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COUNTRY PROFILE 2016

SWAZILAND

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Contents

Abbreviations and acronyms

AfDB	African Development Bank
AGDI	African gender development index
ASDI	African social development index
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
EPA	Economic Partnership Agreements
FDI	foreign direct investment
GDP	gross domestic product
MSMEs	micro-, small- and medium-sized enterprises
REC	regional economic communities
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SIPA	Investment Promotion Authority
SNA	system of national accounts
TFTA	Tripartite Free Trade Area
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
VAT	value added tax

Acknowledgements

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The country profile on Swaziland was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of ECA, and the direct leadership of Said Adejumobi, Director of the Subregional Office for Southern Africa. The lead author of the Swaziland country profile was Sizo D Mhlanga, Chief, Subregional Data Centre for Southern Africa.

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Swaziland at a glance

General information	
Subregion	Southern Africa
Official language	siSwati, English
Currency	Emalangeni
Capital city	Mbabane
Regional Economic Community membership (s)	SACU, SADC, COMESA

Rankings	
Human development index (United Nations Development Programme)	150/188 (2015)
Gender inequality index (United Nations Development Programme)	128/155 (2015)
Ibrahim index of African governance (Mo Ibrahim Foundation)	28/54 (2015)
Ease of doing business index (World Bank)	105/189 (2015)
Corruption perceptions index (Transparency International)	69/175 (2014)

Economic growth

The real gross domestic product (GDP) growth rate of Swaziland continued to be slow in 2015, at 1.7 per cent compared to 2.75 per cent recorded in 2014. The growth was largely affected by drought and the depreciation of the Lilangeni, which depreciated about 31 per cent against major foreign currencies in the past year. It is projected that Swaziland will grow at an average 1.5 per cent in 2016.

Fiscal policy

Total revenue including grants for 2015/16 is estimated at E14.7 billion (US$ 1.03 billion),* which is 0.2 per cent below target, and 32.2 per cent of GDP. Total revenue and grants to be collected in 2016/17 are projected to decline by 2.7 per cent from E14.6 billion in the current fiscal year to E14.2 billion. The budget deficit for 2014/15 was E823 million or 2.0 per cent of GDP and estimated at E3 billion for 2015/16, equivalent to 3.0 per cent of GDP. Estimates for 2016/17 indicate a deficit of E6.5 billion, corresponding to 13.7 per cent of GDP.

* The exchange rate cited is based on the 2015 period average rate of E14.1816 to US$1 (Quarterly review, March 2016).

Monetary policy

The country has maintained inflation below 6 per cent between 2013 and 2015 after inflation pressures broke the limits in 2011 and 2012 to 6.1 per cent and 8.9 per cent, respectively, owing to rising food and transportation costs. The main objective of the 2015/16 monetary policy is to curb inflation and subsequent inflationary pressures arising from the drought and weakening exchange rates inadvertent impact on prices. Inflation is projected to be above the maximum target range of 6 per cent for the better part of 2016. Administered prices and the weak exchange rate are further expected to negatively affect the inflation outlook.

Current account

The balance of payments of Swaziland indicated an overall deficit of E298.7 million in 2015 compared to E252.3 million during 2014. That deficit is equivalent to 0.7 per cent of GDP and presents a turnaround from a surplus of E1.8 billion recorded in 2013. The major factors underlying the net outflow in the overall balance were the persistent deficits recorded in the services and income accounts of the current account as well as a net outflow recorded in the financial account.

Capital and financial accounts

The capital account recorded a net inflow amounting to E845 million in 2014 and E249 million in 2013. By December 2015, the financial account net outflow increased to E4.3 billion from E1752 in 2014. That significant net outflow was due to outflows in the other subcomponents (direct, portfolio and other investments). The financial account last recorded a net inflow in March 2013.

Demography

The total population in Swaziland has been increasing at a very slow pace. According to the Central Statistics Office population projections, the population grew from 1,020,102 in 2007 to 1,106,189 in 2014, an average of around 1.2 per cent per annum. The population in 2016 was estimated to be 1.13 million and 1.3 million was projected for 2030 (with 53 per cent female).

Poverty

Poverty and inequality are pervasive in the country, with poverty concentrated in rural areas, where 80 per cent of the population lives and with 73 per cent living below the national poverty line compared to 31.2 per cent of the population living in urban areas in 2010 (Swaziland MDG Report, 2015). Income distribution remains highly unequal with a Gini coefficient of 0.52.

Employment

Unemployment stood at 28.1 per cent for the overall population in 2013/14 with young people and women being the adversely affected groups. Unemployment for women rose from 29.7 per cent to 32.2 per cent, while that for men decreased from 29.7 per cent to 24.4 per cent between 2001 and 2014.

Health

Swaziland has made significant efforts to control the HIV/AIDS epidemic, however, high prevalence rates, of which 26.5 per cent is among the 15-49 years age group, remains one of the major challenges to the country's socioeconomic development. That, in turn, has had negative implications on life expectancy, which has fallen from 61 years in 2000 to 45.7 years in 2016.

Education

Primary net enrolment rates of above 95 per cent were attained in 2015/16, an increase from 92 per cent in 2014/15. Net enrolment ratios at the secondary education level, however, have been as low as 50.4 per cent at the junior secondary level and around 30 per cent at the senior secondary level in 2014, with female enrolment rates (55 per cent) being higher than that for males (46 per cent).

Gender

The proportion of women (90 per cent) in wage employment in the non-agricultural sector exceeds that of men (81.8 per cent). There is complete equality between men and women in literacy rates for the 15-24 years age group. The secondary school enrolment ratio for women (55 per cent) surpasses that of men (46 per cent). Inequality is seen in relation to women in politics and decision-making. Women account for only 13.6 per cent of representatives in parliament and 36.7 per cent of ministerial positions.

1

Overview

In terms of the economy of Swaziland, growth has been recovering since the 2010/11 fiscal crisis,[1] albeit at a subdued pace. The average growth rate between 2010 and 2015 was 2.6 per cent and according to the Budget Speech 2016,[2] the economy is expected to slow down to an average of 1.5 per cent between 2016/17 and 2018/19 from 1.7 per cent in 2015, owing to declining revenues from the Southern Africa Customs Union (SACU),[3] which are posing fiscal and external balance challenges. Growth recovery following the crisis was broadly supported by the manufacturing and service sectors. The textile industry, a leading sector for unskilled and semi-skilled labour, inevitably downsized in January 2015, owing to the revocation of the country's status under the African Growth and Opportunity Act.[4] The economy of Swaziland is closely linked to that of South Africa (which is the main trading and investment partner) and weak economic prospects in the latter continue to pose downside risks for trade and overall economic performance. Inflation in Swaziland, which remained below 6 per cent between 2013 and 2015, is now on an upward trend, rising from 7.8 per cent in March 2016 to 8.5 per cent in April 2016.[5] The decline in international commodity prices, in particular, oil, kept inflation within the threshold, while the 2015 drought exerted upward pressure on food prices.

The subdued growth outlook continues to have a negative impact on socioeconomic development. Poverty and inequality are pervasive in the country, with poverty concentrated in rural areas where 80 per cent of the population lives, with 73 per cent living below the national poverty line compared 31.2 per cent of the population living in urban areas in 2010 (Swaziland MDG Report, 2015). (Central Statistics Office, 2011). Income distribution remains highly unequal with a Gini coefficient of 0.51 (Swaziland Household Income and Expenditure Survey, 2009–2010). Although Swaziland has made

[1] The fiscal crisis stemmed from the 2008 global economic slowdown, which resulted in a sharp drop (by almost 25 per cent) of transfers from the Southern Africa Customs Union (SACU) and hence a liquidity squeeze, which hampered growth and employment and impacted households and vulnerable segments of the population.

[2] The Budget Speech 2016 was presented by the Minister for Finance of Swaziland and is available from http://www.gov.sz/images/doc2016.pdf

[3] SACU comprises Botswana, Lesotho, Namibia, Swaziland and South Africa. The main objective of SACU is to promote trade among its member States through the free flow of goods among those States.

[4] The African Growth and Opportunity Act is a preferential trade programme of the United States of America, established in May 2000, which provides duty-free access for products from eligible sub-Saharan African countries.

[5] Central Bank of Swaziland, Governor's Annual Monetary Policy Statement 2016, available from http://www.centralbank.org.sz/publications/monetary/2016.pdf.

significant efforts to control the HIV and AIDS epidemic, high prevalence rates of which, 28.8 per cent of the adult population living with HIV (2015), remains one of the major challenges to the country's socioeconomic development. This has in turn had negative implications on the life expectancy which has fallen from 61 years in 2000 to 45.7 years in 2016. While literacy rates among 15-24 years age group is high at 95.3 per cent, overall unemployment stood at 28.1 per cent with youth unemployment at 56.7 per cent, owing to a mismatch of skills and low absorption rates).[6]

In order to improve macroeconomic and financial stability, Swaziland has adopted some measures that are essential for ensuring resilience to external shocks, thereby boosting growth. In addition, there are efforts to create an environment conducive to attract investment - both in terms of indigenous and foreign direct investment. The objective is to diversify exports and promote the growth of micro, small and medium sized enterprises (MSMEs) in order to facilitate employment creation opportunities and income distribution. In addition, efforts are being made to implement policies that address human capital challenges and improve the ease of doing business, which currently stands at 105/189 in terms of global ranking on the World Bank's ease of doing business index.

[6] Central Statistics Office, Labour Force Survey 2013/14; Central Statistics Office, Poverty in a decade of slow economic growth, 2011.

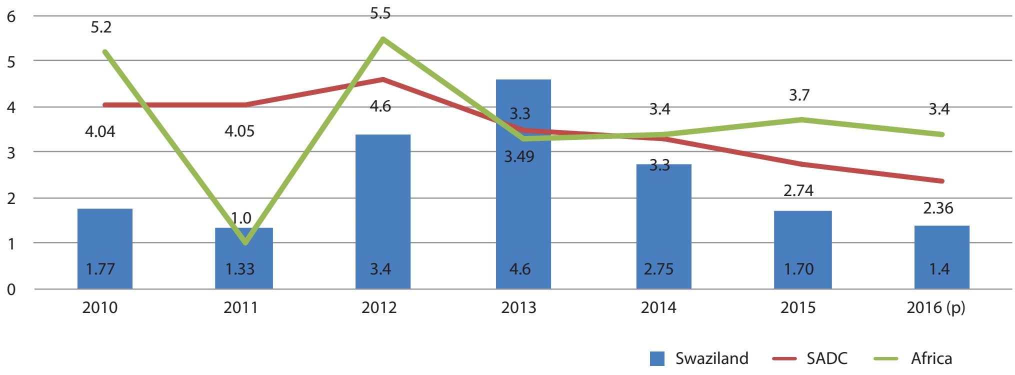
2

National and subregional context

Swaziland has performed below regional and sub regional trends over the past five years with respect to real economic growth. National growth rates have been adversely affected by low investment inflows, high dependence on few export commodities, and increased vulnerability to external shocks, volatile exchange rates and recurrent droughts. Low growth is attributed in part to weak performance in the secondary sectors, mainly manufacturing and mining.

As presented in Figure 1, Swaziland experienced slow economic growth during the 2010–2011 financial crisis, after which there was an accelerated 3.4 per cent growth in 2012 before peaking to 4.6 per cent in 2013, higher than the growth recorded at the regional level of 3.3 per cent. In 2014, GDP growth was 2.75 per cent before sliding further to 1.7 per cent in 2015 and this was lower than the growth rate recorded at regional level, which was 2.74 per cent. It is projected that Swaziland will grow at an average 1.5 per cent in 2016.[7]

Figure 1: Real GDP growth comparison, Swaziland, SADC and Africa, 2010-2016 (%)



Source: Swaziland Central Statistics Office, SADC selected indicators, 2015 — endorsed by the SADC national statistics office, June 2016

[7] The Budget Speech 2016. Available from http://www.gov.sz/images/doc2016.pdf

Growth prospects in the economy remain highly dependent on the agro-based export sector. The manufacturing sector, however, is the highest sectoral contributor to GDP, producing sugar and sugar-related products, textiles, edible concentrates and canned fruit, among others. The economic slowdown in South Africa, which is the main trading partner of Swaziland, is projected to continue in 2016. The latest forecast of the South African Reserve Bank is for no growth (0 per cent growth) in 2016, compared with 0.6 per cent previously.[8] The second largest trading partner of Swaziland, the euro area remained in recession in 2013 with negative growth of 0.5 per cent, a low growth of 0.9 per cent in 2014 and a growth of 1.5 per cent for 2015. Export performance for 2015 and 2016 is therefore forecast to decline, compounded by the loss of the African Growth and Opportunity Act preferential trade benefits in January 2015.[9] Measures to support key drivers of economic growth through accommodative interest rates are in place and the need to improve the business and investment environment remain key to unlocking growth.

