

industry; the third provides timber as a feedstock for a pulp mill which produces unbleached kraft pulp for export.

32. Usuthu Pulp, which produces unbleached kraft pulp, completed a major upgrade development project during 1995/96; this has increased capacity to an annual 220,000 tonnes, improved quality and had a favourable environmental impact.⁵ Annual production and exports are shown in Table IV.6.

Table IV.6
Woodpulp production and exports, 1992-95
(Tonnes and E '000)

	1992	1993	1994	1995
Production (tonnes)	176,477	170,846	164,734	170,857
Exports (tonnes)	156,870	178,578	174,909	160,296
Value of exports (E '000)	171,205	169,911	252,912	440,721

Source: Data proved by the Swaziland authorities.

33. The Government's focus for the sector is the management and conservation of indigenous forest resources; the strengthening of forestry extension services; the management of fuel wood production and woodlots; the management and utilization of wattle jungles, mainly for use as firewood, poles and building materials (in order to relieve the pressure on indigenous trees), but also to encourage the harvesting of bark, as a by-product, for the production of tannin; and the management of government plantations.

(iv) Fisheries

34. Swaziland has no commercial fisheries of any significance. Attempts have been made to farm trout, but these have been small-scale operations. However, the Government has rehabilitated the hatchery at Nyetane in the Lubombo region and is looking for a site to develop a new cold-water hatchery. The Government's objectives are the expansion and maintenance of fish farming; the development of capture fishery; providing fisheries extension; developing a fish hatchery; and promoting other fisheries projects.

(v) Government intervention in agriculture

35. There has been considerable government intervention in the agriculture sector, particularly aimed at supporting and protecting the smallhold farmer. This intervention has taken the form of: agricultural organizations with varying regulatory powers and commercial involvement, including the National Maize Corporation (NMC), the Swaziland Dairy Board (SDB), the National Agricultural Marketing Board (Namboard), the Citrus Board, the Cotton Board, the Swaziland Sugar Association and the Central Co-operative Union of Swaziland Ltd. (CCU); price control; subsidized services; and import control.

36. The Government is implementing or conducting studies on strategies for separating regulatory functions from commercial activities; privatizing commercial activities or requiring that such activities operate according to sound commercial principles; reducing control on imports and prices; and charging economic fees for services provided.

⁵The local paper mill recycles paper and rarely uses pulp.

(a) Maize

37. The price, importation, trading and milling of maize is controlled by the Control of Cereals Act, 1959. This Act provides for the licensing of millers and traders, the restriction of imports by permit and the determination of a floor price for maize.

38. The National Maize Mill is owned and operated by a private company, under a leasing and management contract, on behalf of the National Maize Corporation (NMC). Although there was limited restriction on the operation of other millers (subject to a licensing requirement), the NMC controlled all imports of maize and the producer price. Under the Government's revised policy of reduced intervention, the role of the NMC was reduced in April 1997 to that of a regulatory body, with no further involvement in processing although it will continue to be responsible for strategic maize storage facilities; the latter are to be expanded from the current 15,500 tonnes to 27,000 tonnes by 1998. Namboard controls all imports of maize and maize products, while the producer price of maize is currently controlled by the Ministry of Agriculture and Co-operatives.

39. A study is currently being undertaken to determine a more effective levy level, currently at 3% on all imports of maize in order to provide some protection for local producers. Quantitative restrictions on maize imports are expected to be removed and the price controls on maize abolished. NMC will continue to function as a wholesaler, store and distributor of maize, thus, to an extent, able to influence the price of maize.

(b) Dairy products

40. The Swaziland Dairy Board, established by the Dairy Act of 1968, regulates the price of milk and the importation of milk products, and operates a processing plant for the production of various milk products. Certain restrictions have been relaxed and replaced by a levy. Currently, all imports of dairy products require an import permit issued by SDB. Although quantities are no longer controlled, a levy of 12% of the invoice value is imposed on all imported milk and dairy products; milk that is sold by local producers other than to the SDB is subject to a levy of E 0.05 per litre; and any dairy products manufactured in Swaziland are subject to a levy of 12% of the invoiced value.

