objectives and that such debt will not lead to debt unsustainability. In principle, Swaziland has a debt management unit, but it is not functional yet. The operationalisation of the debt management unit is part of the plan under the Public Finance Management (PFM) Action Plan being implemented by the government. However, the existing arrangements have generally proven satisfactory as evidenced by the country's level of debt, with the debt to GDP ratio being the lowest in SACU and far below many other countries. On average, foreign debt constitutes 75% of total debt and efforts are underway to develop domestic capital markets to bolster domestic borrowing.

Figure 2. **Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)**



Source : IMF (WEO & Article IV)

Economic and political governance

Private sector

Swaziland's private sector is small and weak, with a low level of domestic entrepreneurship that reflects the reliance on FDI as the driver of growth. This is further aggravated by direct intervention by the state in key economic sectors through state-owned enterprises (SOEs). These institutions operate in multiple economic sectors including agriculture, transport, finance, tourism and housing, such that they are in direct competition with private players, which then creates conflicts of interest in several sectors. In addition, some SOEs are regulators in their sectors, thereby imposing further uncertainty among investors.

According to the World Bank 2014 *Ease of Doing Business* report, the country's rank in the ease of doing business remains low at 123 (out of 189) in 2014; unchanged from the 2013 rank. Cumbersome procedures involved with starting a business remains among one of the major constraints in private sector development. This indicator declined to 172 in 2014 from 167 in 2013. The number of procedures involved to start a business remained at 12 as in the previous year. Although there was an improvement in the length of the time the process takes (down to 38 days from 56), the costs involved remain high, requiring 27.7% of income per capita and a paid-in minimum capital of 0.4% of income per capita. While the country made starting a business easier by shortening the administrative processing times for registering a new business and obtaining a trading license, this aspect still remains the most protracted for entrepreneurs. Closing a business emerges as less cumbersome, with the rank improving to 68 in 2014 from 72 in 2013. With regard to trade facilitation, Swaziland's rank in trading across borders also remains problematic and the rank improved only marginally to 127 in 2014 from 128 in 2013. However, the report notes that Swaziland made trading across borders easier by streamlining the process for obtaining a certificate of origin. The government established a task force in 2012 (under the Investor Roadmap) to address the existing constraints. The task force is required to report to the cabinet on a regular basis.

Financial sector

Swaziland has a shallow and undiversified financial sector comprising four commercial banks and several non-bank financial institutions (NBFIs) that include pension funds, insurance companies, collective investment schemes and savings and credit co-operatives. The banking sector remains dominated by foreign banks, with three of the four banks being subsidiaries of South African banks.

The 2014 IMF Article IV Report notes that commercial banks are generally sound and liquid and that their asset quality has recently improved. It notes, however, that for NBFIs, risks remain arising from supervisory surveillance, which constitutes a challenge as these institutions account for about two-third of the financial sector's assets. The improvement in the banking sector financial soundness indicators is corroborated by the Central Bank of Swaziland (CBS) 2013 Annual Report, which indicates that the asset quality of banks improved during the year with non-performing gross loans at 7.6% in December 2013, lower than the 10.6% recorded in December 2012. However, the CBS recognises the need to improve further the credit portfolio. To this end, the CBS operationalised the Financial Stability Unit in April 2014 to conduct macro-prudential surveillance of the financial system and began a Financial Sector Strategy to inform the formulation of a comprehensive Financial Sector Development Implementation Plan, complete with roadmaps and a prioritised time-bound sequence of actions.

The 2014 FinScope Consumer survey estimates that financial inclusion has improved from 63% in 2011 to 73% in 2014. This means that 54% of the adult population is banked, which marks a 10% increase from the 44% banked adult population in 2011. While 9% of the adult population access informal sources of financing, this has reduced from the 13% noted in 2011. The urban areas are more financially inclusive with 74% banked compared to 45% of rural residents. Males are more financially included at 62% compared to 48% of females. The majority of both civil servants and company employees are banked at 99.5% and 92% respectively, whereas only 55% of irregular income earners are banked. For the unbanked, the main barriers are affordability including inability to maintain a minimum balance. When compared to other like countries, Swaziland fares relatively well in terms of dispersion of bank branches. The key drivers of banking dispersion take into account safety, convenience of transaction, as well as a relatively low cost of transactions. Although pension and insurance firms also mobilise significant resources, the lack of local investment instruments results in the channelling of most of the resources to South Africa. To address this anomaly, the government introduced a new requirement compelling these institutions to invest at least 30% of their resources in the domestic market, which then could be used to finance infrastructure projects.