The SADC region registered a growth rate of 2.7 per cent in 2015 compared to 3.3 per cent in 2014 as in Figure 1.The overall low growth rate for SADC was mainly due to a downturn in South Africa, which was strongly affected by the global crisis, internal power shortages and prolonged labour disputes. The recent decline in commodity prices has impacted negatively on the region whose economies rely on the exports of commodities. Most SADC member States are major exporters of commodities, implying that a reduction in global demand and trade invariably has an adverse impact on economic performance in the region.

Table 1 assesses national macroeconomic performance in terms of selected SADC indicators. In 2015, GDP per capita for Swaziland was higher than the regional average, with Seychelles registering the highest and Malawi the lowest, respectively. Swaziland ranked twelfth in terms of annual real GDP growth rate and enjoys the lowest debt to GDP ratio within SADC. Imports of goods and services as a percentage of GDP was lower than the SADC average.

Swaziland benefits from structural integration into regional markets through its membership to the Southern African Development Community (SADC), the SACU, the Common Monetary Area,[10] the Common Market for Eastern and Southern Africa (COMESA) and the tripartite free trade area facilitating preferential access to a larger regional market for its goods. SACU provides Swaziland with access to a market of 60 million people at zero tariffs promoting trade among its member States, while being a key revenue source for its members. Membership to the CMA allows a common objective of harmonizing monetary policies among the members while forging closer cooperation and collaboration among

[8] South African Reserve Bank - Statement of the Monetary Policy Committee, July 2016. Available from http://www.resbank.co.za/Publications/Detail-Item-View/Pages/Publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblist=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=7396

[9] Imports to the United States from Swaziland within the African Growth and Opportunity Act were $108.3 million in 2013, representing 61 per cent of the country's exports, seehttps://agoa.info/profiles/swaziland.html#table_data1

[10] The Trilateral Monetary Agreement established the Common Monetary Area to include Lesotho, South Africa and Swaziland, and came into force on 1 April 1986. The latest member, Namibia, joined in 1992.

Table 1: Swaziland - performance on selected indicators compared to SADC, 2010-2015

Swaziland/SADC indicators	2010	2011	2012	2013	2014	2015
Swaziland per capita GDP (USD dollars)	4 288	4 649	4 513	4 243	4 067	3 665
SADC average	2 307	2 588	2 568	2 449	2 362	2 067
Swaziland imports of goods/services as a % of GDP	58.4	40.1	38.9	41.2	37.5	28.9
SADC average	34.1	35.9	36.7	38.4	37.8	37.6
Swaziland exports of goods/services as a % of GDP	45.6	47.2	35.7	41.1	42.3	35.9
SADC average	34.8	36.8	35.8	36.0	35.0	35.0
Swaziland debt/GDP ratio (%)	17.1	12.1	11.3	13.2	15.1	16.5
SADC average	26.6	25.7	29.5	30.8	34.2	36.5

Source: SADC selected indicators, 2015 - endorsed by SADC national statistics offices, June 2016

financial sector stakeholders and the central banks of member States. This also allows parity between the rand and the lilangeni to ensure stable terms of trade among members. Membership however, prevents Swaziland from developing its own monetary policies and exchange rate policies. Reliance on SACU revenues also poses uncertainties for planning budget spending and any shocks to the economy of South Africa have systemic risks to domestic developments. Box 1 reviews national performance towards meeting commitments under pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty, by assessing the country against the Africa regional integration index.

Box 1: Africa regional integration index: Swaziland

The Africa Regional Integration Index is designed to measure how well each country in Africa is meeting its commitments under pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty.

The index is a joint project of the African Development, the African Union Commission and ECA. The index covers the following dimensions: free movement of persons; trade integration; productive integration (development of regional value chains); regional interconnections and infrastructure; and macroeconomic policy convergence. The following section gives highlights of selected indicators in the index.

Overall ranking:
Thirteenth in COMESA (score – 0.36), fifth in SADC (0.52). The best performer in SADC is South Africa with 0.74.*

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
Seventh in COMESA (score – 0.395), first in SADC (score – 0.70).	Fifteenth in COMESA (score – 0.47), fifth in SADC (score – 0.55). Best performer in SADC is South Africa with 1.	Eighth in COMESA (score – 0.495), fifth in SADC (score – 0.39). Best performer in SADC is Zimbabwe with 0.74.	Eleventh in COMESA (sore – 0.44); fifth in SADC (score – 0.58). Best performer in SADC is Botswana with 0.82.	Nineteenth in COMESA (score – 0.00), eighth in SADC (score – 0.37). Best performer in SADC is South Africa with 0.915.

Free movement of persons: African countries are scored based on three indicators in this dimension of the Africa Regional Integration Index: the proportion of REC-level protocols on free movement of persons ratified (out of those regional economic communities of which the country is a member), the number of other African countries whose nationals are allowed to enter visa-free and the number of other African countries whose nationals are allowed to enter with a visa on arrival. Swaziland faired relatively well in this dimension. According to sources consulted, nationals of 17 other African countries are allowed entry without a visa. Swaziland has ratified the relevant SADC instruments concerning free movement of persons, rights of establishment and free movement of workers (i.e. articles 14, 17 and 18 of the SADC Treaty), although according to the latest available information, has not ratified the corresponding COMESA protocol (ECA, AfDB and AUC, 2012; ECA, AUC and AfDB, 2013; ECA and AUC, 2015).

Trade integration: The Index includes a number of indicators of trade integration, including average applied tariffs on intra-REC imports and intra-REC goods imports and goods exports. Trade in services is not included due to a lack of data on intra-African trade in services. Swaziland performs very strongly in the dimension of trade integration. Examining these indicators in detail, in 2014 Swaziland had an average applied tariff of 1.2 per cent on imports from COMESA and zero on imports from SADC, which is joint-lowest among the members of that REC (with Mauritius and Swaziland) (UNSD, 2015; ITC, 2015). Swaziland's trade with SADC as a share of its GDP is relatively strong, with its exports (excluding re-exports) to the bloc having averaged around 28 per cent of the country's GDP between 2010 and 2013; it is the highest-ranking country in SADC on this measure. Exports (excluding re-exports) to COMESA averaged around 4 per cent of the country's GDP over the same period. Swaziland's share of intra-SADC imports to GDP averaged around 42 per cent of its GDP between 2010 and 2013 (placing it second-highest in SADC on this measure, behind Lesotho with 81 per cent), but its imports from COMESA were only around 0.5 per cent. This suggests that it is strongly integrated in terms of its integration with SADC, but not so strongly with COMESA (UNSD, 2015; UNCTAD Stat, 2015; national statistics offices).

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa Regional Integration Index, and will be added to subsequent updates of the ECA Country Profiles.

Productive integration: Swaziland scores reasonably well relative to other members of SADC and COMESA in terms of its integration into regional value chains. In addition to having a high share of intra-regional trade in GDP, its trade with other countries in the region is relatively oriented towards intermediates. Swaziland scores reasonably well relative to other members of SADC and COMESA (fifth in COMESA, behind Egypt, Djibouti, Kenya and Uganda and third in SADC, behind the United Republic of Tanzania and South Africa) in UNCTAD's Merchandise Trade Complementarity Index between 2010 and 2013, which measures the extent to which a country's trade is complementary with that of its partners. This suggests that some specialization through trade between Swaziland and other countries in the region has taken place. The index also measures productive integration looking at intra-regional trade in intermediate goods. Data were not available for Swaziland for this indicator for the period under consideration.

Infrastructure: In terms of its infrastructural integration with the rest of the region, Swaziland has the sixth-lowest cost of intra-African mobile phone roaming among SADC members out of the 11 for which data were available but the highest such cost in COMESA.

Information on national ***financial integration and macroeconomic policy convergence*** within the regional economic communities, of which Swaziland is a member, can be retrieved from the dedicated website on the Africa regional integration index.

Overall, Swaziland appears to perform strongly in all dimensions included here except for free movement of persons, in which it scores moderately. In terms of specific policy measures that could boost its performance, Swaziland could consider:

- Waiving visa requirements or granting visas on arrival for nationals of a greater number of African countries;
- Ratifying the COMESA protocol on free movement of persons, if it has not already done so; and
- Taking steps to improve connectivity of telephone networks with other African countries.

3

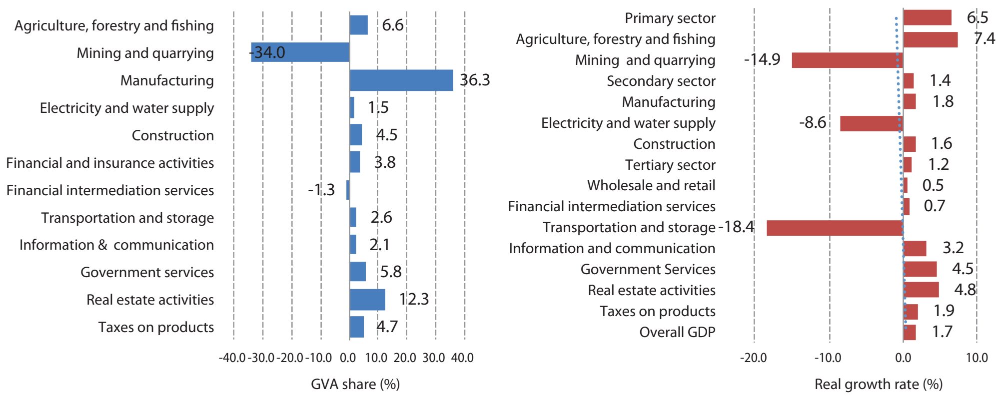
Economic performance

3.1. Economic growth and sectoral performance

The real GDP growth rate of Swaziland continued to be slow in 2015 at 1.7 per cent compared to 2.75 per cent recorded in 2014 (Budget Speech 2016).[11] Economic growth is projected to remain subdued at 1.5 per cent between 2016/17 and 2018/19 due to anticipated fiscal challenges. In 2015, the slowdown was attributed to slower growth in the secondary (manufacturing, electricity and water supply and construction) and tertiary sectors (comprising of financial services, real estate, public administration, wholesale and retail, hotels and restaurant and transport and communications). The real output for the secondary sector slowed to 1.4 per cent growth in 2015 compared to 5.3 per cent recorded the previous year, mainly due to a slower growth in the manufacturing sector (expanded at a slower pace of 1.8 per cent in 2015 compared to a 3.9 per cent expansion in 2014) (Figure 2).

The manufacturing sector's (comprised of agro-industries in sugar processing, concentrates and textiles) contribution to GDP marginally increased from 34.4 per cent in 2014 to 36.3 per cent in 2015. The slowdown emanated from poor demand in key export

Figure 2: Sector shares and growth (2015)



Source: Central Bank of Swaziland. Annual report April 2015-March 2016.

[11] In 2014, Swaziland GDP was rebased from the old base year of 1985 to the new base year of 2011. The rebasing of GDP resulted in better coverage of economic activities. The compilation of the system of national accounts was also revised according to 2008 recommendations of the system of national accounts.

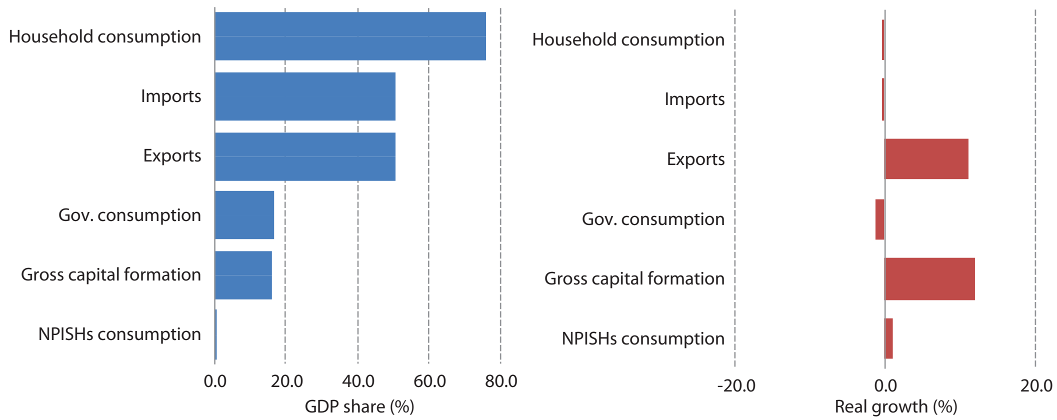
market destinations, notably South Africa and the Eurozone. The sector was also affected by the country's loss of eligibility status to trade under African Growth and Opportunity Act arrangement, which mainly impacted the textile, curios and parts of food manufacturing subsectors. The tertiary sector grew at a slower rate of 1.2 per cent in 2015 compared to 1.9 per cent the previous year. The most affected tertiary sub-sectors were transport and tourism with the transport sector negatively affected by the closure of the iron ore mine which supported both rail and road transportation.

