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Reducing Poverty through Shared Growth

Summary Report

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Swaziland

Reducing Poverty Through Shared Growth

Summary Report

Prepared as an input into the development of Swaziland's Poverty Reduction Strategy

CONFRONTING THE CHALLENGE

I. Introduction

The people of Swaziland are its greatest resource. Yet social and economic indicators of household welfare converge to confirm fundamental inequalities in access to incomes and assets, and the existence of significant poverty and deprivation. Furthermore, as the regional economic and social climate is transformed, the fragile gains of the past are being fast eroded. At this historic juncture, the Swazi poor need to come to the fore of the public policy framework. There is an urgent need—and an opportunity—to catalyze a new pattern of pro-poor development in Swaziland where the poor participate and share fully in growth, human development and social protection.

Policy framework: Many of the policy actions required to reduce poverty have already been identified and embodied in Swaziland's National Development Strategy (NDS). A poverty reduction strategy in Swaziland means *prioritized implementation of NDS* policies.

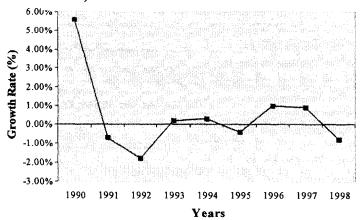
Need prioritized implementation of NDS

II. The Limits of Narrow Growth

The Swazi economy performed strongly during the 1980s, but over the past seven years, average real GDP growth has hovered close to the population growth rate estimated at 2.7 percent by the 1997 Census. In other words, real per capita incomes have remained virtually stagnant in the mid-1990s (Figure 1). Moreover, it is estimated that Southern Africa Customs Union (SACU) receipts—which have supplied about 50 percent of Swaziland's total govern-

High growth in past, currently stagnation

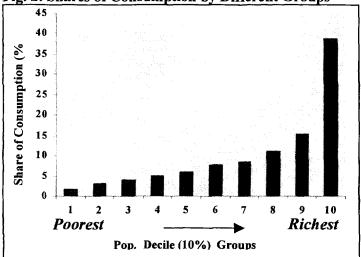
Figure 1: Growth of Real Per Capita GDP, 1990-1998



Source: World Bank Live Database, 1999

ment revenue—will drop by as much as 8 percent of GDP beginning around 2000/01. This expected decline underscores the need for Government to allocate scarce fiscal resources in pro-poor ways.

Fig. 2: Shares of Consumption by Different Groups



Note: Population ranked by per adult equivalent consumption.

Source: SHIES 1995.

Incomes are highly concentrated. Only a small share of the population have garnered most of the national income. In fact, analysis of the national income distribution from the 1995 Swaziland Household Income and Expenditure Survey (SHIES) shows that the richest 10 percent of the population control almost 40 percent of the total incomes in Swaziland (Figure 2). In sharp contrast, the poorest 40 percent of the population control only 14 percent of total incomes. Inequality is high in both rural and urban areas.

Paralleling the concentration and inequality in the distribution of incomes, key assets such as land and cattle are also found to be highly unequally distributed in Swaziland, even among smallholder farmers on Swazi Nation Land (CSO Agriculture Surveys).

Table 1: Poverty Indices (people)

	Core poor		Poor	
Region	Prevalence (%)	Prevalence (%)	Depth (gap)	Severity
Urban	17.2	29.7	12.4	6.8
Rural	20.8	42.8	15.5	8.0
National	20.0	40.0	15.1	7.8

Source: SHIES 1995.

Approximately 43 percent of the rural population are poor, while about 30 percent of the urban population are poor (see Annex for details on poverty lines). The depth and severity of poverty are also worse in rural Swaziland. Moreover, rural areas have a greater

Growth has not benefited everyone

Land and cattle ownership is also very unequal

Rural poverty is much worse than urban poverty—

share of the Swazi poor (84 percent) than they have of the total Swazi population (79 percent). Thus, not only is a rural Swazi more likely to be poor—and in deeper poverty—than a Swazi living in town, but the majority of poor people reside in rural Swaziland.

Within rural areas, the worst poverty levels (all indices) are found in rural Shiselweni region. In rural Shiselweni, *more than half* the population live in poverty.

Despite the strong rural dimension, the vulnerability of the urban poor cannot be overlooked. For example, 40.6 percent of the population of the large gazetted towns live in poverty, which is almost as high as the share of rural Swazis in poverty (42.8 percent).

Given the inequality in ownership of physical assets observed above. the major asset available to poor households is the quantity and quality of their labor power. The greater the imbalance of dependents to labor-force participants, the greater the chance of the household being in poverty. Yet adequate quantity of labor-power alone is not sufficient to prevent the household from being poor. There needs to be sufficient labor market demand to absorb the continuous new entry into the labor-force and households must be able to invest in the skills for which there is market demand. Unfortunately, in the mid- and late-1990s unemployment in Swaziland has been in excess of 20 percent and rising as jobcreation fails to keep pace with high population and labor force growth. For the age group 15-24 years, the problem is acutely worse, with national unemployment levels above 40 percent. And it is estimated that over 40 percent of the core poor are unemployed

As unemployment in South Africa rises, migrant workers from neighboring countries such as Swaziland find it increasingly difficult to find employment and are returning to their home countries. In 1990 there were over 16,500 Swazi migrant workers employed in South African mines compared to about 13,000 in 1997. Labor income from Swazi mine workers fell from being equivalent to 13 percent of GDP in 1990 to only about 6 percent of GDP by 1995-1997. Furthermore, the slowdown in foreign direct investment (has also led to stagnation in employment in the urban economy and the title deed land (TDL) sector. The duration of urban unemployment episodes appears to have increased, as has *strain on the urban informal sector* to absorb new entrants and lay-offs from the formal sector.

Levels of growth need to be high and the pattern equitable to reduce poverty. Estimates show that a unit reduction in inequality would have as great an impact in reducing poverty as a unit of inequitable growth.

