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Swaziland

**The enabling environment for
sustainable enterprises:**

An “EASE” Assessment

Graeme Buckley

Small
Enterprise
Programme

Job Creation
and Enterprise
Development
Department

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization, and*¹ which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work², in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs
Executive Director
Employment Sector

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. Promoting sustainable enterprises calls for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion on the promotion of sustainable enterprises identified, among other things, 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report is based on these conclusions. It analyses how the country performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in Swaziland. This report incorporates the results of a joint International Labour Organization (ILO) and Federation of Swaziland Employers and Chamber of Commerce (FSE&CC) opinion or perceptions survey of both employers and employees, undertaken in Swaziland in late 2009 and which was also based on the 17 pillars. The 17 pillars are grouped into political, economic, social and environmental elements.

The report is designed to stimulate debate and to provide an evidence base for policy reforms for an environment more conducive to the promotion of sustainable enterprises in Swaziland. In particular, the report has been used to identify focus areas of policy reform to support the dialogue, advocacy and public policy work of the Federation of Swaziland Employers and Chamber of Commerce. This is the subject of a complementary FSE&CC strategy report which outlines the main policy findings with a set of recommendations in the form of an action plan.

A number of people have made valuable inputs to the preparation of this report including Gary Rynhart and Rose Anang (Employers' Specialists at the ILO), Kaire Holts and Valentina Rollo. It is the product of a thorough analysis of secondary data sources, an opinion survey and a series of workshops, focus group discussions and interviews with a wide range of stakeholders in Swaziland. Specifically, it draws on valuable inputs from the Government of Swaziland and from workers and employers. It was put together in close collaboration with the Federation of Swaziland Employers and Chamber of Commerce.

The views expressed in the report are the sole responsibility of Graeme Buckley, the principal author and do not represent those of the ILO or the FSE&CC. Similarly, any errors or omissions are the sole responsibility of the principal author.

Graeme Buckley
Small Enterprise Programme

Contents

Preface.....	iii
Foreword	v
Executive summary	ix
Political Elements.....	ix
Economic Elements.....	x
Social Elements	xi
Environmental Elements	xi
1. Introduction.....	1
2. Political elements	2
2.1 Peace and political stability	2
2.2 Good governance	3
2.3 Social dialogue.....	6
2.4 Respect for universal human rights and international labour standards	9
3. Economic elements	12
3.1 Sound and stable macroeconomic policy and good management of the economy.....	12
3.2 Trade and sustainable economic integration	19
3.3 Enabling legal and regulatory environment	24
3.4 Rule of law and secure property rights.....	28
3.5 Fair competition.....	33
3.6 Information and communication technologies	37
3.7 Access to financial services.....	39
3.8 Physical infrastructure	43
4. Social elements	47
4.1 Entrepreneurial culture	47
4.2 Education, training and lifelong training.....	49
4.3 Social justice and social inclusion.....	54
4.4 Adequate social protection	60
5. Environmental elements.....	64
5.1 Responsible stewardship of the environment.....	64
References	

Abbreviations and Acronyms

ACT	Agreement on Clothing and Textiles
AGOA	African Growth and Opportunity Act
BNLS	Botswana, Lesotho, Namibia and Swaziland
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
FSE&CC	Federation of Swaziland Employers and Chamber of Commerce
ICA	Investment Climate Assessment
ICT	Information and Communication Technology
ILC	International Labour Conference
ILO	International Labour Organization
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ITUC	International Trade Union Confederation
MFN	Most Favoured Nation
NLP	National Land Policy
PPR	Physical Property Rights
PRSAP	Poverty Reduction Strategy and Action Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIPA	Swaziland Investment Promotion Act
SMME	Small, Micro and Medium Enterprises
SNL	Swazi Nation Land
SSA	Sub-Saharan Africa
TDL	Title Deed Land
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TVETSD	Technical and Vocational Education and Training and Skills Development

Executive summary

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. Promoting sustainable enterprises calls for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion on the promotion of sustainable enterprises identified, among other things, 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report is based on these conclusions. It analyses how the country performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in Swaziland. This report incorporates the results of a joint International Labour Organization (ILO) and Federation of Swaziland Employers and Chamber of Commerce (FSE&CC) opinion or perceptions survey of both employers and employees, undertaken in Swaziland in late 2009 and which was also based on the 17 pillars. The 17 pillars are grouped into political, economic, social and environmental elements.

Political Elements

The assessment of the enabling environment in Swaziland has highlighted that the high risk of political instability in the country affects negatively the possibility of developing private sector businesses and that the country could improve its performance with respect to governance. Although, the World Bank's Political Stability score increased from -0.13 in 2006 to 0.22 in 2008,⁵ indicating a trend towards improvement. Corruption is highlighted as a big and growing problem. In fact 88 per cent of survey respondents believe that bribery and corruption hinder the performance of the economy, either strongly or very strongly and that the Government is only partially committed to fighting corruption. The World Bank's Control of Corruption Index shows that the situation has not improved significantly in recent years, and places Swaziland below South Africa, Botswana and Lesotho.

There is great scope for improvements in social dialogue in Swaziland and respondents articulated the need for more and better government involvement in promoting social dialogue. The most important issue in terms of social dialogue is the right to organize and bargain collectively: this is perceived as difficult by the majority of workers. Respect for human rights and international labour standards are fundamental to the implementation of democracy and decent work. In this regard, the country has ratified all Conventions covered by the ILO's Declaration on Fundamental Principles and Right at Work. However, 50 per cent of respondents perceived a lack of government support in promoting international labour standards. This result reflects a generally poor ranking of the country in terms of political rights and civil liberties: Swaziland is rated as least free by the political rights index and considerably low in freedom by the civil liberties index.

⁵ With 2.5 corresponding to lowest risk.

Economic Elements

The stability of the macroeconomic environment is important for business. Swaziland has adhered to relatively prudent macroeconomic management based, at least in principle, on free-markets and little government intervention. Compared to elsewhere in the region, the labour force participation rate is relatively high in Swaziland: 66 per cent compared to less than 60 per cent in South Africa and Botswana in 2008. Nevertheless, the ILO/FSE&CC Survey highlights some issues concerning the country's fiscal policy. In fact, both employers and employees consider that company and sales tax rates hinder business growth in Swaziland. With regard to trade, Swaziland's trade share in GDP was 183 per cent in 2004, which decreased to 149 per cent in 2008. This share remains very high (primarily due to its small economic size) and considerably above the regional average (75 per cent for SSA in 2008). The trade section of the survey highlights that small firms have more difficulties in dealing with exports and imports, implying that there is scope for improvement in the country's trade facilitation strategy for SMEs.

The ability of the government to provide sound policies and regulations that enable and promote private sector development is low compared to South Africa and Botswana, as highlighted by the World Bank Regulatory Quality Index. Swaziland has moved from a ranking of 95 in 2007 to 120 in 2009 (out of 183 countries) in the overall ranking for the ease of doing business, far below South Africa (37) and Botswana (48). Difficulties in the enabling and regulatory environment are also confirmed by the survey. In fact, almost $\frac{3}{4}$ of respondents consider that the legal and regulatory environment is either a major obstacle or a hindrance to running a small business (compared to 40 per cent for large enterprises). Most importantly, the cost to register a small enterprise seems to encourage businesses to stay informal (two out of three respondents indicated that registration costs encourage small enterprises to stay informal). Moreover, almost three quarters of respondents believed that government favours foreign investors over domestic investors by offering better incentives or conditions.

Knowledge about intellectual property rights (IPR) appears thin on the ground (39 per cent of employers in the sample do not know whether IPR are defined and protected in the country). This clearly indicates that there is little awareness and use of IPR laws in Swaziland and implies that innovation and research and development are probably not a significant characteristic of Swazi enterprises. Employers also consider competition policy and legislation as greatly in need of development. This can be explained by the fact that, even though a Competition Bill was passed in 2008, the Commission for its implementation is still not fully functioning. According to the International Telecommunication Union, Swaziland's development in information and communication technologies (ICTs) is high compared to the Sub-Saharan Africa average. In fact the ICT Development Index for the country has grown from 1.32 in 2002 to 1.73 in 2008. Nevertheless the ILO/FSE&CC Survey indicates a general agreement on the need to further develop the legal framework for ICTs and that small enterprises find it particularly difficult to afford to use ICTs.

Credit to the private sector as a percentage of GDP has increased from 18 per cent in 2004 to 24 per cent in 2008. Nevertheless, the survey highlights that small firms generally encounter greater difficulties in obtaining both a bank loan (due to lack of collateral) and venture capital (for innovative but risky projects). It is also important to stress that the lack of access to collateral for many borrowers is related to the issue of land ownership in Swaziland. Over half of all respondents to the survey felt that the capacity of the police to protect businesses from criminal behaviour (such as theft) was either very low or low. On the other hand, the survey indicates that employers consider most physical infrastructure as good or satisfactory from the point of view of enabling their businesses to operate effectively.

Social Elements

Promoting an entrepreneurial culture is key to increase people's awareness of the potential of business as an alternative to waged employment in government or the private sector. It is crucial to have in place a supportive framework for potential or new entrepreneurs. However, the survey shows that new business start-ups have very limited access to entrepreneurship training and business services, implying the need to improve the quality of business training and business planning in Swaziland. Moreover, since Swaziland has limited natural resources, it may need to place particular importance on investing in the development of its human capital. The basic indicators for all levels of education have improved in recent years, with the adult literacy rate increasing from 88.4 per cent in 2000 to 93.2 per cent in 2008. Even though Swaziland's level of investment in education is relatively high, the survey revealed a concern that, in tertiary and vocational education, the needs of the business community are not being met and that firms invest too little in the development of their human capital.

Gender related indicators show a mixed picture. While the percentage of women economically active is comparatively low compared to the neighbouring countries and to the SSA average, the gender-related development index was high in 2007 compared to the region. Women entrepreneurs in the country tend to face similar difficulties but to a greater degree than men. The main barriers to women's entrepreneurship include legislation, lack of access to information, limited access to finance for business start up, low quality of administrative procedures and some aspects of the Swazi culture (such as gender stereotyping). Equality of opportunity legislation at the workplace is judged to be well implemented by less than 10 per cent of respondents.

Adequate social protection is crucial to improving productivity and fostering transition to the formal economy. In this regard, even though Swaziland has a number of policies and strategies that cover aspects of social protection, there is a need for better co-ordination of these interventions under a single policy framework. Almost three quarters of respondents stated that poor health greatly affects productivity at the workplace. About two thirds thought that business in Swaziland is somewhat or very negatively affected by the emigration of talented people to South Africa.

Environmental Elements

Sustainable enterprise development entails responsible stewardship of the environment. Swaziland enjoys a richness of biodiversity which, if properly managed, could offer many benefits. However this biodiversity is under growing threat as a result of an increasing population and a declining economy. Notwithstanding the improvement in the Environmental Performance Index (EPI) from 53.9 in 2006 to 61.3 in 2008 and a good ranking in the Ecological Footprint (2005) compared to neighbouring countries, the ILO/FSE&CC survey indicates that environmental issues are a concern for the Swazi business community and that, even though adequate legislation exists to protect the environment, it is poorly implemented.

1. Introduction

The concept of sustainable enterprises was discussed at the International Labour Conference in June 2007 and, on the basis of a tripartite agreement between governments, workers and employers organizations, a resolution was passed mandating the International Labour Organization to undertake work on conditions for a conducive environment for sustainable enterprises. Such an environment integrates the three components of sustainable development – economic, social and environmental – as interdependent and mutually reinforcing pillars. The conclusions of the discussion on the promotion of sustainable enterprises identified, among other things, 17 pillars of such a conducive environment.

This report builds on the conclusions concerning the promotion of sustainable enterprises. It makes use of the 17 pillars with the aim of assessing the enabling environment for sustainable enterprises and employment in Swaziland. It does so by analyzing each pillar in the framework of the political and economic situation in Swaziland and using the results of the opinion survey of employers and workers undertaken in late 2009 by the FSE&CC and the ILO. The opinion survey covered 205 respondents (133 employers and 72 employees) and was based on the 17 conditions for a conducive environment for sustainable enterprises in Swaziland. It is almost unique in the sense that it is a business enabling environment survey which solicits the opinions of not only employers but also of employees.

The Survey questionnaire records the responses of employers and employees in private enterprises based on their perceptions of the enabling environment for the development of sustainable enterprises. Specific information on the number of full time employees has been used to subdivide enterprises into micro (employing 3 or less people), small (4-10 employees), medium (10-50 employees) and large enterprises (more than 50 full time employees).⁶ The age of business has been used to classify firms as new, young and established (in existence for less than 5, between 5 and 10 or more than 10 years respectively). The sample comprises 5 per cent micro, 24 per cent small, 40 per cent medium and 32 per cent large enterprises.

In addition to the trawl of secondary data and the opinion survey, this report also draws on interviews with businesses, trade unions and government officials, undertaken in October 2009 and July 2010 and with information generated through focus group discussions involving business leaders. Finally, it also draws on inputs from participants at a technical workshop in July 2010, hosted by FSE&CC and which had the purpose of presenting the findings of the draft report. This workshop benefited from a key note address from the Prime Minister, Barnabas Sibusiso Dlamini, in which he gave his views on the findings of the draft report.

Subsequently, a related FSE&CC strategy report has been prepared. This outlines the main policy conclusions, with recommendations, in the form of an action plan for follow up work in a number of areas including: policy dialogue on higher education as part of the national curricula review/Education Act; productivity benchmarking; promotion of platforms for social dialogue both at the national and sub-national levels; and integration of SME members into FSE&CC policy positions through targeted support and outreach.

⁶ The definition of micro, small, medium and large enterprises is in line with the 2009 Revised National Policy of the Government of Swaziland on the Development of Small, Micro and Medium-sized Enterprises.

2. Political elements

2.1 Peace and political stability

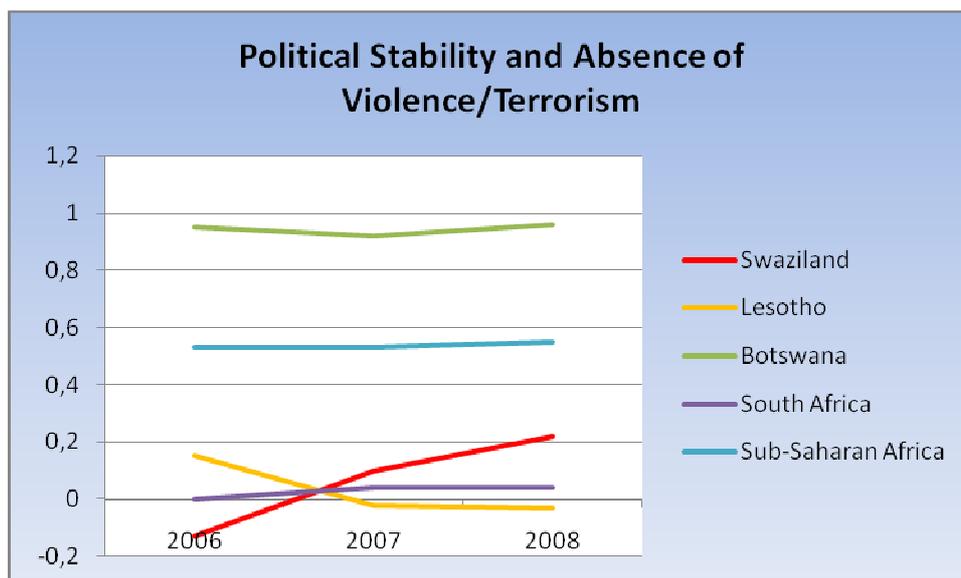
Peace and political stability are basic preconditions to nurture the formation and growth of sustainable enterprises. Swaziland's political regime is a diarchic one, with two distinct but interrelated sets of institutions: those of the Swazi nation (the monarchy and its key advisory institutions); and those of the Swazi Government, comprising the cabinet, parliament, and judiciary. There is considerable tension over the scope for multiparty democracy in the country. The World Bank assessed Swaziland as having a relatively high risk of political instability compared to Sub-Saharan Africa (SSA) average. However, the stability scores increased from -0.13 in 2006 to 0.22 in 2008 (in which 2.5 corresponds to lowest risk).⁷

Key Indicators

Political Stability and Absence of Violence/Terrorism		2006	2007	2008
The likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.	Swaziland	-0.13	0.10	0.22
	Lesotho	0.15	-0.02	-0.03
	Botswana	0.95	0.92	0.96
	South Africa	0.00	0.04	0.04
	SSA	0.53	0.53	0.55

Source: World Bank, Governance Matters database⁸

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

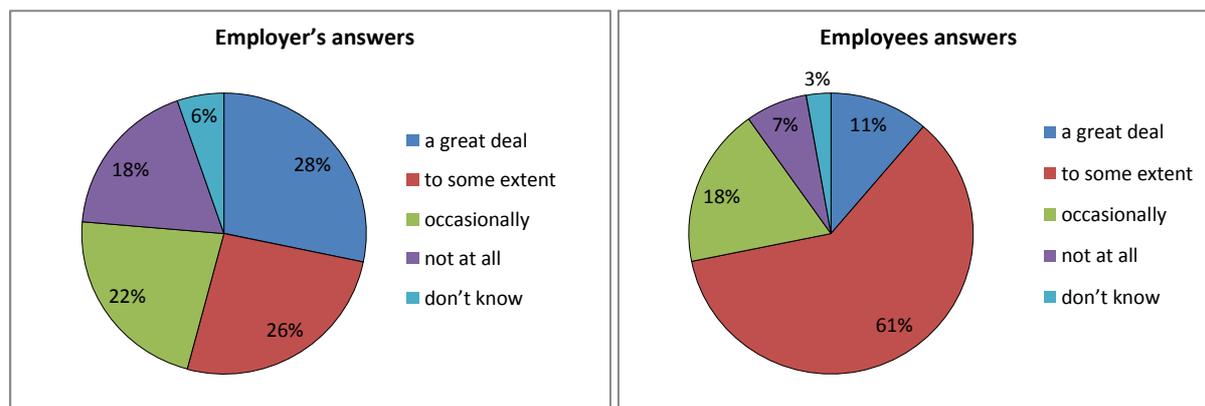


⁷ <http://www.freedomhouse.org/template.cfm?ccrcountry=168&ccrpage=37&edition=8&page=140> and Economic Intelligence Unit (2009). Country Report Swaziland, London

⁸ http://info.worldbank.org/governance/wgi/sc_country.asp

The high risk of political instability in the country affects negatively the possibility of developing private sector business. This is also reflected in the results of the ILO/FSE&CC Survey, which shows that 28 and 26 per cent of employers believe that political instability affects doing business in Swaziland a great deal and to some extent respectively. This perception is also captured by 61 per cent of employees, who believe that business is influenced at least to some extent by political instability. The risk of political instability is also a deterrent to Foreign Direct Investment (FDI), which has shown an erratic trend in Swaziland over the last two decades, and a clear decrease from 2006 to 2008 (See below).

Do you think that political instability or uncertainty affect doing business in Swaziland?

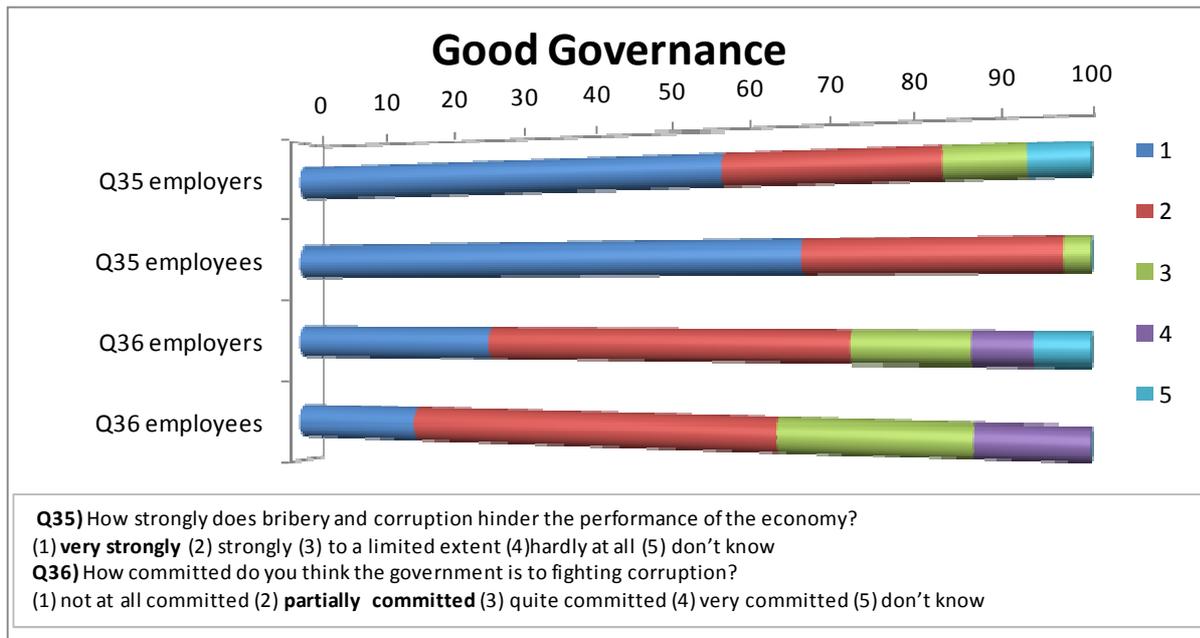


2.2 Good governance

Poor governance, corruption and inefficient institutions can discourage entrepreneurship and hold back private-sector growth and development. The country ranks 84th out of 179 countries in Transparency International's Corruption Perceptions Index for 2007. Corruption is seen as significant in the executive and legislative branches of government. Likewise, the World Bank's Control of Corruption Index shows that the situation has not improved significantly in recent years. The score of -0.38 in 2008 places Swaziland below South Africa, Botswana and Lesotho. The Government Effectiveness Index – reflecting the quality of public services and the capacity of the civil service – is equally weak and has not improved in recent years. The situation is even worse when Swaziland is compared to neighbouring countries in terms of citizens' ability to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. In 2006, Swaziland unveiled a new constitution which seeks to strengthen good governance and the rule of law. However, there have been a lot of controversies surrounding governance issues.⁹

The poor performance of the country with respect to governance is confirmed by the ILO/FSE&CC Survey: both employers and employees believe that bribery and corruption hinder very strongly the performance of the economy. They also perceive that the government is only partially committed to fighting corruption, and that more engagement is needed.

⁹ The Heritage Foundation, 2009 Index of Economic Freedom – Swaziland and <http://www.freedomhouse.org/template.cfm?ccrcountry=168&ccrpage=37&edition=8&page=140>



Key Indicators

Control of Corruption

The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Source: World Bank, Governance Matters database¹⁰

	2006	2007	2008	2009
Swaziland	-0.41	-0.46	-0.38	...
Lesotho	-0.06	-0.23	0.04	...
Botswana	0.86	0.92	1.00	...
South Africa	0.46	0.33	0.30	...
SSA	-0.66	-0.64	-0.64	....

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Corruption perceptions index (CPI)

The Transparency International CPI measures the perceived levels of public-sector corruption as seen by business people and country analysts in a given country and is a composite index, drawing on different expert and business surveys.

Source: Transparency International¹¹

	2006	2007	2008	2009
Swaziland	2.5	3.3	3.6	3.6
Lesotho	3.2	3.3	3.2	3.3
Botswana	5.6	5.4	5.8	5.6
South Africa	4.6	5.1	4.9	4.7
Africa	2.9	2.9	2.8	...

The scores on a scale from zero (highly corrupt) to ten (highly clean).