41. It is the intention to separate the Board's regulatory, developmental and service functions from commercial activities. The commercial activities would be operated by a joint-venture company comprising the Government and two private companies.

(c) Vegetables

42. The National Agricultural Marketing Board (Namboard) was established by Act of Parliament in 1985. It provided both regulatory functions (controlling imports) and commercial functions (buying, transporting and wholesaling) in respect of fresh produce. These two functions are in the process of being separated so that regulatory functions revert to the Ministry of Agriculture and the commercial functions are restructured on a sound economic basis.

43. At present the importation of fresh produce requires an import permit from Namboard (which may restrict quantities according to local production) and levies are applied on imports of tomatoes,

cabbage and potatoes, at between 3% and 20% depending on the local crop; apples, pears, peaches and grapes, 3%; other fresh vegetables, 6.75%; and other fresh fruit, 6.75%.⁶

(d) Citrus

44. The Citrus Board was established by Act of Parliament in 1969. Although the Board is a statutory body, the Government does not get involved and it is operated by its membership for the benefit of members, to control quality, and to co-ordinate marketing. All commercial citrus producers are required to be registered members of the Board, which levies a small fee on all exports for administrative purposes. Until 1996 the Citrus Board, on behalf of its members, had a marketing agreement with Outspan of South Africa. Under the agreement Outspan marketed all export fruit and provided an inland inspection service for quality assurance purposes.

45. The marketing agreement between the Citrus Board and Outspan has now been cancelled. It has been replaced by individual contracts between the growers and Outspan.

(e) Cotton

46. The Cotton Board was established by Act of Parliament in 1967. There is very little Government control although the Board is appointed by the Government and it reports to the Ministry of Agriculture. The Board is responsible for the promotion of growing and processing, crop finance, extension services and research, and supervising and regulating the marketing of cotton (this includes licensing buyers and setting weighing and grading standards).

47. The Board imposes a levy on growers for the purposes of funding research, stabilizing the price of cotton and subsidizing the price of seed. Interest earned on the levy pool is used to fund administration of the Board.

48. There is one ginnery in Swaziland, based in Big Bend, which operates depots in the cotton-producing areas. It has an annual capacity of around 14,000 tonnes; any excess is sent to a sister company in South Africa, for processing.

49. The Cotton Board has a marketing arrangement with the South African Cotton Board; the latter pools and allocates all regional production.

(f) Sugar

50. The Swaziland Sugar Association was established in terms of the Sugar Act of 1967. The Association was formed as a single-channel marketing body and all sugar growers and millers are members of the Association. Its functions include marketing all sugar produced in the country, negotiating quotas for exports, assigning quotas to each miller and to each grower, and determining the price paid by the millers to independent growers.

51. The Association purchases all sugar produced in Swaziland at a pre-determined price and then sells and transports the sugar to international and local markets. Any profit made, after the deduction

⁶Other products subject to a levy are rice, 3%; whole white maize, 3%; maize products (rice, samp, maize meal), 5%; poultry and poultry products: between 3% and 10% depending on local supply; wheaten products, 3%; and whole wheat, 3%.

of expenses, is distributed back to the millers and growers. It is also responsible for the payment of a levy to the Government on behalf of the industry, in terms of the Sugar Export Levy Order of 1973. The formula for calculating the levy was changed in 1996, it is now 5% of the value of receipts from the EU. In the 1996 season the levy contributed approximately E 15 million to government revenues.

52. The retail price of sugar, both white and brown, is controlled by the Price Controller in the Ministry of Enterprise and Employment to maintain it at an affordable price.

(g) Central Co-operative Union (CCU)

53. The Union provides inputs, such as fertilizers, pesticides and seeds to the agriculture sector mainly through independent agricultural cooperatives. The operation has been subsidized by the Government, but the CCU is now required to operate on a fully commercial basis.

(vi) Promotional and support policies in agriculture

54. The Economic and Social Reform Agenda targets resource-based industries, particularly sugar and timber related, and labour-intensive industries as major objectives for the projected Swaziland Investment Promotion Authority.

