THE KINGDOM OF ESWATINI

Toward Equal Opportunity:

Accelerating Inclusion and Poverty Reduction

Systematic Country Diagnostic

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Eswatini Country Team
Africa Region

WORLD BANK GROUP

Contents

Boxes

Figures

Tables

Acknowledgments

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Abbreviations

AGOA	African Growth and Opportunities Act
AIDS	acquired immune deficiency syndrome
ATM	automated teller machine
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EEC	Eswatini Electricity Company
EFTA	European Free Trade Agreement
EHIES	Eswatini Household Income and Expenditure Survey
ESCCOM	Eswatini Communications Commission
GDP	gross domestic product
HCI	Human Capital Index
HIV	human immunodeficiency virus
ICT	information and communication technology
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LTGM-PC	Long-Term Growth Model Public Capital Extension
MERCOSUR	Common Market of the South
MIGA	Multilateral Investment Guarantee Agency
NAMBoard	National Agricultural Marketing Board
NETIP	National Education and Training Improvement Programme
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SACU	Southern African Customs Union
SADC	Southern African Development Community
SME	small or medium-sized enterprise
SPTC	Eswatini Posts and Telecommunication Corporation
STEM	science, technology, engineering, and mathematics
SWALINET	Swaziland Library and Information Network
TVET	technical and vocational education and training
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
VAT	value-added tax
WASH	water, sanitation, and hygiene
WBG	World Bank Group
WDR	World Development Report
WHO	World Health Organization

Executive Summary

One of three kingdoms in Africa, the Kingdom of Eswatini (formerly Swaziland) is a small, homogeneous, and landlocked country that is quasi-enclaved within South Africa. The largely mountainous country has a land area of 17,364 square kilometers and a population of about 1.2 million people. It is bordered by Mozambique and South Africa.

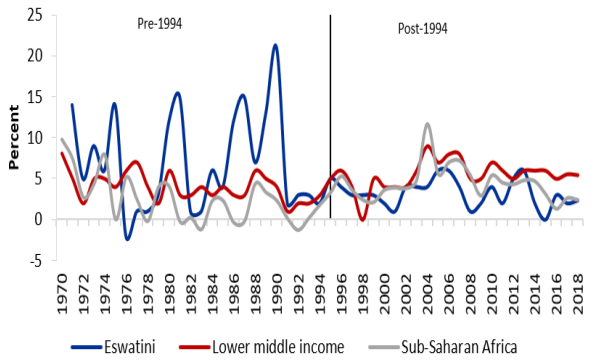
Eswatini has strong economic ties with South Africa

Eswatini is one of the world's most trade-dependent economies, with South Africa as its most important trading partner. It is a member of the Common Monetary Area with Lesotho, Namibia, and South Africa. The domestic currency, the lilangeni, is pegged at parity with the South African rand, which is also legal tender in the country. The Common Monetary Area provides a nominal anchor for monetary policy, and Eswatini's inflation generally mirrors that in South Africa. It is also a member of the Southern African Customs Union (SACU), with Botswana, Lesotho, Namibia, and South Africa. SACU members share a common external tariff policy, freely exchange their goods internally, and distribute among themselves the pool of customs and excise taxes collected by the union. SACU receipts account for about a third of Eswatini's total revenue and grants.

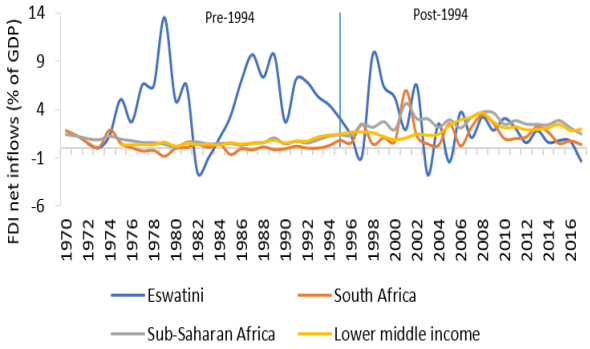
Eswatini's economic performance has long depended on that of South Africa, and political and economic developments in its neighbor have had a significant influence on the country. In the last few decades, the economy went through two distinct phases (Figure 1). Eswatini achieved significant economic growth—averaging 8 percent per year—until apartheid in South Africa ended in 1994. During this period, it benefited greatly from the global sanctions against its large neighbor. Several South African and multinational companies invested in Eswatini, mostly in manufacturing. Among other factors, they were attracted by its macroeconomic stability: economic management was robust, recurrent expenditure was firmly controlled, and public spending emphasized education, health, and infrastructure. As investments flowed, the export base gradually expanded. By 1995, its exports of manufactured goods enabled Eswatini to become one of the few small, relatively resource-poor economies to achieve lower-middle-income status. Its gross national income per capita reached about US$3,930 in 2018.

Figure 1. Strong economic ties with South Africa

a. Real economic growth (%)



b. FDI net inflows (% of GDP)



Source: World Development Indicators 2019.

After the end of apartheid, Eswatini's economic growth rate fell to 3 percent, which is below the average for Sub-Saharan Africa. Democratic South Africa eroded Eswatini's advantage as the subregion's preferred destination for foreign investment. Average annual growth declined from 3.5 percent in 2000–10 to 2.6 percent in 2011–18. The causes of the decline included disinvestment during the 2000s, with net exports making a negative average contribution to growth. Also, economic policy and the management of public finances were inconsistent, whereas SACU revenues declined; these factors negatively affected the business environment. As investment shifted to South Africa, the structural constraints of Eswatini's economy were exposed, including its heavy reliance on the public sector and the sugar monoculture.

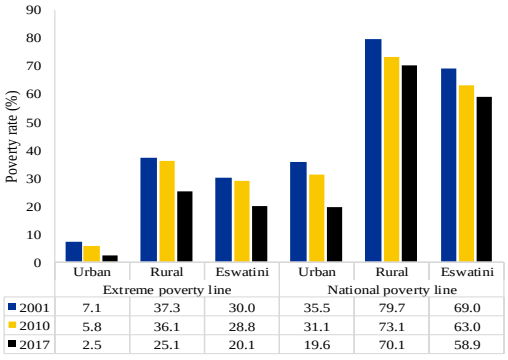
The COVID-19 pandemic is expected to worsen Eswatini's growth outlook in the near to medium term, which will exacerbate the triple problems of high unemployment, poverty, and inequality (see below). Before COVID-19, the projected economic growth rate for 2020 was 2.6 percent; now, the economy is projected to contract by between 3.5 percent and 6.9 percent during the year.

Poverty and inequality are high and persistent

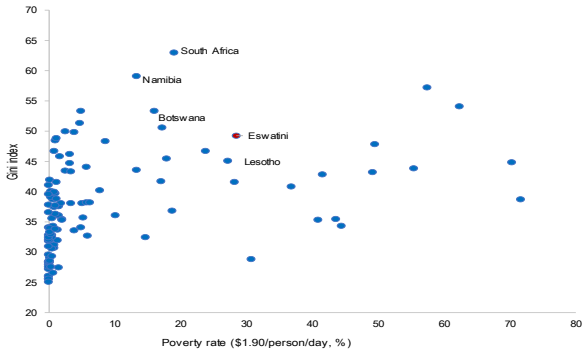
Eswatini has high levels of poverty and income inequality, which are not commensurate with its middle-income status. While poverty has fallen since 2001, the absolute number of poor people increased between 2001 and 2017. In 2017, the national poverty rate was 58.9 percent (Figure 2). That year, about 28.8 percent of Swazi people were estimated to be poor at the international US$1.90 poverty line, in 2011 purchasing-power-parity (PPP) terms, which is relatively high for a lower-middle-income country. Poverty is multidimensional, with overlapping deprivation in education, health, and access to basic public services.

Figure 2. Eswatini is a high-poverty, high-inequality country

a. National poverty rates



b. International US$1.90 poverty rates (2011 PPP terms)



Source: PovcalNet.

Poverty is largely rural, and the urban-rural poverty divide has widened. In 2017, the rural poverty rate was 70.1 percent, as against 19.6 percent in urban areas. Rural poverty also tends to be deeper and more severe. Over 90 percent of poor people live in rural areas, suggesting that agriculture (most of which is subsistence) is still associated with higher poverty. Consistent with the rural nature of poverty, the poorest areas in Eswatini are rural regions without any sizeable towns: Lubombo and Shiselweni.

High levels of inequality also manifest in high inequality of opportunity. The Gini index—a measure of the inequality in a distribution, based on consumption per adult (or adult equivalent)—was 49.3 in 2017,

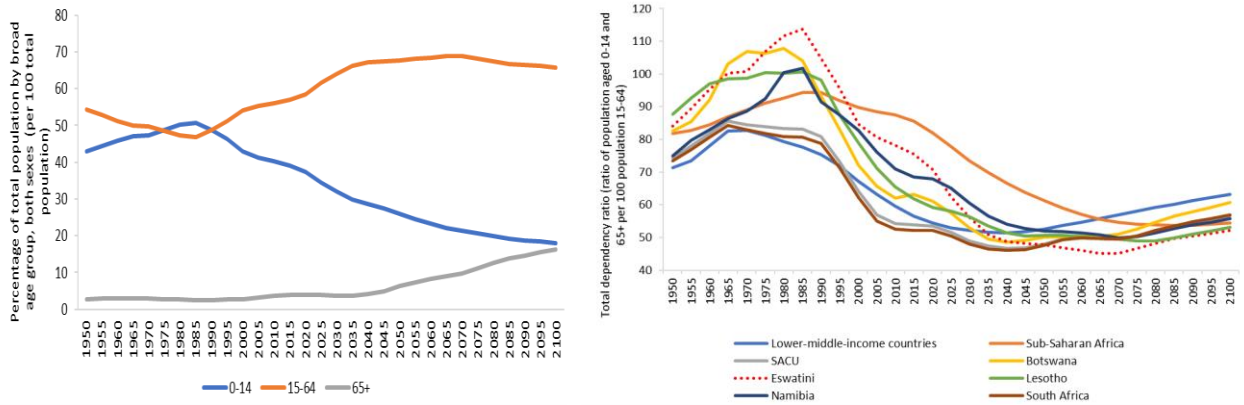
49.5 in 2010, and 51.2 in 2001. Poverty and inequality are a legacy of colonial-era policies that preserved Swazi culture to some extent but divided land, employment, and governance between the modern and traditional realms. These policies contributed to unequal access to assets, markets, services, opportunities, and rights. High inequality of opportunity means people's circumstances at birth (e.g., their gender, birth location, or parental backgrounds) significantly determine the economic opportunities open to them. Deeply entrenched inequality of opportunities across social and spatial strata prevents Eswatini from achieving its twin goals of poverty reduction and sustainable, shared prosperity.

Gender is a prominent dimension of inequality of opportunity and, hence, poverty. The gender dimension of poverty reflects different socioeconomic biases facing women in Eswatini. They have unequal access to assets, especially land, and lower participation in markets, especially labor markets. Girls are particularly vulnerable to domestic servitude and commercial sexual exploitation. Women also have fewer rights and limited protection against gender-based violence. They continue to have relatively worse human development outcomes, and their participation in the political sphere is limited.

Unemployment remains high because of a combination of poor labor market outcomes and declining productivity. The main factors determining labor market outcomes are location and skills. Sizeable segments of the Swazi population—especially the rural population, women, and young people—face serious challenges in accessing formal employment. Government is the largest formal employer, and its wage bill is fiscally unsustainable. Even economic sectors where productivity is high have been unable to generate significantly more output and employment. Consequently, Eswatini has seen rapid growth in the informal sector, in self-employment, and in dependence on remittance flows, mainly from South Africa.

Addressing unemployment is important for harnessing the "demographic dividend" (Figure 3). Eswatini is experiencing a demographic transition: average life expectancy is increasing, and average household sizes are falling, as are dependency ratios. This helps to reduce poverty and provides an opportunity for harnessing the economic benefits arising from demographic shifts. Such benefits include increases in the labor supply, savings, human capital, and economic growth. Harnessing the demographic dividend requires a three-pronged approach: enhancing health outcomes, particularly for low-income groups; building the skills of the population, especially young people, for instance by investing in education that is relevant to the labor market; and enhancing the ability of the private sector to absorb them. In Eswatini, the skills demanded by the labor market remain in short supply, and entrepreneurialism is still developing.

Figure 3. Eswatini can potentially harness the demographic dividend



Source: UNFPA (https://population.un.org/wpp/Download/Standard/Population/).

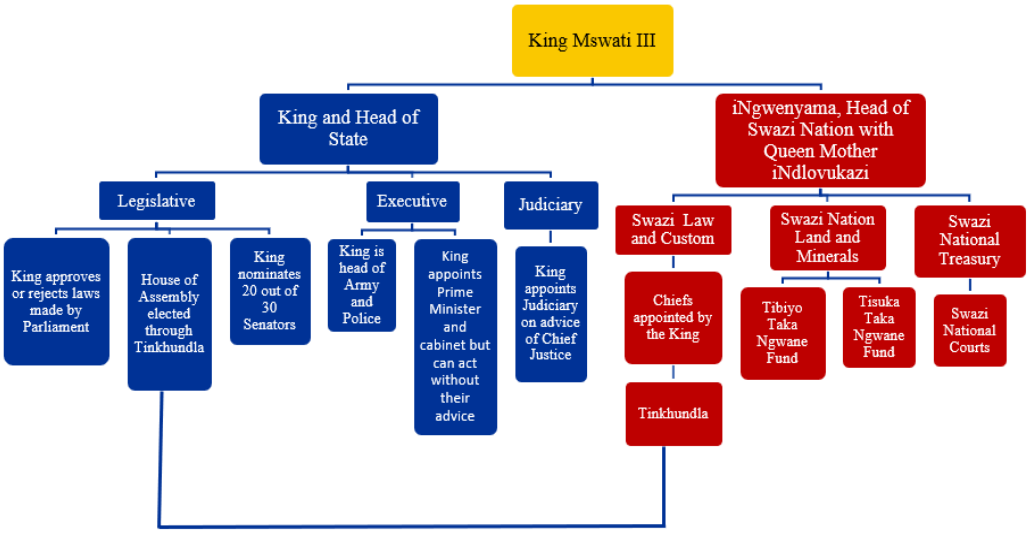
Social protection helps to reduce poverty and vulnerability; however, its impact tends to be small because of low benefits and inadequate coverage. Government allocates 2–3 percent of its total spending (or 1 percent of GDP) to social protection programs, which is low relative to the rest of the subregion. Despite these efforts, many poor and vulnerable Swazi do not have social protection. Their vulnerability is compounded by reductions in expenditure on social safety nets during shocks and fiscal crises. Income gaps, poor job prospects, droughts and other natural disasters, and food insecurity all contribute to migration, mainly to South Africa.

The COVID-19 pandemic has a significant impact on employment and, hence, poverty. A simulation of the impact of job losses related to the pandemic suggests that as many as 35,200 people risk falling into poverty if the country is locked down for three months, rising to 59,400 people in a six-month lockdown. These numbers imply a 3.2 and a 5.4 percentage point increase in poverty, respectively. Households in urban areas, men, and middle-class households are likely to be more affected. This may contribute to a slight increase in inequality.

Eswatini has a dual system of governance

The monarchy is an essential feature of Swazi culture. Eswatini is a "monarchial democracy" with a dual governance system, in which democracy and traditional monarchy function concurrently (Figure 4). The King, as Head of State, holds supreme executive, legislative, and judicial powers. The Prime Minister, appointed by the King, is Head of Government and chairs the Cabinet. The King also appoints 10 of the 76 members of the House of Assembly (the lower house of Parliament) and 20 of the 31 members of the Senate (the upper house). Duality extends to land tenure, where title deed and communal land systems coexist. Communal land, known as Swazi Nation Land, is held in trust for the people by the King. Many Swazis view its distribution as equitable and accessible, despite some evidence of poor economic outcomes and gender-based exclusion. Swazi Nation Land, minerals, customary law, and the sovereign wealth fund Tibiyo Taka Ngwane are excluded from the purview of the "modern" system and reserved for the King-in-Council.

Figure 4. The traditional monarchical system exists side by side with the modern system



Source: Authors' representation.

Pathways to poverty reduction and shared prosperity

This Systematic Country Diagnostic views addressing inequality of opportunity, manifested in people's unequal access to assets, markets, services, and rights, as central to accelerating poverty reduction and shared prosperity in Eswatini. To this end, it identifies five interconnected, broad priority policy areas that could potentially make the greatest contribution to eliminating extreme poverty and boosting shared prosperity. These are: (a) strengthening macroeconomic management; (b) diversifying the economy and creating jobs; (c) strengthening human capital and the inclusive delivery of public services; (d) improving resilience to natural disasters and economic shocks; and across these four areas, (e) demonstrating credible commitment to transparent and effective policy implementation.

Strengthening economic management

Strengthening economic management is key to attracting foreign investment. In recent years, the fiscal situation has deteriorated considerably, but the scope for monetary policy remains limited. While SACU membership has yielded significant benefits, it has exposed Eswatini to serious fluctuations in SACU revenue payments and in the value of the South African rand, to which its currency is pegged. Since 2000, fiscal policy has become less conservative and SACU revenue even more volatile, with sharp declines in some years. However, public spending has expanded rapidly, leading to large fiscal deficits. These deficits have been financed by a combination of domestic and external debt, the accumulation of domestic arrears to the private sector, and the depletion of foreign reserves. Progress towards fiscal consolidation has been slow, as policy commitment is lacking.

Strengthening economic management requires strengthening public finances, facilitating higher lending to the private sector, and reducing capital and recurrent spending to increase the fiscal space. Moving from a public investment-led growth model to a private investment-led one is a priority. Limiting the rapid growth of the public wage bill and restructuring loss-making public entities and enterprises are important in this regard. Diversifying revenue sources and increasing domestic revenue mobilization would also help. In addition, adopting a stabilization fund would create a buffer against the volatility of SACU revenues and demonstrate the credibility of government's commitment to prudent fiscal management.

Diversifying the economy and creating jobs

To increase the productivity of key sectors, diversify the economy, and create jobs, Eswatini needs to enhance access to finance and work towards lowering trade barriers. It is one of the world's most open economies, but its dependence on a narrow range of exports leaves it vulnerable to exogenous shocks. The uncompetitive business environment and changes in the global environment markedly reduced the export sector's contribution to the economy. Exports are concentrated in a small number of products—sugar, beverages, textiles, and wood products—produced by a few large, politically connected firms.

There are several prerequisites for a structural transformation towards more productive sectors, including creating a conducive business environment, increasing access to finance by small and medium enterprises (SMEs), addressing regional and country barriers to trade, and improving transportation and connectivity. Opportunities for diversification include expanding and diversifying the agricultural sector through commercialization, diversifying crop production, and increasing agro-processing; diversifying the manufacturing sector; and expanding tourism and trade in services. Upgrading value chains in the livestock and sugar markets and targeting exports to growing regional markets are also priorities.

Increasing SMEs' access to finance would help harness their potential contribution to growth and job creation. In such a small, open economy, deepening regional integration and leveraging trade links with South Africa are important for private sector, export-led growth. To take advantage of opportunities for diversifying the economy and creating jobs, Eswatini needs to work with other members of regional trade zones to help lower barriers to trade and address key infrastructure gaps, especially around transportation and connectivity. Given its dependence on South Africa, regional approaches are particularly important for addressing nontariff barriers to trade.

Strengthening human capital and inclusive delivery of public services

Equality of opportunity can only be achieved through improving both access to public services and human capital. Eswatini ranks near the bottom of the World Bank's Human Capital Index, with a score of 0.37 in 2020. This suggests that Swazi children born today would be only 37 percent as productive as adults than they could have been with a complete education and full health. The main reasons for this score are a low adult survival rate (e.g., from HIV/AIDS) and poor learning outcomes. Eswatini does have almost universal entry into primary education, and its literacy rate is above the average for lower-middle-income countries. Yet, its education system does not meet labor market needs, and sector spending is inefficient. Similarly, its health outcomes are not commensurate with its spending. While growing numbers of Swazi have better access to health facilities, Eswatini has the world's highest proportion of adults (ages 15–49) living with HIV, along with poor maternal and child health, and a rising incidence of noncommunicable diseases.

Unequal access to public services reflects the stark inequality of opportunity. Poor access to water and sanitation undermines health outcomes and contributes to high levels of stunting. In 2017, one Swazi in five lived under the food poverty line. Eswatini has made significant progress toward its stated goal of universal access to electricity by 2022; however, much of this energy is imported. Roads and road safety are also serious infrastructure challenges, as is information and communication technology—limited Internet connectivity, unaffordability, low bandwidth, a lack of last-mile broadband infrastructure, and limited digital skills all create bottlenecks in the economy.

The agenda for enhancing human capital and delivering inclusive public services is substantial. In education, it includes improving the provision and quality of early childhood care and education, reducing repetition and dropout rates in basic education, improving literacy and numeracy outcomes in the early grades, and enhancing the governance and coordination of skills development. In health care, the focus is on improving child and maternal health outcomes, enhancing health and nutrition among adolescents and women, and reducing inequalities in access to water, sanitation, and hygiene.

Improving resilience to natural disasters and economic shocks

The economy is highly vulnerable to natural disasters and economic shocks, especially those linked to its dependence on SACU revenues. Weaknesses in public financial management exacerbate the impact of such shocks. Eswatini is also relatively more vulnerable to climate change, and its annual likelihood of severe drought is projected to increase by up to 20 percent by 2050. The country depends on water for generating power and producing sugarcane. Water shortages have substantial ripple effects; a single dry spell may sharply increase food insecurity. However, climate- and disaster-related institutional frameworks are poorly designed and implemented, and do not provide adequate buffers. The impact of

climate change, especially on rural populations, is compounded by poorly constructed and maintained transportation infrastructure and a domestic energy mix that depends on hydropower.

Strengthening Eswatini's resilience to natural disasters and economic shocks would require sustainable environmental and natural resource management. A focus on sustainable land management practices and integrated water resource management is needed to help mitigate the impact of growing water scarcity. Given the country's heavy dependence on hydropower, diversifying energy sources would help increase its energy security and efficiency. Mitigating the impact of natural disasters and economic shocks would require the development of a comprehensive risk financing approach, including insurance markets. Better institutional and legal frameworks for disaster management, well-capacitated and well-prepared disaster management agencies, and better targeting and coverage of social protection are also required.

Cross-cutting theme: Credible commitment to transparent and effective policy implementation

A credible commitment to transparent and effective policy implementation and a level playing field for the private sector are needed to transform the economy, eliminate extreme poverty, and boost shared prosperity. Eswatini lags behind its neighbors on most measures of governance. The state's direct intervention in the economy increases the risk of corruption and hinders competitiveness. Among foreign investors, perceptions about the rule of law and property rights are negative; this may hamper investment and growth. SMEs' access to financial services is limited, constraining their development. Public spending on infrastructure, education, and health is inefficient and heavily tilted towards personnel, and outcomes are not commensurate with the level of spending.

More predictable policy and a commitment to policy implementation also entail ensuring that public policy-making processes and institutions, including funds such as Tibiyo, are more transparent. Public sector recruitment and procurement likewise must be more transparent. Increasing transparency may be challenging in the short term, but in the long run it helps build citizen and investor trust in government, and ultimately contributes to prosperity, stability, and sustainability.

Priority policy areas

Addressing all these issues at once is a tall order. As such, a recommended prioritization of the priority policy issues is shown in Table 1.[1]

[1] Three criteria were used to select priorities: (a) whether the policy area is a precondition for pursuing other policy outcomes; (b) whether it would have positive spillovers across different domains (and promote equal opportunities for all the Swazi); and (c) whether implementation is feasible over the medium term, given cost, capacity, and the authorizing political environment.

Table 1. Policy priorities and interventions

Pathway	Priority policy areas
Strengthening macroeconomic management	• Strengthen the effectiveness, efficiency, and quality of public spending. • Limit growth of the public sector wage bill. • Restructure loss-making public entities and enterprises. • Diversify revenue sources, especially by increasing the mobilization of domestic revenue through strengthening tax collection and administration of revenue. • Establish a stabilization fund to help buffer against volatility of SACU revenues by smoothing revenues.
Diversifying the economy and creating jobs	• Create a business environment that supports structural transformation towards more productive sectors. • Diversify the agriculture sector, focusing on sugarcane and the beef value chain. • Increase access to finance by SMEs. • Deepen regional integration, taking advantage of and deepening trade links with South Africa. • Address gaps in key infrastructure, especially transport and digital infrastructure.
Strengthening human capital and access to and quality of public services	• Improve access to and the quality of early childhood care and education. • Reduce repetition and dropout rates in basic education. • Improve literacy and numeracy levels in the early grades. • Strengthen governance and coordination structures in skills development. • Improve child health outcomes through: (a) early breastfeeding, with exclusive breastfeeding for 180 days; (b) the timely introduction of complementary feeding (6–8 months) with continued breastfeeding; (c) improving the quality of complementary foods and feeding practices in children ages 6–24 months; (d) managing moderately and severely malnourished children. • Improve maternal health outcomes, mainly through better nutrition during pregnancy and lactation. • Reduce mortality and improve productivity. • Reduce inequalities in access to water, sanitation, and hygiene (WASH), especially for poor people and the rural population.
Strengthening resilience to natural disasters and economic shocks	• Ensure sustainable environmental and natural resource management, focusing on promoting sustainable land management practices and integrated water resource management. • Increase energy efficiency and energy security by diversifying energy sources. • Create an enabling environment for the development of insurance markets. • Improve targeting and coverage of social protection, enhancing the system's shock responsiveness. • Strengthen the design and implementation of the institutional and legal framework for disaster management.

Chapter 1. Country Context

1.1 History and Geography

1. The Kingdom of Eswatini (formerly Swaziland) is one of only three monarchies in Africa. With a homogeneous population of about 1.2 million people and a land mass of 17,364 square kilometers, Eswatini is the second-smallest state on the African mainland after the Gambia. It is mountainous, landlocked, and quasi-enclaved within South Africa—apart from a short stretch shared with Mozambique, all its boundaries are with South Africa.

1.1.1 Colonial history

2. A Swazi kingdom first came into existence alongside other Southern African kingdoms in the early 19th century. This kingdom's survival as an independent state during the colonial "Scramble for Africa" in the late 19th century was due partly to its strategic position between the Boer South African Republic (the Transvaal) and the Indian Ocean. Swazi rulers benefited from the tensions between the Transvaal and Great Britain, which sought to deny the Transvaal access to the sea. In view of the fates of their Zulu and Pedi neighbors, the prudent Swazi rulers avoided military confrontation with either side. Following its defeat of the Boer Republic of the Transvaal at the end of the Anglo-Boer War (1899–1902), Great Britain occupied the Swazi kingdom. It first administered the kingdom through the new British colony of the Transvaal. When that colony became self-governing in 1906, the Swazi kingdom, renamed Swaziland, became a British High Commission Territory alongside Bechuanaland (now Botswana) and Basutoland (now Lesotho). As a British Protectorate, Swaziland remained under the overall control of the British High Commissioner in South Africa until 1968, when it regained its independence.

3. Swaziland narrowly avoided incorporation into South Africa. In 1910 Britain established the Union of South Africa as a British dominion. Its constitution provided for the future incorporation of the three High Commission Territories into the Union. South Africa was particularly interested in the Swaziland Territory, given its high rainfall, fertile lands, and mineral wealth. However, the likelihood of incorporation fell in 1948 when the National Party with its racist apartheid program came to power in South Africa, although incorporation remained a real possibility until the early 1960s.

1.1.2 Geography and dependence

4. In the late 19th century, the precolonial Swazi kingdom lost territory to the Transvaal Republic. About as many ethnic Swazi live within the borders of present-day South Africa, mainly in the Mpumalanga and Gauteng provinces, as within Eswatini itself. In the early 1980s, the possibility of South Africa restoring Swazi territory became an issue, and Eswatini maintains land claims against its neighbor to this day.

5. With British occupation in 1902, Swaziland became a member of the Southern African Customs Union (SACU), the world's oldest customs union. In 1971 SACU became a member of the Rand (now Common) Monetary Area. Membership in these structures underscores Eswatini's dependence on South Africa's fiscal and monetary policies. This dependence, unusual for an independent state, is shared with fellow SACU members Lesotho, Namibia, and to a lesser extent, Botswana.

6. Eswatini remains vulnerable to unpredictable and significant fluctuations in revenue payments from SACU and in the value of its currency. The lilangeni, created in 1974, is pegged to the South African

rand, which significantly reduces the country's scope for independent monetary policy. SACU currently provides Eswatini with 35 percent of its revenue. The SACU formula gives Botswana, Eswatini, Lesotho, and Namibia a higher proportion of revenues than their share of imports into the custom union justifies, partly to compensate for their lack of control over domestic fiscal and monetary policies. In recent years, this principle of compensation has come under pressure from within South Africa for being too generous. Dependence on South Africa also extends to trade, which absorbs about 60 percent of Eswatini's exports and provides 80 percent of its imports.

1.1.3 Roots of poverty, inequality, and unemployment

7. The high rates of poverty in Eswatini can be traced back to the fundamental issue of land dispossession. This dates back to the late 19th century when King Mbanzeni granted concessions to white farmers and speculators. Between 1907 and 1914, the British protectorate carried out land partition, confiscating about 60 percent of the land held communally by the Swazi. Most of the Swazi were confined to the remaining 40 percent, on 32 blocks of land held in customary tenure. A minority remained as labor tenants on the confiscated land, which became Title Deed Land.

8. The land dispossession also entrenched inequality. As a matter of policy, the British allocated significantly larger landholdings to chiefs and prominent members of the royal family to secure their support for the new dispensation. (Land dispossession was also implemented in South Africa at this time and was confirmed by the 1913 Natives Land Act.) The purpose was to create a cheap labor reserve by making peasant production difficult, creating poverty through social engineering, and forcing people into the labor market. This pressure was reinforced by higher levels of poll tax than anywhere else in the region. These policies divided the Swazi labor force in two parts: some worked for white farmers as indentured labor, and others worked on the gold mines of the Transvaal.

9. The British colonial administration showed little interest in creating jobs for the Swazi. Apart from some early, small-scale tin and gold mining, the most significant British investment in Swaziland was the establishment of the Havelock Asbestos mine in the 1930s. This mine was the first source of industrial employment in the country. The Ngwenya iron ore mine opened in 1964, shortly before independence. The first railway, linking this mine with Mozambique, started operating soon after.

10. By the early 1960s, Swaziland's internal demand for labor exceeded the South African demand for immigrant labor, in part because of agribusinesses developed by British interests. In the 1940s, the British government's Commonwealth Development Corporation and private British companies launched two major enterprises—the Usutu Forest and wood pulp mill, and a large-scale irrigated sugar project in the lowlands. Workers came to these enterprises from as far as Malawi and Zambia. Highly educated black South Africans, some of whom were refugees from apartheid, also sought employment, often as teachers or in professional roles. The emergence of a small, progressive working class created demands for political emancipation, to which the elite responded with the ideology of "traditionalism" (Chapter 2).

11. Apart from the processing of raw materials, manufacturing was almost nonexistent during the colonial period. It only took off during the 1980s, when Swaziland's position in SACU offered scope for evading international sanctions against trade and investment in apartheid South Africa.

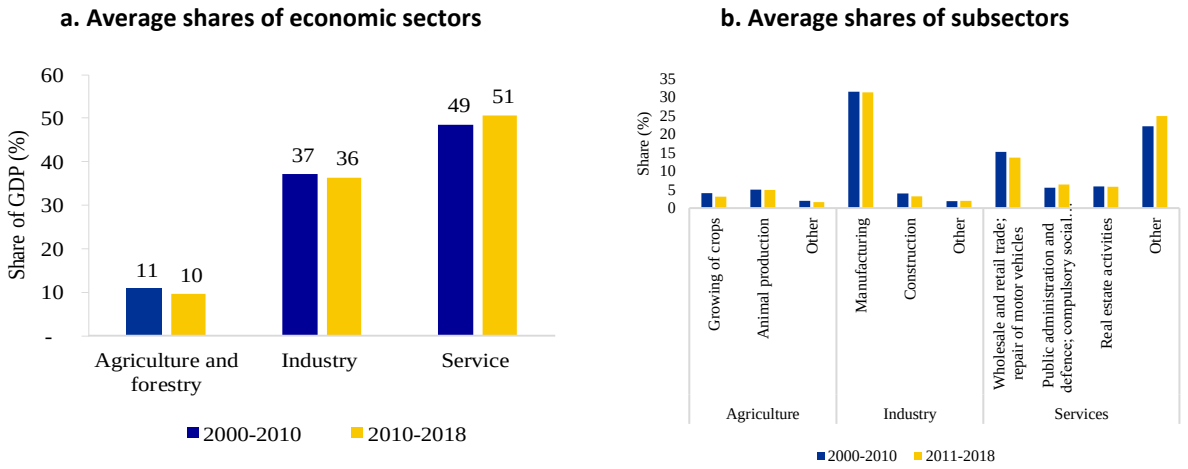
1.2 Economic Growth Trajectory

12. Global sanctions against apartheid South Africa significantly benefited Eswatini's economy. Between 1980 and 1995, several South African and multinational companies invested in Eswatini, mostly in manufacturing. Among other factors, they were attracted by its macroeconomic stability: economic management was robust, recurrent expenditure was firmly controlled, and public spending emphasized education, health and infrastructure. As investments flowed, the export base gradually expanded. By 1995, its exports of manufactured goods enabled Eswatini to become one of the few small, relatively resource-poor economies to achieve lower-middle-income status.

13. When South Africa opened up, Eswatini's economic performance declined, leaving it in a low-growth trap. Democratic South Africa eroded Eswatini's advantage as the subregion's preferred destination for foreign investment. As investment shifted to South Africa, structural constraints in Eswatini were exposed, including its overreliance on the public sector and the sugar monoculture.

14. Today the country's economy remains concentrated in a few sectors (Figure 5). Agriculture is still dominated by forestry and sugarcane. Eswatini is Africa's fourth-largest sugar producer after South Africa, Egypt, and Sudan. Between 2000 and 2018, the share of agriculture in the gross domestic product (GDP) declined marginally from 11.9 percent to 8.7 percent; the industrial sector's share did likewise, from 37.6 percent to 36 percent. The industrial sector is dominated by manufacturing, mainly textiles, food products, and the processing of sugar-based concentrates—the latter alone accounts for about 40 percent of total exports. The largest sector is services, dominated by wholesale and retail trade; its share of GDP increased from 47 percent in 2000 to 52 percent in 2018.

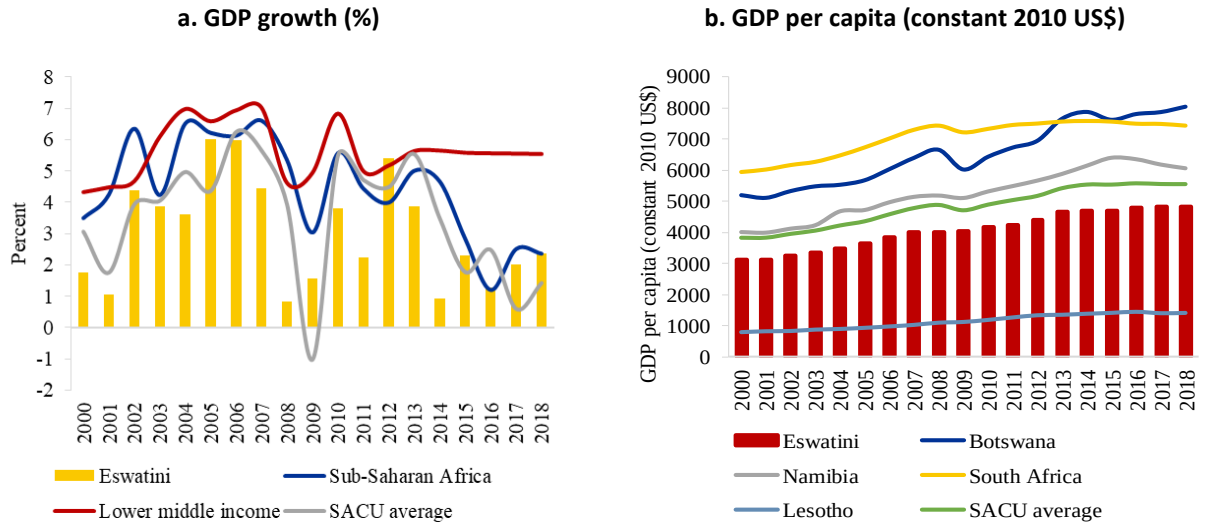
Figure 5. Sectoral composition of GDP, 2000–18 (%)



Source: Eswatini Central Statistical Office 2018.

15. Eswatini's current rate of economic growth is below the average for Sub-Saharan Africa; GDP per capita has also been below the SACU average since 2000 (Figure 6). Average annual growth declined from 3.5 percent in 2000–10 to 2.6 percent in 2011–18. The causes of the decline included disinvestment during the 2000s, with net exports making a negative average contribution to growth. Also, economic policy and the management of public finances were inconsistent, whereas SACU revenues declined; these factors negatively affected the business environment.

Figure 6. Economic growth, 2000–18



Source: World Development Indicators.

16. The fiscal situation has deteriorated since 2016 because of an increase in the public sector wage bill and a decline in SACU revenues (Figure 7a). In general, the volatility of SACU receipts over the past decade caused large swings in revenues and in the fiscal balance: these receipts declined from an average of 55 percent of total revenue in 2012–15 to below 40 percent in 2016–18. The wage bill is high and growing, rising from 10 percent of GDP in 2014 to over 13 percent in 2016. In 2016, civil servants received salary increases of more than 17 percent above inflation. As a result of these pressures, the fiscal deficit soared from 0.6 percent of GDP in 2014 to over 9.0 percent in 2018.

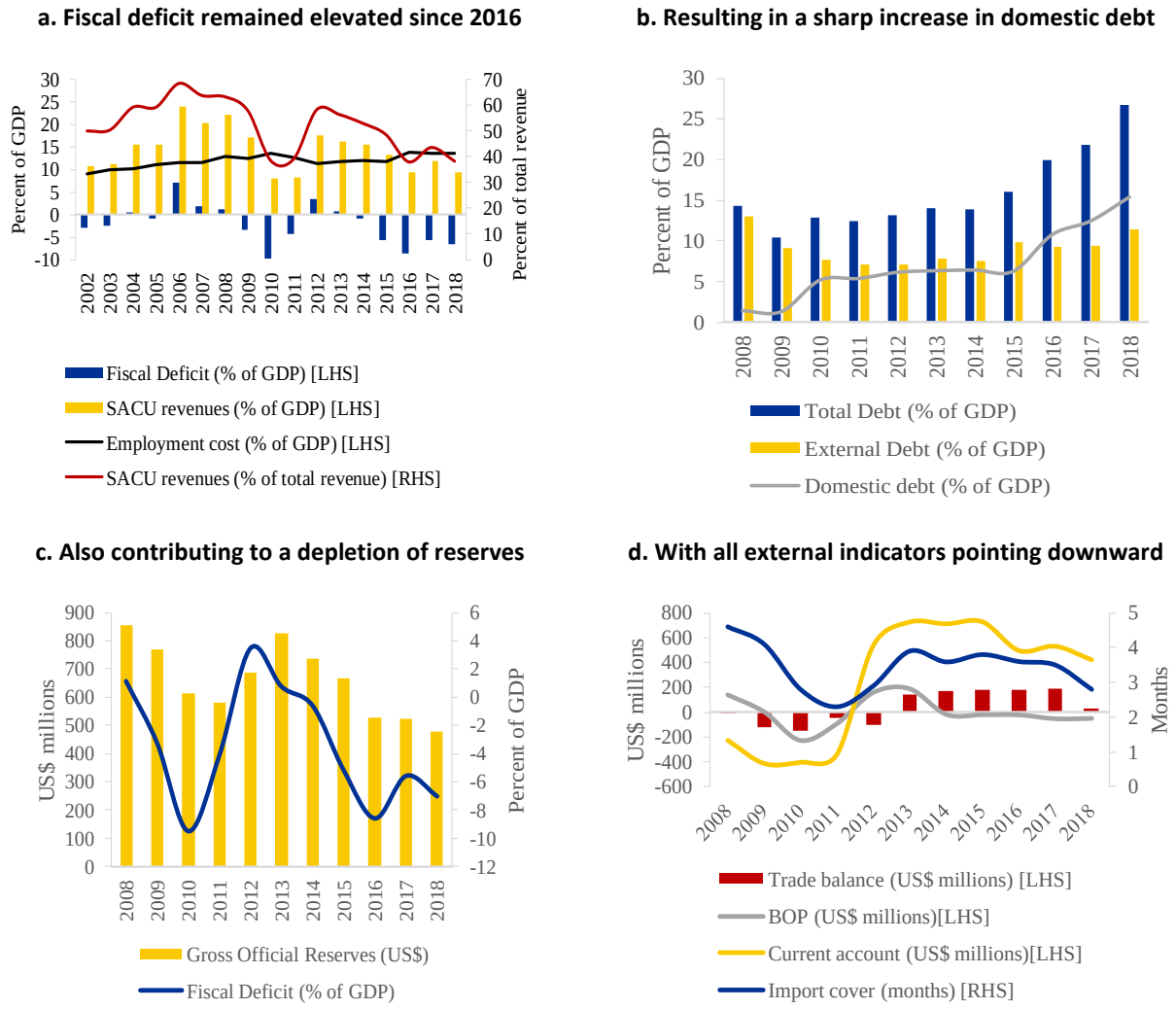
17. Fiscal deficits have been financed through domestic and external debt, the accumulation of domestic arrears, and the depletion of foreign reserves. In 2016 domestic debt financing surpassed external debt as a share of GDP. Government took out additional external debt, mainly for large infrastructure projects such as roads, hospitals, and hotels. It also accumulated domestic arrears, which increased from 3.0 percent of GDP in 2016 to about 7 percent in 2018. Of these, capital projects represented 3.3 percent of GDP or E 2.2 billion (US$150 million); these arrears seem to stem from poor project appraisal and insufficient commitment control. More generally, unrealistic budgetary allocations and a budget not fully financed have driven the rapid accumulation of expenditure arrears. As a result, public debt rose sharply from 10 percent of GDP in 2009 to about 27 percent in 2018 (Figure 7b). That said, debt ratios remain low relative to the rest of region.

