The Kingdom of Eswatini

Report on Vienna Programme of Action (VPoA) for landlocked Developing countries for the Decade 2014- 2024

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1. Introduction

1.1 Overview

Eswatini is a landlocked kingdom in southern Africa covering an area of 17,364 square kilometres. Approximately 90% of the country is bordered by the Republic of South Africa and about 10% by Mozambique in the East. The country is divided into four administrative regions, namely Hhohho, Manzini, Shiselweni and Lubombo. The country is a member of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Customs Union (SACU) and the Common Monetary Area (CMA) which includes South Africa, Namibia and Lesotho. Eswatini is classified as a lower-middle income country with a GNI per capita of 2,960 current USD in 2016, even though it faces development challenges akin to low-income economies.

Since the 2010 fiscal crisis, Eswatini has, until recently, experienced a period of macroeconomic stability and recovery. A rebound in SACU revenues, expansionary policies and the peg to the South African Rand have contributed to the rebuilding of buffers and supported a growth recovery. Yet, despite its middle-income status, structural impediments have hindered private investment and kept unemployment high, contributing to persistently elevated poverty and income inequality. Despite this overall stable period, macroeconomic conditions deteriorated when in 2016 two shocks namely, a prolonged drought, and a sharp decline in SACU receipts - severely hit the economy. Growth in 2016 stagnated, as agricultural production declined, and headline inflation increased sharply, mostly due to rising food prices. Although Eswatini remains quite vulnerable to external shocks and highly dependent on SACU revenues, the negative impacts of the el Niño-induced drought have been superseded by improved weather conditions, which have in turn boosted the country’s agricultural performance. Nevertheless, overall growth of the economy is expected to be low over in 2019.

Table 1: Selected Indicators:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of economy</td>
<td>E56.8 bn</td>
<td>(2018)</td>
</tr>
<tr>
<td>Growth rate of economy</td>
<td>1.9%</td>
<td>(December 2017)</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>28.1%</td>
<td>(2013)</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>4.2%</td>
<td>(March 2018)</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.75%</td>
<td>(March 2018)</td>
</tr>
<tr>
<td>Fiscal balance</td>
<td>11.3%</td>
<td>(2016)</td>
</tr>
</tbody>
</table>

1.1.1. Unemployment

Roughly one in four people in the labour market find themselves unemployed. The national unemployment rate masks differences between regions and age-groups. People in Shiselweni (38%) are a third more likely to be unemployed than their counterparts in Manzini (25%). The 25 to 29 age group face an unemployment rate of nearly 40%, compared to 17% for the 40 to 44-year old population.

1.1.2. Debt

Eswatini’s public debt (25.4% in 2016) is relatively low, even though it has been rising rapidly since 2015 driven by large primary deficits, and IMF projections foresee increases up to 36%
in the following years. External debt also remains low and is mostly public debt. Following an increase in 2015 mainly due to the depreciation of the South African Rand, in 2016 the stock of external debt increased a little (about 0.2% of GDP to 13.3% of GDP). Gross external financing needs are also increasing, but remain small when compared to the size of the economy.

Poverty remains stubbornly high and represents the primary development challenge facing the country. It is largely a rural phenomenon. The last poverty survey in 2009/10, for example, revealed a national poverty rate of 63%, rising to 76% in rural Lobamba. Food insecurity represents another development challenge affecting a large proportion of the country. This fact is underscored by the fact that 350,000 people were in urgent need of food assistance following the El Niño-induced drought, according to the country’s annual vulnerability assessment for 2016. Inequality is also very high with a Gini coefficient of 49.5. Poverty is strongly correlated with unemployment, which is about 28% overall and 52% among the youth.

2. Mainstreaming of the Vienna Programme of Action into National Development Plan

2.1 How the country mainstreamed (VPoA) at national level into national and sectoral development

Even though Eswatini has not yet mainstreamed the Vienna Programme of Action (VPoA) into national programmes, a number of its elements are already contained within key policy and strategy documents. The National Development Strategy (NDS) formed the over-arching framework that provided a platform for the achievement of sustainable development in Eswatini. The strategy focused on promoting sustainable development and inclusive prosperity in the medium to long term. The NDS was originally produced in 1997 and covered a 25-year time horizon. In response to a changed development context domestically and abroad, its revision started in 2014, and it has evolved into the *Strategy for Sustainable Development and Inclusive Growth* (SSDIG), which focuses on seven macroeconomic pillars namely: Agricultural Development; Economic Acceleration; Industrialization and Diversification; Environmental Management and Sustainable Development; Infrastructure Development; Balanced Regional Growth and Urbanization, Research Development; and Governance and Sound Economic Management. Focusing on these strategic areas will assist the country to move towards the desired levels of economic development.

2.1.1. Vision

The vision of the country is that by Year 2022 Eswatini would have attained a level of development akin to that of developed countries while ensuring, that all citizens are able to sustainably pursue their life goals, enjoy lives of value and dignity in a safe and secure environment in line with the objectives of Sustainable Development.

A link has been established between the prioritized SSDGI macroeconomic strategies and the sectoral strategies, and this is aimed at facilitating robust economic growth. Implementation of sector strategies will ensure the achievement of the country’s macroeconomic strategic areas. The linkages are classified in the following table:
<table>
<thead>
<tr>
<th>Macroeconomic Areas/Pillar</th>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agricultural Development</td>
<td>Agriculture, Land And Rural Development</td>
</tr>
<tr>
<td>2. Economic Acceleration, Industrialization and Diversification</td>
<td>Economic Development, Physical Infrastructure</td>
</tr>
<tr>
<td>3. Environmental Management and Sustainable Development</td>
<td>Physical Infrastructure, Environment, Climate Change And Disaster Management, Agriculture Land and Rural Development, Economic services</td>
</tr>
<tr>
<td>5. Infrastructure Development, Balanced Regional Growth and Urbanisation</td>
<td>Physical Infrastructure, Environment, Climate Change And Disaster Management, Health, Education and training, Agriculture and ICT</td>
</tr>
<tr>
<td>7. Governance and Sound Economic Management</td>
<td>Governance, Economic ,Service Delivery and Public Sector Management</td>
</tr>
</tbody>
</table>

The SSDIG also takes into account the SADC Regional Indicative Strategic Development Plan (RISDP), the African Union Development Agenda 2063 and the Sustainable Development 2030 Agenda (SDGs).
3. Coherence and Linkages with post 2015 development agenda and other global processes.

3.1 Progress in achievement of the SDGs and (VPoA)

The country has made some progress on the Millennium Development Goals (MDGs). Regarding MDG 2 (Universal Primary Education), nearly all children of primary school-age now attend school. Fewer children are dying before the age of five (MDG 4: Reduce Child Mortality), around 67 per 1,000 live births, nearly half the rate in 2000. Access to HIV treatment has expanded significantly while the country is likely to be the first to eliminate malaria in Southern Africa (MDG 6: Combat HIV/AIDS, Malaria and other diseases).

Progress on other MDGs has been more challenging and this will need to be taken into account as the Sustainable Development Goals (SDGs) continue to be mainstreamed into the country’s development agenda. For example, MDG 1 (Eradicate Extreme Poverty and Hunger) and MDG 5 (Improve Maternal Health) will require much more effort to be significantly improved. Eswatini has established a National Task team to ensure that progress is on track with regards to SDGs.

4. Assessment of Key economic, social and environmental development trends

4.1. Key sectors

4.1.1. Agriculture

Eswatini’s agricultural sector is the second largest contributor to the economy after the manufacturing sector. Commercial agriculture sector is dominated by sugar, canned fruit and beef production for export. Many Swazis practice subsistence farming, mainly maize cultivation. The country is historically a net importer of maize, and the quantity demanded depends significantly on unreliable rainfall. Besides subsistence production, the country meets much of its demand for agricultural products through imports from South Africa.

Value-added activities in the sector include the processing and preserving of fruit and vegetables, the processing of vegetable and animal oils and fats, dairy products, grain mill products especially wheat which is wholly imported, prepared animal feeds, sugar refining, cocoa, chocolate, and sugar confectionery amongst other food products. The country exports its beef to the European and Norwegian markets.

The Agriculture sector has seen momentous developments throughout the last ten to fifteen years, during which the Government has formulated several policies to create an enabling environment within the sector, including:

- The Comprehensive Agriculture Sector Policy (CASP-2005) which aims to guide the development of agriculture to maximise its contribution towards economic growth, food security, poverty reduction, and sustainable use and management of natural resources;
- The National Food Security Policy, which focuses on 4 key pillars, namely: food availability, food access, food utilisation and nutritional requirements, as well as stability in equitable food provision was also approved in 2005;
• The National Irrigation Policy, which provides guidelines on the proper management and conservation of water for irrigated agriculture, while improving agricultural productivity, approved in 2005;
• The Livestock Development Policy, which seeks to promote the transition from subsistence to commercial livestock farming, approved in 2006;
• The National Forestry Policy, which aims to achieve efficient, profitable and sustainable management and utilisation of forest resources for socio-economic development, and to increase the role of forestry in environmental protection, conservation of plant and animal genetic resources and the rehabilitation of degraded land, approved in 2003.

All of the above-mentioned policies are reaching the point when they should be reviewed. They will also soon be accompanied by the draft National Agricultural Research Policy (NARP), and the draft National Agricultural Extension Policy (NAEP).

The sector is further guided by the Eswatini National Agriculture Investment Plan (SNAIP) 2015–2025 and the Comprehensive Africa Agriculture Development Programme (CAADP). The SNAIP aims to improve food and nutrition security, reduce rural poverty and increase the contribution of agriculture to economic development.