The primary sector (agriculture and forestry, mining and quarrying) grew by 6.5 per cent in 2015 recovering from a 6.0 per cent contraction in 2014 due to increased output in crop production under irrigated farms, livestock and forestry subsectors.[12] The agricultural sector remains important as a source of exports and has strong forward and backward linkages to the manufacturing and services sectors. Agriculture-based products (derived mainly from exports of sugar, edible concentrates, wood pulp, pineapple and citrus fruits) contribution to GDP marginally increased from 6.4 per cent to 6.6 per cent.

The industrial sector expanded by 1.4 per cent in 2015 compared to 3.7 per cent in 2014, aided by manufacturing, which expanded by 1.8 per cent and construction by 1.6 per cent (Budget Speech 2016). Electricity and water supply contracted by 8.6 per cent during the same period. Mining output fell significantly (-34.0 per cent) after closure of Ngwenya iron ore mine due to more than 50 per cent decline in iron ore prices rendering operations unprofitable (Macroeconomic Economic Review and Outlook 2014/15–2017/18, 2016).

As in Figure 3, household final consumption expenditure (private **consumption)** is the largest contributor to GDP and is reflected in the increase in credit to the private sector, which was

Figure 3: Demand shares and growth (2014-2015)



[12] Annual report April 2015–March 2016. Central Bank of Swaziland, 2016. Available from http://www.centralbank.org.sz/publications/annual/2015-2016.pdf

Box 2: Comparing economic forecasts for Swaziland

Economic forecasts provide essential information for decision makers in the public and private sectors. Reliable economic forecasts inform and support a country's decision-making process. Several International organizations currently produce economic growth forecasts for Swaziland: the African Development Bank, the Economist Intelligence Unit, the International Monetary Fund and the World Bank. The forecasts produced by these organizations at times matched but sometimes diverged by as high as 3.3 percentage points for the years 2008–2015 (see figure A). The African Development Bank provided the most optimistic forecasts of growth (five out of nine forecasts) during the period 2008–2016. The World Bank provided similar forecast with the African Development Bank in 2012 and with the Economist Intelligence Unit in 2013. Looking forward, the most optimistic growth rate forecast for 2016 are from the Economist Intelligence Unit (2 per cent) followed by the International Monetary Fund (1.8 per cent), while the African Development Bank and the World Bank forecast a lower growth rate of 0.8 per cent.

The degree of accuracy of these forecasts is an important issue. ECA has carried out an analysis to assess the reliability of forecasts. The root mean squared error and the mean absolute error are common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts (see figure B). The ECA analysis of forecasts over the period 2008–2014 indicates that the Economist Intelligence Unit and the International Monetary Fund forecasts are more accurate followed by those from the African Development Bank, while the World Bank forecast had high forecast errors.

Figure A: Forecast GDP real growth rates, by institution

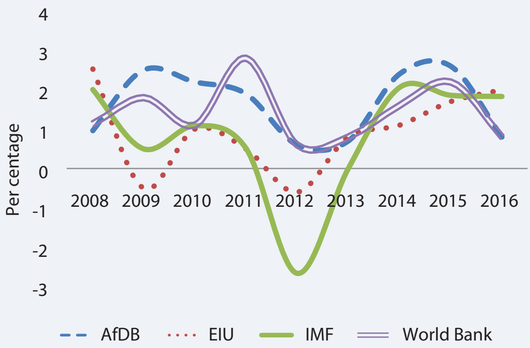
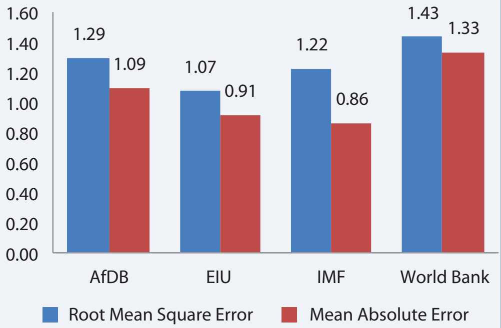


Figure B: Forecast error, 2008-2014



Source: Approaches to evaluating forecast performance: technical review - August 2015 - (Economic Commission for Africa (2015).

mainly extended to households: personal, 6 per cent; motor vehicle, 5.9 per cent; and housing finance3.1 per cent in 2015 (Quarterly review, 2015). Credit extended to the private sector increased to 9.3 per cent in March 2016 with credit to households increasing by 20.4 per cent.[13]

Export growth exceeded imports during the quarter ending September 2015 benefiting from a weaker Lilangeni against major currencies. Merchandise imports grew 9.1 per cent with 79 per cent originating from South Africa. The Government continues to prioritize investment in the infrastructure development in recognition of the role it plays in facilitating economic actors by way of lowering costs of production and distribution. In 2015/16, the Government allocated 20.7 per cent of the total budget for infrastructure development.

[13] Governor's annual monetary policy statement 2016. Central Bank of Swaziland, 2016. Available from http://www.centralbank.org.sz/publications/monetary/2016.pdf

The Government of Swaziland uses the forecasts on macroeconomic indicators provided by various authoritative sources for determining its own forecasts for planning and budgeting. Box 2 compares the accuracy of the estimates provided by the African Development Bank, the Economist Intelligence Unit and the International Monetary Fund on the real GDP growth rate.

3.2. Fiscal policy

Swaziland continues its drive to diversify revenue sources to fund government operations for social and economic development. The establishment of the Swaziland Revenue Authority in 2011 led to enhanced tax collection and administration measures such as the introduction of value added tax (VAT) and an increase in the fuel levies. Tax revenues of E13.9 billion were collected in the 2015/16 financial year indicating a growth of 3.1 per cent compared to 2014/15. SACU receipts decreased by about 6.6 per cent during this period from E7.491 billion in 2014/15 to E6.996 billion in 2015/16. Table 2 illustrates a progressive increase in domestic revenues over the years.

Total revenue including grants for 2015/16 is estimated at E 14.7 billion which is 0.2 per cent below target, and 32.2 per cent of GDP. The tax revenue for 2015/16 is projected to be 3.1 per cent higher than 2014/15, 50.3 per cent of which will be financed from SACU revenues and 49.7 per cent from non-SACU revenues compared to 43.2per cent in 2013/14. SACU receipts amounted to E6.99 billion in 2015/16 which was 6.6per cent below SACU receipts

Table 2: Swaziland revenue sources, 2010/11 – 2015/16 (E millions)

Current account	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Overall surplus/(deficit)	-1,948	-1,948	1,467	216	-823	-3,033
Total revenue and grants	6,831	7,184	12,035	13,106	14,836	14,650
Tax revenue	6,585	7,045	11,714	12,617	13,491	13,914
of which: SACU revenues	2,631	2,884	7,066	7,167	7,491	6,996
Non-tax revenue	187	104	278	293	566	407
Grants	59	34	43	196	778	329
Expenditure and net lending	9,132	9,132	10,567	12,890	15,659	17,646
Current expenditure	8,114	8,114	9,141	10,456	12,002	13,605
of which: wages and salaries	3,822	3,822	4,062	4,598	4,739	5,673
Capital expenditure	1,019	1,019	1,427	2,433	3,657	4,041
Surplus/(deficit) as a % of GDP	-5.4	-5.4	4.3	0.5	-2.0	-3.0

Sources: Central Bank of Swaziland. Quarterly review March 2016, Budget Speech 2016 for 2014/15. SACU receipts[14], the major source of government revenue are estimated at E5.3 billion from E6.99 billion the current fiscal year (Central Bank of Swaziland, Quarterly Review March 2016).

Expenditure for 2015/16 is estimated at E17.7 billion representing 39.8 per cent of GDP and 12.7 per cent higher than in 2014/15. Recurrent expenditure for 2015/16 is projected at 30.7 per cent of GDP compared to 28.3 per cent of GDP in 2014/15. Capital expenditure is projected at 9.1 per cent of GDP compared to 8.8 per cent in 2014/15. Recurrent expenditure due to a huge wage bill which stands at 15 per cent of GDP and 55 per cent of total recurrent expenditure remains unsustainable. In order to manage the wage bill, the Government continues to keep a tight policy on the number of new posts and continues to downsize through retirement and natural causes.

There has generally been a net budget deficit trend over the years with a surplus recorded in 2012 after the fiscal crisis. The budget deficit for 2014/15 was E823 million or 2.0 per cent of GDP and estimated at E3 billion for 2015/16, equivalent to 3.0 per cent of GDP. Estimates for 2016/17 indicate a deficit of E6.5 billion, corresponding to 13.7 per cent of GDP. The estimated budget deficit will be financed from domestic borrowing and external loans to finance strategic infrastructure projects.[15]

At E7.44 billion (E4.2 billion external debt and E3.24 domestic debt) or 14.4 per cent of GDP, the total public debt of Swaziland is among the lowest in sub-Saharan Africa. Domestic debt has grown rapidly since 2010/11, rising from 1.5 per cent of GDP in 2009/10 to 5 per cent of GDP in 2011/12 and to about 9.3 per cent of GDP in 2012/13. During the period 2014/15 and 2015/16, domestic debt increased from 5.9 per cent of GDP to 6.3 per cent as a result of continued issuance of government securities during the period (Quarterly review, 2016).

3.3. Monetary policy

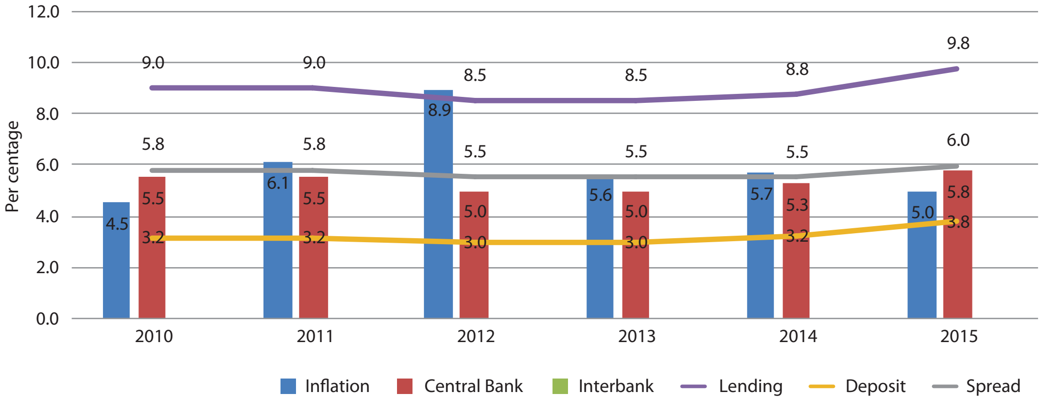
The inflation rate for Swaziland is the highest among members of the common market area[16], however, the country has maintained inflation below 6 per cent between 2013 and 2015 after inflation pressures broke the limits in 2011 and 2012 to 6.1 per cent and 8.9 per cent, respectively, due to rising food and transportation costs (Figure 4). Figure 4 indicates that the net interest spread or the net interest margin/net interest income, which is the nominal average

[14] The SACU revenue sharing formula was implemented in December 2004 and has three components: customs (allocated on the basis of each country's share of intra-SACU imports); excise (allocated on the basis of each country's share of GDP); and the development component (fixed at 15 per cent of total excise revenue distributed according to the inverse of each country's GDP per capita). Available from http://www.sacu.int/category.php?cat=Review%20of%20the%20Revenue%20Sharing%20Arrangement

[15] The Budget Speech 2016. Available from http://www.gov.sz/images/doc2016.pdf) and the Governor's Annual Monetary Policy Statement 2016. Available from http://www.centralbank.org.sz/publications/monetary/2016.pdf

[16] In 2015, the inflation rate of Swaziland closed at 5 per cent on an average basis, above other common market area countries, namely, Namibia (3.4 per cent), Lesotho (3.6 per cent) and South Africa (4.6 per cent). That is within the common market area target range of 3.0–6.0 per cent.