55. The Government also announced in the ESRA that it will draw up a promotional programme, by the end of 1997, to expand sugar production and value-added industries based on sugar, pulp and other locally produced raw materials.

56. The Canning Licence Act provided a 15-year protection for Swaziland fruit canners (Swazican) for the segmenting and canning of fruit, particularly pineapples and citrus, following the takeover of the company from its previous owners. The monopoly arrangement is to last until 2008.

(a) Marketing and price support

57. As part of the Economic and Social Reform Agenda (ESRA) initiative, the Ministry of Agriculture and Co-operatives will undertake a study to look into the issue of market liberalization. This study will put into question the very existence of marketing boards.

58. The Public Enterprises Unit (PEU) within the Ministry of Finance has taken measures towards drastically reducing and carefully scrutinizing subsidies to public enterprises. Public enterprises will be required to be accountable and strive towards efficiency in their operations.

(b) Controls

59. Certain products, classified as scheduled products, are subject to controls in the form of quantitative restrictions, price control or levies applied to imports.

(c) Input pricing

60. Input pricing has been assisted by the Central Co-operative Union. This support will now fall away although farmers should benefit from bulk buying by the CCU.

61. The Government, through its various extension programmes, has provided services to farmers at minimal or no cost. As part of the Government's structural adjustment programme, however, these

services are to be charged for on a cost-recovery basis. The most controversial of such measures, the supply of dipping chemicals, has yet to receive Parliamentary approval.

(d) **Income support**

62. The only direct income support programme is the "food for work programme" administered by the drought relief or disaster management programmes.

63. In general the Government supports agriculture, particularly the smallholder farmers, by way of research, extension services and the provision of technical expertise and infrastructural development, such as dams for irrigation purposes.

64. The 1997/98 Government Budget includes capital allocations in respect of the Komati River Basin Development (Maguga Dam), E 63 million; and construction of community-based water schemes, E 24 million.

(2) **Mining**

(i) **Introduction**

65. Swaziland has had a long history of mining. The Ngwenya iron ore mine was originally worked by the local inhabitants centuries ago and, in modern times, became a major opencast operation; it has been closed since 1979. In the early years of this century tin was mined in the Ezulwini valley and several small gold deposits were worked in the western highlands.

66. Swaziland has extensive deposits of coal, which are mainly of low-ash and low-sulphur anthracite types, and of iron ore, which are generally of low quality. Deposits of kaolin, talc and silica have been identified and investigations of their commercial viability are on-going. Gold deposits are being investigated in various parts of the country, but the present price of gold does not encourage such activity.

(ii) **Development**

67. The mining sector has shown a decline over the past five years and two companies have closed down, namely, the Emaswati Coal Mine at Mpaka, in 1992, and the Dokolwayo Diamond Mine, in 1996. The Havelock asbestos mine has had a chequered history in recent years; the change of ownership caused it to close down for several months in 1991 and, although it is now operational again, its ore reserves are mostly depleted and it has a limited remaining life. The prevailing negative attitude to asbestos is also a limiting factor. The Maloma mine, which produces high grade anthracite, started operations in 1992 and after some financial difficulties, which have been overcome by bringing in a new and financially-strong partner, the mine looks secure.

68. Mineral sales are shown in Table IV.7.

69. Mining is the responsibility of the Department of Geological Surveys and Mines within the Ministry of Natural Resources and Energy. Swaziland encourages the development of mining interests and there have been no recent changes in policy. However, Swaziland's mining legislation is outdated and the Economic and Social Reform Agenda has identified this as an area for action: "A minerals exploitation policy will be prepared by the end of October 1997... incorporating procedural improvements to encourage existing and potential investors".

Table IV.7
Mineral sales, 1992-96
(Emalangeni million)

Mineral	1992	1993	1994	1995	1996
Asbestos	50.9	61.6	59.4	49.4	57.9
Coal	12.9	2.4	9.0	8.4	7.9
Diamonds	14.2	20.1	24.4	25.4	23.7
Quarry stone	7.9	7.5	6.0	3.6	5.1
Total	85.9	91.7	98.4	86.8	94.6
Percentage change	11.6	6.8	7.3	-11.8	9.0

Source: Data provided by the Swaziland authorities.