Public sector management, institutions and reform

The government recognises the importance of enhancing public sector management in a bid to enhance service delivery. Most of the reforms that have been undertaken recently are guided by the 2012 updated Fiscal Adjustment Roadmap (UFAR) that focuses on a comprehensive PFM Action Plan to address existing challenges, including: *i*) budget formulation and implementation; *ii*) low implementation capacity especially for capital projects; *iii*) use of supplementary budgets to finance activities introduced in the middle of the financial year; and *iv*) use of reallocations, which lead to significant deviations between budgeted amounts and actual outturns. Notably, the draft PFM bill (2014) was submitted to parliament by end of November 2014 but it is yet to be debated. Other significant reforms include the establishment of a Cash Management Unit, and the initiation of developing a Medium Term Expenditure Framework (MTEF) and preparation of in-year fiscal reports. The re-introduction of the MTEF is being piloted for the 2015/16 budget and staff of seven ministries have been trained, while the roll-out to other ministries is ongoing. It is expected that the MTEF will improve the linking of policy, planning and budgeting to ensure achievement of national objectives. Going forward, the government plans to introduce medium-term budgeting in 2015/16, which is expected to increase the credibility of the budget. There is need to develop a debt management strategy to establish procedures and processes for contracting public loans, as well as adoption of accounting and auditing standards to internationally recognised systems.

Another major challenge relates to the size of the public sector wage bill. The Programme of Action 2013-2018 launched in July 2014 noted that the public sector payroll remains by far the largest component of recurrent expenditure at 15% of GDP, and 55% of government recurrent expenditure, one of the highest in sub-Saharan Africa. The government has indicated its commitment to keep the number of new posts to the absolute minimum, while introducing a performance management system for all civil servants and achieving downsizing through retirement and natural attrition.

In terms of governance, Swaziland compares unfavourably with its neighbours. The country continues to rank poorly in the Transparency International Corruption Perception Index although its rank improved in 2014 to 69 out of 175 countries, from 82 in 2013. The government is planning to address some of this shortcoming through strengthening the Anti-Corruption Commission that has, since its re-establishment in 2008, brought some high-profile cases before the courts.

Natural resource management and environment

While Swaziland is endowed with a favourable subtropical climate and a rich natural resource base, the country has to contend with major environmental issues including limited supplies of potable water; depletion of wildlife populations due to excessive hunting; overgrazing; soil degradation and erosion. The country is also prone to floods and droughts. In particular, land degradation, which stems from unsustainable land use, weak management and the lack of information systems, is a key challenge. Large-scale irrigated agriculture, particularly sugar cane production, has also led to the destruction of the natural vegetation on large tracts of land. Another key environmental issue relates to water security, which is hampered by fragmented management, outdated legislation and pollution arising from local industries and trans-boundary sources. Forests are endangered through unsustainable practices, including overstocking and reliance on trees for fuel by the majority of the rural population, as well as by alien plant invasion.

According to the Swaziland Environment Authority, climate change has manifested itself mostly through changes in weather patterns, with more extreme conditions and erratic rainfalls, thus destabilising farming systems. Research by the Food, Agriculture and Natural Resources Policy Analysis Network in 2014 noted that at least 15% of moderately vulnerable households in

Swaziland are likely to become highly vulnerable by 2050. The adoption of coping mechanisms was underscored, and notably, 66% of households interviewed indicated that they have resorted to early planting as a mitigation measure; to ensure that critical plant growth stages do not coincide with harsh seasonal conditions, such as dry spells and end-of-season drought. The 2013 development of a National Climate Change Strategy and Action Plan, which addresses climate change issues, is a step in the right direction toward more sustainable practices and management.