¹⁰ http://info.worldbank.org/governance/wgi/sc_country.asp

¹¹ http://www.transparency.org/policy_research/surveys_indices/cpi/2008

Government Effectiveness		2006	2007	2008	2009
The quality of public services, the capacity of the civil service and its independence from political pressures and the quality of policy formulation.					
<u>Source:</u> World Bank, Governance Matters database ¹²					
	Swaziland	-0.70	-0.72	-0.66	...
	Lesotho	-0.44	-0.41	-0.31	...
	Botswana	0.55	0.66	0.67	...
	South Africa	0.71	0.72	0.75	...
	SSA	-0.80	-0.77	-0.80	....
Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					
Voice and Accountability		2006	2007	2008	2009
The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.					
<u>Source:</u> World Bank, Governance Matters database ¹³					
	Swaziland	-1.20	-1.24	-1.20	...
	Lesotho	0.07	0.13	0.04	...
	Botswana	0.50	0.50	0.55	...
	South Africa	0.83	0.71	0.68	...
	SSA	-0.57	-0.55	-0.57	....
Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

Other useful indicators

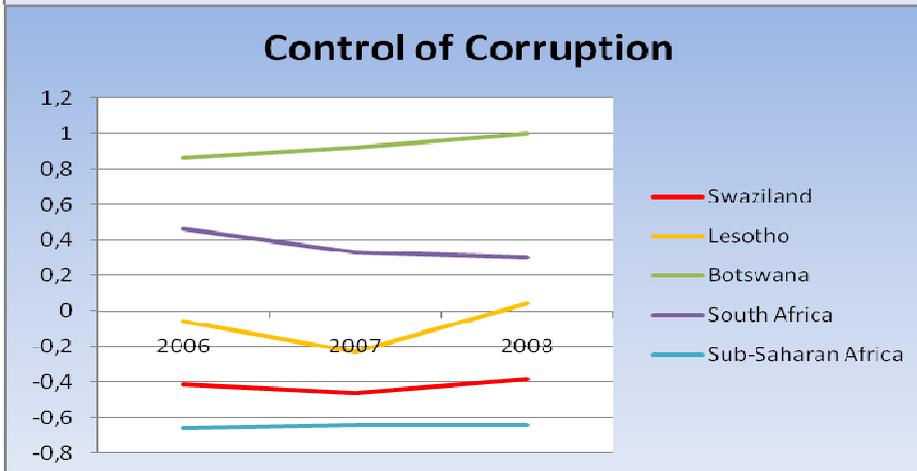
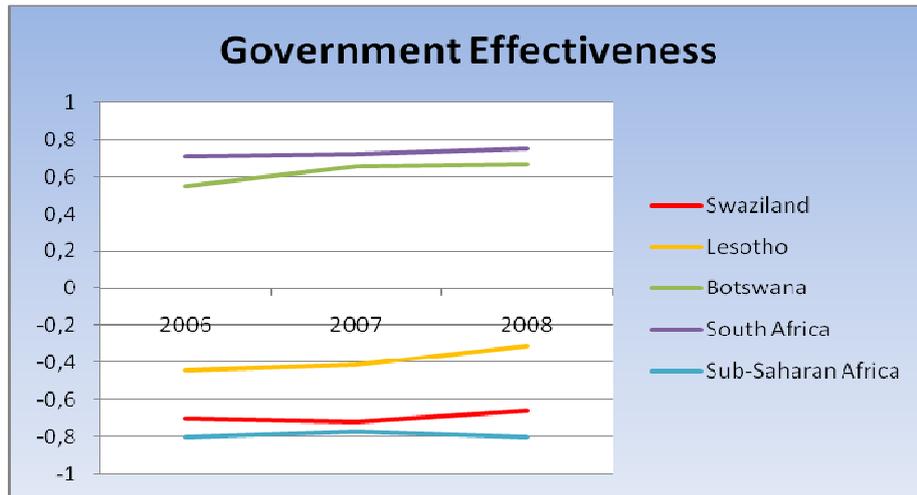
Political rights index		2006	2007	2008
The Political Rights index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government.				
<u>Source:</u> Freedom house, The Freedom in the World Survey ¹⁴				
	Swaziland	7	7	7
	Lesotho	2	2	2
	Botswana	2	2	2
	South Africa	2	2	2
	SSA	4	4	4
Numerically, Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				
Civil liberties index		2006	2007	2008
The Civil Liberties index measures freedom of expression, assembly, association, and religion.				
<u>Source:</u> Freedom house, The Freedom in the World Survey ¹⁵				
	Swaziland	5	5	5
	Lesotho	3	3	3
	Botswana	2	2	2
	South Africa	2	2	2
	SSA	4	4	4
Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				

¹² http://info.worldbank.org/governance/wgi/sc_country.asp

¹³ Ibid

¹⁴ <http://www.freedomhouse.org/template.cfm?page=15>

¹⁵ Ibid



2.3 Social dialogue

Social dialogue plays a key role in achieving the objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity. The Swaziland Government has ratified all eight ILO Conventions of the Fundamental Principles and Rights at Work. The union density was about 19.1 per cent of the work force (in 1995), which was high compared to Botswana but still low compared to South Africa (54.1 per cent). Since then, union membership has fallen quite substantially (partly as a consequence of the contraction or collapse of previously heavily unionized sectors) and probably stands at not much more than half the 1995 figure.

Key Indicators

Union density rate	1985	1990	1995
Union density rate measures the number of trade union members as a percentage of the non-agricultural labour force. Source: ILO ¹⁶	19.1
Swaziland
Lesotho
Botswana	11.5
South Africa	27.6	..	54.1

Measures as a percentage of the non-agricultural labour force

Enterprises belonging to employer organization rate as of May 1997

It measures the number of enterprises belonging to employer organizations.

Source: ILO¹⁷

Swaziland	..
Lesotho	100
Botswana	..
South Africa	80-85 per cent

Number of enterprises belonging to employer organizations (Number of enterprises covered). The index is being developed.

Collective wage bargaining coverage rate	1990	1995	2000
Collective wage bargaining coverage rate measures the number of employers who belong to an employers' organization. Source: ILO ¹⁸	..	25	..
Swaziland	..	25	..
Lesotho
Botswana
South Africa	..	49	..

Proportion of employees covered by collective agreements (per cent). Collective bargaining coverage rate is being developed and major data collection is under way.

Other useful indicators

Cooperation in labour-employer relations	2007/2008	2008/2009	2009/2010
The World Economic Forum (WEF) Survey asked business leaders to provide their expert opinions on the following: "Labour-employer relations in your country are". Source: World Economic Forum Executive Opinion Survey. ¹⁹	..	..	..
Swaziland	..	..	..
Lesotho	4.2	4.0	4.2
Botswana	4.7	4.4	4.6
South Africa	3.8	3.7	3.6
World (mean)	4.6	4.5	4.5

1 = generally confrontational, 7 = generally cooperative

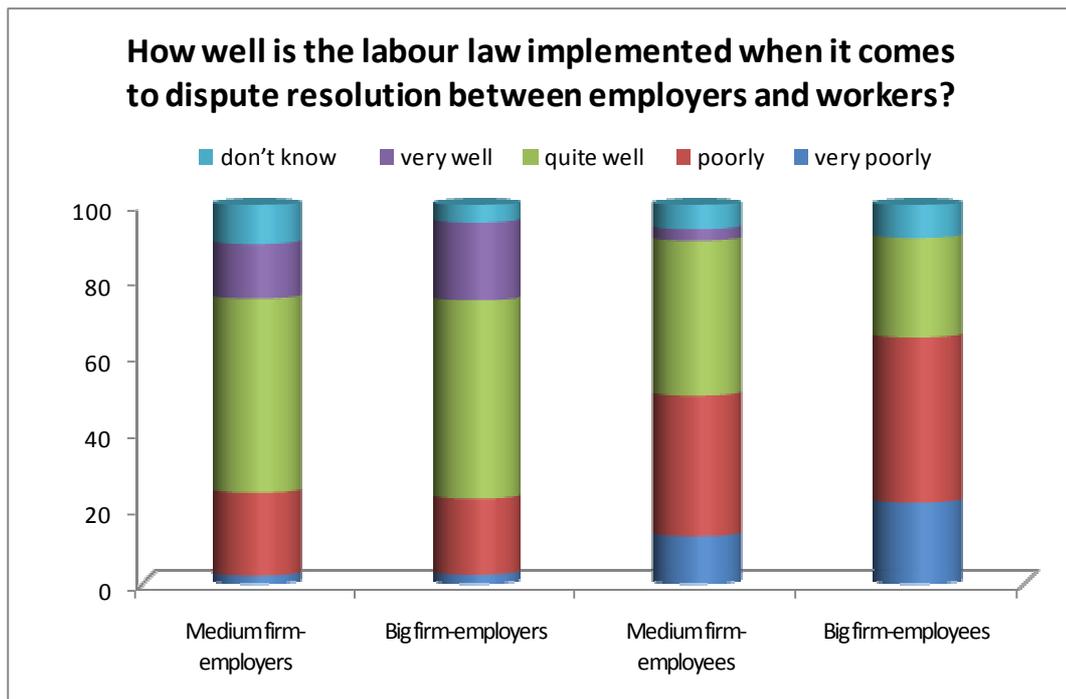
¹⁶ <http://www.ilo.org/public/english/dialogue/themes/sdi.htm>

¹⁷ <http://www.ilo.org/public/english/dialogue/ifpdial/publ/wlr97/annex/tab2.htm>

¹⁸ <http://www.ilo.org/public/english/dialogue/themes/sdi.htm>

¹⁹ <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/PastReports/index.htm>

Open and effective social dialogue remains a big challenge in Swaziland. According to the ILO/FSE&CC survey, respondents believe that the Government should engage more in promoting social dialogue. With regard to implementation of labour laws in dispute resolution, there are differences according to the size of the firm. In micro and small firms, both employers and employees consider that laws are well implemented. In medium and large firms employers are happy with the implementation of laws while employees consider that laws are poorly implemented (large firms) or have differing opinions (medium sized firms). It could be deduced from these results that either employees in larger firms are more demanding, or that employees in smaller firms tend to solve internal disputes in more informal ways. Also, the difference in opinion of employers and employees might imply that the implementation of laws could be more focused on the needs of employers. Both employers and workers regard their respective membership organizations as beneficial with respect to the services they offer.



In general, it seems, from the survey responses, that workers' rights to organize and bargain collectively are not always respected, reflecting notable obstacles to freedom of association in Swaziland. Even though the National Steering Committee on Social Dialogue has been appointed, employers and workers representative expressed several complains about its effectiveness at the Committee on Application of Standards during the 99th Session of the International Labour Conference. For example, the employers' representatives stressed that the Special Consultative Tripartite Subcommittee of the High-level Steering Committee on Social Dialogue meets rarely, while the workers representatives complained that the current National Social Dialogue Committee had no budget, as the social partners were expected to bear the Costs.²⁰

²⁰ Report of the Committee on the Application of Standards, 99th Session, Geneva, 2010.

2.4 Respect for universal human rights and international labour standards

Respect for human rights and international labour standards is fundamental to the implementation of democracy and decent work. Swaziland has ratified the major human rights laws except for the International Convention on the Prevention and Punishment of the Crime of Genocide. The country has also ratified all fundamental Conventions covered by the ILO's Declaration on Fundamental Principles and Right at Work. Nevertheless the country is lagging behind in terms of political rights and civil liberties as indicated by the respective indices: Swaziland is rated as least free by the political rights index and considerably low in freedom by the civil liberties index.

These indices reflect weak legal protection of such liberties going back to 1973 when a State of Emergency suspended all constitutional freedoms. When the Constitution was enacted in 2006, the State of Emergency was terminated. However the entry into force of the Constitution effectively re-confirmed the political *status quo* in force since 1973, giving executive, legislative and judicial powers to the King and setting a ban on opposition parties and meetings. In fact, the new Constitution's vague clause on "breaching state security" can be interpreted broadly and appears to provide the grounds on which the government can place restrictions on trade union activities.²¹

Even though the Constitution and law include the right to form and join trade unions, the requirements are exacting. In fact, a trade union must represent at least 50 per cent of workers in the workplace (a high percentage) in order to be recognized. With regard to employees in essential services (fire brigade, police and security forces, health care sector and many civil service positions), the new Constitution gave them the right to form unions. However, the Swaziland Police Association and the Swaziland Correctional Service Union have repeatedly been refused recognition from the authorities.²²

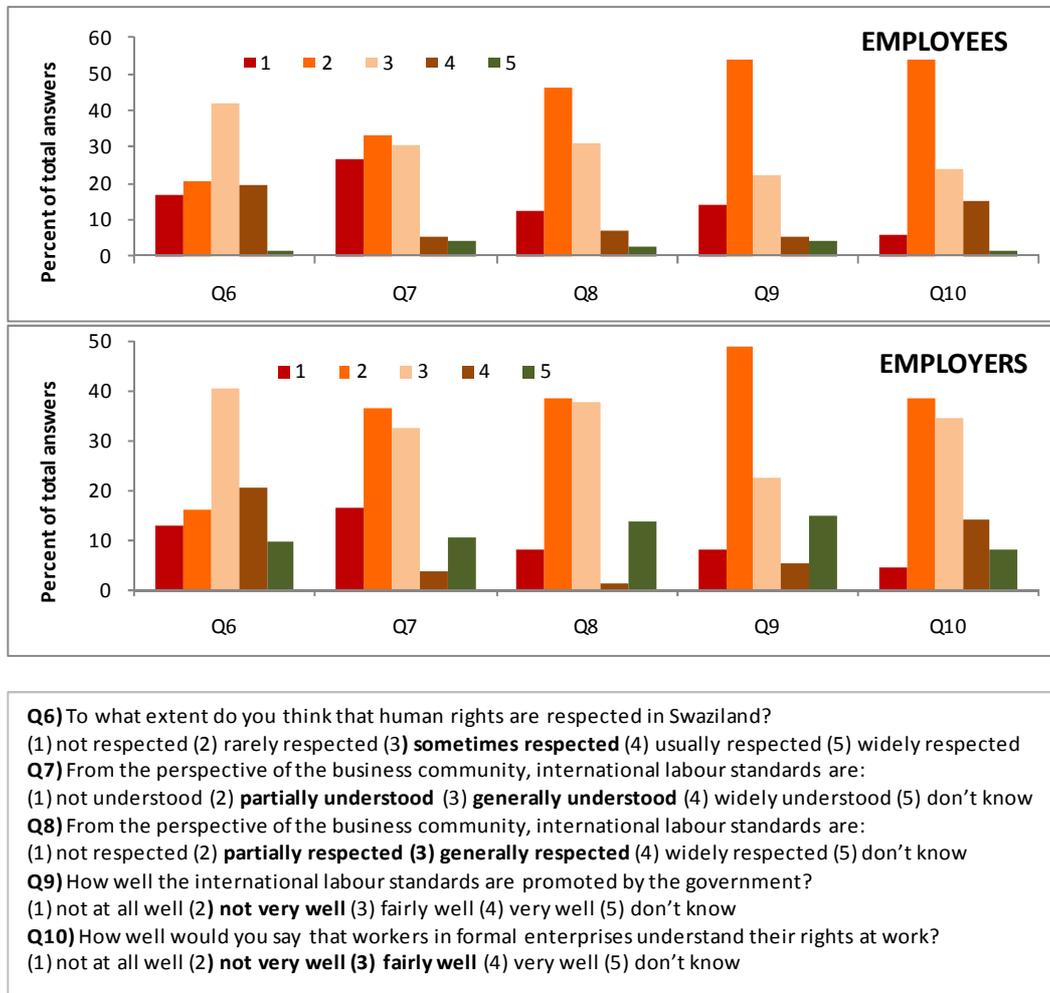
This situation is also confirmed by the results of the ILO/FSE&CC Survey. Both employers and employees consider that human rights in Swaziland are "sometimes" respected. With regard to international labour standards, employees and employers consider that they are partially or generally understood and respected by the business community, with employees less assertive than employers: in fact employees are more oriented to think that international labour standards are only partially respected. Another important point is that more than 50 per cent of employees consider that workers in formal enterprises do not understand very well their rights at work, confirmed to a lower extent by employers' answers. The most important issue seems to be a lack of Government support in promoting international labour standards, confirmed by the perception of 50 per cent of employers and employees. In this regard, the highly sensitive and discussed amendment bill of the Industrial Relations Act (IRA) (which, among other things, does not provide for strikes) was published and submitted to the Parliament for approval in May 2010. The Bill addresses several issues raised by a high-level ILO mission as well as the ILO Committee on the Application of Standards, such as: (1) granting the right to organize to domestic workers by broadening the definition of "undertaking"; (2) provides for the establishment

²¹ ITUC, Internationally Recognized Core Labour Standards In Botswana, Lesotho, Namibia, South Africa And Swaziland Report For The WTO General Council Review Of Trade Policies Of The Five Countries Of The Southern African Customs Union (SACU). Geneva, 4 and 6 November 2009.

²² ITUC, Internationally Recognized Core Labour Standards In Botswana, Lesotho, Namibia, South Africa And Swaziland Report For The WTO General Council Review Of Trade Policies Of The Five Countries Of The Southern African Customs Union (SACU). Geneva, 4 and 6 November 2009.

of a minimum service in the event of strikes in sanitary services; (3) removes the statutory restrictions relating to the nomination of candidates and eligibility for union office; (4) shortens the dispute settlement procedures; and (5) ensures that the Conciliation, Mediation and Arbitration Commission would only supervise strike ballots at the union's request. However, due to the considerable delay by the Government in taking action on the amendment of the IRA, social partners remain sceptical that the legislation will be amended in the short term.²³

Human rights and international labour standards



²³ Report of the Committee on the Application of Standards, 99th Session, Geneva, 2010.

Key Indicators

Ratification of Human Rights Conventions

as of 1 July 2007

It shows the status of human rights instrument – how many of human rights instruments have been ratified. It refers to ratification of following 7 conventions: Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, Convention on the Rights of the Child, International Convention on the Elimination of All Forms of Discrimination Against Women, International Convention on the Elimination of All Forms of Racial Discrimination, International Convention on the Prevention and Punishment of the Crime of Genocide, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights.

Source: UNDP²⁴

Swaziland	6
Lesotho	7
Botswana	5
South Africa	7

Number of ratified Conventions out of 7.

Ratification of fundamental ILO conventions

as of 01 August 2009

It shows the status of labour rights conventions. It refers to ratification of following 8 conventions: Freedom of association and collective bargaining (Convention 87, 98), Elimination of forced and compulsory labour (29, 105), Elimination of discrimination in respect of employment and occupation (Convention 100, 111), Abolition of child labour (Convention 138, 182)

Source: ILO²⁵

Swaziland	8
Lesotho	8
Botswana	8
South Africa	8

Number of ratified Conventions (out of 8).

Other useful indicators

Political rights index

The Political Rights index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government.

Source: Freedom house, The Freedom in the World Survey²⁶

	2006	2007	2008
Swaziland	7	7	7
Lesotho	2	2	2
Botswana	2	2	2
South Africa	2	2	2
SSA	4	4	4

Numerically, Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.

Civil liberties index

The Civil Liberties index measures freedom of expression, assembly, association, and religion.

Source: Freedom house, The Freedom in the World Survey²⁷

	2006	2007	2008
Swaziland	5	5	5
Lesotho	3	3	3
Botswana	2	2	2
South Africa	2	2	2
SSA	4	4	4

Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.

²⁴ http://hdrstats.undp.org/indicators/indicators_table.cfm

²⁵ <http://www.ilo.org/ilolex/english/docs/declworld.htm>

²⁶ <http://www.freedomhouse.org/template.cfm?page=15>

²⁷ Ibid.

3. Economic elements

3.1 Sound and stable macroeconomic policy and good management of the economy

A stable macroeconomic environment is important for business. Swaziland has adhered to relatively prudent macroeconomic management based, at least in theory, on free-market principles with little government intervention. Economic policy is aimed at attracting foreign investment and diversifying revenue sources. Swaziland's economy has traditionally been based on agriculture and agro-industry, although services have become increasingly important and there are important manufacturing sectors as well. Because of the openness of the economy and the importance of agriculture-based exports, real GDP is strongly influenced by both climatic and world market conditions. In Swaziland, GDP growth increased from 2.2 per cent in 2005 to 3.5 per cent in 2007, driven by increases of output in services and manufacturing. This allowed the country to recover to some extent from the 2006 drought. Growth then decreased to 2.4 per cent in 2008 and 0.4 per cent in 2009, largely due to external shocks. In fact the country is heavily exposed to fluctuations in international economic conditions (especially to those in its largest trading partner, South Africa). As an example, the reduction in global demand in 2009 led to the closure of pulp and paper mills, the loss of 3,000 jobs in the textile industry and a drop in demand for coal, Swaziland's only mineral export.²⁸ Inflation reached 9.8 per cent in 2008 – as food and fuel prices rose – but it is expected to fall to about 6 per cent in 2010. However, the main threat to inflation will come from an expected increase in electricity prices due to the South African energy regulator's decision to increase electricity tariffs by 24.8 per cent. In fact, Swaziland's inflation rate largely tracks price movements in South Africa, the source of Swaziland's imports (and the Emalengeni is pegged to the Rand).

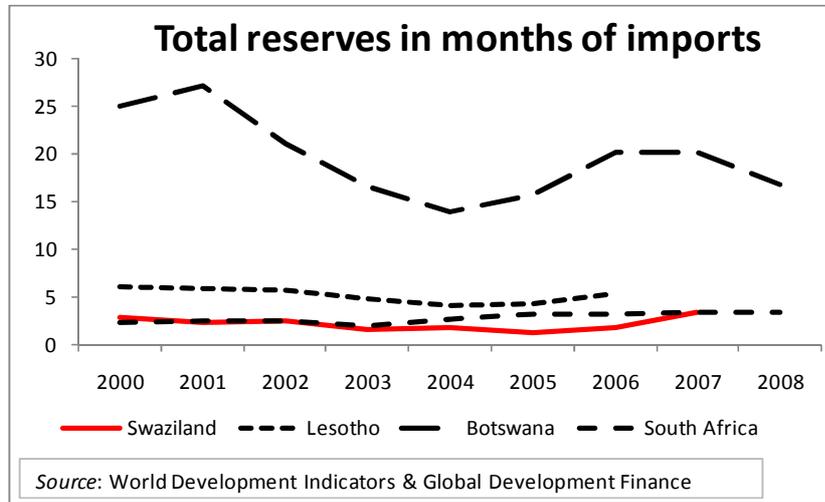
Future growth might be hindered by low investments, slow pace of economic reforms, and deterioration of preferential treatment for Swaziland's main exports (sugar and textiles). This is also confirmed by low levels of gross capital formation and domestic savings, which remain low compared to neighbouring countries and the SSA average. Moreover, past low levels of growth have contributed to the increase of poverty and unemployment, a situation worsened by the prevalence of HIV/AIDS, labour force absenteeism, and low productivity. Nevertheless, the country has been able to accumulate international reserves, mainly thanks to high and rising revenues from the Southern African Customs Union (SACU). In fact the authorities have increased fiscal savings from 2005 to 2007, so that international reserves now cover more than three months of imports of goods and services after years of less than adequate coverage. Sufficient international reserves are critical to safeguard external stability and confidence in the currency peg with South Africa, which has served the country well according to the International Monetary Fund (IMF) (2008).²⁹

The current account balance achieved a surplus in 2007, after years of deficits. This recovery is mainly due to the increase of output in services and manufacturing and to the increase in SACU receipts. Swaziland's fiscal stance is highly dependent on SA revenues, a situation that is not sustainable in the future because South Africa is pushing to revisit the revenue-sharing formula and because a possible transformation of the CU Southern African

²⁸ Economist Intelligence Unit (EIU), Country Report Swaziland, April 2010.

²⁹ IMF Country Report No. 356, Article IV Consultations, October 2008.

Development Community (SADC) into a customs union would imply lower shares for SACU members.³⁰ Total revenue including grants is expected to decrease in the coming years as a consequence of a slump in SACU revenue (which has accounted for more than 50 per cent of total government revenue over the past decade). The decrease in SACU revenue is partly due to a decline in trade flows and partly due to the liberalization of the SACU common external tariff (CET).



Moreover in recent years Swaziland received a disproportionate payout from the SACU revenue pool, due to a difference between the projected SACU revenue and the lower actual revenue collected.³¹ As a consequence Swaziland has to refund SACU the excess in payout and this will exacerbate the reduction in SACU revenues in the near future. Nevertheless SACU receipts are expected to recover slightly in 2011 but will unlikely return to their former levels, so that the need for fiscal reform will remain. In addition the wage bill has become unsustainable, as confirmed by the Minister of Finance in the 2009 budget speech. He confirmed that the wage bill continues to increase, standing at about 52 per cent of the recurrent budget, far from the conventional benchmark of 35 per cent. In fact, rather than falling, the number of civil servants has kept growing, and above-inflation pay increases have been awarded.

Compared to the region, the labour force participation rate is relatively high in Swaziland. Most formal sector employment is with the public sector. Private-sector employment is largely in manufacturing and on commercial plantations. However, unemployment levels remain high, reflecting a lack of opportunities as economic growth remains weak.³² This situation was aggravated by the loss of 3,600 jobs in the textile and pulp industry in 2009/10. In 2010, Swaziland's only pulp mill, the Sappi Usutu mill at

³⁰ Economist Intelligence Unit (EIU), Country Report Swaziland, April 2010.