Given that sugar is the major export product of the country, particular performance of the sugar sector is worthy of deeper consideration. ACP countries that had to adjust to the 2006 reform of the EU’s sugar regime were asked to develop a National Adaptation Strategy (NAS) to overcome the challenges brought about by changes in the sugar trade with the EU. The Impact Evaluation carried out on the Eswatini’s National Adaptation Strategy in 2017 concluded that the programme had made a positive impact on the competitiveness of the sugar sector by improving its global ranking as a producer of sugar, and improving its cost competitiveness, boosting in turn the export competitiveness and production frontier competitiveness. Eswatini is now ranked in the top ten of global producers of sugar in the world. The sugar sector directly employs 16,000 people and 80,000 indirectly. There are 65,000 hectares of land under the cultivation of sugarcane which produce more than 600,000 tonnes of sugar per year. The sugar industry is of significant strategic importance to Eswatini. It employs over 35% of the total agricultural work force and contributes approximately 13% to GDP. The country has a competitive advantage in sugar production due to favourable growing conditions for sugarcane in terms of soils, climate and water availability. Side-by-side, and in order to mitigate the negative impact of the reforms, the EU adopted the Accompanying Measures for the Sugar Protocol countries (AMSP) and initiated the implementation of the EU Adaptation Strategy 2006-2013 with a budget of EUR 120.4 million for Eswatini. The sugar sector has historically seen the biggest amounts of investment, with around EUR 115 million invested by the European Union and at least the same amount (as credits or grants) from the European Investment Bank (EIB), the African Development Bank (AfDB), and Kuwaiti Funds. As per our calculations, total investment across the last decade amounts to nearly USD 270 million.

Overall Eswatini faces considerable challenges in addressing food security for poor and vulnerable households, the majority of which comprise women and youth. This challenge is compounded by a high HIV/AIDS rate, which has had a significant negative impact on agricultural productivity. The country is heavily reliant on imports, and underperformance of the agriculture sector also stifles economic growth, particularly given the forward and
backward linkages with the agro-based manufacturing sector. Now that the sugar programmes are mostly finished, new efforts are being placed towards horticulture and other high value crops. Eswatini farmers on Swazi Nation Land (SNL) lack secure tenure and have limited access to financing instruments, technology and irrigation. Also, there is a lack of diversification of agricultural activities while the incidence of weather-induced crop failures is high, resulting in low production.

4.1.2. Education

The education sector benefits from an Education Sector Policy (2011) and a strategic plan referred to as the Education Sector Strategic Plan (ESSP), covering the period 2010 to 2020. The sector also has a medium term plan, the National Education and Training Improvement Programme (NETIP). Implementation of the NETIP began in 2013/14 and ended in 2017/18.

The Ministry of Education and Training (MoET) is preparing for the process of developing NETIP II following a review of the original programme. The financing of free primary education (FPE) has been a key element of both EU-funded SET programmes, contributing to the achievement of MDG 2 targets by 2015. Government supported more than 80% of the costs of Primary Education while SET paid for Grade 1. Consequently, more children are completing their primary schooling with the potential of transferring to secondary education. However, places at state secondary schools are limited and - apart from JICA’s secondary school construction programme - there is limited external support available.

There is therefore room for improvements in terms of access, quality and relevance of the secondary education sub-sector. Otherwise, support to date from donors has focused on small-scale technical assistance through individual continuous professional development (JICA and UNESCO) to grants for improving access to basic education and gender approaches, particularly focusing on Early Childhood Education (with support from USAid) and Orphans and Vulnerable Children (UNICEF and World Vision). The MoET is also considering an application to the Global Partnership for Education.

The recurrent budget for Education is SZL 2.95 billion and there is an additional capital budget of SZL 189 million. ‘Education and Training’ is by far the largest sector funded by the Government of Eswatini and was the fifth highest by Development Partners between 2011/12 and 2015/16, including UNICEF, RoC and the EU. However because of the present economic difficulties being experienced by the country, the Government might encounter difficulties in increasing support to education in the near future.

4.1.3. Water & Sanitation

The water sector has a National Water Policy which has been in draft form since 2009 and is being reviewed. In addition, the sector has an Integrated Water Resources Master Plan, which was finalised in April 2016. Of significance within this sector is the Support to Water and Sanitation in Eswatini (SWASS) project. This was designed to improve the potable water supply and sanitation facilities in selected areas for 61,000 people in the Lubombo and Shiselweni regions. This intervention is nearing completion, and a review is planned to learn lessons to inform similar projects in the future. Given the fact that one of the country’s greatest needs lies in the supply of clean and accessible drinking water, attempts must continue to address the current problems of water quality, high water costs and the inconvenience of having to spend a lot of time in fetching water, the burden of which largely
falls on women and girls. Last year’s development efforts have also seen more land brought under irrigation, rising from 49,000 to 60,000 hectares. This will in turn lead to improved livelihoods and incomes.

4.1.4. Health

In the Health sector, the Government’s overarching policy instrument is the National Health Policy, which is being implemented in part through the National Health Sector Strategic Plan 2014-2018. The overall objective is to regain the losses in life expectancy that occurred due to the impact of HIV/AIDS. It is worth noting at this point that life expectancy at birth has steadily improved, reaching 57.75 years in 2016. Last year Eswatini became the first country to fully achieve PEPFAR goals, known as 90-90-90. It is worth noting here that Health is by far the most externally funded sector in Eswatini. Since U.S. funding is renewed each year around September’s sessions in the U.S. Congress (and PEPFAR’s success in Eswatini constitutes a brand-new situation), and considering that contributions by the EU (to the World Bank implemented programme) will end this year, future external support to the sector could be much reduced, at least in the short term.

With regard to infrastructure, the biggest endeavour at this moment for the Ministry of Health is the construction of the new 250 beds Referral Hospital at Elangeni. Even though no disbursements have been made to date, four main donors have committed funds namely: the Arab Bank for Economic Development in Africa (BADEA); the Kuwait Fund for Arab Economic Development (KAFED); the OPEC Fund for International Development (OFID); and the Saudi Fund for Development (SFD). Total expected investment amounts to USD 51 million, with government contributing USD 2 million. Completion is expected by June, 2020.

4.2. FDI

Investments continue to be led by re-investments and expansions by existing companies as foreign investments inflow continue to be subdued due to rising competition for investments in the region and across the globe. Eswatini as a relatively small domestic market economy and landlocked country continues to be impacted by external forces of the globalised economy such that investors focusing on the domestic market prefer neighbouring countries due to the size of the economy. The data below indicates that the country FDI inflows as recorded by UNCTAD have drastically reduced over the years. On the other hand since 2014, the FDI stock continues to increase despite declining FDI inflows owing to re-investment and expansions by existing companies. The retail and construction sectors, followed by agriculture and manufacturing sectors have been performing relatively well.

Conversely, the country has a lot of room for improvement in the investment climate mainly in the ease of doing business and reduction in the administrative and procedural bottlenecks for doing business in the Kingdom to increase its competitiveness. As a land locked country, negotiations are under way to leverage on the law of the sea between Eswatini and Mozambique especially to tap into the marine resources of Mozambique and access and utilization of the country’s coastal infrastructure.

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inflows</td>
<td>90</td>
<td>29</td>
<td>27</td>
<td>32</td>
<td>21.1</td>
</tr>
</tbody>
</table>
Table 4: FDI Outflows (millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Outflows</td>
<td>-6</td>
<td>0.3</td>
<td>1</td>
<td>-1</td>
<td>-5.4</td>
</tr>
</tbody>
</table>


Table 5: FDI Inward Stock (millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inward Stock</td>
<td>1,071.77</td>
<td>826.123</td>
<td>678.795</td>
<td>555.118</td>
<td>867.7</td>
</tr>
</tbody>
</table>


Table 6: FDI Outward Stock (millions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Outward Stock</td>
<td>20</td>
<td>23</td>
<td>26</td>
<td>28</td>
<td>143.9</td>
</tr>
</tbody>
</table>


4.3 Political Climate

The Kingdom of Eswatini operates under a unique democratic system. It is called Tinkhundla system of Government. Members of Parliament are elected into power at their constituencies (Tinkhundla) on individual merit as opposed to elections by affiliation to a political party’s manifesto. The King, who is the primary Head of State alongside the Queen Regent, also calls Sibaya to discuss the administration of the country in general. Everyone is allowed to make submissions on which direction the country may take. The political framework of the country allows for a meaningful participation of the nation in matters of national importance, making it the most direct (Grassroots) democracy in the African continent.

5. Priority Areas

5.1 Fundamental Transit Policy Issues.

Given that Eswatini is landlocked, transit issues remain a challenge. As a result, the country has undertaken a number of reforms aimed at developing a comprehensive transit policy that includes improving the legal regulatory framework. It has also made an effort to promote public-private sector dialogue and cooperation on issues of formulating proper transit policy and procedures by establishing a number of national Committees.

5.1.1. Reforms on Institutional and Legal Frameworks on Transit

Eswatini has in place the Customs Act of 1971 which is derived from the Customs Act of SACU. The Act has clear provisions on how transit policy issues should be treated within SACU member states. The customs department under the Eswatini Revenue Authority (SRA) has finalized its Standard Operating Procedure for the removal of goods in transit which facilitates the movement of such goods by allowing the acceptance of security for transit
goods to include transit bonds that are acquitted or provisional payments which are acquitted or refundable upon proof that the goods have exited the territory of Eswatini.

5.1.2. Customs modernization programme

Within the Eswatini Revenue Authority (SRA) the country has a customs modernisation plan which is in line with the Customs Business plan. For those projects which require a government approach, a Trade Facilitation Road Map has been developed, priorities have been identified however there are funding challenges for certain specific initiatives such as the Single Window, Trade Information Portal and others.

5.1.3. Coordinated Border Management

Coordinated Border Management (CBM) represents an approach to manage borders involving public service agencies working across portfolio boundaries in a coordinated manner to achieve a shared goal thus providing a cohesive government response to the challenges of border management. CBM can be referred to as meaning a logical way to manage border operations to ensure efficient and effective processes and procedures used by all regulatory agencies who are involved in border security and regulatory requirements that apply to travellers, goods and conveyances crossing international borders. The objective of a coordinated border management system is to facilitate trade and the clearance of travellers at the same time ensuring secure borders. Eswatini has so far conducted a gap analysis to support implementation of CBM. The recommendations have been incorporated in the Trade Facilitation Roadmap.

5.1.4. Ease of Doing Business Report

Eswatini continues to enjoy top ranking in Africa under the Trading Across Borders indicator however, other indicators still face some challenges. The country is currently ranked number 30 in the world according the World Bank Investor Roadmap rating on trading across borders. This means that Eswatini has moved 128 places up between 2010 and 2016 after it only edged at 158 out of 171 countries in 2010 in the World Bank ratings. The recent upgrade of the Customs System ASYCUDA ++ to ASYCUDA World has also contributed immensely in improving customs clearance of goods. The system was installed at all SRA Customs commercial and non-commercial border and inland offices and compliments the other SRA revenue systems such as the RMS in the collection, accounting and managing the revenue. Each month, a revenue collections report is prepared from the system. It gives an insight on how well each Revenue Head / Tax Type is performing allowing Customs management to make informed decisions.