18. Deteriorating public finances negatively affected the external position. Eswatini relies heavily on international trade, with a trade-to-GDP ratio of 110 percent in 2018. Sugar and Coca-Cola soft drink concentrate are the main exports. Exports of goods and services decreased by about 20 percent from about E 25 billion in 2016/17 to E 20 billion in 2017/18, while imports fell by about 20 percent from about E 26.7 billion to E 20.8 billion (Figure 7d). A reduction in official transfers, coupled with a loose fiscal policy, negatively affected the balance of payments.

19. Gross official reserves have fallen to their lowest levels since the 2010/11 fiscal crisis (Figure 7c). In 2018, reserves fell below the international 3-month benchmark for the first time since 2013. The level

of reserves was sufficient to cover only 2.8 months of imports of goods and services, down from 3.8 months in 2015. This fall was due mainly to the use of reserves to finance the persistent fiscal deficit.

Figure 7. Fiscal and external position, 2002–18 (% of GDP)



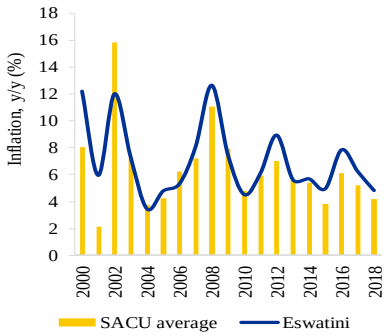
Source: Ministry of Finance and Eswatini Central Bank.

20. Eswatini cannot conduct its own monetary policy because the lilangeni is pegged to the rand. Changes in the repo rate (the rate at which a central bank lends money to commercial banks facing a shortfall of funds) tend to follow interest rate adjustments in South Africa (Figure 8b). When the South African Reserve Bank cut its repo rate by 100 basis points (from 6.25 percent to 5.25 percent) in March 2020, the Central Bank of Eswatini cut its own rate by a similar margin (from 6.5 percent to 5.5 percent). Since 2017, the Central Bank of Eswatini has set its repo rate 25–50 basis points higher than its neighbor's rate to help attract investment.

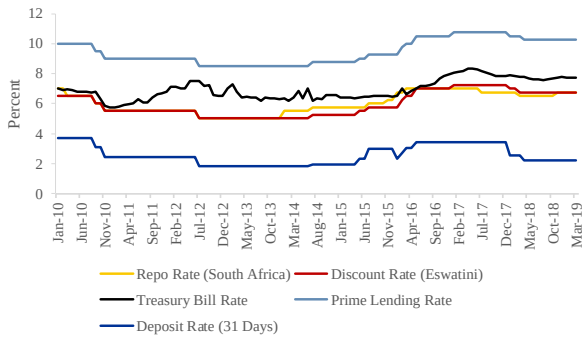
21. Inflation has been falling since 2016 (Figure 8b). In 2017 the average inflation rates in SACU were in the 3–6 percent band, while the rate in Eswatini was 6.2 percent. However, the following year it fell to 4.8 percent, driven by lower food prices.

Figure 8. Monetary policy and inflation, 2009–18

a. Inflation has long been above SACU average

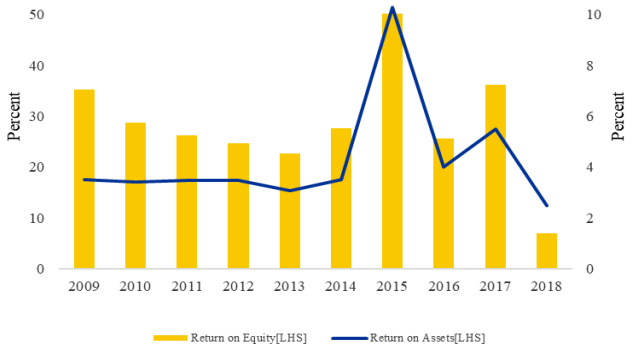


b. Interest rates mirror SA monetary policy



c. Nonperforming loans have increased significantly since 2016, partly because of fiscal challenges

d. Banks remain profitable



Source: IMF and Central Bank of Eswatini.

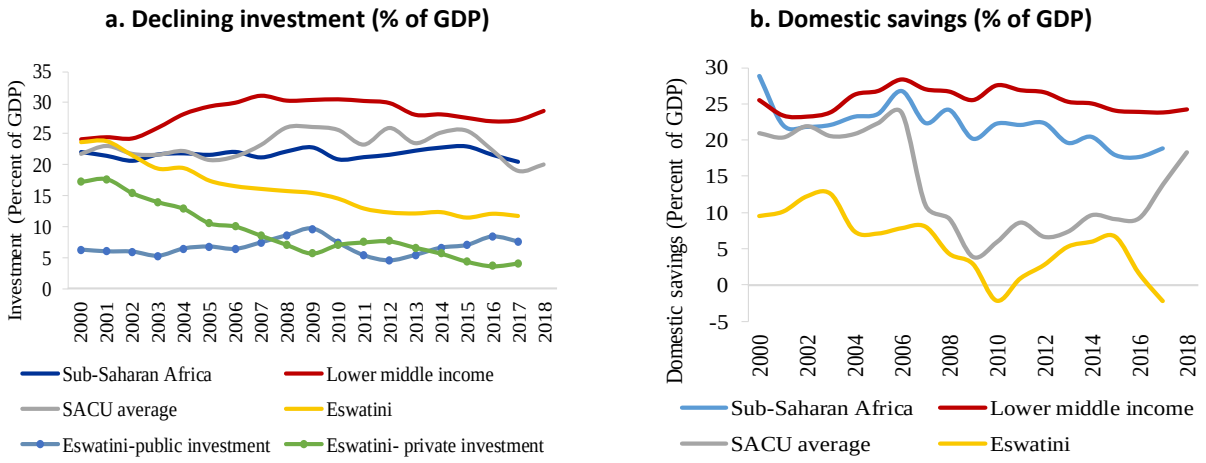
22. The financial sector is understandably small. Financial assets account for less than a third of GDP. The main factors limiting access to the financial sector are, first, its small size: only half the adult population are banked and live within 30 minutes from a bank branch or an automated teller machine (ATM). About 90 percent depend on informal borrowing and savings. Second, banking charges and the costs of banking are significant, and real interest rates are negative. Third, infrastructure is limited, both in terms of the number of branches of financial institutions and of Internet coverage for mobile banking.

23. The banking sector is dominated by four banks, which hold a market share of 86 percent. Such a high level of concentration raises the costs and limits the availability of credit. Three of these banks are South African, an interconnection that provides various benefits but also risks transmitting financial shocks between the two countries. At end-2018, all banks were adequately capitalized, with total adequacy ratio of 18.8 percent, well above the regulatory requirement of 8 percent. Profitability is high: in 2018, the average return on assets was 2 percent and the return on equity 13.4 percent.

24. Recent public arrears have adversely affected the outlook for the financial sector. Government's inability to pay some service providers has undermined the ability of these companies to service their loans. Public arrears thus contributed to higher nonperforming loans, which rose from 3.6 percent of total loans in June 2015 to about 10.0 percent in June 2019.

25. Private investment and domestic savings have fallen (Figure 9). In the early 2000s, private investment in Eswatini exceeded the SACU and Sub-Saharan averages. However, it then started to decline, eventually to be overtaken by public investment. Foreign direct investment also declined. Savings dipped during the 2010/11 fiscal crisis, a phenomenon than can again be observed during the current crisis.

Figure 9. Investment and savings, 2000–18



Source: World Development Indicators.

1.3 Economic Outlook[2]

26. Estimates for economic growth in 2019 stand at 1.3 percent. Escalating fiscal challenges, illustrated by the accumulation of domestic arrears, continue to delay a recovery in the construction and public administration sectors. A 2019 public wage freeze constrained demand, negatively affecting the growth of both wholesale and retail trade. Climatic shocks (particularly droughts) dampened growth in the agricultural sector, and a decline in textile production caused the industrial sector to shrink further. Before COVID-19, economic growth had been projected to recover in 2020 and over the medium term. However, the economy is now projected to contract in 2020 and remain subdued in the medium run (Box 1).

27. While the fiscal deficit improved in 2019, it is still fairly high at 7.3 percent of GDP (down from 9.9 percent in 2018). The improvement stemmed from higher SACU revenues and fiscal consolidation efforts, including a wage freeze, the containment of recurrent expenditure, and a deferment of capital projects. Total revenues grew by about 2 percent of GDP to 26.5 percent of GDP in 2019, as SACU revenues increased by 7.8 percent after having contracted by 17.8 percent in 2018. Fiscal consolidation efforts led to a marginal decline in spending (about 0.9 percent of GDP) to 33.8 percent of GDP in 2019. The deficit was financed by the accumulation of domestic arrears, a drawdown on reserves, and domestic borrowing. Domestic arrears rose to 8.1 percent of GDP at end-2019, up from 5.9 percent in January 2018. Total public debt, including arrears, increased by over 5 percent of GDP year-on-year to 38 percent of GDP in 2019, driven largely by the high primary deficit. Domestic debt was the main driver of the rise in total public debt—it increased by over 3 percent of GDP year-on-year to about 20 percent of GDP in December

[2] Although this Systematic Country Diagnostic was prepared and finalized before the COVID-19 pandemic, this section includes a brief discussion of the impact of the pandemic on growth, poverty, and inequality.

2019. Government's efforts to improve its fiscal situation have been undermined by the COVID-19 pandemic, as it has had to increase expenditure to ameliorate the worst effects of the pandemic just as revenues declined. The fiscal deficit is projected to increase significantly to 8.7 percent of GDP in 2020 and is likely to remain high in the medium term as the fallout from the pandemic hits SACU revenues.

28. Despite the elevated fiscal deficit, inflation fell to record-low levels in 2019, partly because government froze electricity and water tariffs. Average annual inflation was only 2.6 percent in 2019, down from 4.8 in 2018—the lowest in the Common Monetary Area and below the 3 percent lower target band. Low inflation allowed the central bank to maintain an accommodative monetary stance. Inflation gradually picked up in 2020, rising from 2.7 percent in January 2020 to 4 percent in May 2020; this partly reflects COVID-19-induced price increases. In response to the pandemic, government deferred electricity tariff increases to 2021 and water tariff increases by three months (from April to June). Utility tariffs carry the second-largest weight in the consumer price index after food, and the freeze will help keep inflation within the target band even during the pandemic.

29. The current account surplus increased in 2019 as exports recovered. The trade surplus increased from US$39 million in 2018 to US$168 million, driven by a record 17.2 percent year-on-year increase in exports as against a 9.9 percent increase in imports. Major export increases include sugar (which accounts for 24 percent of total exports and grew by 35.7 percent), miscellaneous edibles (47 percent of exports, growing by 15 percent), and textiles (12 percent of exports, growing by 12.5 percent). The increases were due to the penetration of new markets and the country's readmission into the Africa Growth Opportunity Act (AGOA) market in 2018. The highest growth in imports was in fuel (16 percent of total imports), which grew by 48.1 percent. Despite the improvement in the current account, ongoing fiscal challenges constrained growth in reserves. Gross official reserves declined from 2.8 months' cover in 2018 to 2.6 months in 2019, the lowest level since the 2010/11 fiscal crisis. This situation is likely to be compounded by a significant decline in the current account in 2020 because of the COVID-19 pandemic (Box 1).

Box 1. Eswatini's COVID-19 crisis: Transmission channels and impact

The COVID-19 pandemic has significantly changed the growth outlook for Eswatini. Before the pandemic, growth projections suggested a strong recovery in 2020 and over the medium term. Now, however, the economy is expected to contract by between 3.5 percent and 6.9 percent, with only a modest recovery in the medium term.

The economic impact of the pandemic is transmitted via two channels. The *external* channel affects both supply and demand through a decline in trade, tourism, and remittances, as well as a weakening exchange rate. The *domestic* channel includes policy responses (e.g., lockdown, social distancing, travel restrictions, and other health-related measures) that affect domestic demand and supply through the loss of income, job losses, and company closures. The fiscal response to the pandemic leads to more fiscal challenges, such as an accumulation of arrears, which will further dampen economic recovery.

On the supply side, the manufacturing sector, especially sugar and textiles, has been hard hit by the pandemic because of disruptions in global value chains. The textile industry is particularly affected by falling international supply and demand, in view of its links to China and other trading partners that have closed their borders; it is expected to contract by over 30 percent. Transport both within and outside the country is severely affected, as the movement of people and goods is restricted.

The immediate impact of COVID-19 in Eswatini included massive job losses, especially in the textile and hospitality industries. The Minister of Labor revealed in May 2020 that 43 companies had already applied for temporary layoffs of their employees, resulting in 8,429 employees being laid off (unpaid). On the demand side, restrictions

on movement and activities are causing a general fall in demand, as the cash flow and income of businesses and households have dropped. The pandemic has reduced consumption and investment by households, government, and firms, leading to rising unemployment, poor salaries, increased pressure on disposable incomes, and reduced tax revenues and donor funding. Service sectors that require direct contact between producers and consumers have been hit especially hard by the health measures. This has a ripple effect on the wider economy, as many of these businesses have suspended operations and reduced employment.

Table 2. Estimated economic impact of the COVID-19 crisis, 2020

Projections	Pre-COVID-19	Baseline COVID-19	Downside COVID-19
Real GDP growth (%)	2.6	-3.5	-6.9
Fiscal deficit (% of GDP)	-4.5	-8.7	-10.4
Revenue (% of GDP)	28.9	27.2	25.7
Expenditure (% of GDP)	33.4	35.9	36.1
Current account surplus (% of GDP)	2.6	1.0	-1.1

Source: World Bank Staff compilation, based on data from World Bank MFMOD (April 2020), IMF and Eswatini Ministry of Finance.

The fiscal impact of COVID-19 comes primarily through two reinforcing channels. The first is lower revenue, mainly from a reduction in economic activity. Revenues are projected to decrease (by about 2 percent of GDP against the pre-COVID period), as weak economic activity negatively affects both direct taxes (income tax) and indirect taxes (e.g., value-added tax). The decline in trade, especially imports, and the disruption of global value chains have a direct and immediate negative impact on excise, import duty, and value-added collections. Second, total expenditure is projected to grow by over 2 percent of GDP, as government tries to support individuals and businesses. It responded to the pandemic by increasing health-related spending, approving a supplementary budget of about 0.1 percent of GDP in March. Other responses may also result in higher spending, such as additional cash transfers and food assistance to 300,000 vulnerable households, various support mechanisms (tax relief) for targeted business and industries, and potential bailouts of loss-making state-owned enterprises. For example, the freezing of electricity and water tariffs might significantly affect the relevant state-owned utilities.

The net fiscal effect would be to increase the fiscal deficit by over 4 percent of GDP in the baseline and by over 5 percent of GDP in the downside scenario (Table 2). Debt levels are projected to breach the government benchmark of 35 percent of GDP because of higher borrowing for health and stimulus spending. Domestic arrears will continue to increase, resulting in higher nonperforming loans, which undermine economic activity and the stability of the financial sector. Concomitantly, SACU revenues are projected to fall in 2021 and 2022.

Trade is severely constrained by travel restrictions, lockdowns, and border closures. Exports and imports are already contracting, as countries such as South Africa have partially closed their borders to contain the outbreak. South Africa absorbs about 60 percent of Eswatini's exports and provides 80 percent of its imports; exports to China constitute about 0.4 percent of the total and those to the Euro Area about 6 percent. In April, the trade surplus contracted by over 53 percent month-on-month to US$14.8 million; exports fell by 51.5 percent and imports by 52.5 percent, mainly because of the lockdown imposed by both Eswatini and its trading partners. The current account surplus is projected to decline to 1.0 percent of GDP from over 4 percent in 2019 and the pre-COVID projection of 2.6 percent of GDP.

The restrictions likewise damaged the tourism sector. Tourism receipts are expected to decline significantly following the lockdown in South Africa (the source of about 70 percent of Eswatini's tourists) and border closures in Europe. The demand for tourism activities, such as accommodation, bars and restaurants, has been severely affected by reduced mobility stemming from both social distancing and travel restrictions.

Remittances are also likely to decline as the main host countries face recession. Many migrant workers have lost their jobs because of the large-scale shutdown of economic activities, especially in the construction, hospitality,

and other service sectors. The World Bank's 2020 Migration and Remittances report projected that the COVID-19 crisis would see remittance flows to Sub-Saharan Africa decline by 23.1 percent to US$37 billion in 2020.

The exchange rate has depreciated significantly (by more than 24 percent between January and April 2020) to over E 18 per US$1—the largest depreciation in Eswatini's history. With the local currency pegged to the rand, the depreciation is due to the sharp reduction in the flow of foreign currency into South Africa.

Poverty is projected to increase and deepen, as the pandemic has led to a loss of income and a rise in prices. The impact of job losses related to the pandemic was simulated based on the Eswatini Household Income and Expenditure Survey (EHIES) 2016–17. The simulation suggests that as many as 35,200 people risk falling into poverty if the country is locked down for three months, rising to 59,400 people in a six-month lockdown. These numbers imply a 3.2 and a 5.4 percentage point increase in poverty, respectively. This is of particular concern given that poverty had already been high, with 58.9 percent of the population under the national poverty line. Average consumption losses range from 6.0 percent in a three-month shutdown to 10.1 percent in the six-month case. Households in urban areas and men are likely to be more affected, as are lower-middle-class households. This may result in a slight increase in inequality. These effects will be in addition to the potential effects of the illness itself on the health of household members, which may affect both expenses on health care and the ability to earn a wage. Thus, these results may well underestimate the effects of the pandemic.

30. Against this backdrop, the rest of the report is set out as follows: Chapter 2 reviews Eswatini's distinctive mode of governance. Chapter 3 analyzes the macroeconomic trends and the country's business environment, highlighting the privileged access of the few to employment, business, and investment opportunities. Chapter 4 identifies the main drivers of poverty and inequality and assesses progress in reducing these. Chapter 5 looks at Eswatini's human capital and examines the causes and effects of the lack of access to good-quality public services and infrastructure. Chapter 6 reviews the exogenous risks and vulnerabilities that complicate Eswatini's journey toward sustainable and inclusive growth and equity. Chapter 7 proposes policy recommendations toward achieving the twin goals of poverty reduction and sustainable, shared prosperity and identifies important knowledge gaps.

Chapter 2. Governance and Institutions

2.1 Governance: Duality

2.1.1 Emergence of dual governance

31. Eswatini's political system combines a "traditionalism" that is paradoxically recent and more typical forms of African nationalism and democracy. Although it may have roots in a more distant past, traditionalism as an ideology emerged in the 1930s from an alliance between Paramount Chief (later King) Sobhuza II and supportive colonial administrators and anthropologists.[3]

32. King Sobhuza II and the Swazi elite vigorously resisted colonial efforts to introduce a single governance system of British indirect rule. They also resisted British attempts to codify customary law and integrate it with "modern" law under a single legal framework, as control over custom and the ability to interpret and define (oral) customary law were real sources of power. Only after prolonged resistance by the Swazi authorities did the British colonial government issue the Swaziland Native Administration Proclamation in 1950. This proclamation, which left control of customary law in royal and aristocratic hands, was the origin of the dual system of governance.

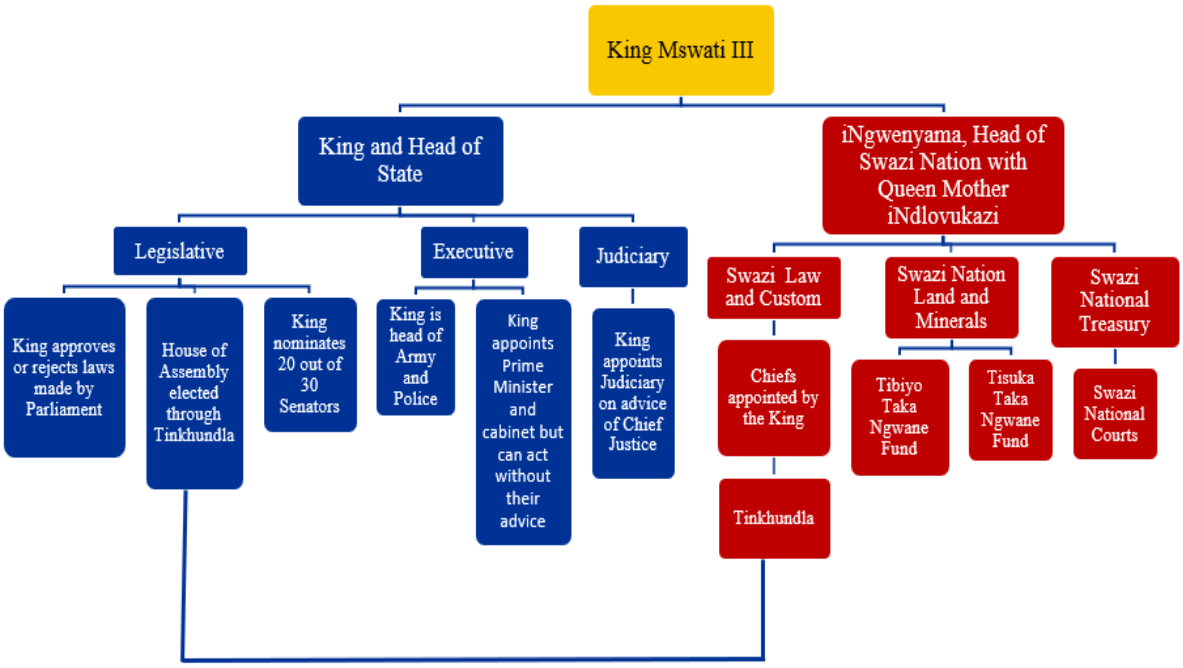
33. Eswatini gained independence as a constitutional monarchy in 1968, one of only three African countries to do so (the other two being Lesotho and, briefly, Zanzibar). The King and the chiefly elite founded a royal party that mobilized their rural base. This allowed them to become the dominant partners in the negotiations with Great Britain, ahead of smaller, urban- and worker-based nationalist parties. They negotiated post-independence governance arrangements that preserved the monarchical power; these were supported by local and South African business interests. The agreement excluded Swazi customary law, Swazi Nation Land, and the country's mineral wealth from the purview of the "modern" system of government.

34. The constitution was suspended five years after independence. The departing British administration had introduced a constitutional monarchy and a Westminster-style parliamentary system as conditions for independence. In 1973 the King suspended the independence constitution and banned all political parties, including his own. Parliament, dominated by the royal party, voted itself out of existence. In 1979 it was replaced by a system of limited democracy based on traditional tribal communities, the *tinkhundla* (see below), with indirect elections at local district level.

35. However, by 2005, the democratic parliamentary and traditional monarchical systems of governance were restored (Figure 10). King Sobhuza II died in 1982. After a complex transition that lasted three years, he was succeeded in 1986 by one of the youngest of his many sons, who was installed as King Mswati III. Ten years later, the King appointed a Constitutional Reform Commission. This started a decade-long process that culminated in the adoption of the 2005 Constitution, which guarantees the system of dual governance.

[3] Perhaps the most influential of these anthropologists, and certainly the most famous, was Hilda Kuper (1911–92).

Figure 10. Dual governance structures



Source: Authors' representation.

2.1.2 Dual legal and land tenure systems

36. Eswatini has also maintained two parallel legal systems since independence. The modern courts—the Supreme Court, the High Court and the magistrates' courts—are based on Roman-Dutch law with some English law. This system, which emerged in South Africa, had been applied to Eswatini throughout the colonial period (since 1902). It now handles more serious criminal and civil cases. The other legal system is based on Swazi customary law, which operates through the "traditional" Swazi National Courts. This system was set up by colonial legislation in 1950 to provide accessible justice for minor criminal and civil cases. Swazi National Courts are funded by the Swazi National Treasury (see below). In practice, the boundaries between the two systems are fuzzy. People can and often do choose where to take their cases, and "modern" labor disputes often end up in the Swazi National Courts. There is nothing static about Swazi customary law—it is flexible and fluid.

37. The duality extends to land tenure, which is divided between "modern" Title Deed Land and "traditional" Swazi Nation Land. It is a legacy of the land partition of 1907–14, when the British ceded about 60 percent of the territory to private, mainly white, landowners. The remaining 40 percent was left to the Swazi as Swazi Nation Land. After independence, King Sobhuza II led a nationwide effort to reacquire land from foreign concessions and white landowners. This expanded Swazi Nation Land to about 62 percent of Eswatini's land area of 1,736,400 hectares.

38. Title Deed Land is owned through freehold and concessionary title. The 500,000 hectares of Title Deed Land include commercial forests, farms, and ranches, as well as land owned by government. Swazi Nation Land is held in trust by the King for the Swazi people. It is controlled and allocated by chiefs according to traditional arrangements, which stipulate that land can only be used, not sold (see below).

2.2 Governance: Tradition

2.2.1 Monarchy

39. The monarchy is seen as an essential feature of Swazi culture, to which the country owes its continued existence as an independent state. The main figure in the monarchy is the King, or *iNgwenyama* (the lion). The Queen Mother, or *iNdlovukazi* (the great she-elephant), usually the King's mother, typically acts as regent during her son's minority. Despite the Queen Mother's important role, Eswatini remains a strongly patriarchal society.

40. The King wears two official hats, one traditional and one modern. As head of state, he is head of the executive branch of government in Mbabane, the "modern" capital. As *iNgwenyama,* he is the ritual head of the Swazi Nation, the ultimate source and guardian of Swazi law and custom, who holds Swazi Nation Land in trust. His seat in this capacity is in Lobamba, the "traditional" capital. In his role as *iNgwenyama*, the King presides over two councils, which can be seen as a check on royal power. The first, the Swazi National Council Standing Committee, is an inner council of senior men that may make important policy decisions. The second, the Swazi National Council, is open to all adult Swazi men and meets occasionally at Lobamba. The King's expenses in his role of head of state are defrayed from the state budget, which includes a King's Civil List. As *iNgwenyama*, his (and his court's) expenses come from traditional funding mechanisms. Hence, the King is the major beneficiary of the substantial income received by Tibiyo Taka Ngwane (see below). Finally, he is also a private citizen, who owns assets from which he derives revenue.

41. Expenditure on the monarchy and the royal family accounted for about 5 percent of total government expenditure in 2019/20. The budget includes at least US$58 million for recurrent spending on the two main royal votes, the Civil List and the Swazi National Treasury vote, both of which are administered by the King's Office. This sum includes the maintenance of the King, the Queen Mother, and the King's many wives, each of whom has her own household. Capital items bring this sum close to US$72 million, and security and close protection add another US$10 million. By comparison, Eswatini's recurrent and capital health budget for 2019/20 stands at US$185 million (Eswatini Budget 2019/20).

2.2.2 Chiefs

42. Eswatini has about 300 chiefs, each of whom has 3,000–4,000 followers. The earliest chiefdoms date back to the 19th century. While the constitution allows the King to appoint anyone as chief over any area, it says that "as a general rule", chiefs are appointed after selection by a family council within the chiefly family. In practice, chieftaincy is hereditary, and family choices are confirmed by the King. Family councils choose heirs based on the status and importance of their mothers. A significant minority of chiefs are members of the royal Dlamini clan.

43. Chiefs answer to the King in his capacity as *iNgwenyama* and head of the Swazi Nation and are not part of the "modern" government. Historically, to avoid co-optation, chiefs had refused salaries from the British colonial government. They still do not receive government salaries; instead, they depend financially on various forms of tribute (e.g., labor and payments). Chiefs have councilors, who are the administrators. The chiefs' work includes allocating Swazi Nation Land and settling disputes. Swazi National Courts (see above) are associated with chiefdoms, but chiefs would not normally sit in judgment.

44. The Council of Chiefs comprises 12 chiefs chosen by the King from the four regions of Eswatini. The constitution gives the council a role in legislation on Swazi law and custom. Although such legislation must be initiated in the Senate, it must also be approved by the Council of Chiefs. In yet another illustration of the fluid boundaries between the two systems, chiefs also may be members of Parliament, the Senate, and the Cabinet.

2.2.3 Swazi Nation Land

45. The economic and political power of the chiefs comes from their role in the allocation of Swazi Nation Land. As noted, this is the land that the British land partition of 1907–14 allocated to the Swazi people to be held in customary tenure. Originally comprising 40 percent of the land area, it has been increased to about 62 percent and is mostly occupied by small-scale farmers. An element of power imbalance was built into the land system at the partition, when chiefs were allocated much larger landholdings than commoners. The wealth and economic influence of Swazi chiefs vary greatly depending on where their chieftaincies are located and their closeness to the royal family. Chiefs with territories close to the capital Mbabane, to Manzini (the most populous town), and to some smaller towns have benefited from the demand for building plots near municipal boundaries.

46. The distribution of Swazi Nation Land remains equitable and accessible. Although chiefs appear to have much personal power, they manage land and other customary affairs collectively with the support of a council of elders and others from their area of jurisdiction. This collective management provides some checks and balances; there also are social and institutionalized safeguards against dispossession. Insofar as Swazi Nation Land provides security of tenure and functions as a "welfare system" with relatively guaranteed access to landholding, it will continue to enjoy legitimacy and popular support. Eswatini's system of land distribution is the bedrock of its traditional governance and the ultimate source of royal and chiefly power.

2.2.4 Tinkhundla

47. The *Tinkhundla* are the equivalents of community districts, which started as meeting places for Swazi soldiers returning home after World War II. In 1978 the Westminster electoral system that had been in place since independence was replaced by an electoral system based on Tinkhundla. The selection of parliamentary candidates for the elections begins at the level of chiefdoms and proceeds to the Tinkhundla for the actual election. There are now 59 Tinkhundla, each of which comprises about six chieftaincies. A few larger chieftaincies span more than one Tinkhundla.

48. There is a gap in representative local government in Eswatini. The 2005 Constitution envisaged the Tinkhundla being developed into a system of rural local government for areas beyond city and town council boundaries. On paper, each Tinkhundla should have its own council, or *Bucopho*. This council comprises a chairman, an unspecified number of councilors, a member of parliament, and an executive secretary. In practice, Tinkhundla councils rarely meet.

2.2.5 Swazi National Treasury

49. Funded from the national budget, the Swazi National Treasury administers the affairs of the royal household. It falls under the King's Office in Lobamba, the traditional capital, and its controlling officer is the Chief Officer, King's Office. Its stated objectives are to administer the Swazi National Courts. Its

2019/20 budget is equivalent to US$30 million, almost all of which is described as grants and subsidies. However, the budget for the judiciary is only about one-sixth of this sum. About a third, or US$10 million, is allocated to capital expenditure on the construction and maintenance of royal residences (Eswatini Budget 2019/20).

2.2.6 Tibiyo Royal Fund

50. At independence in 1968, the control of Swazi Nation land, minerals, and customary law were excluded from the purview of the "modern" system and reserved for the King-in-Council. This arrangement allowed the establishment of the *Tibiyo Taka Ngwane* (wealth of the nation) fund, a sovereign wealth fund with assets mainly in land and real estate. It is held in trust for the Swazi nation by the King. On its establishment in 1968, the Tibiyo fund was intended to benefit the nation, and its income could be used for public benefit. Its value is estimated at US$100 million.

51. Tibiyo's source of the wealth lies in its control over the sections of Swazi Nation Land leased to multinational companies. It also is the ultimate owner of some of the land on which the country's 120,000 hectares of forests are situated. Tibiyo owns urban property and farms on Title Deed Land and has become a vehicle for the royal ownership of most shares in Eswatini's larger companies. One of these is the Royal Eswatini Sugar Corporation, the country's largest sugar producer with 22,000 hectares under cultivation. Tibiyo is known to own 51 percent of this corporation, 40 percent of Ubombo Sugar, and 40 percent of Royal Swazi Spa Holdings, which owns a casino and hotels in the scenic Ezulwini Valley.

2.3 Governance: Modernity

2.3.1 The Constitution

52. The 2005 Constitution guarantees equality before the law, personal liberty, freedom of expression, freedom of assembly and association, and many other rights. Article 2 states: "This Constitution is the supreme law of Swaziland and if any other law is inconsistent with this Constitution, that other law, to the extent of that inconsistency, shall be void."

53. The constitution vests executive authority in the King as head of state. Chapter 6 stipulates that the King is the supreme head of the executive and can exercise executive functions with or without the Cabinet. He cannot initiate legislation, but he may withhold assent to parliamentary legislation. He is not the head of the judiciary, and as the Crown, is supposed not to interfere with it.

54. The constitution also outlines the duties of the Cabinet as carrying on the government in the name of the King. The Prime Minister, appointed by the King, is Head of Government and chairs the Cabinet. The King appoints 10 of the 76 members of the House of Assembly (the lower house of Parliament) and 20 of the 31 members of the Senate (the upper house). Acts of Parliament require approval by both houses and royal assent. The King may refer bills back to Parliament, and he may give or withhold assent. To this extent, Eswatini is not a constitutional monarchy in the sense of Great Britain, for example, in which the monarch is obliged to assent to all legislation approved by Parliament.

55. The constitution guarantees judicial independence. Chapter 13 states that the "judiciary is independent and subject only to this Constitution." There should also be an independent Judicial Service Commission, although its members appear to be appointed, directly or indirectly, by the King. The constitution makes comprehensive provision for the composition and structure of the "modern" court

system. It does not outline the Swazi National Court system, which is still set up in accordance with the 1950 Swaziland Native Courts Proclamation. There is some ambiguity in the constitution about the relationship between the two legal systems.

2.3.2 Regional and local government

56. Eswatini is divided into four administrative regions: Hhohho, Manzini, Shiselweni, and Lubombo, each of which comprises both urban and rural local government structures. Overall responsibility for delineating urban areas and overseeing urban local government lies with the Ministry of Housing and Urban Development. Responsibility for regional administration (i.e., rural local government) lies with the Ministry of Tinkhundla Administration and Development. The respective ministers may monitor or request reports on the performance of a local authority, inspect or audit such an authority, and take corrective action if necessary.

57. Subnational government comprises three layers: regional administration, Tinkhundla, and chiefdoms. The administrative regions are run by regional administrators, the political heads of the regions, who are appointed by the King in accordance with the constitution. These appointments are for five years, concurrent with the terms of members of parliament. Their main functions are managing the Tinkhundla and ensuring coordination among the regional departments of the line ministries.

58. Municipalities are located within administrative regions but are governed by urban councils, not by the regions. Eswatini has 13 declared urban areas: two city councils, four town councils, and seven town boards. Mayors hold their posts on a part-time basis and typically only chair council meetings and perform ceremonial functions. The role of town clerks is more important, because they serve as chief advisors to the councils and boards. Urban councils have their own bureaucratic structures, and their decision making is autonomous.

2.3.3 Public administration

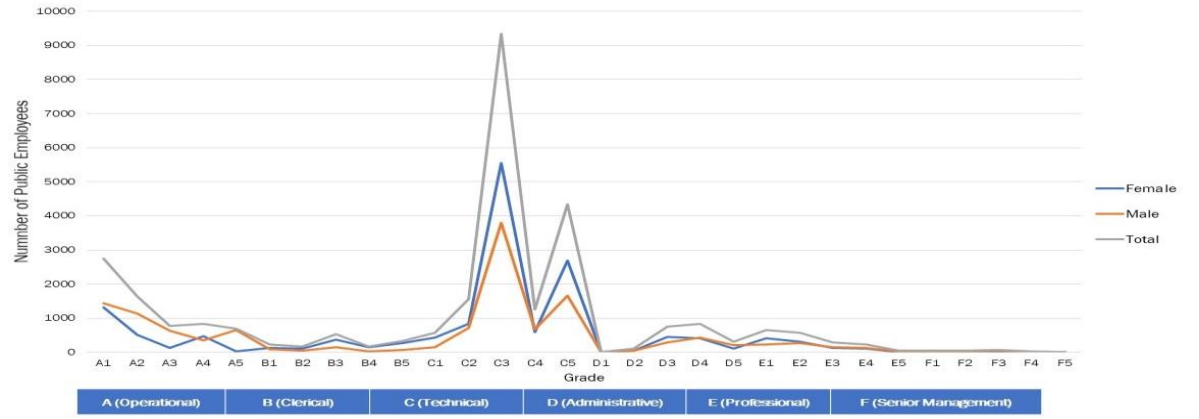
59. The constitution establishes independent and impartial service commissions to oversee the public service. The King appoints the members of these commissions on the recommendation of a line minister. Their key functions include appointing and selecting candidates for the public service, exercising disciplinary control in the service, removing public servants from office, and conducting inspections and investigations where necessary. Action against misconduct by public servants, even when criminal in nature, are generally handled through an internal system of administrative justice. There is no suspension without pay, and according to the Office of the Auditor General, suspension for misconduct (on pay) costs government about US$15 million per year.

60. The Ministry of Public Service reported a 2018 establishment list with about 44,000 positions and a wage bill of E 7.1 billion. Basic salaries form 85 percent of the wage bill; the rest are allowances. Current establishment controls are insufficient to manage the wage bill—in the last decade, salaries have grown by 125 percent (Rijkenberg 2019). A salary review of civil servants in April 2016 resulted in annual salary increases of 17 percent above inflation (World Bank 2018c). Despite the overall growth of the public sector, key positions in the establishment, especially in oversight institutions, have long remained vacant.

61. The public service comprises 20 government ministries (which include departments and agencies), with a total of about 46,000 employees. This number is 5 percent higher than the number of employees

on the establishment list (Figure 11). The public service consists of the staff of line ministries, teachers, health care workers, police officers, firefighters, and correctional officers. The defense sector is not included in the public service; it has its own service commission. Parastatals and statutory bodies likewise are not included in the public service and have their own human resources processes.

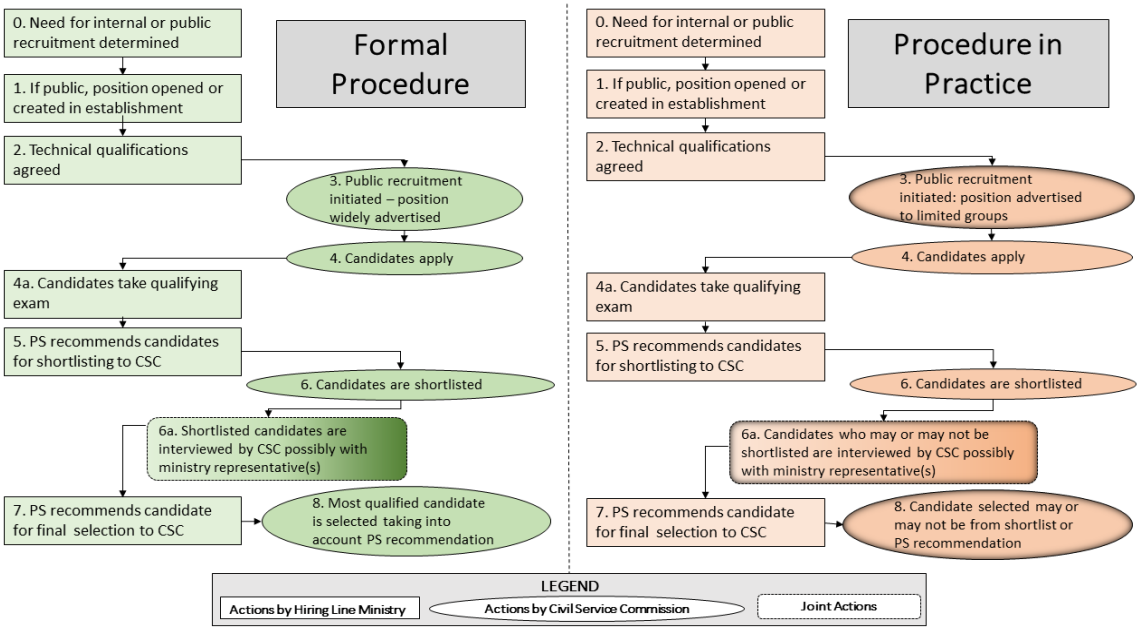
Figure 11. Structure of the public service



Source: Authors, based on data from the Ministry of Public Service 2019.

62. The Civil Service Commission is the primary recruitment mechanism for civil servants. It oversees all public servants below the rank of Deputy Commissioner or Deputy Principal Secretary. Higher-ranking public servants are appointed by the King, in accordance with the constitution. Recruitment is discretionary and not transparent; it takes 4–6 months on paper and often exceeds one year in practice. Figure 12 illustrates the differences between recruitment policies and actual practices. Although there may be modern and traditional spheres of government, people increasingly hold their positions in the public sector because of their inherited positions in the traditional hierarchy.

Figure 12. Civil service recruitment procedures on paper and in practice



2.3.4 State-owned enterprises

63. State-owned enterprises operate across a wide range of sectors and play a critical role in the national economy. Eswatini's 48 state-owned enterprises are heavily present in the agriculture, water, commerce, education, entertainment, finance, health, housing, information technology, and tourism sectors. In 2019 they employed 8,434 people. More than half of these enterprises rely entirely on government support for their recurrent and capital budgets. Their mandates often overlap; some compete directly with private players, whereas others function as regulators of their sectors. In addition, they face significant corporate governance challenges, including a wide separation of ownership from control functions. The Public Enterprises Unit monitors state-owned enterprises in Category A (public enterprises wholly owned by government) but lacks the capacity and powers to adequately monitor and sanction them. A recent Auditor General report indicates that many of these enterprises do not meet the statutory deadline to submit their audited annual financial statements for review by September 30.

2.3.5 Public financial management

64. Systemic weaknesses in public financial management allow the inefficient use of public finances for both recurrent and capital spending. These inefficiencies are exacerbated by limited capacity for fiscal planning, implementation, and oversight. Key risks to the public financial management system include poor planning and budgeting, weak cash management, overspending due to poor discipline in expenditure controls, and high expenditure arrears because of the failure to implement a commitment system. These risks are amplified by weak financial accountability, which stems from insufficient capacity for financial reporting, weak internal and external audit, and limited oversight by the Public Accounts Committee. Other challenges are a lack of clarity in decision-making processes in the dual governance structure, delays in adopting the Public Financial Management Act, and fragmented institutional arrangements.