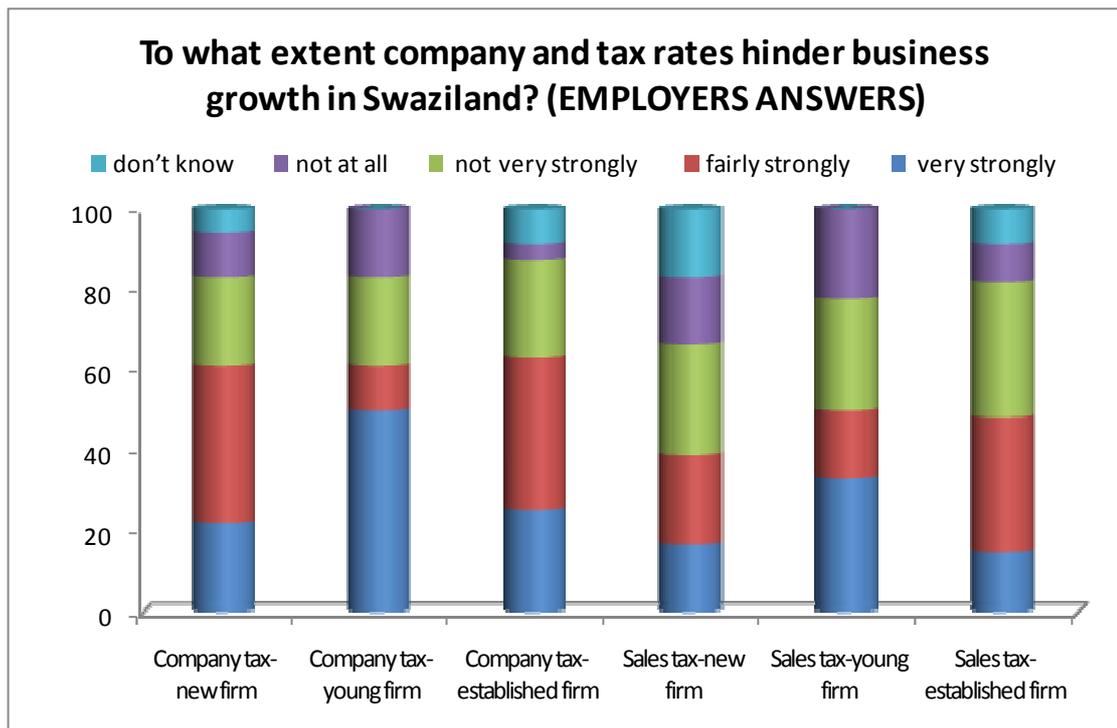
³¹ SACU Member States annual revenue shares are determined and approved by Council in December for distribution during the subsequent year. The current Revenue Sharing Formula has three components, namely the Customs Component (based on each country's share of intra-SACU imports); the Excise Component (based on each country's share of GDP); and the Development Component (fixed at 15 per cent of total excise revenue, and distributed according to the inverse of each country's GDP per capita).
<http://www.sacu.int/docs/tenders/2010/tfrm022010.pdf>

³² Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London.

Bhunya closed due to the sharp decrease in international demand for pulp and the destruction of 40 per cent of the mill's forest area in forest fires in 2008.

With regard to the country's fiscal policy, both employers and employees consider that both company and sales tax rates hinder business growth in Swaziland, as confirmed by the ILO/FSE&CC Survey. In general, the corporate tax rate is 30 per cent for all companies. However, in some specific areas identified by the Government, there exists a special corporate tax incentive. In investments such as manufacturing, mining, agribusiness, tourism and international financial services, the Minister of Finance has the prerogative to nominate a certain investing company as crucial for the development of Swaziland, and thus with Cabinet approval afford it a minimum tax rate of 10 per cent for a period of ten years on withholding taxes.³³ From the ILO/FSE&CC Survey, it seems that, no matter the age of the business, company and sales taxes are perceived as hindering business growth, especially by firms of 5 to 10 years of age. Moreover it is important to highlight that a new Capital Gains Tax is to be introduced, and that the Sales Tax will be replaced by the Value Added Tax (VAT) (as per the 2010 Budget Speech).

On the Pay As You Earn (PAYE) tax rate, results are mixed. Most employers think that it does not affect business growth very strongly, while employees' answers are more heterogeneous. The PAYE system is a method of paying income tax on remuneration. More specifically the employer deducts tax from employees' salaries on pensionable earnings before paying the net salary or pension.



³³ http://www.sipa.org.sz/index.php?option=com_content&task=view&id=25&Itemid=40

Key Indicators

P growth (per cent)

Annual percentage growth rate of Gross Domestic Product (GDP) at market prices based on constant local currency. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Source: World Bank national accounts data (World Development Indicators Online)³⁴

	2005	2006	2007	2008
Swaziland	2.21	2.87	3.51	2.40
Lesotho	0.68	8.10	5.06	3.95
Botswana	4.68	2.96	2.40	2.95
South Africa	4.97	5.32	5.10	3.06
SSA	5.61	6.20	6.23	5.07

Rate (per cent) whereas high inflation can erode the purchasing power of wages and can make enterprises unsustainable.

Labour Force Participation Rate

The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.

Source: ILO KILM³⁵

	2005	2006	2007	2008
Swaziland	67.4	66.9	66.7	66.4
Lesotho	73.0	72.8	72.3	72.2
Botswana	57.2	57.2	57.6	57.8
South Africa	55.5	55.5	55.7	55.7

³⁴ <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>

³⁵ <http://www.ilo.org/public/english/employment/strat/kilm/index.htm>

Other useful indicators

Current Account Balance (per cent GDP)	2006	2007	2008	2009	Average, 1997-2009	
Current account balance (also called 'current account surplus/deficit') is the sum of net exports of goods and services, net income, and net current transfers. It is a record of a country's transactions with the rest of the world. It shows whether a country is 'living within its means'. If a country is spending more abroad than it earns from the rest of the world then corrective action will be necessary, e.g. to maintain the value of the country's currency in relation to other countries' currency. The balance of payments is a double-entry accounting system that shows all flows of goods and services into and out of an economy. All transactions are recorded twice - once as a credit and once as a debit. In principle the net balance should be zero, but in practice the accounts often do not balance, requiring inclusion of a balancing item, net errors and omissions. Positive current account (surplus) balance is associated with positive net exports. If the current account balance is negative, it measures the portion of domestic investment financed by foreigners' savings.	Swaziland	-7.4	0.7	-4.1	-6.3	-1.6
	Lesotho	4.6	14.1	9.6	-1.5	-5.7
	Botswana	17.2	15.4	4.9	-5.1	8.0
	South Africa	-5.3	-7.2	-7.1	-4.0	-3.0
		Per cent of GDP.				
<i>Source:</i> International Monetary Fund, World Economic Outlook Database, April 2008. ³⁶						

Government Finance (per cent of GDP)	2005	2006	2007	Average, 2000-'05³⁷	
Government finance (or cash surplus/ deficit) is government revenue (including grants) minus expense, minus net acquisition of nonfinancial assets. This cash surplus or deficit is closest to the earlier overall budget balance (still missing is lending minus repayments, which are now a financing item under net acquisition of financial assets).	Swaziland	..	..	..	-3.1
When the expenditures of a government are greater than its tax revenues, it creates a deficit in the government budget. This therefore causes the government to borrow capital from the 'world market', increasing further debt. The opposite of a budget deficit is a budget surplus; in this case, tax revenues exceed government purchases and transfer payments.	Lesotho	4.07	13.27	9.19	0.2
Whether government deficits are good or bad cannot be decided without examining the specifics. If the government runs a deficit to deal with a severe recession (or depression), to spend on public investment (in infrastructure, education, basic research, or public health), the vast majority of economists would agree that the deficit is bearable, beneficial, and even necessary. If, on the other hand, the deficit finances wasteful expenditure or current consumption, most would recommend tax hikes, transfer cuts, and/or cuts in government purchases to balance the budget.	Botswana	..	..	..	1.1
	South Africa	-0.24	1.41	1.65	-1.6
		Per cent of GDP.			
<i>Source:</i> International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates (World Development Indicators CD-ROM).					

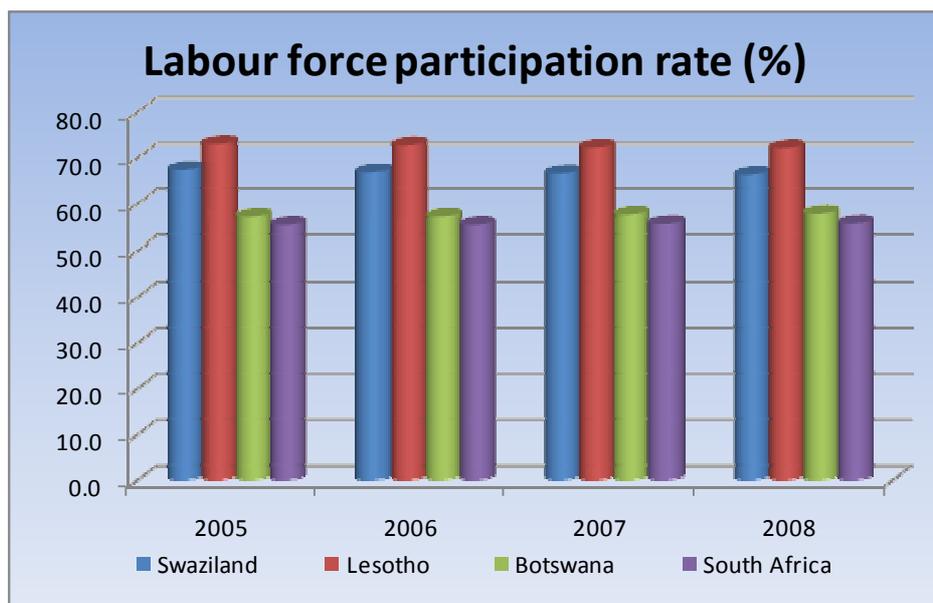
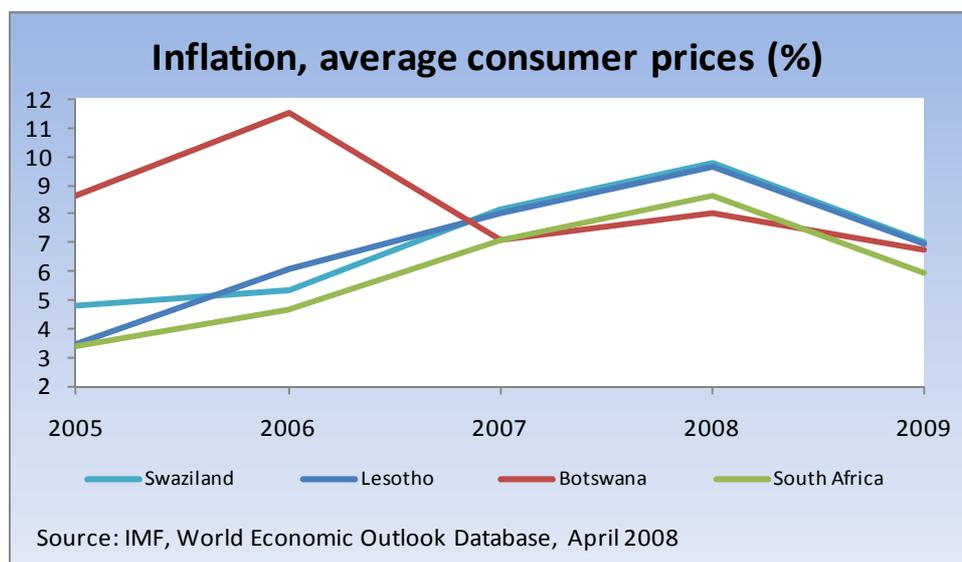
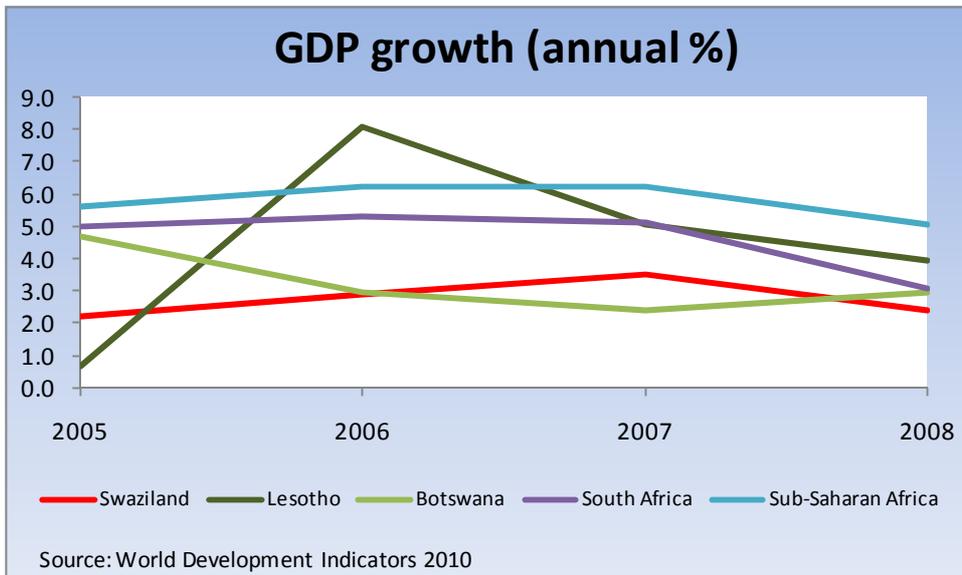
³⁶ <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx>

³⁷ African Development Bank .

Gross Capital Formation (per cent GDP)		2005	2006	2007	2008
<p>Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress."</p> <p>Gross capital formation (also called investment rate or gross domestic investment), along with foreign direct investment, is critical to economic growth and economic development. High level of gross capital formation in a period of time refers to increase in the value of inventories. High level of gross capital formation or investment is conducive to economic growth.</p> <p>Source: World Development Indicators Online³⁸</p>	Swaziland	15	14	13	17
	Lesotho	25	24	24	28
	Botswana	35	30	26	32
	South Africa	18	21	22	23
	SSA	19	20	22	23
		Per cent of GDP.			

Gross Domestic Savings (per cent GDP)		2005	2006	2007	2008	Average, 2000-2008
<p>Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices.</p> <p>A high gross domestic saving rate usually indicates a country's high potential to invest. Savings can therefore be vital to the amount of fixed capital available, which in turn can contribute to economic growth. However, increased savings do not always correspond to increased investment. If savings are not deposited into a financial intermediary like a bank there is no chance for those savings to be recycled as investment by businesses. This means that saving may increase without increasing investment, possibly causing a short-fall of demand rather than economic growth. In the short term, if savings fall below investment, it can lead to growth of aggregate demand and economic boom. In the long term if savings fall below investment it eventually reduces investment and detracts from future growth.</p> <p>Source: World Development Indicators CD-ROM.</p>	Swaziland	11.2	11.5	11.4	4.4	10.7
	Lesotho	-26.7	-22.1	-25.6	-35.3	-26.0
	Botswana	52.4	52.4	38.0	39.8	49.5
	South Africa	17.4	17.4	18.8	19.7	18.7
	SSA	15.7	16.4	17.3	17.3	16.4
		Per cent of GDP.				

³⁸ <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>



3.2 Trade and sustainable economic integration

Trade, market integration and global value chains are important to the growth of sustainable enterprises. Primarily due to its small economic size, Swaziland's trade share in GDP was 183 per cent in 2004, but it had decreased to 149 per cent in 2008. This is very high and considerably above the regional average (75 per cent in 2008). Exports in Swaziland are dominated by merchandise and include soft drink concentrates, raw sugar, chemicals, and wood pulps. Swaziland mainly imports motor vehicles, machinery, transport equipment, foodstuffs, petroleum products, and chemicals. Swaziland's main trading partner is South Africa, which accounts for over 90 per cent of its imports and to which it sends nearly two thirds of its exports. Other destination markets include EU and the United States. Swaziland is a member of the South African Customs Union (SACU) and the Common Monetary Area (CMA), which guarantee the duty-free movement of goods and mobility of capital between member states. Although Swaziland's economic policy is aimed at attracting foreign investment, the FDI inflow (per cent GDP) has fallen since 2004 and is forecast to fall as a result of the global economic downturn and Swaziland's relatively poor business environment.³⁹

More specifically, Swaziland experienced an increase in FDI inflows in 2001 and 2002 in the clothing and textile industry, the sector which received most FDI. This increase in FDI was due to Swaziland becoming a beneficiary of the African Growth and Opportunity Act (AGOA) in 2001.⁴⁰ However, the FDI increase was short lived because FDI inflows started declining in 2004, when the Agreement on Clothing and Textiles (ACT) expired, with a severe impact on the clothing and textile industry. More recently the industry has been facing difficulties due to unfavourable exchange rates and uncertainties in the availability of preferential markets in the future. This adverse situation together with a decline in the economies of trading partners as a result of the global financial crisis may to some extent explain the recent decline in FDI.⁴¹

The main issues in the promotion of FDI in Swaziland have been identified by Torres and Zapata (2005)⁴² as:

1. Market access: even though Swaziland is a member of the key regional and global market access agreements, tariff and nontariff barriers are still used with protectionist aims by neighbouring countries.
2. Labour force: the HIV AIDS epidemic affects worker productivity and increases training costs. Moreover some business people consider that there is a poor work ethic in the general workforce.

³⁹ World Bank (2008). World Trade Indicators – Benchmarking Policy and Performance, Swaziland: Trade Brief, <http://info.worldbank.org/etools/wti2008/docs/brief181.pdf>

⁴⁰ Masuku, M.B. and Dlamini, T.S.: Determinants of foreign direct investment inflows in Swaziland. *Journal of Development and Agricultural Economics* Vol. 1(5), pp. 177-184, November, 2009.

⁴¹ Winnie S. Madonsela (2006). The Textile and Clothing Industry of Swaziland in: Herbert Jauch / Rudolf Traub-Merz (Eds.) *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*. Bonn, Friedrich-Ebert-Stiftung,

⁴² Torres, C. and Zapata, R. (2005), *Technical Report Assessment of the Swaziland Investment Promotion Agency*. CARANA Corporation for Regional Center for Southern Africa, U.S. Agency for International Development.

3. Taxes: even though low income tax rates are advertised, they are not always available to investors.
4. Utilities: power and water costs are very high, and information and communications infrastructures are weak.
5. Industry linkages: few inputs are readily available locally.
6. General business conditions: poor legal framework (rule of law), cumbersome and unclear business regulations, significant Emalangeni/Rand revaluations against major world currencies (which hinder competitiveness in export markets).

Swaziland is actively pursuing further regional economic integration and trade agreements in order to increase market access for its exports. As previously mentioned, there is a discussion on the possibility that SADC becomes a customs union. The country has also initiated (together with other SADC countries) an Interim Economic Partnership Agreement with the EU for duty- and quota-free access to the EU market, and negotiations have also been concluded on a SACU-EFTA (European Free Trade Association) free trade agreement. SACU is negotiating with the US on a Trade Investment Development and Cooperation Agreement (TIDCA) and with the Latin American trading block MERCOSUR on a preferential trade agreement.⁴³ Moreover Swaziland is part of AGOA, under which it has preferential access to the US market. Its main exports to the US under AGOA consist of textiles and apparel, most of which are produced in factories owned by Taiwanese investors.⁴⁴

A major issue for Swaziland is the call for a review of the SACU revenue-distribution formula, in which the country will have to ensure that its interests are not compromised, especially considering its high dependence on SACU receipts. South Africa is the main party in favour of a review. Payments to Botswana, Lesotho, Namibia and Swaziland (BNLS) amount to 1 per cent of South Africa's GDP, and are considered as foreign aid on South Africa's part by some South African economists. However most of the transfers to BLNS represent customs duty on their imports and excise duties on their consumption of imported excisable goods.

The Doing Business indicators show that Swaziland's performance in trading across borders has slightly worsened, with the rank falling from 154 to 158 out of 183 in 2009 and 2010 Report respectively. This is probably due to the fact that the costs⁴⁵ to both import and export have increased from 2008 to 2010. In terms of documents needed to export and import, Swaziland compares well with South Africa and even better in terms of time to export and import. However the cost of exporting and importing are higher in Swaziland than in South Africa and other neighbouring countries (i.e. Lesotho and Namibia).

⁴³ IMF Country Report No. 356, Article IV Consultations, October 2008.

⁴⁴ Economist Intelligence Unit (EIU), Country Report Swaziland, April 2010.

⁴⁵ Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, customs broker fees, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

TRADING ACROSS BORDER DATA			
	<i>Doing Business</i> 2008	<i>Doing Business</i> 2009	<i>Doing Business</i> 2010
Rank	..	154	158
Cost to export (US\$ per container)	1798	2184	2184
Cost to import (US\$ per container)	1820	2249	2249
Documents to export (number)	9	9	9
Documents to import (number)	11	11	11
Time to export (days)	21	21	21
Time to import (days)	33	33	33

Source: Doing Business 2010

These results are partially confirmed by the ILO/FSE&CC Survey, where 34 and 27 per cent of employers assess the efficiency of custom authorities to process imports and exports as either poor or adequate. By analyzing the survey results more in detail and by looking at the size of firms, it can be observed that employers from micro, small and medium firms consider that custom authorities are not very efficient in processing imports and exports, while large firms find it as adequate. This result suggests that smaller firms have more difficulties in dealing with exports and imports, either because of a lack of resources within their firms to do this or because the system and procedures are more based on the needs of large firms. This might suggest that small and medium firms should be involved more closely in developing a trade facilitation strategy that takes into account the main issues of small exporters (or importers, since the reduced access to inputs is an important deterrent to growth too). With regard to import taxes, both employers and employees consider that they hinder fairly strongly business growth. Nevertheless, Swaziland's Most Favoured Nation (MFN) applied tariff is lower than the SSA and lower-middle-income country group averages: 7.8 per cent compared to 12.5 per cent and 11.4 per cent, respectively. Also, judging by the country's average MFN applied tariff, its tariff barriers are less restrictive than those of other SSA countries. Tariff protection for agricultural products is 9 per cent, while that for non-agricultural products is 7.5 per cent.⁴⁶



⁴⁶ World Bank. 2010. "Swaziland Trade Brief." *World Trade Indicators 2009/10: Country Trade Briefs*. Washington, DC: World Bank.

Key Indicators

Trade (per cent of GDP)	2005	2006	2007	2008	Average 2000-2008	
Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. It takes values between 0 and +∞.	Swaziland	182.5	171.8	158.0	149.3	179.7
Please note that the trade-to-GDP ratio refers to the sum of the imports and exports and could therefore exceed 100 per cent.	Lesotho	153.6	146.3	155.3	158.1	154.5
<u>Source:</u> World Bank national accounts data, and OECD National Accounts data files (World Development Indicators CD-ROM).	Botswana	80.2	78.9	83.2	85.0	81.9
	South Africa	55.6	62.5	66.0	73.8	59.6
	SSA	67.2	68.7	70.7	75.1	66.7

Trade share (per cent) in GDP.

Enabling Trade Index (ETI)	2007 (Report 2008)	2008 (Report 2009)	2009 (Report 2010)	
The Enabling Trade Index measures the factors, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four overall issue areas: (1) market access, (2) border administration, (3) transport and communications infrastructure and (4) the business environment.	Swaziland	..	..	..
<u>Source:</u> World Economic Forum. ⁴⁷	Lesotho	3.36	3.51	3.57
	Botswana	..	..	4.21
	South Africa	3.98	3.92	3.95

On a scale from 1 to 7, a high score in the overall ETI indicates that a country is relatively successful at enabling the free flow of trade.

FDI net inflow (per cent GDP)	2004	2005	2006	2007	2008	
Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy and is divided by GDP.	Swaziland	3.0	-1.8	4.5	1.3	0.4
<u>Source:</u> International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD (World Development Indicators CD-ROM).	Lesotho	9.6	6.7	7.4	6.3	13.4
	Botswana	4.0	2.7	4.4	4.0	0.8
	South Africa	0.3	2.7	-0.1	2.0	3.5
	SSA	1.8	2.9	2.8	3.3	3.5

FDI net inflow (per cent in GDP).

⁴⁷ <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>

Other useful indicators

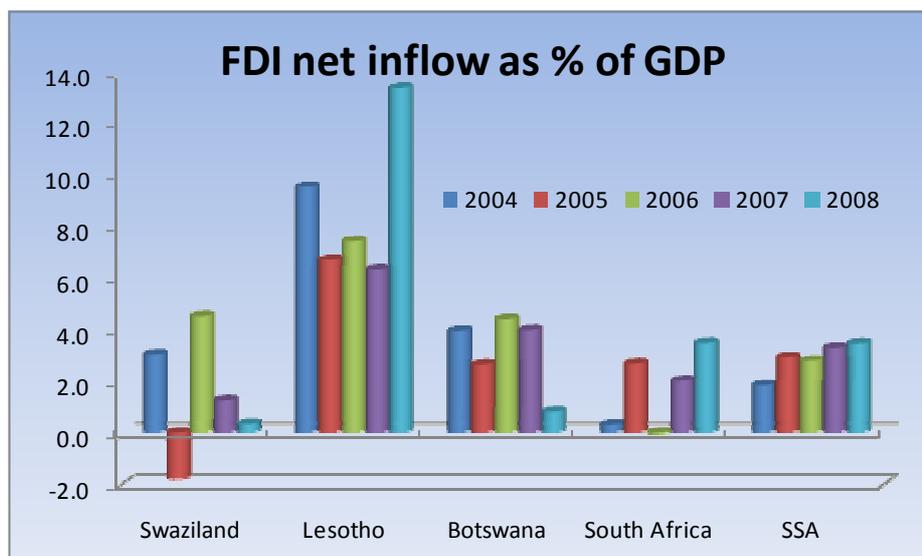
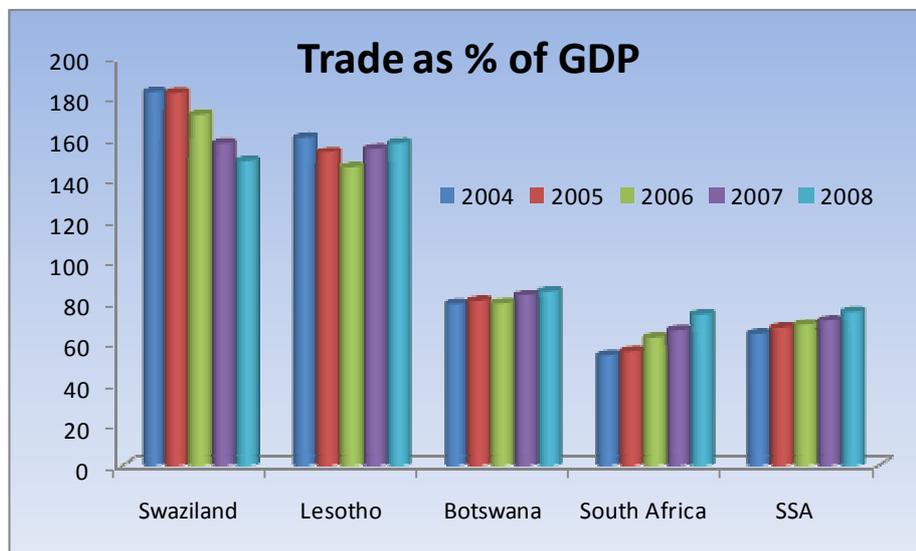
Export propensity index= Exports of goods and services (per cent GDP)

Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labour and property income (formerly called factor services) as well as transfer payments.

Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators CD-ROM).

	2004	2005	2006	2007	2008
Swaziland	90.1	89.1	84.6	78.3	68.6
Lesotho	55.9	51.1	50.0	52.7	47.3
Botswana	44.3	48.7	50.7	47.6	46.2
South Africa	26.7	27.4	29.7	31.5	35.4
SSA	31.4	32.9	33.4	34.3	36.2

It ranges from 0 (with no exports) to 100 (with all domestic production exported).



3.3 Enabling legal and regulatory environment

Poorly designed regulations and unnecessary bureaucratic burdens on business limits enterprise start-ups and can lead to informality. The length it takes to register a company in Swaziland and the incentives offered to investors compare unfavourably with other countries in the region. In the World Bank's Doing Business Report, Swaziland has moved from a ranking of 95 in 2007 to 108 in 2008 and 120 in 2009 (out of 183 countries) in the overall ranking for ease of doing business. Obstacles in the legal and regulatory environment can stifle commercial activities, hamper the growth of small firms, discourage the establishment of new businesses and dissuade entrepreneurs from formalizing their businesses. Moreover, according to the World Bank, the ability of the Government of Swaziland to provide sound policies and regulations that enable and promote private sector development is low compared to South Africa and Botswana.⁴⁸

The 2010 Doing Business Report shows that Swaziland's rank has decreased to 158 for starting a business. Overall the country does not compare well with its comparators.⁴⁹ Nevertheless, from 2008 to 2010 the cost of starting a business (as a percentage of income per capita) has decreased from 38.7 to 33.9 per cent respectively, still high compared to its regional comparators. However it is important to note that GNI per capital has increased from 2006 to 2008 (both calculated at Purchasing Power Parity and by the Atlas method, as per WDI 2010), so that the decrease in the percentage of the cost is mainly a consequence of the GNI increase and not a real decrease in the cost of starting a business (which has not changed from a comparison of the 2009 and 2010 Doing Business Report appendices). Also, the measure of the minimum capital⁵⁰ (as a percentage of income per capita) is in line with South Africa and other comparators. On the other hand, in closing a business Swaziland compares well with its comparators with a rank of 68 out of 183 in 2010. Lastly, the country seems to perform badly in protecting investors (180 out of 183); this is confirmed by a very low strength of investor protection index⁵¹ (2 out of 10).

⁴⁸ Economic Intelligence Unit (2009). Country Report Swaziland, London.

⁴⁹ Comparators are the countries selected from the Doing Business Report to make a comparison, more specifically: South Africa, Lesotho, Botswana, Namibia.

⁵⁰ The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita.

⁵¹ The strength of investor protection index is the average of the extent of disclosure index (transparency of related-party transactions), the extent of director liability index (liability for self-dealing) and the ease of shareholder suits index (shareholders' ability to sue officers and directors for misconduct). The index ranges from 0 to 10, with higher values indicating more investor protection. The data come from a survey of corporate lawyers and are based on securities regulations, company laws and court rules of evidence.

Box 1: Employing workers indicator (EWI)⁵²

In the Doing Business report Swaziland ranks 55 out of 183 in the EWI. This is far better than South Africa (102). The EWI is the average of a set of sub-indices: a difficulty of hiring index, a rigidity of hours index and a difficulty of redundancy index.

A number of concerns about the methodology for calculating the EWI and its use as a policy lever have been raised. It has been argued that:

(a) The EWI is a poor indicator of the investment climate and of labour market performance to promote employment and decent work;

(b) There are serious methodological and technical limitations with the indicator;

(c) The design of the indicator and the scoring system suggests that reducing protection to a minimum and maximizing flexibility is always the best option. The EWI does not take into account the need for balance in labour market institutions and policies to ensure that both enterprises and workers have the right combination of security and flexibility to adapt to competition while ensuring an adequate security of income and employment.

(d) International research does not provide conclusive evidence for the view that labour market regulations are the main cause of informality or that lowering labour market regulations beyond certain points will promote employment and transition to formality.

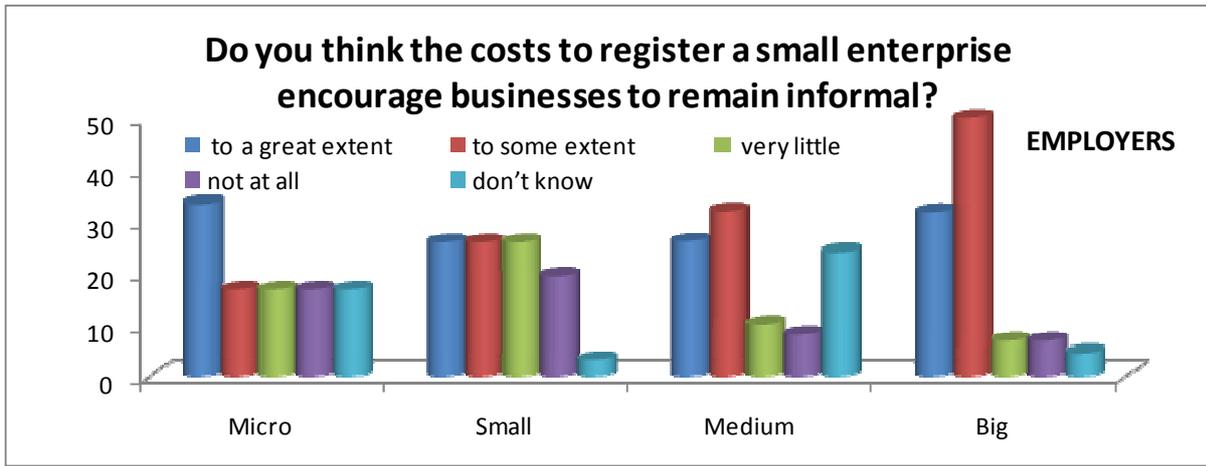
(e) While benefits can be derived by reducing the cost of red tape and unnecessary regulations to a minimum, there is a serious problem with promoting reforms of labour law based on the same cost-minimization principles.

Following critiques like these, the 2010 Doing Business report flagged changes to the methodology for calculating the EWI and guidance was issued by the IFC to the effect that the EWI was removed as a guideline to the World Bank Country Policy and Institutional Assessment questionnaire (CPIA) and is not supposed to be used as a basis for policy advice.⁵³

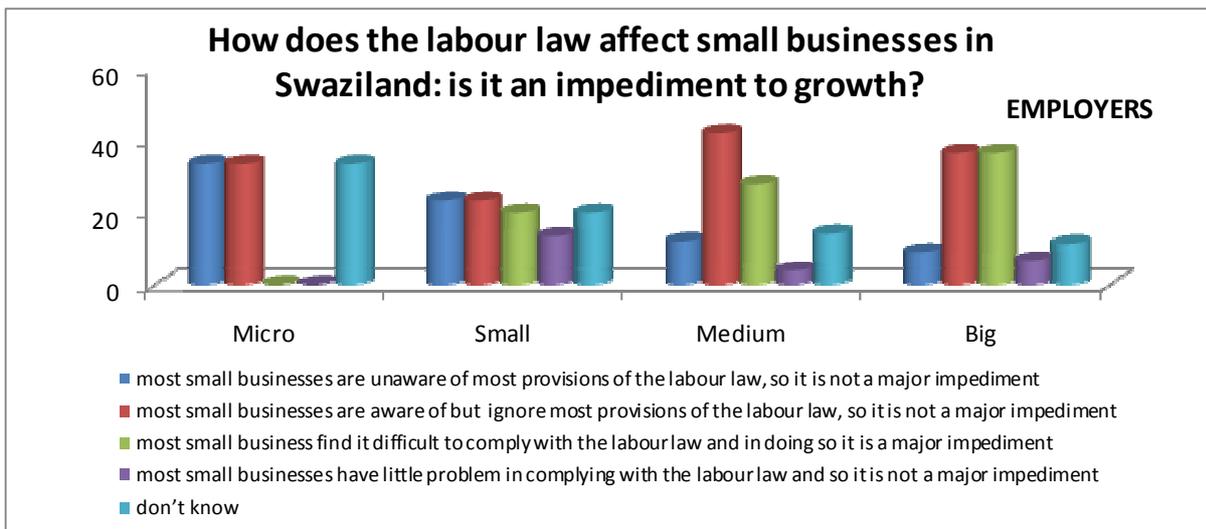
Well known difficulties in the enabling and regulatory environment are confirmed by the ILO/FSE&CC Survey. In fact, both employers and employees consider that it is sometimes a hindrance to running a small business. Employers have the same perception with regard to large business while over 40 per cent of employees consider that the regulatory environment is relatively supportive in running a large business. The cost to register a small enterprise seems to encourage business to stay informal, according to both employees and employers answers. This confirms the results of the 2006 World Bank Investment Climate Assessment (ICA), where microenterprises reported that the financial burdens associated with registration and labour regulation were serious deterrents to registering. In fact, a close look at the answers from the 2009 ILO/FSE&CC Survey, by size of firm, shows that this is confirmed for micro firms, while small firms' results lean towards the same result but are more heterogeneous. In order to improve the legal and regulatory environment, the Government has included this aim as Core Policy 1 in the 2009 Revised National Policy on the Development of Small, Micro and Medium-sized enterprises (2009 SMME). The 2009 SMME Policy also aims at inducing more registration of informal enterprises, and aims at doing so through restricting certain benefits to private registered enterprises only.

⁵² ILO, The United Nations and reform: Developments in the multilateral system. World Bank Doing Business report: The employing workers indicator. Governing Body Paper. For Debate and Guidance, Geneva, November 2007.

⁵³ <http://www.doingbusiness.org/MethodologySurveys/EmployingWorkers.aspx>



Both employers and employees believe that labour laws are generally understood and respected but this is somewhat ironic given that more than 35 per cent of employers consider that labour laws are not an impediment to growth *only* because most small businesses are aware of but choose to ignore most provisions of the labour law (some 28 per cent of them think that most small business find it difficult to comply with the labour law).



Key Indicators

Regulatory Quality Index

The ability of the government to provide sound policies and regulations that enable and promote private sector development. Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Source: World Bank, Governance Matters database.⁵⁴

	2006	2007	2008
Swaziland	-0.57	-0.66	-0.57
Lesotho	-0.55	-0.64	-0.63
Botswana	0.49	0.45	0.52
South Africa	0.55	0.42	0.63
SSA	-0.73	-0.74	-0.72

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Ease of Doing Business Rank

Ease of doing business index ranks economies from 1 to 183, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic.

Source: World Bank, Doing Business project.⁵⁵

	2007 (DB 2008 report)	2008 (DB 2009 report)	2009 (DB 2010 report) rank without "employing workers" (old rank)
Swaziland	95	108	120 (old rank 115)
Lesotho	124	123	139 (old rank 130)
Botswana	51	38	48 (old rank 45)
South Africa	35	32	37 (old rank 34)

The index ranks economies from 1 to 181, with first place being the best.

Other useful indicators

Starting a business (rank)

Starting a Business Index records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The index ranks economies from 1 to 181, with first place being the best.

Source: World Bank, Doing Business project.⁵⁶

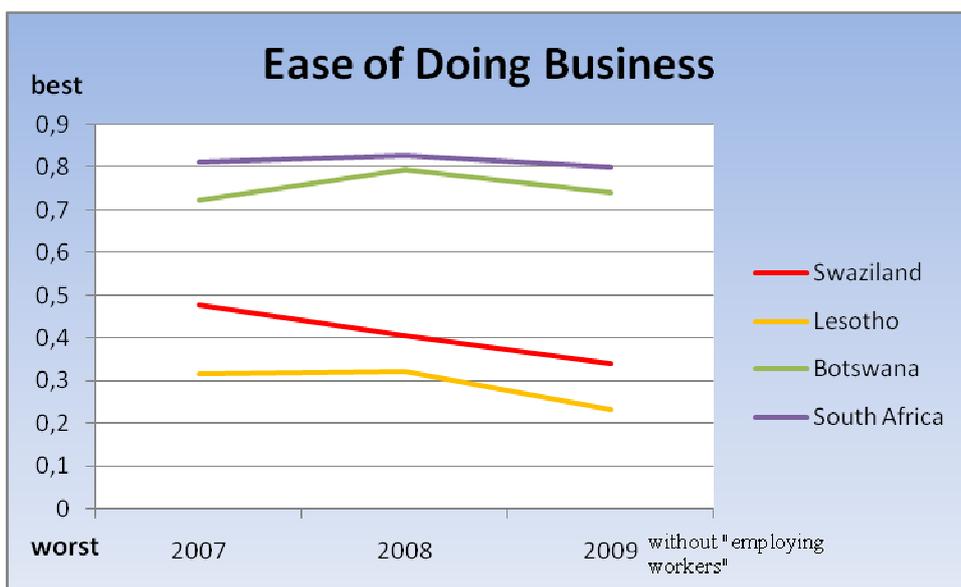
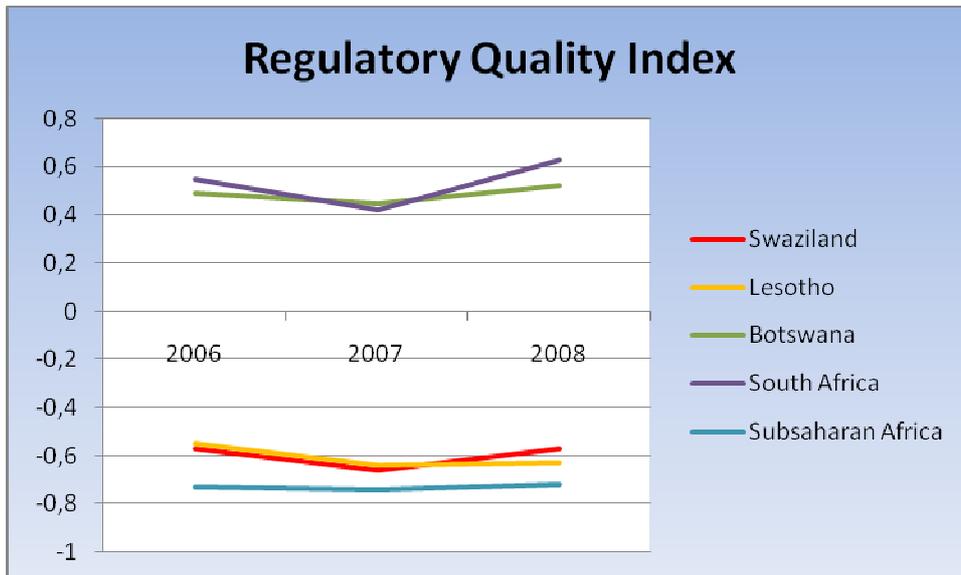
	2007 (DB 2008 report)	2008 (DB 2009 report)	2009 (DB 2010 report)
Swaziland	142	153	158
Lesotho	126	125	131
Botswana	99	80	83
South Africa	53	47	67

The index ranks economies from 1 to 181, with first place being the best.

⁵⁴ <http://info.worldbank.org/governance/wgi/index.asp>

⁵⁵ <http://www.doingbusiness.org/EconomyRankings/>

⁵⁶ Ibid.



3.4 Rule of law and secure property rights

The extent to which the business community has confidence in the rules of society, including the quality of contract enforcement and property rights, affects their readiness to make long-term investments. Swaziland operates a dual court system comprising traditional courts, in which presiding chiefs apply customary law, and a Roman-Dutch system of magistrate courts, a High Court, and a Court of Appeals. The judiciary generally is impartial and independent. However, according to the World Bank, Swaziland's ability to ensure rule of law is low compared to South Africa, Lesotho and Botswana, although the situation slightly improved in 2008. Likewise, secure property rights provide a necessary basis for the long-term success of enterprises.

According to the 2010 Doing Business Report, Swaziland's rank for registering property remains low compared to its neighbours (158 over 183). In fact, in order to register property in the country, 11 procedures are necessary (compared to 6 in South Africa and Lesotho) and it takes 46 days to complete registration (more than in the other SACU countries except for Lesotho). However the cost of registration (7 per cent of the property value) is in line with the comparators. Also enforcement of contracts seems to be

difficult: it takes 972 days to enforce a contract, well above the average among the neighbours, so that Swaziland ranks 130 over 183. This confirms why the results of the ILO/FSE&CC Survey indicate that more than 30 per cent of employers consider that commercial law for settling commercial disputes (such as breach of contract) is sometimes inefficient and subject to manipulation. Also, 40 per cent of employers in the sample judge the capacity of the police to protect businesses from criminal behaviour as low. However with regard to the physical property rights (PPR), 41 and 47 per cent of employers and employees respectively consider that they are clearly defined and well protected by law.

The Heritage Foundation states that protection of patents, trademarks, and copyrights is inadequate in Swaziland. The Government has acceded to the World Trade Organization (WTO)'s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement but has not signed the World Intellectual Property Organization's Internet agreement yet.⁵⁷ Swaziland is a member of the World Intellectual Property Organization (WIPO) and the African Regional Industrial Property Organization (ARIPO). Its intellectual property legislation was reviewed by the WTO TRIPS Council in November 2001. General responsibility for IPR issues is under the Registrar-General's Department in the Ministry of Justice. Other institutions responsible for intellectual property matters are: the Customs and Excise Department (Ministry of Finance), for matters related to border measures; and courts of law, for enforcement issues.

⁵⁷ Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London; Freedomhouse (2007). Country Report – Swaziland; The Heritage Foundation, 2009 Index of Economic Freedom – Swaziland <http://www.heritage.org/Index/country/Swaziland>

Box 2: Land Tenure in Swaziland

There are two main types of land tenure in Swaziland: freehold or Title Deed Land (TDL) and Swazi Nation Land (SNL). The latter can be subdivided into: land held under customary tenure, which may not be sold, mortgaged or leased and is under the control of the chiefs and land which is leased, or held in trust by private companies controlled by the monarch.⁵⁸ TDL amounts to about 25 per cent of total land SNL is about 74 per cent (the rest of the land belongs to Crown Land or Water Reservoirs). Of the combined total of SNL, approximately 75 per cent is controlled by chiefs.⁵⁹ The Swaziland Poverty Reduction Strategy and Action Plan (PRSAP) 2007 addresses the Land Tenure issue. The PRSAP considers that this land tenure system is the cause of numerous problems. For instance, communal ownership reduces the incentive to invest in the land, so that users do not safeguard nor conserve the quality of the land, with the result that overgrazing and deforestation are practiced indiscriminately. Another issue is that land cannot be used as collateral or traded. Last but not least, there is discrimination against women and unmarried youth in rightfully accessing SNL (as mentioned in the section on social justice and inclusion).

The Government prepared a draft National Land Policy (NLP) in 2000 to address the problems faced by the nation regarding access to SNL. This also sought to reverse the culture of subsistence agricultural production and give security of tenure to residents. However the NLP is awaiting approval (as per the Environmental Centre of Swaziland).⁶⁰ The NLP highlights that land access, clearly defined property rights, and secure land tenure are fundamental vehicles towards improved productivity and human development. Furthermore, the NLP seeks to empower women to have a right of ownership to land. In this regard, Section 19 of the Constitution (equality before the law) advocates that a person has a right to own property either alone or in association with others and shall not be deprived of property or any interest or right over property. Nevertheless, the rights conferred by the Constitution to access land are for normal domestic purpose use, so that the Constitution does not mention protection of land rights for commercial purposes. This deters investment and thus entrepreneurship.

The SNL is administered by Chiefs, who, on behalf of the King, allocate land to families, groups and for development. Traditionally, every family has a right to be allocated a piece of land from the SNL, to build a home and grow food to feed their families. As per the tradition, unmarried persons could not be allocated land in their own right and women would get land only through a male relative and they could not inherit the land from their parents or husbands. The Constitution in Section 211 confers the right to access land to every Swazi citizen regardless of gender. However, in order to be effective this provision will have to be accompanied by the promulgation of appropriate legislation and a civil education exercise in order to change the attitude of men and traditional leaders.⁶¹

With regard to TDL, it is accessible to all persons; however it is very costly so that the poor cannot afford to buy it. This is the cause of the emergence of crowded and unplanned peri-urban areas on the SNL in the periphery of the major cities. The PRSAP calls on the Government to implement the Land Use Policy and formalize the leasing of SNL and Concessional Land for more productive purposes. An additional issue is the fact that land endowments are not equal: Lubombo and the Lowveld ecological zones are drier and more prone to rain failure compared to Highveld and Middleveld. Water is in short supply in Swaziland, leading to high dependence on rain fed agriculture. In July 2004, a National Water Authority was launched to improve the management of water resources in the country. However, preference for water rights is given to large plantations such as sugar cane. As a result, even where land is available, because of the shortage of water, people in the Lowveld and Lubombo are susceptible to poor yields, hunger and a number of waterborne diseases associated with lack of irrigation and safe drinking water.

The 2007 PRSAP stresses the importance of improving access to land resources and highlights the following strategies: approve and implement the National Land Policy and the Land Use Plan; promulgate laws (in accordance with the Constitution) that facilitate and ensure the right for all citizens to have equal access to land; extend water rights to smallholder farmers for agricultural purposes; approve and implement the National Land Policy and the Land Use Plan; legislate against the sale of Swazi Nation Land; and formalize the leasing of unused government farms and SNL. Also the 2009 SMME Policy calls for removing barriers to access to land for the purposes of stimulating businesses in rural areas.

Penalties for infringement of IPR legislation vary between a fine of E 2,000 and/or imprisonment for six months under the Trademarks Act to a maximum fine of E 10,000 and/or five years' imprisonment under the Patents, Utility Models and Designs Act. Civil

⁵⁸ Adams, M., Sibanda, S. and Turner, S., Land Tenure Reform And Rural Livelihoods In Southern Africa, Natural Resource Perspectives, Overseas Development Institute, Number 39, February 1999.

⁵⁹ http://www.ecs.co.sz/seap/projects_seap_chapter33.htm

⁶⁰ <http://www.ecs.co.sz/>

⁶¹ The Swaziland Poverty Reduction Strategy and Action Plan (PRSAP) 2007.

suits for damages may also be brought. The legislation allows for appeal procedures at the High Court. According to the WTO, Swaziland faces a severe problem of piracy in audio and audiovisual cassettes, CDs, and DVDs. According to the 2009 WTO report, Swaziland requires technical assistance on IPR issues, including for training of officials and for amendment of its legal framework.

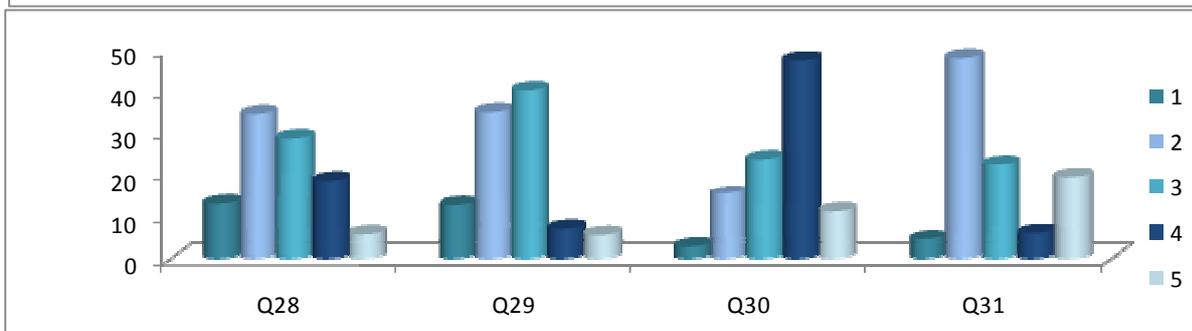
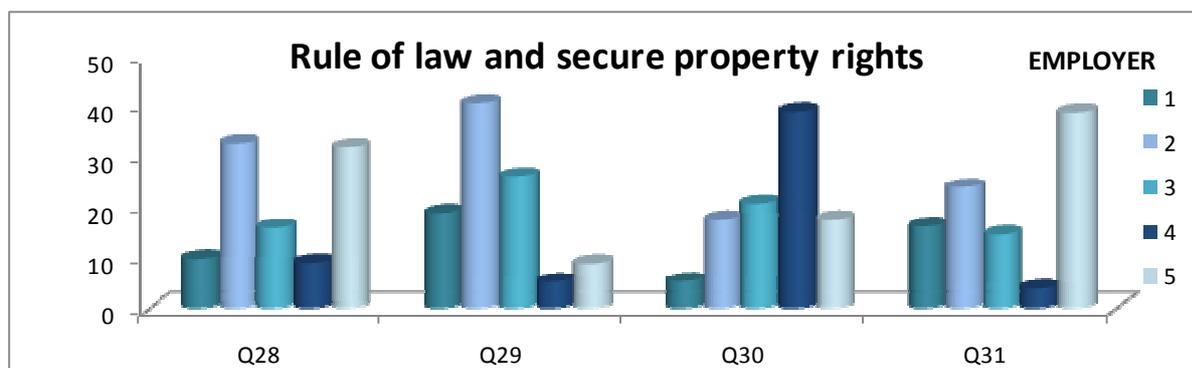
More specifically the WTO indicates that there is no legislation relating to:

- geographical indications, layout-designs (topographies) of integrated circuits or the protection of undisclosed information in Swaziland;
- the protection of new varieties of plants, pharmaceutical or chemical products;
- compulsory licensing in respect of industrial designs.