Additionally, an estimate was made of the minimum rate of national income growth that is needed to reduce the total number of the poor,

—particularly in rural Shiselweni

—but also in the large gazetted towns

Labor is the poor's major asset

Migrant labor opportunities have declined

To reduce poverty faster, need *more* equitable growth

if inequality remains unchanged. Under an assumption of 2.7 percent per annum population growth rate, and inequality remaining unchanged, Swaziland requires a minimum growth rate of 5 percent per annum in real GDP, or a growth rate of 2.3 percent per annum in real per capita GDP, in order to prevent the numbers of the poor from rising. This is clearly cause for concern. The actual real per capita GDP growth rate in Swaziland has stagnated around 0 to 1 percent in recent years. Furthermore, GDP growth projections for Swaziland in the short term are not very optimistic and are placed currently around 2 percent per annum by the World Bank. This is far below the minimum target growth rate required for reducing the numbers of the poor.

Under present inequality, need minimum growth in real per capita GDP of 2.3% per year—

These estimates tend to confirm, *first*, that the number of poor people in Swaziland have increased at least since the mid-1990s; *second*, to have a realistic chance of reducing poverty, high growth rates are necessary at a time when Swaziland faces a crisis of economic prospects; and *third*, ensuring that the new sources of growth are sufficiently broad to be accessible to the poor—and indeed to focus on the poor—is essential.

—which is not viable without fundamental reform

As historical sources of growth dry up due to permanent shifts in the regional context, poverty will continue to deteriorate unless Swaziland takes measures to pursue a growth strategy that draws on its potential long-term comparative advantage. An emphasis on high labor-intensity is crucial if the poor are to share in the benefits of growth. One key option is commercialization of the hitherto neglected Swazi Nation Land (SNL).

New growth must be labor-intensive

Labor-intensive SNL agriculture has significant growth and poverty-reduction potential. The small plots under present yields and methods of cultivation cannot provide much increased income to supplement declining wage earnings. In order to increase earnings from farming, households may find it advantageous to switch to higher valued crops, such as market vegetables or perennial products, instead of cultivating predominantly maize, as at present. Those who stay in maize can also achieve higher yields than at present.

Potential engine of growth—commercialization of smallholder farming

Research elsewhere in Africa has produced evidence that the growth potential from smallholder commercialization and exploitation of comparative advantage can also generate considerable multiplier effects on local incomes. As more small farmers commercialize they create demand for small farming implements, hired labor (backward linkages) and trading services, small transport, local consumer goods, and so on (forward linkages) which stimulate local labor demand. Both the initial and subsequent rounds of growth through demand linkages are labor-intensive and can be accessible to poorer households.

And its non-farm linkages

SNL households have demonstrated dynamism in their modification of survival strategies under numerous constraints. Yet, the diversification into high-value cash crops by SNL farmers continues to be very limited due to a number of factors that impede investment and growth in productivity:

Yet *major* constraints persist

- Land rights are insecure. Under traditional land tenure arrangements, chiefs traditionally have the power to withdraw land rights. Insecurity of property rights over land can be important deterrents to productivity-enhancing investments. Swazi farmers may be inhibited from investing in their land for fear of losing it.
- O Under an open-access grazing system, cattle are allowed to graze in excess on SNL common pasture at no direct cost to the cattle-owning household, while Government dipping services and most other veterinary services are provided free. Ministry of Agriculture and Cooperatives (MOAC) predicts that these grazing systems will sooner—rather than later—lead to levels of soil erosion and land degradation that will undermine the sustainability of farming systems.
- Access to capital is expected to be a severe constraint for most SNL farms in moving into irrigated agriculture. Various features of the formal financing system tend to exclude poorer smallholders from accessing financing for irrigation. Most importantly perhaps, the disincentive to invest in irrigation is high without secure tenure to land.

III. Poor Quality of Human Development Investments

The ability of the poor to participate in labor markets—and the returns they earn from such participation—is closely linked to the quantity and quality of their human capital. The success of human development policy in reducing poverty depends largely on the extent that public expenditures enable the poor to obtain and sustain good quality education and health services.

Despite a substantial allocation of the public budget to these sectors, Swaziland's education and health indicators are worse than expected, and the disparities are greater for the poor, in rural areas, and for women. The analysis indicates that the allocation of public expenditures within each sector is biased against the basic service levels utilized by the poor. The consequent under-funding of primary education and health services combines with an inefficient allocation between wages and other essential items to generate a poor quality of services available to the poor. Major re-orientation is needed.

The poor need the right skills and good health

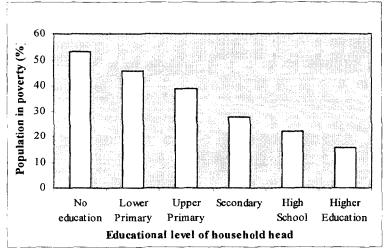
But public spending within education and health are not pro-poor

Swaziland has one of the highest HIV/AIDS prevalence rates in the world. Over 18 percent of the total adult population are HIV positive. AIDS is undermining many gains of the past. As a consequence of the epidemic, it is estimated that the average life expectancy in Swaziland has fallen from 57 years in 1996 to about 39 years by 2000, rolling back much of the gains in the last thirty years. The pressure to protect—and increase—social sector spending in the most equitable and efficient manner is thus critical in Swaziland.

Public expenditures within the health sector are inefficient and biased against the poor. There is high exposure for the poor to water-borne disease given that about 62-63 percent of the poor and extremely poor people in rural areas must rely on rivers as their principal source of drinking water. Despite much of the country's disease burden being preventable, public health expenditures are skewed toward curative care. Only 20 to 30 percent is allocated to primary/preventive care, likely to be used mostly by the poor, whereas curative medical services tend to cater to the needs of the well-to-do in Swaziland. Strong urban bias is also evident in the distribution of health services and facilities. This results in rural clinics—to which the poor have greater access—being underserved.

Country-wide, over 50 percent of the people who live in households headed by people with no education, live in poverty. In contrast, the poverty ratio is halved for people in households whose heads have obtained some secondary education (Figure 3). This suggests that higher incomes are related to more education and that ensuring affordability of primary and secondary education for the poor *is* thus an investment with high returns for society and the household.