65. Total expenditure is rising, but spending on education, health, and infrastructure is inefficient. Health outcomes are not commensurate with spending, and Eswatini's health indicators are poor relative to its peers. Large recurrent expenditure on salaries and administrative costs, over- and under-execution of the budget, and erratic spending performance all contribute to unequal access to public services. In 2018/19, 10.1 percent of total public expenditure (3.4 percent of GDP) was allocated to health, but over 90 percent of this was for recurrent spending. Education accounted for the highest share of total public spending—15.2 percent, or 5.3 percent of GDP in 2018/19. Most of this was on teachers' wages and salaries, especially at the primary level. Public spending per pupil is high relative to the regional average.

2.3.6 Internal controls and audit

66. Weak internal controls over the payroll system inflict high costs on government. A 2015 Public Service Payroll and Skills Audit found 4,510 ghost employees among the 37,027 public employees targeted for verification and enumeration (Kingdom of Eswatini 2015c). The payroll system is running on legacy technology from 1994, which has been used for a limited number of functions and modules since its installation. Weak establishment controls and reconciliation of human resource records result in invalid payroll files. The reconciliation of many financial accounts is inadequate and does not follow International Public Sector Accounting Standards (IPSAS). Government has started a project to develop an integrated financial management information system that will address reporting challenges by introducing a new chart of accounts, improving Treasury controls, and helping to consolidate government cash balances.

67. The Office of the Auditor General audits the public offices, courts, and other authorities. The Auditor General is appointed by the King on the advice of the Minister of Finance after recommendation by the Civil Service Commission. The 2005 Audit Act stipulates the powers, rights, and duties of the Office of the Auditor General. The Auditor General provides independent assurance on the use of public funds by conducting financial and performance audits and investigations of Eswatini's public accounts. Audit reports are submitted to the Minister of Finance, who tables them in both chambers in Parliament. The Office of the Auditor General does not meet the international benchmark of auditing 75 percent of the national budget every year. Only about 32 percent of planned audits were completed in 2015/16, and even fewer—12 percent—in 2016/17. This is mainly because of a lack of capacity. Staff from the Ministry of Public Service constitute the bulk of the Office, but do not formally report to the Auditor General. The Office is also constrained by an inadequate budget, old computer systems, and limited office space in an old building that has neither security system nor access control measures.

2.3.7 Public investment management

68. Eswatini has considerable room for improving its governance of infrastructure. In a comparison with institutions of other middle-income countries in the region, 15 of Eswatini's key institutions, which are involved in the three major stages of the public investment cycle, scored poorly (Singh et al. 2019). Challenges in managing public investment include: (a) inadequate prioritization and monitoring of capital projects in line with national development priorities, and (b) a low rate of implementation of the capital program. These challenges have escalated project costs and delayed implementation.

69. Capital expenditure accounts for about 20 percent of total public spending. However, over the past decade, the actual investment component of capital expenditure averaged only 11 percent. In 2016/17 the execution rate of capital expenditure was only 50 percent of the allocation. This figure excludes externally funded capital projects, which tend to have a higher implementation rate. Government is exploring the use of public-private partnerships for infrastructure projects. However, the existing policy and regulations for such partnerships are weak.

70. The legal framework governing public investment management is incomplete. Many provisions are not fully implemented because regulations have not been issued and the approach to procurement and contracting does not provide sufficient protection against cost escalation. As noted, Eswatini does not adequately prioritize and monitor capital projects in line with its national development priorities. Public investment decisions are not (a) based on appraisals; (b) made in the context of a reliable medium-term expenditure framework or to credible annual budgets; or (c) subject to a viable fiscal constraint. Much of the investment spending between 2004/05 and 2013/14 was in only three sectors: transport, housing, and water. There was little investment in electricity and agriculture (apart from investments in water, which also benefit the agricultural sector), both of which are priorities in the National Development Strategy. The limited improvements in the delivery of public services can be ascribed to the low efficacy of public investment and the ineffective implementation of the 2011 Procurement Law (see below).

2.3.8 Public procurement

71. The Public Procurement Act of 2011 established the Eswatini Public Procurement Regulatory Agency, and section 25 of the act established the Eswatini Government Tender Board. The tender board is the highest approval authority for government, and its authority to approve tender awards is unlimited.

However, the act is not being implemented effectively because of capacity constraints at both the agency and the tender board. Other problems include a lack of accompanying implementation tools, such as standard bidding documents, evaluation formats, standard operating procedures, manuals for specialized procurement, and capacity assessment guidelines to establish procurement thresholds for procuring entities. There also is room for developing an electronic government procurement strategy to improve the transparency and integrity of the public procurement system.

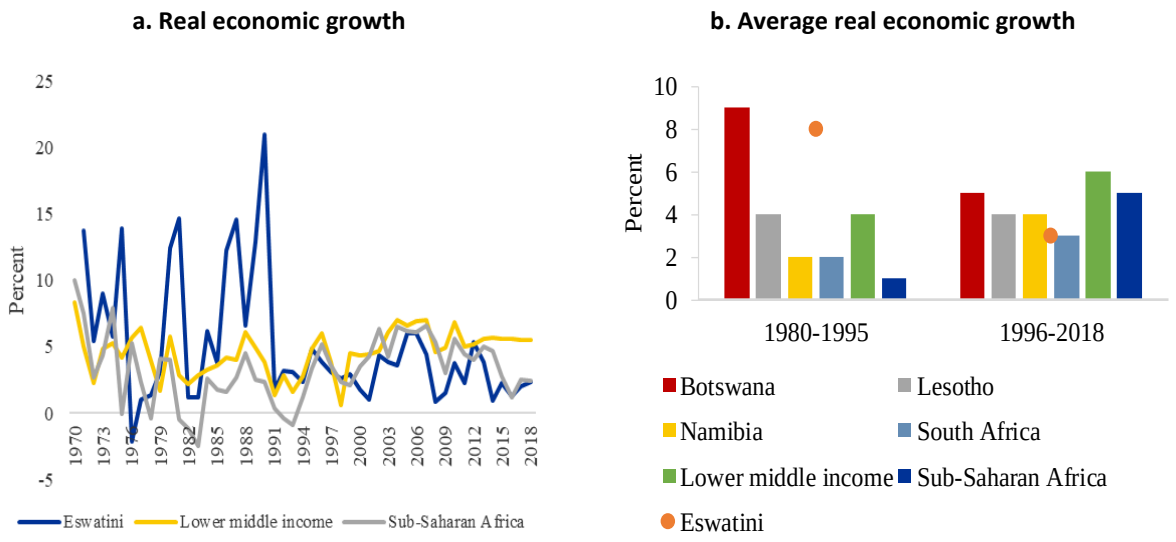
Chapter 3. Growth, Competitiveness, and the Investment Climate

3.1 Drivers of Economic Growth

3.1.1 Growth: Influenced by changes in South Africa

72. Over the last four decades, the economy of Eswatini had gone through two distinct phases, which were influenced by political developments in South Africa. In the first phase, 1980–95, growth averaged 8 percent, which exceeded that of SACU countries (except Botswana) and the average for lower-middle-income countries and Sub-Saharan Africa. In the second phase, 1996–2018, growth fell to 3 percent, dropping below that of other SACU countries, except South Africa (Figure 13).

Figure 13. Trends in real GDP growth, 1970–2018 (%)



Source: World Development Indicators 2019.

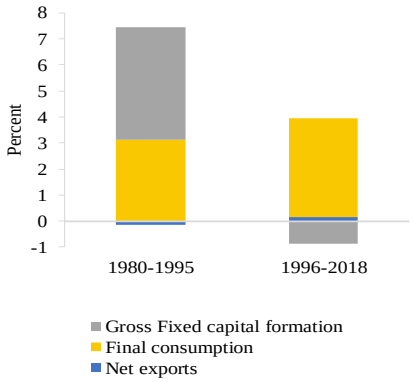
73. During the first phase, the economy benefited from sanctions against apartheid South Africa. The sanctions led many firms to relocate to Eswatini, the most significant being Coca-Cola in 1986.[4] Several textiles and footwear firms did likewise. The combination of a conducive business environment, a prudent fiscal stance, large budget surpluses, and a small public sector created a stable macroeconomic framework that attracted investment (World Bank 1985 & 1993). The high levels of investment contributed about 4 percent to growth on average (World Bank 2014c), with significant contributions from the services and manufacturing sectors (Figure 14b).[5] Along with capital accumulation, labor and higher total factor productivity also contributed to growth, especially towards the end of the first phase (Figure 14c; IMF 2003). Exports and consumption remained limited (Figure 14a).

[4] The Coca-Cola plant remains in Eswatini, drawing on locally produced sugar to supply concentrates to 20 countries in Southern Africa. Its production alone accounts for 25 percent of Eswatini's total exports.

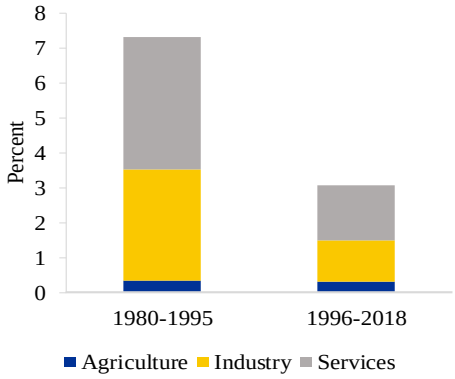
[5] The World Bank's Growth Accounting Model was used to derive labor, capital, and total factor productivity by estimating the contribution of growth in capital and labor to GDP growth. Changes not explained by the model are assumed to be total factor productivity.

Figure 14. Contribution to real economic growth, 1980–2018 (%)

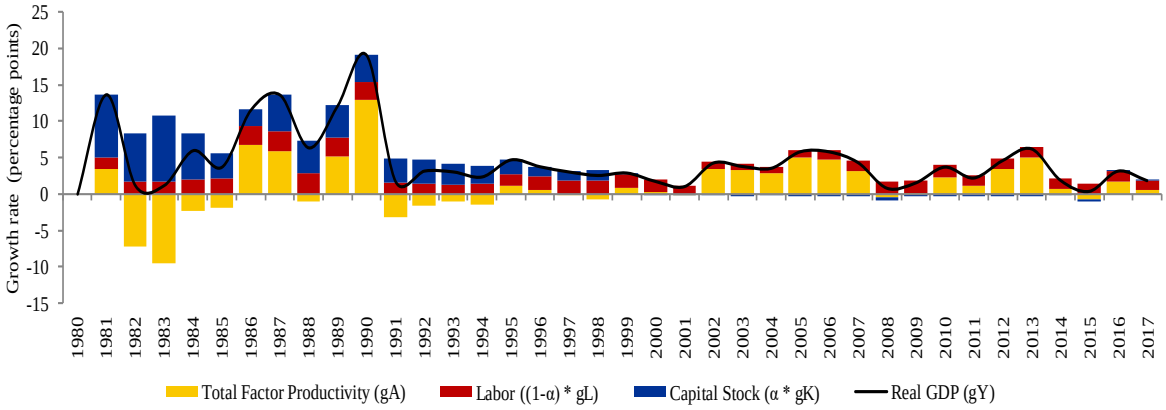
a. Contribution to GDP growth (demand side)



b. Contribution to GDP growth (production side)



c. Growth decomposition 1980–2017



Source: World Development Indicators and Eswatini Central Statistical Office.

74. The second phase started when sanctions against South Africa ended in 1994. Eswatini's relative attractiveness to investors was reduced, as many companies returned to the newly democratic South Africa, while Mozambique, with its low labor costs, was opening progressively. Still, Eswatini's accession to AGOA in 2001 brought new investment in the clothing sector from Taiwan, China. During this phase, the drivers of growth shifted—from 1996 to 2018, total factor productivity increased, while the contribution of capital was negligible and that of labor fell slightly (Wang et al. 2007). The contribution of industry and services also declined (Figure 14b). The industrial sector was hit by the restructuring of colonial-era firms. In particular, the Havelock Mine closed in 2001; the Usutu pulp mill closed in 2010 (its subsequent sale to Montigny Investments led to the loss of about 600 jobs); and the Ngwenya iron ore mine closed in 2014.

75. Less prudent fiscal policy took a toll on the economy. With growth picking up in South Africa, SACU revenue flows to Eswatini increased. These inflows led to higher government spending, which contributed to economic growth. Consumption's contribution to growth rose from 3 percent in 1980–95 to 4 percent in 1996–2018. However, after 2000 fiscal policy became less conservative. SACU revenues became more

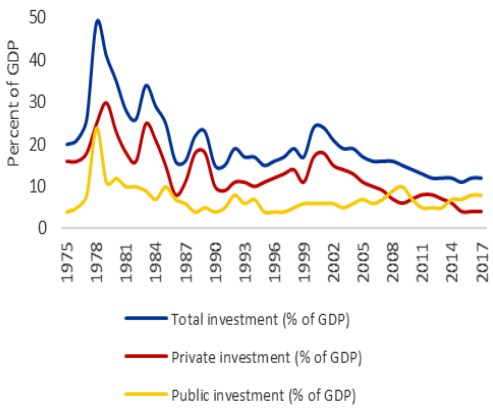
volatile, with sharp declines in some years. Consequently, the country registered large fiscal deficits first in 2011 and then again from 2016.

76. Fiscal deficits were financed primarily by domestic financing and the accumulation of arrears. Given the shallow financial markets, borrowing raised the cost and lowered the availability of credit to the private sector. Moreover, government arrears to the private sector increased rapidly; many companies in the construction, wholesale, and retail sectors reported this as a challenge. The arrears also contributed to higher nonperforming loans in the financial sector. Thus, expansionary fiscal policy crowded out private sector activity, which in turn reduced investment and growth.

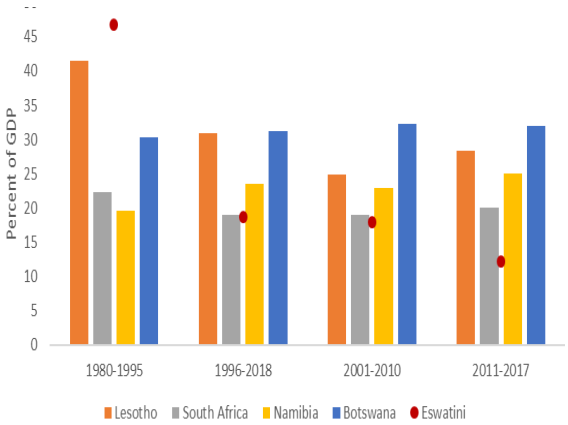
77. Investment declined sharply, from an average of 50 percent of GDP in the 1980s to 12 percent in the 2000s, largely because of falling private investment. The decline in investment has accelerated in recent years (Figure 15a). Domestic private investment fell from an average of 17.0 percent of GDP in the 1980s to 11.0 percent in the 1990s, and to 5.8 percent in 2010–17. In contrast, public investment increased slightly, from 5.0 percent of GDP in the 1990s to 6.6 percent in 2010–17. Foreign direct investment also declined after 1995, in contrast with the first phase, when Eswatini attracted the highest inflows of foreign direct investment (as a share of GDP) among SACU countries (Figure 15d).

Figure 15. Trends in investment, 1975–2017 (% of GDP)

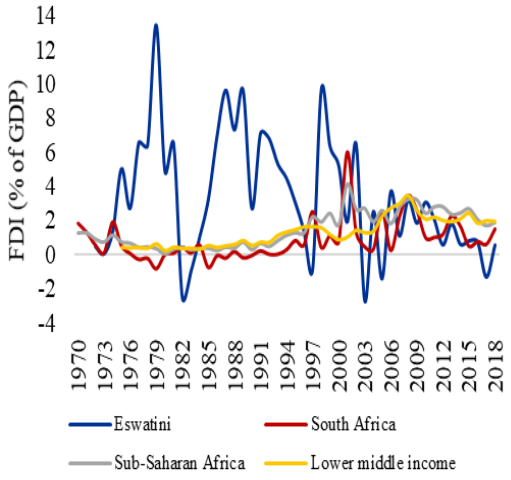
a. Decline in investment



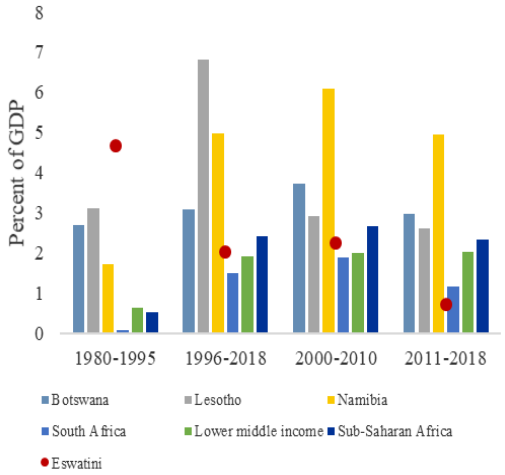
b. SACU investment averages



c. Foreign direct investment trends



d. Foreign direct investment averages



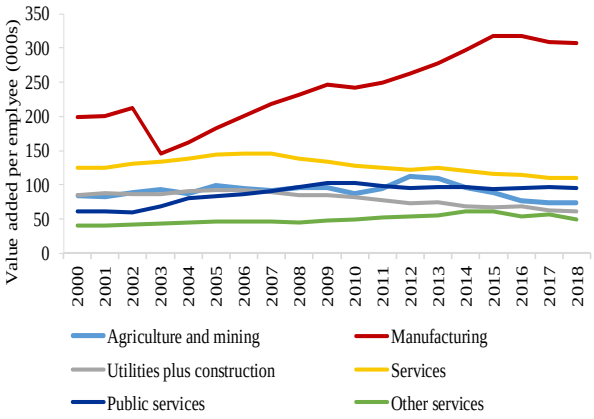
Source: World Development Indicators and IMF.

3.1.2 Productivity: Limited impact on growth and job creation

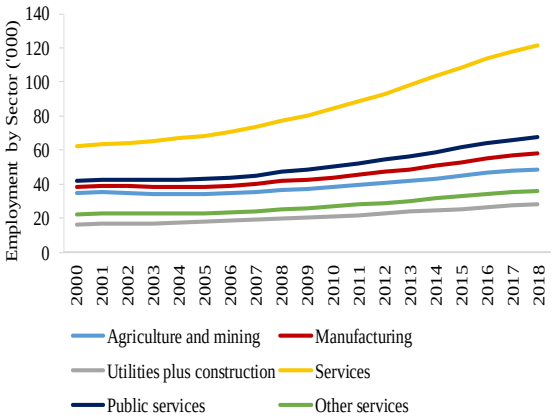
78. Overall productivity has fallen, despite increased manufacturing productivity after 2003. The productivity of other sectors declined or stagnated (Figure 16a). In 2000–18, output per worker in manufacturing rose by about 50 percent in real terms, driven by technological innovation and the restructuring of the sector. Firm productivity has varied, with medium-sized manufacturing firms seeing most growth (Figure 17a).

Figure 16. Value added and employment by sector, 2000–18 ('000)

a. Value added per worker at constant prices, 2000–18



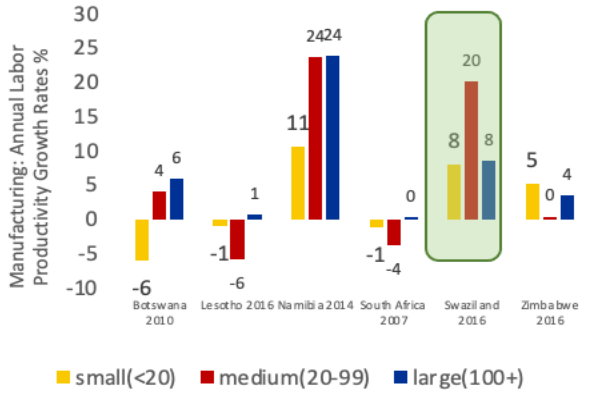
b. Employment by sector (thousands), 2000–18



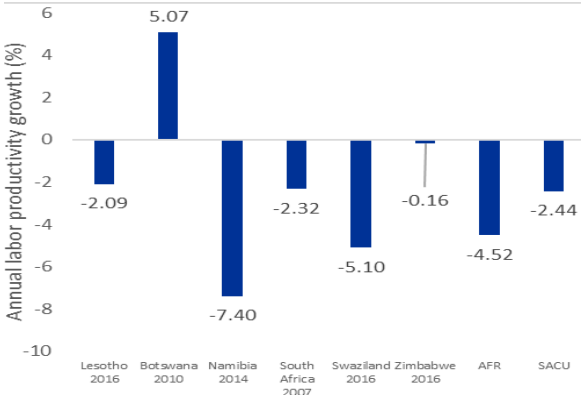
Source: ILO and Eswatini Central Statistical Office.

Figure 17. Firm-level productivity, 2007–16 (%)

a. Medium-sized firms have higher annual labor productivity growth than small and large firms



b. Eswatini had the second sharpest decline in labor productivity in SACU (2016)

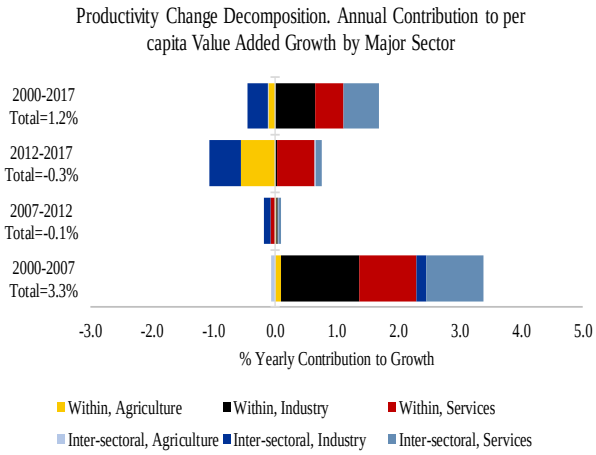


Source: World Bank Enterprise Surveys.

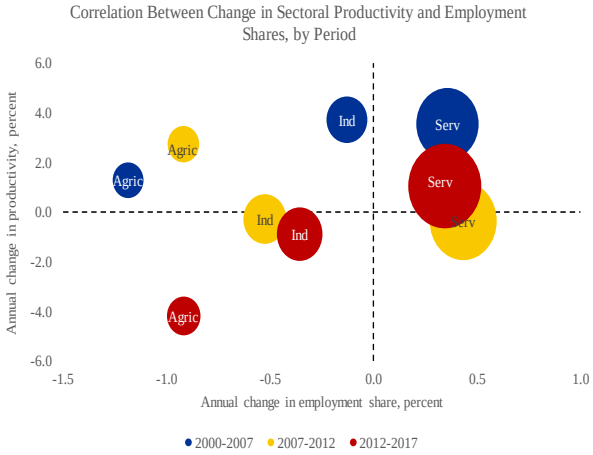
79. Job prospects have not improved significantly, because economic growth has mainly been in less-productive sectors. Job creation has mostly been in low-productivity sectors such as services, which has contributed to lower wages and poorer job quality. The private sector created fewer than 1,000 jobs for the roughly 25,000 young people entering the labor force each year. About two-thirds of new jobs created over the past decade have been in self-employment, a dramatic shift from historical norms. From 2007 to 2016, the share of employee workers (versus self-employed or contributing family workers) fell by almost 10 percentage points (Figure 18d).

Figure 18. Productivity, employment, and informal sector changes, 2000–17 (%)

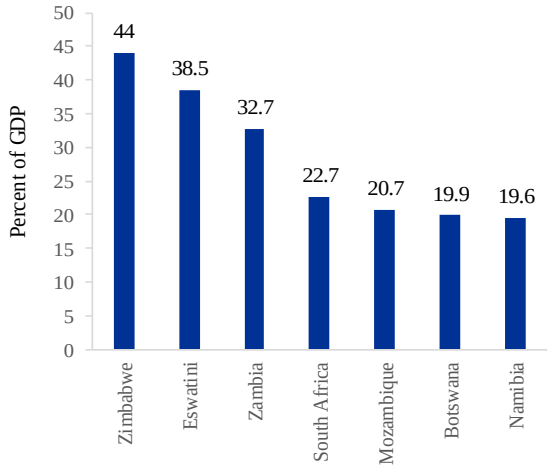
a. Productivity change decomposition, with intersectoral reallocation



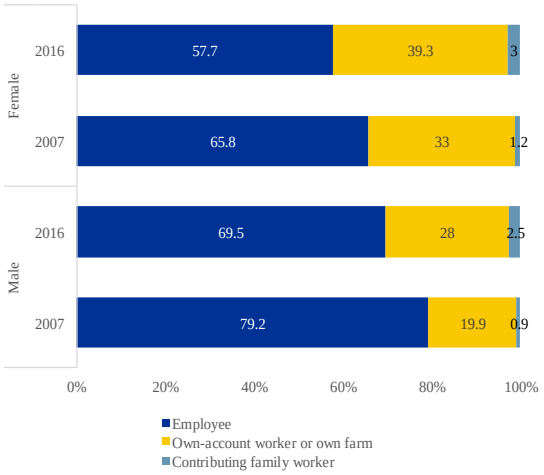
b. Productivity and employment changes by sector across periods



c. Size of the informal economy (% of GDP)



d. Type of employment by sex and year



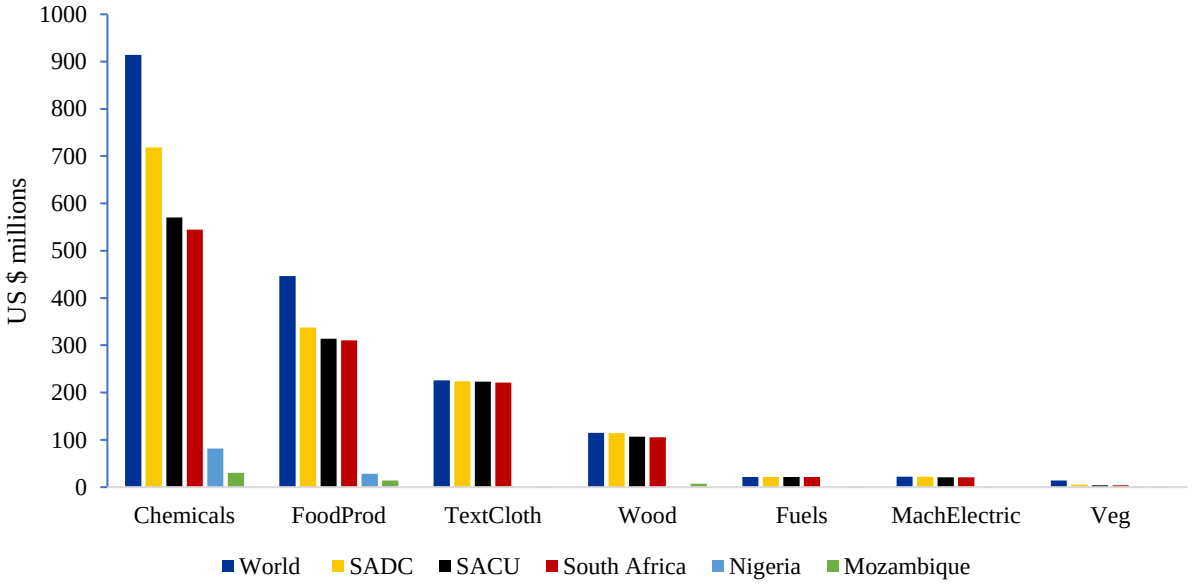
Source: Eswatini Central Statistical Office 2018.

80. Declining productivity also contributed to a sharp rise in the informal sector. Eswatini's informal sector remains one of the largest in Africa, at about 38.5 percent of GDP (Figure 18c). It appears to be growing—labor force survey data indicate that informal employment rose between 2010 and 2016. Not surprisingly, the trend toward informality has significantly affected earnings, because average wages in the informal sector (E 1,200) are about 45 percent lower than in the formal sector.

3.1.3 Exports: Declining, despite favorable trade preferences

81. Eswatini is one of the world's most trade-dependent economies. Since independence, the country's trade-to-GDP ratio has consistently exceeded 100 percent, well above global averages. Its major trading partners are South Africa, the United States, and the European Union. South Africa alone accounts for 80 percent of Eswatini's total imports and 60 percent of total exports. Mozambique, Botswana, and Namibia account for most of the rest (Figure 19).

Figure 19. Top export products and markets, 2017 (US$ mil)



Source: Authors, based on UN COMTRADE data.

82. Eswatini exhibits a revealed comparative advantage in its top export products, but growing sectors, such as livestock and horticulture, should be strengthened. In 2013–17, exports of chemicals, textiles, electric machinery, and transport products saw positive annual growth rates (Table 3). However, the country maintains a revealed comparative advantage only in food products, chemicals, wood, and textiles. Only chemicals and textile products have both a revealed comparative advantage and a positive annual growth rate. These findings are largely consistent with Eswatini's export structure.

83. Exports are concentrated in a few products. In 2011–18, the main exports were chemicals, beverages, textiles, and wood products. The top export was "perfumery and preparations", primarily soft drink concentrates in the chemical category. Its share grew from 27 percent to 34 percent of total exports in 2018. Sugars averaged 21.5 percent, apparel 8 percent, and wood products 6 percent (Figure 20).

84. The export sector is dominated by a small number of large firms, and few small and medium-sized enterprises (SMEs) export. Coca-Cola alone accounts for about 25 percent of all exports. Likewise, the sugar and wood sectors are dominated by a few large firms with privileged access to decision makers. Just one or two firms also dominate exports in other sectors, such as prepared fruits. Firm-level data from the Eswatini Revenue Authority show that the top 1 percent of exporting firms account for 76 percent of exports. About 25 percent of exporters account for virtually all exports.

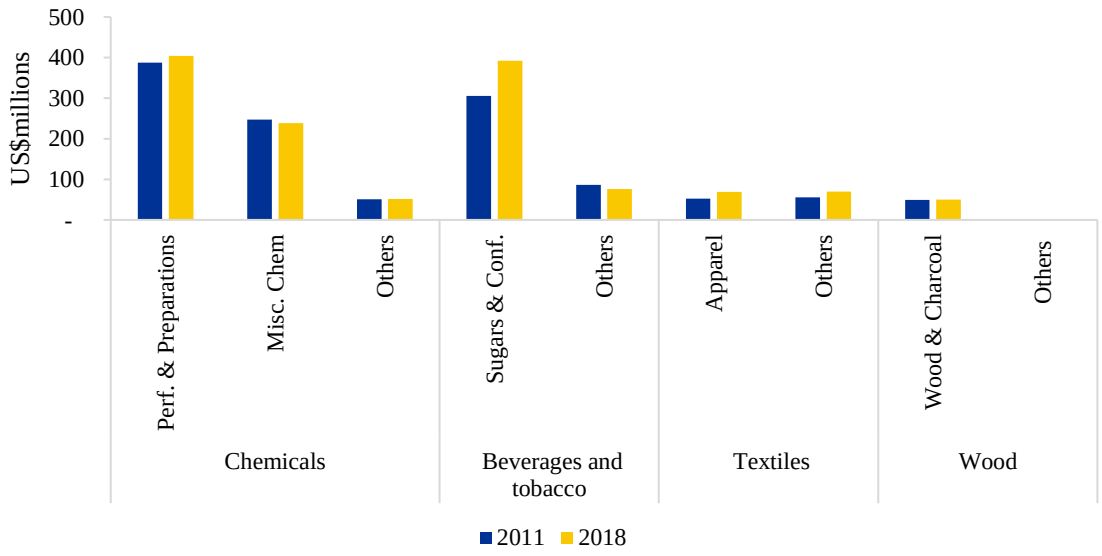
Table 3. Revealed comparative advantage growth of export products, 2013 and 2017

Product code	Revealed comparative advantage		Compound annual growth rate
	2013	2017	
01-05_Animal	0.37	0.19	-0.13
06-15_Vegetable	0.37	0.23	-0.08
16-24_FoodProd	8.79	7.35	-0.03

25-26_Minerals	2.52	0.00	-0.83
27-27_Fuels	0.08	0.11	-0.04
28-38_Chemicals	5.35	5.51	0.01
39-40_PlastiRub	0.10	0.09	-0.03
41-43_HidesSkin	0.08	0.06	-0.07
44-49_Wood	2.76	2.69	0.00
50-63_TextCloth	1.91	2.87	0.08
64-67_Footwear	0.03	0.01	-0.14
68-71_StoneGlas	0.11	0.04	-0.22
72-83_Metals	0.06	0.05	-0.04
84-85_MachElec	0.05	0.05	0.03
86-89_Transport	0.02	0.03	0.10
90-99_Miscellan	0.08	0.08	-0.01

Source: Authors' calculations based on COMTRADE data.
Note: Product categories with positive compound annual growth rates and revealed comparative advantages are highlighted in green.

Figure 20. Changes in the top exports, 2011–18 (US$ mil)



Source: Authors, based on Eswatini Revenue Authority data 2019.

85. Eswatini depends heavily on imports, of which fuels and manufactures comprise over 50 percent. Manufactured imports include machinery, food products, chemicals, metals, and transport types. The economy also is a net importer of food, particularly maize from South Africa.

86. Trade's contribution to the economy has declined significantly. Until the mid-2000s, trade played a key role in generating growth, and Eswatini's export basket was diversified and reasonably

technologically sophisticated. Both of these factors are generally associated with export success. By 2005, however, trade's role as a driver of the economy had declined. Exports as a share of GDP sank by half from 101 percent in 2003 to 50 percent in 2017 (Figure 21a). The export basket also became less diverse, with foodstuffs and chemicals accounting for two-thirds of exports. Services exports declined likewise (Figure 21c). This was at a time when world trade boomed: between 2003 and 2011, world exports increased by about 55 percent and exports from Sub-Saharan Africa doubled.

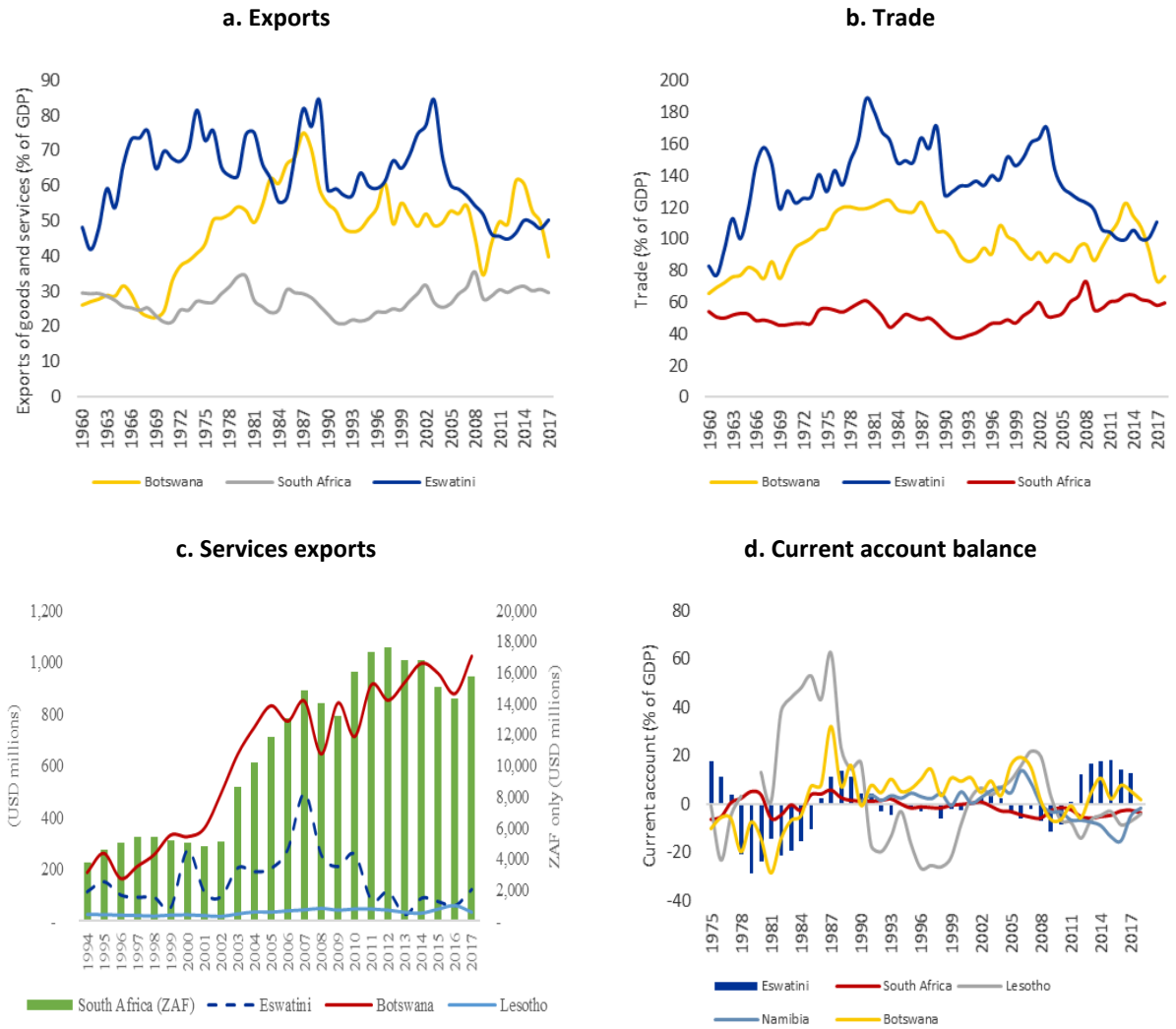
87. Two sets of factors contributed to the decline in trade: an uncompetitive business environment and changes in the global environment. The first set of factors includes high labor and input costs, the high cost of doing business, and the appreciation of the real effective exchange rate. Changes in the global environment include the erosion of trade preferences with trading partners; rising protectionism in the United States; exogenous shocks to the terms of trade; the 2009 global financial crisis; and slow economic growth in South Africa. The end of the Multifibre Arrangement, the reform of the European Union's sugar regime, and the extension of sugar preferences to least-developed countries under the Everything but Arms program also contributed.

88. Eswatini enjoys preferential trade agreements with the United States, the European Union, and regional bodies. These agreements include the SACU-European Free Trade Agreement (EFTA), the SACU-Common Market of the South (MERCOSUR) agreement, and SACU-US Trade, Investment and Development Cooperation (WTO 2015). AGOA gives Eswatini preferential access to US markets, and the interim Economic Partnership Agreement gives it preferential access to the European Union.

89. Eswatini is not fully harnessing these agreements to grow its export sector. It needs to address weaknesses such as the cost of services, the ease of doing business, the availability of credit, remaining infrastructure constraints, and limited technological absorption. Despite having duty-free access across hundreds of product lines, Eswatini has virtually no exports beyond apparel. Non-apparel AGOA exports account for under 1 percent of exports, or less than US$1 million in value. Similarly, the country's export performance to the European Union declined despite the additional preferences it received under the interim Economic Partnership Agreement. In fact, exports to the European Union declined from over US$10 million in 2000 to less than US$1 million by 2010. Eswatini even is losing market share in South Africa, which absorbs about 50 percent of its exports.

90. Participation in global value chains is critical to Eswatini's export growth. Global value chains are increasingly important as a source of investment and exports but also as a channel for accessing knowledge and technology to enhance productivity. Countries participate in global value chains in two broad ways. Backward participation is when a country's exports embody foreign (imported) value added (WDR 2020). For example, Eswatini imports cloth from China, which it uses to manufacture clothing for export. Forward participation occurs when a country's exports are incorporated in the importing country's exports to third countries. For example, Eswatini's Coca-Cola concentrate exports are used in South Africa to produce drinks for export to Namibia.

Figure 21. Trade flows, 1960–2017

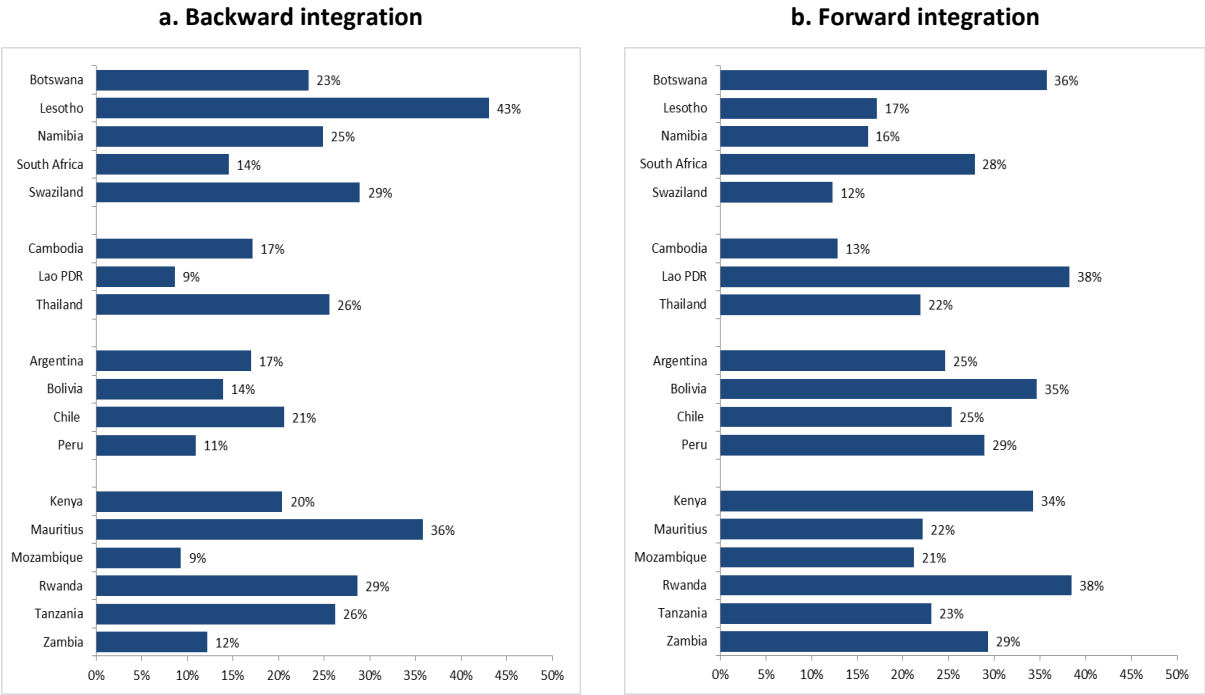


Source: World Development Indicators.

