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MEMORANDUM OF THE PRESIDENT

OF THE

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

OF THE

EXECUTIVE DIRECTORS

ON A

COUNTRY ASSISTANCE STRATEGY

OF THE

WORLD BANK GROUP

FOR

THE KINGDOM OF SWAZILAND

OCTOBER 21, 1994

Macro, Industry and Finance Division
Southern Africa Department
Africa Region

CURRENCY EQUIVALENTS

Currency Unit	=	Emalangeni
U.S.$1.00	=	E. 3.2

Fiscal Year

April 1 to March 31

Weights and Measures

Metric

Abbreviations and Acronyms

ADB	African Development Bank
CMA	Common Monetary Area
EU	European Union
FIAS	Foreign Investment Advisory Service
GATT	General Agreement for Tariffs and Trade
NDS	National Development Strategy
PTA	Preferential Trade Area
SACU	South African Customs Union
SADC	Southern African Development Community
USAID	United States Agency for International Development
IDF	Institutional Development Facility
SNL	Swazi Nation Land
TFR	Total Fertility Rate

KINGDOM OF SWAZILAND

COUNTRY ASSISTANCE STRATEGY

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MEMORANDUM OF THE PRESIDENT OF IBRD TO THE EXECUTIVE DIRECTORS ON A COUNTRY ASSISTANCE STRATEGY OF THE WORLD BANK GROUP FOR SWAZILAND

A. Introduction

1. Swaziland has not been an active borrower from the World Bank in recent years. Low labor costs, stable industrial relations, and access to the sanctions-impeded South African market have provided Swaziland with ample direct foreign investment inflows for rapid economic growth. Since 1985 Bank assistance has mainly taken the form of sector work, project preparation and technical assistance driven primarily by Government requests. The Bank monitors economic developments in Swaziland by way of sector work and periodic IMF reviews, the most recent of which was the April 1994 Article IV consultation. The latest formal Bank economic report is the Public Expenditure Review (Report #11583-SW, distributed to the Executive Directors in July 1993). A review of financial sector issues is now in progress.

2. Swaziland's recent interest in deepening its policy dialogue with the World Bank reflects its concern with the new issues it is facing. Economic growth in the late 1980s has slowed, due to recession in South Africa, political uncertainty in the sub-region and periodic droughts in Swaziland. The peaceful transition in South Africa and the progress of demobilization and democratization in Mozambique offer both new opportunities as well as political and economic risks for Swaziland. The continuing progress of economic adjustment in neighboring countries also poses new policy issues for Swaziland. The key challenge for Swaziland will be to strengthen its capability to adjust to external changes, take advantage of new opportunities and cushion adverse effects. This will require anticipation of external developments while addressing structural development constraints. The Government sees a more active relationship with the Bank as a key element in addressing the challenge of the future.

B. Recent Economic and Social Performance

Historical Background

3. Swaziland is a small landlocked country bordered mainly by South Africa and Mozambique with a population of about 0.9 million and a per capita GNP of US$ 1,090.1/ In 1968, it ceased to be a British protectorate and became independent, culminating a lengthy struggle to avoid being absorbed in South Africa. Swaziland's economic links with South Africa are strong because of geography and because of its membership of the South African Customs Union (SACU) and the Common Monetary Area (CMA). Under SACU, free trade is allowed among member countries with a common external tariff on outside imports. Proceeds are pooled and divided in accordance with an agreement which provides a supplementary compensation factor for Swaziland and other small members of SACU. Receipts constitute about half of Swaziland's fiscal revenues. South Africa accounts for about 80 percent of merchandise imports and 30 percent of merchandise exports. Swazi workers in South Africa represent about 25 percent of wage employment and provide a substantial flow of remittances (over 15 percent of GNP).

4. Swaziland's economy is characterized by a dual land tenure system where a small modern commercial sector coexists with a large subsistence sector. Although three-fourths of the population is

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1/As of 1992, based on Atlas methodology.

engaged in the rural economy, agriculture contributes only about 12 percent of the GDP (1993). Industry, which is mainly agro-based, contributes about 42 percent of GDP, and services the other 46 percent. The economy is very open; total trade in merchandise and non-factor services constitute about 220 percent of the 1993 GDP.

5. Swaziland achieved relatively high GDP growth rates over the 1970s and 1980s, based on market-oriented economic management. A large private sector has developed consisting primarily of South African-based investments. In the late 1980s, economic growth accelerated to over 6 per cent per annum, reflecting an upsurge of foreign investment (both South African and other) triggered by the tightening of sanctions against South Africa. The result, however, has been an almost enclave manufacturing sector producing principally for South Africa with little integration with the rest of the Swazi economy. These investments have been capital-intensive (such as the Coca Cola concentrate plant), and the direct employment effects have been small.

6. Since the scope for pursuing an independent monetary policy is limited under the CMA, fiscal policy is the key instrument for influencing economic activity. The Government has typically followed a cautious fiscal policy avoiding large fiscal deficits. It achieved budgetary surpluses over 1989-91 averaging at about 6 percent of GDP which have allowed net repayments of public debt. The size of the parastatal sector, comprising mostly public utilities, remains small. Subsidies and transfers to non-financial public enterprises currently constitute about 4 percent of total public expenditures but the quality of their services and financial performance have been poor. Swaziland's balance of payments was in surplus during this period permitting a build-up of reserves. Currently, gross reserves constitute about four months of merchandise imports and non-factor services. Exchange rate management is market-oriented, and is tied to the South African Rand.

7. Swaziland has recently taken cautious steps towards democratic pluralism. In October 1993, a new Parliament was elected and a new Senate nominated. As a result, the pro-democracy elements in the bicameral legislature have been strengthened. The King is the executive head of the Government which is run by a Cabinet of Ministers led by a Prime Minister, all appointed by the King. The King is also assisted by a Council of Elders which advises him, particularly on traditional matters.

Recent Economic Developments (1990-93)

8. Since 1990 GDP growth has slowed, averaging 2 percent between 1990 and 1992. Weak commodity prices and the onset of a recession in South Africa have affected manufacturing and commercial agriculture. The 1992 drought was severe enough to cause a 2 percent decline in GDP. Growth in wage employment (2.2% p.a.) was below the growth rate of the labor force and urban unemployment is growing. The investment/GDP ratio has been falling, reflecting a decline in private investment from 16 percent of GDP in 1989 to 9 percent in 1993. Government investment during this period has increased, from 5 percent of GDP in 1989 to 10 percent in 1993. Budget deficits have resurfaced since 1992; it was estimated at 6.5 percent of GDP in 1993 mainly because of a 13 percent increase in public expenditures (e.g., purchase of an aircraft, large wage increases) compounded by low GDP growth rate. Without corrective action and/or significant pick-up in GDP growth rates, budget deficit/GDP ratio is projected to be higher in 1994 (about 9 percent),and even higher in 1996 (11 percent).

9. The recent fiscal trends are cause for concern and have been the focus of the IMF Article IV consultations held last April. The Government is aware of the need for corrective action and recognizes that macroeconomic stability is vital to the restoration of momentum in Swaziland's investment and growth. The IMF and the World Bank have been asked by the Government to urgently formulate a **medium term macroeconomic framework**, with particular emphasis on fiscal management issues, which could be used

for a creating a consensus within the various layers of the Government. A joint IMF/World Bank mission has been planned to take place in the second half of September 1994.