Figure 3: Poverty and Educational Level of Household Head



Source: SHIES 1995.

HIV/AIDS prevalence is extremely high

Too little is allocated to preventive/ primary health

Lack of education is strongly related to poverty status Despite aggregate improvements in education indicators in Swaziland over the past two decades, education levels attained by the Swazi poor are much worse than that by the non-poor. For the poor in Swaziland, sustaining school attendance and obtaining quality learning may be a much larger issue than that of gaining initial access. It takes an average of 13 years to produce a primary school graduate in what should take 7 years, and repetition and drop-out rates are thought to be higher for the poor than the non-poor. These high repetition rates are due to poor quality, inefficiency and high cost. By addressing these issues, Government could obtain a savings of 84 percent on primary education and also substantially reduce costs for poor households.

Public education subsidies are biased to the tertiary level. The public cost (subsidies) to educate 1 university student in 1995/96 in Swaziland was sufficient to cover the cost of educating 47 primary or 13 secondary school students. Yet the poor often cannot keep their children in school through the primary and secondary levels to reach the tertiary tier. Improved equity and efficiency in public education spending will lead to better outcomes—at a lower cost—for both poor households and the Government.

The poor are less able to afford education

Inefficiency is costly for the poor and Govt.

Public spending for 1
university student
= 47 primary or
13 secondary
students

IV. High Risk and Vulnerability

To protect against community-wide and individual shocks, Swazi households and communities have developed informal insurance mechanisms on the basis of social norms and mutual exchange. These informal safety net mechanisms—whilst often being the only mechanisms accessible to the poor—do not necessarily provide effective protection. SNL farms, for example, are highly vulnerable to droughts, a time when the capacity of all households tends to be overwhelmed. Moreover, the poorest households can be marginalized from community institutions, such as women's groups (luholiswano). And the cumulative impact of the HIV/AIDS crisis is undoubtedly undermining the extended family support network.

Drought is now a frequent phenomenon in Swaziland, and indeed, the whole of Southern Africa. During the historic drought of 1991/92, SNL maize production fell dramatically from 145 thousand metric tons in 1990/91 to 54 thousand metric tons in 1991/92. The poor, who have few assets, are hit even worse than aggregate figures may convey. And as droughts become more frequent, the assets of households have less time to recover between each episode.

Box 1: Drought is Now Endemic

Drought is now considered endemic in the lowveld and communities are coming to terms with the need to change agricultural practices to suit the average rainfall pattern.

Source: Drought Consortium, 1996

Informal social protection is not enough

Recurrent drought is a major source of risk

Swaziland has one of the world's most severe HIV/AIDS epidemics. About 60 percent of HIV infections in Swaziland occur among those 20 to 39 years old, one of the most productive segments of society. Both the poor and non-poor are vulnerable to HIV but the poor are least able to cope with the illness and associated costs. Moreover, AIDS can often result in the increased impoverishment of households through cost of treatment, lost adult income and assets, funeral expenses, etc. Multigenerational households that lack the middle (income-producing) generation are increasing.

The gender disparity in legal rights exacerbates women's vulnerability. In both the indigenous customary law and the Roman-Dutch common law systems governing Swaziland, women are considered minors. This means that women—in law, and often in practice—do not control or own major assets, particularly land. This fundamental imbalance in the property rights of men and women leads to gender differences in the pattern of poverty. *De facto* female headed households (i.e. where a male co-head is mostly nonresident) have the highest core poverty levels of any household type.

As is HIV/AIDS

Swaziland is losing its productive workers

Women's *minor* status re-inforces vulnerability

V. Accountability, Information and the Poor

A more coordinated approach to local development efforts—based on accountability of local government to the community and better monitoring of poverty information—is essential for improving economic management and poverty reduction efforts.

The Tinkhundla system does not have a clear mandate, budgeting or reporting structures. Line ministries do not necessarily maintain a common structure of personnel at the decentralized level. Even when there are personnel at the level of an *inkhundla*, there is no structure that compels these departmental representatives to coordinate their activities at the level of the *inkhundla*. Reporting structures of the agencies continue to be vertical within the parent agency, with little emphasis on horizontal coordination at the local level. In many chiefdoms there are no women in the decision-making inner council and only one or two women in the development committees.

Many people within and outside Government have also identified the lack of poverty data as a major constraint to developing and sustaining a more pro-poor policy framework. There is also no clear institutional framework for coordinating data generated by different institutions and channeling it to policy-makers and community organizations. Both are necessary to build social consensus on the need for enacting pro-poor reform.

Poor coordination of development at tinkhundla level

Poverty information is very limited

PRIORITIES FOR ACTION

VI. Outlining A Poverty Reduction Strategy

A new, equitable and dynamic pattern of growth and human development is required for a serious poverty reduction agenda in Swaziland. Unless public action is undertaken to remove major structural constraints to labor-intensive development, however, livelihoods are expected to continue stagnation and poverty to worsen further. The analysis of poverty in this report can be used to identify priority areas for action. This agenda for reform will require courage, vision and sensitivity on the part of the country's leaders. Basic themes of a poverty reduction strategy for Swaziland are proposed below.

Need to identify critical actions

Enabling the Growth of Smallholder Agriculture

Smallholder SNL agricultural commercialization will need to be a central element of the poverty reduction and growth strategy of This emphasis is consistent with Swaziland's Swaziland. comparative advantage in labor-intensive sectors and location near a major port. There is scope for expansion, diversification and intensification to access export markets through commercialization of SNL agriculture into high value crops such as vegetables, perennials, etc. and through the related multiplier effects and demand linkages. The capacity of rural areas to augment incomes is expected to increase, reducing pressures on urban labor markets and services. Focusing public efforts on removing impediments to agricultural growth on SNL is thus a priority for reducing poverty in all of Swaziland. This bottom-up development approach is critically contingent, however, on catalyzing and protecting investments for small farmers on Swazi Nation Land.