91. Backward participation offers significant scope for productivity gains. However, countries that participate in the higher value-added segments of global value chains tend to have greater forward integration. An analysis of SACU countries' participation in global value chains found that, as of 2011, Eswatini had a relatively high level of backward integration (28 percent) but the lowest forward integration among its peers (12 percent). Perhaps more importantly, its growth in both forward and backward participation was the lowest among its peers (Figure 22; Farole 2016).

92. Eswatini's participation in global value chains has long been driven by the apparel sector, which partly explains the dominance of backward integration. Backward integration appears to benefit from access to imported inputs from high-technology sectors. Yet, in strong contrast to its regional and global peers, the evidence suggests little to no productivity spillovers (Table 4). This surprising finding suggests barriers to the absorption of technology or other barriers that mediate the productivity effect. This situation may be symptomatic of the country's wider problems of low investment and slow growth in productivity.

Figure 22. Foreign and indirect value added as a share of gross exports, 2000 and 2011 (%)



Source: Farole 2016.

Table 4. Integration into global value chains and labor productivity: Coefficients

	Export share (selling side)	Imported input share (buying side)
Average firm in Namibia	.540***	.491***
Average firm in South Africa	.421***	.413***
Average firm in Eswatini	.062***	.089***
Average firm in rest of sample	.423***	.277***

Source: Farole 2016. *Note:* p*<0.1, p**<0.05, p***<0.01. The total impact of firm-level export and imported input share on labor productivity in a country of interest is given by the sum of two coefficients: β1 + β2.

3.2 Constraints on Economic Growth

3.2.1 Heavy state involvement in the economy: Constrains private sector development

93. Declining private investment in Eswatini is partly explained by the significant role of the state in the economy. The state is heavily invested in key economic sectors through its public enterprises (Box 2). These enterprises affect the economy, first, via their performance in providing utilities. Some, such as Eswatini Railways, are run efficiently; others, like the Eswatini Posts and Telecommunication Corporation (SPTC), are not. Besides raising operating costs, weak performance by these enterprises can create pressure on government to deter the entry of more-efficient service providers. For example, SPTC has petitioned government to "defer opening the market (in voice and data) to further competition 'till SPTC is capable of surviving." Second, they often operate in direct competition with private players in sectors such as agriculture, transport, finance, tourism, and housing. Government procurement can also lead to conflicts of interest if it chooses to award a contract to a public enterprise that is not the cheapest supplier.

Box 2. Public sector enterprises
The 1989 Public Enterprises (Control and Monitoring) Act prescribes the mandates, ownership structure, governance, and monitoring arrangements of state-owned enterprises in Eswatini. The state-owned enterprises operate in a wide range of sectors (agriculture, commerce, education, entertainment, finance, health, housing, information and communication technology, and tourism) and play a critical role in the national economy. At end-December 2019, these enterprises employed 8,434 people. Based on the most recent government list, there are 48 state-owned enterprises: 31 in Category A and 17 in Category B. More than half rely wholly on government for their recurrent and capital budgets—a costly strain on the fiscus. Most perform below expectations. No guidelines or criteria stipulate how an organization gets to be classified as a Category A public enterprise. As a result, their mandates reputedly overlap, which leads to a duplication of effort and higher costs to government. In addition, they face significant corporate governance challenges, driven by the wide separation of ownership from control. *Source:* World Bank 2014a.

94. Some public enterprises function as regulators in their sectors, creating another conflict of interest along with potential opportunities for corruption. For example, they may not only produce certain products but also be able to set levies on imports of such products by private enterprises. The prominent examples of this are in the milk, vegetable, and maize industries. Government's heavy involvement in the economy is compounded by the involvement of the royal family in business.

95. Institutional capacity remains a constraint on the implementation of bankable public-private partnerships, given the historical emphasis on public procurement. This is due to the limited involvement of the private sector in the provision of services and a weak institutional track record in structuring and executing privately financed infrastructure projects. Moreover, predictable regulatory environments and positive perceptions of the rule of law are essential for the procurement of public-private partnerships (but less so for public projects). A full review of the regulatory and policy frameworks relevant to bankable public-private partnerships would be needed to understand any legal or contractual constraints on their implementation.

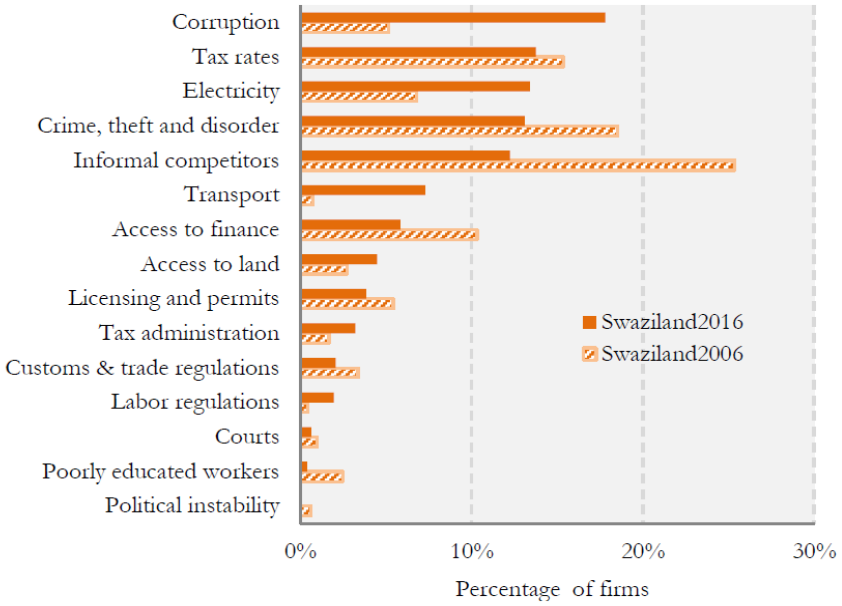
3.2.2 Lack of transparency: Creates uncertainty about the rules of the game

96. Eswatini lags behind its neighbors on most aggregate measures of governance. The Worldwide Governance Indicators (2013) consistently rank the country below others in the subregion on all its indicators. The gap is particularly large around perceptions of voice, accountability, and the rule of law. Transparency International ranks Eswatini 82nd out of 177 countries in perceptions of public sector corruption, again behind the rest of the subregion. The Heritage Foundation Index of Economic Freedom (2014) ranks Eswatini 82nd out of 178 countries. The Global Competitiveness Index of the World Economic Forum ranks Eswatini 110th out of 136 countries in terms of the transparency of government policy making— it scores 3.44 on a scale of 7.00, below the average for the region (3.77) and for middle-income countries (3.89). On the Open Budget Index, it scores a dismal 3 out of 100 (in contrast, South Africa scores 89, Namibia 50, Zimbabwe 23, Zambia 8, and South Sudan 5).[6]

[6] The Open Budget Index assesses three components of the budget accountability system: public availability of budget information; opportunities for the public to participate in the budget process; and the role and effectiveness of oversight institutions, such as the Auditor General and the Anticorruption Commission.

97. The private sector's perception of corruption as an obstacle has worsened over the past decade. The World Bank's Enterprise Surveys, a series of firm-level surveys of a country's private sector, show a sharp increase in the share of firms identifying corruption as the single biggest obstacle to doing business (from among 15 areas of the business environment) between 2006 and 2016. In 2016, owners and top managers of 18 percent of the 150 firms surveyed saw corruption as the biggest obstacle to their daily operations (Figure 23). In the first edition of the surveys in 2006, corruption was only the sixth-highest obstacle, and only 5 percent of owners and managers saw it as the largest problem.

Figure 23. Impediments to doing business, 2006 and 2016 (%)



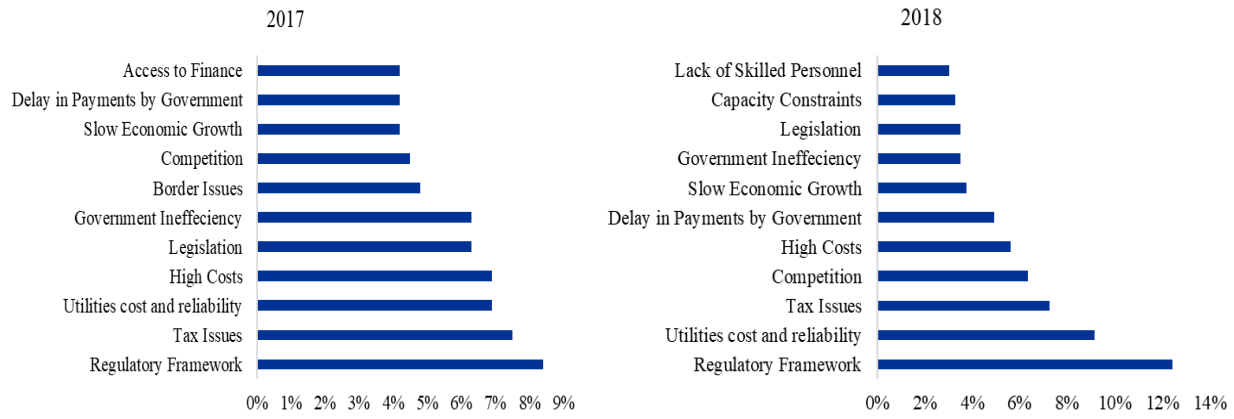
Source: World Bank Enterprise Survey 2016.

98. Many firms expect to give bribes to secure a government contract. Almost half (48.4 percent) of the firms surveyed in 2016 thought firms with similar characteristics made informal payments or gave gifts to public officials to secure government contracts. The average for Sub-Saharan Africa was only 34.6 percent. More than a sixth (17 percent) indicated that similar firms were bribing public officials to "get things done" in customs, taxes, licenses, regulations, and services, for example. The average for Sub-Saharan Africa was 28.2 percent.

99. Foreign investors' negative perceptions of the rule of law and property rights in Eswatini may hamper investment and growth. The country does not fare well in most categories of the institutions pillar of the Global Competitiveness Index. It is ranked 76th and 107th out of 148 countries on property rights and strength of investor protection, respectively. These rankings are somewhat surprising, as there are no known cases of businesses being expropriated. Nevertheless, perceptions matter, especially for foreign direct investment. A 2011 judicial opinion by the Chief Justice of the High Court banning all courts from entertaining direct or indirect legal claims against the King and the King's Office added to perceived risk. It is not clear whether this immunity extends to businesses directly accountable to the King's Office when they enter into commercial agreements with the private sector. Some of these businesses are significant players in the market.

100. Increased transparency in regulatory systems can help attract investment. In general, Eswatini's laws do not distort or impede investment. However, in some areas, the legal and regulatory environments may not be predictable. Some government policies are not implemented consistently, such as the criteria for granting tax incentives. Foreign investors are more likely to be granted tax breaks than local ones, for example. Businesses are subject to multiple laws with significant overlaps, creating the possibility of different interpretations. In general, a lack of transparency increases investment risk by raising doubts about the rules of the game and government's commitment to applying rules and regulations evenly. A lack of transparency also leaves regulatory systems vulnerable to capture by influential private interests who may use them to restrict entry by new players. The involvement of the royal family in business and the dominance of Tibiyo in the private sector are seen as examples of this vulnerability.

Figure 24. Eswatini company survey, 2017 and 2018 (%)



Source: Kingdom of Eswatini 2018c.

3.2.3 Weak business climate: Discourages investors

101. The protection of investor rights can be significantly enhanced by improving the enforcement of contracts. Global evidence underscores the importance of contract enforcement for investors. The 2020 Doing Business report shows that Eswatini again dropped down the Ease of Doing Business ranking, for the fourth time (Figure 25a). It now ranks 121st out of 190 countries, the second lowest in SACU (Figure 25b). On enforcing contracts, it ranked 172nd, below the rest of SACU. It takes an average of 956 days and 56.1 percent of the claim value to enforce a commercial contract, more than elsewhere in Sub-Saharan Africa. Eswatini scored 7.5 out of 18 points on the Quality of the Judicial Processes Index, because of the absence of a specialized commercial court, the low level of court automation, the lack of a modern case management system, and weak procedural standards.

102. Minority investor protection is critical for driving private sector growth and enabling equity markets to develop. Economies that have dynamic capital markets also tend to have effective investor protection. Eswatini ranks 162nd globally on minority investor protection, with a score of 26 out of 100, well below the Sub-Saharan Africa average of 38.5 (Figure 25d).

103. Disaggregating Doing Business components shows that Eswatini performs poorly against both regional and global best performers (Table 5 and Figure 25). Despite the implementation of five reforms over the past two years, Eswatini's overall rankings decreased because other countries are reforming

faster. The last time the country improved its ranking on the Doing Business indicators was in 2010, when the new Companies Act and the Securities Act were promulgated. The acts excluded interested or conflicted directors from voting on board resolutions on related-party transactions.

Figure 25. Ease of Doing Business rankings, 2016–20

Source: World Bank 2020 Doing Business database.

Table 5. Doing Business rankings for Eswatini and best performers

Doing Business indicator	Eswatini	SACU best performer	Global best performer
Protecting minority investors score (0–100)	26	80 (South Africa)	85 (Kazakhstan)
Extent of disclosure index (0–10)	2	8 (South Africa)	10 (13 economies)
Extent of director liability index (0–10)	5	8 (Botswana)	10 (13 economies)
Ease of shareholder suits index (0–10)	6	9 (Lesotho)	10 (Djibouti)
Extent of shareholder rights index (0–10)	0	5 (South Africa)	6 (19 economies)
Extent of ownership and control index (0–10)	0	6 (South Africa)	7 (9 economies)
Extent of corporate transparency index (0–10)	0	6 (Namibia)	7 (13 economies)

Source: World Bank 2020 Doing Business database.

104. Small, medium and microenterprises have extremely limited access to credit, which hinders their development. As of 2018, only 6 percent had access to formal credit and only 22 percent were insured. In terms of access to financial services, 87 percent of these enterprises had access to some form of financial service, and 75 percent were being formally served. Formal financial inclusion (particularly access to bank products and services) is skewed toward male business owners and urban areas. Women-owned and rural enterprises depend more on informal mechanisms.

105. Government inefficiency is seen as a constraint on doing business in Eswatini. The inefficient provision of public, especially municipal, services increases production costs and deters investment. On the upside, government is perceived to be easily accessible to businesses, even by small enterprises. Other constraints include economic uncertainty, poor infrastructure, the small market size, border and customs issues, corruption (especially on government contracts), limited access to finance, and political and bureaucratic uncertainty. Swazi entrepreneurs face higher hurdles when starting a business, investing, expanding, following local laws, or complying with local regulations than do those in Botswana, Namibia, and South Africa. The country lags the other SACU members in the time needed to start a business and access electricity. It takes an average of 38 days to start a business (only 30 in Sub-Saharan Africa) and 137 days to get an electricity connection. Firms also report long delays in receiving the health certificates they need to start operations.

106. The institutional context for investment is even more pertinent in a changing external environment. Investors perceive a general unpredictability and discretion about the rules of the game and the environment for doing business in Eswatini. These conditions damage investor sentiment and appear to be binding constraints on investment.

3.2.4 Low agricultural productivity

107. Swazi Nation Land plays a crucial role in guaranteeing access to land and subsistence to most poor rural households (chapter 1). Nonetheless, access to arable land remains inequitable. About 43.6 percent of Swazi households have no access to such land (SADC 2018). Male-headed households tend to have a better chance of accessing arable land (57 percent) than female-headed ones (51 percent). Under old laws, women were treated as minors and denied the right to own property. (For example, the 1988 Deeds Registry Act, which follows the Marriages Act, states that immovable property cannot be registered in the name of a woman married in community of property.) However, Eswatini has enacted various pieces of legislation to further gender equality and improve women's access to land; these include changes to the Marriage Act. The 2005 Constitution also provides for equality before the law; in the pursuit of political, economic, and social opportunities; and in access to land. Although consistency in reach and application is sometimes an issue, a ruling in August 2019 means that married women no longer need the consent of their husbands in dealing with marital assets and administering property. Other reforms include a 99-year lease that gives equal access to land regardless of gender. However, its implementation has been limited, and customary practices often continue to restrict access. These practices, in addition to constraints such as the limited use of productivity-enhancing inputs, adversely affect the agricultural productivity of female-headed households and, thus, their food security. Even where female-headed households have access to land, their security of tenure is often threatened by the lack of a title or claim; this undermines their ability to invest, and hence, their productivity. Access concerns also relate to transport, markets, farm inputs, and extension services.

108. Weak investment in agricultural productivity and food production systems undermines food security. Research on the differences in productivity between titled and untitled land includes a quantitative comparison of 63 farmers on Title Deed and Swazi Nation Land in Manzini province. It found significant differences in yield: 9.75 tons per hectare on Title Deed Land against only 4.42 tons per hectare on Swazi Nation Land (Dlamini and Masuku 2011). About 63 percent of the variation in maize yield was explained by differences in capital investment; 90.4 percent of the variation in fixed investment in land improvement was explained by the type of land tenure and access to credit; and 76 percent of the variation in credit received by households was explained by land tenure, education, and farm size. Greater investment by farmers on Title Deed Land (partly financed by better access to credit) meant that these farmers: (a) had better access to irrigation (73.3 percent, as against 4.4 percent of Swazi Nation Land farmers), (b) used more hybrid rather than self-saved seed, and (c) used more mechanization.

109. Most agricultural production occurs on Swazi Nation Land, where tenure constraints undermine productivity, restrict food access, and reduce food security (Box 3). In this regard, the main tenure-related constraints are: (a) fragmentation: the average plot size is under 2 hectares, which prevents commercialization and production at scale; (b) poorly delineated and documented property rights: ambiguous rights increase insecurity, hamper effective land use, create opportunities for manipulating the system, and increase the perceived risk of dispossession; (c) credit constraints: farmers cannot use land as collateral for agricultural loans; and (d) open-access management of cattle and overstocking: farmers temporarily lose their right to exclude livestock from their fields after harvest. In addition to the tenure constraints, factors such as the limited use of agricultural technology also hamper productivity.

Box 3. Swazi Nation Land: Tenure, investment, and productivity

The literature recognizes both the important social role of customary land in ensuring the access of rural communities to land and the constraints on investment in such land that undermine productivity. Norton (2004) argues that customary land tenure protects poor and vulnerable members of society. Although customary tenure may offer long-term usufruct rights to land, it often is characterized by a lack of clear agreements, different interpretation of rules (Aw-Hassan et al. 2000), weak enforcement mechanisms, and high costs of enforcing rights (Fraser 2004), thus reducing landholders' security of tenure.

Insecurity of tenure can negatively affect smallholder investment by: (a) reducing landholders' access to finance, as customary land cannot be used as collateral; and (b) causing uncertainty about their future access to the land, which reduces their willingness to invest. It thus may well reduce long-term investment in mechanization, farm-level infrastructure, irrigation, and soil improvement, as well as short-term investment in farm inputs. As a result, it may also hinder diversification from staples to higher-value crops, which require more investment.

Swazi Nation Land is held in trust by the King. Chiefs allocate the land to homestead heads, who under Swazi law and custom are men with rights of inheritance but no rights of exchange. If the head of the family dies, land passes to the son or wife but not to the daughter. The division of landholdings through inheritance causes fragmentation. Married women are guaranteed rights to a means of livelihood (land cultivation) through their husbands' homesteads (Dlamini and Masuku 2011).

Swazi Nation Land also includes land bought from the owners of Title Deed Land and leased to private companies to attract private capital and expertise. The use of this land does not reflect the traditional and political relations between chiefs and people, as provided for under Swazi law and custom (Dlamini and Masuku 2011).

To address some of the challenges posed by this tenure system, the Swazi Nation Land Agricultural Commercialization Bill was introduced in 2016. Its objects are to: (a) give effect to sections 211(1) and 59(3) of

the Constitution; (b) enhance access to credit for smallholder farmers; (c) improve food production and self-sufficiency through agriculture and alleviate poverty; (d) provide for the designation, demarcation, and allocation of Swazi Nation Land for agribusiness; (e) provide for the registration of Agribusiness Commercial Khonta Certificates over Swazi Nation Land; and (f) establish the Chiefdom Land-Use Rights Allocation Committee, Technical Advisory Committee, and Agribusiness Land-Use Rights Appeals Tribunal.

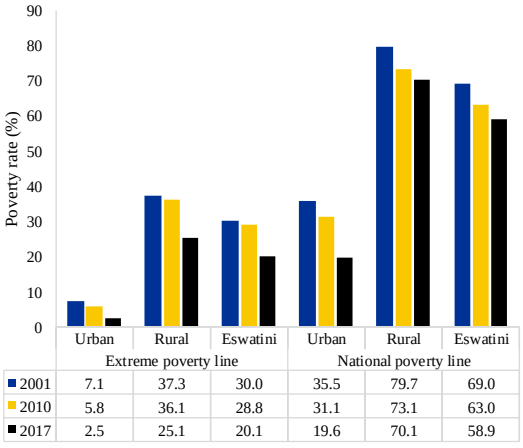
Chapter 4. Poverty and Inequality

4.1 Poverty Profile

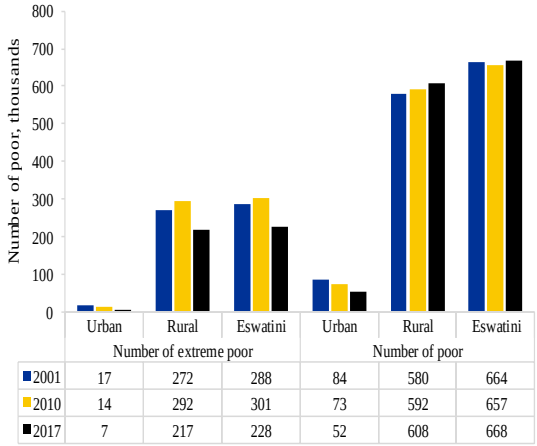
110. Poverty in Eswatini is high and also deeply entrenched; most of the Swazi have remained poor since independence. Between 2001 and 2017, the share of people living below the national poverty line declined by only 10.1 percentage points, from 69.0 percent to 58.9 percent (Figure 26a). As recently as 2010, the poverty rate was 63.0 percent. The annual rate of poverty reduction slowed marginally from 0.7 percentage points in 2001–10 to 0.6 percentage points in 2010–17. However, poverty reduction is barely keeping up with demographic shifts: while the poverty rate fell, the absolute number of poor people increased between 2001 and 2017 (Figure 26b).

Figure 26. Poverty incidence and the number of poor people, 2001–17

a. Poverty incidence



b. Number of poor people



Source: Estimates based on Eswatini Household Income and Expenditure Survey (EHIES) 2000–01, 2009–10, and 2016–17.

111. Poverty declined more in relatively richer urban areas, thus exacerbating the urban-rural divide. Urban areas, where poverty rates are already low, saw larger declines in headcount poverty rates than did rural areas. Between 2001 and 2017, the share of the urban population living below the national poverty line fell by 19.6 percentage points, as against only 9.6 percentage points in rural areas (from 79.7 percent to 70.1 percent).

112. Rural areas, where most people live, house a disproportionally large share of poor people. In 2017, three-quarters of the Swazi lived in rural areas, as did 92.6 percent of poor people. These figures suggest that agriculture (most of which is subsistence) is still associated with higher poverty. Thus, while agriculture remains important for livelihoods, especially for poor people in rural areas, developing the manufacturing and services sectors in a way that creates jobs is essential.

113. Addressing poverty in rural areas would contribute more to reducing overall poverty. Between 2001 and 2017, rural areas contributed a relatively larger share (72.1 percent) towards aggregate poverty reduction. Therefore, poverty reduction efforts in rural areas and/or increased rural-urban migration are central to ongoing poverty reduction in Eswatini.

114. Rural poverty tends to be relatively deeper and more severe.[7] Deep poverty means that poor rural people tend to be further below the poverty line, with higher consumption shortfalls. More severe poverty means that there is more inequality of consumption among them. However, both the depth and the severity of poverty have been declining in rural and in urban areas since 2001, with a faster decline in rural areas (Table 6).

Table 6. Depth and severity of poverty, 2001–17

	Poverty gap				Squared poverty gap			
	2001	2010	2017	Change (2001–17)	2001	2010	2017	Change (2001–17)
Food poverty line								
Urban	2.0	1.4	0.5	-1.4	0.8	0.6	0.2	-0.6
Rural	10.9	12.5	6.2	-4.7	4.5	6.0	2.2	-2.3
Eswatini	8.7	9.8	5.0	-3.7	3.6	4.7	1.8	-1.8
National poverty line								
Urban	12.5	10.3	5.9	-6.6	6.0	4.7	2.5	-3.5
Rural	38.8	36.9	30.3	-8.5	22.4	22.3	15.9	-6.5
Eswatini	32.4	30.4	24.9	-7.5	18.4	18.1	13.0	-5.4

Source: Estimates based on EHIES 2000–01, 2009–10 and 2016–17.

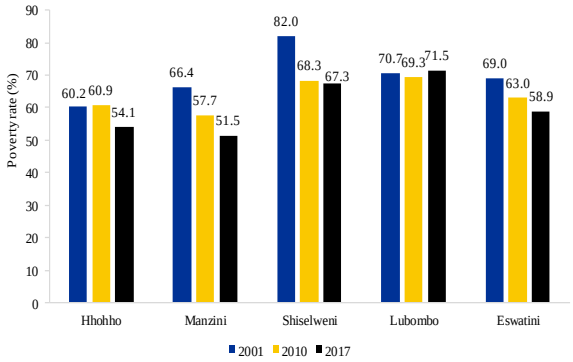
115. The poorest areas are rural regions without any sizeable towns—Lubombo and Shiselweni. In Lubombo, 71.5 percent of people were below the national poverty line (Figure 27a) in 2017, as were 67.3 percent of people in Shiselweni. Between 2001 and 2017, poverty increased in Lubombo, the poorest region, thus widening the gap between the poorest and the richest regions over time. A 2010 poverty map demonstrates the heterogeneity of Eswatini's four administrative regions and shows that all regions have pockets of both wealth and extreme poverty (Figure 27b).

116. Gender, age, and household composition are key dimensions of poverty. The population in Eswatini is young, and dependency ratios are high (although they are declining). In general, children and the elderly are particularly vulnerable to poverty. High dependency ratios are also associated with a higher risk of being poor, as more people depend on a single income earner. The gender dimension of poverty reflects different socioeconomic biases facing women in Eswatini. They have unequal access to assets, especially land, and lower participation in markets, especially labor markets. Girls are particularly vulnerable to domestic servitude and commercial sexual exploitation (Freedom House 2017). Women also have fewer rights and limited protection against gender-based violence. The incidence of sexual and gender-based violence is high, and the recent passing of the Sexual Violence Act marks the beginning of a government response to this problem. Eswatini ranks 115th out of 148 countries on the United Nations' Gender Inequality Index. Women still have relatively worse human development outcomes, and their participation in the political sphere is limited. In 2017 they held only 14.7 percent of parliamentary seats.

[7] The severity of poverty is measured via the squared poverty gap, which captures the inequality of income or consumption among poor people. The poverty gap is the proportion of the poverty line that people require, on average, to escape poverty. It indicates the total resources required to bring all poor people up to the poverty line.

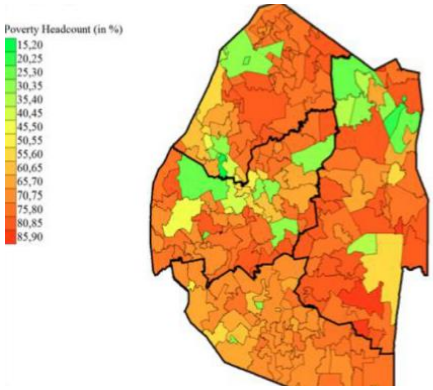
Figure 27. Spatial distribution of poverty, 2001–17

a. Poverty incidence by region, 2001–17



Source: Estimates based on EHIES 2000–01, 2009–10 and 2016–17.

b. Poverty map, 2010, by major area



Source: Central Statistical Office 2011.

117. Multidimensional poverty is relatively higher in rural areas. In 2014, almost 20 percent of Swazi people were estimated to be multidimensionally poor,[8] which reflects overlapping deprivation in education, health, and basic public services (e.g., water, sanitation, electricity, and housing). The degree of multidimensionality of poverty differs substantially between regions: Lubombo and Shiselweni are again the most multidimensionally poor regions. Multidimensional poverty affects more than half of Swazi children, especially through poor nutrition. As a result, the rate of stunting among children is high—about 25.5 percent in 2014.

118. For a lower-middle-income country, Eswatini's poverty levels are relatively high. In 2017 about 28.8 percent of the Swazi were estimated to be poor at the international US$1.90 poverty line, in 2011 purchasing-power-parity (PPP) terms (Figure 28). This is about 4.3 percentage points above the lower-middle-income country average and 12.7 points above the middle-income country one.

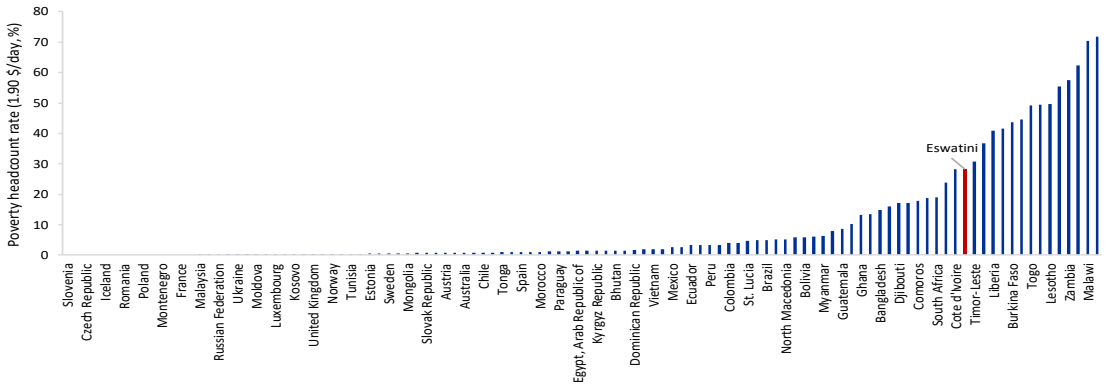
4.2 Inequality Trends

119. Inequality remains high, and its pace of reduction has slowed. The Gini index[9]—a measure of the inequality in a distribution, based here on consumption per adult (or adult equivalent)—was 49.3 in 2017, 49.5 in 2010, and 51.2 in 2001 (Figure 29). No significant change in the level of inequality was seen in the seven years from 2010 to 2017. Reducing inequality is particularly challenging in rural areas, where the Gini index increased by 1 point from 41.7 to 42.7 from 2001 to 2017. Hhohho is the most unequal region, with a Gini index of 50.9 in 2017. It is, however, the only region to have consistently registered a decline in inequality between 2001 and 2017. Still, inequality remains an issue in all regions. It is likely to be even higher than these numbers suggest, given the limitations of survey data in capturing the incomes and consumption levels of the wealthiest Swazi.

[8] A detailed explanation of the Multidimensional Poverty Index is presented in Alkire and Foster (2011), and an application of the method is presented in Alkire and Santos (2014).

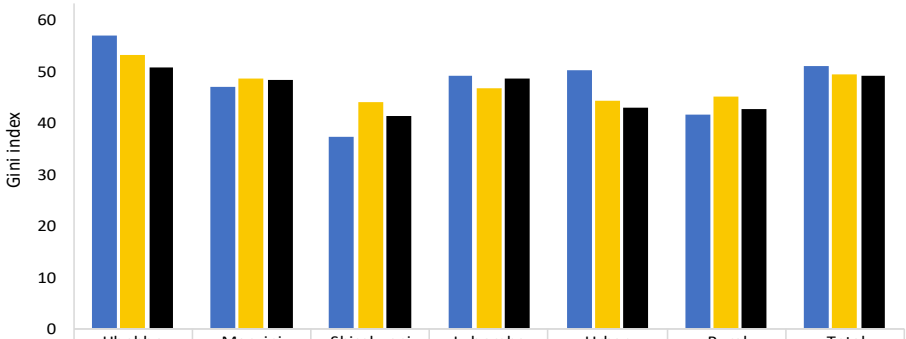
[9] The Gini index varies between 0 (perfect equality), where every individual enjoys the same level of consumption per adult equivalent, and 1 (complete inequality), where a single individual accounts for all consumption.

Figure 28. International US$1.90 poverty rates (2011 PPP terms)



Source: PovcalNet.

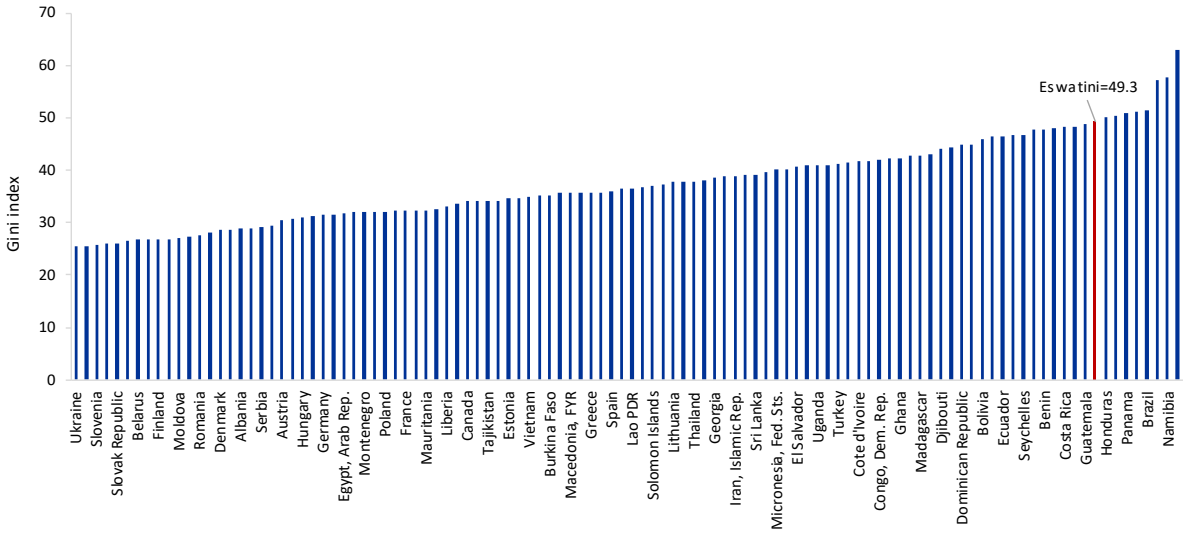
Figure 29. Gini index, 2001–17



	Hhohho	Manzini	Shiselweni	Lubombo	Urban	Rural	Total
2001	57.2	47.2	37.4	49.2	50.3	41.7	51.2
2010	53.2	48.6	44.2	46.9	44.3	45.1	49.5
2017	50.9	48.5	41.4	48.8	43.1	42.7	49.3

Source: Estimates based on EHIES 2000–01, 2009–10, and 2016–17.

Figure 30. Gini index, international comparison, 2018



Source: PovcalNet 2018.

120. Eswatini remains a high-poverty, high-inequality country, even relative to comparator countries (Figure 30).[10] A recent report put Eswatini as the most unequal country in Africa in terms of wealth inequality and among the world's 20 most unequal countries by income (Oxfam 2019).

4.3 Inequality of Opportunity

121. Inequality of opportunity occurs when people living in the same society do not have access to the same opportunities. In other words, people's circumstances at birth (e.g., their gender, birth location, or parental backgrounds) significantly determine their future earnings. Inequality of opportunity is often considered the unfair part of inequality, as it prevents people from making the best use of their skills or realizing their potential. This wasted potential depresses economic growth in the long run and entrenches income and wealth inequality even more deeply.

122. Inequality of opportunity is high in Eswatini. An analysis of the 2016–17 EHIES shows that in 2017, 38.5 percent of consumption inequality could be attributed to factors beyond the control of individuals: early education, parental education, place of birth, and area of residence. In other words, about a third of total inequality may be inequality of opportunity, which does not depend on people's individual efforts or even luck. The primary contributors to unequal opportunities were access to early education and parental education, which accounted for 37.5 percent of inequality of economic opportunity. Place of residence (urban/non-urban) accounted for 36 percent. Note that the Sub-Saharan Africa average for inequality of opportunity is only 20 percent, considerably lower than in Eswatini (Beegle et al. 2016).

123. Education and geography are important aspects of inequality of opportunity. Education equalizes opportunities; addressing the challenges around education (and human capital more broadly) is key to tackling inequality in Eswatini. Particular attention needs to be placed on urban-rural differences—education outcomes in rural areas tend to be relatively worse. Further, the spatial concentration of poverty and its contribution to inequality of opportunity reinforce geographical poverty traps. This has significant implications for the reduction of overall poverty in the country. Reducing poverty in Eswatini would benefit from an approach that considers the complex links between inequality and poverty, along with an understanding of their spatial dimensions.

4.4 Drivers of Poverty Reduction, 2010 to 2017

4.4.1 Growth

124. As inequality has not been significantly reduced, the main driver of poverty reduction in Eswatini has been consumption growth. Decomposing the poverty change shows that between 2010 and 2017, the 4.0 percentage point decline in the national poverty headcount rate was driven primarily by the growth component (Figure 36b). It appears to have been responsible for the reduction in the level, intensity, and severity of poverty nationally, and in both urban and rural areas.

[10] Values of the Gini index are the most recent over the past five years. The Gini index for Eswatini is based on per-adult equivalent consumption.

4.4.2 Education

125. Education is key to addressing poverty, mainly because it raises the chances of finding better-paying jobs (chapter 5). There is a clear inverse relationship between the educational attainment of household heads and their poverty rates. Relative to household heads with primary education or less, household heads with at least a secondary level of education enjoyed a positive return to their endowments. In 2017 the poverty rate among households in which the head had no formal education was 79.6 percent, as against only 37.6 percent and 5.5 percent among households in which the head had secondary and tertiary education, respectively.

4.4.3 Labor markets

126. Lower unemployment and higher earnings also helped address poverty. Reducing the share of household heads who are unemployed is associated with lower poverty, as is increasing the number of household heads employed in the public service. Both real wage income and the share of wages in the total income rose between 2010 and 2017 (Table 7). A quantification of the contribution of income components to changes in poverty in this period shows that growth in wages was the most important contributor (18.2 percentage points) to this change (Figure 31; Azevedo et al. 2013).

Table 7. Components of total income, 2010 and 2017

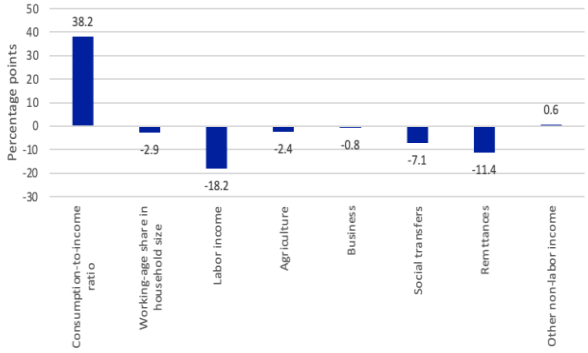
	National		Bottom 40		Top 60	
	2010	2017	2010	2017	2010	2017
Wage income	35.95	54.19	32.19	36.49	38.45	65.86
Agricultural income	18.50	7.09	16.81	9.31	19.62	5.63
Business income	7.35	1.64	8.18	2.21	6.81	1.26
Social assistance	7.08	10.06	8.34	16.94	6.25	5.51
Remittances/private transfers	9.17	20.65	13.58	29.06	6.24	15.10
Other income	21.94	6.38	20.91	5.99	22.63	6.63

Source: Estimates based on EHIES 2009–10 and 2016–17. *Note:* Agricultural income: the value of own-produced consumption, net of costs. Business income: also net of costs. Social assistance income: in-kind and cash public transfers. Other income: rent, interest, child maintenance, and cash loans received. Income from transfers and remittances: cash and in-kind transfers from inside and outside Eswatini.

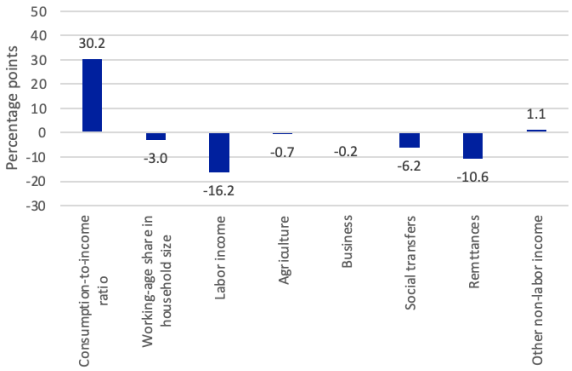
127. Labor market outcomes remain poor; despite a decline in the rate of unemployment, joblessness is still high. The 2016 Labor Force Survey puts the unemployment rate at 23 percent in 2016 (30 percent if discouraged workers are included), down from 28.1 percent in 2013 (Figure 32a). This reflects a shift to informal employment (see below). Unemployment among young people (ages 15–24) stood at 47.4 percent (Figure 32c). Core labor market outcomes are unfavorable, even by regional standards: only 50 percent of the working-age population participates in the labor force. Unemployment is structural—about 70 percent of unemployed people have been out of work for at least a year and nearly half for at least two years. Underemployment is significant, and informal employment is high. If workers informally employed in formal sector firms are counted, some 68 percent of employment is informal.