10. After running current account surpluses since 1989, a deficit in the current account of the balance of payments emerged in 1993. It is too early to judge whether the deficits will be reversed in the short run. In any case, the accumulated reserves, currently about four months of payments of merchandise imports and non-factor services, provide a cushion before the impact of improved macroeconomic policies is felt. The external debt profile of Swaziland has markedly improved in recent years, the 1993 DOD/GDP2/ and DSR3/ were 34 percent and 3 percent respectively. The Government has so far avoided debt-financed expenditures.

Recent Social Performance

11. Swaziland's record in **human resource development** is mixed. Primary and secondary enrollment ratios are 100 percent and about 48 percent respectively. There are no significant male/female differences in these ratios, these are also significantly above the Sub-Saharan Africa averages and closer to those of upper-middle income countries. In contrast, infant mortality (about 10 percent), though improving, remains substantially above the average for the lower middle income countries. Life expectancy (57 years) has risen significantly in the last decade but is still below the average for the lower-middle income countries. The Total Fertility Rate (TFR), at 6.6 is the main cause of Swaziland's very high population growth rate (3.7 percent per annum), and continues to be a serious concern.

12. Public expenditures on human resources (i.e., education, health, other social services) absorb as much as 44 percent of the budget and are not sustainable at this level in the more restrictive current fiscal environment. There are also serious efficiency issues; school drop-out rates are high, and cost recovery even in tertiary education is minimal, suggesting the need to shift the emphasis toward financing of recurrent costs and improvement of quality. Sector policy should lay greater emphasis on secondary education and greater privatization of educational facilities. While significant progress has been made in access to health services, there is considerable scope for improvement in reorienting services towards prevention and improvement in cost efficiency.

13. Lack of data on absolute poverty precludes conclusions in this regard, but there is likely to be considerable income inequality reflecting Swaziland's **dualistic** economy with its high-wage small modern sector (industry and commercial agriculture) coexisting with a large underdeveloped rural economy. Poverty in Swaziland has been essentially a rural phenomenon but with increased migration to cities and towns, urban poverty is also increasing. A Household Expenditure Survey is being undertaken which will also be supplemented by more qualitative assessments. These efforts will allow a more accurate assessment of the incidence of poverty and an identification of the approach towards its alleviation.

C. External Environment

14. As a very small open economy Swaziland is highly vulnerable to changes in the external environment. In the coming years, it will be faced with major transitional issues arising from the evolving political and economic situation in South Africa. Relatively small developments in South Africa could produce disproportionately large effects on Swaziland.

2/Ratio of debt outstanding and disbursed to GDP as a measure of the debt burden.

3/Ratio of debt service payments to foreign exchange earnings including factor and non-factor services.

15. *Transition in South Africa*. The peaceful transition in South Africa will diminish the relative advantage enjoyed by Swaziland during the sanctions years. There is some uncertainty with respect to the continued presence of some of the sanctions-induced industries but the Government has already acted to avert such a possibility by promising improvements in the investment incentive structure and other policy and institutional changes (e.g., reform of the company act, lowering of the company tax rate, establishment of an investment code, etc.). A **FIAS** study on the investment climate was undertaken in 1993. The likelihood of a reduction in **SACU** revenues particularly the possible loss of the "compensation factor," could impair fiscal management. Wage remittances from Swazi workers employed in South Africa comprise about 15 percent of the GNP. Should South Africa opt for a more restrictive employment policy to address domestic unemployment, this could have serious consequences on Swaziland's macroeconomic management. The answer to this vulnerability lies in exploiting its advantages of relatively lower wages and stable industrial relations to reverse the declining investment ratio and create domestic employment opportunities.

16. In addition, since South Africa plans to liberalize its trade regime under the proposals it has made to the GATT, Swaziland will face greater competition for its exports in the South African market. At present South Africa constitutes a major export market (about 30 percent of the exports). This has already been a problem for the textiles sector which is now facing severe competition because of the removal of the non-tariff barriers to imports. At the same time, liberalization of the **SACU** tariff and non-tariff regimes could lower the import costs to Swaziland by allowing more competitive imports from non-**SACU** sources. Over time, liberalization of the **SACU** protection would benefit Swaziland by forcing a reorientation of its trade regime and investment incentive structure to markets beyond the **SACU** partners. However, the transition to a more liberal **SACU**, along the lines of South Africa's proposals to GATT in this regard, is likely to be gradual.

17. *Commodity Prices*. Despite the recent diversification of Swaziland's export base, over half of its export earnings still come from primary commodities (e.g., sugar, wood pulp, citrus), indicating vulnerability to changes in world prices. Therefore, Swaziland needs to broaden further its export base and to exploit emerging market opportunities elsewhere. The expected liberalization of agricultural and processed agricultural goods into EU market under the proposed GATT arrangement could stimulate exports from Swaziland.

18. *Monetary Regime*. As a member of the Common Monetary Area (CMA), other members are Lesotho, Namibia and South Africa, Swaziland's capacity to conduct independent monetary policy is limited. The Swazi currency, Emalangeni, is pegged at par with the South African Rand which circulates freely in Swaziland. South African monetary aggregates thus directly affect monetary conditions in Swaziland. Central Bank of Swaziland determines the interest rates but since capital flows freely within the CMA, a differential interest policy is not sustainable.

19. *External Debt*. As noted above (para.10), Swaziland's DOD/GDP and DSR are relatively low so that a rapid transition to high indebtedness is unlikely over the medium term (see Annex B), given the Government's prudent attitude to external borrowing and stated intention to curb recent fiscal excesses. Also given that more than two-thirds of Swaziland's DOD is on concessional terms, an adverse movement in interest rates is unlikely to have a serious effect on the balance of payments. However, since about a third of Swaziland's foreign exchange reserves are Rand-denominated, there is some probability of capital loss in its foreign exchange reserves if Rand devaluation continues. The Government is aware of the need for more risk-averse reserve management and has sought IMF's advice in this regard.

D. Swaziland's Development Objectives, Policies and Constraints

20. Apart from the transitional issues that might arise from a changing external environment, Swaziland needs to address longer term development challenges, including the entrenched **dualism** of the economy which perpetuates the existing relative poverty. The key long term constraints are:

- *Very high population growth rate.* Swaziland's population growth rate of about 3.7 compares with the average of 2.9 percent for the lower middle-income group in Sub-Saharan Africa. The **Total Fertility Rate (TFR)** of 6.6 percent is among the highest in the world, and is not forecast to decline in the near future. Contraceptive use rate is very low, less than 20 percent, and needs to rise to about 50 percent if population increase is to be moderated. Significant improvements will be needed in the Government's maternal and child health and family planning programs.

- *Low productivity in traditional agriculture.* About 80 percent of the land mass is **Swazi Nation Land (SNL)**, administered by the King through Chiefs for the Swazi Nation. Soil degradation is a problem because of overgrazing and the average stocking rate on the SNL is among the highest in Africa. Livestock development is a stated priority of the Government but communal grazing and traditional attitudes toward cattle ownership has inhibited commercialization of the industry. The involvement of multilateral and bilateral agencies including the Bank has not led to significant changes in the structure of this sector. While recognizing that the land tenure system and traditional livestock management practices are deeply rooted in Swazi history there is also general agreement that these inhibit productivity. Notwithstanding these constraints, some productivity gains could be achieved through better extension services, and availability of credit.