Bottom-up growth through dynamic SNL

Yet SNL growth—however labor-intensive—is not a panacea to the unemployment and poverty problem. There is need to build the labor absorption capacity of the economy as a whole by promoting choice of labor-intensive techniques in production (e.g. by increasing the cost of capital by removing implicit subsidies) and the growth of other labor intensive sectors for which there may be export demand. Promising areas could be identified in collaboration with regional investment partners.

Not panacea but part of overall labor-intensive strategy

Rural land tenure reform is crucial and models already exist. Land holdings of households on SNL are small (on average 1.7 hectares), and two-thirds of households have less than one hectare. Earnings from these small plots are low, because yields are low and the land

Need rural, SNL land tenure reform

has little yield-enhancing investment, such as fertility improvements or irrigation.

Increased returns from SNL farming thus requires productivity-enhancing investments on the land. Investment, in turn, is closely linked to land tenure. Land tenure on Swazi National Land at present is not conducive to investment. The skewed distribution of land-holdings combined with the present system of land tenure provides little prospect for improved earnings from agriculture for households on SNL. Tenure is not secure, and land is subject to periodic redistribution. Women manage much of production, but do not have recognized tenure, and hence have limited decision authority. Furthermore, land is not traded through market transactions and hence values are not transparently visible.

—to assure more secure property rights for small farmers

In contrast, experience from many countries—including low-income countries—has demonstrated that rural households have surprisingly high savings rates. Investment in household farming is a high priority for most rural families, but they will invest only if they are confident that their tenure is secure, and that they can sell or trade the land for a fee if they so choose. Security and tradability of tenure allow the family to benefit from the investment as long as they hold the land, and to recover the investment in case the household leaves farming.

Security and tradability of land rights encourage investment

Several changes in tenure of Swazi national land could stimulate investment and improve productivity of land. These issues are being discussed as part of the Land Policy debate. They bear emphasis as important pre-requisites for poverty-reducing growth:

✓ Enhanced security of tenure: For example, ownership or 99-year leaseholds, such as those piloted in urban areas (Box 2), would stimulate investment.

Box 2: Innovations in Land Tenure on SNL

In November 1995, as part of the Urban Development Project (financed via the World Bank), the King agreed to transfer Swazi Nation Land to formally designated Local Authority Areas, in the form of a 99-year leasehold. Under the project, this land is being serviced and leased primarily to low-income households. Beneficiaries thus acquire a valuable asset that may be leveraged to acquire further assets, such as shelter improvements and equipment for home-based enterprises. This is an innovative way to promote transition from traditional, collective ownership of land to a more market-based asset ownership. A monitoring and evaluation system is being developed and Government intends to use these evaluations in extending the new land tenure system in other urban areas.

Innovations in land tenure reform already exist in Swaziland

- ✓ Greater gender equality in land rights: Women care for the land and investment in it, and can contribute most if they share in tenure rights.
- ✓ Tradability of tenure rights: Active markets for owned land or for tradable leaseholds allow the value of land to increase as investments are made.

Cattle-grazing reforms are necessary for sustainability of Swaziland's rural resource base. Not only is the public subsidy to cattle-raising regressive—since the poor own very little cattle—but the *dynamic cost to society* of this subsidy is high. It propagates uneconomic management of both cattle and land resources. To halt the deterioration of common resources (potential grazing and arable land), efforts are needed to move the management of cattle in more environmentally sustainable directions. This will involve increasing incentives for cattle off-take and sustainable grazing. Reductions in the public subsidy to the private cost of keeping cattle are critical in this regard. This could be achieved through dipping charges, veterinary fees and maintaining border parity prices. Institutional mechanisms could be piloted which provide community control and enforcement of fees associated with grazing cattle. Again, lessons from the pilot could later be scaled up nationally.

Need more sustainable cattle grazing management

There is need to overcome capital constraints to rural growth through reform of the rural financing environment. Innovations in rural finance could be introduced at the same time as land tenure reform, to stimulate savings and provide better access to financial services. The rural poor have access to financial intermediation only at high cost, constraining capital investments such as small irrigation or working capital. Most savings are still undertaken in lumpy, non-financial forms such as cattle. In order to move towards a rural financial system with cheaper and more accessible savings and credit opportunities open to the poor, one key action is to address the underlying causes of the failure of the Swazi Development and Savings Bank. The Government should avoid mixing commercial

Need regulatory reform and innovations in rural finance

Box 3: Rural financing via private partnerships

The MOAC (1999) study found several SNL households which obtained credit as inputs from the local cotton ginnery. Very few of these households experienced problems in repaying their loans at the end of the season, reportedly as a consequence of substantial extension support from the ginnery company. In another instance, a loan was obtained by a household to develop sugarcane in an area next to the Usuthu River. This loan was under-written by the local sugar mill with repayment deductions taken directly from the sugar receipts by the miller. The sugar company also provided substantial technical assistance. These models of financing partnerships need to be evaluated for possible promotion.

with developmental activities in a restructured bank. It could instead explore revival of post-office savings functions, NGO group-based savings programs, and other vehicles for savings mobilization and small-scale lending in rural communities (Box 3).

Changes in tenure, backed by appropriate changes in law, could be introduced on a pilot basis in rural localities where residents and local authorities seek to increase opportunities for land-holders to invest in their land. Indeed, pilot projects incorporating the full set of recommendations (e.g. land tenure reform, new technology packages, small-scale irrigation, improved rural finance) and international participation from institutions such as the IFC in processing for export could be designed to show in more detail what can be accomplished. Lessons from the pilot could be used to scale up the program nationally.

Could pilot and then scale up nationally

Ensuring Effective Human Development Investments

The better health and strong basic education of its people are among the most productive assets in which a country can invest. To facilitate higher productivity of labor, lower fertility and greater mobility of labor in these changing labor markets, the quality, relevance and affordability of basic education and health needs to be improved. A structural shift in the public spending pattern is needed to focus on primary and secondary education levels rather than academic tertiary levels, and on preventive, core health services rather than curative services.