Figure 31. Decomposing poverty change by income components, 2010–17 (%)

a. Effect on the poverty headcount rate



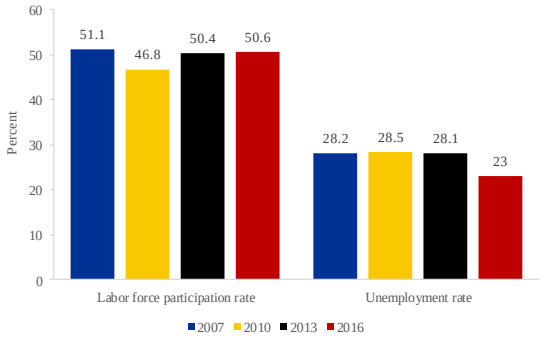
b. Effect on the poverty gap



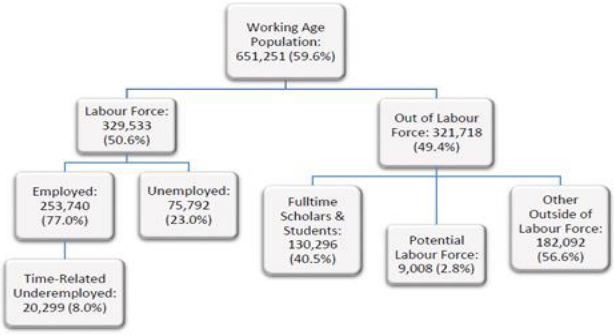
Source: Estimates based on EHIES 2009–10 and 2016–17. *Note:* Agricultural income: the value of own-produced consumption, net of costs. Business income: also net of costs. Social assistance income: in-kind and cash public transfers. Other income: rent, interest, child maintenance, and cash loans received. Income from transfers and remittances: cash and in-kind transfers from inside and outside Eswatini. Consumption-to-income ratio: the ratio of measured consumption to measured income; changes in this ratio capture changes in the savings patterns of households, along with measurement errors in household consumption and income.

Figure 32. Unemployment and employment indicators (%)

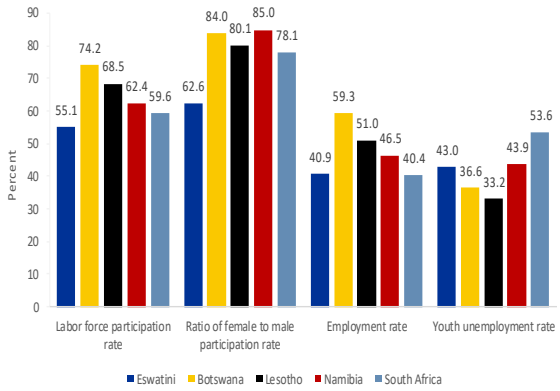
a. Unemployment and labor force participation rates, 2007–16 (%)



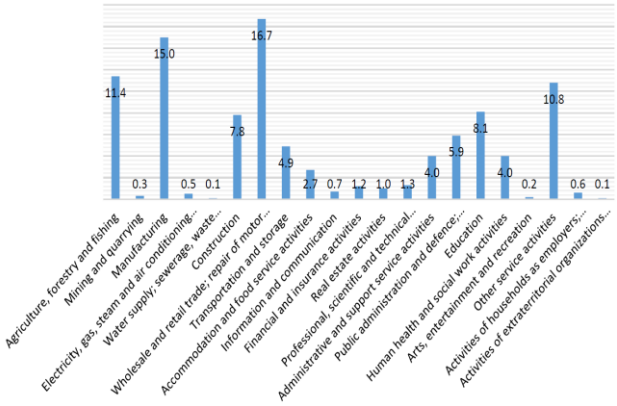
b. Status of working-age population (15–64), 2016 (%)



c. Comparison of labor market outcomes, 2016



d. Employment by major industry group, 2016



Sources: Eswatini Central Statistical Office (panel a–c); WDI (panel d).
Note: For comparative purposes, all data use ILO modeled estimates.

128. The lack of new jobs is the main factor behind poor labor market outcomes. Most new jobs are in low-productivity services sectors, where earnings prospects cannot protect against poverty and vulnerability. The situation is worse in rural areas, where the main source of livelihood, agriculture, has been declining. The share of employment in agriculture (12.9 percent in 2017) is already low relative to most Sub-Saharan Africa countries. Young people, of whom only 29 percent were employed in agriculture in 2016, would benefit from more employment opportunities in this sector.

129. Women and young people face significant challenges in accessing employment opportunities. In 2016 the gap in labor force participation between men and women was 9 percentage points. Women experience higher levels of unemployment (3.6 percentage points); are paid less (the earnings gap is about 40 percent); and are much more likely to be in vulnerable employment. Significantly more women (12 percentage points) are own-account or contributing family workers. Young people similarly face poor labor market outcomes—just one in four people ages 15–24 is active in the labor market; almost half (47.4 percent) of them were unemployed in 2016. Informality among youth reached 83 percent in 2016, almost 15 percentage points above the national average.

130. Location and skills are the main determinants of labor market outcomes. The low-skilled population is concentrated in rural areas where good earnings opportunities are few. Access to jobs is uneven across regions; for example, the likelihood of a working-age adult being employed in Hhohho and Manzini is 33 percent higher than in Lubombo and 50 percent higher than in Shiselweni. This is primarily because of differences in labor market outcomes between urban and rural areas. According to the 2016 Labor Force Survey, urban labor force participation is nearly 68 percent, as against only 45 percent in rural areas. The same holds for unemployment: 16.6 percent in urban areas versus 25.5 percent in rural areas.

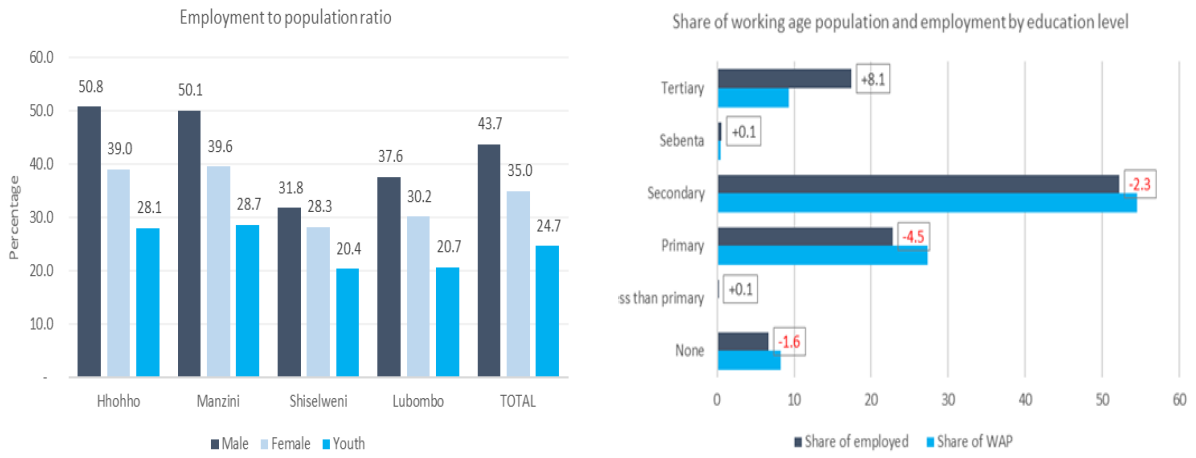
131. Rural and lower-skilled workers face significantly worse labor market outcomes. Rural people earn much less, even when controlling for their education levels. The negative wage effect of living in a rural area is especially strong in Shiselweni. In 2016 the urban-rural gap in monthly wages was about 70 percent in the services sector and 75 percent in industry. Lower-skilled people, especially women, are less likely to participate in the labor force. About 36 percent of working-age Swazis have less than a secondary level of education, but they account for only 30 percent of the employed (Figure 33b). They are also more likely to live in rural areas (over 80 percent), whereas most people with some tertiary education (about 60 percent) live in urban areas.

132. The earnings premium for working in the public sector is large. Median monthly earnings in Eswatini are relatively low and do not vary much across sectors, except in the public sector (Labor Force Survey 2016). Average monthly earnings stand at E 2,200; the sectors with the lowest earnings (except the household sector) are tourism, manufacturing, and agriculture, at E 1500, E 1650, and E 1,700, respectively. Earnings in lower-skilled services sectors, like transport, trade, and construction, are near the national average. In contrast, average earnings in the public sector were E 9,500, about 4.3 times the national average. Even when the different occupational structure and skills required in the public sector are taken into account, the public sector earnings premium appears to exceed 50 percent.

133. Competition for jobs is high, unequal, and linked to privileged access to opportunities. As noted, employment is associated with lower poverty, although poverty is high even among employed people. Better-paid jobs (in the public sector) are allocated on the basis of connections; most people do not have access to these. Instead, many have to rely on the informal and subsistence sector, which is associated with the highest poverty. In general, high unemployment reflects the absence of a vibrant private sector.

Figure 33. Employment by region and sector

a. Employment rates by region and group, 2016 (%) **b. Employment shares by level of education, 2016 (%)**



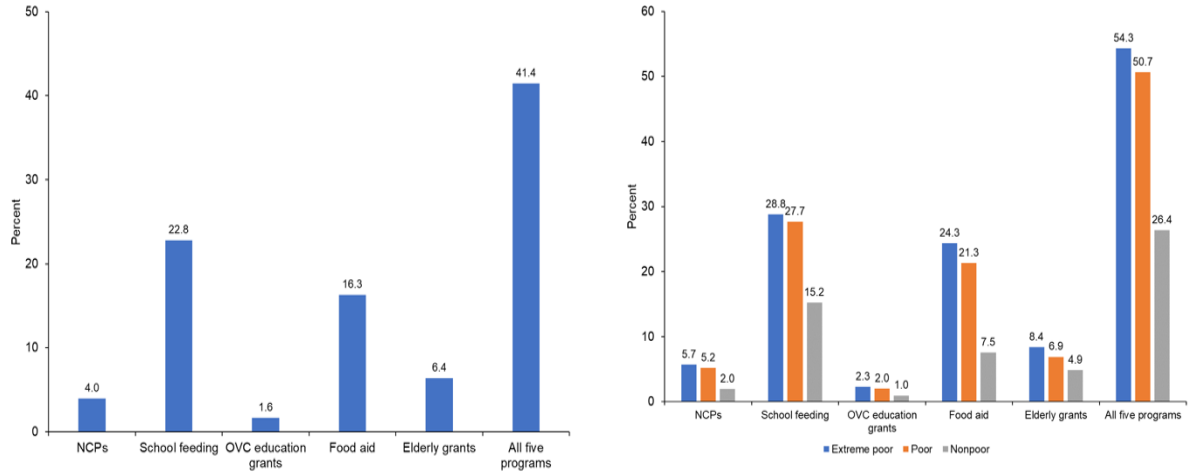
Source: Eswatini Central Statistical Office.

4.4.4 Social protection

134. Public social transfers also helped in the fight against poverty and vulnerability. In the past few years, government allocated 2–3 percent of its total spending (or 1 percent of GDP) to social protection programs. This is relatively low compared with the rest of SACU. Public social transfers reduced poverty by 7.1 percentage points between 2010 and 2017, according to decomposition analysis based on the EHIES 2009–10 and 2016–17 surveys. The analysis shows that the five largest social protection programs were pro-poor, although less so than the most progressive social assistance programs in other developing countries. Also, their impact tends to be small because benefits are low, and coverage is not adequate (Figure 34 and Box 4).

Figure 34. Social grant coverage rates of individuals, by program (%)

a. Overall **b. By poverty status**



Source: Estimates based on EHIES 2016–17.

Box 4. Social protection programs and household welfare

The World Bank analyzed five social protection programs with broad coverage, using the 2016–17 EHIES data. The analysis does not include civil service pensions, but includes: (a) neighborhood care programs, which provide food and other benefits to orphans and vulnerable children who are not in school; (b) government school feeding for students in public primary and secondary schools; (c) orphan and vulnerable children grants, which are paid directly to government secondary schools for tuition and examination fees; (d) emergency food aid from government; and (e) old-age grants, unconditional cash transfers to all citizens over 60 years of age.

The coverage of these programs is reasonably broad: 41 percent of individuals and 52 percent of households surveyed benefited from at least one program. School feeding and old-age grants cover large shares of their target populations, but smaller shares of the general population (23 percent and 6 percent, respectively). Food aid covers 16 percent of people and the other two only 4 percent of people (Figure 31). The programs do not target poverty directly; rather, they apply category and geographic targeting criteria associated with poverty.

The larger programs predictably have larger effects on inequality and poverty. School feeding has the most significant effect, reducing the poverty rate and poverty gap by 1.0 and 1.2 percentage points, respectively. Together, the five programs account for 3.3 percent of total household consumption spending. They reduce inequality by 2.3 percentage points, the poverty rate by 1.8 points, and the poverty gap by 3.3 points.

While most of the benefits do reach poor people, they do not necessarily reach the poorest of the poor: the five programs account for 49–55 percent of the reduction in inequality that a perfectly targeted transfer of equivalent size would achieve. For all of them, the estimates of their impact and spending effectiveness are higher for the poverty gap than for poverty severity. They account for 73–81 percent of the reduction in the poverty gap that a perfectly targeted transfer of equivalent size would achieve and for 44–52 percent of the reduction in poverty severity.

Households report that the main shocks to their livelihoods are droughts and food prices. In the past year, drought accounted for 33 percent and food prices for another 33 percent of shocks reported by households. This is not surprising, given the El Niño-induced drought of 2015–16, which had a significant and widespread impact on food and livestock production, drinking water, sanitation and hygiene, and food security.

135. Despite government efforts, many poor and vulnerable Swazi remain unprotected, as social protection programs tend to miss the poorest of the poor. Eswatini has no cash assistance program for extremely poor households with children or for unemployed people. It does provide old-age grants, disability grants, and education grants for orphans and vulnerable children. The old-age grant benefits around 70,000 Swazi (all people over 60 years of age are eligible irrespective of economic status), and each beneficiary gets E 400 per month. The disability grant is an unconditional cash transfer program that pays E 180 monthly to 4,744 beneficiaries. (Both of these grants were increased by E 100 in January 2020.) The orphans and vulnerable children education grant runs in 260 high schools, covering the cost of tuition, examinations, and books. Individual benefits also support other household members; for example, children may benefit indirectly from school feeding or orphans and vulnerable children education grants received by siblings.

136. Eswatini has on occasion reduced expenditure on safety net programs in times of crises. These reductions, attributable to the volatility of SACU revenues, particularly affected cash transfer programs, and some old-age grants have been delayed. Public assistance schemes intended to target poor people have been eliminated. Also, without public works programs, unemployed young people and adults struggle to raise enough income to smooth household consumption after crises.

4.4.5 Demography

137. Demographic changes, such as smaller household sizes and lower dependency ratios, also reduced poverty. According to the Population and Housing Census, Eswatini had about 1.1 million people in 2017, of whom 48.6 percent were female. Between 2007 and 2017, the population grew at a rate of about 0.7 percent per year. The relatively slow rate of growth is consistent with both declining fertility rates and the prevalence of HIV/AIDS. Note that the high prevalence of HIV/AIDS probably slowed poverty reduction, because it typically affects adults of working age.

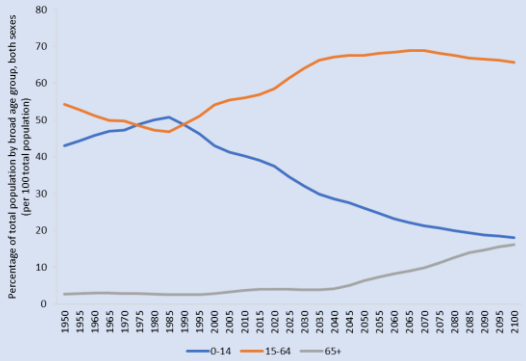
138. Eswatini has one of the world's youngest populations: 56 percent of the population is under the age of 25, and the median age is 21.7. This young demographic structure presents an opportunity that can be harnessed through investments in education, health, and job creation (Box 5). The "demographic window of opportunity"—when the ratio of the working-age population to the dependent-age population increases rapidly—could remain open for about 43 years (Bruni 2016).

Box 5. Demographic dividend opportunity for Eswatini

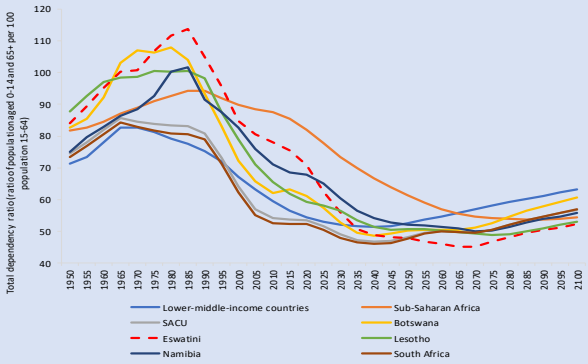
Eswatini is undergoing a demographic transition—its population is growing because life expectancy is increasing. Since the early 2000s, adults have outnumbered children. The share of the population in the 0–14 age group shrank by 3.9 percentage points to 35.6 percent whereas that of adults (15–64 years) grew by 3.1 percentage points to about 59.9 percent in 2017. As for the 65+ age group, their share in the population increased from 3.7 percent to 4.2 percent (Figure 35). The average household size fell from 4.7 to 4.0.

Figure 35. Eswatini has the potential to harness the demographic dividend

a. Population by broad age group



b. Population by age group, international comparison



Source: UNFPA (https://population.un.org/wpp/Download/Standard/Population/).

This provides an opportunity for the country to harness the demographic dividend, or the economic benefits associated with demographic shifts. A demographic shift is a change in the age structure that results from changes in mortality and fertility rates. The shift is typically from people living short lives and having large families to them living long lives and having small families. Such a shift helps to increase the labor supply, savings, human capital, and economic growth. For instance, when fertility rates decrease, women's health tends to improve and economic pressures at home to ease. This allows parents to invest more resources in each child, which generally leads to better health and educational outcomes.

The ability of the economy to absorb the increase in the labor supply is key to harnessing the demographic dividend. A larger workforce, employed in productive jobs, brings many economic benefits. Achieving this requires a three-pronged approach: enhancing health outcomes, particularly for low-income groups; building

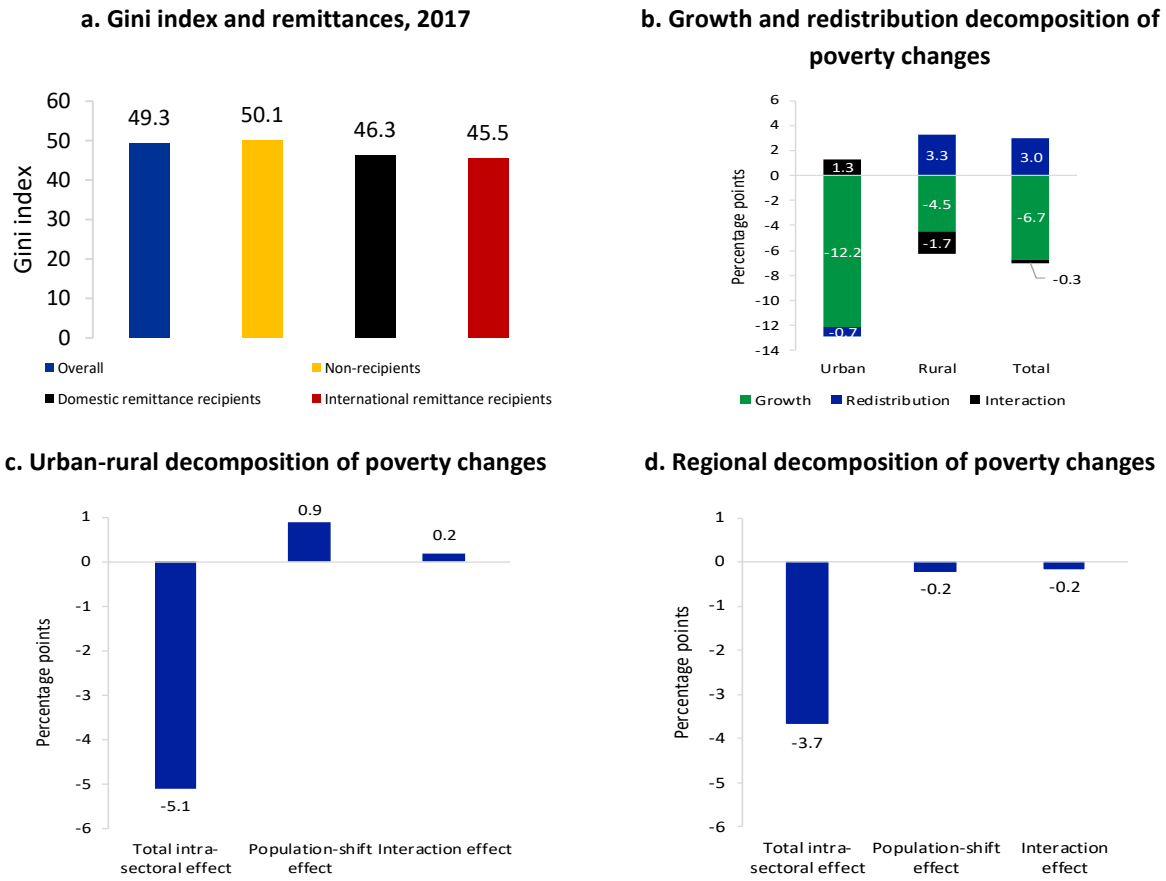
the skills of the population, especially young people, for instance by investing in education that is relevant to the labor market; and enhancing the ability of the private sector to absorb them. In Eswatini, the skills demanded by the labor market remain in short supply, and entrepreneurialism is still nascent.

Urbanization also presents social and economic opportunities. Hhohho and Manzini, the most urbanized regions, saw population growth rates well above the national average. In contrast, the population of the predominantly rural Shiselweni shrank by 0.2 percent. The growth in the number of people residing in Mbabane, Manzini, and other cities presents agglomeration benefits that could stimulate both trade and productivity. This has the potential to boost the economy and promote growth and development. It is therefore important to manage the urbanization process well, ensuring that service delivery keeps up with the demographic shifts. In this regard, the country could draw lessons from urban economics and economic geography.

4.4.6 Remittances and migration

139. Growing remittances from South Africa helped to reduce poverty, and the relatively easy migration between Eswatini and South Africa may have enabled many Swazi working abroad to send remittances home. The growth in domestic and international remittance incomes reduced poverty by 18.8 and 10.6 percentage points, respectively. The increase in remittances was relatively higher for poorer households. Consumption-based inequality was lower among people who received remittances (Figure 36a).

Figure 36. Gini and poverty decomposition, 2010–17 (%)

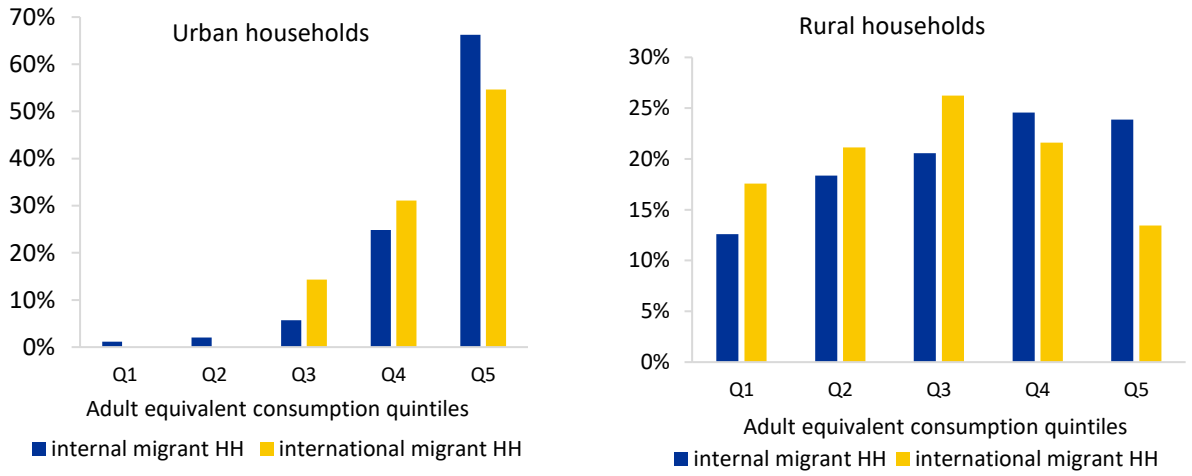


Source: Estimates based on EHIES 2000–01, 2009–10 and 2016–17.

140. By contrast, rural-urban migration had little impact on poverty. As Eswatini is small, people need not necessarily migrate to access economic opportunities in urban or other regions. Poverty reduction is driven by dynamics within urban areas and rural areas, not by migration from rural to urban areas (Figure 36c). Similarly, poverty reduction is driven by dynamics within regions, not by migration across regions (Figure 36d). Manzini contributed the most to poverty reduction, followed by Hhohho; together they account for 60 percent of the total population. On the other hand, Lubombo, home to 20 percent of the Swazi, slowed the overall reduction in national poverty by 0.4 percentage points.

141. Migration within and from Eswatini is predominantly a rural phenomenon. According to the 2016–17 EHIES, only 33 percent of households whose spouses or partners have migrated or who receive remittances live in urban areas. Within urban and rural areas, the share of households with at least one migrant spouse or partner is 21.3 percent and 26.3 percent, respectively. Migration of a spouse or partner is concentrated among better-off households in urban areas (across the distribution of households by adult-equivalent consumption quintiles). In contrast, the incidence of migration is relatively even among poor and rich households in rural areas (Figure 37).

Figure 37. Households with a current migrant spouse or partner, 2016–17 (%)



Source: Authors' calculation using 2016–17 EHIES.

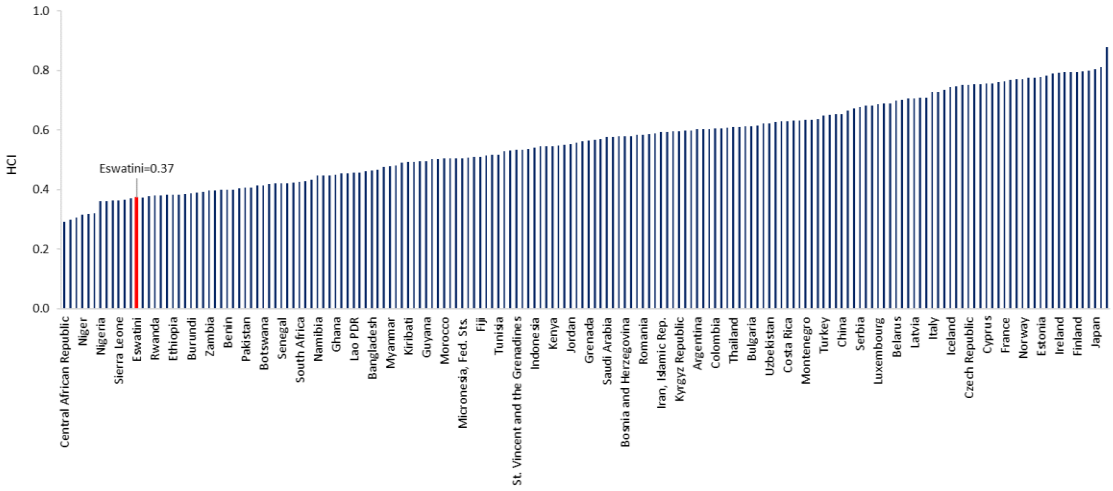
Chapter 5. Human Capital, Access to and Quality of Public Services

5.1 Human Capital

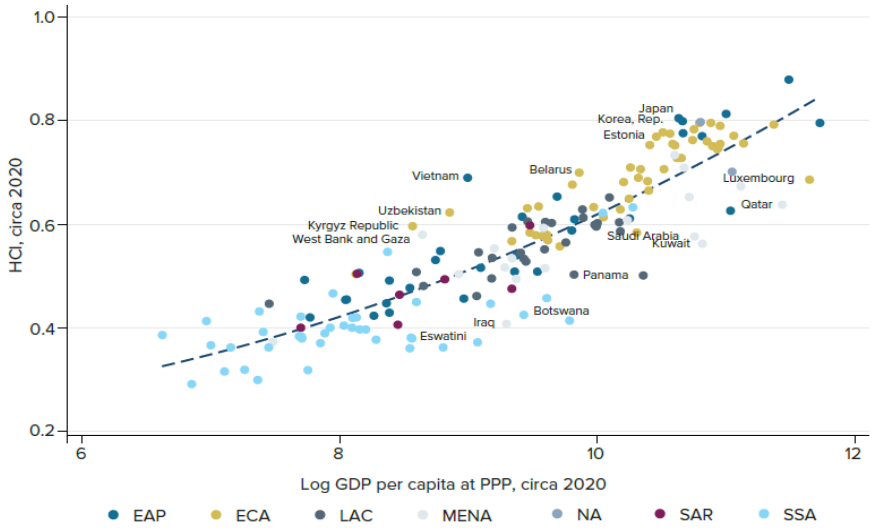
142. Eswatini ranks near the bottom of the World Bank's Human Capital Index (HCI), which is lower than predicted for its income level (Figure 38). It scored 0.37 in 2020, down from 0.41 in 2018, meaning that Swazi children born today would be only 37 percent as productive as adults than they could have been with a complete education and full health. The main reasons for such a low score are a low adult survival rate (e.g., from HIV/AIDS) and particularly poor learning outcomes.

Figure 38. Human Capital Index

a. Comparison with other countries



b. By income levels



Source: World Bank Human Capital Project 2020.
Notes: EAP = East Asia Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; NA = North America; SAR = South Asia; SSA = Sub-Saharan Africa.

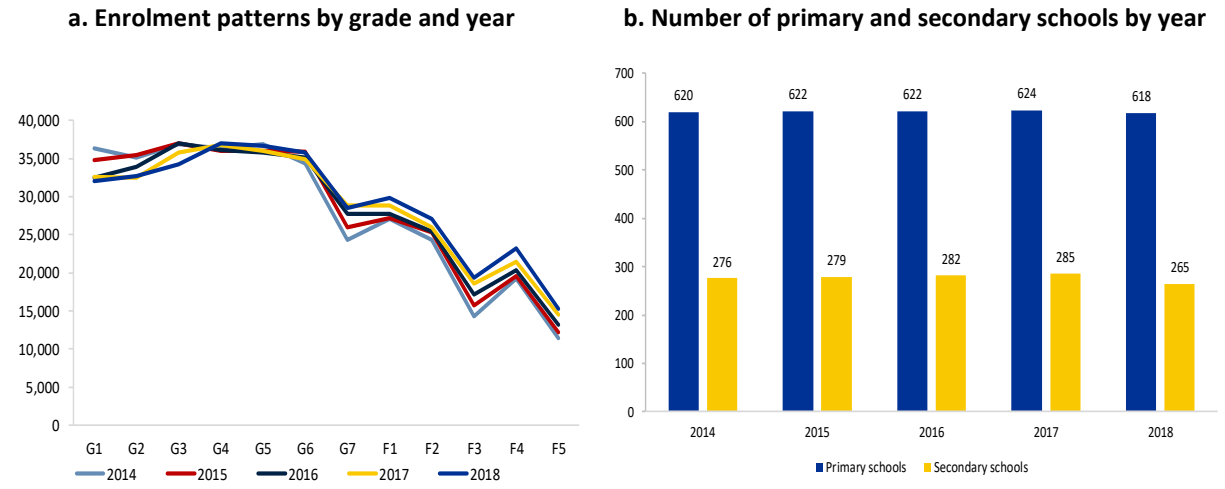
143. Low levels of human capital can be attributed mainly to poor education and health outcomes. About 95 percent of children born in Eswatini survive to age 5, but only 60 percent of 15-year-olds survive to age 60. Children who start school at age 4 can expect to complete 6.4 years of schooling by age 18; however, when adjusted for their quality of learning, these are equivalent to only 4.5 years. About 26 in 100 children are stunted. These outcomes are not primarily from a lack of spending; instead, there are significant challenges around the efficient and equitable delivery of education and health services.

5.1.1 Education

144. At independence in 1968, Eswatini inherited an education system characterized by historical inequalities. Access to the system and the quality of education were poor and dropout and repeater rates high. Skilled teachers were in short supply, and the curricula were highly academic and of limited relevance to the country's needs. Addressing these issues was one of the priorities of the newly independent kingdom.

145. Notable achievements since independence include near-universal access to primary education. The Ministry of Education and Training's Annual Education Census of 2017 showed a primary gross enrolment rate[11] of 131 percent and a net enrolment rate of 94 percent. Access to primary education has increased for all children, including orphans, vulnerable children, and those with special education needs. This was achieved through several strategies, including the introduction of free primary education in 2010, grants for orphaned and vulnerable children, and the provision of infrastructure and facilities for primary education. By 2012 about 75 percent of children enrolled in primary education had completed the primary education cycle. The transition rate from grade 7 to form 1 had risen above 90 percent (Kingdom of Eswatini 2015a). The gross and net enrolment rates at secondary level were 89 percent and 46 percent, respectively, in 2017.

Figure 39. Access to primary and secondary education, 2014–18



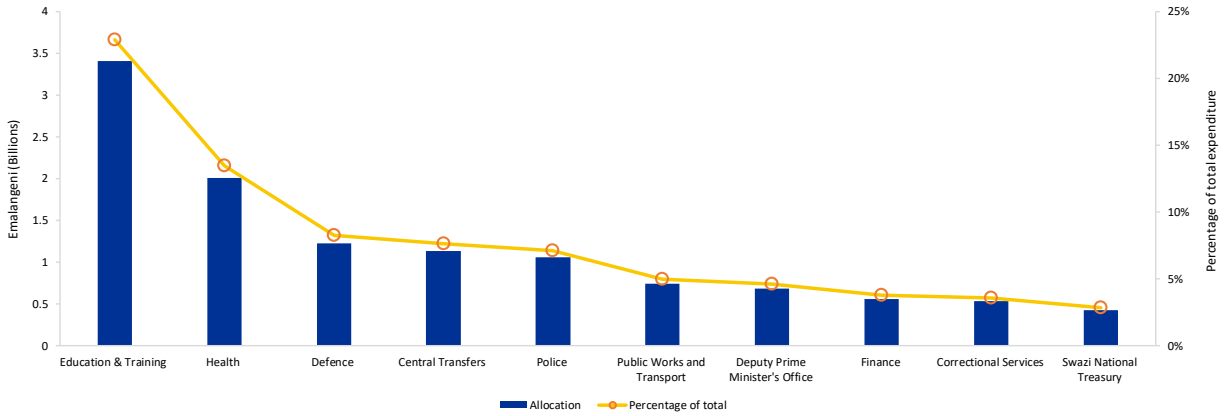
Source: Eswatini Education Sector Review 2020.

[11] The gross enrolment rate is the number of children enrolled in primary school who belong to the age group that officially corresponds to primary schooling, divided by the total population of the same age group.

146. Rising literacy rates are another achievement. In 2010, 83.1 percent of Swazi people over 15 were literate, a notable improvement on the 55.3 percent literacy rate in 1976. Gains in literacy have been broad based among men and women, although the rate of female literacy has increased more rapidly. Literacy in Eswatini is now above the average for lower-middle-income countries, and it fares reasonably well in comparison with these countries. For example, countries such as Lesotho, Sao Tome and Principe, and Timor-Leste spend relatively more of their GDP on education, but their literacy rates are lower. In contrast, middle-income countries such as Guyana, Indonesia, and Vietnam spend relatively less but achieved higher literacy rates.

147. The education sector attracts the bulk of public spending, which should provide a platform for better educational outcomes. In the 2019/20 budget, the Ministry of Education and Training received E 3.4 billion, which is about 23 percent of the total budget (the largest share) or 6 percent of GDP (Figure 40). This is relatively high for lower-middle-income countries, where education averaged 14.0 percent of total public spending and 4.3 percent of GDP in 2013.

Figure 40. Ten largest budget allocations, by ministry, 2019/20 (%)

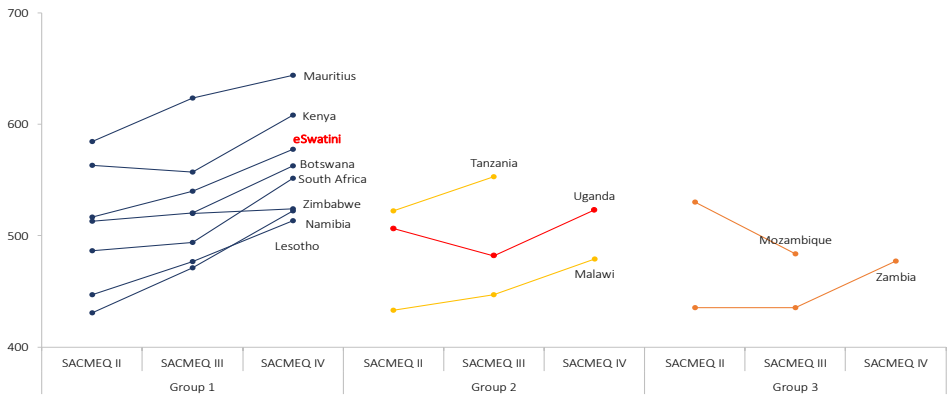


Source: National Budget 2019/20.

148. Most education spending is on personnel, which affects efficiency. Wage spending accounted for about 76.5 percent of the 2019/20 education budget. However, much of this was on higher education, which claims a disproportionate share of the budget for a small number of students. This allocative inefficiency suggests that public spending decisions do not necessarily address national needs. Key elements of resource inefficiency include low utilization of physical capacity, broad (and poorly articulated) curricula, mismanagement of funds, high unit costs, overly long study programs, high repetition rates, and limited pathways within and among subsectors.

149. Challenges remain around the equitable provision of quality education. While the quality of education in Eswatini is better than in the rest of SACU, educational performance is still lower than expected for the country's income level. This is clear from Figure 41, which reflects sixth-grade mathematics scores assessed by the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ) between 2000 and 2013. Educational outcomes are also uneven across population groups and space; for example, women and girls are underrepresented in mathematics, science, and technical subjects (basically STEM, i.e., science, technology, engineering, and mathematics) at institutions of higher learning.

Figure 41. SACMEQ mathematics scores



Source: Bashir et al. 2018.
Note: Sixth-grade mathematics assessed in 2000 (SACMEQ II), 2007 (SACMEQ III), and 2013 (SACMEQ IV).

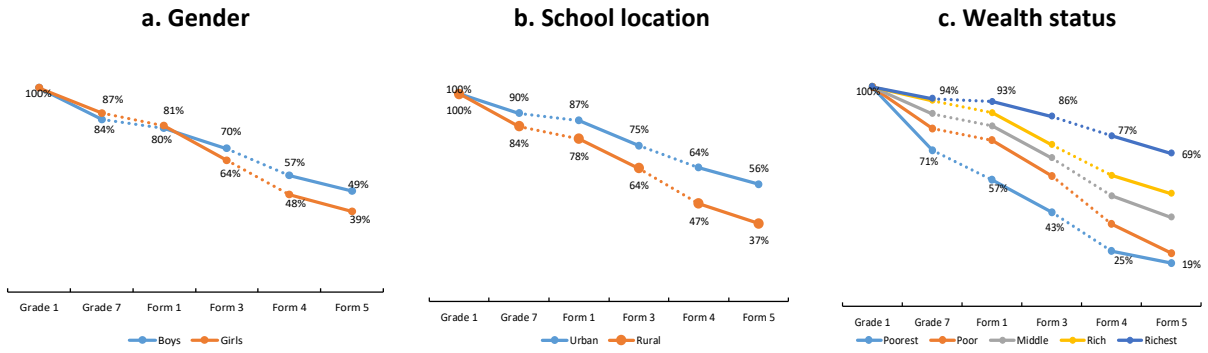
150. Repetition rates are worryingly high at primary level, particularly in grades 1–3. The Ministry of Education and Training recommends that children should not repeat a grade more than twice. However, its 2017 census revealed repetition rates of 13 percent for primary school and 11 percent for secondary school. (These rates are higher than in most countries in the subregion.) In terms of survival rates, 1 in 5 children who enter the first grade will not complete grade 10. Only 18 percent of children reach grade 10 without repeating a grade. High repetition rates are due both to poor quality and to stringent selectivity because of a shortage of places at higher levels. Eswatini's relatively good performance on international examinations most likely reflects the stringent selectivity of the system rather than its inherent quality.

151. Retention also is a concern. Only 89 percent of children enrolled in grade 1 complete primary school, but those who leave the system before completing grade 7 are unlikely to have acquired foundational skills. Retention at secondary level also is weak: although the intake rate is 89 percent, the completion rate is only 47 percent. This problem is exacerbated by the shortage of schools to accommodate existing students; demand issues related to the high cost of secondary education; and the structural barriers posed by high-stakes examinations.

152. Disparities in gender, location, and wealth continue to characterize the education system. Boys tend to drop out more often than do girls, and children from high-income households outperform poor children by a significant margin (Figure 42). For example, only 7 in 10 of the poorest children complete primary education, and only 2 in 10 go on to complete secondary education. In general, the quality of education is better in higher grades, which many poor children simply do not reach. Issues of equity and access begin early—access to early childhood care and education is very low (41.8 percent in 2015). One reason is that early childhood care centers and preschools are often privately owned and charge exorbitant fees, limiting access for children from poor backgrounds.

153. Educational attainment is relatively higher in urban areas. Students in rural areas also tend to have less access to schools, lower education inputs (e.g., qualified teachers), and higher dropout rates. The access problem is due in part to the quality of the rural road network. District roads are in poor or even very poor condition and are vulnerable to flood damage. Also, secondary school learners often need to use public transport, which can be unreliable and expensive. Students living with disabilities face even more challenges, as most schools are not accessible to disabled, including blind and deaf, learners.

Figure 42. Factors affecting access and retention in the education system



Source: Eswatini Education Sector Review 2020.

154. The education system is not responsive to the needs of the labor market. Eswatini has one of the world's highest skills mismatch indices, ranking 136th out of 139 countries on the 2017 Skills Mismatch Index of the International Monetary Fund (IMF).[12] This suggests that the current levels and quality of education do not provide the skills mix demanded by the national and regional labor markets. A legacy of overly academic education has not equipped the Swazi with skills relevant to the country's development needs; this has resulted in a low supply of knowledge workers. The economy requires such workers in order to attract investment, create the knowledge and capacity to absorb technology, create employment opportunities for lower- and unskilled workers, and give it a competitive edge. Teaching relevant skills is critical if Eswatini is to absorb new technologies and better integrate with the world economy.