Political context

Swaziland recorded a voter turnout of 65% in the September 2013 parliamentary elections. The elections paved the way for the re-appointment of Prime Minister, Barnabas Sibusiso Dlamini, and the appointment of a new cabinet by the King, Mswati III, in November 2013. He also nominated nine women to parliament to boost their numbers in the house as only one out of the 55 seats was won by a woman. Since the next elections are due in 2018, the political scene has remained relatively quiet. Nonetheless, in 2014, the Ibrahim Index of African Governance ranked Swaziland lowest in the region in political participation and human rights. Overall, the country was ranked 24 out of 52 countries, with a score of 51.5, below the regional average score of 59.3.

Social context and human development

Building human resources

Swaziland has registered minimal successes in the progress towards achieving Millenium Development Goals (MDGs), though it has made inroads, especially in the education sector. Goal 2, Achieving Universal Primary Education is closer, while the rest still present significant challenges. Swaziland continues its struggle to make further gains into achieving the health MDGs specifically Goal 6, Combating HIV/AIDS, malaria and other diseases. While the achievements reflect the government's efforts in prioritising health and education, the challenges are great. In the health sector, major challenges include a high HIV/AIDS prevalence rate, a high incidence of tuberculosis, a low life expectancy, inadequate health facilities and personnel. Swaziland has recorded marginal declines of HIV/AIDS incidence among the 15-49 year age category, but continues to provide life-saving drugs to HIV/AIDS patients with the support of donors. However, the prevalence rate of 26% remains very high. In recognition of the large numbers of children affected by HIV/AIDS, the government, through the National Emergency Response Council on HIV and AIDS (NERCHA), has established neighbourhood care points where supplementary feeding is provided. The country's greatest achievement in fighting disease lies in the near eradication of malaria. In contrast, drug-resistant tuberculosis is increasing.

Regarding access to health facilities, recent data indicate that there are 1 619 hospital beds in the country for a population estimated at over 1.25 million, and that 85% of the population lives within a radius of 8 kilometres from a health facility. This means that a lot more needs to be done to ensure that all Swazis, and most especially the labour force, are all healthy. The Ministry of Health has developed a strategic plan to address these challenges.

In education, the main challenges include limited access, increasing failure and dropout rates, a lack of qualified teachers and a lack of curriculum innovation. The launching of the Free Primary Education (FPE) programme in 2010 was a notable achievement in that it enabled children previously excluded from education to enrol and attend school. However, its implementation has been compromised by limited infrastructure and inadequate learning facilities, as well as concerns about its sustainability. On the upside, primary-school enrolment rates rose to 93.4% in 2010, but Swaziland is still far from universal completion of the ten-year basic education. Currently, an adult Swazi receives 7.5 years of schooling on average. Although there is nearly universal access to Grade 1, the grade survival rate is very low and the primary-school completion rate is just over 60%, which is lower than in many neighbouring countries. Repetition rates remain high, resulting in learners losing motivation and eventually dropping out of school. In addition, poorly paid and unqualified teachers, particularly at the primary school level, have compromised education quality. Notably, the government continues to ensure that the education sector is well funded and in 2014/15, the sector received the highest allocation of SZL 2.45 billion, or 17.3% of the total budget. The aim is to enhance the quality and advanced skills training to meet the demands of the job market and to provide universal primary education including pre-school programmes. For 2014/15, the government committed to roll out the FPE to Grade 6 and Grade 7 in 2015.

Poverty reduction, social protection and labour

Notwithstanding Swaziland's classification as a low middle-income country, the level of poverty remains high, although it declined from 69% in 2001 to 63% in 2010 according to the 2010 Swaziland Household and Expenditure Survey. In addition, there are significant regional differences in the prevalence of poverty with the driest regions, Lubombo and Shiselweni, having the highest poverty rates in contrast to the lowest poverty rates in Hhohho and Manzini regions, which include the major urban centres of Mbabane and Manzini. There is also a gender disparity to poverty, with 67% of female-headed households living in poverty compared to 59% of male-headed households.