Concerning copyright, the Copyright Act 1912 covers literary, dramatic, and artistic works, performances, and sound recordings first published in any part of the Commonwealth. However, the legislation does not comply either with Article 9 of the TRIPS Agreement (protection of the exclusive rights of authors in relation to their literary and artistic works) or with the Berne or Rome Conventions.⁶² Also, no provisions exist for royalties to be paid to musicians, authors or performers. A new Copyright Bill, based on the World Intellectual Property Organization (WIPO) model, addresses the administration of copyright and neighbouring rights, audiovisual works, expression of folklore, and computer programmes. It will establish a Copyright Society, which will be responsible for the promotion of the interests of authors, artists, and performers, and a Copyright Administrator's office in the Registrar-General's office.⁶³

⁶² The Berne Convention for the Protection of Literary and Artistic Works is an [international agreement](#) governing [copyright](#). The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations extended [copyright](#) protection from the author of a work to the creators and owners of particular, physical manifestations of intellectual property (like [DVDs](#)).

⁶³ http://www.wto.org/english/tratop_e/tpr_e/tp322_e.htm



Q28) How well is commercial law implemented for settling commercial disputes such as breach of contract? (1) inefficient and subject to manipulation (2) **sometimes inefficient and subject to manipulation** (3) usually efficient and rarely subject to manipulation (4) always efficient and follows a clear, neutral process (5) **don't know**

Q29) How would you assess the capacity of the police to protect businesses from criminal behaviour (e.g. theft)? (1) very low (2) **low** (3) high (4) very high (5) don't know

Q30) To what extent are physical property rights defined and protected?
 (1) nonexistent (2) are poorly defined and not well protected by law (3) well defined but not well protected by law (4) **are clearly defined and well protected by law** (5) don't know

Q31) To what extent are Intellectual property rights defined and protected?
 (1) nonexistent (2) are poorly defined and not well protected by law (3) well defined but not well protected by law (4) are clearly defined and well protected by law (5) **don't know**

With regard to IPR, it is interesting to note from the ILO/FSE&CC Survey that 39 per cent of employers could not answer the question: to what extent are IPR defined and protected? This clearly indicates that there is little interest, awareness and use of IPR laws in the country, an indication that innovation and research and development are probably not an important characteristic of Swazi enterprises and that the private sector tends to adopt existing technologies rather than invent new ones. The 2009 SMME Policy also aims at training and sensitizing SMME on IPR.

Key Indicators

Rule of law Index

The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police, and the courts, as well as the likelihood of crime and violence.

Source: World Bank, Governance Matters database.⁶⁴

	2006	2007	2008
Swaziland	-0.67	-0.71	-0.50
Lesotho	-0.26	-0.38	-0.30
Botswana	0.62	0.66	0.64
South Africa	0.24	0.13	0.12
SSA	-0.74	-0.75	-0.75

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

⁶⁴ <http://info.worldbank.org/governance/wgi/index.asp>

Other useful indicators

Property rights

The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Property rights in your country, including over financial assets, are 1= poorly defined and not protected by law, 7=clearly defined and well protected by law".

Source: World Economic Forum, The Global Competitiveness Report.

	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Swaziland	..	..	..
Lesotho	3.0	3.4	3.9
Botswana	4.9	5.2	5.3
South Africa	5.8	6.0	5.9
World (mean)	4.7	4.7	4.5

1= poorly defined and not protected by law, 7=clearly defined and well protected by law.

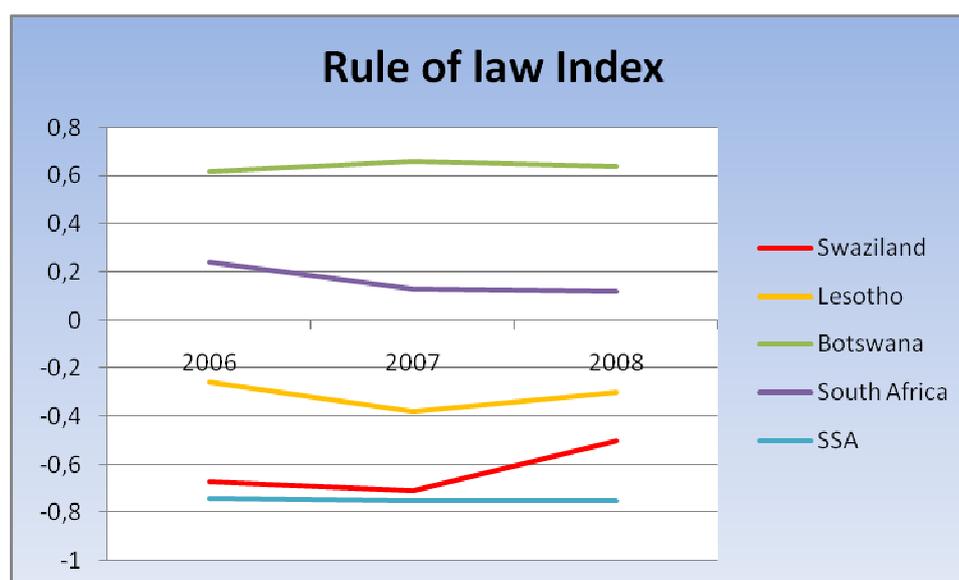
Intellectual property protection

The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Intellectual property protection and anti-counterfeiting measures in your country are 1= weak and not enforced, 7=strong and enforced"

Source: World Economic Forum, The Global Competitiveness Report.

	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Swaziland	..	..	..
Lesotho	2.5	3.2	3.4
Botswana	3.1	3.3	3.9
South Africa	5.2	5.3	5.2
World (mean)	3.8	3.8	3.8

1= weak and not enforced, 7=strong and enforced



3.5 Fair competition

Fair competition in the marketplace is likely to produce a range of efficiencies in the provision of goods and services in terms of lower costs, reduced price distortions and wider

consumer choice. Swaziland enacted the Competition Act No. 8 of 2007 with the aim of encouraging competition in the economy. The Competition Bill aims to:⁶⁵

- Encourage competition in the economy by controlling anti-competitive trade practices, mergers and acquisitions, monopolies and concentration of economic power and unfair trade practices; promote economic development and growth and protect consumer welfare;
- Provide an appropriate institutional and operational mechanism for its administration, including the Fair Trading Act and;
- Provide for the establishment of a Competition Commission.

However the Commission for the implementation of the Competition Act is still relatively young, so there is a need to enhance its full functioning. The Government is currently receiving Technical Assistance from international organizations, with the aim to enhance the human and institutional capabilities of the Swaziland Competition Commission and raise awareness amongst stakeholders.

Moreover, Swaziland is a member of the Common Market for Eastern and Southern Africa (COMESA). COMESA recently launched a regional Competition Commission to promote fair competition within the common market across its member states. The commission is tasked with the enforcement of even-handed trade practices and the eradication of abuse of dominance and cartel behaviour by certain firms in the common market.⁶⁶

Price controls in Swaziland are imposed under the Price Control Order of 1973. This has the aim to fix maximum prices for both goods and services. The Minister of Agriculture may fix maximum and minimum wholesale and retail prices for any animal or animal product sold in Swaziland. Currently, price controls are applied to bread, sugar, dairy products, gasoline, and postal and telecommunication services.⁶⁷

With regard to the treatment of investors, the Swaziland Investment Promotion Authority is the national investment agency responsible for attracting inward investment. Swaziland has in fact a number of incentives available equally to local and foreign investors. There are no formal policies or practices that discriminate against foreign investment, and companies can be 100 per cent foreign-owned. However, foreign investors are required to use domestic labour whenever possible and the process for obtaining residence and work permits can be burdensome. Even though the Constitution impedes foreign ownership of land, a release is offered within the Constitution in projects where land is a factor in the investment. Thus, new investors may still acquire title to land for industrial, agricultural, and other economic activities. Alternatively, foreign investors may enter into a partnership with a local entity or individual. However, the WTO assessed the

⁶⁵ 2010 Investment Climate Statement – Swaziland. Bureau of Economic, Energy and Business Affairs. The Investment Climate Statements provide a thorough description of the overseas environments in which U.S. investors must operate. (<http://www.state.gov/e/eeb/rls/othr/ics/2010/138147.htm>)

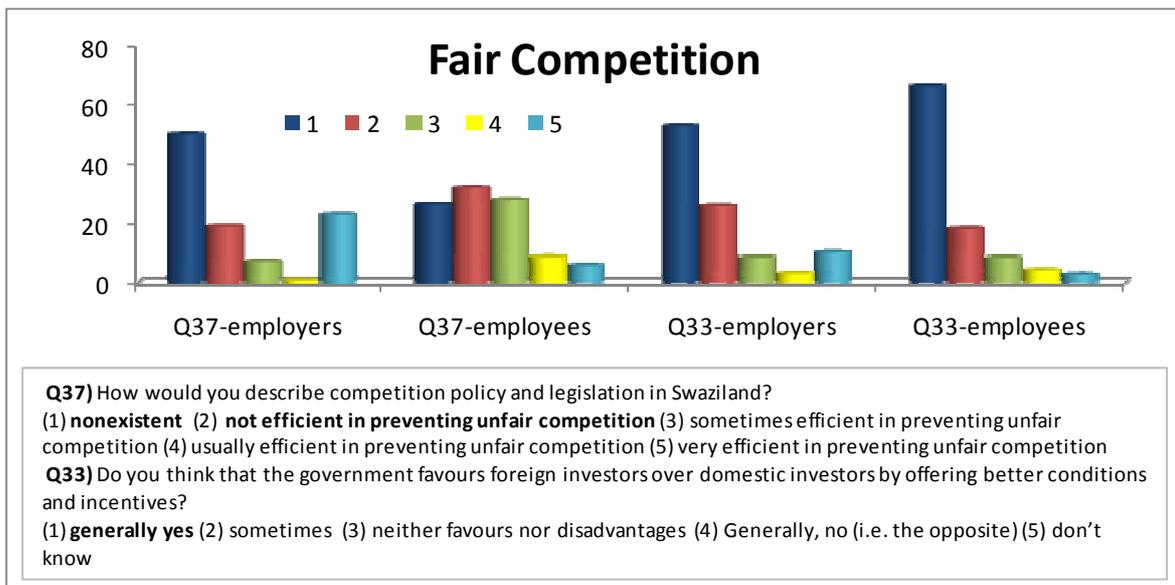
⁶⁶ South Africa: The Effect of the Launch of COMESA's Regional Competition Commission in Africa and Beyond, 20 May 2009 <http://www.mondaq.com/article.asp?articleid=79364>

⁶⁷ http://www.wto.org/english/tratop_e/tpr_e/tp322_e.htm.

investment regime as lacking important legislative underpinning and institutional capacity for implementation.

The results of the ILO/FSE&CC Survey indicate that employers consider competition policy to be very weak and in need of development to create level playing fields for business. There appears to be considerable scope for improvement in competition policy. In fact, even though in 2008 a Competition Bill was passed, the Commission for the implementation of the Act is still not fully functioning.⁶⁸

Even though formally there are no special policies that discriminate against domestic investors, 53 per cent of employers in the sample believe that generally the Government favours foreign investors over domestic investors by offering better conditions and incentives. For instance, the 2010 US Investment Climate Statement⁶⁹ for Swaziland indicates that the Government provides investment incentives to foreign investors such as repatriation of profits, provision of factory shells at competitive rates, and exemption from duty on raw materials for the manufacture of goods to be exported outside SACU. However, in principle, all investors have access to financial incentives, such as tax allowances and deductions for new enterprises, including a 10-year exemption from withholding tax on dividends and a low corporate tax of 10 per cent for approved investment projects. New investors also enjoy duty-free import of machinery and equipment.⁷⁰



⁶⁸ [2010 Investment Climate Statement – Swaziland. Bureau of Economic, Energy and Business Affairs. \(http://www.state.gov/e/eeb/rls/othr/ics/2010/138147.htm \)](http://www.state.gov/e/eeb/rls/othr/ics/2010/138147.htm)

⁶⁹ <http://www.state.gov/e/eeb/rls/othr/ics/2010/138147.htm>

⁷⁰ Ibid.

Key Indicators

Total Business Density (per cent)

Total business density is calculated as the number of total registered companies as a percentage of the active working age population in that year.

Source: World Bank Group Entrepreneurship Survey (WBGES).⁷¹

	2003	2005	2007
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	18.59	19.34	..

Number of total registered companies as a percentage of the active working age population.

Other useful indicators

Intensity of local competition index

Intensity of local competition index is based on survey data drawn from the following question: "Competition in the local markets is (1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership)".

Source: World Economic Forum Executive Opinion Survey⁷², The Global Competitiveness Report.

	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Swaziland	..	..	..
Lesotho	3.8	4.0	4.3
Botswana	4.7	4.8	4.6
South Africa	5.1	5.1	5.0
World (mean)	4.8	4.9	4.9

1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership

Effectiveness of anti-monopoly policies

Effectiveness of anti-monopoly policy index is based on annual survey data. The respondents were asked to rate the effectiveness of anti-monopoly policy in their country: "Anti-monopoly policy in your country is (1=lax and not effective at promoting competition, 7=effective and promotes competition)".

Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Swaziland	..	..	..
Lesotho	2.8	3.2	3.5
Botswana	3.1	3.3	3.7
South Africa	5.4	5.5	5.3
World (mean)	4.0	4.0	4.0

1=lax and not effective at promoting competition, 7=effective and promotes competition

Extent of market dominance

Extent of market dominance index is based on annual survey data. The respondents were asked to rate the corporate activity in their country: "Corporate activity in your country is (1=dominated by a few business groups, 7=spread among many firms)".

Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Swaziland	..	..	..
Lesotho	2.5	3.6	3.6
Botswana	2.9	3.2	3.4
South Africa	4.4	4.6	4.3
World (mean)	3.9	3.9	3.9

1=dominated by a few business groups, 7=spread among many firms

⁷¹ <http://rru.worldbank.org/businessplanet/default.aspx?pid=8>

⁷² <http://www.insead.edu/v1/gitr/wef/main/analysis/showdatatable.cfm?vno=1.37>

3.6 Information and communication technologies

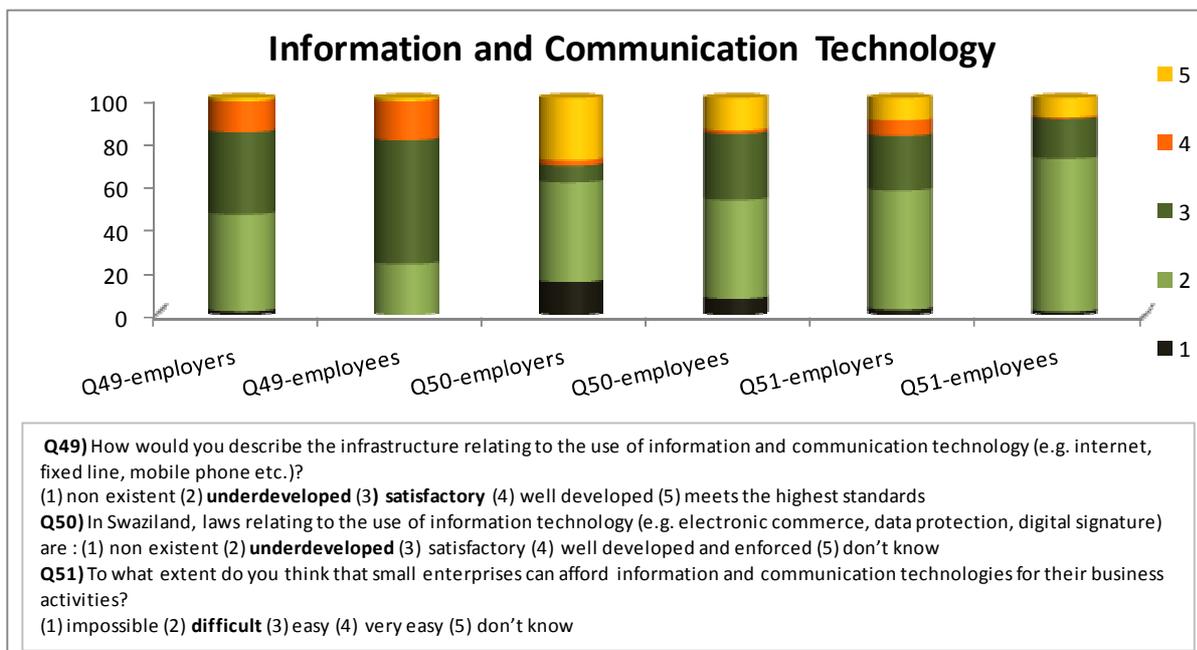
The continuing shift towards knowledge-based economies and the accelerated growth in the technological sphere has led to increased pressures on enterprises to upgrade their production technologies and adopt ICT innovations to enhance their competitiveness. According to the International Telecommunication Union, Swaziland's development in information and communication technologies is high compared to the Sub-Saharan Africa average and has grown steadily since 2002. The Economic Intelligence Unit reports that the fixed-line telephone network operated by the public enterprise, Swaziland Posts and Telecommunications Corporation (SPTC), is poor by South African standards, although the mobile-phone network that started in late 1998 has grown more rapidly than expected. There are seven Internet service providers (ISPs), each of which is connected to servers in South Africa. The number of regular internet users has grown rapidly. Moreover, SPTC has recently introduced a broadband service, purchasing bandwidth from the South African utility, Telkom.

Even though Swaziland's development in ICT is growing, almost 50 per cent of employers consider the infrastructure relating to the use of ICT underdeveloped, in contrast to the 60 per cent of employees who consider such infrastructure as satisfactory. Half of employers in the sample also consider that laws relating to the use of information technology are underdeveloped, in line with employees' opinion. Employers and employees seem to strongly agree that small enterprises find it difficult to afford ICTs for their business activities. These concerns are of great relevance since the Swazi private sector needs to increase the competitiveness of SMEs, and access to ICTs is a crucial element in this regard.

In fact, Ducker and Payne (2010)⁷³ explain that the expansion of communication networks and reductions in computer equipment costs are important tools for enterprises in developing countries to access information and become more competitive. They observe that, in order to become competitive, enterprises use ICT in three ways: 1) learning about and linking with markets; 2) upgrading and increasing productivity; and 3) creating horizontal and vertical linkages with suppliers and other enterprises in their sectors.⁷⁴ This is even more important in a small landlocked country like Swaziland, which has limited access to big markets. Moreover, the affordability of ICT for small firms introduces another issue: access to credit.

⁷³ Ducker, M. and Payne, P. (2010), *Information Communication Technology As A Catalyst To Enterprise Competitiveness*, Research Report, USAID.

⁷⁴ Ibid.



Key Indicators

ICT Development Index (IDI)

IDI compares developments in information and communication technologies (ICT) in 154 countries over a five-year period from 2002 to 2007. The Index combines 11 indicators into a single measure that can be used as a benchmarking tool globally, regionally and at the country level. These are related to ICT access, use and skills, such as households with a computer the number of Internet users; and literacy levels.

Source: International Telecommunication Union.⁷⁵

	2002	2007
Swaziland	1.32	1.73
Lesotho	1.15	1.48
Botswana	1.70	2.10
South Africa	2.11	2.70
SSA	0.16	0.18

Scale from 1 to 10, with lower scores reflecting lower development levels.

Other useful indicators

Internet users (per 100)

The Internet is a linked global network of computers in which users at one computer get information from other computers in the network. Internet users are people with access to the worldwide network. The total number of Internet users is divided by the population and multiplied by 100.

Source: International Telecommunication Union.⁷⁶

	2006	2007	2008
Swaziland	3.70	4.10	4.13
Lesotho	2.98	3.45	3.58
Botswana	4.29	5.28	4.16
South Africa	7.61	8.07	8.43
SSA	3.30	4.36	..

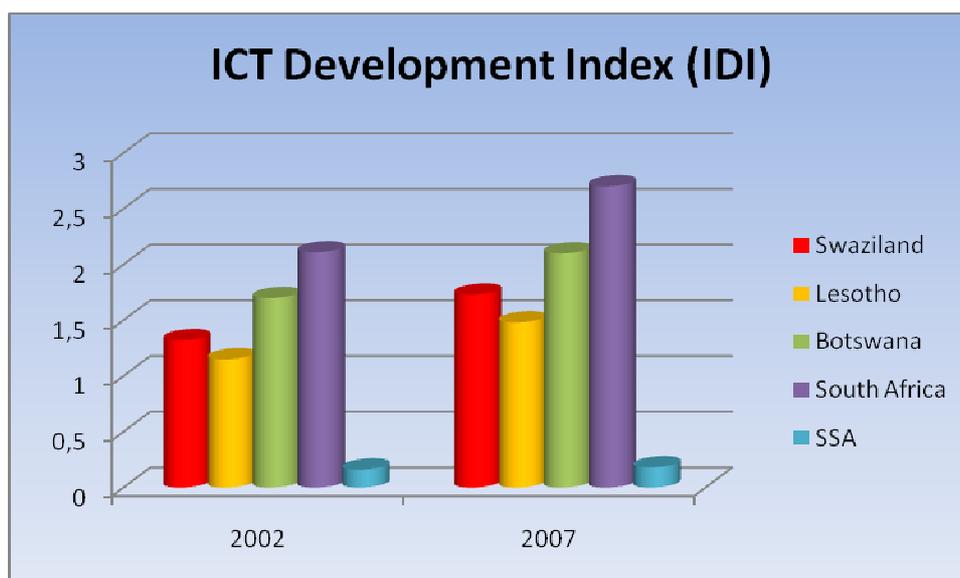
Number of users per 100 people.

⁷⁵ http://www.itu.int/ITU-D/ict/publications/idi/2009/material/IDI2009_w5.pdf

⁷⁶ <http://www.itu.int/ITU-D/ict/eye/Indicators/Indicators.aspx>

Fixed line and mobile phone subscribers (per 100 people)	2004	2005	2006
Fixed lines are telephone mainlines connecting a customer's equipment to the public switched telephone network. Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network.			
Swaziland	16.92	20.78	25.83
Lesotho	11.88	15.03	..
Botswana	38.58	52.02	60.10
South Africa	55.43	82.51	..
SSA	8.8	13.5	14.5
Number of subscribers per 100 people.			

Broadband subscribers (per 100 people)	2006	2007	2008
Broadband subscribers are the total number of broadband subscribers with a digital subscriber line, cable modem, or other high-speed technologies.			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	0.10	0.19	0.19
South Africa	0.69	0.77	0.77
Africa	0.15	0.21	0.26
Number of subscribers per 100 people.			

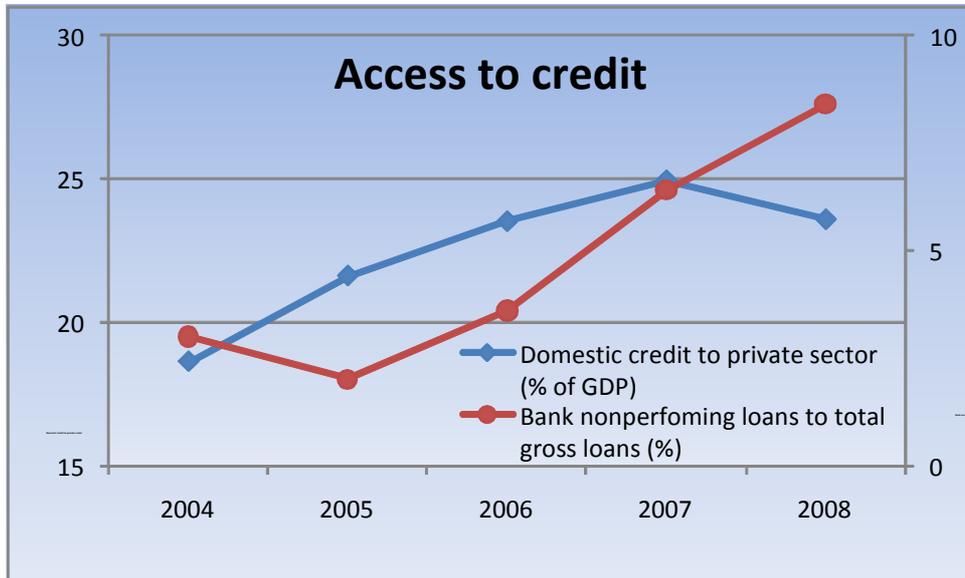


3.7 Access to financial services

Whether to create a new business or to expand an existing one, entrepreneurs of all sizes and types need financial resources to stay competitive and to grow. In Swaziland, credit to the private sector as a percentage of GDP has increased from 18 per cent in 2004 to 25 per cent in 2007, dipping to 24 per cent in 2008. This decline is probably related, among other things, to an increase in the percentage of bank non-performing loans to total

⁷⁷ <http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx#>

gross loans⁷⁸ from 3 to 8 per cent in 2004 and 2008 respectively. Even though in terms of credit to the private sector the country performs better than Lesotho and Botswana, it still remains below the average for Sub-Saharan countries. Moreover, access to financing is limited in Swaziland. The IMF reports that the commercial banking system has concentrated on export financing to the detriment of other types of financing.