There is a need to prioritize Swazi education spending towards quality and efficiency at primary and secondary levels. The current system of almost total subsidization of tertiary education while primary education is still unaffordable to some households, cannot be supported within a poverty reduction framework. Greater efficiency and equity of education spending in Swaziland can be simultaneously achieved through: a) cutbacks in the grants scheme to tertiary level students, and greater cost-recovery at the tertiary level; and b) re-allocation of these funds to enable funding of early childhood programs (ECD) for poor communities, reduced fees at the primary and secondary levels, reductions in class-size, improved teacher training and curriculum content, increased materials and supplies and a small, need-based grant scheme at the tertiary level.

Institutions such as the World Bank and the African Development Bank could be mobilized to draw on their international experience in designing reform of education financing and quality enhancement programs for primary and secondary education investments. Need focus on quality and efficiency in primary/secondary education

Can draw from international experience

Evidence from many countries of the world shows that children's ability to learn is greatly influenced by his or her experiences in the first years of life. Early Childhood Development (ECD) programs which combine training of parents, child care in groups, training of community caregivers, integrated nutrition interventions, etc. can build strong foundations of cognitive and nutritional development for the child. The effect of ECD programs is especially beneficial for children from poor families that lack private resources—and often the knowledge—to provide a healthy and stimulating environment for children. The programs often generate savings that more than compensate the cost of the investment (Box 4).

Need to expand early childhood development programs for poor communities

Box 4: Brazil's ECD program (PROAPE) pays for itself

Cost of producing a first grade graduate is at least \$41 less for the PROAPE children than for children without pre-schooling. This per child saving is higher than the PROAPE cost of \$28. PROAPE not only pays for itself, but results in primary school cost savings in the first year over and above the costs of PROAPE.

Such early, timely investment can enhance the effectiveness of investments in primary and secondary education in Swaziland by improving quality of learning and lowering the high repetition and drop-out rates currently experienced. Communities, NGOs and national government will need to build a consensus on the most cost-effective approaches to ECD.

A final issue to note in the Swazi public education system is with regard to the relevance of the education offered. Communities themselves want education to be more relevant to realistic work opportunities and self employment, rather than educating children for civil service or white-collar jobs that do not exist (Box 5).

Need to improve skills matching to labor market needs—

Box 5: Relevance of course content

"...Our schools are educating people for office jobs that don't exist....We sell the last cow to educate our children, only to find that they can't get jobs when they leave school."

Source: Swaziland PPA 1997.

Some possibilities include planning for shifting labor market needs in the regional Southern African context (e.g. demand for miners may be declining but that for nurses may be increasing). In the end, however, experience from around the world indicates that higher and more equitable growth is the main instrument necessary for addressing a youth—or other large-scale—unemployment problem.

—but solving unemployment is really related to growth In the area of health, prevention not only of further HIV infection but also other diseases such as malaria, diarrhea, respiratory diseases, etc. can be a highly productive investment for Swaziland. These diseases take a heavy toll in terms of lost lives, labor days and school attendance. Prevention is generally cheaper than treatment after an infection has occurred, typically making preventive care more cost-effective than curative care. In Swaziland, a few key actions will generate a high pay-off, especially for the poor:

- Need to emphasize a primary and preventive health service
- ✓ Significantly reallocate public health expenditure to primary/preventive care: An essential package of services may be considered for universal coverage via public financing. In order to be cost-effective, however, the basic package needs to be defined carefully to emphasize primary, preventive and ambulatory services rather than curative and in-patient practices. Furthermore, financing for the basic package should be protected during economic crises.
- ✓ Improve access to health facilities for the poor: This has a physical as well as financial aspect. The 1997 PPA underscored that improvements in roads, bridges, and bus services were essential to improve access for the Swazi poor to clinics and hospitals. Also essential is a structure of public subsidies and user fees where exemptions are targeted directly to the poor or to services or facilities used primarily by the poor.
- ✓ Improvements in rural water supply (and sanitation) are crucial not just to cutting back the burden of disease but also to reducing constraints on women's time.

Insuring the Poor against Major Risks

Swaziland's poor continue to be highly vulnerable to major shocks and to be locked in poverty traps because of excessive uninsured risk. Complementing households' own informal risk management strategies, a public social protection policy is needed to respond to the most severe sources of risk, reach the socially and economically excluded and do so in the most cost-effective ways. Public action needs to be *selective*, *preventive* and targeted where possible to reduce the economic vulnerability of the poor to the *major* risks.

One of the key elements of a social protection strategy is prevention and mitigation of HIV/AIDS. His Majesty the King of Swaziland has labeled the HIV/AIDS epidemic "a national disaster" (in Speech from the Throne, Official Opening of the First Session of the 7th Parliament, February 19, 1999). Nonetheless, in Swaziland—as in almost all African countries—the response has been purely sectoral. Swaziland's National AIDS/STDs Programme is housed in the Ministry of Health. Services for counseling, testing, condom promotion, and treatment of other sexually transmitted infections are

High vulnerability of poor requires a social protection strategy

Need cross-sectoral, multi-level response to AIDS inadequate. Key actions to develop a coordinated and multisectoral approach to HIV/AIDS should include:

- ✓ Home-based care: linking prevention and care efforts currently operating in isolation, by further developing the draft of, and subsequently implementing, the National Community/Homebased Care and Prevention (CHBCP) program;
- ✓ Care for orphans and children affected by AIDS: The most long lasting consequences of AIDS are felt by these children. There is both need and scope for a concerted Swazi response (Box 6);

Box 6: Protecting Children in Need

The estimated number of AIDS Orphans in the year 2000 is 112,000 or 22% of children below 15 years. Extended family networks, institutional solutions and charitable responses will not be sufficient, and a coherent vision for long term development of family and community based responses is needed. Two things are essential to promote more realistic views of future needs:

1. Planning and Costing Models.

- ➤ Estimates for planning: Reliable orphan estimates, which clarify the size of the population needing care and support;
- > Costing of alternative models or scenarios for care.
- Understanding the cost of not caring: scenarios that estimate the future social costs of not caring in terms of delinquency, correction or remand facilities, social unrest and the like might help build social commitment for mobilizing and strengthening local resources.
- 2. Strategy Development: Building on Swaziland's considerable strengths in its families and communities, government, and private voluntary (NGO and church) and commercial sectors, development of a shared strategy to foster the long term welfare of orphans and other children affected by the epidemic.