Figure 4: **Inflation and interest rates, Swaziland 2010-2015 (%)**



Sources: Central Bank of Swaziland, Quarterly review, March 2016, Central Statistics Office, Economic Review and Outlook, 2014/15-2017/18, Governor's Annual Monetary Policy Statement 2016

difference between deposits and lending rates throughout the review period, was on average 5.7 per cent.

Inflation trended downwards from 5.6 per cent in 2013 to 5 per cent in 2015 due to a decrease in food inflation. Food, fuel, utilities and transportation are the main drivers of inflation. They also constitutes about 70 per cent of the total consumption basket. Food inflation rose by 13.4 per cent in March 2016 compared to 10.5 per cent in February 2016. Transportation inflation recorded 12.2 per cent in March 2016. Inflationary pressures resurfaced in December 2015, increasing to 4.9 per cent from 4.5 per cent recorded in November 2015 and by April 2016, they had increased to 8.5 per cent. Inflationary pressures remain high, emanating from exogenous factors such as a deteriorating exchange rate, a 5 per cent increase in transportation in January 2016 and a regional drought, which has also affected South Africa — the main source of maize imports.[17]

The main objective of the 2015/16 monetary policy is to curb inflation and subsequent inflationary pressures arising from the drought and weakening exchange rates inadvertently impacting on prices. Under the common market area, member States other than South Africa do not have an independent monetary and exchange rate policy, as that is largely determined by the inflation-targeting framework set by the South African Reserve Bank.

In response therefore to rising inflationary pressures and the need to harmonize interest rates and minimize capital flight while also harnessing the adverse effects of increasing unsecured loans, the Bank increased the bank rate from 5.8 per cent in December 2015 and to 6.5 per cent in March 2016 (Figure 4). This was in line with the 7.0 per cent increase in the

[17] Governor's annual monetary policy statement 2016. Central Bank of Swaziland, 2016. Available from http://www.centralbank.org.sz/publications/monetary/2016.pdf

repo rate by the South African Reserve Bank during the same period. The local bank prime lending rate also increased to 9.75 per cent as compared to 10.50 per cent in South Africa. This limited domestic activity with private sector credit increasing by only 5.1 per cent in December 2015 compared to 11.4 per cent growth in 2014. Credit to businesses declined by 6.4 per cent compared to growth of 8.9 per cent recorded the previous year and household credit increased by 18.3 per cent compared to 10.9 per cent in 2014.[18]

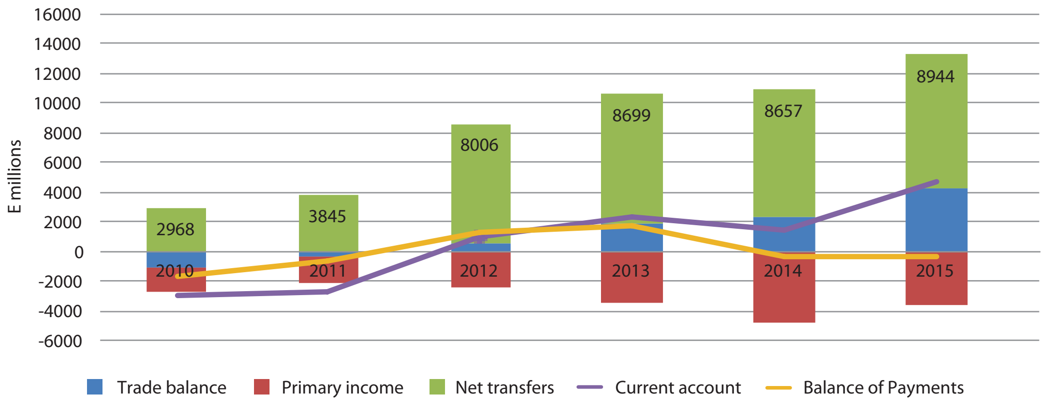
The Swaziland banking sector was stable, financially sound and conformed to statutory prudential requirements in terms of capital adequacy and liquidity. Total banking assets were valued at E15.4 billion as at December 2015, a 14.3 per cent increase compared to December 2014 and this was attributed to growth in of E1.4 billion in customer deposits also linked to growth in loans and advances. Total deposits increased by 15.9 per cent to E11.65 billion in December 2015 from E10.05 billion in December 2014. On the credit side, private sector credit was E11.6 billion at the end of March 2016 and this is predicted to slow down due to the drought conditions affecting the major borrowers, agriculture and manufacturing sectors.

3.4 Current account

As in Figure 5, national balance of payments indicated an overall deficit of E298.7 million in 2015, compared to E252.3 million during 2014. The deficit is equivalent to 0.7 per cent of GDP and presents a turnaround from a surplus of E1.8 billion recorded in 2013.

The major factors underlying the net outflow in the overall balance were the persistent deficits recorded in the services and income accounts of the current account as well as a net outflow recorded in the financial account. The national current account in 2015 continued to be positive, widening to a surplus of E4.7 billion from a surplus at E1.39 billion equivalent to 3.8 per cent

Figure 5: Current account balance (2010 – 2015) (E millions)



Source: Central Bank of Swaziland Annual Report, April 2014-March 2015, Quarterly Review, March 2016

[18] The Budget Speech 2016. Available from http://www.gov.sz/images/doc2016.pdf

of GDP in 2014 and E2.3 billion, or 6.6 per cent of GDP in 2013 (Figure 5). A trade surplus and high SACU receipts were the main factors contributing to the increase in the current account.[19]

During 2015, the secondary income/net transfers increased by 3.3 per cent in net inflows, rising from a net inflow of E8.657 billion in 2014 to E8.944 billion in the 2015. The income account increased to E4.7 billion in 2014 from E3.48 billion in 2013 (Figure 5). This was due to a significant increase in outflows mainly driven by dividends and distributed profits which grew more than 25 per cent to E6.1 billion. A rapid rise in outflows (e.g. immigration transfers, contribution to several organizations) resulted in a marginal decline in the surplus under current transfers (Macroeconomic Economic Review and Outlook 2014/15-2017/18, Feb 2016). In 2015, however, the account decreased to E3.6 billion.

Swaziland has an open trade policy and its government policy is geared towards increasing trade through the expansion of the manufacturing sector, which is the driving force of economic and social development. The largest trading partner of Swaziland is South Africa, with SACU currently representing the largest market for its exports and is the main source of imports. External trade is facilitated by regional free trade agreements and preferential trade agreements. Sugar produced in the country is mainly exported to the European Union, under the Economic Partnership Agreements introduced in 2009. The Economic Partnership Agreements allow for preferential access to the market of the European Union for Swaziland sugar and sugar derivatives. The United States of America also allows preferential access for Swaziland sugar under its tariff rate quota. Other potential markets include the Tripartite Free Trade Area, which encompasses EAC, COMESA and SADC. The favourable trade balance is at risk of being reversed owing to low

Figure 6: Top main export products, Swaziland 2015 (% share)

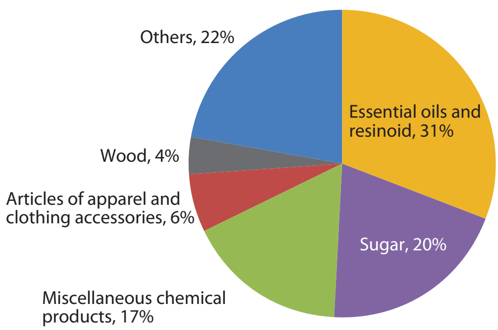
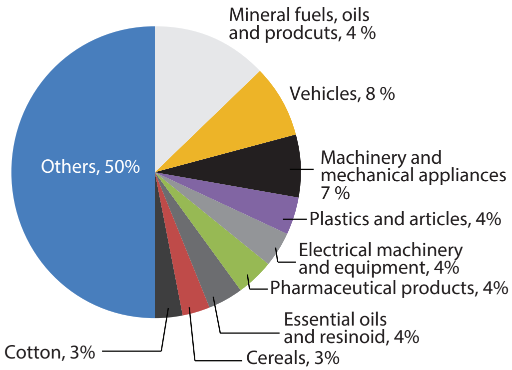


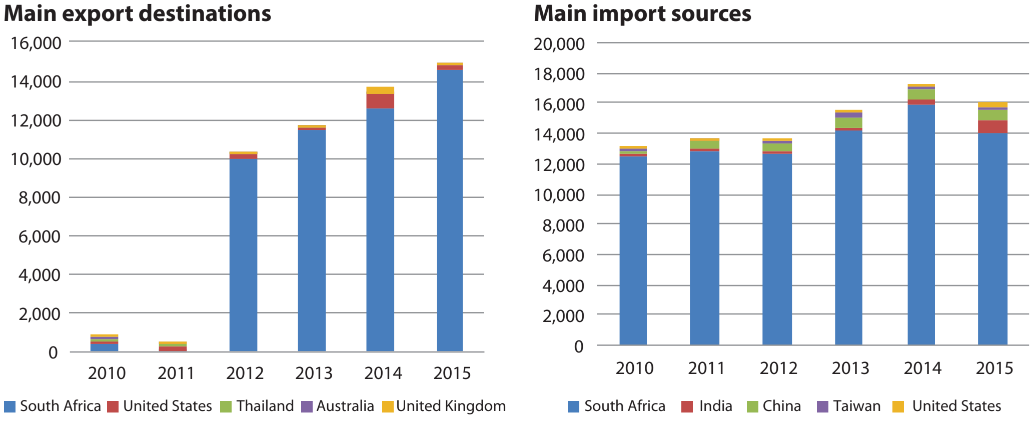
Figure 7: Top main import products, Swaziland 2015 (% share)



Source: Swaziland Revenue Authority (Trade by products HS2)

[19] Governor's annual monetary policy statement 2016. Central Bank of Swaziland, 2016. Available from http://www.centralbank.org.sz/publications/monetary/2016.pdf

Figure 8: Main export destinations and import sources



Source: African Statistical Yearbook 2016

economic growth prospects in South Africa, which is the main destination for textiles (65 per cent of total merchandise exports) and the loss of African Growth and Opportunity Act eligibility status in January 2015, and thus preferential market access to the United States, which was contributing approximately $108.3 million per year to the export account. Exclusion from the African Growth and Opportunity Act led to the closure of some textile firms and the loss of about 2000 jobs. However, the industry has shown resilience by shifting to regional markets, mainly South Africa (Macroeconomic Economic Review and Outlook 2014/15–2017/18, 2016).

During 2015, the main contributors to the total value of exports were essential oils, sugar and miscellaneous chemical products (Figure 6). According to the Swaziland Revenue Authority Annual Report (2015), South Africa was the destination for about 65 per cent of exports in 2015 (E14.5 billion) (Figure 8). The main imports for Swaziland were fuels, machinery and mechanical appliances, and motor vehicles, with goods for final consumption accounting for about 30 per cent (Swaziland Revenue Authority).

South Africa remains the major import partner of Swaziland, accounting for 86 per cent of total imports valued at E15.4 billion in 2014/2015. Other partners include China (man-made staple fibres and cotton), India (pharmaceutical products), Taiwan Province of China (man-made filaments), United States (essential oils and retinoid, perfumery, cosmetic or toilet preparations and Lesotho (cotton) (Figure 7) (Swaziland Revenue Authority Annual Report, 2015).