The export incentives available to exporters and offered by the Government through the Trade Promotion Unit (within the Ministry of Foreign Affairs and Trade) include:⁷⁹

- Hiring, construction and furnishing of pavilions and exhibitions at Trade Fairs;
- Encouraging exporters to participate in Trade Fairs;
- Advertising exporters business abroad through overseas import houses and Foreign Missions; and
- Paying for the processing of Export documents (Certificates of origin) prepared by exporters.

In the early 1990s, the Government (with the Central Bank of Swaziland) set up the Export Credit Guarantee (ECG) and the Small Scale Enterprise (SSE) Loan Guarantee Schemes.⁸⁰ These schemes focus on two main categories of borrowers, namely: small-scale entrepreneurs and small and medium scale exporters. The schemes are aimed to:⁸¹

⁷⁸ Bank nonperforming loans to total gross loans are the value of nonperforming loans divided by the total value of the loan portfolio (including nonperforming loans before the deduction of specific loan loss provisions). The loan amount recorded as nonperforming should be the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue. (International Monetary Fund).

⁷⁹ <http://www.sadc.int/tifi/tax/browse/chapter/3/country/swaziland>

⁸⁰ Budget Speech 2004. <http://www.gov.sz/home.asp?pid=4048>

⁸¹ <http://www.sadc.int/tifi/tax/browse/chapter/3/country/swaziland>

- Encourage local development finance institutions as well as commercial banks to increase lending to small-scale enterprises in Swaziland by reducing the financial risk to be taken by these institutions.
- Make better use of surplus liquidity available at banks for specific development purposes.
- To stimulate efficient localisation of small-scale business especially in small-scale industry, commerce and services by providing adequate capital to take over existing shops and workshops or to establish new ones.
- The Central Bank of Swaziland extends guarantees for eligible projects undertaken by small-scale businesses. The Guarantee is designed to cover shortage or lack of other acceptable collateral for credit to SSEs.

More specifically, the Export Credit Guarantee Scheme (ECGS) was created with financing through the Ministry of Commerce, Industry and Trade with the aim to enable:⁸²

- Exporters to meet their working capital requirements;
- Exporters who do not have enough collateral security to obtain financial assistance;
- Small exporters operating from Swaziland to obtain finance from commercial banks at concessionary interest rates;
- Exporters to keep reasonable stock levels so they can respond promptly to incoming queries or export orders; and
- Swazi exporters to extend easier credit terms, of up to 180 days, to importers without adversely affecting the exporter's cash flow position.

The IMF also states that the financial sector has become more vulnerable as a result of inadequate regulation. The depth of financial markets is further limited by lack of access to collateral for many borrowers. In fact, about 60 per cent of the land is held in public trust and cannot be used by farmers, for example, to secure loans to invest in increasing agricultural yields.⁸³ Moreover, since Swaziland's financial markets are still emerging, a variety of credit instruments have yet to be developed.

The results of the ILO/FSE&CC Survey reflect the difficulties encountered by small firms in getting access to credit. In fact, employers and employees in the sample agree that it is difficult to obtain a bank loan without collateral even with a good business plan and that it is extremely difficult to access venture capital for innovative but risky projects. Moreover most respondents both among employers and employees consider that it is much more difficult for owners of small businesses to get credit, compared to large firms. With the objective of improving access to finance, the 2009 SMME Policy aims at implementing the following actions:

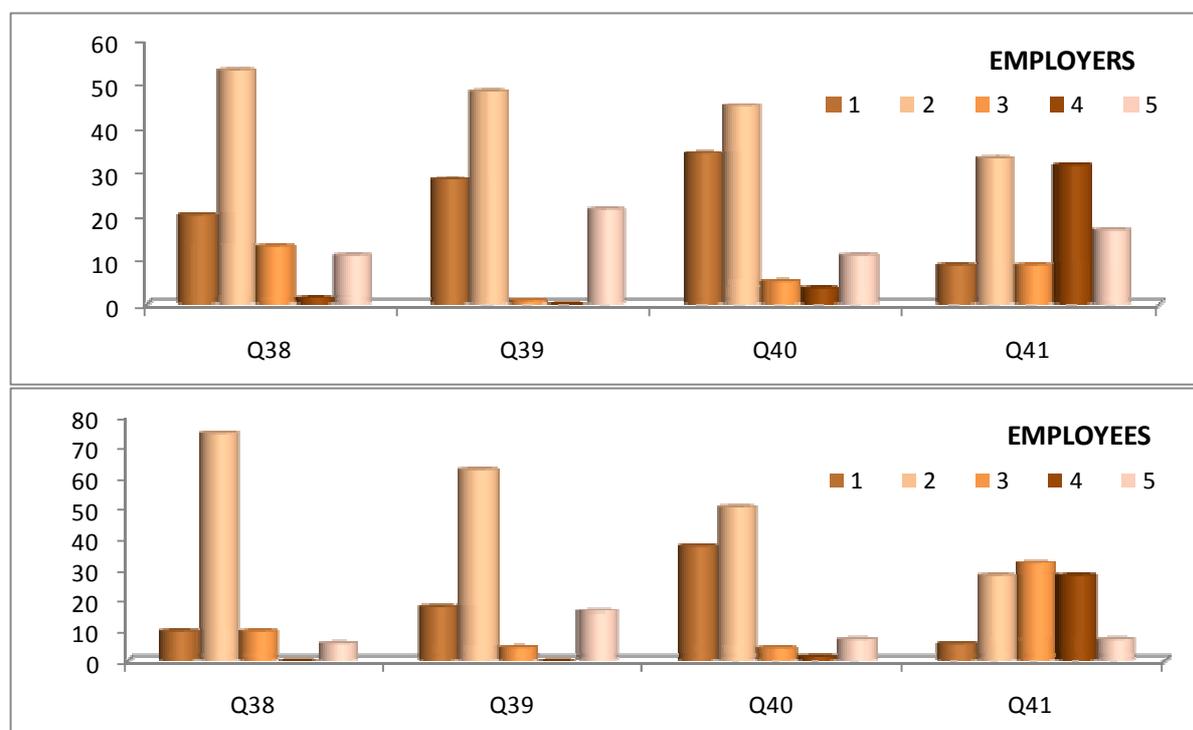
- Facilitate opening of SMME windows in financial institutions;
- Promote innovative financial products for SMMEs;
- Promote and improve access of SMMEs to bank financing through simplification of procedures; and
- Put in place regulatory mechanisms for micro-finance products.

⁸² http://www.wto.org/english/tratop_e/tpr_e/tp322_e.htm

⁸³ Swaziland Faces Stagnant Growth, Financial Challenges in IMF Survey, Vol. 37, No 8: http://www.africaneconomicoutlook.org/en/countries/southern-africa/swaziland/#/structural_issues

Mixed results are found in both employers' and employees' answers when people are asked if women are less or more likely than men to access formal finance for running a small business. In fact, 33 per cent of employers consider that "women are less likely than men to access formal finance" while 32 per cent of them consider that there is no difference between men and women. Employees are even more divided on the issue, with 28, 32 and 28 per cent of them considering women less, more and equally likely than men to access formal finance.

Access to Financial Services



- Q38)** How easy it is for a small business to obtain a bank loan with a good business plan only (i.e. without capital/collateral)
(1) impossible (2) **difficult** (3) easy (4) very easy (5) don't know
- Q39)** How easy it is for a small business to obtain) venture capital for entrepreneurs with innovative but risky projects?
(1) impossible (2) **difficult** (3) easy (4) very easy (5) don't know
- Q40)** How easy or difficult is it for owners of small enterprises to get credit (compared to large enterprises)? (1) **very difficult**
(2) **difficult** (3) easy (4) on more or less the same basis as larger enterprises (5) don't know
- Q41)** Other factors being equal, to what extent do you think that women are less or more likely than men to access formal finance for running a small business in Swaziland?
(1) much less likely (2) **less likely** (3) **more likely** (4) **no difference** (5) don't know

Key Indicators

Credit to private sector (per cent GDP)

Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises.

Source: International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators CD-ROM).

	2005	2006	2007	2008
Swaziland	21.6	23.5	24.9	23.6
Lesotho	8.8	8.7	10.1	10.9
Botswana	18.7	18.8	20.1	21.1
South Africa	141.1	159.1	163.9	145.2
Sub-Saharan Africa	63.1	66.2	69.3	58.5

Credit to private sector (per cent GDP).

Other useful indicators

Credit Information Index

Credit information index measures rules affecting the scope, accessibility, and quality of credit information available through public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions.

Source: World Bank, Doing Business project.

	2007 (DB 2008 report)	2008 (DB 2009 report)	2009 (DB 2010 report)
Swaziland	5	5	5
Lesotho	0	0	0
Botswana	4	4	4
South Africa	6	6	6
SSA⁸⁴	1.3	1.3	1.5

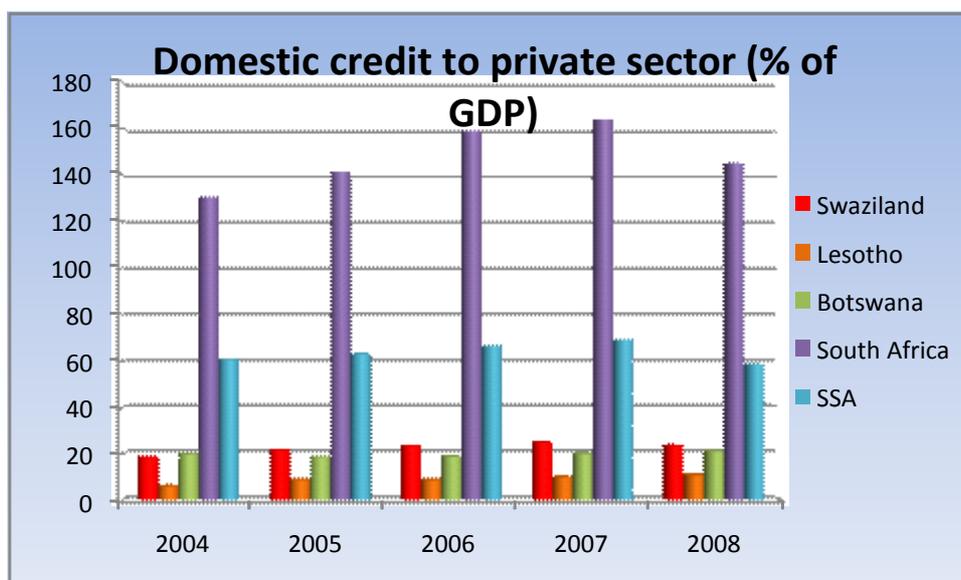
0=less info to 6=more info

Interest rate spread

Interest rate spread (lending rate minus deposit rate) is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits.

Source: International Monetary Fund, International Financial Statistics and data files. (World Development Indicators CD-ROM).

	2006	2007	2008
Swaziland	6.2	6.1	6.7
Lesotho	7.6	7.7	8.5
Botswana	7.6	7.6	7.9
South Africa	4.0	4.0	3.5
SSA	9.6	10.0	...



3.8 Physical infrastructure

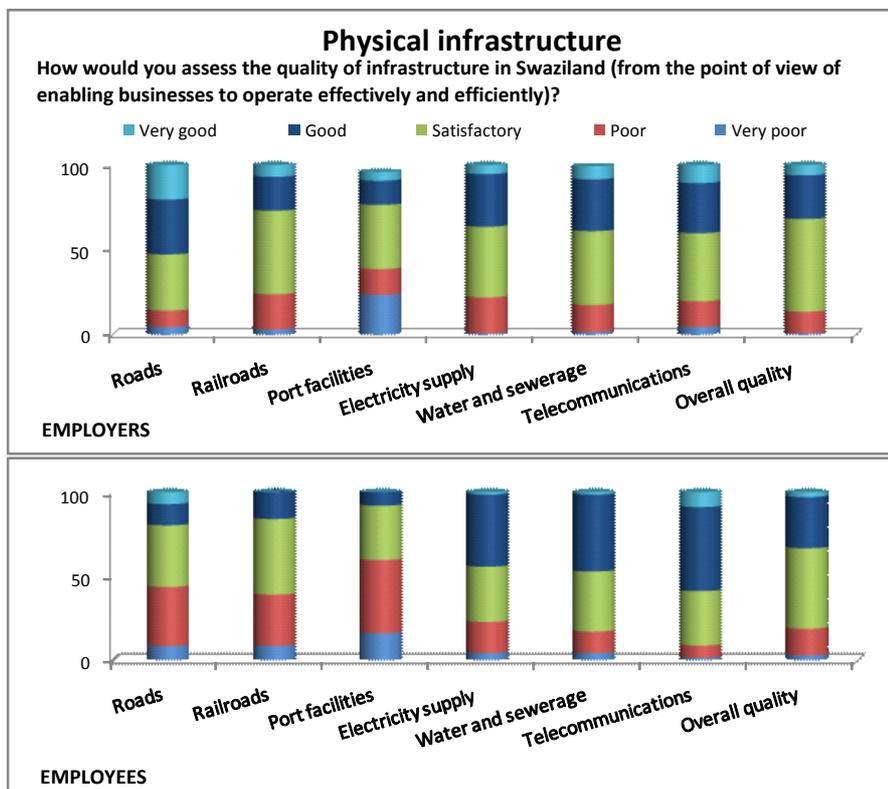
Enterprise sustainability critically depends on the quality and quantity of physical infrastructure. Swaziland is closely integrated with South Africa and Mozambique in terms of transport and electricity infrastructure. The country provides important corridors for transit traffic from the South African interior to the coast. The transport system in Swaziland is based principally on road transport and in fact the country has a good network

⁸⁴ <http://www.doingbusiness.org/ExploreEconomies/?economyid=143>

of roads. However, many roads are not designed for heavy vehicles and control of overloading is weak, exacerbating the damage to road surfaces. With the aim of improving road networks, the Minister of Finance announced in the 2009 Budget Speech that the Roads Department is continuing with reforms, including the introduction of toll gates on roads, starting with the Ngwenya – Mbabane – Manzini road section.

The Railways Act of 1962 established the parastatal Swaziland Railway to provide transport services for import and export of goods as well as transit cargo. An aim of the National Transport Policy is to provide, maintain, and improve a safe, cost-effective, reliable, and environmentally friendly rail network. In fact, the rail network is under renovation and new lines are being constructed to link more effectively with Maputo, the main port for Swaziland’s exports.⁸⁵ So far, air services exist only for passenger flights, while cargo flights will be introduced upon completion of the Sikhuphe airport.

Most electricity is purchased from South Africa, the remainder being generated at hydroelectric stations. A new transmission line from South Africa through Swaziland to Maputo came into operation in 2000 and this has improved the reliability of the electricity supply to commercial and industrial users. Although the electricity grid has been extended to most areas, rural households still depend heavily on wood, petroleum products and coal for their energy needs. The main challenge is to insulate the country from the electricity shortages that are likely to plague South Africa, the major supplier of energy.⁸⁶



The ILO/FSE&CC Survey shows that employers consider most infrastructures as satisfactory from the point of view of enabling their businesses to operate effectively.

⁸⁵ http://www.wto.org/english/tratop_e/tpr_e/tp322_e.htm

⁸⁶ Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London

However employees are more divided on the quality of roads, with 37 per cent of the sample considering their quality as satisfactory and 35 per cent of them considering their quality as poor. Few respondents expressed satisfaction with access to port facilities.

Key Indicators

Electric power consumption (kWh per capita)

Electric power consumption measures the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants.

Source: International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries (World Development Indicators)⁸⁷; IEA Energy Africa Statistics.⁸⁸

	2004	2005	2006
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	1361	1406	1419
South Africa	4886	4858	4810
SSA	538	539	531

kWh per capita.

Roads, paved (per cent of total roads)

Paved roads are those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete, or with cobblestones, as a percentage of all the country's roads, measured in length.

Source: International Road Federation, World Road Statistics (World Development Indicators).⁸⁹

	1996	2000	2004
Swaziland	..	30 ⁹⁰	..
Lesotho	18	18	..
Botswana	52	35 ⁹¹	33
South Africa	20	20	..
SSA	..	..	..

Per cent of total roads.

Other useful indicators

Improved water source (per cent of population with access)

Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 litres a person a day from a source within one kilometer of the dwelling.

Source: World Health Organization and United Nations Children's Fund, Meeting the MDG Drinking Water and Sanitation Target. (World Development Indicators).⁹²

	1995	2001	2006
Swaziland	59	59	60
Lesotho	77	77	78
Botswana	94	95	96
South Africa	83	89	93
SSA	51	..	58

Per cent of population with access.

⁸⁷ <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>

⁸⁸ <http://www.iea.org>

⁸⁹ <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>

⁹⁰ 2002

⁹¹ 2002

⁹² <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>

Quality of overall infrastructure Index	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Survey data: "General infrastructure in your country is: 1 = underdeveloped, 7= as extensive and efficient as the world's best". <u>Source:</u> World Economic Forum, The Global Competitiveness Report. ⁹³			
Swaziland	..	..	..
Lesotho	1.9	2.2	2.9
Botswana	4.4	4.6	4.6
South Africa	4.5	4.5	4.7
World (mean)	3.8	3.8	4.1
	1 = underdeveloped, 7= as extensive and efficient as the world's best		

Quality of port infrastructure Index	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
Survey data: "Port facilities and inland waterways in your country are: 1=underdeveloped, 7= as developed as the world's best. For landlocked countries this measures the ease of access to port facilities and inland waterways". <u>Source:</u> World Economic Forum, The Global Competitiveness Report. ⁹⁴			
Swaziland	..	..	..
Lesotho	2.8	2.6	3.0
Botswana	4.1	4.2	3.7
South Africa	4.4	4.4	4.7
World (mean)	4.0	4.1	4.2
	1=underdeveloped, 7= as developed as the world's best		

⁹³ <http://www.weforum.org/pdf/GCR08/GCR08.pdf>

⁹⁴ *ibid.*

4. Social elements

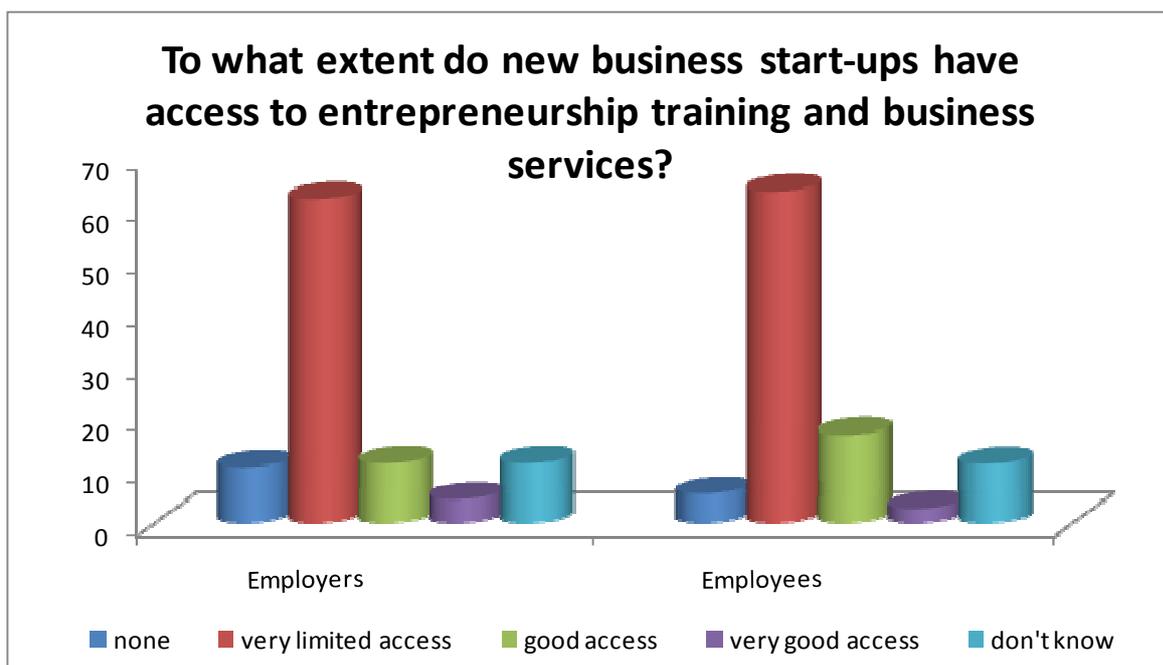
4.1 Entrepreneurial culture

Promoting an entrepreneurship culture is about making people aware of the potential of business as an alternative to waged employment in government and the private sector. Campaigns to create positive attitudes towards entrepreneurship may assist this process. There is a general lack of data regarding the entrepreneurial culture in Swaziland. However the results of the ILO/FSE&CC Survey can be of help to understand how employers and employees perceive entrepreneurship. Around 40 and 30 per cent of both employers and employees in the sample describe the general attitudes among young people toward entrepreneurship as respectively “neutral” and “positive”. When asked if this attitude is the same in men and women, employees’ answers are mixed, while 36 per cent of employers consider that they are similar.

Employers and employees are more divided on the question of whether young people have the necessary skills and competences needed for starting and running their own businesses. In fact, 31 and 35 per cent of employers think that “most do not” or “a minority do”, respectively. Employees’ answers show a more positive stand: 34 and 27 per cent of employees respectively think that ‘quite a few’ and ‘most’ young people in the country have the competences needed to run a business. With regard to gender differences, 66 and 54 per cent of employers and employees respectively consider that there is not much difference between young women and young men when it comes to having the necessary skills and competences needed for starting and running their own businesses.

The Government has included Entrepreneurship Development in the 2009 SMME Policy, and to this end it will adopt the following measures:

- Inculcate through education, training and business, advice values and attitude that are conducive to development of entrepreneurship;
- Review school curricula to accommodate entrepreneurship development; and
- Introduce entrepreneurial programmes in high schools, university, vocational and technical training.



More than 60 per cent of employers and employees consider that new business start-ups have very limited access to entrepreneurship training and business services. This suggests that there is a need to improve the quality of business training and business planning in Swaziland. The 2005 National Policy on the Development of SMEs outlines that the Government will support the introduction of a process of training and accreditation for business trainers and advisors. It also informs that, in order to encourage advisors to become accredited and to encourage businesses to use the services of newly accredited advisors and trainers, short-term subsidies will be provided for users of business advice and training through accredited advisors. In this regard, the Core Policy 7 of the 2009 Small Micro and Medium Enterprise Policy asserts that the “Government will enhance the capacity of institutions providing business training to SMME’s” and the following strategies will be employed towards the attainment of the policy goal:

- Embark on capacity building of business training institutions aimed at improving the quality of services provided;
- Facilitate tailor made business training programmes for start ups and for strengthening existing businesses;
- Encourage more private sector provision of affordable and sustainable private sector driven training;
- Ensure better coordination in the training activities of all providers including government, private sector and NGOs; and
- Train and encourage the Association of Swazi Business Communities to deliver start-up support in rural areas.

The Small Enterprise Development Company (SEDCO) is the main implementing agency responsible for the development and promotion of Swazi owned SMEs. It has wide presence in the country and offers both generic training courses and tailored courses to meet individual business needs but some of its services appear to be in need of upgrading and repackaging.

The National Education Policy provides for “the promotion of entrepreneurship skills and values as an integral element of vocational education and training at all stages, sectors and areas”. However, as this policy document is still in its draft form, this policy objective is currently not backed by any budgetary allocations.⁹⁵

Access to and the affordability of entrepreneurship and related training support appears to be an issue for many potential entrepreneurs. One initiative which seeks to address this is the Bosco Skills Center in Swaziland, which (with funds from the Belgian Salesians) offers market focused vocational training with emphasis on entrepreneur development. This programme provides free office/workshop space to entrepreneurs across different types of businesses in return for the training of apprentices. Each workshop trains from 4 to 12 apprentices over 2 years. The apprentices pay a nominal fee (about E700) but receive this back in weekly allowances. Employers receive not only free work space but also free labour for the duration of the training. Employers are monitored to ensure that reasonable training takes place. The expansion of programmes of this type would do much to enhance the market relevance of entry level skills training in Swaziland.⁹⁶

⁹⁵ ILO (2010), Assessment of the enabling environment for women’s enterprises in Swaziland. Prepared by Cilo Consulting.

⁹⁶ Marope, (2010) The Education System in Swaziland: Training and Skills Development for Shared Growth and Competitiveness, World Bank Working Paper no. 188.