5.1.5. Revised Kyoto Convention (RKC)

With regards to promoting simplification, transparency and harmonization of legal and administration regulations and requirements related to transit systems and customs procedures including border crossings, Eswatini ratified the Revised Kyoto Convention (RKC) and is a signatory. A gap analysis was conducted and the Customs legislation is aligned to the RKC.
5.2 Infrastructure development and maintenance

5.2.1 Transport

5.2.1.1. Mandate

The Ministry of Public Works and Transport (MOPWT) is charged with seven portfolio responsibilities as set out in Gazette No. 15 of 2009 being; Infrastructure Planning and Development, Roads Construction and Maintenance, Government building construction and maintenance, Planning and Regulation of Road, Rail, Air and Marine Transport Administration, Royal Swazi National Airways, Eswatini Railways and Central Transport Administration.

In line with the above portfolio the MOPWT is organized into four departments namely a) Administration b) Roads, c) Buildings and d) Road Transportation. The Ministry also has four parastatals under its portfolio namely Eswatini Railways (SR), Eswatini Civil Aviation Authority (SWACAA), Royal Eswatini National Airways Corporation (RSNAC) and Central Transport Organization (CTO, formerly CTA). In addition the ministry also represents Government in the Air Link Eswatini Joint Venture where the state controls 51% of the shares.

5.2.1.2. Policy Framework

The Government of Eswatini (GOS) with the assistance of the African Development Bank (AfDB) has a Transport Master Plan (STMP) which guides policy-making, investment, regulation and institutional strengthening in the transport sector. The STMP covers road, rail and air sub-sectors both within Eswatini and major transport links with neighbouring countries. The Ministry of Public Works and Transport (MOPWT) was appointed as the Executive Agency for preparation of the Master Plan and the ministry’s planning unit is responsible for day to day coordination.

The National Transport Policy 2000 development in Eswatini dates back to a sectoral review and policy outlook study in 1994 which led to responsibility for all aspects of transport being placed under one government agency, the Ministry of Public Works and Transport (MOPWT). In 1999 a National Transport Policy Steering Committee of stakeholders was formed which led to the publication of the Eswatini National Transport Policy in June 2000 (NTP 2000). This policy document took account of international agreements such as the SADC Protocol on Transport. The Minister’s foreword to NTP 2000 acknowledged that “While this document represents a major step forward for the transport sector of Eswatini...the challenge ahead is to translate the policy statements...into measurable and achievable actions”. Policy principles enunciated in NTP 2000 included shifts in the Government’s role and capabilities, notably:

• to move the Government away from providing services and infrastructure and regulating bureaucratic detail and refocus on policy making, planning and regulating quality and safety;

• to justify investment, whether on financial, economic or social grounds, whenever the Government finances socially necessary infrastructure (e.g. rural roads);

• to fulfil this amended role, involve the private sector and up-skill Government agencies;
• where the Government remains involved in services and infrastructure, to place these activities on a commercial footing as professionally-managed bodies with quasi-autonomous boards funded by user charges providing sustainable funding; and

• to harmonise transport rules with neighbouring countries through participation in international groups such as SADC.

NTP 2000 identified many specific issues and proposed how they should be treated. Many have been addressed but there is still much that is unfulfilled. In the road sector, rural access roads are still inadequate. The Roads Agency and Road Fund Bill 2008 is stalled. The Bill provides for a sound and secure basis for efficient administration and funding roads. There has been little improvement in local skills. Equipment hire pools have not been set up. The road transport sector saw the passage of The Road Transportation Act 2007. For passenger transport the permit system still persists, with quantity-licensing (by the Road Transportation Board) and price-setting (by the Road Transport Department of MOPWT).

The Civil Aviation Act No. 10 2009 established the Eswatini Civil Aviation Authority (SWACAA) which, with the assistance of ICAO, embarked on a Corrective Action Plan to introduce the necessary regulations and strengthen its technical capacity and make Eswatini fully compliant with ICAO Standards and Recommended Practices (SARPS) and hence with full international practices.

The Eswatini Civil Aviation Authority (SWACAA) is mandated to regulate the civil aviation industry in Eswatini and operate the two airports – King Mswati III International Airport and Matsapha Airport including the Airstrip at Nhlangano. SWACAA’s mandate is derived from the Civil Aviation Act No. 10 of 2009 and has been articulated through its strategic plan.

Decentralization

All the departments of the ministry are headquartered in Mbabane. However maintenance services for both the roads and buildings departments are decentralized to the regions. From the regions service points to the communities are the depots (and sometimes camps). The Road Transportation Department is not yet fully decentralized to the regions but extends its services through outreach programmes.

5.2.1.3. Roads

The Roads Department is responsible for maintenance and providing a safe, reliable and environmentally sustainable road network that will stimulate socio-economic development, job creation and reduce road user costs. The road network covers both paved and unpaved roads traversing the country’s rural and urban settlements. The total gazetted road network comprises 1404km of paved roads and 1825km of unpaved roads. This is further complemented by 2061km of feeder roads servicing different communities.

Several road projects have been completed over the years linking major cities, economic zones and public service institutions.
Table 7: Road Statistics 2000 -2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Paved Roads</th>
<th>Unpaved Roads</th>
<th>Total Gazetted</th>
<th>Feeder Roads</th>
<th>Total Road network</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>940</td>
<td>1998</td>
<td>2938</td>
<td>908.2</td>
<td>3846.2</td>
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<td>1171</td>
<td>1994</td>
<td>3165</td>
<td>908.2</td>
<td>4073.2</td>
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<tr>
<td>2004</td>
<td>1171</td>
<td>1994</td>
<td>3165</td>
<td>908.2</td>
<td>4073.2</td>
</tr>
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<td>1270</td>
<td>1896</td>
<td>3166</td>
<td>908.2</td>
<td>4074.2</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Paved Roads</th>
<th>Unpaved Roads</th>
<th>Total Gazetted</th>
<th>Feeder Roads</th>
<th>Total Road network</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1293.2</td>
<td>1896</td>
<td>3189.2</td>
<td>2067.2</td>
<td>5256.4</td>
</tr>
<tr>
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<td>1887</td>
<td>3189.2</td>
<td>2067.2</td>
<td>5256.4</td>
</tr>
<tr>
<td>2011</td>
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<td>1887</td>
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<td>5256.4</td>
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<tr>
<td>2012</td>
<td>1326.2</td>
<td>1862</td>
<td>3188.2</td>
<td>2067.2</td>
<td>5256.4</td>
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<td>1848</td>
<td>3188.2</td>
<td>2067.2</td>
<td>5256.4</td>
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<tr>
<td>2014</td>
<td>1398.2</td>
<td>1825</td>
<td>3223.2</td>
<td>2061.2</td>
<td>5290.4</td>
</tr>
<tr>
<td>2015</td>
<td>1404.2</td>
<td>1825</td>
<td>3229.2</td>
<td>2061.2</td>
<td>5290.4</td>
</tr>
<tr>
<td>2016</td>
<td>1466</td>
<td>1813</td>
<td>3279</td>
<td>2061</td>
<td>5340</td>
</tr>
</tbody>
</table>

Figure 1: Newly built Siphofaneni bridge
i) Road Transportation Department (RTD)

The RTD has been able to coordinate the road transportation industry over the years locally and regionally. It has amended the Road Traffic Act of 2007, and the Road Transportation Act of 2007. These Acts were reviewed to comply with regional standards. In addition, the enactment of these Acts enabled the establishment and upgrading of the Roadworthiness Testing and Learner Driver Testing Centres currently situated at Matsapha and Siteki, with satellite stations in Piggs Peak and Nhlangano.

![Matsapha Testing Centre](image)

One of the key achievements is the implementation of the electronic Road Transport Permit Management, Vehicle Registration and Licensing System.

As the population grows so does the number of vehicles on the country’s roads, hence the need for improved road safety measures for both pedestrians and motorists. The measures include the amendment of the Road Safety Act of 1983 to incorporate stiffer penalties for offenders and the introduction of regulations for obtaining driver licences.
5.2.2. Rail

Eswatini Railway is a parastatal organisation that provides transport services for import and export commodities as well as transit cargo. Rail transport plays an important role by becoming the link to the sea and the rest of the world as Eswatini is a landlocked country. It is considered one of the best in the SADC region, in terms of transit time, reliability, and predictability and links Eswatini’s main industrial centres with the railway system of Mozambique and other SADC countries. The original Eswatini Railway line was built mainly to convey iron ore from KaDake on the Western border with South Africa to Maputo for export to Japan. A 219 Km line to Mozambique ports and Railways railhead at Goba was opened by the INgwenyama, King Sobhuza II in November 1964, with a 5.6KM spur to the new industrial estate constructed in 1965.

In 1978, the southern link to Golela was opened, followed by the northern link to Komatipoort in 1986. With these connections in place, Eswatini Railway changed from being a short term single commodity line to becoming the backbone of Eswatini’s export oriented economy.

Currently, Eswatini Railway has a 301 Km main line, and this consists of:

- The East –West section of 156Km between Matsapa Industrial Estate and the Mozambique border; and
- The North-South section of 189 Km between the Mpumalanga province and Kwazulu Natal in the Republic of South Africa

A dry port at Matsapa railway station has been in operation since 1994. Due to increasing freight volumes the dry port is undergoing expansion in order to improve cargo handling efficiencies within the facility.

In the pipeline is the new Eswatini Rail Link covering a total of 146 km into Eswatini all the way from Lothair in the Republic of South Africa. This project has significant socio economic benefits during construction and operational phases. This will result in the upgrading of the existing railway line to accommodate the new traffic volumes.

Technologically the Railway has advanced from steam to diesel-electric locomotives, from joint track to continuously welded track and from simple train authorisation to radio based communication supported by computer systems.
Figure 3: Steam locomotive

Figure 4: Diesel-electric locomotive
The Railway started with small trains with 25 wagons when operating from Kadake but today we are part of the international big league of heavy haul trains. We operate airbrake trains of 75 wagons and haul 6000 gross tonnes per train.

Also, the Railway is run on commercial principles even though it’s a parastatal. As a result it has been able to make some profits for a number of years which have been declared to Government.