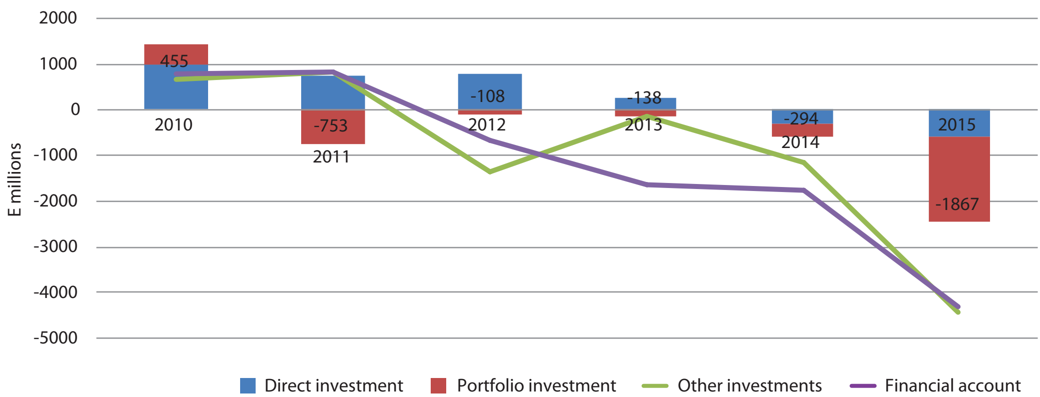
3.5 Capital and financial accounts

According to the Central Bank of Swaziland Quarterly review, March 2016, the capital account recorded a net inflow amounting to E845 million in 2014 and E249 million in 2013. By December 2015, the financial account net outflow increased to E5.4 billion from E1.8 billion in 2014. This significant net outflow was due to outflows in the other subcomponents (direct, portfolio and other investments). The financial account last recorded a net inflow in March 2013. In December 2015, the foreign direct investment component of the financial account posted a net inflow of E844.70 million, an improvement compared to a net inflow of E310.3 million in 2014 (Figure 8).

Reinvested earnings, a major driver of foreign direct investment in Swaziland recorded a net inflow of E611.0 million in the December 2015 reflecting confidence in the economy by existing foreign direct investors (Quarterly review, March 2016). Attracting new foreign direct investment in the country remains one of the major challenges in the country. One of the major reasons behind poor foreign direct investment inflow and downward trend in investment is the poor business climate in Swaziland. Cognizant of this challenge and need to prioritize ease of doing business in the country, in August 2014, the Government established an investor road map unit, whose function was to accelerate an action plan to create a conducive business environment not only for foreign investors but also for local MSMEs. The Swaziland Investment Promotion Authority, whose mandate is, among others, investment attraction, is one of the main stakeholders facilitating the implementation of the investor road map unit.

From Figure 9, the net outflow in the portfolio investment account increased to E1.86 billion in December 2015 a significant decline compared to 2013 (E137.60 million). This development originated from movements recorded in the assets component as this is dominated by assets held by resident entities abroad, mainly South Africa. There was a significant rise in the "other investment account" which continued trending negatively from E1.1 billion in 2014 to a higher net outflow of E4.4 billion in December 2015, due to an increased net outflow in investment assets, banking sector assets and government loan drawdowns (Quarterly review, March 2016).

Figure 9: Financial account balance, Swaziland 2010-2015 (E millions)



Sources: Central Bank of Swaziland, Quarterly Review, March 2016, Budget Speech 2016

Although Swaziland recognizes the need for an attractive investment climate based on sound macroeconomic policies and fiscal discipline, investment ratios for the country have been on a downward trend for the past decade. Total investment as a percentage of GDP in 2015 was 10.1 per cent compared to 9.2 per cent in 2014. There is a need for the Government to collaborate with the private sector in order to ensure that the economy registers net inflows rather than net outflow in foreign direct investment, as in 2014.[20]

The country's gross official reserves amounted to E8.5 billion in March 2016. The gross official reserves were enough to cover 4 months of estimated imports of goods and services, above the internationally acceptable minimum of 3 months. Foreign reserves are projected to fall from the current level due to the anticipated fall in SACU revenues over the medium term.[21]

[20] The Budget Speech 2016. Available from http://www.gov.sz/images/doc2016.pdf
[21] Governor's Annual Monetary Policy Statement 2016. Available from http://www.centralbank.org.sz/publications/monetary/2016.pdf

4

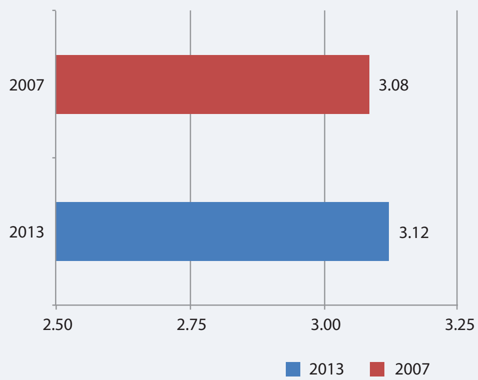
Social developments

The African social development index (Box 3) is developed by the ECA Social Development Policy Division, in response to a call from African member States for an African-specific indicator of exclusion. The index is built on the premise that economic growth should result in the improvement of human conditions of all. Using a life-cycle approach, the African social development index focuses on six key dimensions of well-being: survival, health, education, employment, means of subsistence and decent life. Using available national data, this tool will assist in mapping and assessing the effectiveness of social policies in reducing human exclusion at the national and subnational levels. The African social development index will also support countries to improve data collection and strengthen their capacities to monitor progress on poverty and exclusion. As a policy tool, the African social development index will complement member States efforts in devising more inclusive social policies and facilitating the implementation of the Africa

Box 3: African social development index - Swaziland

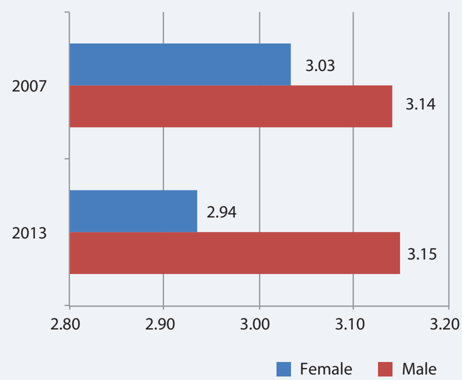
Consistent with the overall social development performance, the ASDI score for Swaziland indicates an increase in human exclusion between 2007 and 2013 (Figure A) with the main drivers of this trend being income poverty and unemployment, two inter-related factors, across gender (Figure B). The value of each indicator ranges between 0 and 1 and the aggregate value of ASDI lies between 0 and 6. The higher the value of ASDI, the higher the extent of human exclusion. The labour force participation in the country is still one of the lowest in Africa (51.3 per cent) and most of the jobs remain informal, with low-productivity and low-skills development.

Figure A: ASDI in Swaziland



Source: ECA computations based on national data

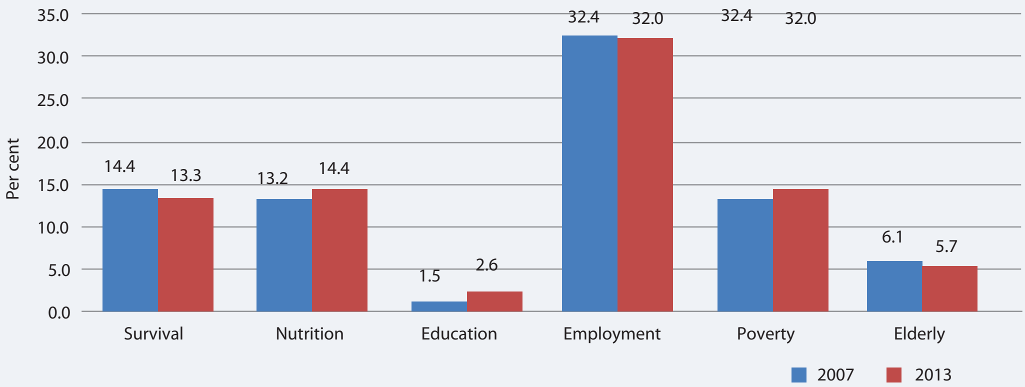
Figure B: Human exclusion by Gender



Source: Central statistics Office (CSO)

Youth unemployment and poverty remain the major drivers of exclusion in the country each with (over 30 per cent contribution), both in rural and urban areas, while illiteracy rates contribute to only a small share of overall exclusion in 2013 (2.6 per cent), suggesting that educational systems and programmes have been effective in addressing literacy among youth, as a foundation of human capital development (Figure C)

Figure C: Drivers of human exclusion (contribution measured in %)



Source: ECA computations based on national data

In terms of policy actions, the ASDI analysis has pointed to the need for addressing youth unemployment and poverty in the country. These are essential in providing the necessary social and economic support, through training programmes and decent job opportunities for individuals in the most excluded areas. Stunting remains also a critical challenge, and its contribution to exclusion has increased over time.

Source: African Social Development Index: Measuring human exclusion for structural transformation, ECA, May 2016

Union Agenda 2063 and the 2030 Agenda for Sustainable Development, which place a high premium on inclusiveness as a driver of sustainable and equitable development.

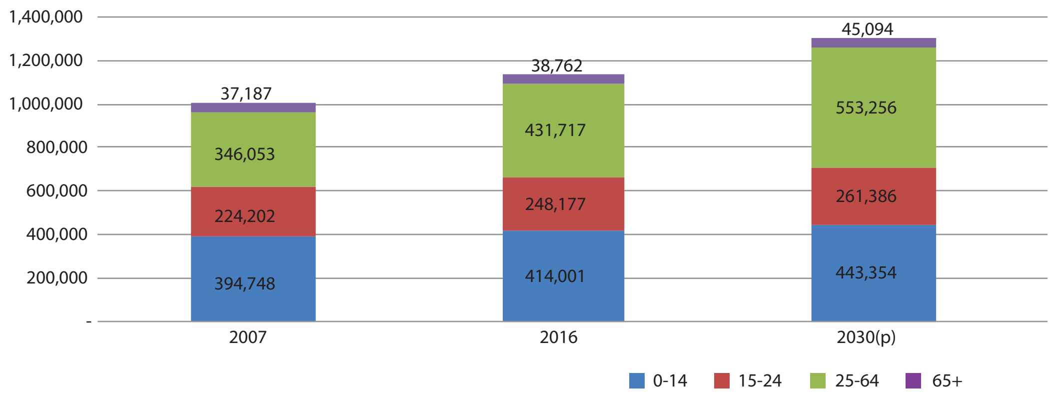
To address the poverty challenge, efforts are required towards the creation of decent employment opportunities (ILO World of Work Report, 2014). The Government of Swaziland also needs to develop sustainable and locally supported or owned methods for social protection to avoid dependence on donor support such as the social pension scheme for older persons introduced by an Act of Parliament in 2005. The scheme is one of Africa’s success stories for contributing to building a State-citizen social contract and has proven instrumental in mobilizing citizen’s participation, particularly when pension payments have been delayed due to fiscal constraints. There is a need to scale-up existing social protection policies and introduce a transformative development strategy aligned to the country’s growth and long-term development with special emphasis on young people.

4.1. Demography

The total population in Swaziland has been increasing at a very slow pace due to the effects of high HIV and AIDS mortality rates (31 per cent of deaths in 2013)[22]. According to the population projections of the Central Statistics Office, the population grew from 1,020,102 in 2007 to 1,106,189 in 2014, an average of around 1.2 per cent per annum. A Population and Housing Census conducted in 10 year intervals, will be conducted in 2017 and this will provide basic benchmark statistics for the requisite planning and implementation of economic and social development programmes in the country. The population in 2016 is estimated to be 1.13 million and 1.3 million for 2030. About 53 per cent of the population is female, with females dominating the composition in almost all age groups, with the exception of the 0-4 years and 5-9 years age groups. Low growth is attributed to the projected declines in crude birth and increases in death rates as well as net migration. However, modest improvements in life expectancy (45.2 years in 2007 to 45.7 years in 2016 for both sexes) have moderated the effect of these declines.

Figure 10 illustrates that the population in 2016 is relatively young with about 58.5 per cent below the age of 15 years and 3.4 per cent above the age of 65 years. The country has recorded an increase in the 15-64 years age group, from 57.7 per cent in 2007 to 60 per cent in 2016, while the 0-15 years age group has declined from 39.4 per cent in 2007 to 36.6 per cent in 2016. The number of those 65 years and above has marginally decreased from 3.7 per cent in 2007 to 3.4 per cent in 2016. Due to the ongoing demographic transition, dependency ratio is still high at 71.5 per cent though declining, presenting a potential demographic dividend. However, Swaziland will reap this dividend only if the labour force is equipped with relevant skills and employed or self-employed in productive jobs.