  Progress on the land tenure issue as well as in improving the legal status of women will probably be gradual (see below). But there are signs that the Government's and the society's views are evolving. Discussions with the Government are now in progress to identify a process to gauge the degree of consensus on these intractable issues.

- *Legal status of women.* All women, irrespective of age and marital status, are legally minor. This phenomenon, rooted in Swaziland's traditions, impedes their full participation in economic activities, particularly in farming where 70 percent of the farmers are women. While the urban/educated married women are beneficiaries of administrative exceptions, women in communal areas generally do not have such recourse.

- *Inadequate human resource development.* Despite success in expanding access to education, the delivery system is not cost-effective and the overall quality is low. Repetition and drop-out rates are high. Local management and key professional skills are in short supply while unemployment among graduates is high. Because of the shortage, there is undue dependence on expatriate personnel both in public and private sector senior and line management positions. Despite significant progress in health access, there is bias in favor of urban areas and curative services. Cost recovery is barely existent.

- *Inadequate physical infrastructures and urban services.* This is an impediment to stimulating investment and meeting the basic needs of the poor. Power, telecommunications, water supply and urban services are deficient in comparison to South Africa, Botswana, and Namibia. Being a land-locked country, Swaziland depends on rail/road links through South Africa and Mozambique and is thus at a disadvantage because of the unreliability of these links. An estimated 60% of the urban population live in informal

unplanned settlements and lack access to basic services and affordable housing. Sector agencies have only recently begun to focus on cost recovery and internal efficiency.

21. The Government's broad development objectives and policies are outlined in the "rolling" three-year development plans, which have been prepared since 1989. The main thrust of Government's policy is to maintain the private sector orientation of the economy. The revival of private investment is the Government's primary concern in order to regain the momentum of growth and to alleviate the rising unemployment problem. Apart from maintaining an environment conducive to growth, the Government is promoting development of industrial estates and fostering indigenous entrepreneurship by providing investment finance and technical support through the **Swaziland Growth Trust**.

22. The most recent development plan4/ is focussed on transport and communications, (roughly 40 percent of capital expenditures), as activities supportive to private sector development. The other main sectoral recipients are: agriculture (10%), human resources including health and social security (12%), and housing (7%). Within agriculture, the focus is on services (small irrigation, improved seed, animal health and range management, credit, and research). In human resources, the priorities are a community-based health delivery system; maternal and child health; the growing AIDS problem (about 18 percent of the adult population in 1993 are estimated to be HIV-positive; and environmental health (water and sanitation, preventive disease control). In education, the priorities are: increasing efficiency (lowering unit costs) and improving the quality of basic education. In training, the Government will introduce vocational orientation in secondary schools, strengthen vocational training in post-secondary schools and provide training in non-formal work (self-employment). In the urban sector, the stated priorities are: rehabilitating and expanding basic infrastructure; developing a housing market; and improving cost recovery, fiscal management and the efficiency of service providers.

23. For the first time since 1984, the Government is formulating a **National Development Strategy (NDS)** which is expected to articulate medium and long-term development objectives and strategies, and guide policymaking. The final output is not expected until late in 1995. The process involves broad participation of interest groups in Swaziland, including NGOs. Although time consuming, this approach will ensure that the **NDS** evolves beyond a mere bureaucratic exercise. The King has taken an interest in the matter and intends to lead nationwide discussions on the draft.

24. For the future, Swaziland's main potential for growth lies in the manufacturing sector, agriculture and agribusiness, especially in export-oriented products with low capital intensity. The diverse ecological conditions of Swaziland encompassing, tropical, sub-tropical and temperate growing conditions provide opportunities for growing a wide range of crops and scope for diversifying commercial and traditional agriculture into high-value crops. This also offers a prospect for growth in agri-business. There is scope for improving the productivity of traditional agriculture through improved technical services. Improvements in land and water resources management and diversification of rural income opportunities to de-emphasize livestock are essential for sustainable progress. Beyond agro-based manufacturing, Swaziland with its low unit wage costs, lack of industrial unrest, and proximity to South African market, should continue to be attractive to foreign investments. With regard to services, wage remittances constitute an important source of foreign exchange earnings but the prospects are dependent on the South African posture vis-a-vis foreign wage employment. Tourism prospects are under-exploited given Swaziland's pleasant and varied landscape, and attractive traditional culture.

4/Development Plan, 1992/93 -1994/95, Ministry of Economic Planning and Development, Mbabane.

E. Bank Group's Country Assistance Strategy

25. The external environment facing Swaziland has changed considerably and future developments will depend crucially on the external factors, at least in the short to medium term. Alternative macroeconomic scenarios have been developed to illustrate possible outcomes including scenarios with no major external changes and those with adverse/positive developments; as well as their implications for external capital requirements and likely impact on creditworthiness of Swaziland. It is in this context that a dialogue has commenced between the Bank and the Government of Swaziland.

Prospects, Creditworthiness, and External Capital Requirements

26. The *base macroeconomic scenario*, based on existing parameters, foresees a modest growth performance. Main assumptions are: relatively depressed commodity prices, slow growth in South Africa, and continued constraints on infrastructure and human capital. GDP growth would average about 3 to 4 per cent per annum from 1995 onwards, enough to maintain per capita real GDP at current levels. Removal of structural bottlenecks will remain slow because of inadequate institutional capacity. A serious slippage in fiscal management will be avoided through a gradual adjustment of public expenditures and moderation of fiscal deficit. No net changes in the SACU arrangements have been factored till after 1995; from 1996, however, reduction in the SACU receipts have been assumed because of the likely elimination of the "compensatory factor"5/; and fiscal revenues have been projected to move in line with GDP. The loss of the "compensatory factor," however, would cause the budget deficit/GDP ratio to rise to 11 percent in 1996 and would decrease slowly with the expected increase in production/tax base of the economy, and slower public expenditure growth.

27. Under this scenario, private investment would stay at its current level of 9 percent of GDP. Given stagnating commodity prices, limited scope for increasing productivity or acreage of commercial agriculture and uncertain prospects for manufacturing, real export growth would average about 3 percent per annum. Rising public expenditures and consequent increase in money supply would cause Resource Balance/GDP to remain high, about 15 percent in 1996, although the ratio of current account balance to GDP would be significantly lower (about 7 percent). Resource balance/GDP will decrease after 1996 because of restrictive fiscal management and improvements in revenue flow with expected economic growth.

28. This scenario envisages increasing DOD/GDP ratio, to about 47 percent in 1996 compared to 34 percent in 1993. The debt service ratio remains moderate, because of the dominance of bilateral concessional debt. IBRD exposure ratios are also low because most capital flows are projected to come in the form of direct foreign investment and from the South African capital market.

29. As an alternative, the *low macroeconomic scenario* assumes a combination of negative shocks: (i) failure to control public expenditures; (ii) lower remittances from Swazis working in South Africa because of possible restrictive South African policies on hiring external labor; and (iii) reduced foreign investment flows. Rising public expenditures would impair the Government's ability to control the budget deficit and lead to a further deterioration in the social and economic infrastructure to support private investment. Private investment, declines more than in the **base macroeconomic scenario**, to about 7 percent of GDP in 1996 and to around 5 percent by year 2000. Higher inflation relative to South Africa would result in loss of export competitiveness with some negative impact on exports. GDP growth is projected to be within 2.3-3.0 percent, implying a decline in per capita real income and consumption. The DOD/GDP ratio would be worse (about 55 percent in year 1996) than in the **base macroeconomic scenario**. There is also a marginal increase in the debt service ratio (about 5 percent in year 1996).