Source: UNICEF, February 1999.

- Behavior change: developing a strategy for an effective behavior change program by working with high-risk groups such as transport workers, migrant laborers, and collaborating with specialists, e.g., educational curriculum designers; and
- ✓ Better monitoring and knowledge-building: forming a knowledge base on the epidemic, and especially the feedback between HIV/AIDS, poverty, access to land, job creation, etc., would aid in mobilizing opinion leaders and better targeting interventions.

The scale of orphans in Swaziland demands a national response

Another major social protection priority must be preparedness for drought. A permanent drought preparedness program is now called for in Swaziland. This will require agricultural extension policy to provide more appropriate extension messages in drought-prone areas; an early warning system capable of assessing and disseminating climatic information in a timely manner; Government partnership with the NGO Drought Consortium to promote diversified incomes through non-farm activities and environmental rehabilitation.

The analysis clearly indicates that women must be guaranteed equal rights under law to break one of the elements of the vicious circle of poverty and vulnerability. The insecurity of property and other economic rights of women in Swaziland not only render them highly vulnerable, but also constrain their ability to make investment decisions for the household. Legal reforms are necessary which take account of these linkages and give women full legal rights as adults. Although other neighboring countries with a similar legal legacy of customary and civil law have enacted legislation to give women the status of adults (for example, South Africa and Zimbabwe), this has not occurred in Swaziland.

Box 7: Towards Gender-Equitable Development

In several countries in Eastern and Southern Africa, a dialogue is under way among government, civil society, and academia on the laws that impact negatively on women. The main messages emanating from this series of consultations and follow-up activities—including creation of specific action plans—provide a useful framework for addressing these issues in Swaziland:

- ✓ Empowering women though the law is an economic need.
- ✓ Countries must focus on practical, everyday manifestations of needed regulatory changes, addressing land tenure, inheritance, commercial rights, schooling, labor markets, and other topics of immediacy and impact.
- ✓ Countries themselves must define solutions.
- ✓ The political will of policymakers at the highest levels is required to ensure that laws are revised or enacted, that there is a deliberate effort to build a social consensus for these laws, and that their implementation is carried out with vigor and impartiality.
- ✓ Civil society plays a critical role in influencing policy.

Source: World Bank Gender Web Site, 1999.

Priority legal reforms involve improving women's right to property and eliminating their minority status. The Gender Perspective Group working as part of the Urban Policy development process has already identified some areas in need of immediate redress:

✓ amendment of the Deeds Registry Act to allow women to register

Need continuous drought preparedness

Need legal reform to provide equal rights to women

title to land in their own names;

- ✓ abolishing the requirement under Roman Dutch Common law for a woman to be assisted by her husband to enter into a valid contract; and
- ✓ strengthening of the Age of Majority Act to prevent removal of a married woman's capacity to enter into a contract.

Given the strength of the current restrictions on women, legal reform and support to NGOs to provide women from poorer households legal assistance or arbitration services may both be regarded as a part of the core social protection policy of Swaziland.

Finally, as an integral step in achieving an effective and affordable social protection program in Swaziland, it is important to improve the efficiency and equity of public safety nets. The fiscal constraints on the Swazi state will not allow it to provide a safety net for all households for all types of shocks. A public safety net program should, thus, be invoked only for shocks where the expected impact is very severe for a sizable group of the population. To enable limited resources to go farthest in reaching the poorest of the poor, some form of pro-poor targeting mechanism must be utilized. The experience that Swaziland has of moving from an untargeted approach to a work-based public safety net during the droughts of the 1990s is a useful step in this regard. Nonetheless, certain issues remain to be considered in future rounds of public works as safety nets:

Need public safety nets which are well targeted to the poor

✓ Below-market wage rate: International experience has shown that in a public works safety net, the key to achieving self-targeting by the poor is the wage rate used to compensate workers. If this is set at or above the prevailing wage rate for agricultural labor in the local area, evaluations show that non-poor individuals will compete with the poor to take up employment under the safety nets public works program, in effect rationing the poor out of the safety net. Future Swazi public works-based safety nets will be better targeted to the poor if this issue is addressed as part of the program design.

Below-market wages are an important tool to target the poor

✓ Elasticity of safety nets: Especially for public works programs, it is often difficult to start from scratch and design/implement a large program once a crisis has already hit. It is thus suggested that during "normal" years (e.g. non-drought in most of Swaziland), Government explore the possibility of operating a core, small program sharply targeted to communities which are in the deepest chronic poverty. The institutional experience from this permanent program could be built on to facilitate scaling up during national emergencies.

Preparing a "shelf" of projects allows speedy response ✓ Emphasis on work-based programs, but not exclusively so: While maintaining a primary emphasis on public works as safety nets, some form of free food or cash transfer to individuals who cannot or should not work such as malnourished children, the disabled or elderly poor, or labor-constrained female-headed households, is indicated. As much as possible, these programs should use some form of targeting other than work-norms, e.g. community-based targeting, or nutritional screening, etc. to reach the critically vulnerable in Swaziland.

Build an integrated program of interventions

Strengthening Institutions to Increase the Poverty Impact of Policies

To enable the poor to improve livelihoods and reduce vulnerability, local governance structures must be more responsive to the needs of the poor. Further, policymakers will need ongoing and reliable information to assess and improve the poverty reducing impact of policies.

Coordinated and prioritized action—i.e., poverty planning—is required at the central level to achieve sustainable reduction in poverty. Currently in Swaziland, there are several policy initiatives, such as ESRA, the NDS, the PSMP, the Land Policy, and the National Environmental Action Plan which have elements of core relevance to the poverty reduction strategy. A focal point in Government needs to be identified to a) carry forward the formulation of a poverty reduction strategy, b) to liaise with the responsible agencies to monitor implementation of the policy elements deemed to be priorities for the poverty reduction framework and c) to use and disseminate poverty information. The institutional home for this responsibility could be the MEPD or other central planning unit. Additionally, to improve effectiveness, planning staff could be trained in pro-poor public planning and expenditure issues.