Figure 10: Swaziland population distribution and projections, 2007-2030



Source: Swaziland Central Statistics Office — Population Projections 2007-2030

[22] Centers for Disease Control and Prevention. Available from https://www.cdc.gov/globalhealth/countries/swaziland/

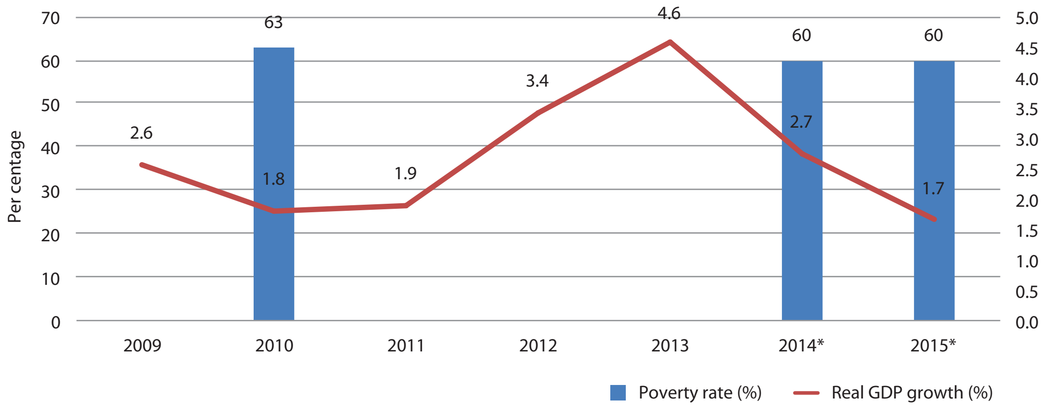
4.2. Poverty and employment

According to the Swaziland household income and expenditure survey data, the prevalence of poverty declined from 69.0 per cent in 2000/01 to 63.0 per cent in 2009/10. The results of the 2015/16 survey are not yet available; the survey to be concluded in 2017 is currently being undertaken. The Central Statistics Office estimates that poverty prevalence rates would decline to approximately 60 per cent in 2014/15, owing to various government interventions, although anticipated sluggish economic growth will derail the trend (Poverty in a decade of slow economic growth, Central Statistics Office, 2011) (Figure 11).

Economic growth experienced during the 2000s has not been pro-poor as the poor have witnessed declining welfare levels. The sluggish economic growth observed in recent years also continues to impact unfavourably the implementation of social policies as well as the labour market. Poverty is largely a rural phenomenon where 80 per cent of the Swazis live with 73 per cent of rural population living below the national poverty line compared to 31.2 per cent in urban population in 2010. In 2014, the number of people requiring food assistance was estimated at 67 592 while an estimated 223 249 people required livelihood support such as inputs, cash transfer and institutional support. Poverty is closely correlated to the extent of food security mainly due to unsustainable farming techniques, low rainfall and limited arable land.[23]

The persistence of poverty is exacerbated by, among others, declining economic growth, the impact of HIV and AIDS and an uneven distribution of resources. According to the Household Income and Expenditure Survey 2009/10 report, the Gini coefficient increased from 0.48 in 2007 to 0.51 in 2010. This has invariably led to adverse effects on social sector expenditures and worsening poverty levels. Government social welfare services and traditional community

Figure 11: GDP per capita growth and poverty datum line, Swaziland 2010-2015 (%)



Source: Central Statistics Office forecasts, 2016

23 Swaziland Annual Vulnerability Assessment and Analysis Report, July 2014

support systems are struggling under the burden of poverty, food insecurity and the HIV and AIDS epidemic.

Government efforts continue to be directed at strengthening the integration of the poor into the national economy through the creation of economic diversification and production opportunities in order to address structural economic inequalities. Priority should continue to be accorded to the design of effective social protection systems targeting a variety of poor and vulnerable groups.

The sluggish economic growth of Swaziland over the years continues to negatively impact the labour market and the implementation of attendant social policies. The situation is exacerbated by a mismatch between the supply and demand of skills as the bulk of employment is in low value added activities, particularly in subsistence agriculture. Shortage of key skills is also compounded by a mismatch in the education system with the requirements of the labour markets. Government accounts for a large share of employment with the private sector lacking the vibrancy to create employment opportunities.

The increasing unemployment has mainly been attributed to slow economic growth, job losses due to impact of economic crises and declining FDI, increasing competition in global markets and the declining export commodity prices which have resulted in the closure of some companies. The decline in industrial and agricultural output as a share of GDP has continued to worsen the situation as these sectors are labour intensive and key in employment creation. Agriculture and agribusiness continue to be pivotal to economic growth. Currently, the sector employs 11 per cent of the formal labour force of Swaziland and that contribution is likely to decrease in 2015/16 as a result of the recent drought.[24]

The Integrated Labour Force Survey found that unemployment stood at 28.1 per cent for the overall population in 2013/14, with young people and women being the adversely affected groups.[25] Unemployment for women rose from 29.7 per cent to 32.2 per cent, while that for men decreased from 29.7 per cent to 24.4 per cent between 2001 and 2014. Unemployment among young people (15-24) was 51.6 per cent in 2014. As the country is youth population based, targeted policies promoting job creation opportunities for young people and women are likely to have the greatest impact on unemployment and poverty.

There is a large labour force in the country 295237 (CSO forecasts, 2016) but its utilization is limited and thus, employment creation initiatives have to be prioritized. The country needs to create an enabling environment which promotes entrepreneurship and reduces the cost of doing business to increase the number and sizes of MSMEs and foreign direct investment which creates more opportunities for youth employment.

[24] The Budget Speech 2016 (available from http://www.gov.sz/images/doc2016.pdf)
[25] Central Statistical Office, Labour Force Survey (available from http://www.swazistats.org.sz/)

4.3. Health

Swaziland has the highest HIV prevalence rate in the world with 28.8 per cent of the adult population living with HIV (2015). HIV incidence in the 15-49 years age group is estimated at 1.9 per cent in 2015, 2.23 per cent in 2013, and this is expected to gradually decline over the years to 1.72 per cent and 1.58 per cent in 2018 and 2020, respectively. Incidence is higher in females at 2.27 per cent compared to males at 1.64 per cent in 2015. It was estimated at 2.6 per cent and 1.89 per cent in 2013 for females and males, respectively, and is projected to decline to 1.85 per cent and 1.34 per cent in 2020 for females and males, respectively (Swaziland HIV Estimates and Projections Report, 2015).

The HIV and AIDS epidemic has caused a marked decline in a number of health indicators in the past two decades whilst also profoundly impacting on the socioeconomic development. The HIV epidemic has also given rise to a severe tuberculosis co-epidemic, which has also become one of the major public health problems currently imposing a burden on the health system. The high HIV prevalence has not only had an adverse impact on life expectancy, which has plummeted to 45.2 years, but on the numbers of orphaned and vulnerable children, which has significantly increased together with other negative health outcomes. According to the Swaziland HIV Estimates and Projections Report, 2015, women bear the brunt of the epidemic with an incidence of 2.69 per cent in 2015 compared to 1.16 for males. The number of new HIV infections shows a steady decline over the years, with 11 323 in 2013, declining to 9318 in 2017 and 8756 in 2020.

The Government continues to show commitment and leadership in the national response through diverse interventions including financing and procuring all antiretroviral and tuberculosis medicines.[26] In 2015, the Joint United Nations Programme on HIV/AIDS (UNAIDS) reported that 95 per cent of pregnant women living with HIV received antiretroviral treatment. In the same year, less than 500 children (aged 0-14 years) were newly infected with HIV, compared to 1600 in 2010. Around 78 per cent of children (aged 0-14 years) living with HIV were receiving antiretroviral treatment (UNAIDS (2016) 'Prevention Gap Report'). A new Extended National Strategic Framework (2014-2018) now focuses on high-impact interventions and overall HIV costs reduction whilst targeting populations and geographic areas where most of the infections are emanating from.

Swaziland is faced with chronic child malnutrition. At a national level, in 2014, 31 per cent of children under the age of five were stunted, while 1 per cent were wasted and 6 per cent underweight. Stunting prevalence levels were higher in rural areas (33 per cent) compared to urban areas (23 per cent). Orphans and vulnerable children tended to be more affected by malnutrition; 39 per cent of orphans and vulnerable children under five years of age were stunted compared to 28 per cent for children who were not orphaned or vulnerable (Swaziland Annual Vulnerability Assessment and Analysis Report, July 2014).

[26] Swaziland Global Aids response progress reporting 2014.

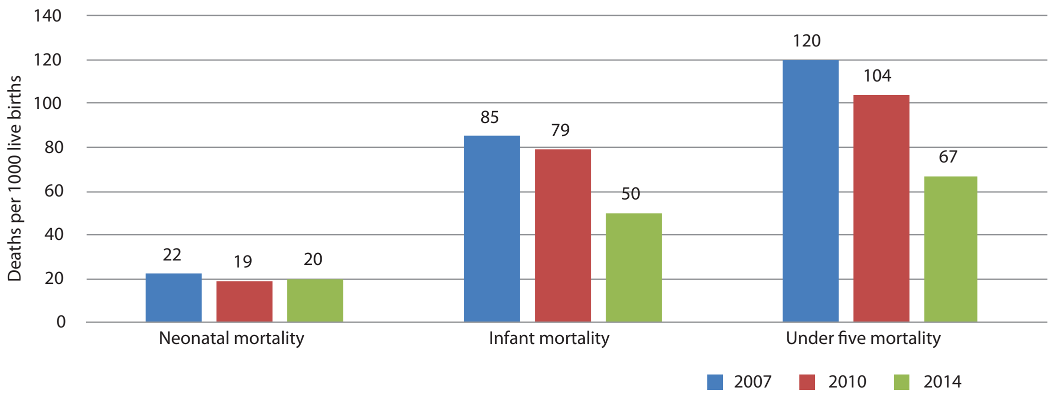
Despite the challenges emanating from HIV and AIDS, some gains have nevertheless been made in the health sector; examples of improvements are in the areas of infant mortality, under 5 mortality (Figure 12) and maternal mortality.

Although Swaziland under-five mortality rate is still high, there is however, marked improvement. The estimates from the Swaziland Multiple Indicator Cluster Survey (MICS, 2014) report show a decline from 120 deaths in 2007 to 67 deaths per 1000 live births in 2014. Swaziland loses about 20 children per 1000 live births within the first 28 days of life (MICS, 2014), mainly attributable to the high HIV prevalence among pregnant women. Whilst neo-natal mortality rates have not significantly decreased during the period 2007-2014,interventions on maternal, new born and child health have led to improvements on infant mortality and under five mortality rates (Figure 12).

The data indicate that for Swaziland to reach the goal of 30 deaths per 1000 live births in children under the age of 5 years in 2015, in line with Millennium Development Goal 4,[27] the country should have achieved 40 deaths per 1000, as opposed to the 67 deaths (Figure 12). In 2007, infant mortality rate was estimated at 85 deaths per 1000 livebirths. The deaths declined to 50 deaths per 1000 live births in 2014 according to the 2014 2010 report on the multiple indicator cluster surveys (MICS, 2010). The existence of a National Health Policy, Health Sector Strategic Plan, Integrated Child Survival Strategic Plan and annual action plans provide the required framework to address of child mortality issues.

The maternal mortality rate has remained high at 589 in 2007 and 593 in 2014 (MICS, 2014). To address the maternal mortality rate, the Ministry of Health has put in place interventions which include, focused and systematic maternal death audits, development and launch of the

Figure 12: Neonatal, infant and under-5 mortality rates, deaths per 1,000 live births, Swaziland 2007, 2010 and 2014



Source: DHS (2007), Swaziland MDG Report, 2015, MICS, 2014

[27] Millennium Development Goal 4: To reduce the under-five mortality rate by two-thirds in the period between 1990 and 2015.

national sexual and reproductive health policy with a focus on reproductive maternal neonatal child adolescent health.

In terms of access, specialized care facilities remain inadequate. The doctor-to-patient ratio and the nurse-to-patient ratio are low, with 1.6 doctors and 63.1 nurses per 10,000 population, respectively.[28] The prevalence of HIV among antenatal care clients increased from 3.9 per cent in 1992 to 26 per cent in 1996 to 42 per cent in 2008 and 41 per cent in 2010. Antenatal care coverage was 98.5 per cent in 2014 (12th National HIV Serosurveillance among women attending ANC services, 2010) with median duration of breastfeeding decreasing from 17 months in 2010 to 13 months in 2014; births attended by skilled health personnel were 88.3 per cent in 2014 (MICS, 2014). Allocation to the health sector was E1.8 billion (5.9 per cent of GDP) in the financial year 2015–2016.[29]

4.4. Education

Swaziland has made considerable strides in improving education as a foundation and the main pillar for sustainable economic and social development. The 2005 National Constitution declares education as a right for all Swazis and that primary education shall be free and compulsory. The Government has put in place several policies and legislation to provide access to relevant quality education at all levels of the education system to all learners and embrace the spirit of the Education for All agenda. These include the Special Education Policy Statement, 2009; the Free Primary Education Act, 2010; Guidelines for the establishment of Private Education Institutions; HIV and AIDS Policy in Education; the Technical and Vocational Education and Training and Skills Development policy, 2010; the National Education and Training Sector Policy, 2011; and the Higher Education Act (2012).