5/The assumption is that countervailing VAT or similar revenue measure will not be able to fully make up the loss of the "compensatory factor."

30. A *high macroeconomic scenario* is anchored on a return to macroeconomic stability, and an upsurge of private investment including South African investments in response to Swaziland's comparatively lower factor costs. As a result, by 1996, GDP growth rate would reach about 6 percent, and private investment would begin to recover (12 percent in 1996). DOD/GDP and debt service ratios remain well within prudent bounds, about 45 percent and 3 percent respectively.

Proposed Country Assistance Strategy

31. The Bank is now poised to resume a program of dialogue and assistance in Swaziland. Being a very small "undistressed" economy, the country has not been on the donors' agenda. In anticipation of the emerging development challenges, the Government has approached the Bank for assistance in meeting such challenges. Policy dialogue with the Government has been renewed since the 1993 Public Expenditure Review. The most critical objective now is to deepen the present country dialogue so as to influence the Government's short-run economic management and to assist in the development of its medium and long-term development objectives and strategy. At the same time, given the narrow resource envelope and the possibility of further decline, **selectivity** in the Bank's interventions will be of primary importance. Such interventions would follow the Bank's comparative advantage and would require active cooperation with multilateral institutions, notably IMF, EU, and ADB, and bilaterals.

32. The country assistance strategy is evolving selectively. It is being supported by on-going economic and sector work as well as significant success in sector policy dialogue through the Urban Development Project. There has been a recent **FIAS report** on the private investment policy framework and the Government is already acting upon its recommendations. Further progress might result from Swaziland's participation in the Africa region's initiative to facilitate cross-border investment and trade among PTA/SADC countries, jointly undertaken with EU, IMF and ADB.

33. Fiscal management is the most pressing medium term issue facing Swaziland and assistance from the IMF and World Bank has been sought to elaborate a program that the Government might pursue. As the first step in this process, there has been a joint IMF/World Bank mission in late- September 1994 to assist in formulating a medium term macroeconomic framework and policies which could be implemented in the 1995/96 budget. The preliminary mission findings confirm the underlying budgetary trends while suggesting the absence of an immediate crisis. There has been a windfall in SACU receipts and the government has also decided to draw down its reserves for capital investment to finance current expenditures. World Bank, in cooperation with the IMF, will maintain a continuous dialogue with the Government for implementation of the mission's recommendations.

34. In support of the latter objective, we have proposed, in addition to the on-going Financial Sector Review and Education Sector Review, the following: a Country Economic Memorandum (CEM) with a focus on private investment issues and poverty alleviation (includes a Poverty Assessment) in FY95/96 and a review of the population and health sector in FY96. The proposed economic and sector work program is expected to suggest the context in which to consider additional project lending.

35. For the immediate future, the Bank assistance strategy would evolve around the following priorities:

- *Maintain macroeconomic stability*, given the growing pressures on public expenditures and the likelihood of decline in **SACU** revenues. The key issues would be:
  (i) diversification of the revenue base, in anticipation of a tapering-off in the **SACU** revenues; (ii) a restrictive wage/employment policy; (iii) an accelerated privatization program for the parastatals; and (iv) the efficiency of capital expenditures.

- *Stimulating private sector growth* by: (i) revamping the investment incentives structure to encourage private investment particularly in export-oriented activities; and
  (ii) broadening and deepening the financial sector. Among the problems facing the sector: management of the excess liquidity of the commercial banks, lack of financial intermediation

to assist agriculture, small and medium scale enterprises and housing, and embryonic money and capital markets. A combination of lower real wages, stable industrial relations, and move to higher real and nominal interest rates on par with South Africa will encourage a pattern of labor-intensive private investment and thus address the growing employment problem. Other aspects of a more conducive investment regime (i.e., investment deregulation, competitive company tax rates, etc.) are currently under the government's consideration. The Bank's programmed lending activities (para.39) will improve the investment climate by providing necessary physical infrastructures p.

- *Rehabilitating and expanding urban infrastructure and services.* The present physical infrastructure (power, telecommunications, water supply and sewerage, roads) are inadequate to support a sustained process of private investment, and are deficient in the provision of services, particularly to the urban poor. Both capacity expansion and improvement in institutional management will be necessary.

- *Accelerating human resources development*, as an essential concomitant to poverty alleviation. The Bank is currently administering a Japanese grant for examining **efficiency issues** in public expenditures on education including cost recovery.

- *Land tenure and women's legal status.* These issues are currently under discussion within the government. Preliminary discussions have been held with the Bank on the possibility of technical assistance in exploring the various options. Progress in this regard will be gradual. Swaziland remains a very traditional society and a resolution of these issues is not yet on the forefront of the public agenda.

36. No assistance for direct alleviation of poverty, which in Swaziland is essentially a rural phenomenon, has been considered at this stage. As noted above (para. 20), land tenure and legal status of women are critical for the purpose. Progress in these areas are, however, likely to be slow. Also ADB is currently active in rural development including livestock management. Similarly, while **rapid population growth** is a matter of considerable concern, Bank assistance is not necessary at this moment to address this issue. There are a number of donor programs (e.g., ADB, EU) already engaged in this area. Similarly, while improved environmental management is a necessity (e.g., considerable soil degradation through overstocking and poor range management, and growth in urban pollution and deterioration in urban services), there is current activity by ADB to improve range management practices and the proposed **Urban Development** project addresses the deterioration of urban infrastructures. **Poverty alleviation, population growth** and **environmental management** are major themes of the forthcoming **National Development Strategy (NDS)** which is expected to articulate the goals, policy instruments and institutional changes necessary for improvement. The scope for Bank assistance will be assessed in the light of the **NDS** recommendations and activities of other donors.

37. The proposed Urban Development project has been instrumental in the resumption of a policy dialogue with Swaziland. Through an extensive preparatory phase the Bank has been helping the Government to identify constraints to effective sector development and to develop the appropriate sectoral policies and institutional framework. A key objective is to ensure sustainable development of the housing sector through emphasis on affordable housing and services, cost recovery, increased participation of the private sector, access to land, and development of housing market and finance. Some progress has been made with regard to the constraint posed by the traditional land tenure system. A mechanism for incorporating **Swazi Nation Land (SNL)** into urban areas has been developed during project preparation through providing 99 year leasehold agreements. Extensive discussions and consultations with the financial sector have resulted in the development of a pilot non-conventional loan finance program to provide, entirely from private sources, housing finance to low income/informally employed households.

38. The Government has recently expressed an interest in seeking the Bank's help in evolving a national consensus on what more could be done on the land tenure issue to encourage improved farming practices, as

well as to improve the legal status of women. Grants from the **Institutional Development Facility (IDF)** could be used to facilitate domestic debate on these issues by creating a capacity within relevant institutions to sustain such debate which inevitably will be a lengthy process. Similarly, IDF grants are also proposed to be used for specific activities directed towards economic empowerment of women (e.g., NGOs supporting women's groups engaged in both farm and non-farm rural activities).