Key Indicators

New Business Density (per 1000 people)		2003	2005	2007
Number of newly registered corporations to total working age population (per 1000 of population).	Swaziland	..	..	..
<i>Source:</i> World Bank Group Entrepreneurship Survey (WBGES) 2008. ⁹⁷	Lesotho	..	..	..
	Botswana	0.01	0.01	..
	South Africa	1.04	1.45	..
		Number per 1000 of population		
Entry rate (per cent)		2001	2003	2005
Entry rate is defined as new firms (registered in the current year) as a percentage of lagged total registered firms.	Swaziland	..	..	..
<i>Source:</i> World Bank Group Entrepreneurship Survey (WBGES) 2008. ⁹⁸	Lesotho	..	..	..
	Botswana	..	..	..
	South Africa	0.06 ⁹⁹	0.06	0.07
		Number of firms as a percentage of lagged total registered firms		

4.2 Education, training and lifelong training

Perhaps Swaziland's most critical resource is human capital. In fact the country has limited natural resources and so will increasingly compete on the basis of its human resources. (Marope 2010).¹⁰⁰ Therefore, for Swaziland, an effective growth strategy has to necessarily entail intensive human capital development. Enterprise success, productivity, competitiveness and even survival depend largely on human resources.

In Swaziland, basic indicators for all levels of education have improved in recent years. The adult literacy rate rose from 88.4 per cent in 2000 to 93.2 per cent in 2008 (WDI 2010 Data). This reflects the fact that Swaziland's level of investment in the sector is higher than what UNESCO generally uses as a desirable target for developing countries (6 per cent). In fact, the share of sector expenditure as a percentage of GDP increased from 6 per cent in 2000 to 7.7 per cent in 2004, but began to decline reaching an estimated 6.7 per cent in 2009. Moreover, education is the second-largest element of government expenditure. Education spending as a percentage of total government expenditure declined from 21 per cent in 2000 to 17.6 per cent in 2007, and was projected to increase to 19.2 per cent in 2009.¹⁰¹ The 2010 Budget Speech announced that 'Free Primary Education' has started with budget provision for school fees, textbooks and stationery for Grades 1 and 2 in 2010 as well as Grade 3 for the first term of 2011.

⁹⁷ <http://rru.worldbank.org/businessplanet/default.aspx?pid=8>

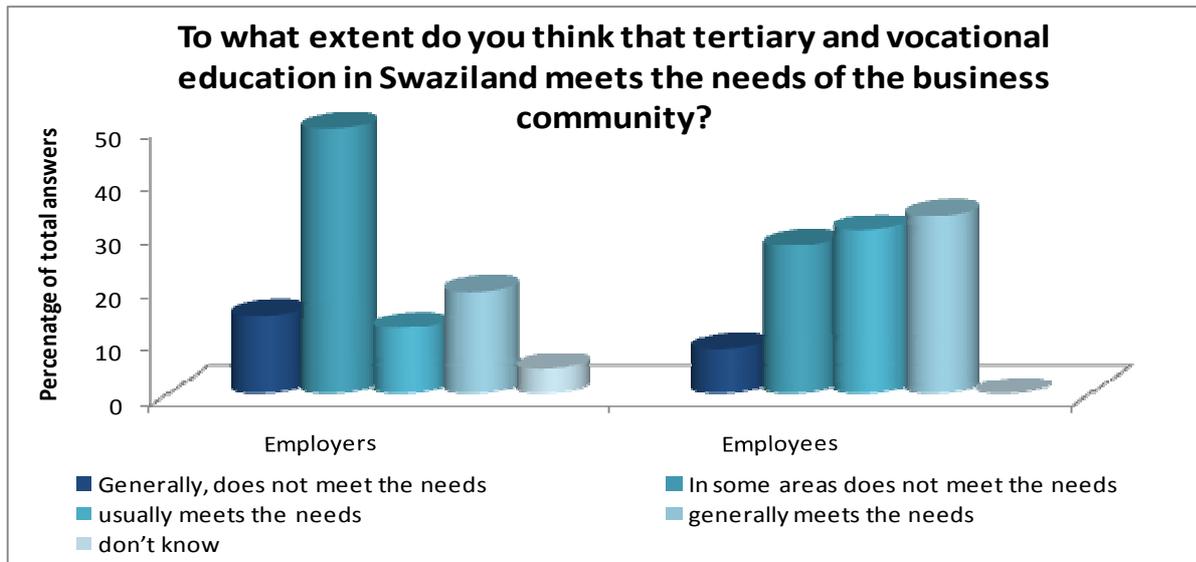
⁹⁸ *ibid.*

⁹⁹ 2002

¹⁰⁰ Marope, M. (2010) The Education System in Swaziland: Training and Skills Development for Shared Growth and Competitiveness, World Bank Working Paper no. 188

¹⁰¹ *Ibid.*

The net primary school enrolment ratio has increased from 71 per cent in 2000 to 82.8 per cent in 2007, but the net secondary enrolment ratio has decreased from 30 per cent in 2000 to 28.6 per cent in 2007 (WDI 2010). The Minister of Finance announced in his 2010 Budget Speech that the introduction of state funded primary education has led to a further increase in the enrolment rates, with the result that some schools do not have enough classrooms to accommodate the pupils and the pupil/teacher ratio has increased. The country has 182 secondary schools, one university and a number of colleges. However, the emphasis has been on quantitative expansion rather than on quality, and the system is therefore not producing the skills required to boost economic growth and increase competitiveness and there are serious doubts about whether the education institutions are equipping the workforce with the skills demanded by business.¹⁰²



Marope considers that the combined lack of national and sub-regional labour market information and a national human resources development strategy leaves the system with a limited steer on the types of outputs it should supply. Moreover the tertiary education system does not seem to have established mechanisms for responding to the needs of the business community and the overall national development challenges. This conclusion is confirmed by the results of the ILO/FSE&CC Survey. In fact concerning tertiary and vocational education, 50 per cent of employers in the sample believe that in some areas education does not meet the needs of the business community (employees are more divided on the question).

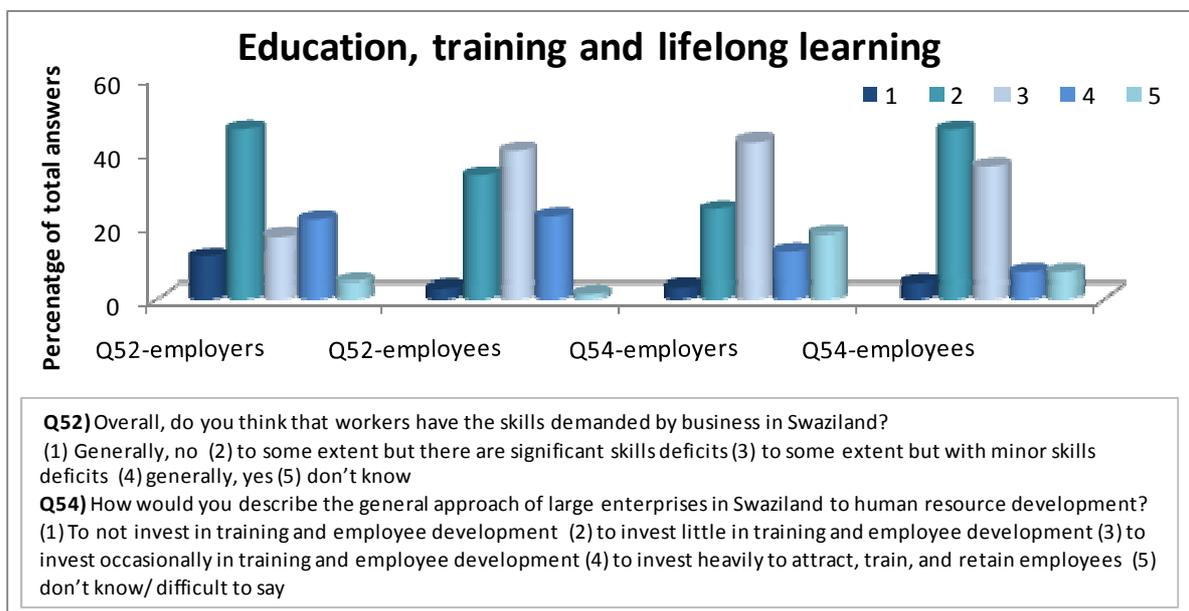
Another important issue raised by the ICA for Swaziland¹⁰³ (World Bank 2006) concerns the returns to education, which are described as very low compared to Botswana, Namibia and South Africa. From the ICA, it seems that wages are not positively linked to experience or tenure; this suggests that manufacturing is mostly concentrated in areas that are not skills intensive. In fact, if manufacturing was concentrated in areas that are skill intensive, a stronger positive relationship between wages and experience (or tenure) would

¹⁰² Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London.

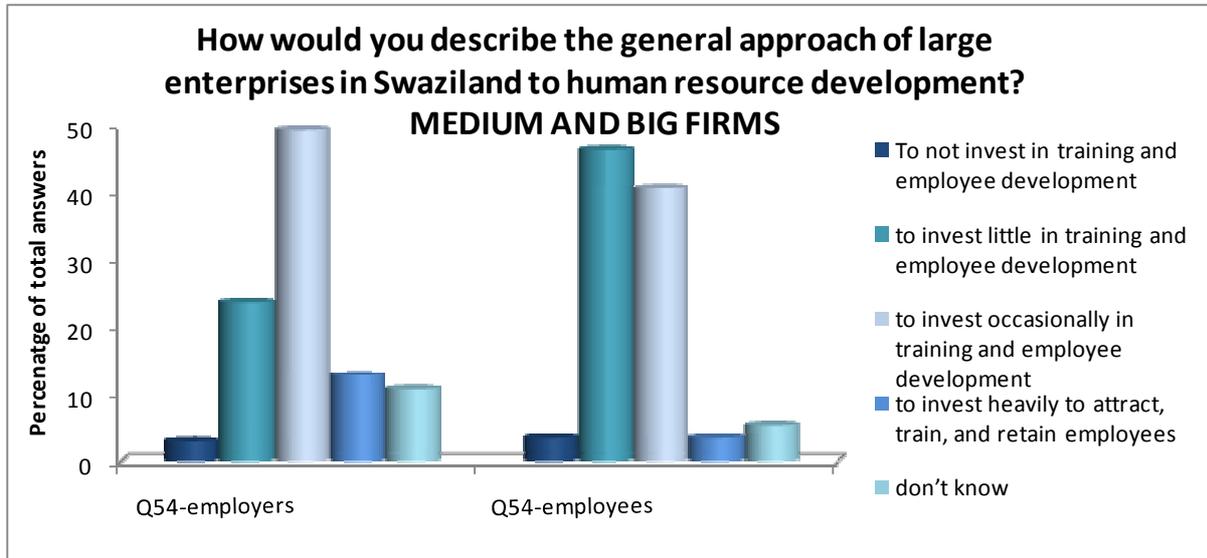
¹⁰³ World Bank (2006), Swaziland investment climate assessment, Document No. 43817.

be expected. No relationship indicates that wages are quite homogeneous among employees and consequently that the work done requires roughly similar (low) skills.

More specifically on workers' skills, employers and employees consider that, to some extent, workers have the skills demanded by business in Swaziland. However, most employers consider that there are significant skills deficits, while most employees believe that there are only minor skill deficits. Both consider that, at least to some extent, there is a need to reverse the skills deficit. With regard to brain drain, most employers in the sample consider the fact that many talented Swazi live abroad as something either very negative or negative. Employees' answers are more divided but roughly show the same consideration. This shows that respondents do not seem to perceive the positive aspects of the diaspora, such as benefits from remittances and knowledge transfer. The reason could be due to the fact that most Swazis who work abroad do so in South Africa and although some of these workers may have been working in South Africa for many years, the close economic and social integration of Swaziland with South Africa may lead some respondents not to perceive such cross-border labour migration as "real emigration".



The Survey also shows that most employers consider that the general approach of large enterprises in Swaziland to human resource development is to invest "occasionally" in training and employee development. However only 36 per cent of employees in the sample agree with this answer, while 46 per cent among them consider that investment in training and employee development is low. Firms with more than 10 workers are 40 per cent more likely to provide training than smaller firms. According to Marope exporting firms (generally larger and more efficient firms) are about 40 per cent more likely to provide training than non exporting firms. However, by looking at answers to the ILO/FSE&CC Survey for medium and large firms (overall all firms with more than 11 full time employees), it can be observed that most employees consider that large firms invest little or occasionally in training and employee development. This result calls out for an increased dialogue between employers and employees and a greater involvement of the Government to further encourage firms' investment in their human capital.



Key Indicators

Public spending on education, total (per cent of GDP)	2005	2006	2007	2008
Public expenditure on education consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels. <i>Source:</i> United Nations Educational, Scientific, and Cultural Organization (UNESCO), Institute for Statistics (World Development Indicators CD-ROM).				
Swaziland ¹⁰⁴	7.9	8.3	..	7.9
Lesotho	14.2	13.8		12.4
Botswana	9.7		8.1	..
South Africa	5.4	5.4	5.3	5.1
SSA	4.1			
Public spending on education as share (per cent) of GDP				

Education index	2005-2006	2006-2007	2007-2008
It measures the educational attainment. The Education Index is measured by the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio. The adult literacy rate gives an indication of the ability to read and write, while the gross enrolment ratio gives an indication of the level of education from kindergarten to postgraduate education. It is a weighted average of Adult literacy index (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (Gross enrolment index [0, 100]) (with one-third weighting).			
Swaziland	0.730	0.720	0.730
Lesotho	0.760	0.770	0.768
Botswana	0.760	0.780	0.773
South Africa	0.810	0.800	0.806
SSA	0.56	0.57	0.57

Source: UNDP, Human Development Report.¹⁰⁵

¹⁰⁴ To be highlighted that 2010 WDI data on public spending on Education as a share of GDP used in the table differs from 2008 Data from Ministry of Finance. We used the latest available data from WDI.

¹⁰⁵ <http://hdrstats.undp.org/indicators/7.html> and <http://hdr.undp.org/en/reports/global/hdr2006/>

Labour skills	2007
Labour skills measure the percentage of senior managers who ranked skills of available workers as a major or severe constraint. The computation of the indicator is based on the rating of the obstacles as a potential constraint to the current operations of the establishment.	
Swaziland	2.3
Lesotho	29.7 ¹⁰⁷
Botswana	9.4
South Africa	35.5 ¹⁰⁸
SSA	7.93
Per cent of managers surveyed ranking this as a major business constraint.	

Firms offering formal training (per cent of firms)	2004	2005	2006
Firms offering formal training are the percentage of firms offering formal training programs for their permanent, full-time employees.			
Swaziland	50.95
Lesotho
Botswana	37.66
South Africa

Extent of staff training	2007 (GC 07/08)	2008 (GC 08/09)	2009 (GC 09/10)
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "The general approach of companies in your country to human resources is (1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees)".			
Swaziland	..	..	..
Lesotho	3.1	3.8	3.8
Botswana	3.8	3.8	3.8
South Africa	5.0	5.1	4.8

1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees.

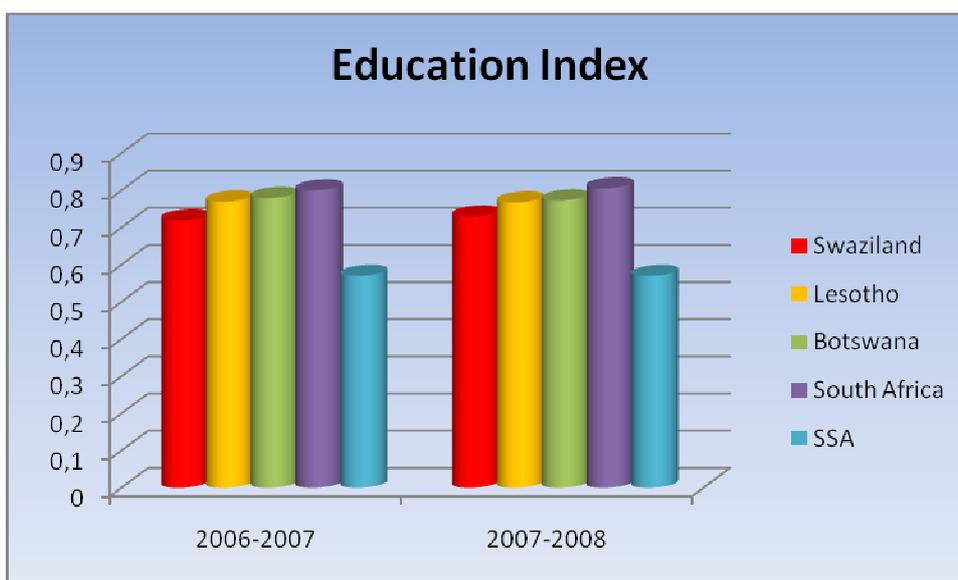
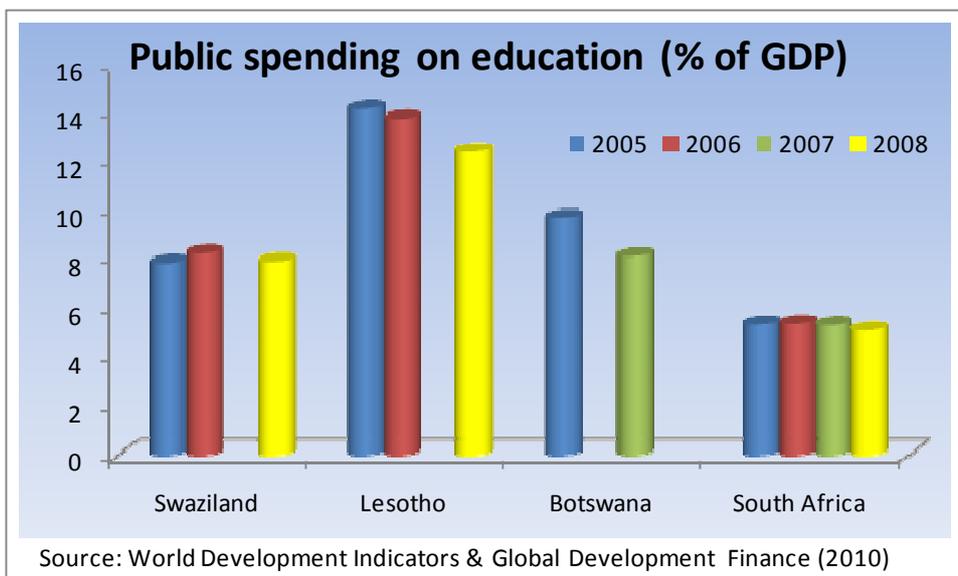
Literacy rate, youth total (per cent of people ages 15-24)	2003	2004	2005	2008
Youth literacy rate is the percentage of people ages 15-24 that can, with understanding, read and writes a short, simple statement on their everyday life.				
Swaziland	..	..	..	93.2
Lesotho	..	..	..	91.9
Botswana	93.96	..	..	95.1
South Africa	..	..	..	96.8
SSA	..	..	69.75	70.9
Per cent of people				

¹⁰⁶ <http://www.enterprisesurveys.org/ExploreTopics/?topicid=11>

¹⁰⁷ 2003

¹⁰⁸ 2003

¹⁰⁹ <http://www.weforum.org/pdf/GCR08/GCR08.pdf>



4.3 Social justice and social inclusion

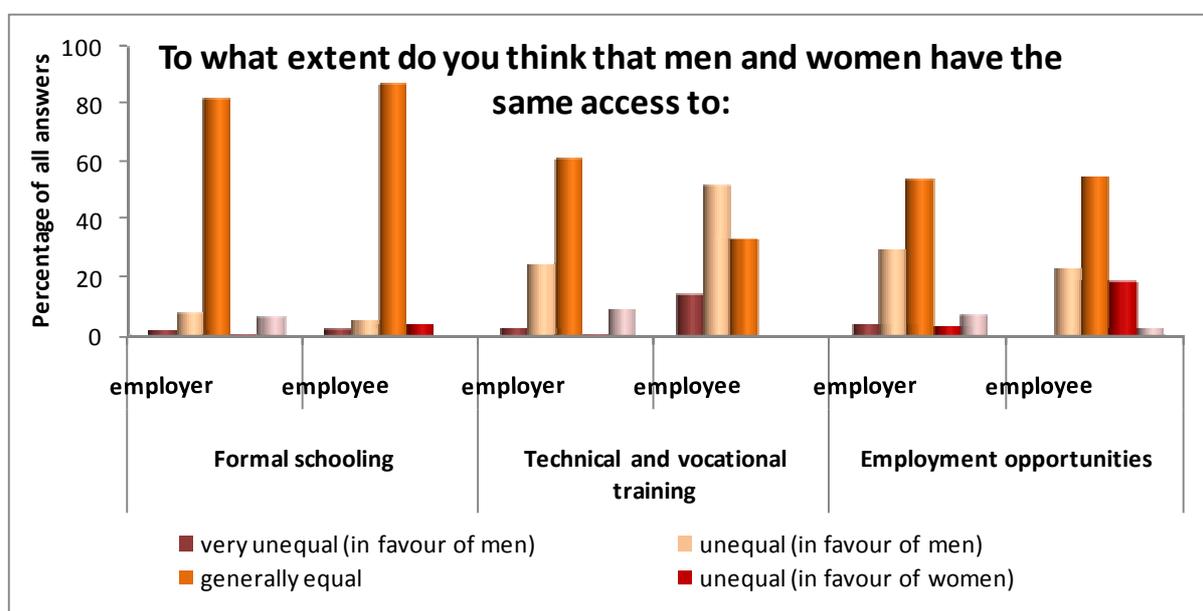
Inequality and discrimination are incompatible with sustainable enterprise development. According to the Human Development Report 2007/08, the Gini index measure of income inequality for Swaziland was 50.4, which is relatively high (a value of 0 represents perfect equality, and a value of 100 perfect inequality) but lower than neighbouring countries. Compared to the region, the labour force participation rate is relatively high in Swaziland. However, unemployment levels remain high, reflecting lack of opportunities as economic growth remains weak. The rate of unemployment is approximately 21.9 per cent in urban areas and 32.7 per cent in rural areas. Gender related indicators show a mixed picture. According to the African Economic Outlook, women have a 31.2 per cent unemployment rate compared to 25.7 per cent for men in Swaziland.¹¹⁰ While the percentage of women economically active is low compared to the neighbouring

¹¹⁰ African Economic Outlook 2009 - Country Notes: Volume 2 (OECD/ADB).

countries and to the SSA average, the gender-related development index was high in 2007 compared to the region.¹¹¹

The draft Swaziland Decent Work Country Programme (June 2009) states that 29.6 per cent of women, compared to 16 per cent of men, are self-employed.¹¹² Nevertheless, there is substantial evidence that indicates that women entrepreneurs tend to face more difficulties and to a greater degree than men, and certain groups of women, such as disabled women, are even further disadvantaged. The main barriers include aspects of Swazi culture, legislation, lack of access to information, limited access to finance for business start up (nearly all start up capital comes from kinship/friendship groups/associations) and the poor quality of public administration.¹¹³

The ILO/FSE&CC Survey shows that most employers in the sample consider that men and women have generally equal access to formal schooling, technical and vocational training and employment opportunities. Employees agree on the absence of gender discrimination when accessing formal schooling and employment opportunities, however 52 per cent of employees consider that access to technical and vocational training is biased in favour of men.



Marope (World Bank 2010) reports that women comprise about 40 per cent of the total enrolment in public Technical and Vocational Education and Training and Skills Development (TVETSD) programmes. Even though this compares favourably with Mozambique and Namibia, it is important to notice that women's participation is concentrated in lower level training and in the so called women orientated programs (like

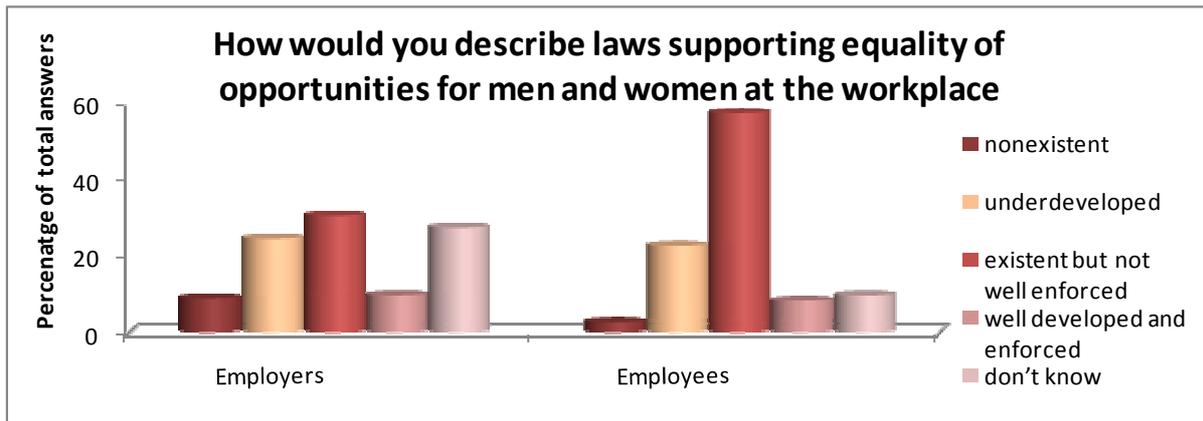
¹¹¹ Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London; http://www.africaneconomicoutlook.org/en/countries/southern-africa/swaziland/#/social_context_human_resource_dev

¹¹² Swaziland Decent Work Country Programme Draft (June 2009), page 7.