**Figure 5: Matsapha Inland Container Depot**

The Matsapha Inland Clearance Depot (ICD) was commissioned in 1993 to meet demand for importers and exporters and as a customs clearance point. It is situated in Matsapha where it is well positioned as this is the industrial hub of Eswatini. The depot is effectively a dry port, or international satellite port, and is ideal for a landlocked country as it incorporates all the services associated with a sea port. All goods to the dry port are transported under bond via rail/road to Matsapha from anywhere in the world (to be cleared only in Matsapha).

The ICD underwent an expansion in January 2000. Since then the operations of the port have been such that the container turnover has reached approximately 12000 units per annum with growth rates ranging between 10% and 15%. As a result the depot has reached its capacity and has been operating in less than optimum conditions which sometimes lead to delays due to the insufficient stacking area and slow clearance processes.

The expansion of the ICD has been in the Government of Eswatini short-term plans but these plans have been brought forward mainly due to the need for escalating “Vision 2022”, the
inclusion of the ICD in the Transport Master Plan, as well as the proposed construction of the Swazi Rail Link project which will see the volumes of containerised goods increase significantly.

Furthermore, Gauteng industrial and mining area remains a regional production and consumption hub despite distance from nearest ports. Through the Swazi Rail Link project, a number of containers will be directed to and through Eswatini to the ports so Eswatini Railway’s key role is to assist in economic growth through providing appropriate, cost-effective and an efficient dry port, rail and infrastructure and operations to amass the opportunities that are availing themselves in Eswatini, the region and internationally.

The ICD facility occupies a space of 26 335 square meters. This falls under Phase 1 of Matsapha development. There is underdeveloped space of Phase 1 which needs to be developed and concretised measuring 2500 square metres. Phase 2 which is the space currently not in usage and belong to SR measures 7 772 square metres. The ICD has a stacking area designed to accommodate a throughput of over 150 Twenty Equivalent Units (TEUs) 4 stacks (height). Currently, it can handle between 800 to 1 000 TEU’s per month. The current size can hold between 250 and 300 TEU’s at a given time which translates to 3 trains. Phase 3 of the expansion is the land that belongs to CTA and measures 3.5 hectares.

5.2.2.1. The Swazi Rail Link (SRL) Programme

i) Project Background

The Swazi Rail Link (SRL) programme is a joint inter-railway strategic initiative between Transnet and Eswatini Railway.

The programme is developed as a rail solution aimed at creating a dedicated General Freight Business (GFB) corridor for Transnet whilst providing much needed additional capacity for Eswatini railway. Through the necessary infrastructure interventions a realistic and achievable system capacity to accommodate trains of up to 26 tons/axle, 2,5km long and a capacity of 12 trains per direction per day will be realized. The 12 slots of General Freight will be diverted to create capacity of approximately 26mtpa.

The Swazi Rail Link programme consists of three projects, as follows;

- Greenfields development of the New Link between Lothair (South Africa) and Sidvokodvo (Eswatini) a joint initiative between Transnet and Eswatini Railway.
- Brownfield upgrade of the Transnet network from Davel to Lothair and
- Brownfield upgrade of the Eswatini Railway network from Sidvokodvo to Phuzumoya
The three projects under the programme are schematically shown below:

**Figure 6: Rail Link Programme**

The programme follows the signing of a memorandum of Understanding (MoU) on the 2nd August, 2012 between the Government of the Republic of South Africa, represented by the Department of public enterprise and the Government of the Kingdom of Eswatini, represented by the Ministry of Public Works and Transport. The MoU committed both countries to undertaking a study to assess the feasibility of building a new rail line joining South Africa’s rail network at Lothair with Eswatini’s rail network.

The proposed new rail link was considered a strategic infrastructure initiative with the potential to unlock the development of the rail corridors of Eswatini and Mozambique, and to improve the connectivity of the South African rail network, enhancing the coal feeder system and other bulk mineral corridors. There were also expected benefits of improved access to the eastern seaboard ports of Richards Bay and Maputo, as well as enhance access to the North-South.

The adoption of the inter-governmental MoU was followed by the signing of a subsequent MoU between Transnet and Eswatini railway. The inter-agency MoU, signed between Transnet and Eswatini Railway on the 22nd of November, 2012, set out the mechanism that
governed the collaboration between the two organizations in assessing the feasibility of linking the two railways networks.

The feasibility study was completed in July 2015 and indicated that the project was both feasible and viable.

The project is now at implementation stage and progress to date include the relocation of some 506 graves in Eswatini in 2017 to be followed by the resettlement of some 235 households by 2018.

ii) Project objective

The objective of the Swazi Rail Link take into consideration the objectives of both railway companies and is to integrate over-border logistics between South Africa and Eswatini by building a strategic rail link that will;

- Stimulate economic development and job creation
- Improve the integration of the logistics chain in the SADC region
- Improve freight capacity between the hinterland and the eastern seaboard ports
- Contribute to a modal shift from road to rail.

The Swazi Rail Link project will provide an East - West connection to the South African rail network, in addition to the existing North - South connection, giving Eswatini 360 degree rail coverage.

The project is aligned to the strategic intents of SADC and the African Union vision of integrated African Rail networks to promote and improve Regional Integration for Africa’s development. SADC stands to benefit from the development of the Swazi Rail Link through improved regional integrations that will lead to;

- Improved logistics linkages between the region’s hinterland and the ports on Southern Africa’s eastern seaboard.
- Seamless cross-border movement of goods and
- Improved support for intra-Africa trade.

iii) Project benefits

The Swazi Rail link’s benefits to Eswatini include;

- The decongestion of traffic at the border and the creation of capacity up to 45mtpa for General Freight export.
- Direct rail access to the Republic of South Africa’s economic hub i.e. Gauteng Province.
- The creation of approximately 5 000 work opportunities during construction and 263 new permanent jobs during operations.
- Business opportunities for the construction industry and for SMEs
- Being a catalyst for economic development in the mining and engineering sectors.
- Savings in costs of road accidents, reduced environmental pollution etc.

iv) Budget
The Government of Eswatini fully supports the project and demonstrated this by providing funds to undertake the feasibility study (completed in July 2015) and the ongoing enabling works, comprising but not limited to; relocation of some 500 graves (completed), planning for the resettlement of 235 households (commenced) and construction of associated infrastructure i.e. replacement houses, roads, bridges, water supply, electricity etc. (to commence 2018)

v) Future plans
According to project plans and funds permitting, physical construction of the New Rail Link will commence around 2020 for completion around 2023.

vi) Challenges
Like any other business, Eswatini Railway growth has not been without challenges. These include amongst others ageing and unreliable locomotives and wagons which were on lease and having no asset acquisition plan, limited rail infrastructure and connectivity to major customers and having the ICD facility reaching its full capacity leading to congestion at the facility.

To counter the challenge of shortage of rolling stock in 2015 Eswatini Railway acquired her own five (5) locomotives with four of these dedicated to working on transit traffic and one to beef up three leased locomotives (from Transnet Freight Rail) working on import and export traffic. Again in May 2016 the Railway acquired a total of 90 wagons procured from Transnet Engineering. Of these 50 were tank wagons to carry petroleum products bringing the total of SR owned tank wagons to 101 with 40 flat-bed wagons to carry containerised cargo bring the total of SR owned flat-bed wagons to 60.

To address the challenge of ICD congestion and limited connectivity to major clients Eswatini Railway has embarked on two major projects namely the ICD Expansion Project and the Eswatini Rail Link Project.

5.2.3. Air
In an effort to attract international traffic and additional air carriers the government has constructed Sikhuphe International Airport. The costs of operating and maintaining the new airport will likely greatly exceed revenues for the foreseeable future therefore every effort has to be made to commercialise its operation and reduce the subvention which SWACAA now receives. The sole scheduled service air carrier is Eswatini Airlink hence more competition is needed to reduce the high fares and to introduce services to other points in the region.
Figure 7: KMIII International Airport

5.2.4. Future Transport Direction

Future Transport Policy Direction Policies are statements of values and guiding principles that inform development of action plans and rules of behaviour (laws). In short: policies guide; laws compel. When it comes to choosing policies and formulating laws Eswatini is not an island. It is a member of several regional economic communities which have established policies in their collective interests. The SADC Protocol for example is a regional reform agenda, allowing states flexibility to implement according to national conditions. SADC focuses on road transport and traffic. It imposes binding commitments under international law which have significant implications for Eswatini’s transport industry, due to the high volume of traffic crossing the border with South Africa. Despite delays and setbacks in some areas, Eswatini’s overall compliance with regional commitments is satisfactory, at least for road transport and civil aviation. Despite successfully placing Eswatini Railway on a more commercial footing, railway institutional and regulatory reform has stalled. Non-implementation is not necessarily due to inactivity by Eswatini. More often it is caused by a collective failing by the regional community to advance its reform agenda.

5.2.5. Information Communication Technology (ICT) and Energy

5.2.5.1 ICT Infrastructure
Advancements in information and communication technologies (ICTs) have fundamentally changed society, and will continue to do so in the foreseeable future, as ICTs have in one way or another pervaded almost every aspect of human life. ICT has become a strategic resource, a commodity and a foundation of most activities and can play major roles in education, health, commerce and poverty alleviation by introducing efficiencies in service delivery, creation of new business and job opportunities as well as transforming countries into knowledge based economies. The Government of the Kingdom of Eswatini strongly believes that, as expressed in the National Information and Communications Infrastructure (NICI) Policy, ICTs can be used to fast-track a sustainable socio-economic development process for all regardless of gender and physical ability.

i) Policy and Legislative Framework:

The Government of the Kingdom of Eswatini has undertaken a number of programmes and made deliberate efforts towards ensuring that ICTs are central in the socio-economic transformation of the country. As a subscribing member state to the International Telecommunications Union (ITU) and other regional and international bodies for telecommunications/ICT policy matters, these efforts have been undertaken in accordance with international best practices, while taking into account national circumstances. These include:

- The establishment of the Ministry of Information, Communication and Technology in 2009, with the main objective being developing, streamlining and driving the ICT policy agenda for the country;
- The development of the National Information and Communications Infrastructure (NICI) Policy, 2007, and the corresponding implementation strategy and plan, 2012. The policy and strategy expresses the Government’s vision on how ICTs will be used to enhance national socio-economic development by encouraging the beneficial activities of ICT in all sectors of the economy;
- Establishment of an independent regulatory office in 2013 (the Eswatini Communications Commission) responsible for oversight and supervision of the electronic communications sector in the country;
- Promulgation of the principal legislative instruments for electronic communications services, and requisite regulations: The Electronic Communications Act, No: 10 of 2013;
- The establishment of the Royal Science and Technology Park, as the body and institution responsible for driving science, research and innovation in a number of key sectors including ICT;

Based on the fact that the information and communications technologies sector is a dynamic one, the Government continuously engages with all key stakeholders with the view of finding the right mix of policy and regulations to accommodate emerging technologies and services including the Internet of Things (IoT), Artificial intelligence, eCommerce, eHealth amongst others.

ii) The Telecommunications Market Structure:

The country’s drive towards a knowledge-based and digital economy is underpinned by a vibrant telecommunications market. The country boasts of a world-class ICT infrastructure.
utilizing the latest fixed and mobile technologies, that drives the country’s socio-economic development agenda to make the lives of Emaswati and the business community a whole lot better. The enabling legislative and regulatory environment has allowed for easy participation in the market by individuals, private and public institutions. This has encouraged investments in new network and ICT infrastructure, and upgrades for legacy systems to meet the demands of the growing local ICT market. Over the past few years, the country has seen a significant growth in the number of service providers, more especially for internet and broadband services, from a limited number of four (4) companies in 2014 to seventeen (17) companies in 2019. This change has resulted in a highly competitive telecommunications market, characterized by high quality and affordable services. Between 2014 and 2019, prices of communication services (mobile voice and mobile internet) have come down by over 200% in some cases. Over the same period, high speed broadband powered by 4G/LTE and fixed technologies have been introduced in the market.