Lending Program

39. **Base Case Lending Program**. The base case lending program consists of two projects over FY94-98. Lending would be resumed through the proposed **Urban Development Project (FY95).** The proposed **Power Interconnector Project (FY97)** will sustain the thrust of the earlier project of facilitating private sector development through providing supporting infrastructures. The proposed power project involves interconnection with Mozambique and is consistent with the recommendations of the SADC Power Interconnector Study. The **base case FY94-98 lending program** is US$40 million or US$8.9 per capita per annum.

40. No creditworthiness or exposure issues emerge in the **base case lending scenario**, as noted above, and Bank Group exposure remains minimal. The rapid increase in the budget deficit/GDP ratio and the Resource Balance/GDP are expected to moderate after 1996. The crucial factor here is the Government's determination, as evident in the request to IMF/World Bank to assist in formulating a medium term macroeconomic framework to pursue a restrictive fiscal policy and improve private investment environment to regain macroeconomic stability. Nevertheless, should fiscal management fail to improve, it could lead to rapid deterioration in Swaziland's debt indicators which would adversely affect the likelihood of future IBRD operations in Swaziland.

41. **Low Macroeconomic Scenario and Bank Lending**. This scenario assumes a number of additional adverse factors such as: substantial decline in SACU revenues, falling remittances, and reduction in private investments. If the Government is willing to engage the Bank in a serious policy dialogue then a greater degree of Bank involvement might be considered. Such involvement would seek to restore the macroeconomic balance, particularly through actions in public expenditures and balance of payments support, and the necessary policy framework for improved private investment environment. It is possible that the Government might fail to undertake corrective measures in the face of adverse circumstances, and consequently, Swaziland's economic performance might steadily decline. In such a situation, the Bank's assistance program will be limited to a small economic and sector work program to sustain policy dialogue, in hope of future progress.

42. **High Macroeconomic Scenario and Bank Lending**. In addition to attaining macroeconomic stability, the trigger points for the **High Case** lending would be improvement of (i) the investment incentives structure, particularly liberalization of residence and work permits, liberalization of commercial transactions in Swazi Nation Land; and (ii) willingness to undertake institutional improvements for efficient functioning of utility services including acceleration of privatization. Three additional investment projects could be considered: **Rural Services (FY97)**; a **Human Resources Development Project (FY98)**; and the **Second Urban Development (FY98)**. These projects would provide supportive social and physical infrastructure for the higher growth path and might not be supported by other donors. Despite the higher volume of commitments, the debt indicators and IBRD exposure would remain sound.

43. All three of the above projects would have direct effect on poverty alleviation which remains a basic Bank objective. The proposed FY95/96 CEM, focussed on private investment issues and poverty alleviation, would identify the scope for the Bank's intervention. The **Rural Services (FY97)** project is proposed to be a cross-sectoral activity providing a broad array of services, both non-farm and farm: (i) strengthening of current farm extension (crop and livestock) services; (ii) strengthening of on-going maternal and health care facilities; and (iii) group lending targeted to women. Project conditionalities would emphasize full participation of women and close involvement of NGOs at all stages of the project cycle.

MATRIX: DEVELOPMENT OBJECTIVES AND INSTRUMENTS

Objectives/Issues	Policy Goals	Instruments/Timing
A. Revitalize Private Sector Investment and sustain	Preserve macro balance	CEM (FY95/96) Fin. Sector Review (FY94/95)
	Trade Policy Reform	CEM (FY95/96)
	Investment Deregulation	CEM (FY95/96)
B. Support Infrastructure	Commercialization\ Privatization	Urban I and II1/ (FY95,98) Power Interconnector (FY97)
C. Rural Development	Improved Rural Services,	CEM (FY95/96) Rural Services project 1/ (FY97)
	Legal Status of Women Land Tenure Reform	IDF Grant
D. Human Resources Dev.	Improved efficiency equity/cost recovery	Education Review (FY94/95) Pop./ Health Review (FY97) Human Resources project 1/ (FY98)
E. Foster Capacity Building	Indigenous business capacity, NGOs	IDF grants
F. Environmental Management	Regulatory framework	Urban I (FY95,98) Rural Services Project (FY97)1/

1/ High Case

The project on Human Resources Development (FY98) would address efficiency issues in service delivery and selective capacity expansion. Finally, the proposed second project on **Second Urban Development Project (FY98)** would continue to promote efficient development of urban infrastructures to support broad-based development and alleviate poverty through creating urban incomes/employment opportunities.

44. A case could be made to advance the more directly poverty-oriented projects, **Rural Services (FY97)** and **Human Resources Development (FY98)**. A number of donors are currently active in these areas (i.e., ADB, USAID, and EU). However, the Bank lacks current knowledge in these sectors. Subject to the outcome of the forthcoming poverty assessment and education sector work and progress of the macroeconomic dialogue, the Bank will consider earlier interventions in these areas.

Governance

45. Swaziland is an executive monarchy currently taking cautious steps to democratic pluralism. Such a movement should help to enhance institutional development and improve decision-making mechanisms. However, it is important that this process takes place in the context of political stability. The traditional political culture has wide support although this does not mean complete absence of tensions. Swazi society is opening up. Access to media, even in remote parts, has meant that happenings elsewhere are quickly known and more and more, traditional values are being questioned. The nascent organized political movement advocates rapid movement to parliamentary democracy but popular support for this is weak. There is an emerging consensus in favor of gradual modernization which bodes well for the economic reforms that Swaziland must undertake to regain the growth momentum. Foremost among the candidates for reform is the already mentioned land tenure system. This issue is likely to come to the fore during the forthcoming nationwide discussions on the **National Development Strategy**.

IFC/MIGA Activities

46. The **International Finance Corporation (IFC)** has current investments of US$19 million in five enterprises,namely (i) a sugar estate and factory; (ii) two investments in textile sector; (iii) a concrete factory; and (iv) a development finance company. Currently two projects are in the pipeline, namely in the agribusiness sector (an Africa Enterprise Fund project) and in wood pulp. Following the peaceful political transition in South Africa, investor interest is expected to increase in Southern Africa. Swaziland might be able to take advantage of these developments if the private investment climate improves. First steps in this direction have been taken by the Government, following a recently concluded FIAS report. The scope for IFC activities might therefore expand in future.

47. Swaziland has been a member of MIGA since 1990, there have been no MIGA guarantees yet. There is, however, some current activity by FIAS in the form of a diagnostic study of factors constraining private investment, and a recent workshop on the subject has taken place. Further activity by FIAS is expected to support reform of the investment incentives structure, either separately or as part of the proposed Bank Group support for private sector development.

Co-operation with Other Institutions

48. *Cooperation with IMF.* Since Swaziland has creditably avoided the need for adjustment, there has not been the type of Bank-IMF cooperation common in many Sub-Saharan economies. The last use of IMF resources was in 1983, for buffer stock and compensatory financing. There are no outstanding balances. The most recent Article IV consultation was in April 1994, following such

consultation also in 1993. In between, there has been a report on the reform of indirect taxes, in anticipation of a change in the SACU and the consequent need to offset a possible revenue loss. There is a shared perception of medium-term macroeconomic priorities --- need for macroeconomic stability, particularly fiscal balance, revival of private investment, and rehabilitation and expansion of infrastructure. Continued cooperation with the IMF has been programmed, for example, the recent joint mission on the medium term macroeconomic framework.