The need for coordination and accountability at the local level is clear. Rural Swazi communities are dynamic and have shown that they can rally around a project that is a priority problem. Yet coordination among sectors is badly lacking at local levels and traditional or modern governance structures are not consistently accountable to the poor. It is difficult to assess the level of net support each community is receiving at any time, or indeed, has received over time. It is also difficult to assess the poverty reduction impact of different public or NGO initiatives. And communities themselves face confusing messages regarding resource mobilization. Important steps can be taken to build the capacity of existing institutional structures:

✓ The Tinkhundla system could be given responsibility for crosssectoral coordination at the local level. For this to happen, the inkhundla committee would have to be expanded to include development agencies (Government, NGOs) working in that area. Need coordinated poverty planning at central level

Need a poverty focal point

Need *local level* coordination

The roles of Chiefs and Tinkhundla is important—

✓ The accountability and community responsiveness of chiefdoms would be improved if all chiefs were required (or encouraged) to have development committees. The development committees would send representatives to the inkhundla.

—but must be accountable to communities

✓ Women must be integral to the *Tinkhundla* system of decision-making. Development committees could be asked to have a basic share of women members.

Need to build and use a poverty monitoring and analysis system

Poverty monitoring and analysis needs broad capacity-building. The Government has initiated discussions to build a stronger poverty information and analysis system.

- ✓ Different instruments have different comparative advantages in addressing selected data needs. A well-designed poverty monitoring and analysis system will require capacity building of several different institutions. For example, the capacity of CSO, public expenditure units in sector and central ministries, UNISWA researchers, MOAC early warning units, etc. will need to be strengthened to improve the collection, integration, analysis and use of the different data sources in which they have a comparative advantage.
- ✓ An institutional framework is also required for integrating these different data sources and channeling the information for use by policy makers (central and at *inkhundla* level) and others. The focal point of poverty policy discussed above could also be the focal point for the poverty monitoring and analysis system.
- ✓ Critical to the success of the overall poverty reduction program is the setting of goals and targets which can be measured and monitored. Swaziland will need to identify two or three key indicators for each element of its poverty reduction strategy to assess how well it is doing and where efforts need to be strengthened further. Moreover, how much reduction in poverty levels does it wish to achieve by the year 2005, 2010 and so on?

Poverty monitoring needs an integrated system

—and indicators, goals to monitor success

Looking Forward

Poverty in Swaziland can indeed be reduced. But to do so will require fundamental change across sectors and leadership to carry forward the change.

ANNEX

Building on What is Already Known

The poverty analysis incorporates insights, ideas, and information from a large number of people engaged in different aspects of development activity in Swaziland. Utilizing the Participatory Poverty Assessment and other tools, it also reflects the voices of the poor. Preliminary analyses have been discussed in various fora, including workshops organized jointly by MEPD, UNDP and the World Bank.

The report draws on existing studies and documents on socioeconomic dimensions of Swaziland. A preliminary literature review of journal articles, books, Government and NGO reports was carried out and major surveys catalogued to identify the scope of the existing analysis of the welfare of Swazi households. This exercise also assisted in identifying key gaps in knowledge on poverty and its determinants in Swaziland.

Studies Commissioned as Background for The Report

To address some key information gaps, the poverty report commissioned a few strategic studies. Given the time and resource constraints, extensive primary data collection was not feasible. All commissioned studies were carried out through collaborative partnerships between technical agencies within and outside the Government in Swaziland and the team from the World Bank. The studies include:

- ✓ analysis by the Swaziland Central Statistical Office and World Bank staff of the 1995 Swaziland Household Income and Expenditure Survey (SHIES) to build a profile of poverty.
- ✓ a small supplementary household survey in the semiarid Southeastern Lowveld region of Lubombo undertaken and analyzed by the Ministry of Agriculture and Cooperatives (MOAC) during May - November 1998 (MOAC 1999), to draw out dimensions of rural poverty.
- ✓ a detailed public expenditure incidence analysis of health and education spending conducted by World Bank staff in cooperation with the Ministries of Economic Planning and Development, Finance, Health and Education, and the UNDP.
- ✓ a participatory analysis of institutional structures in rural Swaziland conducted by members of the University of Swaziland in early 1999 (UNISWA 1999).

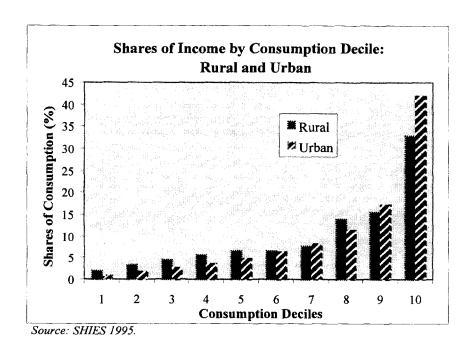
Poverty Lines

Analysis suggests that the SHIES data do not provide reliable estimates of the absolute numbers of the poor in Swaziland. The data are, however, robust to an analysis of the *relative levels* of incomes and other socio-economic characteristics of households. Accordingly, this report selects two relative poverty lines to focus on the Swazi poor and applies them to the SHIES:

- ✓ **Upper poverty line (UPL):** People in the *lowest 40 percent* of the per adult equivalent national consumption distribution are regarded as **poor**.
- ✓ Core poverty line (CPL): The core poor are people ranked in the *lowest 20 percent* of the distribution.