Social assistance programmes exist, however, a report prepared by the World Bank in 2012 noted that the social transfer programmes are not well co-ordinated and that the overall priorities and objectives could be better defined. Although assistance mechanisms equal approximately 2.2% of GDP, improvements to improve, scope, efficiency and effectiveness are required. The government continues to address the shortcomings through various measures including: direct cash transfers (in the form of old age grants, orphans and vulnerable children education grants and assistance grants for disabled people) and in-kind transfers (comprising school feeding programmes and neighbourhood care points largely targeting children at risk of neglect, abuse and malnutrition). The government has also developed new legislation and policies that would help scale up service delivery to reach the most vulnerable children at the national, regional and community levels. Strategic plans, guidelines and standards such as the National Plan of Action for Children 2011-2015, Social Development Strategic Plan 2011-2015, Guidelines and Standards for Alternative Care, Strategy and Actions on Violence against children provide an opportunity for the operationalisation of the international convention on the protection of children.

Swaziland has ratified the core International Labour Organization conventions, although implementation, particularly relating to protecting workers' rights, remains problematic. Notably, the country has established institutions that deal with labour disputes and arbitration processes such that labour-management relations are generally amicable. The Industrial Relations Act allows workers to engage in a strike if there is an unresolved dispute. Workers must give strike notification to employers, the Labour Commissioner and the Conciliation, Mediation and Arbitration Commission (CMAC). Within seven days, the CMAC is expected to conduct a secret ballot to determine whether the majority of employees are in favour of the strike. These processes and institutions are meant to promote harmonious workplace relations while upholding workers' and employers' rights.

Overall unemployment (28%), and youth unemployment (50%) are high, yet this is juxtaposed with a severe shortage of technically skilled labour. Hence, there is a heavy reliance on expatriate technicians and skilled labourers, including accountants and engineers.

Gender equality

Although gender equality is enshrined in the constitution, the SADC Gender Protocol 2013 Barometer notes that women still encounter challenges mainly emanating from the duality of the legal system imposed by the Swazi Law and Custom and the Roman-Dutch Common Law. Since these systems can interpret legal matters differently, the ensuing lack of clarity means that women can find themselves in situations where they do not enjoy equal legal protection and access to redress in case of need. The fact that strong traditions and values are widely accepted as part of the Swazi culture further exacerbates the problem of gender bias.

The SADC Gender and Development Index (SGDI) indicates that Swaziland is likely to achieve gender parity at primary, secondary and tertiary levels by 2015. In health, the SGDI score of 63% is encouraging, reflecting the government's efforts to improve the health of mothers, young children and adolescents. The country's SGDI score in the economic sector improved to 59% from 55% in 2012. However, women tend to dominate the informal sector as they lack equal control and access to land and other resources. As such, women constitute 63% of the informal sector, thereby exposing them to police harassment, imprisonment and loss of livelihood. With regard to economic decision-making positions, men remain dominant. Nonetheless, Swaziland is not very far from reaching the 30% threshold enshrined in the constitution. The proportion in 2013 was 29%, about 1 percentage lower than 2012. While this indicates strides in having women in decision-making positions, it is questionable whether the country will achieve the SADC Protocol of 50% by 2015.

Thematic analysis: Regional development and spatial inclusion

Swaziland, one of the smallest countries in Africa, had a population of 1 018 449 in 2010 increasing by 1.5% per year, and an area of 17 363 square kilometres. The country is ecologically classified into low-veld, middle-veld and high-veld and the administrative structure is composed of 55 Tinklundla regrouped into 4 administrative regions, namely Hhohho, Manzini, Lubombo and Shiselweni. Manzini and Hhohho form the economic and administrative bosom of Swaziland with most of the business entities and government offices, while Lubombo is the political administrative centre, home to the king's palace and the national assembly.

As regards gender, women comprise 53% of the population while the age structure exhibits a youthful population of almost 78% below 35 years, of which young adults (15 to under 35 years) constitute 39%. The rural to urban ratio is high with 79% of the population rural, which is much higher than the 63% average of sub-Saharan Africa as a whole.