The country has experienced a steady increase in the adult literacy levels to 88 per cent for women, 86 per cent for men, and 95.3 per cent in the 15-24 years age group in 2014 (MIC Survey, 2014). The Government introduced the Free Primary Education Programme for grades 1-7 in 2010 to enhance access. Through this, major gains in the achievement of Universal Primary Education were attained with primary net enrolment rates of above 95 per cent in 2015–2016, an increase from 92 per cent in 2014/15 as in Figure 13. Achievement of universal access to primary education has not been accompanied by gains in the quality of education, i.e. learning outcomes. Swaziland, like other SADC countries, including Botswana, Mauritius, Seychelles, South Africa and Zambia, has higher proportions of women than men enrolled in tertiary institutions. Education for girls can be curtailed because there is a perception that educating girls has no value - an attitude that persists among many families.

As indicated in Figure 13, net enrolment ratios at the secondary education level have been as low as 50.4 per cent, and around 30 per cent at senior secondary level in 2014 with female

[28] World Health Statistics 2016: monitoring health for the sustainable development goals. World Health Organization, 2016. Available from http://www.who.int/gho/publications/world_health_statistics/2016/en/

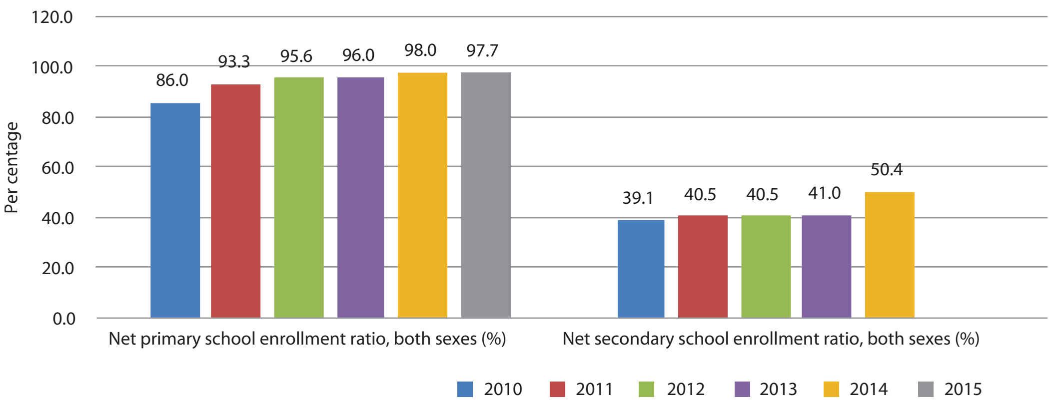
[29] The Budget Speech 2016. Available from http://www.gov.sz/images/doc2016.pdf

enrolment rates (55 per cent) being higher than for males (46 per cent). Net enrolment at the primary school level has witnessed increased participation levels above 90 per cent from 2011 up to 97.7 per cent (2015) of age appropriate primary school going children accessing primary education. The success at primary levels of the FPE will only be observed by improved enrolment rates at lower secondary levels.

The low transition rates from primary to secondary education call for government intervention in terms of investment in technical and vocational education for young people to build necessary skills for integration into development. Some of the contributory factors to low enrolment and retention rates include, the unaffordable costs of lower secondary school education, limited access, poor infrastructure, increasing failure and high dropout rates, social dilemmas, with the need to support the family in household chores and teenage pregnancy There is however, gender parity at both the primary and secondary school levels. Since 2000, the ratio of girls to boys in primary education has remained almost constant, averaging 0.93 (Swaziland Education for All Review Report, 2000-2015).

Challenges towards Education for All are as in Box 4. Efforts are underway to standardize school fees rates in secondary schools in order to improve the net enrolment. While education has been more accessible to both men and women, women's representation in the field of science and technology is still low which affects their employment opportunities in these areas. The quality of primary education has continuous been strengthened through curriculum reviews at various levels of education. The pupil- textbook ratio for core subjects at basic education level has improved over the review period and reached a ratio of 1: 1. The pupil teacher ratio (primary) has improved to a ratio of 1:30 (2014) and 1:16 (2014) at the secondary school level. These have remained at almost the same levels over the past five years.

Figure 13: Net enrolment ratios, Swaziland, 2011-2015 (%)



Source: CSO, Poverty in a decade of slow economic growth, Swaziland MDG Report, 2015 Swaziland in the 2000s

Box 4 : Challenges on the road to Education for All in Swaziland

- Low participation rate of age eligible children in Early Childhood Care and Education Programmes;
- Lack of quality assurance in the provision of primary and secondary education;
- Existence of a curriculum that is not entirely responsive to the labour market needs;
- Inefficiencies in basic education resulting in high repetition and drop-out rates (above 10 per cent)
- Unattractive conditions of service for teachers;
- Shortage of qualified teachers especially in mathematics, science and ICT;
- Mainstreaming special education in schools i.e. provision of facilities for disadvantaged children;
- Poor monitoring and supervision of education programmes;
- Ineffective regulation of private owned education institutions; and
- Inadequate financing of education.

Source: Swaziland Education for All Review Report, 2000-2015

In recognition of the pivotal role of education in eliminating gender inequality, reducing poverty and creating sustainable development, the Government continues to prioritize the sector, which received 22 per cent of the total budget in the fiscal year 2015/16. During the period 2016/17–2018/19, the Government will embark on several priority programmes, including developing plans aimed at improving access and retention of learners at the secondary and high school levels; and continue capacitating secondary and high schools to introduce practical, entrepreneurial and skills-oriented subjects (according to the Budget Speech 2016).

The country has standing benchmarks harmonized with SADC and African Union benchmarks in a number of areas, which are also in line with some of the proposed targets on the Post 2015 Education Agenda.

4.5. Gender equality and women's empowerment

The status of gender equality and women's empowerment is measured in terms of the key areas indicated in the circular chart below. These areas are important for the improvement of women's lives and their contribution to sustainable and inclusive growth in Africa.

To assess the actual extent of gender inequality and to achieve the goal of measuring gender equality and women's empowerment in Africa, ECA has developed a monitoring tool, the African Gender Development Index (AGDI), which allows policymakers to evaluate their own performance in implementing policies and programmes geared towards ending women's marginalization.

The calculation for the scoring is based on Gender Status Index (GSI) data. GSI is one of the components of AGDI. For each key indicator, the score is calculated as an unweighted arithmetic average by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, five shows middle parity level and 10 represents perfect parity. Parity levels exceeding 10 represent situations in which women have outperformed men, irrespective of the level of development of the area being assessed. Box 5 discusses the extent to which Swaziland has promoted women's empowerment and the achievement of gender equality.

Most data used to calculate scoring are drawn from the latest nationally available data sources. However, for a few indicators where the country has no disaggregated data, international data are used. These sources include Women in Decision Making Positions Survey 2013, Labour Force Survey 2013/14, Multiple Indicator Cluster Surveys (MICS 2014-2016), Swaziland HIV Estimates and Projections Report 2015, World Bank 2016, among others.

Box 5: Gender equality and women's empowerment – Swaziland

In Swaziland, the proportion of women (90 per cent) in wage employment in the non-agricultural sector exceeds that of men (81.8 per cent) (2015)*.

There is parity between men and women in literacy rates for the 15-24 years age group (2015).

Inequality is seen in relation to women in politics and decision-making. Women account for only 13.6 per cent of representatives in parliament and 36.7 per cent of ministerial positions (Women in Decision Making Survey, 2013).

In relation to access to credit, 27.4 per cent of women hold accounts in financial institutions compared to 29.7 per cent of men. Thirteen per cent of men borrowed from financial institution compared to 10 per cent of women.

The labour force participation rate is 40 per cent for women, compared to 64.2 per cent for men.

The law in Swaziland did not bestow equal inheritance rights on widowers (World Bank 2016); widows, however, stood to benefit.

Employment

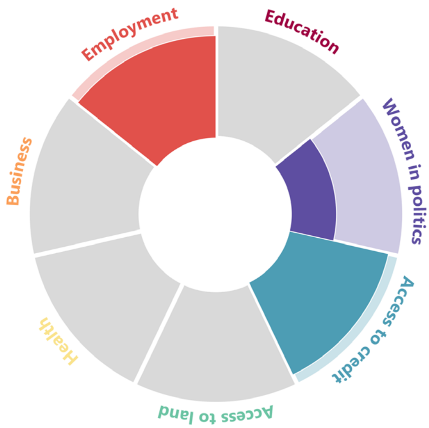
Employment in nonagricultural sector	11
Labour force participation rate	6

Business

Top management in firms	No data
Ownership in firms	No data

Health

Under-five survival rate	No data
Children under age five who are not stunted	No data
Life expectancy at birth	No data
Share of population without HIV	9



Education

Youth literacy rate	10
Enrolment ratio in secondary education	12
Enrolment ratio in tertiary education	No data

Women in politics

Representation in parliament	2
Ministerial positions-cabinet	6

Access to credit

Account at a financial institution	9
Borrowed from a financial institution	8

Access to land

Access to land	No data

Stand-alone indicators

Access to drinking water source within 15 minutes (urban)	No data
Access to drinking water source within 15 minutes (rural)	No data
Improved sanitation (urban)	No data
Improved sanitation (rural)	No data
Maternal mortality ratio	No data

Source : African Union Commission and ECA, 2015.

** The share of female workers in wage employment in the non-agricultural sector expressed as a percentage of total wage employment in that same sector.*

5

Major policy challenges: Addressing growth challenges, interventions to minimize the impact of declining SACU revenues

The growth outlook of the Swaziland economy is projected to remain subdued over the medium term with growth expected to slow in 2016/17 despite the intention of the Government to achieve a 5 per cent growth per annum with a reduction in unemployment. Economic outlook remains subject to downside risks mainly associated with the uncertain prospects for the economy of South African (80 per cent of Swaziland imports and 60 per cent of exports) and the high volatility of the SACU revenues which contribute more than 50 per cent to its revenues and are expected to decline markedly in 2016/17 (E6.9 billion in 2015/16, Table 2). The anticipated reduction in SACU receipts in 2016/17 and 2018/19 with attendant concerns on fiscal and external sustainability calls for mitigation strategies to strengthen resilience to shocks and achieve higher and inclusive growth to meet social and development needs. In the short term, direct fiscal policy interventions are desirable while medium- to long-term interventions include MSMEs, private sector development and export diversification, which are explored below.

5.1. Fiscal prudence and mobilizing alternative revenue sources

The 2010/11 fiscal crisis highlighted the necessity of restructuring and reprioritizing fiscal expenditures and exploring new and innovative funding sources that could positively impact growth. Government expenditure has been recurrent in nature accounting for about 80 per cent of total spending over the last five years. The Central Bank is cautious of these fiscal pressures and the fiscal stimulus that could be required to meet the 13.7 per cent deficit projected for the fiscal year 2016/17 (Governor's Annual Monetary Policy Statement, 2016). The fiscal adjustment will require restructuring expenditure, while protecting allocations to social sectors and growth-supporting activities. Fiscal consolidation efforts which maintain a sufficient international reserve buffer and maintain modest debt distress while protecting spending for critical social and development needs.

Some key strategies to address fiscal consolidation will include, strengthening domestic revenue collection and resource mobilization, including through public private partnerships and innovative financing which would align expenditure with development needs. The SRA will continue to play a pivotal role in contributing to domestic resource mobilization through trade facilitation, collection of taxes, including VAT and duties and expanding the taxpayer base. As proposed in the Programme of Action 2013–2018, building adequate buffers to mitigate the impact of SACU revenue volatility through a revenue rule that would only incorporate into the budget, the estimated steady state level of SACU revenues of 17 per cent of GDP (the historical average) with any additional SACU revenues saved in a stabilization fund is envisaged. Strengthening financial sector supervision and regulation and rationalizing recurrent expenditure in particular, the high public sector wage bill which is 15 per cent of GDP and 55 per cent of government recurrent expenditure will yield desired consolidation results.