49. *Cooperation with other donors.* Limited Bank presence in Swaziland has constrained the scope of donor collaboration. External donor assistance is relatively small, about 10 percent of public expenditures, and there has been no need for the Bank to coordinate policy advice with financial assistance through CGs. There has been some co-operation with the UNDP for which the Bank has been the executing agency in such activities as management of technical cooperation for the development of the Komati project, and for institutional development of the National Housing Board and the Ministry of Economic Planning.

F. Agenda for Board Consideration

50. Through the proposed **Urban Development Project**, the Bank would step up its policy dialogue with Swaziland. This comes at a critical moment in Swaziland's history when the growth momentum has slowed and the external environment which generated high growth rates in the past is changing. In assisting the Government, the Bank proposes to strengthen its policy dialogue focussing on sound macroeconomic management, revival of private sector investments and promotion of indigenous business, poverty alleviation, efficient development of physical infrastructures and human resources, and sound environmental management. The Bank would also undertake an expanded economic and sector work program as the cornerstone of its dialogue.

51. The proposed objectives and strategy are not without risks. Improvement in macroeconomic management, particularly in fiscal management may be difficult to achieve. But the financial risks for the Bank are not substantial; the debt and exposure indicators are minimal and Swaziland has a history of responsible debt management. The risks are more related to the Government's longer term development policy,towards regaining its past growth performance.

52. Given that Swaziland is not in a crisis, the establishment of a new policy frame work would be a gradual process. This is likely to entail intense debate on the key issues (e.g., land tenure, legal status of women, privatization of parastatals) which involve vested interests. At the same time, resolution of these issues will be facilitated by the King's inclination to have public debates on major development issues and a generally progressive bent.

Lewis T. Preston
President

SWAZILAND - BANK FACT SHEET, FY92 - FY98
IBRD/IDA LENDING PROGRAM FY92 - 98

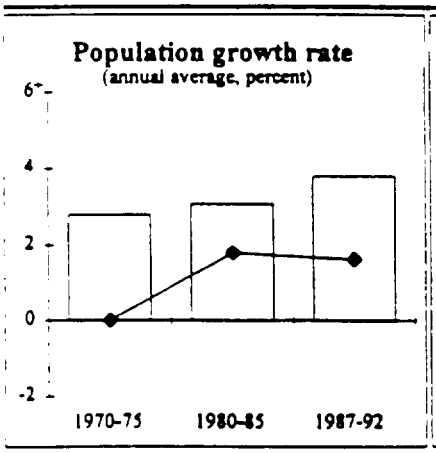
	Past			Current		Planned	
	FY92	FY93	FY94	FY95	FY96	FY97	FY98
Commitment (US$m)	-	-	-	20	-	20	
Sector (%)							
Infrastructure and Urban development	-	-		100		100	
Human resources	-	-	-	-	-	-	-
TOTAL	-	-	-	100		100	
	-	-	-	-	-	-	-
Lending Instrument(%)							
Adjustment loans	-	-	-	-	-	-	-
Specific Investment loans and others	-	-	-	100	-	100	-
TOTAL	-	-	-	100	-	100	-
Disbursements (US$m)							
Adjustment loans	-	-	-	-	-	-	-
Specific investment loans and others	-	-	-	2.7	1.9	2.4	3.6
Repayments (US$m)	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Interest (US$m)	2.0	2.0	2.0	2.0	1.2	1.2	1.2

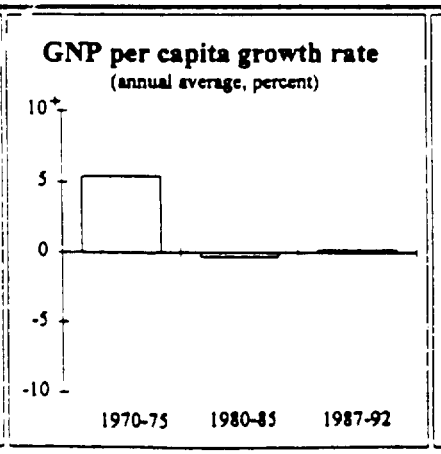
SWAZILAND
IFC and MIGA Program, FY91-93

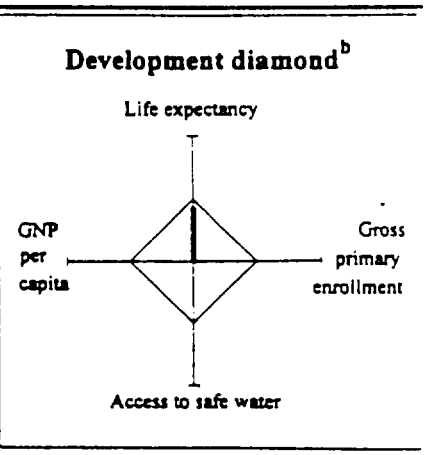
Category	Past		
	FY91	FY92	FY93
IFC approvals (US$m)	-	0.7	2.0
Sectors (%)	-	-	-
Agribusiness	-	-	-
Capital markets	-	-	20.0
Chemicals/fertilizers	-	-	-
Infrastructure	-	-	-
Manufacturing	-	-	80.0
Oil/mining	-	100.0	-
TOTAL	-	100.0	100.0
Investment instruments (%)			
Loans	-	57.0	-
Equity	-	43.0	20.0
Quasi-equity	-	-	80.0
TOTAL	-	100.0	100.0
MIGA guarantees (US$m)	-	-	-
MIGA Commitments (US$m)	-	-	-

Swaziland

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1987-92	Same region/income group: Sub-Saharan Africa	Same region/income group: Lower-middle-income	Next higher income group
Priority Poverty Indicators							
POVERTY							
Upper poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	..	..
Lower poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	..	..
GNP per capita	US$	590	810	1,090	520	..	3,870
SHORT TERM INCOME INDICATORS							
Unskilled urban wages	local curr.	..	..	..	..	..	..
Unskilled rural wages	"	..	..	..	..	..	..
Rural terms of trade	"	..	..	..	..	..	..
Consumer price index	1987=100	20	78	162	..	..	..
Lower income	"	..	..	..	..	..	..
Food[a]	"	13	78	113	..	..	..
Urban	"	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
SOCIAL INDICATORS							
Public expenditure on basic social services	% of GDP	..	..	..	..	..	..
Gross enrollment ratios							
Primary	% school age pop.	99	107	111	66	..	107
Male	"	100	108	111	79	..	..
Female	"	97	106	111	62	..	..
Mortality							
Infant mortality	per thou. live births	144.0	129.0	108.2	99.0	45.0	40.0
Under 5 mortality	"	..	..	162.3	169.0	59.0	51.0
Immunization							
Measles	% age group	..	49.0	..	54.0	..	82.0
DPT	"	..	61.0	..	54.6	..	73.8
Child malnutrition (under-5)	"	..	9.7	9.7	28.4	..	..
Life expectancy							
Total	years	47	53	57	52	68	69
Female advantage	"	4.5	3.6	3.5	3.4	6.4	6.3
Total fertility rate	births per woman	6.5	6.5	6.6	6.1	3.1	2.9
Maternal mortality rate	per 100,000 live births	..	..	129	..	..	..
Supplementary Poverty Indicators							
Expenditures on social security	% of total gov't exp.	..	..	..	..	..	..
Social security coverage	% econ. active pop.	..	..	..	..	..	..
Access to safe water: total	% of pop.	..	21.0	30.0	41.1	..	85.6
Urban	"	..	..	100.0	77.8	..	94.3
Rural	"	..	7.0	7.0	27.3	..	73.0
Access to health care	"	..	66.0	..	..	..	..