5.1.2 Nutrition

155. Levels of child malnutrition and stunting are high. In 2017, an estimated 25.5 percent of children under 5 were stunted, 5.8 percent were underweight, and 9 percent were either overweight or obese (Kingdom of Eswatini 2014). Micronutrient deficiencies such as anemia (47 percent) and vitamin A deficiency (45 percent) affect almost half of young children. Stunting is more prevalent in rural (27 percent) than urban areas (19 percent), with as many as 30 percent of children in the Shiselweni region affected. Poor children are three times more likely to be stunted (31 percent) than their better-off peers (9.2 percent). Diarrhea is the most significant cause of death (nearly 20 percent) of children under 5 years; of these deaths, about 69 percent were due to unsafe sanitation and 81 percent to unsafe water sources (IHME 2016). All these factors negatively affect early childhood development, school enrolment, attendance, learning abilities, and educational outcomes, thereby undermining both productivity and economic development in the long run.

156. Nutrition for adults, especially women, also is an issue. Obesity is a public health epidemic: 46 percent of adult women (15–45 years) are obese, which increases the risk of noncommunicable diseases, premature deliveries, low birth weights, and poor birth outcomes. Health-specific nutrition care faces many challenges, such as a lack of funding for scaling up nutrition interventions; poor nutrition training in the pre-service and refresher courses taken by health professionals; a weak primary health care

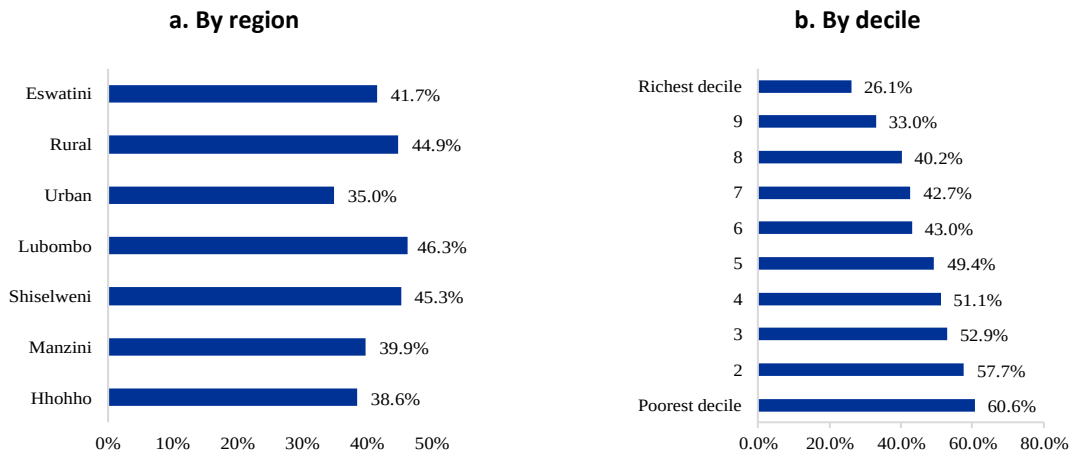
[12] A skills mismatch occurs when the skills supplied by workers differ from the ones demanded by their job. Accordingly, a skills mismatch index can be constructed that reflects the difference between the share of employed workers (skills demanded) and labor force (skills supplied) at each skill level (defined as educational attainment).

system, and hence an inadequate community-based platform for delivering nutrition services; and interdepartmental silos affecting the Ministry of Health.

157. Almost two-thirds of the population are food insecure, and in 2019 one-fifth were categorized as being severely and acutely food insecure. In 2016–18, severe food insecurity in Eswatini averaged 29.5 percent, as against 22.1 percent for the continent and 30.71 percent for Southern Africa. Moderate food insecurity averaged 63.5 percent, as against 53.1 percent for Africa and 53.6 percent for Southern Africa (FAOSTAT Suite of Food Security Indicators). The 2018 Global Hunger Index ranked Eswatini 76th out of 119 countries, and it trails its lower-middle-income peers in reducing hunger.

158. About a fifth of the Swazi live under the food poverty line. This proportion was higher in rural (25.1 percent) than in urban areas (5.9 percent). In 2017, Swazi households allocated 41.7 percent of their spending to food; among those in the poorest decile, this figure was as high as 60.6 percent (Figure 43).

Figure 43. Share of food in total household consumption expenditure, 2017 (%)



Source: Estimates based on EHIES 2016–17.

159. Inadequate dietary diversity contributes to poor nutritional outcomes. Over the last decade, the adequacy of the average dietary energy supply has risen slightly from 100 percent to 103 percent, according to FAOSTAT data. However, dietary diversity, particularly in the consumption of vegetables and legumes, is low relative to global and African averages.

160. Drought, or even the anticipation of drought, exacerbates food insecurity. Drought reduces yields and increases the vulnerability of livestock to disease. When households anticipate a drought, they reduce the area planted, which in turn reduces rural employment and incomes. Households in which members are chronically ill (e.g., with HIV, cancer, or tuberculosis) are the most vulnerable. Most people who were food insecure in 2019–20 lived in the eastern Lubombo and southern Shiselweni regions, where crops were particularly affected by erratic rains, and maize prices were relatively high (FAO GIEWS 2019).

161. The state administration of maize markets is a core element of food security policy. The objectives of the National Maize Corporation are "guaranteeing a market to local maize farmers at competitive prices and providing good quality maize meal at reasonable prices to the Swazi people". The National Maize Corporation and the Ministry of Agriculture control maize prices. The National Agricultural Marketing Board (NAMBoard) controls maize imports by issuing import licenses; it has recently imposed an embargo

on such imports. A comparison of retail maize meal prices between South Africa and Eswatini suggests that prices in Eswatini have generally been higher and more variable; the embargo is likely to exacerbate this problem.

5.1.3 Health

162. At 27.4 percent, Eswatini has the world's highest share of adults living with HIV (Figure 44). The prevalence of HIV/AIDS both creates and exacerbates social exclusion of vulnerable groups. Stigma around HIV has hampered efforts to prevent infection among children and to protect HIV orphans and men who have sex with men. Laudably, the country has achieved the UNAIDS goal of 90-90-90 (90 percent of adults know their HIV status; 90 percent of those who test HIV positive receive antiretrovirals; and 90 percent of those under treatment have a suppressed viral load). Yet, the cost of the pandemic and the loss of human capital have been immense. Some groups, such as women, are particularly affected, with an HIV prevalence rate of 32.5 percent (against 20.4 percent among men). This contributes to poor maternal and child health outcomes (33 percent of maternal deaths) and increases co-morbidities with tuberculosis (70 percent co-infection), cervical cancer, and other noncommunicable diseases, such as diabetes and cardiovascular diseases. Overall, an estimated 205,000 people live with HIV, which is associated with 3,200 AIDS-related deaths, 9,143 new infections, and 130,000 more orphans and vulnerable children every year.

Figure 44. Prevalence of HIV among ages 15–24, 1990–2016 (%)

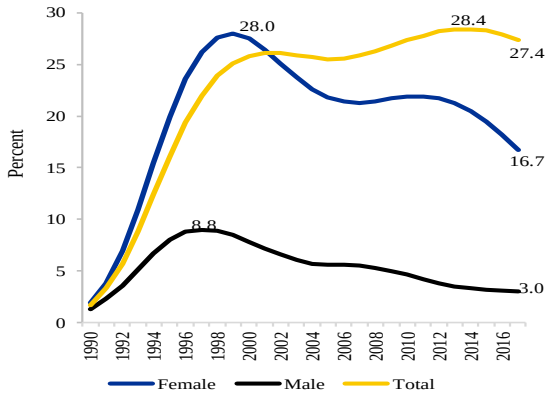
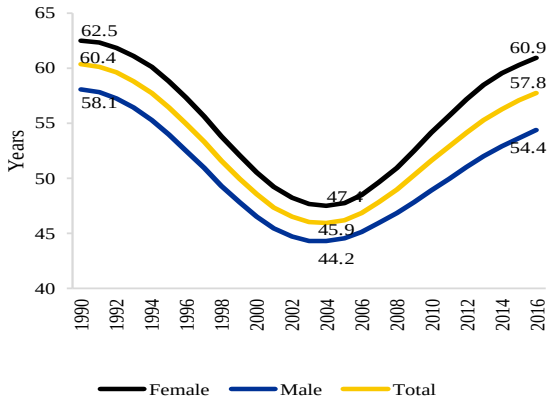


Figure 45. Life expectancy at birth, 1990–2016 (years)



Source: World Development Indicators.

163. The incidence of noncommunicable diseases is on the rise. By 2017, three of the top five causes of death in Eswatini were noncommunicable diseases—cardiovascular diseases, cancer, and diabetes and chronic kidney diseases. The other two main causes of death were HIV/AIDS and tuberculosis. A particular challenge around noncommunicable diseases is the lack of population-level, targeted prevention and screening of diseases. The lack of screening reduces early detection and, hence, increases both the cost of treatment and the related morbidity and mortality. There is a clear need to strengthen health systems, including primary health care, and to enhance referral links to hospitals with better technical and managerial capacity. Without early detection and an effective continuum of care, patients are likely to seek treatment abroad, financed by medical referral schemes to which the poor have limited access; this pattern exacerbates inequity. Better attention to and support for managing noncommunicable diseases (e.g., developing infrastructure and strengthening the health system) remain central requirements.

164. Maternal and child health outcomes are poor. This has a ripple effect on poverty—maternal mortality also affects the children left behind. In 2017 maternal and neonatal mortality was the eighth-highest cause of death in Eswatini. The 2015 maternal mortality rate was 389 per 10,000 people and the under-five mortality rate 54 per 1,000 live births; infant mortality was 41 per 1,000 live births in 2017. In stark contrast, the 2030 Sustainable Development Goal targets are <70 per 10,000 people for maternal mortality and <25 per 1,000 live births for the under-five mortality rate. Eswatini's poor ranking on these global indicators comes despite better access to antenatal care and the vast majority (88 percent) of deliveries being attended by health personnel. The situation is complicated by the high adolescent fertility rate, at 78 births per 1,000 young women (ages 15–19), and the cost and time involved in traveling to clinics (see below), among other factors.

165. The maternal health system suffers from poor reliability and quality. At least three factors affect the reliability and quality of maternal health care. The first is a drop along the care continuum. For example, the coverage rate for antenatal care (i.e., the first contact with a health care provider) is 99 percent. However, only 76 percent of pregnant women had four such contacts, the minimum number recommended by the World Health Organization (WHO). The second set of factors relates to age and spatial disparities. Care-seeking varies by age group: only 67.3 percent of adolescent pregnant women had four care contacts, as against 83.7 percent for women over 35. Women with lower levels of education, who are unmarried, or whose pregnancies were undesired also made less use of antenatal care. Regionally, women in Hhohho are more likely to attend antenatal care than are women in Lubombo. The two poorest regions, Shiselweni and Lubombo, also have the lowest number of health facilities. The third factor is the quality of service: reviews of facility-based records found various gaps, such as the absence of blood group assessment, a lack of standards for indicating high-risk pregnancies, and a lack of medicines essential for maternal delivery (Kingdom of Eswatini 2014).

166. Eswatini is highly dependent on the availability of life-sustaining medicines, such as antiretroviral treatments. About 77.9 percent of people have a chronic illness(es) and take lifetime daily medication (EHIES 2016–17). This, coupled with the limited discretionary share of the health budget (see below), exposes both them and the system to fluctuations in donor support for life-sustaining medicines. Such fluctuations can affect the timely payment of suppliers, for example, which in turn affects the availability of medicines at individual facilities and people's equitable access to such medicines. About 12.5 percent of people do not receive their medicine for chronic illnesses on time. Such problems can affect their adherence to treatment protocols and increase their out-of-pocket expenses (Shabangu and Suleman 2015). The 2016–17 EHIES shows that most household spending on health was for consultations with private doctors and obtaining prescription medicines.

167. While access to health care has improved, quality remains a concern. The discrepancy between access to care and the quality of such care reveals a disconnect between spending and outcomes. This is due to three main reasons: (1) a delayed response to the unfolding epidemiological transition and, hence, a misalignment between health needs and health services; (2) systemic issues arising from a disproportionate focus on inputs rather than on achieving high-quality services and health outcomes; and (3) a systemic lack of responsiveness to patient expectations, illustrated by frequent shortages of medicines and long waiting times.

168. Eswatini's health outcomes are not commensurate with its spending on health and its middle-income status. In 2018/19, health attracted the third-highest share of the budget, after education and general public services. Its 10.1 percent of total public expenditure is equivalent to about 3.4 percent of

GDP and about US$248 per capita per year. Despite this relatively high level of spending, health indicators remain poor. The bulk of the spending—90.4 percent in 2018/19—is recurrent, of which a significant portion is allocated to personnel expenditure. In 2018/19, spending on human resources accounted for 43.0 percent of total recurrent health expenditure, followed by medicines at 26.5 percent.

169. The adoption of digital solutions could potentially improve the health system. Digital health technology could help reduce costs and improve efficiency, the quality of care, health outcomes, and the experiences of health workers. Eswatini could use such technology for clinical case management, including the screening, diagnosis, and care of patients, and for the planning and administration of health services, including provider payments.

170. Poor transport conditions threaten human capital. WHO estimates put Eswatini's road fatality rate at 29.5 per 100,000 people, at least a third of whom were pedestrians. The quality of the rural road network and the reliability and cost of transport affect access to health care facilities, reproductive support, and emergency services. People's ability to manage chronic conditions such as HIV is also undermined, as traveling to clinics for medication is both time consuming and expensive. Emergency medical services in Eswatini are fairly ineffective because of the limited number of ambulances, inadequate procedures, slow response times, and too few trauma units that can handle complex cases; all of these translate into avertable deaths.

5.2 Basic Infrastructure Services

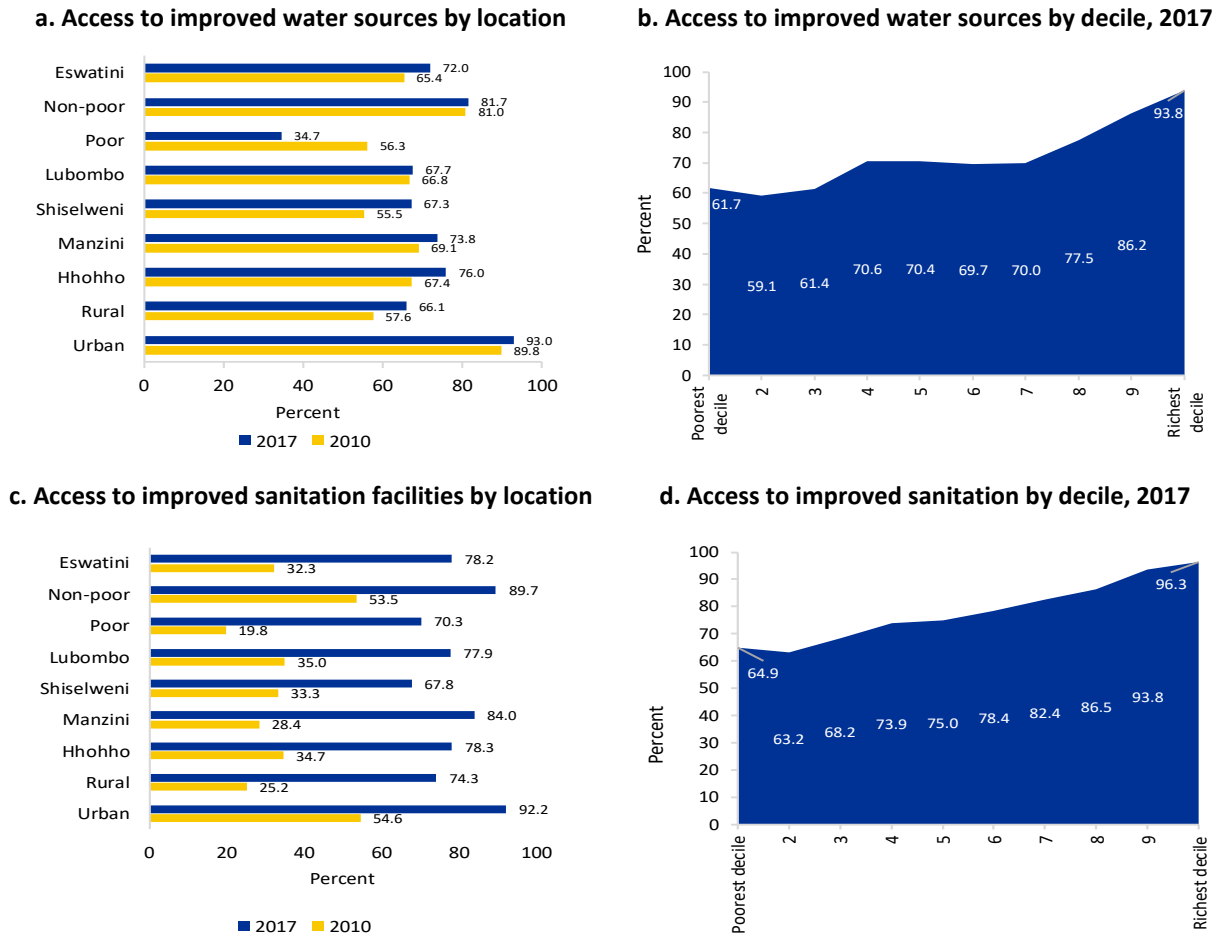
5.2.1 Water and sanitation

171. Eswatini has made good progress in increasing access to improved water sources and sanitation facilities.[13] In 2017 about 72.0 percent of people had access to improved water sources, up from 66.4 percent in 2010 (Figure 46a). The share of the population with access to improved sanitation facilities recorded an impressive increase from 32.3 percent in 2010 to 78.2 percent in 2017. Still, the country remains way behind its declared goal of achieving 100 percent coverage by 2022.

172. Spatial disparities in access to water, sanitation, and hygiene (WASH) remain striking. The Shiselweni region has the lowest and the Manzini region the highest share of access to both improved water sources and sanitation facilities. Access is lower in rural areas: in 2017 only about 66.1 percent of the rural population could access improved water sources, as against 93.0 percent in urban areas. The urban-rural gap is being bridged, however. Access to improved water sources grew faster in rural (8.4 percentage points) than in urban areas (3.2 percentage points) between 2010 and 2017. This was also true of access to improved sanitation facilities. While still lagging, rural areas saw an increase of 49.0 percentage points (from 25.2 percent to 74.3 percent); the figure was 37.7 percentage points (from 54.5 percent to 92.2 percent) in urban areas. Rural-urban migration and the resulting growth of informal, peri-urban areas require new approaches to sanitation and hygiene. Other challenges to improving access to WASH include a weak legal and policy framework, budgetary allocations that do not provide for maintenance, and a lack of information for strategic and capital planning.

[13] Improved water sources include piped water on premises (inside or outside the dwelling), public taps or standpipes, tube wells or boreholes, protected dug wells, protected springs, rainwater collection, and bottled water. Improved sanitation facilities include flush or pour flush (to piped sewer system, septic tank, or pit latrine); ventilated, improved pit latrine; and pit latrine with slab.

Figure 46. Access to improved water sources and sanitation, 2010 and 2017



Source: Estimates based on EHIES 2009–10 and 2016–17.

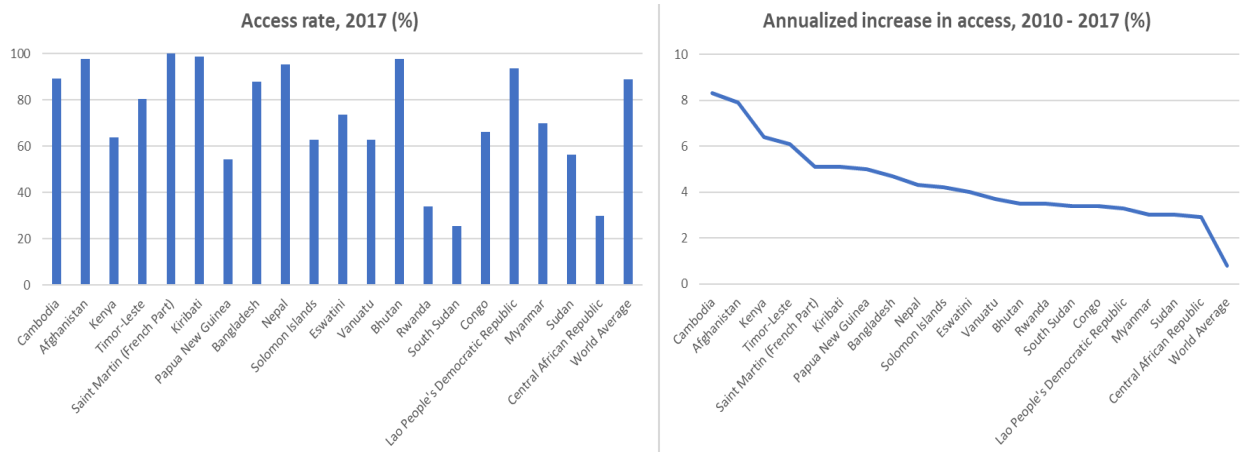
173. Poverty, poor health outcomes, and inadequate access to safe water, sanitation, and hygiene are strongly correlated. The poorest people have the least access to WASH. In 2017, only 61.7 percent of people in the lowest-income decile could access an improved water source; this was 32.1 percentage points lower than the share of people with access in the richest decile (Figure 46b). Likewise, only 34.7 percent of poor people had access to an improved water source, as against 81.7 percent of nonpoor people. This lack of access to WASH puts poor people at risk of poor health outcomes; it facilitates the spread of disease and could partly explain the high levels neonatal, infant, and child mortality, as well as stunting (see above).

5.2.2 Electricity

174. Eswatini has made significant progress toward its declared goal of universal access to electricity by 2022. The electrification rate is estimated at 78 percent, above those of several other countries in Africa (EEC 2018). From 2010 to 2017, Eswatini was among the top 20 countries worldwide in terms of the speed of electrification, with an annual increase in access to electricity of about 4 percentage points (Figure 47). Such rapid progress is due largely to the Rural Electrification Program, which subsidizes connections to the national grid for rural consumers. However, achieving universal access to electricity by

2022 is becoming increasingly onerous because the average unit cost of electrification rises as the access gap closes. Funding for the Rural Electrification Program is insufficient to meet the demand for subsidized connections. To optimize costs and achieve the goal of universal access, conventional grid connections would have to be complemented by other technology options, including off-grid solutions.

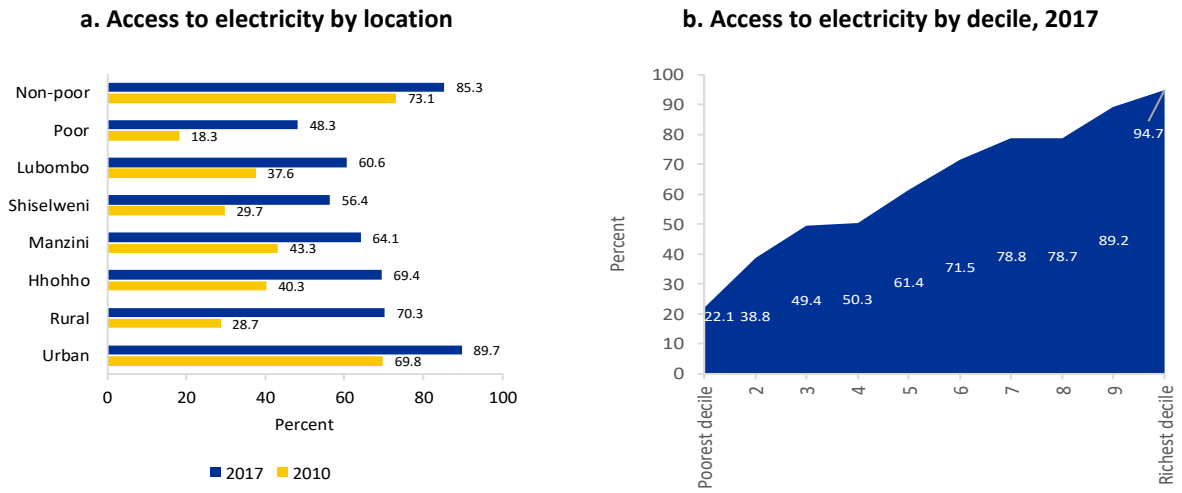
Figure 47. Electricity access in the 20 most rapidly electrifying countries, 2010–17 (%)



Source: IEA et al.

175. Spatial disparities persist despite high levels of access to electricity. Although urban residents have better access than people in rural areas (Figure 48), the gap is narrowing because electrification is expanding faster in the latter areas. Lubombo and Shiselweni, the poorest regions, have the lowest access rates, which limit their potential to increase agricultural output and agro-processing. Disparities also reflect income levels, with connection rates the highest among the richest decile. In contrast, 83.5 percent of people who did not have access to electricity in 2017 were poor. Thus, expanding access to electricity in lagging regions and to poor people is critical for reducing poverty and inequality, as is ensuring a reliable electricity supply.

Figure 48. Access to electricity, 2010 and 2017



Source: Estimates based on EHIES 2009–10 and 2016–17.

176. About 70 percent of households continue to depend on fuelwood for cooking and heating, which is inefficient and has negative health, environmental, and poverty impacts (Kingdom of Eswatini 2018a; ESMAP 2015). Almost half the population (49 percent) cannot access clean fuels and technologies for cooking. There is a strong urban-rural disparity in access to clean fuels. About 67 percent of people without access to electricity live in rural areas, where they mainly use biomass. Moreover, fewer than 9 percent of people use liquefied petroleum gas for cooking. Providing access to clean cooking and heating options should be an integral part of the electrification program.

5.2.3 Transportation

177. Road transport is by far the most important mode of travel. Eswatini boasts a relatively good road network relative to its African peers. The classified road network includes about 1,114 km of paved roads (largely in urban areas) and about 2,260 km of unpaved roads (largely rural). The Roads Department in the Ministry of Public Works and Transport also maintains 1,500 km of feeder or farm-to-market roads.

178. Most people use public transport. Car ownership is low, at about 32 cars per 1,000 people. Public transport is the main means of transport for most people and is entirely informal. Competition and state regulation keep fares generally stable. The frequency of public transport is good, especially during peak periods. However, public transport in Mbabane is unsafe, largely unregulated, and unreliable. Despite its small size, Mbabane is not easily walkable because it lacks sufficient pedestrian infrastructure, such as sidewalks, crossings, and street lighting.

179. In rural areas, walking is the norm and distances are long. People often have to walk farther than 5 km to schools, clinics, churches, and shops, and many have to cross rivers on foot. Rural feeder roads are in poor condition; some are all but impassable during parts of the rainy season. When people need to take public transport, they have to walk to the main roads to wait (see below), but there are no timetables and no specific shelters or safe stopping areas. Travel costs to larger centers are high and travel times long; therefore, people limit their trips to towns to only the most important journeys. This makes it hard for them to engage in trade or look for employment, let alone access higher education or medical care. The poor transport networks and services in rural areas also contribute significantly to gender inequality.

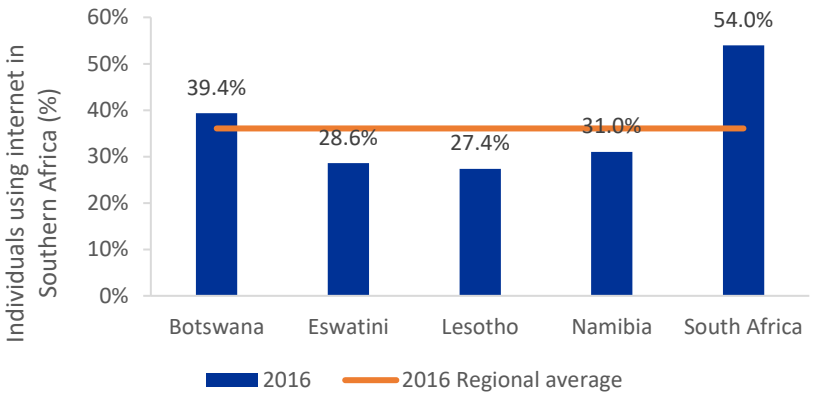
180. Minibus services are the only option for both local and long-distance travel. Three main minibus groupings or associations operate in and around Mbabane. They provide local or short-distance commuter services mainly on weekdays, during the morning and afternoon peak periods; interpeak services are very limited. Long-distance or cross-border services operate between Eswatini, South Africa, and Mozambique. To minimize trip duration and travel times, operators generally remain on the main roads and freeways. As noted, this means that people have to walk from their villages on the feeder roads and wait on the side of the main road for a minibus to come along. Only the cross-border services operate on a (self-managed) timetable. Public transport fares are determined by government, but cross-border fares are not regulated.

181. Road safety is a multidimensional problem. Key concerns include: (a) the lack of a coherent road safety strategy; (b) the misplacement of responsibility for road safety (presently the Roads Transportation Department), which prevents coordination and monitoring; (c) the limited capacity of road agencies to update road planning, design, and operating standards; (d) poor traffic enforcement capacity and an inability to police issues such as overloaded trucks; (e) difficulty in managing compliance with international vehicle safety standards; and (f) inadequate post-crash response systems, including inefficient emergency and medical rehabilitation services for road accident victims.

5.2.4 Digital infrastructure

182. Digital technologies offer new pathways for rapid economic growth, innovation, job creation, and access to services. Closing the digital infrastructure gap in East and Southern Africa could increase economic growth per capita by 1.5 percentage points (World Bank 2019a). Eswatini's digital infrastructure is relatively underdeveloped, mainly because of the lack of competition and private investment. By end-2018, the 3G network covered 56.2 percent of the population and 4G only 24.9 percent (GSMA 2019). Poor telecommunications infrastructure is the main reason for limited access to the Internet. In 2016 only about 28.7 percent of the population used the Internet (Figure 49; ITU 2018b). The country relies almost entirely on mobile broadband for last-mile connectivity; fixed-line subscriptions are limited.

Figure 49. Internet use by individuals, Southern Africa, 2016 (%)



Source: ITU 2016. *Note:* Comparison used 2016 estimates because 2017 estimates are not available for some countries.

183. Affordability is another major barrier to access to information and communication technology (ICT). In 2017 buying 1 GB of mobile broadband data would cost 9.9 percent of per capita gross national income per month (ITU 2019); the United Nations Broadband Commission's affordability benchmark is 2.0 percent (A4A1 2018). Eswatini scored poorly on mobile connectivity in 2018, with only 34.8 out of 100 in 2018 (GSMA 2019). Broadband usage is skewed toward accessing social networks; use for e-commerce and e-government services is low (ESCCOM 2018).

184. The regulatory framework for telecommunications is being modernized, but the sector is yet to be liberalized completely. Eswatini was one of the last countries to eliminate monopolies in the mobile and fixed-broadband markets, via the 2013 Communications Commission Act and the 2013 Electronic Communications Act (ITU 2018a). In 2017 a second national mobile operator, Swazi Mobile, was licensed to operate, although the first operator, MTN Eswatini, still dominates the market with an 85 percent share. The Eswatini Posts and Telecommunications Corporation, a parastatal, is the monopoly operator of the national backbone network and fixed-line data and voice services. Government is unbundling the corporation into an infrastructure company and a telecommunications operator and could reconsider its exclusive rights to these market segments. As of November 2019, this process was incomplete. The incomplete liberalization of the market, the long-lasting monopoly, and the current duopoly in the mobile broadband market all contribute to the high prices of telecommunication services.

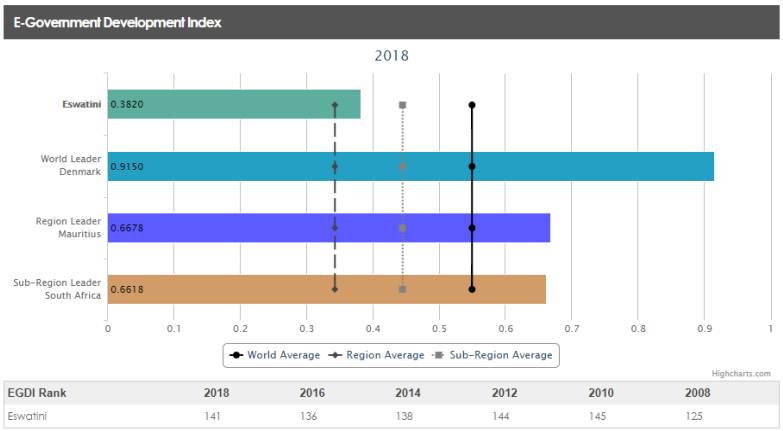
185. In 2013, as part of efforts to liberalize the telecommunications sector, Eswatini created an independent regulatory authority, the Eswatini Communications Commission (ESCCOM). The country's performance on the International Telecommunication Union's regulatory tracker scorecard is mixed (ITU 2018c). While the regulator's mandate and authority are strong, the regulatory and legislative regime is underdeveloped, and market competition is limited. In March 2018, ESCCOM set up the Universal Access and Service Fund and appointed the Universal Service Committee. The mandate of the Committee is to deliver electronic communication services to underserved and marginalized communities, including by connecting public facilities such as schools, health facilities, and community centers (ESCCOM 2018).

186. Eswatini needs to update its ICT sector policies and regulations. Existing ones, including the 2012–16 National Information and Communication Infrastructure Implementation Plan and the 2013–17 e-Government Strategy, are outdated. The Electronic Communications Regulations of 2016 include provisions on radiofrequency spectrum, the quality of services, interconnection, and facilities regulations. However, the regulatory frameworks do not address emerging issues of digital transformation, such as cybersecurity, data protection, and e-commerce. And aside from Eswatini's national development plan (the Vision 2022 Strategy), there is no overarching ICT sector strategy.

187. Significant efforts have been made to digitize government services. These include the e-Government Strategy and cross-ministerial initiatives, such as the e-Parliament system, the e-Cabinet system, the Swaziland Library and Information Network (SWALINET), the computerization of the master high court's information system, and the integrated financial management information system. In 2018 Eswatini ranked 141st out of 193 countries in the United Nations' e-Government Development Index (Figure 50). Its telecommunications infrastructure subcomponent index was ranked lowest, at 0.1772, which is below the regional average of 0.2034 (UN 2018c).

188. Digital skills were recognized as a major bottleneck for the economy (ESCCOM 2017). Technical and advanced ICT skills are in short supply (SEPARC 2018). Government is emphasizing digital literacy and ICT skills by incorporating computer education into the school curriculum, ensuring access to ICT in schools, and developing the online learning environment. The National Education and Training Improvement Programme 2018/19–2020/21 (NETIP II) of the Ministry of Education and Training aims to strengthen ICT in education by providing equipment, building teachers' capacity, and developing ICT syllabi at primary and secondary level (Kingdom of Eswatini 2018b).

Figure 50. United Nations e-Government Development Index, 2018



Source: United Nations e-Government knowledge base.

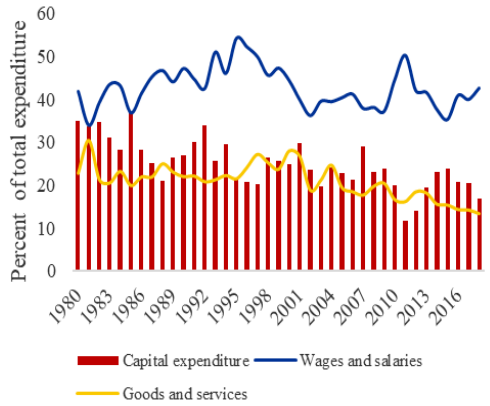
Chapter 6. Risks, Shocks, and Vulnerabilities

6.1 Revenues

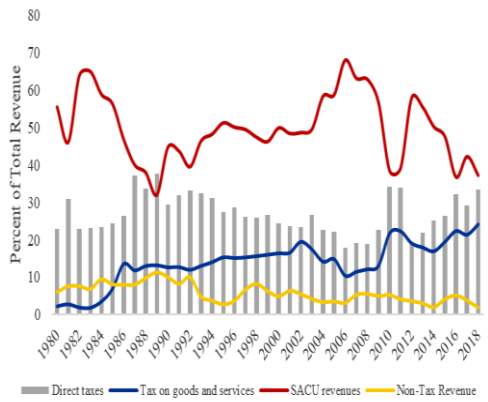
189. Eswatini's inability to increase domestic revenues has left the economy vulnerable to fluctuations on international and regional markets. Generating revenue has been a persistent challenge since the 1990s, when growth slowed and revenues from SACU leveled off (Figure 51). Eswatini's fiscus remains overly dependent on SACU revenues and is further weakened by its membership of the Common Monetary Area, which significantly reduces its discretionary power over its monetary policy (chapter 3). This is exacerbated by the limited diversification of revenue sources and the generally weak mobilization of domestic revenue. Other concerns are the relatively high dependence on remittances and overexposure to the international sugar markets.

Figure 51. SACU revenues, 1980–2018 (%)

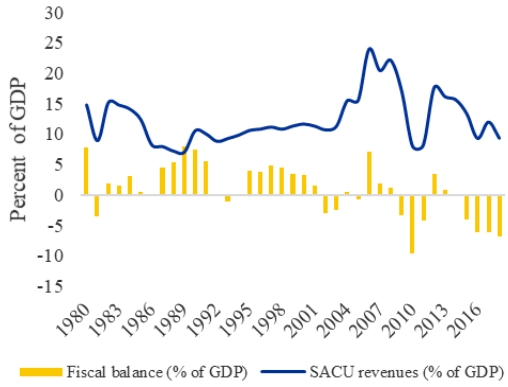
a. Composition of expenditure, 1980–2016 (%)



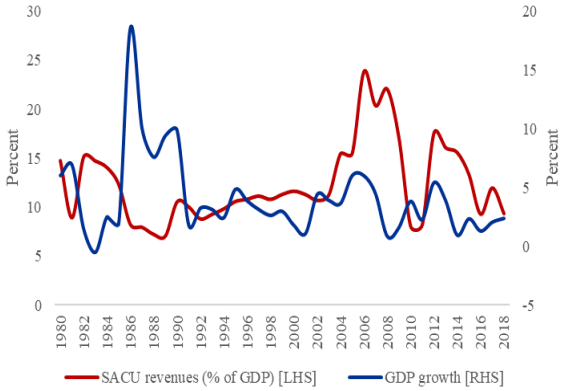
b. Revenue components, 1980–2018 (%)



c. SACU revenues and fiscal deficit, 1980–2016 (%)



d. SACU revenues and GDP growth, 1980–2018 (%)



Source: Eswatini Ministry of Finance.

190. Overdependence on SACU transfers has increased economic volatility. For instance, SACU revenues fell by 3 percentage points from 16 percent of GDP in 2001–10 to 13 percent in 2011–17. Over the same periods, total expenditure grew by 3 points to over 37 percent of GDP in 2017 (Figure 51b). Reliance on SACU revenues makes public spending equally volatile, leaving the real economy to bear the

risk of revenue fluctuations. Eswatini's response to windfall SACU transfers is often to increase expenditure. For example, in 2016 and 2017, upticks in SACU transfers were followed by increases in public expenditure, hefty salary increases for civil servants, and a larger fiscal deficit (from 5.2 percent in 2015 to 8.9 percent a year later). But these increases in spending are not always associated with commensurate outcomes, especially in education, health, and infrastructure (Kwaramba et al. 2019). When SACU transfers subsequently fell, government did not cut spending; instead, it financed the deficit by depleting reserves and accumulating arrears up to 6 percent of GDP in 2018 (Rijkenberg 2019). This pattern of volatile SACU revenues and higher expenditure has led to persistently high primary fiscal deficits. These are projected to increase public debt above the medium-term target of 35 percent of GDP, which would compromise its sustainability.

191. Fiscal policy remains government's main tool for stabilizing the economy, although it has room to mobilize additional revenue by reforming tax policy and strengthening tax administration. Over the last few years, the domestic tax-to-GDP ratio has ranged from 12 percent to 15 percent. Eswatini has one of the lowest collection rates among small and middle-income countries, despite almost 70 percent of companies being visited by tax inspectors. Reasons for the low collection rates include a relatively narrow tax base because of exemptions from value-added tax (VAT), tax incentives on corporate income tax, base erosion, and profit shifting. Also, the informal sector is large—73.5 percent of companies report that they compete against unregistered or informal firms, as against 66 percent in Sub-Saharan Africa and 53.8 percent globally (World Bank 2016).

192. In agriculture, the viability of collectives is undermined by high taxation. Taxes are levied on smallholder collectives, their directors, and members. Directors are taxed at 33 percent of their sitting fees for board meetings, the company tax rate is 27.5 percent, shareholder dividends are taxed at 15 percent (10 percent for locals) on a withholding tax basis, and VAT is collected at a rate of 15 percent. Whether this taxation regime also applies to farms partly owned by Tibiyo is unclear. Government has implemented some fundamental tax administration reforms, such as the establishment of the Revenue Authority in 2011, the introduction of VAT in 2012, and the procurement of a tax administration IT system.

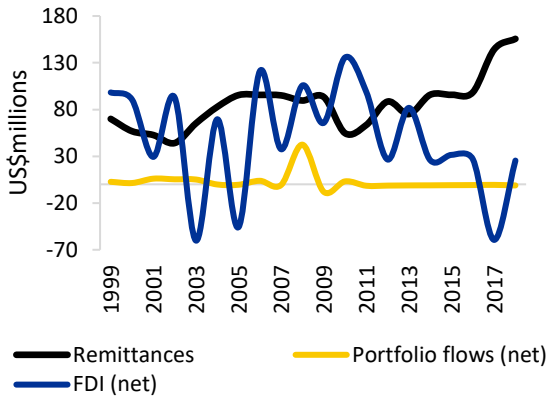
6.2 Migration

193. Although remittance flows contribute significantly to the economy, they are highly vulnerable to shocks. The inflow of remittances has been increasing since 2011 and reached its highest recorded level of US$156 million (3.3 percent of GDP) in 2018, in tandem with the performance of the South African economy (Figure 52b). Official figures may be an underestimate, as many migrants use unofficial or informal channels to send their money home. A 2010 survey found that bringing remittances by hand on visits or sending them via friends and relatives accounted for 73 percent of total remittance flows in Southern Africa (World Bank 2010b). This is in part because formal channels are so expensive. At 20 percent, the cost of sending remittances to Eswatini is among the highest in Sub-Saharan Africa (World Bank 2019d), and it continues to rise.[14] The high reliance on informal remittance channels erodes the beneficial impacts that remittances could have on debt sustainability and financial deepening.