70. Many of the identified mineral deposits are small and are probably only viable for working by entrepreneurs. Future mining legislation needs to accommodate such activities.

71. Re-mapping of the country's geology is in progress to improve the accuracy and detail of existing maps. Efforts are being concentrated on areas where mineral deposits are known to occur in order to better define the ore bodies.

(iii) Government controls

72. All mining and exploration is controlled by the Department of Geological Surveys and Mines and no operations may be undertaken without authorization. However, the Government does not impose any controls on mining activity in respect of production volumes, pricing, marketing or exports; these matters are the responsibility of the mining operation. Neither does it restrict mineral imports beyond the normal import permit requirements. Companies that apply for a mining lease are required to provide an environmental assessment and, when mining is exhausted, are required to provide a detailed rehabilitation plan.

(iv) Mineral rights

73. All mineral rights belong to the Swazi Nation and are held in trust by the King. Revenues from mining royalties are paid to Tisuka TaKaNgwane, a trust created for the purpose by the late King Sobhuza II, and shareholdings and dividends are held by Tibiyo TaKaNgwane.

74. Companies or individuals wishing to explore for, or mine, minerals in Swaziland are required to submit an application to the Department of Geological Survey; the application must include details of the minerals of interest and the coordinates and size of the area to be explored or exploited. After the Department has checked the application it is submitted to the Minerals Committee; the applicant will be requested to make a presentation to the Committee. Once approved by the Minerals Committee, the application is forwarded to the Minerals Negotiating Committee where the tax and royalties are negotiated with the applicant. There are no specified rental charges on concession areas, or royalties, each case is determined on its merits. If negotiations are successfully completed, the chairmen of the two committees present the application to the King for his assent. Only after the King's approval may operations commence. The process of obtaining approval can be very slow.

(v) Policies

75. In theory companies that exploit minerals are required to establish down-stream processing industries based on the mineral produced. In practice this requirement is not enforced since many of the deposits are not of sufficient size to make further processing viable. None of the existing mines have done so.

76. The Government, as in other sectors, adopts a very open policy to mining and does not get involved itself. The establishment of mines is encouraged and details of known mineral deposits are advertised in appropriate forums.

(3) Manufacturing

(i) Introduction

77. In general terms, the Government has a very open policy towards the establishment of manufacturing industry and perceives that its main roles are to act in a supportive and regulatory capacity, since manufacturing is regarded as a predominantly private-sector activity; to ensure that the necessary infrastructure is in place; to create an enabling environment for the development of manufacturing; and to encourage grass-roots industrial development.

78. The Government has a two-pronged approach to the growth and diversification of the manufacturing sector, namely to encourage both foreign direct and local investment in the sector; and the development of small- and medium-scale enterprises (SMEs).

79. A number of legislative initiatives, aimed at encouraging investment in Swaziland include revision of the Companies Act; revision of the Income Tax Act, with the likelihood that corporate tax will be reduced to 30% or below and that investment incentives will be improved; minimizing the bureaucracy, including the proposed Trade Facilitation Bill; establishing the Swaziland Investment Promotion Authority; and the Securities Bill.

80. Industries expected to show growth are: sugar processing and additional value-added manufacturing; refrigerators, as additional overseas and regional markets are opened up; and fruit and juice canning, with a likely arrangement between Swaziland fruit canners and the citrus estates.

(ii) Recent performance

81. The manufacturing sector, which is largely based on agricultural and forestry inputs, picked up during the late 1980s and recorded its highest growth between 1986 and 1990. During the late 1980s and early 1990s diversification occurred with the establishment of a drink-concentrate processing plant, a paper mill, several sugar processing enterprises, a refrigerator manufacturer, and confectionery and textile plants. Several other smaller industries were also established.