Statistical Annex

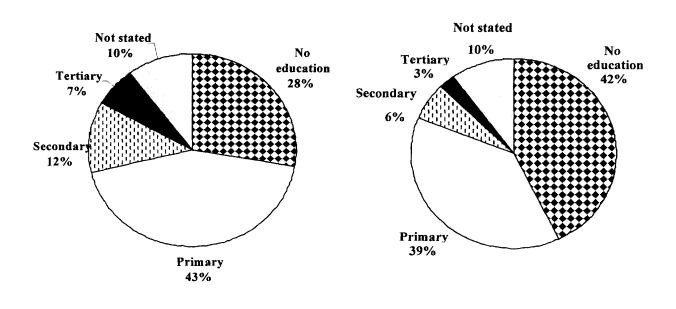
Annex Figure 1



Annex Figures 2a and 2b

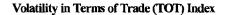
Urban Education Levels

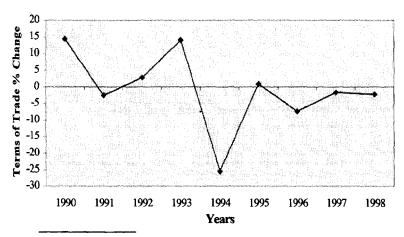
Rural Education Levels



Source: SHIES 1995.

Annex Figure 3

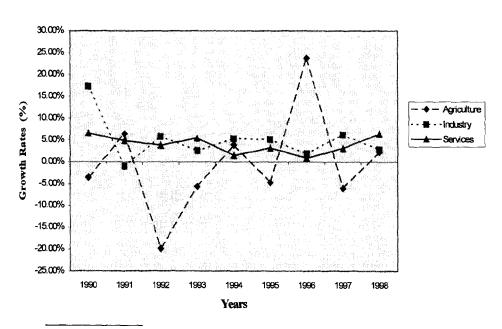




Source: Africa Live Database, World Bank.

Annex Figure 4

Sectoral Growth Rates (per cent)



Source: Africa Live Database, World Bank.

SUMMARY - Swaziland: Reducing Poverty through Shared Growth

Summary Annex Table 1. Informational Needs and Potential Sources for a Swazi Poverty Monitoring and Analysis System

Issue to Address	Information Needed	Frequency	Disaggregation	Potential Information Source
Input Monitoring				
Are resources allocated to appropriate programs in accordance with plans?	Financial and budget statistics	Annual	Region/inkhundla	Budget and financial records
Output (Program) Monitor	ing			
Are poverty reduction activities implemented in accordance with plans?	Records of services provided, facilities constructed, etc.	Annual	Region <i>linkhundla</i>	Administrative records
Beneficiary (Outcome) Mo	 nitoring			
Do the poor have improved access to services/ programs?	Distance to facilities by SEG (at household or community level)	Annual	Region/inkhundla/ SEG	PS or CWIQ
Are they making use of them?	Utilization rates (e.g., enrollment rates)	Annual	Region/inkhundla/ SEG	PS or CWIQ
Are poor satisfied with services? Do services meet their needs?	Measures of satisfaction	Annual	Region <i>linkhundla/</i> SEG	CWIQ and PPA
Impact Evaluation				
Are people healthier, wealthier, better educated, better employed?	% below poverty line (P-alpha measures) HH data on income, consumption, employment, health, education	Annual Every 5 years (possibly annual on small sample)	National Region/ inkhundla/ SEG	National accounts: HH budget or IS Price statistics
Dynamics of poverty (who moves in and out of poverty)	As above	Annual	Selected communities/ SEGs	Panel study
What are characteristics of intrahousehold resource allocation and use?	Time use, intrahousehold decisionmaking authority	Every 3-5 years	Region/inkhundla/ SEG	Integrated surveys, PPA, and/or Panel study

Source: World Bank Staff (based on a prototype).

Notes: SEG = Socioeconomic Group; IS = Integrated Survey; PS = Priority Survey; CWIQ = Core Welfare Indicators Questionnaire; PPA = Participatory Poverty Assessment; HH = household.

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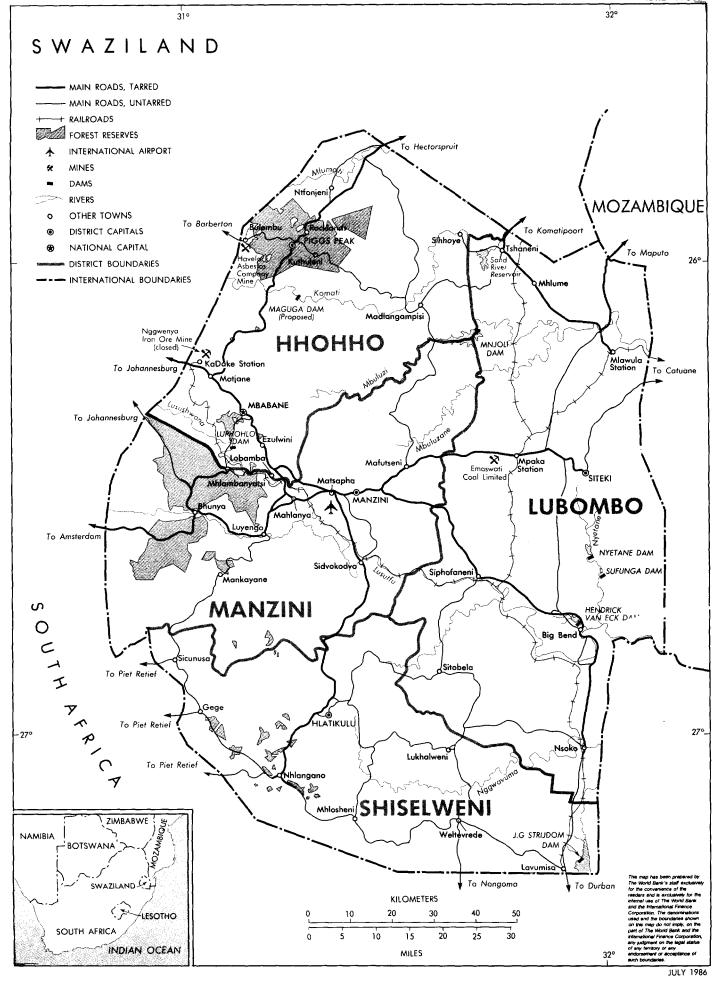
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