¹¹³ Baseline Survey Report; Scaling up innovation and entrepreneurship for Rural Women Enterprises in Swaziland: The role of the private sector. (Winnie S. Madonsela-Kamalanda, January 2009).

sewing). In fact, women account for only 33 and 20.3 per cent of enrolment at the Swaziland College of Technology and at the Vocational and Commercial Training Institute at Matsapa, (both institutes provide more traditional, longer term TVETSD programmes).

With regard to the legal framework as it affects the workplace, 57 per cent of employees in the sample consider that laws supporting equality of opportunities for men and women at the workplace are existent but not well enforced (employers answers are mixed). This reflects the challenge of implementation. For example, Section 28 of the Constitution stipulates that “Women have the right to equal treatment with men, and the right shall include equal opportunities in political, economic and social activities”, but the International Trade Union Confederation (ITUC)¹¹⁴ highlights that the wording is vague and there is no guarantee as to the legal interpretation of the concept of “equal remuneration for work of equal value”.



Notwithstanding the high incidence in Swaziland of HIV/AIDs, social stigmatisation against persons living with HIV is common and no legislation deals specifically with HIV/AIDs at the workplace. However, in 2006 Swaziland adopted a national tripartite declaration on HIV/AIDs and the world of work,¹¹⁵ and the country is also currently revising the Employment Act – which is expected to be more HIV/AIDs sensitive and to specifically prohibit discrimination on the grounds of an employee’s HIV/AIDs status.¹¹⁶

Child labour is regulated by a law that prohibits work by children younger than 15 in any industrial undertaking, except when family members are employed in the undertaking or in technical schools under supervision. However, the application of the law is not extended to non-industrial undertakings and, according to the ITUC (reference as above), no legal provisions prohibit the use, procuring or offering of a child for prostitution, pornography, illicit activities, domestic sale and trafficking or forced child labour. Lastly, even though the constitution and law prohibit forced or compulsory labour, the State sometimes demands labour from its own citizens (for cultivation, road construction and maintenance, etc.) and participation is enforceable, sometimes with severe penalties for non-compliance.

¹¹⁴ ITUC, Internationally Recognised Core Labour Standards In Botswana, Lesotho, Namibia, South Africa And Swaziland Report For The WTO General Council Review Of Trade Policies Of The Five Countries Of The Southern African Customs Union (SACU). Geneva, 4 and 6 November 2009.

¹¹⁵ http://data.unaids.org/pub/ExternalDocument/2009/20090402_iloswaziland_en.pdf

¹¹⁶ <http://www.times.co.sz/index.php?news=17266>

Key Indicators

GINI coefficient	2005 (Report 2005)	2006 (Report 2006)	2007 (Report 2007)	
Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.	Swaziland	60.9	60.9	50.4
	Lesotho	63.2	63.2	63.2
	Botswana	63.0	63.0	60.5
	South Africa	57.8	57.8	57.8
	SSA	72.2	..	..

Source: World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments (World Development Indicators CD-ROM) and UNDP HDR.¹¹⁷

0= perfect equality, 100= perfect inequality

Labour force participation	2005	2006	2007	2008	
The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.	Swaziland	67.4	67.0	66.7	66.4
	Lesotho	73.0	72.8	72.3	72.2
	Botswana	57.1	57.1	57.5	57.8
	South Africa	55.5	55.5	55.7	55.7

Source: ILO KILM¹¹⁸

Gender-related development index (GDI)	2005 (Report 2005)	2006 (Report 2006)	2007 (Report 2007)	
A composite index measuring average achievement in the three basic dimensions captured in the human development index – a long and healthy life, knowledge and a decent standard of living – adjusted to account for inequalities between men and women.	Swaziland	0.485	0.479	0.529
	Lesotho	0.487	0.486	0.541
	Botswana	0.559	0.555	0.639
	South Africa	0.652	0.646	0.667

Source: UNDP Human Development Report.

The larger the value, the more heavily a society is penalized for having inequalities.

Gender empowerment measure (GEM)	2005 (Report 2005)	2006 (Report 2006)	2007 (Report 2007)	
A composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation, and decision-making and power over economic resources.	Swaziland	0.492	..	..
	Lesotho	..	..	..
	Botswana	0.505	0.501	0.518
	South Africa	..	..	..

Source: UNDP, Human Development Report.¹¹⁹

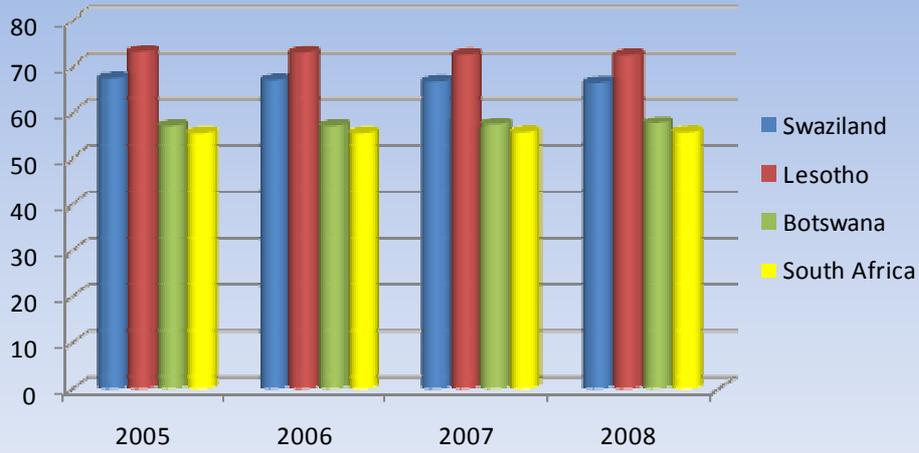
The larger the value, the more heavily a society is penalized for having inequalities.

¹¹⁷ see also: <http://hdrstats.undp.org/indicators/147.html>

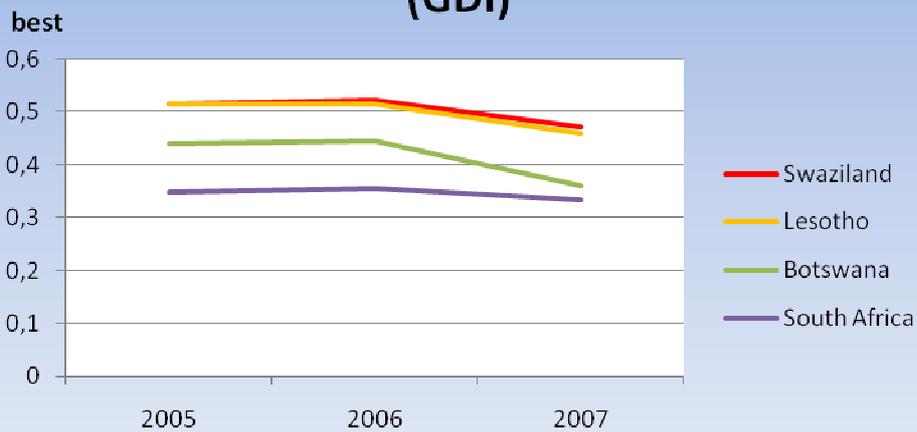
¹¹⁸ <http://www.ilo.org/public/english/employment/strat/kilm/index.htm>

¹¹⁹ <http://hdr.undp.org/en/reports/>

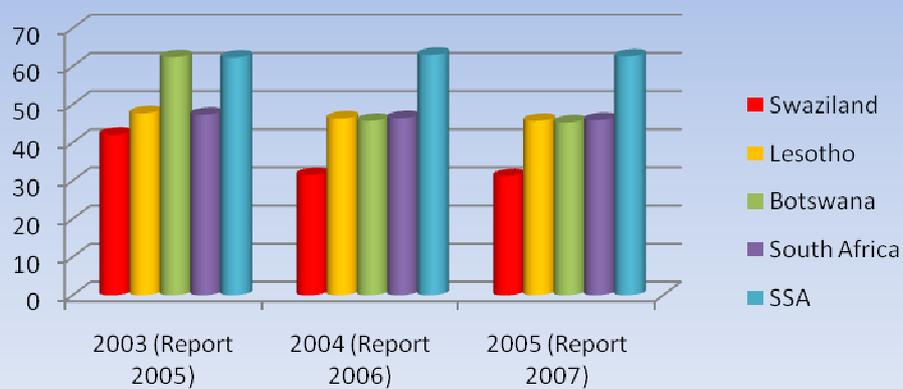
Labour force participation rate



Gender-related development index (GDI)



Female economic activity



4.4 Adequate social protection

Adequate social protection is key to improving productivity and fostering transition to the formal economy. Swaziland has a number of policies and strategies that incorporate elements of social protection: a National Development Strategy, a Poverty Reduction Strategy, a National Food Security Policy, a National Disaster Management Policy, a National Policy on Orphans and Vulnerable Children, and a National HIV and AIDS Strategic Plan. However none of them explicitly aims to co-ordinate these interventions under a single conceptual or policy framework.¹²²

In Swaziland, HIV/AIDS poses a major threat to sustainable development of the country. Life expectancy declined from 60 years in 1997 to 37 years in 2005 and stood at 45.8 years in 2008. The impact of the epidemic on the economy is very clear as mortality and morbidity amongst the productive age group has increased. This has put an overwhelming burden on the health sector's capacity to effectively deliver services and care. The Government is committed to increasing spending in the health sector to a minimum of 15 per cent of total spending. In 2008, the proposed budget allocation for the health sector rose to 10.6 per cent of total expenditure.¹²³

Survey respondents strongly agree that poor health greatly affects productivity at the workplace. But on maternity protection, employers and employees gave somewhat different answers: most employers (40 per cent) consider maternity protection as satisfactory, while employees (53 per cent) consider it as underdeveloped (unsatisfactory). In fact, the law in Swaziland restricts "arduous work" for pregnant women and provides 12 weeks of maternity leave. Upon return to work, the worker has the entitlement to continue in the same work without loss of seniority rights. However, there is no general legal provision of cash benefits.¹²⁴

From the survey findings, it appears that employers consider that statutory social security contributions do not hinder business, or at least not strongly (ironically, although views among employees varied, slightly more employees, compared to employers, considered that social security contributions were likely to hinder business growth!). From the Doing Business Report 2010, Swaziland compares well with South Africa in terms of statutory social security contributions (no information on these taxes was available for Lesotho and Botswana). Doing Business records the mandatory contributions that a medium-size company must pay or withhold in a given year.¹²⁵

The Swaziland National Provident Fund¹²⁶ was established in 1974 as a savings scheme designed to provide benefits for employed persons when they retire from regular

¹²² Devereux, S. (2006), Social protection mechanisms in southern Africa, Institute of Development Studies.

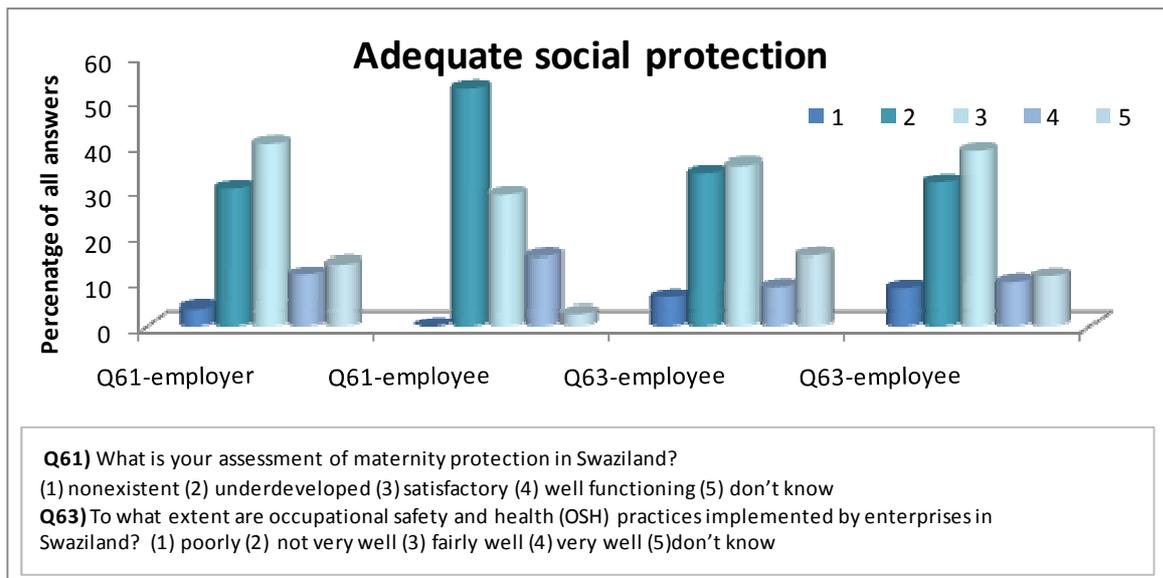
¹²³ Economic Intelligence Unit (2008). Country Profile 2008: Swaziland, London; http://www.africaneconomicoutlook.org/en/countries/southern-africa/swaziland/#/social_context_human_resource_dev and International Social Security Association (2005). Social health insurance - Social security and HIV/AIDS, The experience of the Swaziland National Provident Fund, Lusaka, Zambia, 9-12 August 2005

¹²⁴ ILO (2010), Maternity At Work: A review of national legislation. Cornell University ILR School.

¹²⁵ <http://www.doingbusiness.org/MethodologySurveys/PayingTaxes.aspx>

¹²⁶ <http://www.snpf.co.sz/>

employment in old age or in the event of becoming incapacitated. All employers in Swaziland are required by law to become contributing members of the fund, and must pay a contribution (5per cent of covered payroll) for every eligible staff member. The employee’s share (5per cent of covered earnings) is deducted from wages. The coverage is compulsory for employed persons, while casual employees, self-employed persons, domestic workers, and foreign workers are excluded. Also, private work injury insurance is mandatory for all employers. The coverage is compulsory for employed persons in the private and public sectors, trainees and apprentices, while domestic workers, family labour, casual workers and certain types of contract workers are excluded. The total cost is met by the employer through the payment of insurance premiums to a private insurance company.¹²⁷



Occupational safety and health (OSH) practices in Swaziland are regulated by the Occupational Safety and Health Act, 2001.¹²⁸ This comprises basic occupational safety and health law in Swaziland, applying to all workplaces in the country, including premises owned or occupied by the Government. With regard to the actual implementation of OSH at the workplace, employers and employees had mixed views but the majority felt that OSH practices are either not very well or only fairly well implemented. It is likely that many respondents (and much of the general population) might not be well informed about OSH legislation.

¹²⁷ International Social Security Association (2007), Social Security Programs Throughout the World: Africa,

¹²⁸ <http://www.ilo.org/intranet/english/protection/safework/cis/database/orig/2001/01-1273.pdf>

Key Indicators

Total Social Expenditure as percentage of GDP¹²⁹	1995	1996	1997
Total social expenditure as percentage of GDP.			
<u>Source:</u> ILO Social Security Expenditure Database ¹³⁰			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	14.69	16.40	18.69
Per cent of GDP			
Old age (per cent of GDP)	1994	1995	1996
Old age expenditure as percentage of GDP			
<u>Source:</u> ILO Social Security Inquiry. ¹³¹			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	..	..	..
Old age expenditure as percentage of GDP			
Old age pension beneficiaries	2002	2003	2004
Number of pension beneficiaries at 65 and older (or 60 and older) as a proportion of population at 65 and older. The index includes beneficiaries of all kind of pensions and similar benefits (not only old-age pensions but also survivors' and disability pensions) received by those over the age threshold to see what proportion of all those over a certain age threshold is actually receiving any type of social benefit.			
<u>Source:</u> ILO Social Security Inquiry. ¹³²			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	..	..	..
Number of pension beneficiaries as a proportion of population at 65 and older			
Public expenditure on health (per cent of GDP)	2004	2005	2006
Public expenditure on health as percentage of GDP - Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.			
<u>Source:</u> World Health Organisation WHOSIS ¹³³ and World Development Indicators CD-ROM and UNDP Human Development Report.			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	5.5	3.63	3.6
SSA	2.6	2.6	na
Per cent of GDP			

¹²⁹ The measure "Social public expenditure (per cent government expenditure)" by the IMF was replaced by the 'Total Social Expenditure as percentage of GDP' (ILO) because of the lack of data for Swaziland.

¹³⁰ <http://www.ilo.org/dyn/sesame/IFPSES.SocialDBExp>

¹³¹ *ibid.*

¹³² *ibid.*

¹³³ *ibid.*

Coverage by health care (per cent)	2004	2005	2006
Percentage of total (public and private) health care expenditure not financed by private household's out of pocket payments (as a proxy indicator).			
Swaziland	..	..	..
Lesotho	..	..	..
Botswana	..	..	..
South Africa	89.9	89.9	89.8
Per cent of total health care			

Source: World Health Organisation WHOSIS¹³⁴

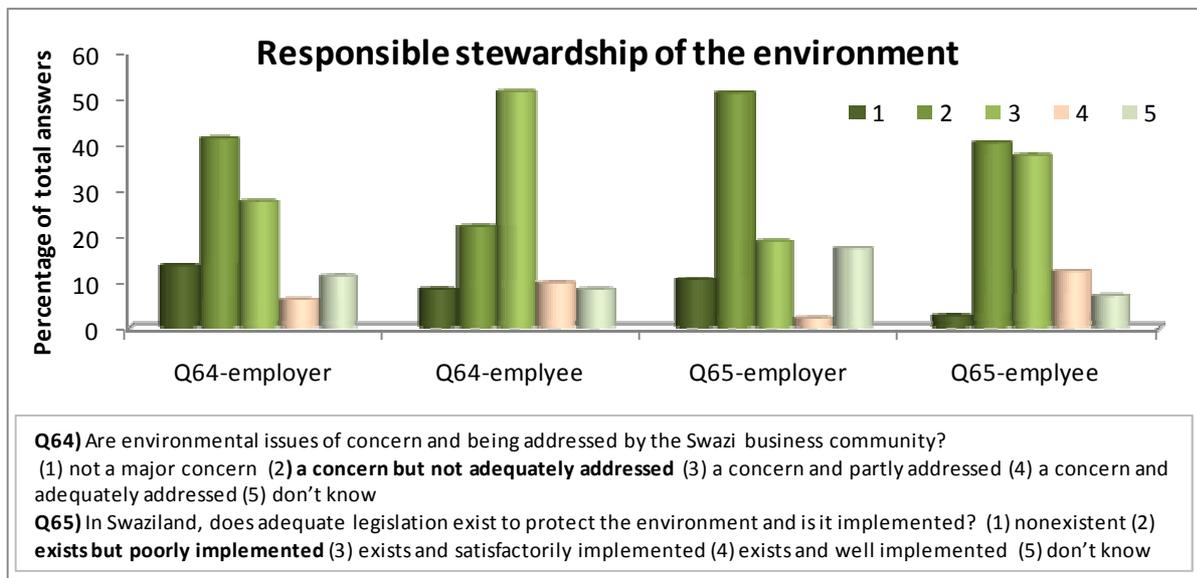
¹³⁴ <http://www.ilo.org/dyn/sesame/IFPSES.SocialDBExp>

5. Environmental elements

5.1 Responsible stewardship of the environment

Sustainable enterprise development goes hand in hand with responsible stewardship of the environment, which in turn calls for appropriate regulations and incentives. Swaziland enjoys a richness of biodiversity as a result of its location and its great diversity in landscape, geology and climate. However, this unique biodiversity is under growing threat as a result of increasing population and a declining economy. Nevertheless, the Environmental Performance Index (EPI) has improved from 53.9 in 2006 to 61.3 in 2008 and the Ecological Footprint (2005) shows a good performance for Swaziland compared to neighbouring countries.

The ILO/FSE&CC Survey indicates that both employers and employees consider that environmental issues are a concern for the Swazi business community but most employers believe that these issues are not being adequately addressed, while employees are slightly more positive with 50 per cent of employees perceiving that environmental concerns are, in general, at least partly addressed. Employers and employees tend to agree that adequate legislation exists to protect the environment but that it is poorly implemented.



The Swaziland Environment Authority¹³⁵ can make use of the following legislative tools:

1. The Environmental Management Act (2002) transformed the Swaziland Environment Authority into a body corporate with powers to sue and be sued. The Act also empowers the Authority to issue certain automatic fines in cases of environmental damage.
2. The Environmental Audit, Assessment and Review Regulations (2000) provide a method of certifying (and sanctioning, if necessary) the environmental aspects and impacts of projects.

¹³⁵ http://www.environment.gov.sz/environ_law_2.htm

3. Waste Regulations (2000) have the objective of ensuring appropriate waste management in the country and imposing sanctions in cases of poor management of waste.
4. The Ozone Regulations (2003) have the aim of controlling the licensing system on the import and export of ozone depleting substances.

The SMME Policy also includes specifics on environmental stewardship (Core Policy 15): “The Government will ensure that environmental considerations are given emphasis in all SMME development interventions”. To this aim the following strategies are listed:

- Facilitate creation of awareness on environmental issues to SMMEs and their service providers;
- Facilitate the simplification of environmental impact assessment procedures;
- Encourage proper waste management; and
- Facilitate production of technologies which apply renewable energy.

Clearly legislative tools are in place but, as revealed by the ILO/FSE&CC Survey, the challenge is in their implementation.

Key Indicators

Environmental sustainability Index (ESI) 2001 2002 2005

The Environmental Sustainability Index (ESI) benchmarks the ability of nations to protect the environment over the next several decades. It does so by integrating 76 data sets – tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance – into 21 indicators of environmental sustainability.

Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.¹³⁶

Swaziland	..	..	..
Lesotho	..	..	..
Botswana	53.6	61.8	55.9
South Africa	51.3	48.7	46.2

The higher a country's ESI score, the better positioned it is to maintain favourable environmental conditions into the future.

Total Ecological Footprint (EFP) (global hectares per capita) 2005

The Ecological Footprint (global hectares per capita) measures the amount of biologically productive land and sea area an individual, a region, all of humanity, or a human activity requires to produce the resources it consumes and absorb the waste it generates, and compares this measurement to how much land and sea area is available.

Source: Global Footprint Network, based on international data (UNSD, FAO, IEA, IPCC).¹³⁷

Swaziland	0.7
Lesotho	1.1
Botswana	3.6
South Africa	2.1
Africa	1.4

lower value= better performance

For 2005, humanity's total ecological footprint was estimated at 1.3 planet Earths - in other words, humanity uses ecological services 1.3 times as fast as Earth can renew them.

¹³⁶ <http://www.yale.edu/esi/> (for ESI 2005)
<http://sedac.ciesin.columbia.edu/es/esi/archive.html> (for ESI 2000-2002)

¹³⁷ http://www.footprintnetwork.org/en/index.php/GFN/page/ecological_footprint_atlas_2008

Other useful indicators

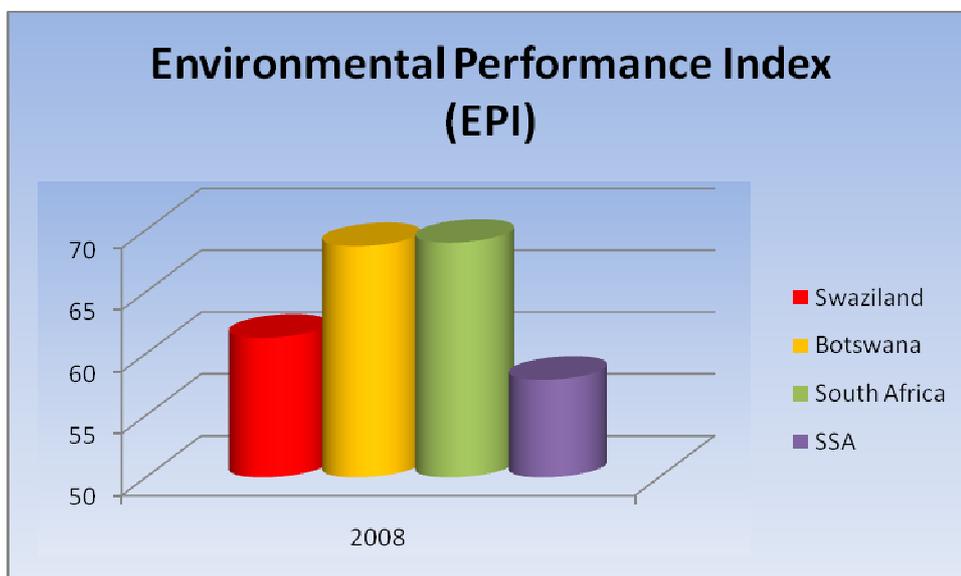
Environmental Performance Index (EPI)

The 2008 Environmental Performance Index (EPI) ranks 149 countries on 25 indicators tracked across six established policy categories: Environmental Health, Air Pollution, Water Resources, Biodiversity and Habitat, Productive Natural Resources, and Climate Change. The EPI identifies broadly-accepted targets for environmental performance and measures how close each country comes to these goals. The EPI has only been published for 2006 and 2008.

Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.¹³⁸

	2006	2008
Swaziland	53.9	61.3
Lesotho	..	..
Botswana	..	68.7
South Africa	62.0	69.0
Income group average	..	52.4
SSA	..	57.9

The higher the score the better the environmental performance of the country (range of 0-100)



¹³⁸ <http://epi.yale.edu/Home> and <http://epi.yale.edu/ResultsAndAnalysis>

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