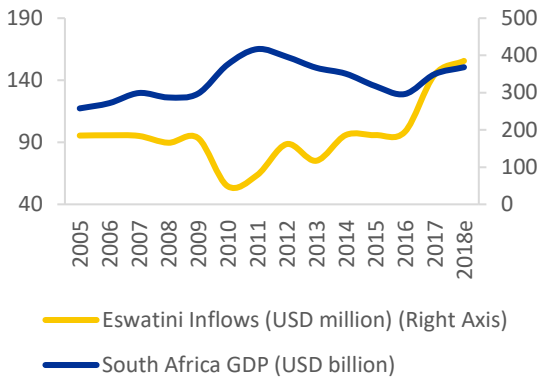
[14] Western Union, a money transfer operator, is the cheapest mode to transfer money from South Africa, even though its costs are still very high at 10.21 percent. The second cheapest, ABSA Bank, charges 18.25 percent for Internet transfers but has the highest cost for remittances via branch or call center. The Sustainable Development Goal for remittance costs (target 10.c) calls for reducing these costs to under 3.0 percent by 2030.

Figure 52. Trends in remittance flows

a. Trends in remittances, foreign direct investment, and portfolio flows, 1999–2017 (US$ mil)



b. Remittance flows into Eswatini and South Africa's GDP, 2005–18



Source: World Development Indicators.

194. Migration rates are relatively high. Eswatini is among the top three labor-exporting countries in Southern Africa. By 2017 over 94,000 migrants (6.9 percent of the population) were estimated to have left the country (Table 8), mostly to South Africa (92.7 percent). In almost a fifth of households surveyed in the 2016–17 EHIES, the partner or spouse of the household head lived elsewhere in the country; another 39.3 percent reported receiving domestic remittances (i.e., transfers from within the country). Although only 5.2 percent reported a partner or spouse being abroad, 11.4 percent had received remittances from abroad, suggesting that the share of households with international migrants may be higher than the 6.9 percent estimate above.

Table 8. Emigration from Southern African countries as of 2017 (%)

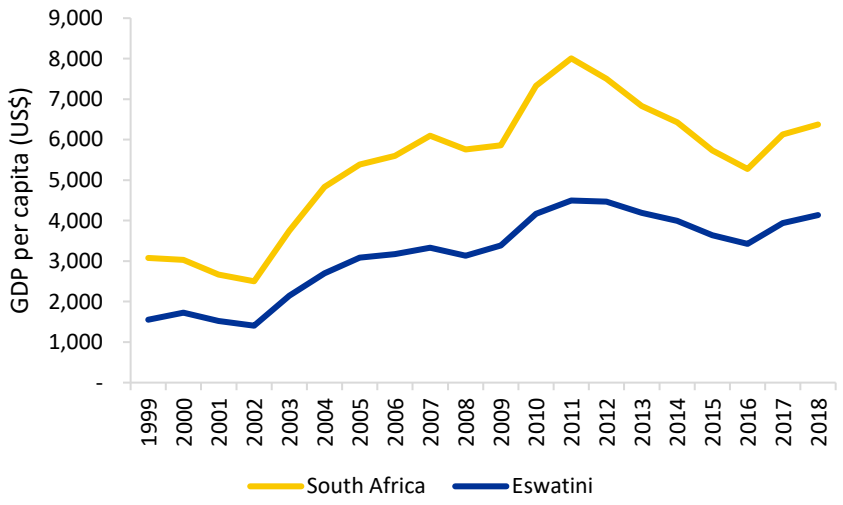
Source country	Emigrant share of the population (%)	Share of emigrants in South Africa (%)
Angola	2.2	9.9
Botswana	3.6	83.4
Lesotho	14.7	95.3
Malawi	1.9	28.8
Mozambique	3.2	70.8
Namibia	7.6	90.5
South Africa	1.6	n/a
Eswatini	6.9	92.7
Zambia	1.6	33.1
Zimbabwe	4.5	48.1

Source: World Bank Bilateral Migration Matrix 2017.

195. Several factors drive the decision of the Swazi to migrate, such as income gaps, for example with South Africa (Figure 53); limited job opportunities; droughts and natural disasters; low agricultural

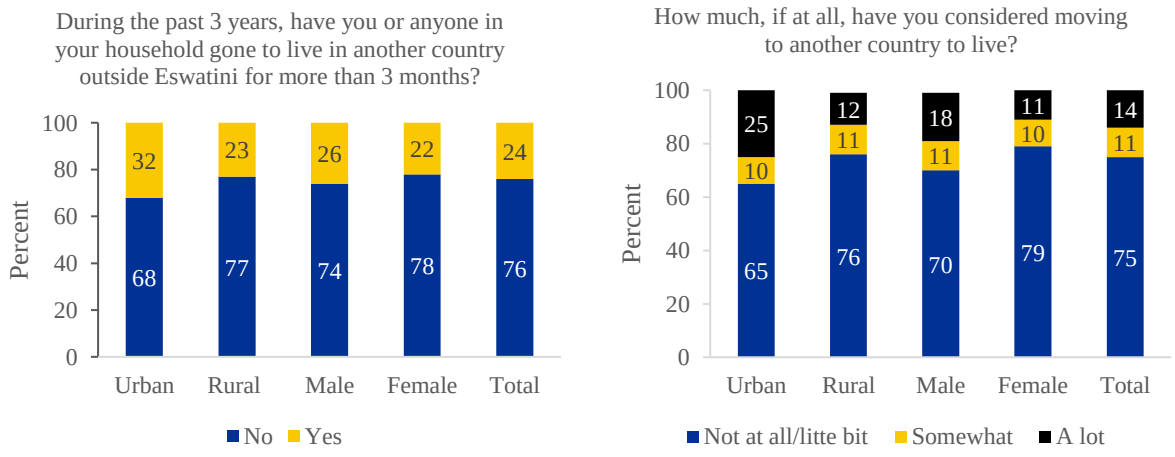
productivity; and food insecurity. In the 2018 Afrobarometer survey, 24 percent of the 1,200 respondents indicated that they, or a household member, have moved abroad in the past three years. A similar share would consider moving abroad, although only 3 percent had made preparations for such a move (Figure 54). Their main reasons for considering emigration were finding work (61 percent), economic hardship (16 percent) and, to a lesser extent, poverty (3 percent). Among these respondents, South Africa remains the destination of choice (81 percent); only 9.4 percent would want to move to high-income countries.

Figure 53. Income gap between Eswatini and South Africa, 1999–2018 (US$)



Source: World Development Indicators.

Figure 54. Having gone abroad, main reason for interest in future emigration, 2018 (%)



Source: Authors' calculation using 2018 Afrobarometer survey for Eswatini.

196. Migration severely affects vulnerable people, not least because it raises the incidence of diseases such as HIV/AIDS (Crush et al. 2005). As living and working conditions in destination communities are often poor, they tend to act as hot spots for disease transmission. When migrant workers return home, they spread these diseases to their local communities. Migration also increases the vulnerability of the

children who remain behind. In the 2015–16 El Niño-induced drought, many able-bodied women and men migrated in search of work; their children were left in the rural areas, often with elderly relatives. These relatives were often unable to protect the children, especially young girls, and police soon reported rising numbers of rapes and attempted rapes. They attributed this increase to the emigration of household heads from rural areas (SEPARC 2017). Crime was also higher in urban areas, which in turn was attributed to the inflow of migrants from rural areas.

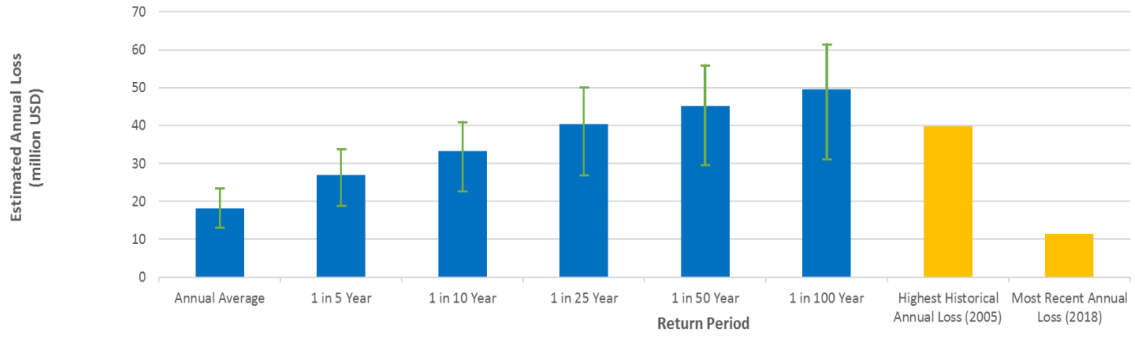
6.3 Climate Change

197. Eswatini is more vulnerable to climate change than many of its neighbors. It is prone to various hydrometeorological hazards, such as droughts, storms, and seasonal flooding, as well as wildfires, which significantly affect both livelihoods and agricultural productivity (see below and chapter 3.2.4). Between 1980 and 2019, hazards affected at least 94 percent of the population, with 65 percent affected by drought. The economic cost of disasters is relatively high. A recent World Bank study estimated the annual average loss of assets associated with disasters in Eswatini to be equivalent to 0.54 percent of 2017 GDP (Hallegatte et al. 2017). While this figure is broadly in line with the experience in Sub-Saharan Africa, the figure for other middle-income countries on the continent is only 0.36 percent. The study estimates the socioeconomic resilience of Eswatini at 56 percent, suggesting that a US$1 loss of assets from a disaster would be equivalent to US$1.8 in consumption losses perfectly shared across the population. Eswatini experienced severe droughts in 1983, 1992, 2001, 2007, 2008, and 2016, each of which affected more than 250,000 people. The prolonged drought between 1989 and 1992 contributed significantly to the reduction in economic growth (UNDP 2012). The economic cost of the 2016 drought is estimated at 7 percent of GDP, or 19 percent of government expenditure (Kingdom of Eswatini 2016a).

198. Climate change is likely to cause a substantial increase in temperatures. The mean annual temperature is expected to rise by 1.9 degrees Celsius by 2050 (against the 1986–2005 reference period). Annual precipitation is expected to fall by 36 mm from 2040 to 2059, and precipitation patterns are likely to be more variable, with the intensity of rainfall increasing. The annual likelihood of severe drought is expected to increase by up to 20 percent by 2050. Heat stress and wildfire hazards are also expected to increase, with the chance of seeing weather that could contribute to a significant, destructive wildfire exceeding 50 percent (Think Hazard! 2019). About 40 percent of the country's river flows are likely to be affected by climate change (World Bank 2019b). These forecasted temperature and rainfall changes will in turn affect food production, livestock viability, and the provision of vital ecosystem services and biodiversity. For example, current areas of commercial forestry may no longer be viable following ecosystem change. Similarly, changes to the natural environment could negatively affect nature-based tourism (Kingdom of Eswatini 2016c).

199. Eswatini will face a sizeable funding gap for severe climatic shocks. Using the Southern African Development Community's (SADC) vulnerability assessment data from 2019, a World Bank study estimated the average cost of a response to food insecurity at US$18.2 million per year (Figure 55). It also suggested that every decade, as many people would need food assistance as during the El Niño event of 2015–16. During that event, government mobilized about US$25 million through a budget reallocation and relied on donor assistance for the rest. This suggests that there would be a funding gap for disasters with a return period, or recurrence interval, of five years or more (e.g., a 1-in-10-year flood).

Figure 55. Estimated average loss from disasters in different return periods



Source: World Bank calculations based on SADC Annual Vulnerability Assessment data.

200. The economy is heavily dependent on water for power generation and for growing sugarcane, which heightens its vulnerability. Sugarcane is a water-intensive crop, and as rainfall is not sufficient to sustain dryland cane production, supplemental irrigation from surface water is required. Eswatini's water security is undermined by the water requirements of the sugar industry, the country's high levels of water stress, and its highly variable precipitation; these factors increase its reliance on transboundary rivers and groundwater (WRI 2019). During the 2015–16 drought, river flows reached their lowest levels since the great drought of 1992, and water levels in the power generation dams fell below the minimum required to generate electricity. The national utility, Eswatini Electricity Company (EEC), had to shut down domestic power generation and import electricity from South Africa (SEPARC 2017b). During this period, the EEC's domestic generation, which is hydro-dependent, accounted for only 10 percent of total sales.[15] The lack of water also affected irrigation, and yields in the 2016–17 season decreased significantly (Ogg et al. 2017). In fact, roughly 2,000 hectares of cane fields along the Ngwavuma River in southern Eswatini reportedly went out of production (personal communication with industry specialist). The Eswatini Sugar Association surveyed stakeholders about their risk perceptions at the end of the 2017, 2018, and 2019 seasons. In all three surveys, respondents ranked climate among the top six risks to the sector; it was deemed the highest risk in the 2016–17 season.

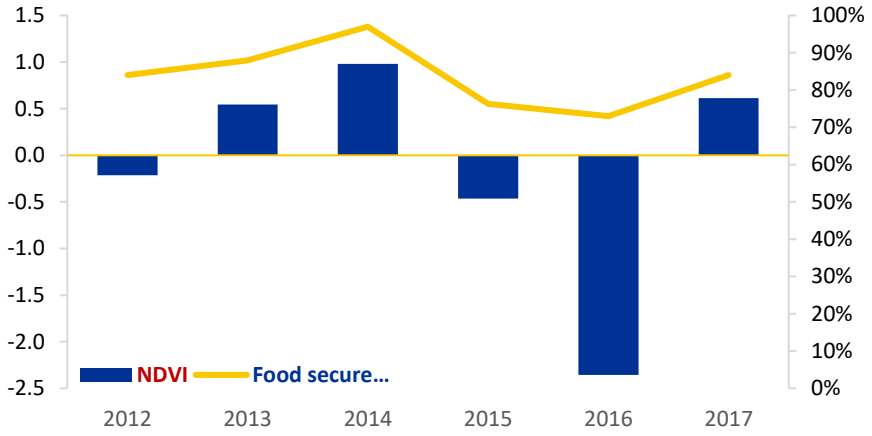
201. High water stress significantly affects livelihoods, particularly during droughts. During the 2015–16 drought, the main Hawane reservoir dried up completely. Many communities were forced to rely on external water supplies, and towns such as Mbabane had to go without water for the first time. The Eswatini Water Supply Company introduced intensive water rationing on four consecutive days a week (SEPARC 2017b). In rural areas, the water supply depends heavily (78 percent) on groundwater sources (UNOCHA 2016). The drought had a long-term effect on aquifer recharge and groundwater supply: springs and boreholes dried up, and insufficient rainfall, coupled with high temperatures, contributed to lowering the water table of groundwater sources (Kingdom of Eswatini 2016a). The Lubombo and Shiselweni regions were most affected (UNOCHA 2016). Service delivery by health facilities was compromised, the incidence of diarrhea increased, and many schools had to close (see below).

202. The increasing frequency of climatic shocks is deepening poverty. While Eswatini was reasonably food secure in 2012–14, the 2014–15 drought contributed to a significant (20 percentage point) drop in

[15] Eswatini relies on electricity imports, mainly from South Africa, to meet its national requirements. In non-drought years between 2008 and 2018, own generation accounted for 18–29 percent of total sales (chapter 6.4).

food security (Figure 56); over half of households reported drought as the main shock to their well-being. Before food stocks could recover, the 2015–16 drought struck; at this point, a third of the population was food insecure (320,970 people, of whom 135,144 were children). A February 2016 rapid assessment found that households were resorting to extreme coping mechanisms: 68 percent reduced the number of meals eaten, and 63 percent reduced the diversity of their diet by eliminating certain foods.

Figure 56. Food security versus drought conditions, 2012–17 (%)



Source: World Bank, with data from NASA (MOD13Q1) and SADC Annual Vulnerability Assessment and Analysis Reports.

203. The El Niño climatic phenomenon has threatened livelihoods, especially through its effect on livestock. According to the Food and Agriculture Organization, the lack of water and fodder from the 2015–16 drought wiped out more than 80,000 heads of cattle. The economic impact of this disaster includes the loss of revenue from byproducts, such as dairy products and calves. El Niño also threatened access to food and increased its cost. During the 2015–16 season, maize production declined by 64 percent year-on-year. In January 2016, the National Maize Corporation increased the official price of maize by 66 percent, which made it unaffordable for many poor people.

204. Children are particularly vulnerable to the effects of drought. For example, many schools rely on boreholes, which may dry up. The 2015–16 drought affected 661 primary and secondary schools, 189,000 students, and 8,200 teachers. About 88 percent of schools in Lubombo and 85 percent in Hhohho lacked good access to clean water. The drought also affected school feeding schemes, which provide important supplemental nutrition for children from poor households. A 2016 assessment showed that 22 percent of schools struggled to maintain their feeding programs, and 73,000 learners went without food at some point because of the water shortage.

205. These problems could have long-term ripple effects. Empirical analysis strongly suggests that women born during severe droughts suffer lifelong effects, being physically shorter as adults, receiving less education, and ultimately, being poorer, less empowered, and possibly more susceptible to domestic violence. The effect may last through generations—when a mother had experienced rainfall shocks in her own infancy, her children's health may be affected, and they are more likely to be malnourished.

206. Poorly constructed and maintained transportation infrastructure intensifies the impact of climatic events on rural populations. For example, in 1984 Tropical Storm Domoina affected about 600,000 people

and caused losses estimated at US$123 million (at constant 2015 values). Such extreme events increase the capital and maintenance cost of roads and infrastructure. The rural road network, especially district roads, is particularly vulnerable. A combination of poorly designed and maintained feeder and gravel roads and alternating drought and flood events exacerbates erosion and increases the risk of landslides. Communities also face a higher risk to life at inadequate crossing facilities during floods and are more likely to be cut off during storms.

207. The design and implementation of climate- and disaster-related institutional frameworks are weak. Institutional causes contribute to the unsustainability of rural water services, including the poor design of facilities, a lack of oversight during construction, low levels of tariff payment, ineffective community management of complex systems, and the absence of baseline data on rural water facilities and services. There is also a lack of policy commitment, as illustrated by the unfinished National Water Policy, poor interagency coordination, the lack of an asset database, and the absence of an infrastructure management plan to inform capital investment and maintenance.

208. Shortcomings in the implementation of the disaster management frameworks reduce their effectiveness. The Disaster Management Department oversees and collaborates with the National Disaster Management Agency, nongovernmental organizations, and other development partners to prevent and mitigate the impact of disasters. They aim to promote an integrated system of disaster management that reduces vulnerability and builds capacity and preparedness. Seasonal vulnerability assessments are regularly conducted after the main harvest to provide vital information for disaster management. Although the country has an early warning system and emergency preparedness and response mechanisms, they are underfunded, piecemeal and not well coordinated. Financing for recovery and post-disaster reconstruction activities tends to be mobilized only after a disaster has struck, when the reconstruction plans have already been drawn up. In addition, poor mapping of institutional skills and capacities adversely affects monitoring, evaluation, and resource tracking during disaster responses.

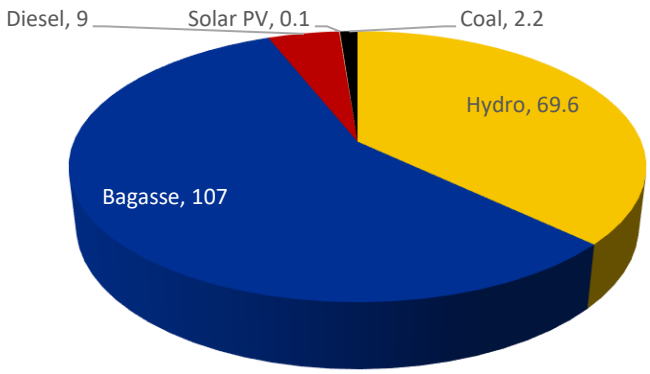
209. The 2015 Intended Nationally Determined Contributions under the Paris Agreement aim to reduce vulnerability to climate impacts and contribute to climate mitigation. Key among these climate impacts are a projected 40 percent reduction in river flows; more frequent droughts; adverse effects on agriculture and ecosystems; and particular population vulnerabilities stemming from rural poverty and the prevalence of HIV/AIDS. Planned adaptation priorities include investment in integrated water resource management; climate-smart agriculture; early warning systems; disaster risk reduction, including emergency preparedness, energy efficiency, and energy security; the conservation of biodiversity; and sustainable land management, including forests. Planned mitigation actions include the development of a national greenhouse gas inventory; a measurement, reporting, and verification system; and a doubling by 2030 of the share of renewable energy in the national energy mix (relative to 2010 levels). Both grid and off-grid applications are to be developed. In transport, a 10 percent ethanol blended petrol is to be made commercially available by 2030. Ozone-depleting substances such as hydrofluorocarbons, perfluorochemicals, and sulfur hexafluoride gases are to be phased out.

6.4 Energy Production and Security

210. Given the composition of its energy sources, Eswatini is critically vulnerable in terms of access to energy. The main challenges facing the energy sector are insecure and unreliable supplies and a gap in access to energy. The growing domestic demand for electricity, driven largely by the rapid pace of

electrification, is taxing the infrastructure and compromising the quality and reliability of supply. Eswatini's dependence on imports of both electricity and petroleum products raises concerns about the security and cost of supply. At times it needs to import as much as 90 percent of its national requirements. The EEC's own generation peaked in 2011 when it contributed 29 percent to the energy supply. Eswatini has six potential primary energy sources that can be exploited to produce electricity: bagasse (a byproduct of sugar production), woodchips, coal, wind, solar, and hydro (Figure 57).

Figure 57. Domestic primary energy mix (MW)



Source: Kingdom of Eswatini 2018a.

211. The mix of domestic energy production is skewed toward bagasse and hydropower. Bagasse is cogenerated almost exclusively for the sugar sector. Hydropower is generated by the EEC, the state-owned and vertically integrated national utility. Although the 2007 Electricity Act allows for diversification and private participation in the sector, the EEC retains a dominant position in part because the system is small. Despite its dominance, the EEC has not been able to expand the system and benefit from economies of scale. As of 2018, Eswatini had no independent power producers. That said, the EEC performs relatively well against its regional peers, with comparatively low system losses (14.9 percent in 2018). Over the last decade, it has generally been profitable and has accumulated cash reserves.

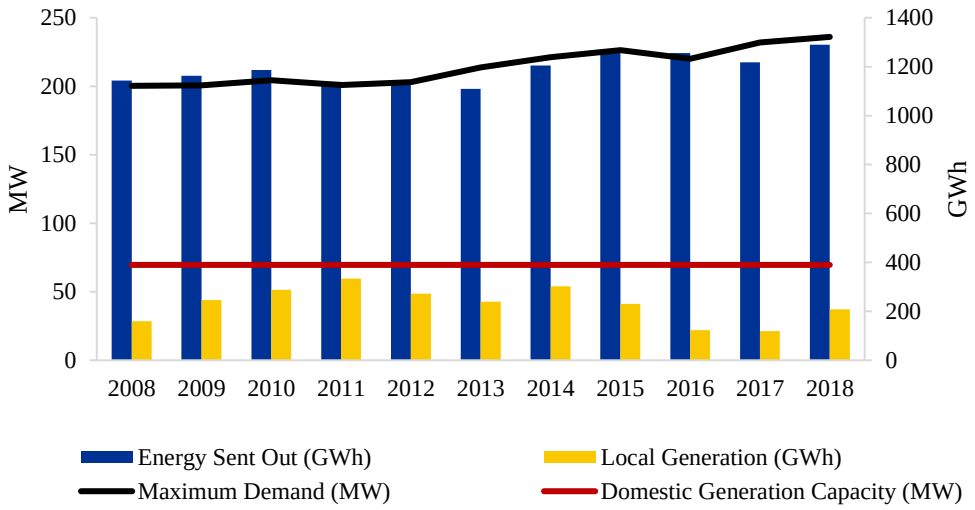
212. Most domestically produced energy entering the national grid comes from hydropower. The EEC has an installed generation capacity of approximately 70 MW, mainly from hydropower from the Maguga (19.8 MW), Ezulwini (20 MW), Edwaleni (15 MW), and Maguduza (5.6 MW) power stations. The balance of 9 MW is provided by two diesel-fired units at Edwaleni. In 2017, 60.1 GWh of bagasse-generated electricity was sold to the EEC, accounting for about 4.7 percent of total energy sent out. The total cogeneration capacity of the sugar industry is 107 MW. The EEC also owns and operates 1,412 km of transmission lines at 66 kV, 132 kV, and 400 kV. About 69 percent of the network is operated at 66 kV, which has limited capacity for transferring power. The 400 kV lines interconnect with South Africa and Mozambique. Other elements of the EEC grid are a 2.2 MW coal-fired cogeneration facility and a small 100 kWh solar photovoltaic plant. The 2034 Energy Masterplan suggests that the timber industry could potentially increase the supply of woodchips and forestry waste, which could be used to generate about 40 MW. The country also has significant untapped solar potential (Figure 57 above).

213. The heavy dependence on electricity imported from South Africa contributes to vulnerability. This electricity is sourced under a bilateral contract that expires in 2025; Eswatini can also access other energy markets through the Southern African Power Pool. While imports from South Africa have generally been

reliable, that country's power sector has seen rolling blackouts because of capacity constraints. This poses a risk to Eswatini's electricity supply and underscores the need to diversify its sources of power.

214. Another source of vulnerability is the impact of droughts on domestic hydropower generation. Limited water storage capacity and poor hydrology prevent the EEC's hydropower stations from providing baseload power, resulting in significant variations in their annual output. In 2018 peak demand reached 236 MW, implying a capacity shortfall of about 170 MW. In 2016 and 2017, local generation was adversely affected by an El Niño-induced drought, the worst in 30 years. The drought reduced hydropower production to 123 GWh and 119 GWh for 2015–16 and 2016–17, respectively; as noted, this was only about 10 percent of total energy sent out (Figure 58). In 2018 local generation capacity recovered somewhat to reach 207 GWh; however, this was still only a fraction of the 1,290 GWh of energy sent out.

Figure 58. Electricity supply and demand balance, 2008–18



Source: World Bank, with data from EEC Annual Reports 2009–18.

Chapter 7. World Bank Group Views on Priority Policies to Reduce Poverty and Boost Shared Prosperity

7.1 Toward Equal Opportunities

215. Addressing the high levels of inequality in Eswatini is vital for accelerating the reduction of poverty. The country is trapped in a low-growth, high-poverty, high-inequality equilibrium. Economic performance has been declining since 1995, and growth is now below the average for Sub-Saharan Africa. Most of the Swazi have remained poor since independence; the stark inequality significantly contributes to the persistence of poverty in Eswatini. Inequality weakens the impact of economic growth on poverty reduction, because it reduces the chances of such growth reaching the poor (Nindi and Odhiambo 2015).

216. The main form of inequality in Eswatini is inequality of opportunity, which means that people living in the same society do not have the same opportunities. This is structural: people's circumstances at birth (gender, birth location, or parental background) significantly determine their access to productive assets, educational attainment, types of jobs, and ultimately, earnings. Structural inequality is a vicious cycle that depresses long-term economic growth and deepens income and wealth inequality even further.

217. The main thesis of this report—its "elevator pitch"—is that inequality of opportunity, manifested in unequal access to assets, markets, services, and rights, prevents Eswatini from achieving its twin goals of poverty reduction and sustainable, shared prosperity. Disparities in access include food and basic services such as education and health. These disparities are reflected in, and result from, unequal access to decent jobs and are perpetuated by the pattern of public spending, especially on social protection.

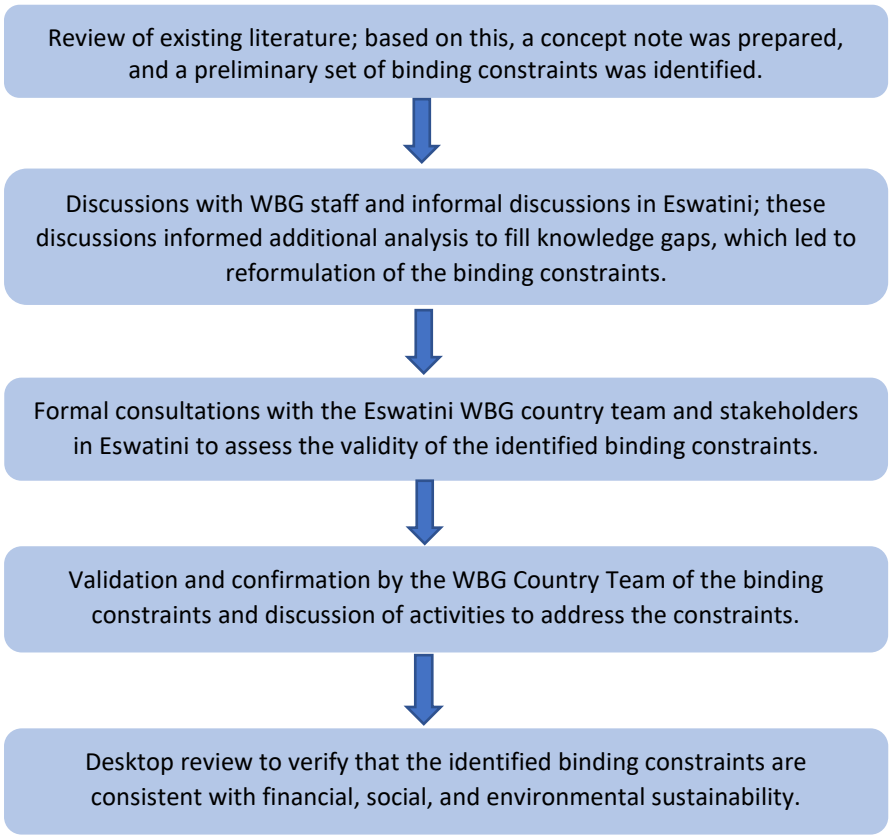
218. Promoting more equal access to basic services, markets, assets, and rights will help reduce inequality and poverty. Building on the evidence presented in previous chapters, this chapter proposes pathways that could help Eswatini equalize opportunities and so progress towards sustainable growth and shared prosperity. The pathways were selected based on their potential to help lift the country out of its low-growth, high-poverty, high-inequality equilibrium. Their implementation could help Eswatini achieve its vision of being among "the top 10 percent of the medium human development group of countries founded on sustainable economic development, social justice and political stability" (Box 4).

219. This report will inform a new Country Partnership Framework. It is intended as a reference point for consultations with government and other stakeholders on priorities for the country engagement of the World Bank Group (WBG). The Systematic Country Diagnostic will help the WBG, the Government of Eswatini, and other development partners to prioritize and align their strategies to achieve the twin goals.

7.2 Prioritization Process

220. A systematic, iterative process was followed in identifying priority policy areas (Figure 59). The first step was an extensive review of research and policy papers published in peer-reviewed journals and academic and policy outlets by the WBG and other international organizations. The review was then used, based on a framework of inequality, to identify critical pathways for attaining the twin goals of poverty reduction and shared prosperity, along with preliminary binding constraints. At this stage, discussions were held with members of the WBG's Eswatini country team to consider the likelihood of any particular factor being a binding constraint. The review and these discussions culminated in a concept note that proposed the scope and framework of the Systematic Country Diagnostic.

Figure 59. Steps in identifying priority policy areas



221. Analytical and empirical work on Eswatini, while growing, remains limited. The team commissioned a series of analytical background papers to address this challenge and presented a list of remaining knowledge gaps (step 2). The identification of areas for additional analysis was informed by discussions with staff and informal discussions in Eswatini. This step resulted in a reformulation of the preliminary binding constraints and priority policy areas (pathways).

222. Several rounds of formal consultations with a wide range of stakeholders were held at different stages of the preparation of the report (step 3). These included government officials, academics, civil society organizations, young people, students, rural residents, development partners, and the private sector. The consultations were complemented by a cross-WBG consultative process, with focal points from all Global Practices, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The consultations informed the selection of topics for the diagnostic, helped validate the results from the analyses, refined the storyline, and identified priority policy areas.

223. The next steps in the prioritization process were to validate and firm up the binding constraints and priority policy areas. These included several engagements with WBG staff to reach consensus on the binding constraints and how to address them (i.e., identify priority policy areas) (step 4). The final step was a consistency check of the identified binding constraints and priority policy areas against the long-term objectives of financial, social, and environmental sustainability (step 5).

224. In selecting the priorities for eliminating extreme poverty and boosting shared prosperity in Eswatini, three main criteria were used. The first is whether a priority policy area is a *precondition* for

making progress in pursuing others. The second is whether it is expected to have *positive spillovers* across different domains (e.g., growth, equity, and resilience), including on promoting equal opportunities for all Swazis. The third is whether a policy is *feasible*, that is, whether it can be implemented in the medium term given cost, capacity, and political feasibility.

225. Through this process, five areas of binding constraints were identified: (a) poor macroeconomic management, (b) a lack of economic diversification and slow job creation in a weak business environment, (c) inadequate human capital and inequitable service delivery, (d) limited resilience against natural disasters and economic shocks, and (e) a lack of credible commitment to transparent and effective policy implementation. To address these constraints, the prioritization process identified five broad priority policy areas expected to yield the greatest positive impact on equalizing opportunities and so support growth, the eradication of extreme poverty, and shared prosperity. These are: (a) strengthening macroeconomic management, (b) diversifying the economy and creating jobs, (c) strengthening human capital and inclusive public service delivery, and (d) strengthening resilience to natural disasters and economic shocks. A fifth, cross-cutting priority area is credible commitment to transparent and effective policy implementation. Taken together, these policy areas are expected to contribute to the overall policy direction of equalizing opportunities. Table 9 illustrates the judgments behind the application of these criteria.

Table 9. Applying the prioritization criteria to identified priority policy areas: An illustration

Criteria	Application
Priority policy area: Strengthening macroeconomic management	
Precondition	Without sound macroeconomic management, fiscal sustainability would not be achieved, and government would not have the fiscal space to make investments to stimulate economic growth, expand and improve access to quality public services, disaster-proof vital infrastructure, or protect the most vulnerable groups from natural and economic shocks. Without macroeconomic management, allocative and spending efficiency would not be achieved, which would negatively affect the efficiency and effectiveness of public service delivery.
Positive spillovers	Sound macroeconomic management would contribute to growth, equity, and resilience. Stronger and higher revenues through enhanced domestic resource mobilization would improve the investment climate. Improving the efficiency of public spending through, for example, better targeting of spending to the poorest 40 percent would enhance equity outcomes. Increased fiscal space would allow government to invest in resilience and respond to disasters with emergency spending and social protection. In terms of promoting equal opportunities, sound macroeconomic management is expected to create a more conducive environment for growth, which if inclusive, could create opportunities for all. Also, the fiscal space associated with improved public finances due to stronger revenues and more efficient spending would allow for more pro-poor spending.
Feasibility	Eswatini's National Development Plan 2019/20–2021/22 prioritizes the entrenchment of a sound macroeconomic management mechanism to allow for fiscal consolidation in the short to medium term. The macroeconomic framework and fiscal sustainability is one of its strategic goals. Under this goal, the adoption of a fiscal consolidation plan with targeted revenue enhancement measures and expenditure management could be seen as the initial step towards implementing good governance measures and as a part of a drive for sound macroeconomic management.
Priority policy area: Diversifying the economy and creating jobs	
Precondition	The private sector is small but has the potential to expand and create productive jobs. The economy is one of the most trade-dependent in the world, but a lack of diversification constrains export-led growth: the export sector is dominated by a small number of large firms, and exports are concentrated in a few products. Preconditions for private sector development and export-led

	growth include promoting economic diversification through creating an enabling environment for business to support structural transformation toward productive sectors; enhancing access to finance, especially by SMEs; and deepening integration into global and regional value chains.
Positive spillovers	Diversifying the economy and creating jobs are expected to generate benefits across the priority policy areas of macroeconomic management through higher growth, which would improve domestic resource mobilization and increase the fiscal space; strengthen human capital and public service delivery by enhancing incentives for human capital accumulation to take advantage of productive and better-paid jobs associated with economic diversification; and promote resilience because diversification reduces vulnerability to shocks. In terms of promoting equal opportunities, a structural transformation to diversify the economy towards more productive sectors would increase opportunities for productive employment. Further, strengthening economic resilience against global fluctuations reduces vulnerability to income loss, which tends to affect mostly poor and vulnerable people.
Feasibility	The importance of a private sector-driven and diverse economy is articulated in the National Development Plan 2019/20–2021/22. In fact, one of its strategic goals is "Enhanced and dynamic private sector that supports inclusive and sustainable economic growth." The plan underscores the importance of addressing challenges around business competitiveness as a way of achieving this goal. It envisages transformation away from the limited agricultural and manufacturing base to one with more diversified industrial and services sectors that can harness innovation. This would, in turn, pave the way for an advanced, knowledge-based economy. Thus, economic diversification through structural transformation is already part of the country's policy direction.
Priority policy area: Strengthening human capital and inclusive public service delivery	
Precondition	A well-educated, skilled, and healthy population, together with efficient and effective public service delivery, is important for productivity, employability, and economic inclusion.
Positive spillovers	Strengthening human capital and inclusive public service delivery would promote growth and equity. Strong human capital supports diversification, the creation of dynamic businesses, and regional and international negotiations—all of these would help diversify the economy and create jobs. Better public service delivery provides basic infrastructure and services that are critical for private sector competitiveness. In terms of promoting equal opportunities, this priority area would help facilitate access to basic opportunities and enhance the ability to benefit from them.
Feasibility	This is consistent with two strategic goals of the National Development Plan: "Enhanced social and human capital development" and "Efficient public service delivery that respects human rights, justice and the rule of law". In March 2019, Eswatini joined the group of early adopters of the World Bank's Human Capital Project, reflecting the importance it places on human capital.
Priority policy area: Strengthening resilience to natural disasters and economic shocks	
Precondition	Natural disasters and economic shocks can wipe out years of investment in infrastructure and reverse progress made in reducing poverty and inequality.
Positive spillovers	Strengthening resilience to disasters and shocks would reduce the loss of income from such shocks and thus have positive spillovers on macroeconomic management (reducing the costs of natural disasters, thereby improving fiscal resilience), economic diversification and job creation (allowing businesses to expand into high-risk, high-return activities), and equity (especially if poor people, who typically lack the means to cope with shocks, are supported).
Feasibility	Ensuring preparedness to manage disaster risks and ensuring resilience to climate change are highlighted in the National Development Plan as part of a strategic goal of "well-managed natural resources and environmental sustainability". A National Climate Change Strategy and Action Plan and a National Climate Change Policy have been put in place to support climate change adaptation programs, which are expected to build resilience against climatic shocks. With frequent droughts adversely affecting fiscal sustainability, food security, and growth, building climate resilience has strong political support.

7.3 Priority Policy Areas

7.3.1 Strengthening macroeconomic management

226. Eswatini is grappling with persistent macro-fiscal challenges that adversely affect private sector activity and economic growth. The economy remains highly dependent on South Africa. Changes in its neighbor's economy affect Eswatini through several channels, including via the money supply and trade shocks. It is particularly dependent on the highly volatile SACU revenues, which translates into significant fluctuations in public spending and hampers the management of fiscal resources. Government has long found it difficult to reduce spending and increase borrowing during years of low SACU receipts; this culminated in a fiscal crisis in 2010/11 and renewed fiscal challenges from 2016. A large state-owned enterprise sector adds to the inflexibility of public spending. At present, it is difficult to significantly reduce spending in response to negative revenue shocks. The deterioration of the fiscal balance has increased public debt, depleted international reserves, and with the build-up of arrears, reduced government's ability to provide quality goods and services. It has also hobbled its ability to address the vulnerabilities arising from climate change. Significant public borrowing to finance the large fiscal deficit has reduced the availability and increased the cost of credit to the private sector, crowding out private sector activity.

227. Macroeconomic instability disrupts individual and firm decisions on savings, investment, and output. It deepens income inequality and poverty, because lower-income people are less well protected against downturns. It also adversely affects the financial sector by restricting the ability of the system and of investors to transform savings into investments. The *World Development Report 2014: Risk and Opportunity—Managing Risk for Development* (WDR 2014) showed that increasing output volatility by one standard deviation leads to a 1.3 percentage point reduction in growth per capita. Strengthening macroeconomic management through sustained fiscal consolidation is therefore a priority policy area for Eswatini. This requires revenue and spending policies, along with measures to reduce the public deficit and debt accumulation. It also requires strengthening public finances, facilitating increased lending to the private sector, and adopting a more prudent fiscal policy; these are key to attracting foreign investment.

228. One of the priority policy interventions to strengthen management is rebalancing growth toward private investment-led growth, that is, shifting away from a public investment-led growth model. Such a shift would help reduce the fiscal deficit, increase credit to the private sector, and hence, stimulate private investment (Box 6). It could also support growth and macroeconomic stability, and if accompanied by policies to reduce inequality, help reduce poverty.

229. Complementing the shift toward private investment-led growth with measures to strengthen the effectiveness, efficiency, and quality of public spending would make the state more effective and help regain fiscal space. This would broadly require reducing recurrent expenditure while also protecting the poor. One area that could be considered for review is the size of public sector wage bill. Wages and transfers to extrabudgetary entities account for more than 60 percent of public spending. Measures to rationalize these would help limit the growth of the public sector wage bill. To this end, continuing policies that limit new hires and contain salary indexation over the next three years is important. These policies could be extended to all public entities and enterprises. Rationalizing government's administrative expenditure (e.g., travel costs) would also help limit the growth of the public sector wage bill.

230. Restructuring loss-making public entities and enterprises would, over time, lead to additional savings. Such loss-making entities include the Central Transport Administration, Eswatini Airways, and the

medical referral scheme. Additional savings would come from better operational efficiency, which is expected to reduce government transfers to these entities and enterprises. This would be consistent with government plans to consolidate public entities and enterprises and to review the governance of the sector. These measures could include reviewing the mandates of the entities, rationalizing their functions, and eliminating unnecessary entities. In addition, establishing a stronger accountability framework would boost their operational efficiency.