These developments have been realized within the context of a clear and structured operational environment and ecosystem encompassing Government (policy maker), regulatory authority, service providers and consumers, allowing for continuous improvement of the operating environment through constant engagements.

iii) Mobile Services:

In accordance with regional trends within the African continent (Sub-Sahara), the telecommunications market in the country is largely dominated by mobile communications services, for both voice and internet services. Mobile communications services are currently provided by two service providers (MTN Eswatini and Eswatini Mobile) using 2G, 3G and 4G (LTE) technologies, with a combined network coverage of over 98% population coverage for 2G, 90% for 3G and just over 60% coverage for 4G/LTE. The service providers are currently engaged in an aggressive expansion exercise for 4G/LTE networks with plans to attain at 85% coverage in the next 2 years.

With a population of approximately 1.3 million, there are currently 1,167,348 telecommunications subscribers in the country, with mobile subscriptions accounting for 96% (1,123,348) of total subscriptions. This figure translates to a mobile penetration rate of almost 90% of the total population. A total of 555,000 broadband subscribers exist in the market, with about 96% (535,000 subscribers) being mobile (3G/4G) broadband subscribers.

iv) Fixed Services:

Fixed telecommunications services are provided by the Eswatini Posts and Telecommunications Corporation (EPTC), offering broadband services through fixed line and optic fiber connections. To date, the Corporation offers ADSL for both residential and business customers. Moreover, fiber to the business is also offered since there has been demand. Additionally, EPTC offers connectivity solutions for enterprises and public institutions using a combination of technologies including optic fiber, leased line, metro-ethernet, microwave, to mention a few. The corporation is also piloting FTTH services with two townships already connected. There are expansion plans in place to roll out FTTH in a larger scale since the other industry players have shown interest in the service.
The minimum broadband speed in the Kingdom is 2Mbps for fixed and wireless broadband with fiber speeds going as up to 100Mbps. However, most ISPs offer minimum speeds of 2Mbps as provided for in the Quality of Service Regulations as minimum data throughput speed.

Table 8: ICT Sector Statistics:

<table>
<thead>
<tr>
<th>Item</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of fixed lines</td>
<td>44 873 (2019)</td>
</tr>
<tr>
<td>Fixed operators (market share)</td>
<td>EPTC (Eswatini Telecom): 100%</td>
</tr>
<tr>
<td>Total number of mobile subscribers</td>
<td>1 167 348 (2019)</td>
</tr>
<tr>
<td>Mobile operators</td>
<td>2</td>
</tr>
<tr>
<td>Fixed broadband subscribers</td>
<td>Total: 17,600 (2019) (incl. leased lines)</td>
</tr>
<tr>
<td></td>
<td>DSL – 76.8% market share</td>
</tr>
<tr>
<td></td>
<td>Leased lines – 8.1% market share</td>
</tr>
<tr>
<td></td>
<td>Cable – 0.0% market share</td>
</tr>
<tr>
<td></td>
<td>Fibre – 0.0% market share</td>
</tr>
<tr>
<td></td>
<td>Other/Wireless – 15.1% market share</td>
</tr>
<tr>
<td>Broadband operators (market share)</td>
<td>(2016 Data)</td>
</tr>
<tr>
<td></td>
<td>Real Image: 51.7%</td>
</tr>
<tr>
<td></td>
<td>Swazi.net (SPTC): 45.3%</td>
</tr>
<tr>
<td></td>
<td>Posix: 2.5%</td>
</tr>
<tr>
<td></td>
<td>Touch-IT: 0.4%</td>
</tr>
<tr>
<td></td>
<td>Other players: 0.3%</td>
</tr>
<tr>
<td>Mobile broadband subscribers</td>
<td>Total subscribers (SIM cards): 535,000 (2019)</td>
</tr>
<tr>
<td></td>
<td>3G: 431 000</td>
</tr>
<tr>
<td></td>
<td>4G (LTE): 114,000</td>
</tr>
<tr>
<td>Fixed Penetration</td>
<td>Household: 4%</td>
</tr>
<tr>
<td>Mobile penetration</td>
<td>Population: 100%</td>
</tr>
<tr>
<td>Broadband penetration</td>
<td>Household: 3.4% (Fixed broadband)</td>
</tr>
<tr>
<td></td>
<td>Mobile broadband: 46%</td>
</tr>
<tr>
<td>Postal Service Provider</td>
<td>1</td>
</tr>
<tr>
<td>Courier Service Providers</td>
<td>3</td>
</tr>
</tbody>
</table>

v) National ICT Backbone Infrastructure:

The national telecommunications/ICT backbone infrastructure is a next generation network (NGN), based on fiber optic infrastructure. The network topology is a double ring covering the north and southern parts of Eswatini to give the country full redundancy in the transmission network in case of a breakdown in the network in any part of the country. This network is currently switching at 10Gbps with plans for expansion expected to reach 20Gbps (scalable to 100 Gbps) in the next two years. Currently the country has over 3000km of fiber coverage, connecting all cities, towns and communities. A memorandum of understanding (MoU) signed between EPTC and the Eswatini Electricity Company (EEC) for the usage of existing optic fiber infrastructure for public electronic communications services, will see the nation-wide fibre coverage increase to over 6000km. This additional fiber coverage will extend reach of
broadband to public institutions, health centers, schools, etc all over the country. Through this MoU EPTC will also be able to utilize EEC’s network to increase the country’s international bandwidth capacity through South Africa and Mozambique.

vi) International Connectivity and Capacity:

The international backbone infrastructure is operated and maintained by the Eswatini Posts and Telecommunications Corporation. The Kingdom has two international breakaway points through Oshoek connecting to the South African Internet Exchange (SAIX) and TERACO data center in Johannesburg and through Lomahasha connecting to SEACOM via Maputo. The Oshoek links connect the country to the WACS submarine cable on the west and SEACOM connects the eastern part giving the country full redundancy on the Internet breakaway points. Furthermore, the western links – WACS- are protected through Mahamba in case of a breakdown in the Oshoek routes. The SEACOM route is also protected through Mthunzini in the south eastern part. The country’s overall Internet bandwidth currently sits at 8 Gbps (6 Gbps from EPTC and 2Gbps from private operators) with expansion in the next two months expected to double the capacity to 20Gbps, and 40Gbps in the next 2 years.

vii) Internet Exchange Point (IXP):

The Kingdom of Eswatini installed a new National Internet Exchange Point in 2014 through the assistance of the African Union Commission (AUC). This initiative is in line with the SADC protocol in ICT and the Regional Indicative Strategic Development Plan (RISDP) which advocates that member states should establish National Internet Exchange Points, in order to reduce costs of Internet connectivity by ensuring national and regional routing of national and regional internet traffic.
The Royal Science and Technology Park (RSTP) currently houses the country’s first tier-3 national data center, open for use by public and private institutions. The national data, housed at the recently launched state-of-the-art Songcondvongcondvo House, provides IT Managed services through the provision of advanced technology infrastructure that will enable companies to outsource their ICT functions and services, thus focus the bulk of their effort and budget on the delivery of their core products and services. It is located at the ground floor of the Innovation Park.

Additionally, other service providers like EPTC, Real Image, DataNet also offer data center -IT related services and disaster recovery services to the market.

viii) Internet Governance And Cybersecurity:

The Ministry of ICT has the responsibility of developing Internet governance policies and frameworks as spelled out in the National Information and Communications Infrastructure (NICI) policy. A National Broadband policy has been drafted and is currently being refined for validation by stakeholders. The National Broadband policy as well as the National Cybersecurity Strategy is purposed at improving the Internet Governance framework and services provision in the country. The country has also transposed the SADC Cybersecurity laws and are currently existing as bills. The legislation will after enactment provide a safe and reliable cyber environment in the country and further enhance participation in e-commerce activities. Other Institutions that will be established as called for by the policies include a National Internet Governance Forum (IGF), National Computer Emergency and Response Team (CERT), Data Protection Authority, and others.

ix) Costs To Communicate:

Over the past three years, and based on the understanding that ICT services are an enabler to socio-economic development, the country has been engaged on an aggressive drive to lower costs for communications services. To achieve this desire, a number of initiatives were undertaken, including introduction of competition in the mobile and internet services provisioning sector, regulation of wholesale and retail tariffs as well as reducing barriers to
entry for sector participants. These initiatives have resulted in the reduction of costs by more than 200% for some services. The current tariffs for some of the commonly used electronic communication services are as shown below:

Table 9: Communication costs:

<table>
<thead>
<tr>
<th>Tariffs for MTN Eswatini</th>
<th>Tariffs for Eswatini Mobile</th>
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5.2.5.2 Energy

Eswatini energy sources include electricity, renewable energy, coal and coal products, oil and oil products. All of Eswatini’s key production centres are well connected with electricity lines. Under renewable energy, a lot of progress has been made by the country and includes the Ubombo Sugar cogeneration plant that produces about 10 GWh of electricity to the national grid and also for running the sugar mills. The electricity is generated from sugar.
cane processing by products bagasse and trash from the cane. Another sugar processing by product- molasses is used to produce ethanol for which Government is using to promote the Bio fuels (Bio ethanol and Bio diesel) industry in Eswatini. Currently 10 % anhydrous ethanol blended with 90% unleaded ethanol is used by selection of Government vehicles under a pilot project, which when successful will be rolled out nationally.