The country's overall poverty incidence declined from 69% in 2001 to 63% in 2010, but with significant regional divergences. Over the 10-year period, Shiselweni, the poorest region, experienced the largest drop in poverty from 82% to 68%, thus having a narrowing effect on the poverty gap from 22 to 11 percentage points. All regions experienced a decline in poverty except Hhohho, home to the capital city Mbabane where poverty increased slightly from 60% to 61%. Hhohho comprises the wealthiest area, Tinkhundla (Mbabane East and West), as well as one of the poorest (Maphalaleni) areas. This phenomenon is largely attributable to rural-urban migration as well as immigration and settlement of foreigners. In general, poverty remains a rural phenomenon in Swaziland at 73% in rural areas and 31% in the urban areas. In 2010, 67% of female-headed households were poor compared to 59% of male-headed households; this is an improvement from 72% and 67% in 2000, respectively.

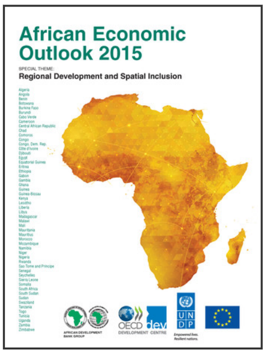
Over 90% of households have access to safe water in the urban areas compared to 60% in the rural areas. Access to safe water has increased significantly for all regions. The Shiselweni region has the lowest access to safe water, at 55% of households. On average, 88% of the highest quintile has access to safe water compared to 63% of the lowest quintile. As access to safe water has a strong correlation to health and well-being, it is important for Swaziland to improve access for all citizens. In contrast, access to sanitation, on average, declined in the urban areas from 60% to 57% while it remained constant at 27% in rural areas. The region with the highest access to good sanitation is Lubombo at 89% of households. A remarkable increase in access to sanitation was recorded in the poorer regions, with the proportion doubling from 22% to 44% in Shiselweni. However, access declined in the Economic Zones such as Hhohho from 45% to 41% and in Manzini from 48% to 32%. This can be attributed to growing urban populations and increases of slum settlements where proper sanitation is not accessible. About 60% of the highest quintile of the population has access to acceptable sanitary facilities compared to 14% of the lowest quintile.

Access to electricity increased in the urban areas from 58% in 2000 to 66% in 2010 and from 12% to 31% in the rural areas. The region with the highest urban access to electricity is Lubombo at 83% and the lowest is Shiselweni at 46%. The commercial centres of Hhohho and Manzini record access of 65%. The government focus on improving electricity coverage in the nation is encouraging, and must continue, especially in the economic and commercial zones, as electricity is a catalyst for small businesses and for development.

Swaziland with a literacy rate of over 87%, has remarkably maintained parity in education across gender and regions. In 2010, a net primary enrolment of 92% was registered across all four regions and across gender lines. However, Manzini recorded the lowest net enrolment with 80% for boys and 81% for girls while Shiselweni had the highest with 88% for boys and 93% for girls. Primary enrolment is high across all income groups. Net secondary school enrolment improved in all regions and across gender lines, but was a low at 37% for boys and 41% for girls. The low transition rates from primary to secondary education make it pertinent for the government to invest in technical and vocational education for youth to build skills and integrate them in the development fold.

The government's achievement in attaining parity in education enrolment across all the four regions should be replicated in other sectors as well. As long as the availability of social and economic amenities differs substantially among the regions, prospects for change and inclusive growth will remain uneven. The government is encouraged highly to continue investments in all regions and initiate opportunities in marginalised regions, like Shiselweni, to promote inclusive and sustainable growth for the benefit of all Swazis.

The 2005 constitution provides for a democratic disposition and articulates empowerment, encouragement and participation of all citizens at all levels of governance. The constitution is complemented by the 2006 decentralisation policy. As stipulated in all other national documents, poverty reduction and human development remain the primary focus of the government. A decentralisation strategy has yet to be developed, but the government is considering the implementation of pro-poor budgeting. As noted earlier, the MTEF is being finalised to be implemented in the 2015/16 annual budget process in a bid to promote results-based planning and budgeting as well as to foster accountability at all levels of government. Another issue under discussion relates to dedicated resources for regional development funds aimed at giving more control to the regions to design their programmes and implement their priorities in an effort to minimise rural to urban migration.



From:
African Economic Outlook 2015
Regional Development and Spatial Inclusion

Access the complete publication at:
https://doi.org/10.1787/aeo-2015-en

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