Swaziland
Lower-middle-income

Swaziland
Lower-middle-income

a. See the technical notes, p.389. b. The development diamond, based on four key indicators, shows the average level of development in the country compared with its income group. See the introduction.

Swaziland

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1987-92	Same region/income group: Sub-Saharan Africa	Same region/income group: Lower-middle-income	Next higher income group
Resources and Expenditures							
HUMAN RESOURCES							
Population (mre=1992)	thousands	482	659	858	546,390	942,547	477,960
Age dependency ratio	ratio	0.94	1.04	1.05	0.95	0.66	0.64
Urban	% of pop.	14.0	21.8	28.3	29.5	57.0	71.7
Population growth rate	annual %	3.0	3.4	3.7	2.9	1.4	1.6
Urban	"	9.3	7.1	7.1	5.1	4.8	2.5
Labor force (15-64)	thousands	220	273	323	224,025	..	181,414
Agriculture	% of labor force	77	74	..	..	..	..
Industry	"	8	9	..	..	..	..
Female	"	42	40	38	37	36	29
Females per 100 males							
Urban	number	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
NATURAL RESOURCES							
Area	thou. sq. km	17.36	17.36	17.36	24,274.03	40,697.37	21,836.02
Density	pop. per sq. km	27.8	38.0	47.6	21.9	22.8	21.5
Agricultural land	% of land area	76.3	74.7	81.1	52.7	..	41.7
Change in agricultural land	annual %	-11.4	1.2	0.4	0.1	..	0.3
Agricultural land under irrigation	%	4.3	4.8	4.6	0.8	..	9.3
Forests and woodland	thou. sq. km	1	1	1	..	..	..
Deforestation (net)	annual %	..	..	..	..	..	..
INCOME							
Household income							
Share of top 20% of households	% of income	..	..	..	..	..	..
Share of bottom 40% of households	"	..	..	..	..	..	..
Share of bottom 20% of households	"	..	..	..	..	..	..
EXPENDITURE							
Food	% of GDP	..	26.4	..	..	..	..
Staples	"	..	8.9	..	..	..	..
Meat, fish, milk, cheese, eggs	"	..	9.2	..	..	..	..
Cereal imports	thou. metric tonnes	15	31	85	20,311	74,924	49,174
Food aid in cereals	"	1	1	5	4,303	4,054	282
Food production per capita	1987 = 100	99	96	81	90	..	109
Fertilizer consumption	kg/ha	7.2	6.9	8.3	4.2	..	68.8
Share of agriculture in GDP	% of GDP	25.1	17.0	9.5	18.6	..	8.1
Housing	% of GDP	..	4.0	..	..	..	..
Average household size	persons per household	..	..	..	..	..	..
Urban	"	..	..	.	..	..	..
Fixed investment: housing	% of GDP	..	3.3	..	..	..	..
Fuel and power	% of GDP	..	1.9	..	..	..	..
Energy consumption per capita	kg of oil equiv.	284	310	265	258	1,882	1,649
Households with electricity							
Urban	% of households	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
Transport and communication	% of GDP	..	9.9	..	..	..	..
Fixed investment: transport equipment	"	..	2.8	..	..	..	..
Total road length	thou. km	2	3	3	..	..	..
INVESTMENT IN HUMAN CAPITAL							
Health							
Population per physician	persons	8,058	18,697	9,488	..	..	..
Population per nurse	"	529	1,046	232	..	..	..
Population per hospital bed	"	296	..	..	1,329	516	385
Oral rehydration therapy (under-5)	% of cases	..	..	85	36	..	54
Education							
Gross enrollment ratio							
Secondary	% of school-age pop.	32	42	48	18	..	53
Female	"	29	41	47	14	..	..
Pupil-teacher ratio: primary	pupils per teacher	38	34	32	39	26	25
Pupil-teacher ratio: secondary	"	22	19	18	..	..	..
Pupils reaching grade 4	% of cohort	83	85	86	..	..	71
Repeater rate: primary	% of total enroll	10	14	15	..	..	11
Illiteracy	% of pop. (age 15+)	..	32	..	51	..	14
Female	% of fem. (age 15+)	..	34	..	62	..	17
Newspaper circulation	per thou. pop.	10	14	13	14	100	117

World Bank International Economics Department, April 1994

Swaziland -- Key Economic Indicators

	Actual				Projected			
	1989	1990	1991	1992	1993	1994	1995	1996
National Accounts (% GDP at current market prices)								
Gross Domestic Product (GDP)	100.0%	100.0%	100.0%	100.0%	100.0%	-----	-----	-----
Agriculture	13.7%	11.1%	13.4%	10.6%	11.1%	-----	-----	-----
Industry	21.5%	17.4%	16.2%	15.3%	14.0%	-----	-----	-----
Services	40.9%	36.9%	31.9%	30.9%	33.3%	-----	-----	-----
Total Consumption	81.1%	86.4%	89.5%	89.1%	92.1%	95.6%	95.8%	95.8%
Gross Domestic Fixed Investment	22.5%	20.1%	20.1%	25.3%	22.8%	19.7%	19.2%	18.9%
Government Investment	6.5%	6.5%	8.7%	12.8%	9.8%	10.6%	10.4%	10.1%
Private Investment	16.0%	13.7%	11.4%	12.5%	13.0%	9.1%	8.8%	8.8%
Exports of GNFS	83.7%	76.1%	79.3%	82.6%	85.0%	82.2%	82.3%	82.5%
Imports of GNFS	87.3%	82.7%	88.9%	97.0%	99.9%	97.5%	97.3%	97.3%
Gross Domestic Savings	18.9%	13.6%	10.5%	10.9%	7.9%	4.4%	4.2%	4.2%
Gross National Savings	11.1%	14.5%	12.5%	11.7%	8.2%	6.9%	7.5%	7.6%
Memorandum items								
Gross Domestic Product (US$ million at current prices)	693.5	861.2	941.9	850.7	899.6	975.1	1039.1	1109.3
Gross national product per capita (US$, Atlas method)	834.6	1105.4	1078.1	1053.2	964.2	1020.0	1047.9	1084.2
Real annual growth rates								
Gross domestic product market prices	2.6%	4.3%	4.8%	-1.9%	3.0%	4.8%	3.6%	3.6%
Real annual per capita growth rates								
Gross domestic product at market prices	-1.2%	0.2%	0.9%	-5.4%	-0.6%	1.2%	0.0%	0.0%
Total consumption	7.8%	1.5%	6.1%	-2.1%	4.2%	4.5%	0.3%	0.1%
Private consumption	6.4%	-8.7%	3.4%	-22.8%	-6.2%	2.9%	11.5%	0.2%