In 2018 wet conditions that came through a weak La Nina weather phenomena, which was characterised by above normal rainfall throughout the country, resulted in a significant improvement in water level in dams and other reservoirs that were severely affected by drought conditions in the 2016 and 2017. Higher water levels in dams supported a significant improvement in local hydro-power generation. As a result, hydro-power generation by the Eswatini Electricity Company (EEC) rose by 74.6 per cent from 118.9 GWh in the 2016/17 financial year to 207.5 GWh in 2017/18. In addition, the improved weather conditions also supported a recovery in sugar production which in turn benefited the production of complementary electricity from the Ubombo Sugar cogeneration plant. Ubombo sugar provided an excess of 60.3 GWh to the national grid in 2017/18 which is notably higher than the 52.3 GWh supplied the previous year.

Furthermore, production coming through other Independent Power Producers (IPPs) remained positive with a solar plant commissioned in 2016 in the Lubombo region, producing 0.12 GWh compared to 0.11 GWh the previous year. The overall electricity supply to the national grid stood at 267.9 GWh in 2017/18 financial year, significantly higher than the 171.3GWh the previous year. Total electricity consumption, measured in volume unit sales, rose marginally by 3.1 per cent to 1,091.5 GWh in 2017/18 financial year from 1,058.4 GWh in 2016/17.

During 2018, the increase in electricity demand was mainly observed in the ‘irrigation and bulk power’ customers mainly backed by the recovery of the sugar industry which had been affected negatively by drought the previous year. Sales to the ‘irrigation power and bulk’ customers rose by 7.3 per cent to 604.2 GWh. Despite recording notable increases of 12 and 8 per cent, respectively, in the number of customers, the ‘domestic’ and ‘medium scale commercial’ categories’ volume sales did not respond accordingly in 2018. Domestic sales only rose by 2.0 per cent while commercial sales contracted by 1.2 per cent. Given the increase in local power generation, imports receded by 4.1 per cent from 1,063.7 GWh in 2016/17 financial year to 1,020.1 GWh in 2018.

The prospects for electricity generation are broadly positive in the medium term. Investments made during the drought period which included the dredging of the Edwaleni head pond in order to increase the water holding capacity of the dam, coupled with the subsequent above normal rainfall received, which filled up most of the dams and reservoirs in the country, would facilitate a continuous increase in hydro-power generation.

There would also be coming on stream of an additional solar plant which will be stationed at Lavumisa earmarked for commencement soon. In addition, interest from IPPs remain positive in areas of hydro-power, solar energy as well as biomass, however the take-off of some of these projects remain slow even after purchase agreements have been signed. The Eswatini Energy Regulatory Authority (EERA) has also been working on providing better direction on the targeted energy mix through the IPP Policy which also comes with a procurement policy which will further provide a toolkit for purchase power agreements. The policy is at
finalization stage. This will facilitate investment into the energy sector and provide policy direction to the private sector on the country’s position on the energy mix.

On the demand side, demand for electricity services is projected to remain on an upward trend mainly driven by continuous roll-out of the rural electrification projects aimed at increasing the power coverage throughout the country. The total number of electricity customers stood at 203,584 at the end of the 2018, 11.5 per cent higher than they were the previous year. Domestic customers who are the main beneficiaries of rural electrification, accounted for 92 per cent of the total number of customers.

5.3 International trade and Trade facilitation

5.3.1 International Trade

Trade (import and export) is the heart and lifeblood of the Eswatini economy, a catalyst for its economic growth, poverty reduction and sustainable development. Eswatini’s economy is relatively diversified, currently enjoying relative growth buoyed by recovery of the services sector, an increase in agriculture output backed by the good 2017/2018 rainfall season and recovery of exports triggered by the re-admission of Eswatini into the United States’ African Growth Opportunity Act (AGOA) market. South Africa is the country’s major trading partner given the Customs Union it shares Botswana, Lesotho and Namibia. Hence the main threat to the continued rebound of Eswatini’s economy in the medium-term is the reduced SACU revenue due to an economic slowdown in South Africa; further worsening of fiscal deficit has been due to the accumulation of arrears, vulnerability of growth in agriculture (unpredictable rainfall pattern); and high unemployment and poverty levels that are atypical of a middle-income country.

i) Exports

Eswatini’s exports structure include soft drink concentrates, textiles and apparel, iron ore, sugar, potable alcohol, sugar based products, canned fruits, timber, wood pulp, citrus fruits, fresh produce, handcrafts, beef, and refrigerators.

The trade balance recorded a surplus of E4.966 billion in 2017, lower when compared to that of 2016. This is reflective of the decline in merchandise export receipts and a continued increase in the merchandise import bill. The trade surplus contracted by 15.5 percent in the review period, a turnaround from 20.1 per cent increase recorded in 2016. Export receipts declined marginally in 2017 to E24.128 billion, from E24.379 in 2016. The decrease is attributable to a reduction in sugar confectionery export receipts.

Miscellaneous edibles accounted for 52.7 per cent of Eswatini’s total exports in 2017. These amounted to E12.654 billion, growing annually by 2.4 per cent from the previous year. Sugar and sugar confectionery product exports dipped by 7.7 per cent in 2017, recording receipts of E4.723 billion in the face of the strengthening rand in the last leg of the year. The sugar industry is also facing pressure in foreign and regional markets with sugar flooding the SACU market. The EU market is now consuming more beet sugar and this has had a negative impact on the demand for domestically produced sugar and affected the market price. These combined factors resulted in the fall in sugar confectionery export receipts in 2017.

Textile and textile articles exports have been on an upward trend for the last 3 years increasing by 10.2 per cent to E3.005 billion in 2017. There are high expectations from this
industry in the medium term owing to the recent re-instatement of AGOA, allowing re-exposure to the American market. Wood and wood articles exports have been growing steadily in the last 3 years, recording a marginal growth of 2.9 percent in 2017.

ii) Imports

Imports increased by 3.6 per cent in the imports bill to E19.162 billion in 2017. Major imports in the quarter were products of chemical industries, mineral products, textile and textile articles, machinery, appliances and electric material and vehicles and other transport types. These products collectively accounted for about 48.2 per cent of the total merchandise import bill respectively. Products of chemical industries include pharmaceutical products, perfumery and preparations imports which declined marginally in 2017 to E2.922 billion. Mineral products which constitute mainly of mineral fuels and oils posted E2.823 billion reflecting a 8.1 per cent increase from 2016.

Machinery, appliances and electrical materials imports were E2.462 billion up by 7.0 per cent from the previous year. Textile and textiles articles imports grew by 21.1 per cent to E2.080 billion, superseding a growth of 14.6 per cent in 2016. A year on year comparison shows a negative performance in vehicles imports which decreased by 7.9 per cent in 2017. The impact was observed across all types of vehicles with the greatest dip in railway and traffic equipment.

The services account deficit has been on an upward trajectory for the past 3 years, recording a widened deficit in 2017, owing to an increase in outflows that could not be countered by larger increase in inflows.

Export trade in Eswatini is hampered by several factors ranging from: limited productive capacities, supply-side constraints, lack of product diversification, high cost of back borne services (such as energy, communication and transport); less than optimal business environment and competitiveness ranking which is repulsive to new domestic and/or foreign investment; border delays, fees or procedures imposed at borders with South Africa thus increasing time and costs of trading across borders, poor product quality standards and inability of suppliers to provide required quantities at internationally competitive prices. Due to these challenges, Eswatini experiences very low ranking in the Ease of doing Business Reporting, for example, in 2007, Eswatini ranked 94th among world merchandise exporters and 109th among importers. In services trade, Eswatini ranked 119th among exporters and 127th among importers. It is hoped that interventions proposed in recently developed trade and trade related policies and strategies would assist the country in increasing the export base.

5.3.2 Trade facilitation

While the coordinated efforts of the National Trade Facilitation agenda can be traced back to 2008, with coming into force of the WTO TFA, the Kingdom of Eswatini has reconsidered the existing Trade Facilitation coordination mechanism. To this extent, in January 2019, the Cabinet of Eswatini approved gazetting of National Trade Facilitation Committee with its Secretariat in line with Article 23.2 of the TFA The NTFC is mandated to facilitate both domestic coordination and implementation of provisions of the WTO TFA and any other trade facilitation initiatives through the involvement of all cross-border trade and trade facilitation stakeholders in the Kingdom of Eswatini. The Committee will also be instrumental in formulating key negotiating positions for the Kingdom of Eswatini that which will
inform the ongoing WTO Trade facilitation engagements in Geneva, Switzerland and as well as to discuss the category issues that needs to be implemented under the WTO TFA. The NTFC meet on quarterly basis while its day to day work of the NTFC is managed by its Secretariat.

Members of the Eswatini NTFC are drawn from Government Ministries, Agencies and Private Sector Organisations that have a role to play in cross-border trade and trade facilitation. Government Ministries are represented by Principal Secretaries (PSs) while Other Agencies and Private Sector Organisations are represented by Chief Executive Officers (CEOs) or Commissioner Generals, as applicable. In accordance with UN/CEFACT Recommendation 4, the NTFC ensure a balanced private and public sector participation. Media, donor agencies and other interest groups are invited to attend meetings as and when the NTFC agrees it would be beneficial to do so.

Other Trade Facilitation coordination mechanism that exists includes the Customs to Business Forum coordinated by the Eswatini Revenue Authority, Sanitary and Phytosanitary Committee coordinated by the Ministry of Agriculture and the Technical Barriers to Trade Committee coordinated by the Ministry of Commerce Industry and Trade. However, with the establishment of the National Trade Facilitation Committee, the other committees shall be mainstreamed and aligned to it for ease of governance and management of all trade facilitation related issues.