5.2. Private sector development

The slowdown in economic growth in the past decades has also been attributed to the inability to maintain private investment crucial for sustainable economic development. It is essential to promote private sector-led inclusive growth and competitiveness by facilitating the ease of doing business (ranking of 105/189 (2015) in the World Bank Ease of Doing Business Index rankings) and creating an enabling environment for job creation, investment and growth.

With a relatively small and weak private sector there is a low level of domestic entrepreneurship and thus the reliance on FDI as the driver of growth. Business opportunities in manufacturing, mining, agriculture, processing and tourism remain untapped. Private investment can increase government revenue streams, create employment, improve labour skills and link domestic firms to global value chains by creating supply-chain opportunities. Private sector-led inclusive growth is therefore essential otherwise there is a risk that Swaziland may be trapped in a low growth trajectory with low private investment adversely affecting productivity growth and industrial diversification. A dynamic private sector (both domestic and foreign) is therefore critical for Swaziland to achieve sustained economic growth and poverty reduction. The large financing needs of the Government have the effect of crowding out private sector credit, thus, further limiting private sector developments. Lackluster domestic economic activity witnessed private sector credit only increasing by 5.1 per cent in December 2015 compared to 11.4 per cent growth in 2014 while credit to businesses declined by 6.4 per cent compared to growth of 6.9 per cent in the previous year.

The Government views FDI as a potential driver for economic growth and as a result, structural reforms to stimulate private sector-led growth and catalyse industrialization and structural transformation are being pursued. As the economy is agriculture based, linkages between industry and agriculture require strengthening through the expansion of agro-processing industries and technology improvements at the production level in agriculture and industry.

Box 6: Challenges to attracting foreign direct investment in Swaziland

- **Utilities**: costs and reliability of water and electricity;
- **Communication infrastructure**: inefficient ICT infrastructure (limited bandwidth) and attendant high usage costs affecting industries e.g. financial services an manufacturing;
- **Labour issues**: shortage of skilled labour and overprotective labour laws and disruptions (strikes);
- **Regulatory framework**: *Financial Services Regulatory Authority* regulations difficult to comply with for financial services (banking insurance and asset management companies);
- **Legislation**: government legislation in various sectors hindering business growth e.g. mining, insurance and the 30 per cent local asset requirement for financial services;
- **Tax issues**: high corporate tax rate and hefty non-compliance penalties;
- **Competition**: local products out-priced by cheaper products from external markets;
- **Financing** limited availability of capital in the domestic market to finance investment;
- **Corruption**: fraud, theft and unfair government tendering processes;
- **Costs**: limited domestic inputs necessitating reliance on imports which increases overheads;
- **Government issues**: government service providers experience lengthy procedures and payment delays;
- **Economic growth**: small market size and slow growth in the domestic economy;
- **Land tenure**: challenges in acquiring land especially in the agriculture and manufacturing sectors; and
- **Border issues**: border inefficiencies in e.g. import and tax clearances, penalty reversals, VAT refunds etc.

Source: Central Bank of Swaziland, February 2016

A 2016 paper prepared by the Central Bank of Swaziland on proposed interventions on the anticipated 2016/17 financial crisis cited challenges to FDI attraction (Box 6).

One of the eight focal areas of the Programme of Action 2013-2018 is faster industrial and commercial growth and job creation through FDI. The objectives are to develop and improve investment and trade policies in order to enhance the ease of doing business in the country from the current ranking to 60 by 2018 and 50 by 2022. A dedicated Investor Road Map Unit was established in 2014 to compliment the activities of the Swaziland Investment Promotion Authority in the foreign direct investment attraction. The Swaziland Investment Promotion Authority, established in 1998 through an Act of Parliament to attract, promote and facilitate foreign and local investment and trade in Swaziland, has the main objective of creating the wealth necessary to enhance national social and economic development. The government expects to create about 6000 new jobs annually and collect revenues through foreign direct investment, local large-scale industrial expansion and the growth of and improved business environments for small and medium-sized enterprises (Programme of Action 2013-2018). In efforts to improve the business climate and continue attracting both domestic and foreign investment, the Government has identified priority programmes, as shown in Box 7.

Other key issues include, provision of a business environment conducive to private sector development - transparency in regulatory systems and clarity on government policies and

Box 7: Business climate and investment attraction priority programmes for Swaziland

To support an improved investment climate and strengthen firm competitiveness specially:

- Implementation of a US$25 million World Bank loan funded Private Sector Competitiveness Projecting the agribusiness and tourism sectors resulting in increased access to export markets and finance for small and medium size enterprises.

To improve the business climate and domestic and foreign investment attracting both (2016/17):

- Formulate plans for the implementation of the Trade Policy and the Industrial Development Policy 2015-2022;
- Create a conducive environment for cooperative enterprises to operate, including ensuring financial inclusion of sectors such as Christian faith based cooperatives;
- Continue implementing the Investor Road Map to attract more investments into the country and increase export trade;
- Complete phase 1 of the Science and Technology Park which is expected to serve as a catalyst in the furtherance of diversification of the economy;
- Expand Matsapha industrial estate phase 2, 42 hectares as well as develop a new industrial estate at Sidvokodvo to service 301 hectares of industrial estates incorporating the railway line which will promote economic activity in the areas; and
- Organize bi-annual stakeholder meetings to enhance private sector competitiveness.

Source: Budget Speech 2016

implementation in order to promote business start-ups, property registration, investment protection and contract enforcement; public and private investment mobilization (as enshrined in the Economic Recovery Strategy, 2011/4) focusing on mining, energy, infrastructure development, agriculture, tourism, industrial development and ICT; policy; and promoting policies geared towards the consumption of locally produced goods and services so that the country has a strong and supportive local market, thus attracting more inflows of foreign direct investment.

5.3. Development of micro-, small- and medium-sized enterprises

Although the Swaziland economy is currently characterized by large manufacturing and agro-processing firms, the emergence of a dynamic and growth-orientated locally owned and managed private sector (in the form of MSMEs) as an alternative income generation and employment creation source remains constrained. MSMEs can be a cornerstone for economic development and have a potential to enhance the industrialisation process if the entrepreneurial mode is nurtured. MSMEs can spur structural transformation through innovation, provision of intermediate inputs and services and by increasing employment and productivity in both the modern and traditional sectors. Micro-, small- and medium-sized enterprises can be supported for import substitution with a focus on the production of commodities that do not require high technical skills and capital outlay and can thus substitute current lower-end imports. This would lead not only to employment creation, but increased exports to other markets. The Government thus intends to increase budgetary allocations to the Ministry of Agriculture and the Ministry of Commerce, Industry and Trade to boost growth in the sectors that would have a positive impact on economic development (Central Bank of Swaziland, 2016).

Swaziland has a moderately well-developed commercial banking sector but MSMEs face limited opportunities to access commercial financing for investment and working capital. Limited access to finance hinders MSMEs, in particular start-up companies and those in high-risk sectors such as agri-business. The Programme of Action 2013-2018 seeks to secure accelerated growth in MSMEs, which will lead to an increase in taxes and duties to enable the Government to meet the service targets of 2022. That would also enhance financial sector development and promote financial inclusion and access to credit.

A holistic approach towards the designing of policies that emphasize on education and skills formation is required as part of the promotion of MSMEs. The Government intends to address the skills deficit through the small enterprises development company training programme for aspiring entrepreneurs in areas, such as business related skills, product pricing, financial accounting and the establishment of one-stop centres across the country.

The Government also intends to implement a new initiative which intensifies support to the growth of commercial activity in a number of selected products in which Swaziland has some competitive advantage regionally and internationally. Handcrafting has been identified as a competitive advantage area and a Handcraft Roadmap is being implemented. This policy is set to revive the industry and create about 2000 jobs over the next 5 years and it will be replicated in a number of other local products. The programme will be complimented by One Household One Product, an initiative in which the rural households are encouraged to develop at least one product which will generate income for the household. The programme is targeting one thousand households per year. Other key strategies to ease the development of MSMEs will include facilitating an enabling policy and regulatory environment for the growth of the local MSMEs; promoting youth entrepreneurship through the development of a culture of entrepreneurship among young people from the grassroots level by including entrepreneurial subjects in the school curricula; and MSME support to access credit through innovative financing instruments - bank loan portfolios expected to show substantial growth in credit extended to MSMEs.

5.4. Export diversification

The economy of Swaziland is highly dependent on external trade and on the economy of South African. The country's exports are dominated by textiles, drink concentrates and prepared foodstuffs such as canned fruit. A substantial share of the country's exports of sugar and sugar derivatives and textiles has been governed by preferential market access to the European Union and the United States. The loss of African Growth and Opportunity Act eligibility brings to the fore the importance of enhancing economic diversification and competitiveness. Despite the preferential access of Swaziland to regional markets, its trade with countries in the region other than South Africa remains small. The Budget Speech 2016 alludes to the economic slowdown in South Africa which is projected to continue even in 2016, where the growth rate is estimated at 0.9 per cent before it rebounds to 2.4 per cent in 2017. This presents both a challenge and an opportunity to diversify export markets, given the fact that South Africa is the destination for at least 60 per cent of exports. Swaziland is a member of SADC and COMESA, and participates in the EAC–COMESA–SADC tripartite negotiations aimed at creating a free trade area covering Eastern and Southern African countries. From the analysis of the regional integration index (Box 1), exports (excluding re-exports) to COMESA averaged around 4 per cent of the GDP between 2010 and 2013. Limited export market diversification continues to impact on the extent the country can exploit existing links into global value chains. There is an underdeveloped value chain at sector level because of overreliance on traditional exports and the large number of monopolies in the services sector and constrained growth of MSMEs. The narrow export base exposes the country to adverse external shocks and macroeconomic instability. Unfortunately, the export-oriented firms have been affected by an unfavourable investment environment, regulatory restrictions and the high cost of trade.

The Government recognizes that export growth challenges need to be addressed if the economy is to thrive and be fully integrated into the regional economy achieving and that, faster sustainable growth and in turn employment creation requires structural shifts in the economy, diversified exports and private-sector investment based on confidence in the business environment. One of the objectives of the 2006 trade policy was for Swaziland to expand its export base and ensure an increased mix of exports, thus reducing the reliance on the sugar industry as the main foreign exchange earner. Aggressive policies and strategies are required in various areas to promote export diversification, capture more regional markets, enhance access to financing and improve the business climate. Reform measures needed to promote diversification and structural transformation include, improving infrastructure and trade networks, investing in human capital, encouraging financial deepening through banking sector reforms and reducing barriers to entry for new products. This would address some of the regional market access constraints such as high transport and communications infrastructure costs, cumbersome border procedures and non-tariff barriers.

6. National data quality evaluation

Methodological note: The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is "good"; yellow; "satisfactory" and red, "needs improvement".

The evaluation focused on the transparency and accessibility of the national data sources, while taking into consideration of the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the database to the general public, the format of the data and the ease in which the data can be downloaded and shared. Data citations together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the clarity of documentation and notes.

Demography	Value	Evaluation
Population (million)	1 132 657 (2016p)	1
Child (0-14 years, %)	36.5 (2016p)	1
Adult (15-60 years, %)	60.0 (2016p)	1
Aged (60+ years, %)	0.3 (2016p)	1

Key macroeconomic and sectoral performance	Value	Evaluation
Real GDP growth rate (%)	1.5 (2016p)	2
Inflation rate (%)	5.0 (2015)	3
Current account balance (Emalangeni million)	4717.7 (2015)	3

Economic trends and performance indicators	Value	Evaluation
Total exports (Emalangeni million)	22 014 (2015)	4
Total imports (Emalangeni million)	17 707 (2015)	4
Share of labour force working in primary	11% (2016)	2

Education and employment	Value	Evaluation
Net enrolment ratio in primary education	97.7 (2015p)	5
Literacy rate of 15-24 year olds	95.3 (2014)	5
Unemployment rate (%)	28.1 (2013/14)	1
Youth unemployment rate (%)	51.6 (2013/14)	1

Unemployment rate (%)	Value	Evaluation
Prevalence of underweight under five (%)	5.8 (2014)	1
Under five mortality rate (per 1,000 live births)	67 (2014)	1
Infant mortality rate per (per 1,000 live births)	50 (2014)	1
Neo-natal mortality rate per (per 1,000 live births)	20 (2014)	1
Maternal mortality ratio (per 100,000 births)	593 (2014)	5
HIV prevalence among 15-24 year olds (%)	11.3 (2014)	5

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