Box 6. Rebalancing growth toward private investment-led growth

Relative to other lower-middle-income countries, Eswatini has a moderately high rate of public investment, at 5.7 percent of GDP. Government is facing a large fiscal deficit and needs to reduce public expenditure, including on public investment. In contrast, private investment levels are low.

The World Bank examined the extent to which Eswatini could stimulate growth by shifting from a public investment-led growth path to a private investment-led one. The analysis estimated the path of the economy, including the effects of a drop in public investment, based on a country-specific calibration. It probed whether Eswatini could achieve its targeted growth rate of 6 percent by 2022 (as per Vision 2022) in the face of fiscal consolidation. The options analyzed were: (a) rebalancing to increase private investment in the short run, and (b) a large rebalancing to majority private investment in the long run. The growth effects of rebalancing depend on the relative scarcity of public and private capital.

The analysis was conducted using the Long-Term Growth Model Public Capital Extension (LTGM-PC, Devadas and Pennings 2018). The LTGM-PC extends the standard long-term growth model (Loayza and Pennings 2018) by splitting the total capital stock into public and private components. The extended model calculated the effect of an increase in public investment on growth over time, which depends on parameters such as the relative scarcity of public capital and the type of public investment (buildings or infrastructure). The model allows for the fact that the public capital stock might not be fully efficient, a concern in many developing countries.

The main finding is that rebalancing toward private investment would have a large, positive effect on growth. However, rebalancing would not be enough to achieve the targeted 6 percent GDP growth by 2022, unless total factor productivity growth also increased. A second finding is that growth is likely to run at about 2.1 percent in the medium to long term in the baseline scenario; also, it is affected by the cut in public investment because of the moderate marginal product. Today, the shares of public and private investment are about equivalent. However, in the past, the shares were 1:3 to 2:3, respectively. In other words, the public capital-output ratio has been increasing at a lower rate. A third finding is that this growth boost is temporary. Without faster growth in productivity, economic growth would quickly slow as the return to private investment falls. Thus, none of the rebalancing scenarios could achieve the Vision 2022 target of 6 percent GDP growth. Finally, the national poverty rate would not halve by 2030 in any scenario, mainly because of the high initial levels of inequality. Policies to reduce inequality would make economic growth much more effective in halving poverty by 2030.

231. Diversifying revenue sources, especially through strengthening domestic revenue mobilization, would help reduce reliance on volatile SACU revenues. This could be done through measures announced in various national budget statements, such as the collection of license fees from mobile companies, a review of user fees and fuel tax, an import levy on non-SACU used vehicles, a levy on bank revenue, and taxation (VAT) of electricity.

232. Creating a buffer against the volatility of SACU revenues is a priority for enhancing fiscal consolidation. One option is adopting a stabilization fund to smooth revenues. SACU revenues above a certain threshold of GDP would be transferred to the fund; conversely, the fund could be used to top up

SACU revenues to a certain threshold during periods of low revenue. The successful adoption of such a fund would demonstrate the credibility of government's commitment to prudent fiscal management (chapter 7.3.5).

7.3.2 Diversifying the economy and creating jobs

233. Overcoming persistent poverty and creating more opportunities for young people would require faster creation of good jobs in both urban and rural areas. But ongoing poor performance in the traditional sectors (e.g., agriculture and industry), stagnation in domestic markets, and trade-inhibiting factors in foreign markets have contributed to a worsening environment for job creation over the past decade. Addressing this would require further diversification of the economy and taking advantage of opportunities to expand into regional exports.

234. Eswatini's economy is highly dependent on the production of a few goods by a small number of large firms. This combination of dependence and concentration limits the economy's growth prospects and increases its vulnerability to shocks. The economy is particularly dependent on the sugar industry, which dominates the agriculture sector. Sugar is a major source of export earnings and tax revenues and is an important employer. However, revenues from sugar are volatile and heavily influenced by exogenous factors, such as global markets and local climatic conditions.

235. To promote a more diverse production and trade structure, creating a business environment that enables structural transformation toward more productive sectors (or activities) is a priority. For example, boosting agricultural productivity through diversification would enhance employment and income generation in that sector. To this end, policies and incentives to diversify into value-added agricultural activities (e.g., agro-processing) are key. These would also support a shift in production from low- to higher-value commodities (e.g., fruits, vegetables, and animal products). Commercializing and intensifying agriculture would provide incentives for diversification. To maximize the impact of such incentives, government needs to address the constraints imposed by the land tenure type on Swazi Nation Land. These include: (a) land fragmentation, which prevents commercialization and production at scale; (b) poorly delineated and documented property rights, which disadvantage women because customary practices continue to restrict their access; (c) credit constraints, as farmers are typically unable to use land as collateral for agricultural loans; and (d) open-access management of cattle and overstocking. The implementation of the Swazi Nation Land Agricultural Commercialization Bill introduced in 2016 is expected to address some of these challenges. That said, the role of Swazi Nation Land in guaranteeing access to land and subsistence to most poor, rural households should not be undermined.

236. Eswatini could expand and diversify its agricultural product markets. As one of the most integrated countries in the region, it participates in several value chains in the agriculture sector, including milk, beef, livestock, goats, vegetables, horticulture, and textiles. Opportunities also exist for expanding exports in various subsectors. Eswatini could take advantage of these opportunities to expand key agricultural product markets. This report explores two possibilities for expansion: livestock and sugar.

237. The sugar industry has much scope to diversify its products and support a more diverse production structure that promotes job creation. The sugar milling and processing sector needs to diversify into alternative products, such as ethanol, animal feed, and biodegradables. Investment in sugar mills has allowed some diversification from sugar to the production of ethanol, potable alcohol, and the cogeneration of electricity (bagasse), but more could be done. Such diversification would help ensure the

sustainable development of the sugarcane sector. Possible reforms to improve product diversification and the overall viability of the industry include: (a) enhancing irrigation capacity for climate-smart farming; (b) providing significant institutional and capacity support to farmers to diversify production; (c) increasing production efficiency, including through solar power, to reduce irrigation costs; (d) addressing investment climate issues in the energy sector, which impede the development of solar power and energy generation from bagasse; and (e) adjusting the taxation system to incentivize investment in the sugar sector. Given the regional supply gap, Eswatini would benefit from targeting exports to growing regional sugar markets.

238. The livestock chain is relatively well developed. Market opportunities for top-grade beef from the Eswatini beef value chain are predominantly in the Southern African and European regions. Although over half its beef is exported to Norway, Eswatini has not fulfilled the EU quota for beef exports. It also imports low-grade beef from South Africa to meet local demand. Exports are constrained by low productivity, low levels of investment, and poor transactional connectivity among smallholder farmers along the value chain. Additional investment in deepening integration in the beef value chain would diversify farmers' incomes. Potential investments could involve: (a) ensuring the inclusive engagement of women and youth in the value chain; (b) supporting institutions, including those that provide access to finance; (c) sensitizing small-scale farmers to more sustainable and high-yielding farming practices, such as grass-fed beef; (d) increasing traceability of the value chain, specifically for exports; (e) coordinating data to develop an information system to enable knowledge sharing; and (f) supporting farmers in meeting regional and international market standards. The example of Botswana is instructive (Box 7).

Box 7. Lessons from the Botswana livestock value chain

The production of beef is of strategic and cultural significance to Botswana. However, beef production has plummeted from about 30 percent of GDP in 1966 to about 2 percent in 2017. Prices in Botswana's main export destination, the European Union, have fallen. A decline in demand from the European Union contributed to a reduction in Botswana's beef exports, and a change in the institutional and enabling environment was warranted.

With assistance from the United States Agency for International Development (USAID), farmers started the Botswana Cattle Producers Association. One of its objectives was to assess the problems facing the cattle industry and suggest solutions. The assessment concluded that a fundamental shift from the old production system was necessary, particularly the sale of mature cattle to abattoirs. A new, environmentally friendly system would involve shorter grazing periods and sales of younger animals, and also reduce the impact of droughts. Although livestock production is not yet receiving export-price parity, the reforms instituted by the Botswana Cattle Producers Association have worked.

239. In the dairy sector, the challenge is to substitute milk imports from South Africa. The share of domestic consumption of milk and dairy products supplied from imports fell from 85 percent in 2015 to 69 percent in 2018. While domestic production increased by 77 percent in this period, it was still insufficient to meet the growing domestic demand. Commercial farms have the greatest potential to compete with imports and produce the additional output needed to meet this demand. In line with global trends, consolidation and expansion of herds will be needed to achieve economies of scale and produce milk that is competitive with South African milk. An improved climate for foreign investment would help bring the finance and technology needed to achieve this. There are also opportunities to increase the productivity of smallholder dairy production, which would contribute to rural household food security

through better veterinary services, extension services, pasture management, and the like. Through improved marketing infrastructure for small farmers, the most efficient smallholders could also be linked to commercial buyers and contribute to strengthening the local industry.

240. Diversifying the concentrated manufacturing sector and expanding tourism and trade in services would create more wage employment and broaden the income-earning opportunities of low-skilled, rural workers. Service exports play a significant role in the economy and expanding trade in services is a clear opportunity. Financial services, insurance, and pension comprise the bulk of exports in the services sector. With a conducive regulatory environment, these services could provide job and diversification opportunities to drive growth. The 2019 Budget Speech stressed the importance of technology-enabled financial services. In this regard, the example of Mauritius is inspiring (Box 8).

Box 8. From sugar to services: Economic diversification in Mauritius

The island nation of Mauritius, like Eswatini, is a small country with about 1 million people. Its economy was also dominated by sugar. Both countries are vulnerable to exogenous shocks, but Mauritius has transitioned from an overreliance on sugar to a diversified export base that largely relies on services.

In the 1990s, recognizing the unsustainability of the sugar sector, government steered the economy toward textile manufacturing. From the 2000s, it developed tourism and financial services. By 2017, Mauritius had a real average GDP per capita of over US$20,000—a 175 percent increase on the 1990 figure. Sugar now accounts for less than 2 percent of GDP. International trade is a key element of this strategy. Mauritius has used trade policy to safeguard its domestic interests and expand its export base. In addition to the blue economy, it is now focusing on developing artificial intelligence and adopting blockchain technology.

241. Investing in tourism—especially nature-based and community-led tourism—could leverage Eswatini's rich biodiversity, creating jobs and fostering sustainable land use. While endowed with diverse flora and fauna, Eswatini's tourism offerings are often overshadowed by those of its neighbors, especially among overseas tourists. Investment in tourism infrastructure, including Internet connectivity, road access, and simplified overland border entry from South Africa, could help attract foreign visitors. Expanding community-led tourism—through improving access to capital, business and hospitality training, and secured land-use rights—would help Eswatini to showcase its unique cultural contribution and attract tourists to its distinctive festivals. Nature and wildlife are an important part of the tourism sector, and safeguarding biodiversity is critical to the long-term health of the sector. It is also compatible with sustainable land-use practices and supporting climate-resilient landscapes.

242. Expanding exports in forestry products could strengthen the sector and create jobs, provided that such expansion is sustainable. Key considerations include (a) ensuring that growth is inclusive by sourcing a growing share of output from smallholder and community-managed forests, and (b) ensuring that growth is sustainable by guaranteeing that expansion only takes place on land not suitable for agriculture. Adoption of agroforestry practices could provide a means for expanding forestry products while also supporting sustainable land-use practices that reinforce the natural resilience of the land against climate change. Sustainable forestry management plans should be in place to support these initiatives.

243. In spite of its long history, mining in Eswatini is underdeveloped. The Ngwenya iron ore mine (now closed) is the world's oldest known mine, dating back some 41,000 years. The country's mineral resources include gold, iron ore, diamonds and coal, but mining contributes only around 2 percent to exports and

GDP. Overall mineral production is declining—iron ore production ceased in 2014 and coal exports are lower. However, quarrying activity is ongoing, and there is some new gold production. Exploration for new mineral deposits is also low. Some of the challenges facing the sector include the lack of rail infrastructure for transport and the high level of state participation (50 percent), which may deter investment. The sector is administered by the Ministry of Natural Resources and Energy under the 2011 Mines and Minerals Act, which includes the Geological Survey and the Mining Department.

244. Upgrading value chains is critical to economic diversification. The *World Development Report 2020: Trading for Development in the Age of Global Value Chains* finds that between 1990 and 2015, Eswatini moved from limited manufacturing to advanced manufacturing and services, and then back to limited manufacturing again. Establishing links between lead firms and domestic SME suppliers is essential for upgrading value chains. Also, promoting the access of SMEs and other firms to finance would support their growth, and so contribute to diversification and job creation. This needs to be accompanied by measures to improve financial literacy and develop financial products tailored to their needs. Digital technologies could play a critical role in supporting innovation and access to services by businesses. For instance, the expansion of mobile money could enhance access to finance, particularly in rural areas.

245. Deepening regional integration is key to facilitating exports, given the limited domestic market. Eswatini needs to embrace the African Continental Free Trade Agreement, which would allow the elimination of over 90 percent of tariffs among African countries. Such regional integration would also help address nontariff barriers to trade. Eswatini is landlocked, so its barriers to trade are generally either faced or imposed by its surrounding countries, South Africa in particular. South Africa's own nontariff barriers to trade include port congestion, technical standards, theft of goods, import permits, antidumping measures, violations of intellectual property rights, an inefficient bureaucracy, and excessive regulation. Therefore, addressing nontariff barriers to trade is a regional issue under SACU that requires complementing regional solutions. There have been some noteworthy efforts in this area.[16] Yet more intensive implementation is needed, including building the technical capacity of customs officials, standardizing and automating customs procedures, and increasing coordinated border management.

246. Removing barriers to trade would deepen regional integration and facilitate economic diversification. Despite Eswatini's membership of SACU, transporting goods across borders remains slow. A recent time release study found that importing goods into the country takes nearly 12 hours. This suggests a lack of capacity among personnel and infrastructure, limited information systems, poor coordination among agencies, limited warehousing facilities, a lack of laboratory testing equipment, and poor Internet connectivity. Trade reforms include updating legislation and reducing nontariff barriers. Eswatini's own nontariff barriers, including cumbersome documentation systems for transshipments, have affected cross-continental trade and jeopardized the country's ability to benefit from preferential trading schemes, such as AGOA.

[16] Notably, through its SADC membership, Eswatini participates in the East African Community (EAC)-COMESA-SADC (Tripartite) Online Reporting, Monitoring and Eliminating mechanism. Its participation in the recently operationalized African Continental Free Trade Area broadens the scope of solutions, as the agreement consolidates and contributes towards the elimination of nontariff barriers to trade among eight regional economic blocs in Africa—the Community of Sahel-Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the EAC, the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD), and SADC.

247. The country needs to take advantage of and deepen its trade links with South Africa, which is the primary market for Eswatini's exports and facilitates the export of its products to other countries. Over 65 percent of its exports and imports go through South Africa. Eswatini could make significant progress towards its aspiration of becoming an export-driven economy by harmonizing its immigration laws with those of South Africa; extending border-opening hours with South Africa to 24 hours, as is the case with Mozambique; and moving to one-stop border posts.

248. Addressing gaps in key infrastructure is central to diversifying the economy. While Eswatini has made progress in expanding access to basic infrastructure, spatial disparities in access remain. Most basic infrastructure is concentrated in urban areas, and the lack of rural infrastructure adversely affects opportunities for economic diversification in these areas. These disparities contribute to the observed inequality of opportunity. To facilitate economic diversification, government should focus on two forms of infrastructure that could help lower costs and increase competitiveness. The first is *transport infrastructure*: improving Eswatini's transport links with regional trading partners and strengthening the secondary road network would reduce the cost of domestic and regional trade and support sustainable urban mobility. To this end, the country needs to: (a) strengthen the capacity of the Ministry of Public Works and Transport, (b) reform the institutional environment, and (c) establish new financing mechanisms to develop its road networks. Investments in infrastructure are needed to modernize the transport sector. The second is *digital infrastructure*: Eswatini's digital infrastructure is relatively underdeveloped, mainly because of a lack of competition and private investment. Removing barriers to the development of digital infrastructure by private investors is therefore key. Efforts to address infrastructure gaps need to be inclusive (i.e., to support access by poor and vulnerable people) and provide access across space. The infrastructure also needs to be climate resilient.

7.3.3 Strengthening human capital and inclusive public service delivery

249. Human capital is a central driver of sustainable growth and poverty reduction. Strengthening it is one pathway to higher labor productivity and economic mobility, which are critical for improving the inclusivity of economic growth and reducing inequality. The World Bank's Human Capital Project provides the conceptual underpinnings of this pathway. It posits that improving people's skills, health, knowledge, and resilience (i.e., their human capital) helps them become more productive, flexible, and innovative.

250. Levels of human capital are low in Eswatini. The country's HCI score suggests that a child born today in Eswatini would be only 37 percent as productive as an adult as she could have been with a complete education and full health. This is relatively low for its level of income. Every quality-adjusted year of education has an 8 percent payoff for every year of adulthood. A single extra year of education, or a modest increase in its quality, could pay very large dividends.

251. Eswatini has the world's highest share of adults (15–49) living with HIV, at 27.4 percent in 2018. This has contributed to high levels of poverty, with certain social, gender, and age groups (specifically women and children) being particularly vulnerable. The HIV pandemic is compounded by a growing incidence of noncommunicable diseases.

252. The use and quality of health, nutrition, and education services remain challenges that contribute to poor human capital outcomes. The education system is not responsive to the demand for skills in the labor market. Furthermore, inefficiencies in basic education result in high repetition and dropout rates, as well as spatial and income disparities in quality, with a bias against the rural population. The poor

quality of the rural road network reduces the effectiveness of investments in education and health care. Rural communities need reliable, all-weather roads to reach social services. Neonatal, infant, and child mortality are pervasive, as is malnutrition, in part because of challenges around access to water and sanitation. Diarrhea is the most significant cause of death of children under age 5, while stunting accounts for nearly 20 percent of deaths among these children.

253. Universal access to safe water and sanitation is essential for improving Eswatini's human capital. The quality and availability of water, the behavioral factors that determine environmental and hygiene conditions, and the damage caused by natural disasters all affect health outcomes, especially in children's early years. Ensuring universal access means reducing inequalities in access to water supply and sanitation, particularly in rural areas. Eswatini's National Development Strategy aims to achieve 100 percent water supply and sanitation coverage by 2022.

254. This pathway proposes actions to enhance access to better-quality education and health services, to develop skills, and to enhance productivity and employability. It also stresses the importance of improving the coverage and targeting efficiency of the social protection system in order to improve access to these basic services.

Actions to improve access to and quality of education

255. A first set of proposed actions aims to improve access to and the quality of early childhood care and education. In 2014, early childhood care and education had a gross enrolment ratio of 29 percent. Eswatini provides early childhood care and education services through a range of models. There are limitations in several areas, including enrolment data, the number of centers, nutrition and health care services, the early childhood care and education curriculum, caregiver training, and play and instructional resources. There also is a need to understand which models work best and could be scaled up.

256. A second set of proposed actions aims to address the high repetition and dropout rates in basic education. These include: (a) extending primary education to nine years of basic education, eliminating the high-stakes examinations at the primary education level in grade 7, and moving toward competency-based assessments at key milestones (grades 3, 6, and 9); (b) providing scholarships for children from low-income households to attend secondary school; (c) establishing adolescent girls' clubs in lower-secondary schools to provide safe spaces for girls, offer family planning services, and bring in role models to support girls in delaying marriage and pregnancy and continuing their education; and (d) developing a strategy for expanding secondary schools. The first step of this strategy would be to map existing schools and enrolment numbers to identify any underutilized facilities. The second step would involve overlaying this information with population data by district to determine: (a) which schools could be expanded, (b) which population groups could be given transport to a nearby school, and (c) the number and location of new schools to be built, including a costed rollout plan.

257. A third set of actions aims to improve literacy and numeracy in the early grades. Literacy and numeracy outcomes in Eswatini are not commensurate with its income level. Priority policy interventions are: (a) developing and disseminating siSwati home language teaching and learning materials for grades 1–4, including learner workbooks, graded or level readers, structured lesson plans for teachers, and supplementary reading materials; (b) increasing pre-service teacher training, focusing on how teachers are taught to teach children to read in their mother tongue, and strengthening the links between these institutions and the Ministry of Education and Training to ensure alignment with the schooling curriculum;

(c) establishing more rigorous in-service teacher training that focuses on curriculum implementation and mother tongue instruction, with follow-up support; (d) establishing cost-effective and sustainable in-classroom teacher support mechanisms, by assessing mechanisms such as on-site or virtual coaching; (e) developing an assessment framework to guide how assessments in the early grades measure baseline levels and to ensure that the system commits to national reading goals. This framework would set standards of progress toward the reading goals, along with indicators to monitor such progress.

258. A fourth set of actions aims to strengthen governance and coordination in skills development. Technical and vocational education and training (TVET), and more broadly, post-primary skills training, is a largely unregulated sector with insufficient coordination. It is also not adequately informed by the needs of the labor market. Several ministries implement skills training programs, and there are no structures at the system level to facilitate links between training providers and employers. Priority policy interventions are: (a) collecting better and more systematic information on TVETs and tertiary education in general; (b) developing an institutional framework to better coordinate private sector employers and the ministries responsible for training; (c) aligning training courses with the needs of the labor market; and (d) establishing a functional regulatory body.

Actions to improve access to and quality of health care

259. A first set of actions is around improving child health outcomes. Almost a third of children under age 5 are stunted, and 9 percent are either overweight or obese. Micronutrient deficiencies such as anemia (47 percent) and vitamin A deficiency (45 percent) affect nearly 50 percent of children under 5. These problems hamper early childhood development, school enrolment, attendance, learning ability, and educational outcomes, and eventually productivity and economic development. Actions to improve child health outcomes include: (a) initiating early breastfeeding in hospitals and home deliveries; (b) promoting exclusive breastfeeding for 180 days; (c) introducing timely complementary feeding (6–8 months) with continued breastfeeding; (d) improving the quality of complementary foods and feeding practices in children ages 6–24 months; supplementing micronutrients (iron, vitamin A, and micronutrient powders) and deworming; (e) feeding sick children during and after illness; and (f) managing moderately and severely malnourished children.

260. A second set of actions aims to improve maternal health outcomes. Poor maternal health outcomes have plagued the country for decades, despite growing access to antenatal care. A priority policy action is to improve nutrition during pregnancy and lactation, which includes managing obesity.

261. A third set of actions aims to reduce mortality and improve productivity. A priority action is dietary management of noncommunicable diseases, along with appropriate medication.

Actions to improve access to and quality of water, sanitation and hygiene

262. The main set of actions focuses on the long-term sustainability of rural sanitation and hygiene. Although progress has been made in increasing access to WASH, spatial disparities remain striking, with rural areas lagging behind urban ones. Interventions to address operational, institutional, and policy shortcomings in this area include: (a) increasing sanitation and hygiene infrastructure in rural areas; (b) improving the operations and maintenance of existing infrastructure; (c) increasing financing and budgets for sanitation and hygiene; (d) budgeting for the operations and maintenance of schools and health centers; (e) optimizing resource allocation by improving coordination among central government,

public institutions, decentralized institutions, municipalities, the private sector, and international, nongovernmental, and community-based organizations; and (f) developing local supplies and markets for sanitation, to allow local entrepreneurs to deliver on-site sanitation solutions. Government also needs policies to ensure the long-term sustainability of existing infrastructure, particularly for the systems not managed by the Eswatini Water Services Corporation. It also needs to take account of the impact of rural-urban migration and the resulting growth of informal, peri-urban areas, which require new approaches to sanitation and hygiene.

7.3.4 Strengthening resilience to natural disasters and economic shocks

263. Eswatini faces various shocks that threaten livelihoods and the economy. Among these are climatic hazards, including storms, floods, and droughts; health shocks; and the death of working household members. The frequency and severity of natural and climate shocks are expected to increase. Their impact is exacerbated by a combination of weak government capacity and limited insurance cover. Such shocks hamper efforts to reduce poverty and promote inclusive growth. In the context of limited fiscal space, exogenous shocks could strain the (sizeable) fiscal deficit, deepen government's liquidity problems, and deplete international reserves. This undermines its ability to effectively respond to risks and vulnerabilities arising from environmental and climate change.

264. Strengthening resilience to natural disasters and shocks, particularly droughts, will be critical for economic growth, poverty, and inequality reduction. The *World Development Report 2010: Development and Climate Change* (WDR 2010) provides the conceptual underpinnings of this priority policy area. It shows that poor and vulnerable households tend to have high exposure and vulnerability to natural disasters, not least because they depend on subsistence farming for their livelihoods. Poor and vulnerable segments of society also have limited financial means to cope with and bounce back from the impacts of such events. They tend to adopt adverse coping strategies, like the distress sale of assets, which may hinder longer-term progress toward poverty eradication.

265. This pathway identifies the main interventions to strengthen the resilience of the country and its citizens to natural disasters and economic shocks. It proposes actions to reduce exposure to risk, increase preparedness, and strengthen adaptative and coping mechanisms for when shocks do occur. These include: (a) ensuring sustainable environmental and natural resource management; (b) increasing energy efficiency and energy security through diversifying energy sources; (c) creating an environment that facilitates the development of insurance markets; (d) improving the targeting and coverage of social protection, thus enhancing the system's responsiveness to shocks; and (e) strengthening the design and implementation of the institutional and legal framework for disaster management.

266. Sustainable environmental and natural resource management interventions, including the conservation of biodiversity, would help mediate the link between climate change and development. Climate change may affect the quality and flow of many services provided by natural resources. Conversely, natural resources help to mitigate greenhouse gases and thus provide a buffer against climate change. Interventions for sustainability include: (a) promoting sustainable land management practices, such as measures to protect forests and woodlands to address widespread land degradation because of deforestation, and measures to promote sustainable livestock grazing practices; and (b) promoting sustainable, integrated water resource management.

267. Sustainable management of water resources is central to the country's long-term development goals and is critical for mitigating climate risks. Climate change is expected to lead to warming and drying, which would affect the availability and use of water resources (e.g., for irrigated agriculture) and hence, food security. This is even more pertinent when considering the country's dependence on the production of (water-intensive) sugarcane. Greater variation in the surface flows of rivers and streams, with lower base-flows in the dry season, is expected to result in water shortages for domestic and industrial use, as well as for hydropower generation. Finalizing the National Water Policy would provide a framework for sustainable, integrated management of water resources.

268. Increasing energy efficiency and energy security through diversifying energy sources would reduce Eswatini's vulnerability to climate change. Currently, most locally produced energy entering the national grid comes from hydropower. Increasing the share of renewable energy in the national energy mix, for both grid and off-grid applications, is therefore important. In addition, diversifying energy sources would reduce the vulnerability associated with Eswatini's reliance on electricity imports from South Africa.

269. Creating an environment that enables the development of insurance markets would support adaptation to climate change. Insurance companies do not currently provide cover against the impact of climate change. Yet, climate variability and change tend to increase the production risks and prices of agricultural products. In fact, drought and food price shocks dominate household-reported shocks. People in remote areas, who have limited access to markets, tend to be worst affected. The use of private insurance markets to cope with these risks is limited. Insurance could potentially provide the resources needed to rebuild societies after extreme weather events, in ways that promote preventive, risk-reducing action. Pro-poor insurance markets, especially in agriculture and health, would strengthen resilience to natural disasters and economic shocks. Creating an enabling environment for the development of such insurance markets would require a strong national regulatory framework to govern adaptation.

270. Improving the targeting and coverage of social protection and enhancing the system's responsiveness to shocks are important for building resilience, particularly among poor and vulnerable people. While most of the benefits of social protection programs do reach poor people, they perform less well at reaching the poorest people. Substantial numbers of poor and vulnerable Swazi people remain unprotected, despite government efforts. Further, benefit levels are low, and the programs do not scale up in the event of a disaster. In fact, Eswatini even reduced expenditure on safety net programs in times of crisis. Therefore, the impact of social protection programs on poverty or inequality is relatively limited, and better targeting and scalability are needed.

271. Strengthening the design and implementation of the institutional and legal framework for disaster management would enhance the capacity for disaster preparedness and management. Eswatini's framework for disaster risk management provides a comprehensive approach for reducing the impact of disasters. It promotes an integrated system of disaster management, focused on reducing vulnerability and scaling up preparedness for the losses and impact associated with disasters. It is underpinned by seasonal vulnerability assessments, an early warning system, and an emergency preparedness and response mechanism. However, their effectiveness is hampered by capacity and implementation challenges. Underfunding is a particular challenge, with financing for recovery and post-disaster reconstruction activities typically mobilized only after the disaster has already occurred. In addition, the poor mapping of institutional skills and capacities adversely affect the monitoring, evaluation, and resource tracking of disaster response in Eswatini.

7.3.5 Cross-cutting priority policy area: Credible commitment to transparent and effective policy implementation

272. An uncertain policy environment slows private sector development and adversely affects the delivery of basic public services. Almost all the consultations highlighted the lack of policy certainty, weak policy implementation, inadequate prioritization in the allocation of resources, an uncertain regulatory environment, a lack of political will and political commitment to reform, top-down policy making with limited citizen engagement, and fiscal challenges amid declining SACU revenues.

273. Power imbalances in Swazi society are seen to be associated with the country's structural economic inequity. These imbalances manifest in the limited access of the many and the privileged access of a few to assets, markets, services, and rights. *World Development Report 2017: Governance and the Law* (WDR 2017) focuses on the effects of power imbalances on economic outcomes and provides the conceptual underpinnings for this priority policy area. It identifies the distribution of power among actors as a main determinant of economic development outcomes. Unequal distribution of power distorts policy effectiveness and negatively affects growth, equity, and security. The report also addresses the impact of legal pluralism (i.e., the coexistence of multiple legal and governance systems within a given sociopolitical space) on the creation and perpetuation of power imbalances in society. In Eswatini, customary and modern law coexist and overlap. This can benefit the powerful (WDR 2017), as fluid boundaries between the customary and the modern systems provide flexibility and choice that powerful people can use to their advantage.**Eswatini has two systems of governance, law, and land tenure at every echelon of government**, one traditional and the other modern. As noted, the boundaries between the two systems are fluid, especially because the traditional legal and land tenure systems are not codified. Dual governance has some advantages. For one, it can give Swazi citizens a sense of pride and identity in their specifically Swazi institutions and help maintain social cohesion. For another, it gives them multiple avenues for accessing the state and gives the state many channels through which to reach out to its constituents.

275. Dual governance makes the rules of the game unclear and unpredictable for citizens and businesses alike. It allows citizens to ignore certain rules (generally, those of the modern systems), while abiding by others, depending on their interests. It gives those who govern the discretion to choose the rules and arenas that favor them. This discretion in turn enables them to avoid committing to, and hence being accountable for, a certain policy or course of action. This allows the powerful and connected few in government and the local private sector to skew the implementation of the rules in their favor, thanks to their ability to navigate deftly between the two systems as needed. Duality also confuses and eventually discourages foreign businesses. Shifting entry and exit rules and legal recourse deter much-needed foreign investment and job creation.

276. Development outcomes are better when policy is more predictable and decision makers commit to implementing these policies. In the short term, this pathway entails increased transparency of public policy-making processes and institutions, including funds such as Tibiyo. It also means more transparent recruitment and promotion in both the public service and state-owned enterprises, and more transparent public procurement. In general, this pathway means better access to information for the public, beyond the well-informed and connected few. "Letting the sunlight shine in" may seem difficult to implement in the short term, but its long-term benefits include more public trust in government and, ultimately, a promise of stability and sustainability. A lack of institutional credibility also affects private investment,

and limited transparency in the legal and regulatory environment increases investment risks. Foreign investors' negative perceptions of investment laws and property rights in Eswatini deter investment and must be addressed.

277. A summary of the priority policy intervention areas is provided in Table 10.

Table 10. Policy priorities and interventions

Pathway	Priority policy areas
Strengthening macroeconomic management	• Strengthen the effectiveness, efficiency, and quality of public spending. • Limit growth of the public sector wage bill. • Restructure loss-making public entities and enterprises. • Diversify revenue sources, especially by increasing the mobilization of domestic revenue through strengthening tax collection and administration of revenue. • Establish a stabilization fund to help buffer against volatility of SACU revenues by smoothing revenues.
Diversifying the economy and creating jobs	• Create a business environment that supports structural transformation towards more productive sectors. • Diversify the agriculture sector, focusing on sugarcane and the beef value chain. • Increase access to finance by SMEs. • Deepen regional integration, taking advantage of and deepening trade links with South Africa. • Address gaps in key infrastructure, especially transport and digital infrastructure.
Strengthening human capital and access to and quality of public services	• Improve access to and the quality of early childhood care and education. • Reduce repetition and dropout rates in basic education. • Improve literacy and numeracy levels in the early grades. • Strengthen governance and coordination structures in skills development. • Improve child health outcomes through: (a) early breastfeeding, with exclusive breastfeeding for 180 days; (b) the timely introduction of complementary feeding (6–8 months) with continued breastfeeding; (c) improving the quality of complementary foods and feeding practices in children ages 6–24 months; (d) managing moderately and severely malnourished children. • Improve maternal health outcomes, mainly through better nutrition during pregnancy and lactation. • Reduce mortality and improve productivity. • Reduce inequalities in access to water, sanitation, and hygiene (WASH), especially for poor people and the rural population.
Strengthening resilience to natural disasters and economic shocks	• Ensure sustainable environmental and natural resource management, focusing on promoting sustainable land management practices and integrated water resource management. • Increase energy efficiency and energy security by diversifying energy sources. • Create an enabling environment for the development of insurance markets. • Improve targeting and coverage of social protection, enhancing the system's shock responsiveness. • Strengthen the design and implementation of the institutional and legal framework for disaster management.

7.4 Knowledge Gaps

278. This Systematic Country Diagnostic has generated and synthesized a large amount of evidence on priority policy intervention areas for achieving the twin goals of poverty reduction and sustainable, shared prosperity, along with potential solutions. However, several important knowledge gaps remain. Table 11 lists areas that the WBG country team would like to understand better.

Table 11. Knowledge gap and research questions

Area	Research questions
Export dynamics	• What are the characteristics and drivers of intensive and extensive margins?
Public sector enterprises	• How do public sector enterprises compare with private sector firms on performance and efficiency? • Would shifting production from public sector enterprises to the private sector result in significant productivity gains?
Access to public procurement	• What is the profile of businesses that access public procurement? • How much government procurement is going to how many firms?
Business registry data	• What are the profile and ownership structure of firms, especially larger ones?
Tibiyo and the investment climate	• What is Tibiyo's share of total investments? • Does Tibiyo enjoy preferential treatment and access to services and resources that are important for business viability and growth?
Gender inequality	• What is the extent and nature of gender inequality in Eswatini? • What are the underlying drivers of gender inequality? • What policies would accelerate the reduction of gender inequality?
Role of land tenure and land policy	• To what extent does the existing land tenure regime constrain the productivity of agriculture? • What reforms of the land policy would stimulate investment, agricultural productivity, and livelihoods? • How and to what extent does access to land contribute to inequality?
Macroeconomic impact of disasters and their impact on household welfare	• What is the impact of natural disasters on the macroeconomy and on household welfare? • What are the differentiated impacts of disasters, particularly droughts, on household welfare?

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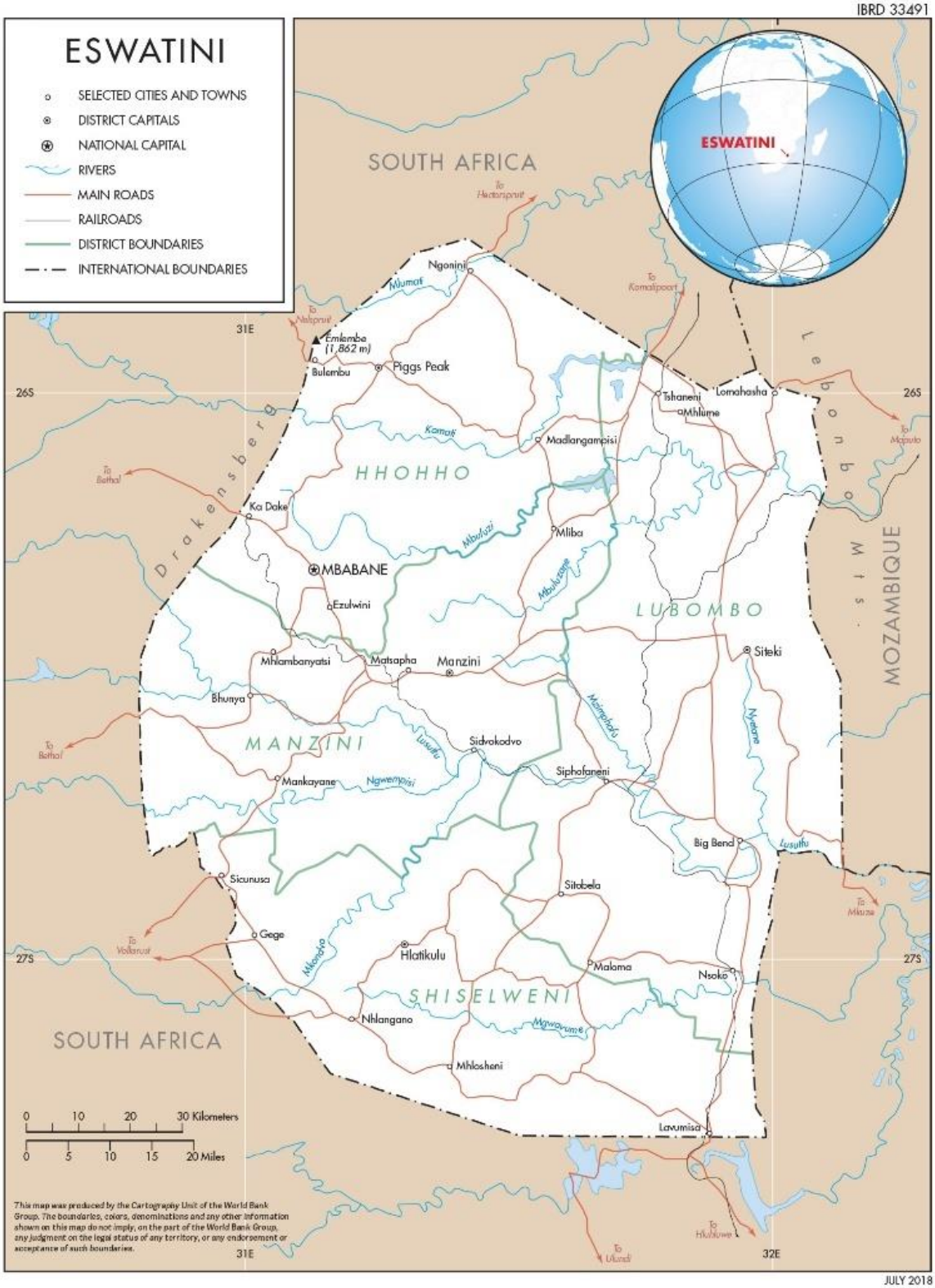
Appendix

Table 12. Key macroeconomic indicators

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
							Proj.	Proj.	Proj.	Proj.
National accounts and prices (% annual growth)										
GDP at constant market prices (% change)	5.4	3.9	0.9	2.3	1.3	2.0	2.4	1.3	-3.5	1.5
Agriculture	13.0	5.9	-7.1	3.8	-8.4	-4.3	8.0	-4.4	4.8	4.0
Industry	5.5	4.3	1.2	-1.2	2.5	1.8	-0.2	1.0	-5.3	4.1
Services	3.2	3.2	2.7	5.3	2.6	2.8	3.1	2.5	-3.7	-0.6
Consumer prices (annual average)	8.9	5.6	5.7	5.0	7.8	6.2	4.8	2.6	4.1	4.2
Fiscal (% of GDP)										
Revenue	30.4	29.1	30.9	28.1	25.2	28.9	24.8	26.5	25.6	27.5
Expenditure	26.9	28.3	31.6	33.3	34.1	37.1	34.7	33.8	35.9	33.9
Interest payments	0.9	0.8	0.7	0.7	0.9	1.2	1.3	1.3	1.8	2.2
Overall fiscal balance	3.5	0.7	-0.6	-5.2	-8.9	-8.2	-9.9	-7.3	-8.7	-6.4
Primary fiscal balance	4.4	1.5	0.1	-4.6	-8	-7	-8.6	-5.5	-6.4	-3.5
General government debt	14.8	15.0	14.1	19.4	22.2	26.5	27.6	36.5	41.1	40.7
External public debt	7.3	6.9	6.7	7.1	9.4	9.0	10.1	12.3	24.0	26.0
Money and credit (% change)										
M2	10	15.9	3.9	13.6	26.4	3.8	4.1	1.7	10.7	12.6
Credit to private sector (% of GDP)	-1.7	20.2	9.8	4.2	11.6	3.9	5.1	4.6	-0.4	8.4
External sector (% of GDP unless otherwise stated)										
Merchandise exports (% of GDP)	34.3	39.7	41.8	41.0	42.5	40.4	39.0	43.3	37.3	42.2
Merchandise imports (% of GDP)	35.4	35.7	36.9	36.6	35.9	35.2	38.4	37.6	37.0	35.3
Current account balance (% of GDP)	12.0	12.3	12.1	12.9	7.7	6.9	1.3	4.0	1.0	5.6
Gross international reserves (months of imports)	2.9	3.9	3.6	3.8	3.6	3.5	2.8	2.6	3.2	3.9
Exchange rate	8.2	9.7	10.9	12.8	14.7	13.3	13.2	14.5		
Poverty										
Poverty rate (US$1.9/day, 2011 PPP terms)					29.2	28.8	28.5	28.4	29.9	29.8
Poverty rate (US$3.2/day, 2011 PPP terms)					52.1	52.1	51.8	51.8	52.7	52.7
GDP per capita (constant, US$)	3,516	3,609	3,599	3,639	3,642	3,672	3,714	3,699	3,732	3,762

Source: World Bank staff based on Ministry of Finance, Economic Planning and Development, RBM and IMF data.

Figure 60. Map of Eswatini, 2019



Source: World Bank Group 2019.