The NTFC has develop a three years (2019 to 2022) National Trade Facilitation roadmap to guide the implementation of necessary trade facilitation reforms in the Kingdom of Eswatini. Strategic initiatives covered in the NTF Roadmap include, Strengthening of National Trade Facilitation Institutional Arrangements, development of a National Trade Information Portal, implementation of Coordinated Border Management, Re-engineering of Business Process related to Trade, establishment of a National Single Window, strengthening of Trade Compliance Risk Management, Customs to Customs Cooperation, Establishment of a Trade Facilitation Performance Management System and Strengthening Regional Integration on Trade Facilitation. Implementation all these strategic initiatives are mainly part of TFA Category C notifications of Eswatini to the WTO. As such a robust mobilisation of Technical Assistance and Capacity Building support coupled with financial investments from the national budget and development partners is required.

While some trade facilitation reforms are driven from the NTFC, there are a number of other reforms that are implemented at organisational and Ministry level to facilitate trade. For instance, the Eswatini Revenue Authority (SRA) has established real time Customs data exchange with the South African Revenue Services. The SRA is also implementing a Performance Measurement capability with ASYCUDA World, Connecting other trade regulatory agencies to ASYCUDA, automation of Customs business processes, implementing a Preferred Trader Programme geared toward promoting trade compliance and enabling ease of trade across border. The Ministry of Agriculture are currently automating some of their business process for issuance of Trade related Certificates, licences and Permits. The Ministry of Home Affairs and Foreign Affairs are working on strengthening the relationship of the Kingdom of Eswatini with bordering States. In this regard, issue under consideration include alignment of boarder operation hours, reciprocating of trade safety and security practices, and management of transit issues in collaboration with the private sector. These issues still require a lot of policy, technical, capacity building and financial support.
5.4. Regional integration and cooperation

Eswatini’s liberal trade policy approach ensures that the country’s exports receive preferential market access to regional and international markets due to its membership in a number of regional and international trading blocs namely: SACU, the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). Both regional communities have fully established free trade areas and are moving towards a customs union. Furthermore, SADC, COMESA and the EAC have established a grand Tripartite Free Trade Area (TFTA) which will see 26 countries with a combined population of 600 million people and a GDP of about US$ 1 trillion a year. The Kingdom of Eswatini has since signed and is yet to ratify the TFTA. Eswatini’s exports also enjoy preferential market access to European Union (EU) countries through the SADC EU Economic Partnership Agreement (EPA) which entered into force in October 2016. Given the recent Brexit developments in the United Kingdom (UK), the country is currently engaged in negotiations for a rollover (replicate) UK EPA with other SACU countries and Mozambique in order to secure a trade regime come 29th March 2019 when the UK leaves the EU. Such negotiations are meant to ensure that there is no trade disruption between SACU+Mozambique and the UK at that time.

The country has since been re-admitted into the African Growth Opportunity Act (AGOA), and it also benefits from a number of the Generalized System of Preferences (GSP) from different industrialized countries. These include Australia, Canada, Japan, Russia, and New Zealand. More bilateral agreements have been established within the SACU framework namely with MERCOSUR countries (Argentina, Paraguay, Ecuador and Brazil), and with European Free Trade Association (EFTA) countries such as Norway, Switzerland, Iceland and Lichtenstein.

Recently the Kingdom signed an Economic Cooperation Agreement (ECA) with the Republic of China (Taiwan) which seeks to ensure sustainable development that seeks to protect and preserve the environment and to explore new areas of economic, trade and investment through various methods, such as engaging in cooperation and personnel exchanges and other types of cooperation.

Furthermore, Eswatini recently signed and ratified the Continental Free Trade Area (ACfTA) which is a continental Free Trade Area seeking to:

- Create a single continental market for goods and services, with free movement of business persons and investments, and thus pave way for accelerating the establishment of the Continental Customs Union.
- Expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general.
- Resolve the challenges of multiple and overlapping membership and expedite the regional and continental integration process.
- Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.
The International Trade Department (ITD) within the Ministry of Commerce, Industry and Trade has the mandate of negotiating trade agreements and ensuring that the country achieves the best deals out of the process. However the challenge lies in the extent to which the Agreements are utilized especially by the private sector. In an effort to counter this challenge, the department has developed policies and strategies directed towards effective implementation and utilization of acquired market access. These include the Trade in Services Strategy, the EPA Implementation Strategy and Action Plan, the Aid for Trade Strategy and the National Export Strategy which will soon be reviewed.

5.5 Structural economic transformation

The space within which the Eswatini industrial policy responses operate and can be developed is conditioned primarily by a set of internal conditions operating at microeconomic and macroeconomic levels including past performance, current situation, growth constraints and opportunities, the external environment particularly South Africa’s economic performance as the dominant regional economy, policy disciplines imposed by Eswatini regional and multilateral commitments, high global competitive pressures and crisis especially commodity price volatilities.

Over the past 20 years, value added in Eswatini’s gross domestic product (GDP) composition has changed radically. Industry value added grew from 30% in 1980 to 48% in 2011, while the manufacturing value (% of industry) more than doubled from 20% to 44% over the same period. This growth was attributed to: SACU’s revenues that constituted more or less 60% of government revenue since independence until the revenue became volatile as a result of the fiscal crisis in 2011; and development of intra SADC trade (representing 76.8% in the period of 2000 to 2006, and rising up to 82% of exports in 2006, along with South Africa, Mauritius and Lesotho, Eswatini manufacturing sector GDP contributed to more than 15% of total SADC GDP at the time). The country’s economy also benefited from a number of factors such as: growth of private businesses, expansion, promotion and protection of Foreign Direct Investments (FDI). However, recently the contribution of the secondary sector (manufacturing, utilities and construction industries) to GDP has stagnated chiefly due to exodus of manufacturing companies in favour of neighbouring countries, lower external demand and supply shocks in the primary sector (droughts and forest fires and others) which has forward and backward linkages with manufacturing. Construction was the most affected by the 2010 fiscal crisis as output contracted by 34% since 2011. In terms of outlook, the secondary sector was forecast to grow by 3.3% in 2014 and 2% in 2015 chiefly supported by growth in sugar and sugar related products, timber and wood products, and food industries.

On the other hand, agriculture which in 1980 made up 23% of Eswatini’s value added, represented less than 8% of the total value added in 2011 yet employed around 70% of Eswatini’s population in 2012. Over the years Eswatini’s output has mostly been accounted for by the industrial and services sector, leading to a decline in the value added contribution made by the agricultural sector. Between 2000 and 2012 the share of services in GDP increased from 38% to 43% while the same share of industry declined from 34% to 31%. During the same period the share of agriculture fell from 10% to 9%. Value added in services recorded a slight decline from 47% in 1980 to about 45% in 2011. In the extractive sector, the greatest domestic value is generated from forestry, coal, lignite and peat, while other mining activities add less than 4% in domestic value. Eswatini has huge coal reserves (estimated at
about 158 million tons) and production virtually doubled in year-on-year terms in the first three quarters of 2013. However opportunities to extract greater value from these activities are limited, given the little upscale activities in these products, the size of the Swazi economy, and the scale of operations.

To assist in enhancing value addition, Eswatini recently adopted an Industrial Policy which will facilitate the achievement of the necessary structural change in her growth path by transforming the country from a producer of primary goods into a producer of processed value added goods. One pertinent consideration by the Policy is that, since the country’s exports are primary products with low value and that domestic industrial value chains in most sectors of the economy are either absent or incomplete, Government is to promote value addition and beneficiation of local primary products into high value processed products thus develop complete value chains in key sectors of the domestic economy and transform the country from a producer of primary goods into a producer of processed value added goods. Strategies to achieve this include:

i. Undertaking value chains analysis and diagnostics of all economic sectors (primary, secondary and services) to determine key areas for the development of complete value chain and how they can contribute optimally to promoting Eswatini’s industrialisation, creation of employment opportunities and economic growth.

ii. Providing incentives and promoting investment directed towards processing of local raw materials into finished products.

iii. Promoting advanced production from simple (low value) products to special high value niche products.

iv. Supporting diversification of products produced from local raw materials.

v. Supporting meaningful engagement of the country into regional and global value chains especially in areas where it can appropriate high economic rent.

vi. Promoting Human Resources and skills development based industrialization.

5.5.1. Export Diversification

Small developing states such as Eswatini have found the current global trading environment hostile because of their vulnerability to external economic shocks, the global trend towards elimination of preference arrangements, as well as their reliance on a narrow range of mainly low value products that are facing increasing competition in export destinations from other developing countries. Being small in size and landlocked Eswatini’s destination economies are farther away, thereby increasing the cost of her products abroad.

In an effort to address challenges within the entire trade sphere, the kingdom of Eswatini has developed a National Trade Policy whose vision is to transform Eswatini into a dynamic and competitive economy, with value addition, export diversification in which the trade sector functions as an engine for sustainable growth and prosperity of the people of the Kingdom of Eswatini. The Policy which is soon to be adopted by Cabinet aims at achieving amongst others, the following objectives:

i. To increase the country’s exports through diversification and value addition with an ultimate target of increasing contribution of exports to GDP by (5%);
ii. To strengthen existing relationships with current export markets to ensure that Eswatini takes full advantage of preferences offered by these markets;

iii. To explore new markets;

iv. To secure Eswatini’s key interests in trade negotiations by enhancing the country’s trade negotiations capacity;

v. To enhance market access for Eswatini exports through branding and improved product quality;

vi. To improve trade facilitation in order to expedite movement of goods and services;

vii. To allow for technological innovations that will enhance competitiveness of Eswatini’s exports by ensuring the use of low cost production methods that do not compromise the national objective of employment creation.

Given the limited range of exports and yet the country relies heavily on export earnings, in 2006 Eswatini developed a National Export Strategy which aimed at assisting the country to achieve sustainable economic growth through enhanced competitiveness, value addition and export diversification in targeted sectors, and to build a strong Public Private Partnership (PPP) contributing to the prosperity of the peoples of Eswatini. The objectives of the Strategy were similar to the ones stated above.

5.5.2 Private Sector

Micro, Small and Medium Enterprises (SMMEs)

Like in any other developing economy, Micro, Small, and Medium-sized Enterprises (SMMEs) are the principal driving force for economic development in Eswatini. SMMEs stimulate private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market dynamics and supply situation, they generate employment, help diversify economic activity and make a significant contribution to exports and trade. In Eswatini assistance to the SMMEs development is an integral part of overall economic reform together with enterprise development and sustainability, investment promotion and financial reform.