Swaziland -- Key Economic Indicators

	Actual				Projected			
	1989	1990	1991	1992	1993	1994	1995	1996
Balance of Payments (US$m)								
Exports of GNFS	582.4	661.5	693.8	757.4	764.3	801.4	855.3	915.7
Merchandise (FOB)	493.8	554.1	596.8	640.4	646.7	679.8	730.3	786.8
Imports of GNFS	607.6	722.5	777.6	887.4	898.8	950.9	1011.1	1079.1
Merchandise (FOB)	515.4	587.1	632.6	768.1	773.1	811.4	862.5	920.8
Resource Balance	-25.2	-61.0	-83.7	-130.0	-134.6	-149.5	-155.8	-163.5
Net Current Transfers	2.4	0.0	-1.3	2.3	45.1	60.7	73.9	75.1
Current Account Balance (After official capital grants)	4.3	45.2	24.7	-1.5	-61.9	-54.6	-51.2	-55.9
Net long term loans	66.6	-2.8	50.8	9.8	79.6	72.7	72.0	80.0
Net foreign direct investment	60.4	19.3	43.3	47.6	26.0	20.0	20.0	20.0
Other capital (net)	-21	-11	-47	97	0	0	0	0
Change in reserves	-50.2	-30.8	-13.4	-105.8	-51.4	-48.0	-51.2	2.6
Memorandum items								
BOP Resource Balance / GDP	-3.6%	-7.1%	-8.9%	-15.3%	-15.0%	-15.3%	-15.0%	-14.7%
Real annual growth rates								
Exports	27.4%	12.6%	11.3%	10.7%	2.9%	2.9%	2.7%	2.8%
Imports	26.2%	17.2%	14.8%	16.0%	7.2%	4.0%	2.8%	2.9%

Swaziland -- Key Economic Indicators

	Actual				Projected			
	1989	1990	1991	1992	1993	1994	1995	1996
Public finance (% of GDP at current market prices)								
Current Account 1/	-11.7%	-6.2%	-7.0%	-14.5%	-14.7%	-12.8%	-11.7%	-11.4%
Current Account Balance 2/	0.6%	5.2%	2.6%	-0.2%	-6.9%	-5.6%	-4.9%	-5.0%
Current Revenues	32.0%	33.5%	33.8%	34.7%	34.5%	36.0%	31.8%	26.0%
Current Expenditures	18.1%	20.0%	21.2%	28.3%	32.1%	34.0%	27.1%	26.9%
Capital Expenditures	8.7%	6.1%	7.6%	8.0%	8.8%	10.6%	10.4%	10.2%
Budget Deficit (-) or Surplus	5.3%	7.3%	5.1%	-1.6%	-6.5%	-8.7%	-5.7%	-11.0%
Monetary Indicators								
M2/GDP (at current market prices)	35.1%	28.8%	32.1%	36.6%	36.3%	-----	-----	-----
Growth of M2	25.7%	1.4%	19.1%	21.2%	13.6%	-----	-----	-----
Private sector credit growth/total credit growth 3/	-94.2%	95.7%	99.9%	4.3%	27.3%	-----	-----	-----
Price Indices 1992=100)								
Merchandise export price index	..	..	..	100.0	102.8	106.6	110.7	115.4
Merchandise import price index	..	..	..	100.0	98.9	103.2	107.2	111.6
Terms of Trade Index	..	..	..	100.0	101.0	100.5	100.4	100.5
Real Exchange Rate (1987=100)	94.8	95.6	96.1	92.8	92.8	-----	-----	-----
Consumer Price Index	8.8%	11.0%	10.8%	8.2%	15.4%	-----	-----	-----
GDP Deflator (% growth rate)	13.0%	18.7%	1.9%	8.3%	11.2%	-----	-----	-----

1/ Excluding external grants
2/ Including external grants
3/ The Government of Swaziland is a net creditor to the banking system

Swaziland -- Key Economic Indicators

	Actual					Projected		
	1989	1990	1991	1992	1993	1994	1995	1996
Total debt outstanding and disbursed (TDO) in US$m)	269.0	261.0	264.0	243.1	303.6	363.8	428.6	520.4
Net disbursements (US$)	-5.0	-13.0	5.0	-6.9	60.5	59.1	64.9	91.8
Total debt service (TDS) (US$m)	34.0	47.0	27.0	25.0	26.0	28.0	30.0	35.3
Debt and debt service indicators:								
TDO/XGS	37.9%	31.6%	30.8%	26.5%	37.8%	42.8%	47.5%	53.8%
TDO/GDP	38.8%	30.3%	28.0%	28.6%	33.8%	37.3%	41.3%	46.9%
TDS/XGS	4.8%	5.7%	3.1%	2.7%	3.2%	3.3%	3.3%	3.6%
IBRD exposure indicators:								
IBRD Debt Service/Public DS	31.3%	52.2%	25.9%	24.0%	23.1%	21.4%	16.7%	14.5%
Pref Creditor DS/Public DS	62.5%	73.9%	55.6%	56.0%	53.8%	50.0%	46.7%	43.7%
IBRD Debt Service/Exports	1.4%	2.9%	0.8%	0.7%	0.7%	0.7%	0.6%	0.5%
IFC (US$m)								
Loans	..	..	..	..	..	..	..	..
Equity	..	..	..	..	..	..	..	..
MIGA								
MIGA guarantees (US$m)	..	..	..	..	..	..	..	..

SWAZILAND

MAIN ROADS, TARRED
MAIN ROADS, UNTARRED
RAILROADS
FOREST RESERVES
INTERNATIONAL AIRPORT
MINES
DAMS
RIVERS
OTHER TOWNS
DISTRICT CAPITALS
NATIONAL CAPITAL
DISTRICT BOUNDARIES
INTERNATIONAL BOUNDARIES

31° 32° 26° 27°

MOZAMBIQUE
SOUTH AFRICA

To Hectorspruit
To Barberton
To Komatipoort
To Maputo
To Johannesburg
To Johannesburg
To Amsterdam
To Piet Retief
To Piet Retief
To Piet Retief
To Catuane
To Nongoma
To Durban

Mlumati
Ntfonjeni
Bulembu
Rocklands
PIGGS PEAK
Havelock Asbestos Company Mine
Kuthuleni
Komati
MAGUGA DAM (Proposed)
Madlangampisi
Sihhoye
Tshaneni
Sand River Reservoir
Mhlume
Ngwenya Iron Ore Mine (closed)
KaDake Station
Motjane
MBABANE
LUPHOHLO DAM
Ezulwini
Lobamba
Mhlambanyatsi
Matsapha
MANZINI
Bhunya
Mahlanya
Luyengo
Mbuluzi
Mbuluzane
Mafutseni
Emaswati Coal Limited
Mpaka Station
SITEKI
MNJOLI DAM
Mlawula Station
Nyetane
NYETANE DAM
SUFUNGA DAM
Sidvokodvo
Lusutfu
Siphofaneni
Mankayane
HENDRICK VAN ECK DAM
Big Bend
Sicunusa
Sitobela
Gege
HLATIKULU
Lukhalweni
Nsoka
Nhlangano
Ngwavuma
Mhlosheni
Weltevrede
J.G STRIJDOM DAM
Lavumisa

HHOHHO
LUBOMBO
MANZINI
SHISELWENI

NAMIBIA
ZIMBABWE
BOTSWANA
MOZAMBIQUE
SWAZILAND
LESOTHO
SOUTH AFRICA
INDIAN OCEAN

KILOMETERS
0 10 20 30 40 50
0 5 10 15 20 25 30
MILES

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