Challenges faced by SMMEs in Eswatini include:

- Missing Middle There is a marked “missing middle” of enterprises in between the very small informal and the very large SMMEs and this is mainly due to the lack of well-managed and vibrant businesses, hence the need for proper support to eventually upscale to larger enterprises. The previous efforts of the government to address the above constraints for better development of the SMME sector have fallen short as they more often confine to the bottom segments (micro and small businesses) of the sector. Many of the other businesses remain unprofitable, while the foreign owned businesses dominate and operate the more profitable businesses.

- Lack of access to finance – This is due to lack of awareness of available credit facilities, limited bankable projects and lack of collateral. In addition, other contributing factors include the lack of entrepreneurial spirit and financial & business management skills,
limited development and transfer of skills to employees and the use of the business funds to meet personal expenses (no separation between personal and business needs). The provision of value chain financing is necessary.

- Lack of entrepreneurial culture - Lack of management and business development abilities of the SMME owners to establish long-term vision and be pro-active is a challenge. Limited appropriate, affordable and credible vocational training services structure along the commercial values, mentoring and coaching support impede the generation of innovative and sustainable entrepreneurship. Lack of partnership incubation, graduate process and fair competition coupled with opportunist and/or foreign companies flooding the environment for the SMME sector. Starting and running a business just to survive rather than to expand and grow the business. Lack of innovativeness, aggressiveness, competitiveness, risk taking, hence resulting to similar and low value businesses.

- Regulatory and licensing issues - Un-commensurate preferential treatment for foreign direct investment relative to domestic investors. Ineffective licensing and registration services that would facilitate the easier transition of the informal to formal businesses. Lack of preferential procurement policies among government entities and parastatals. Absence of quality assurance and standards of SMMEs. Lack of proper government support structures.

- Other challenges - Lack of access to available markets (local, regional and international) that will provide scope for increased scale and investment for these businesses to be competitive. Increased costs of doing business due to lack of affordable premises coupled with finding premises reduce average cost of production.

The Government of Eswatini (GOE), through the Ministry of Commerce, Industry and Trade (MoCIT) and other related portfolio agencies, and the private sector, has over the years attempted to address the development of the SMMEs through various development projects and programs ranging from capacity building to setting up developmental funding institutions providing financing. However, despite the significant role that SMMEs play in economic development and the official recognition of the importance of the sector, the absence of a coherent and comprehensive policy framework for the sector, to start with, has resulted in an un-coordinated and ad hoc approach to providing support. This has translated into limited focus on critical areas such as broadening the entrepreneurship base of the country, increasing productivity and fostering a culture of innovation among the SMMEs.

In an effort to address the above constraints, Eswatini has since revised her SMME Policy. The revised SMME National Policy is intended to update the existing one which was first issued in 2004. The Policy aims to create a modern, comprehensive, targeted and coherent framework that will create a highly competitive, profitable and entrepreneurial sector, characterized by innovative, competitive and sustainable businesses, supported by an enabling institutional and regulatory environment. From a strategic perspective, the Policy is an important move by the MoCIT to align its operations to achieving the vision articulated in the NDS.
5.6 Means of implementation

5.6.1 Budgeting

Programmes for the different ministries are incorporated into the national annual planning and budgeting framework which is approved by parliament. Each ministry is allocated a budget based on the requests made, taking into account the national priorities. The financial starts in April of every year.

5.6.2 ODA

An overarching principle of the Paris Declaration on Aid Effectiveness (2005) is that Development Partners should base their support on partner countries’ national development strategies, institutions and procedures. In Eswatini, the National Development Strategy (NDS) which has since been reviewed into the SSDIG was the main framework for the achievement of sustainable development in the country. The NDS was originally produced in 1997 and covered a 25-year time horizon. In response to a changed development context domestically and abroad, its revision started in 2014. The original NDS was operationalised by the Poverty Reduction Strategy and Action Program (PRSAP) which aimed to reduce the country’s poverty rate to 30% by 2015 and to completely eradicate it by the year 2022. The PRSAP focused on six pillars namely: i) Macroeconomic stability and accelerated growth based on broad participation; ii) Fair distribution of the benefits of growth through fiscal policy; iii) Empowering the poor to generate income and reduce inequalities; iv) Human capital development; v) Improving the quality of life of the poor; and vi) Improving governance and strengthening institutions.

The Kingdom of Eswatini has a relatively small number of partners providing External Assistance. These include the African Development Bank (AfDB), Arab Bank for Economic Development in Africa (BADEA), the European Union (EU), the Global Fund, India, Japan, Kuwait, OPEC Fund for International Development (OFID), Republic of China-Taiwan (RoC), United Arab Emirates (UAE), the United Nations (UN), the United States (U.S.) and the World Bank. A small majority are multilateral partners (8) and four (4) are resident in the country namely: the EU, ROC, UN and U.S.A. Just over half (8) publish data to the International Aid Transparency Initiative (IATI) Registry, a voluntary, multi-stakeholder initiative to improve the transparency of aid spending.

5.6.2.1. Development Cooperation Policy

Eswatini’s proposed Development Cooperation (DC) Policy as a follow-up to the Aid Policy of 2000, the Ministry of Economic Planning and Development (MEPD) started working on a new policy to take on board the changing development context of the country, and the increasingly complex DC environment being encountered. In particular the new draft policy internalises the principles enshrined in various DC effectiveness covenants signed by the Government and its development partners since 2000, among them the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Outcome Document (2011). It also recognises the potential of new, innovative forms of finance in supporting Eswatini’s development agenda. As a result, the Development Cooperation Policy (henceforth referred to as the DC Policy) is set to become the core blueprint for DC management and coordination in Eswatini, along with the Public Finance Management Act,
approved in late 2017. The draft DC Policy responds not only to the urgency of aligning Eswatini’s DC framework with the International Development agenda, it also aims at ensuring ACMS-MEPD is recognised as the lead agency for DC coordination on and management. Although MEPD has the mandate to mobilise, coordinate and manage External Assistance in the country, some Government Ministries and departments mobilise resources and various forms of development cooperation without the knowledge and involvement of the Aid Coordination and Management Section (ACMS) of MEPD. This tends to make DC fragmented and compromises the ownership of the Government. It is against this very backdrop that government through MEPD, has drafted a document which will firmly address issues around inadequate coordination mechanisms. The policy also recognises the collaborative roles to be played by the Ministry of Finance (MoF), the Ministry of Foreign Affairs and International Cooperation (MFAIC), Line Ministries, and the Office of the Prime Minister (PMO), as appropriate.

The Kingdom of Eswatini received approximately USD 195.2 million in External Assistance during the fiscal year 2017/18. This figure alone represents around 15.3% of government revenue and about 5.7% of GDP. The resources from Development Partners have supported both the social and productive sectors. These include (among others) infrastructure, agriculture, water and sanitation, fuel and energy, governance, ICT and human capital development (education, training and health) - which remains a core pillar of the country’s development agenda. With the support of Development Partners, there have been substantial improvements in national socio-economic indicators. For example, maize production for staple food has improved significantly, increasing from 33,460 MT (2016/17) to 84,344 MT (2017/18). Access to improved drinking water sources has been extended to 60.5% of households, of whom 58.8% and 58.5% take less than 30 minutes to reach water sources during the rainy and the dry seasons, respectively. Sanitation has also improved, as 68.3% of households nationwide now have access to sanitation facilities. Through the Free Primary Education system, 95.5% of our children of primary school age are enrolled in school. We have also witnessed an improvement in the nutritional status of children under 5 years, with stunting falling from 25.5% in 2014 to 23% in 2017.

Grants and Loans External Aid for the promotion of economic development and welfare is given in the form of grants and concessional loan financing. For Eswatini, grants predominate despite the country’s middle income status, which precludes it from accessing some grant financing instruments. 62.9% (USD 122.9 million) of the country’s assistance in 2017/18 was in the form of grant aid as the majority of Eswatini’s partners preferred this method of support.

5.6.2.2. Regional Funding

Regional funding - that is, flows received by Eswatini from regional organisations, regardless of the ultimate source of funding - lies mostly in trade-related activities around the integration processes of which Eswatini is part (through SADC & COMESA). Flows managed by the Ministry of Commerce, Industry & Trade (International Trade Department) currently amount to around USD 3 million under SADC Trade Related Facility Project. This intervention has two financing windows, namely: i) the STP window - which seeks to ensure a higher level of compliance and implementation of commitments undertaken by SADC Member States under the Protocol on Trade; and ii) the
Economic Partnership Agreement (EPA) window - which facilitates effective implementation and monitoring of the SADCEU EPA with a view to enhance its potential benefits, particularly in terms of improved market access. Lastly, through the Regional Integration Support Mechanism (RISM) under COMESA, the Kingdom of Eswatini has secured USD 387.558 which will be used for the construction of the Manzini Trade Hub.

6. Monitoring of implementation and review

Monitoring of all programmes in Eswatini lies with the Prime Minister’s Office within the Public Policy Coordination Unit (PPCU). The Unit is tasked with reviewing, analyzing and advising on Government policies and other documents across all sectors; to co-ordinate and assist ministries in policy formulation; and to monitor and report on policy and programme implementation through the Performance Targeting and Appraisal Programme. Different regional economic blocs and other international organizations also have their own monitoring mechanisms which Eswatini endeavors to adhere to.

7. Conclusion and Way forward

Overall eSwatini faces challenges from persistent fiscal challenges arising from low SACU revenue, a weak external environment, insufficient fiscal consolidation, low FDI due to a challenging investment climate constraining private sector development. Growing domestic arrears, have a potential to continue to constrain business activity and may increase financial sector vulnerabilities as companies struggle to service their debts. The narrow export base and high market concentration make eSwatini vulnerable to external shocks, particularly those affecting South Africa. Export of raw materials and the lack of value addition strategies deprives the country of benefits that could accrue from export earnings in this regard. Trade facilitation and transit challenges also remain key obstacles to trade as they render trade costly and inefficient.

Though financially challenged, in order for the country to effectively more forward in a meaningful way, it is pertinent that all the relevant policies and strategies mentioned above are effectively implemented especially those which are in line with key priorities and the Vision 2022 of the country. In particular infrastructure challenges need to be addressed as failure to do so will continue to negatively affect overall production and trade thus hampering growth and development. Similar to other important programmes, Eswatini should mainstream the Vienna Programme of Action to ensure adequate coverage and implementation of all the 6 six priority sectors within the country’s overall development programme and budget.
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