82. The reasons for the increased diversity of manufacturing in Swaziland are varied: within the textile sector, a number of garment manufacturers were set up for the purpose of benefiting from GSP access to developed markets, especially to Canada. The refrigerator plant was established in Swaziland because the responsible entrepreneur was subject to a restraint-of-trade agreement in South Africa; this became an issue in South African courts immediately prior to the company being listed on the Johannesburg Stock Exchange, with the Swazi company winning the case. The soft drink concentrate plant relocated from South Africa for political reasons and chose Swaziland because it was offered

tax concessions; and the confectionery plant and related industries are off-shoots of South African companies which came to Swaziland for the lower sugar price.

83. A number of companies closed during 1996, including the only shoe manufacturer (there are no other manufacturers of leather goods), which closed in 1996 when the group that owned the factory consolidated its manufacturing facilities in South Africa as a cost reduction measure in the face of increased import competition; a group of plastics operations; and the only television manufacturer, which relocated to South Africa in 1997 because better investment incentives were available.

84. Performance in the manufacturing sector will be affected by the depreciation of the lilangeni. This has caused imports from outside the Common Monetary Area to be more expensive. This is of particular concern in respect of machinery and equipment, used to increase, replace or establish export processing capacity, and petroleum products. Conversely, export products to markets outside SACU may be boosted by the lower external price. Other factors that may adversely affect the sector are the restored acceptability of South Africa in the world arena which will present Swaziland with tough competition to attract and retain foreign direct investment; and reduced tariff protection, particularly in respect of textile and clothing manufacture.

85. Recent growth in exports of manufactures is shown in Table IV.8.

Table IV.8
Manufactured exports, 1991-95
(Emalangeni million)

	1991	1992	1993	1994	1995	Growth rate (per cent)
Other food products	411.5	522.5	696.1	842.0	962.7	23.7
Textiles	202.4	188.2	193.5	250.9	281.8	8.6
Refrigerators	35.6	72.9	183.0	172.2	192.5	52.5
Paper products	41.8	50.2	64.0	56.5	64.6	11.5
Other	99.8	148.0	205.2	344.7	141.4	9.1

Note: "Other" food products includes drink concentrates and confectionery. The reason for the sudden decline in this category in 1995 is not clear.

Source: Data provided by the Swaziland authorities.

86. The existing tax legislation provides for a five-year tax holiday in respect of new manufacturing enterprises that represent a diversification from existing industries. However, this provision has not been used in several years. The Minister for Finance also has the power to negotiate reduced tax deals, in special cases, to encourage industries to invest in Swaziland where this is perceived to be of particular benefit. The soft drink concentrate plant benefited from this from inception whilst the refrigerator manufacturer negotiated the concession after establishment.

87. Price controls are imposed on very few products: the Ministry of Enterprise and Employment controls the retail price of regulation bread (as opposed to speciality breads), and brown and white sugar; the Ministry of Natural Resources controls the price of fuels, i.e. petrol, diesel and paraffin; and the Ministry of Agriculture controls the price of fresh milk and maize meal.

88. The refrigerator manufacturer has experienced difficulties under the COMESA rules of origin. As a result it is establishing a factory in Zimbabwe in order to continue supplying that market. The Government has commissioned a study to investigate such issues.

(iii) Development programmes

89. Depreciation allowances, available in terms of tax legislation, have remained the same for the past ten years. The objective has not been to encourage domestic value added, but simply to offer a general incentive to investment. The Government will further support the decentralization of industries by providing added incentives to industries that locate in the rural or peri-urban areas.

90. Infrastructural improvements planned or in progress include: the upgrade and extension of the Matsapa Industrial Estate and the development of two others at Ngwenya and Nhlangano, in the north and south of the country respectively; improved telecommunication facilities, with a fully digitized and expanded system and the probable introduction of cellphones; widening of the main arterial road, into a full dual carriageway, between Manzini and Mbabane; development of a dry port facility at Matsapa; upgrading the railway line from Swaziland to the Mozambique border; and installation of the fourth feeder line to improve electricity supplies.

91. Two organizations promote the establishment of businesses in Swaziland, particularly manufacturing concerns: Tibiyo Taka Ngwane, is a trust established to hold assets on behalf of the nation, it is a willing partner in new enterprises with potential; and the Swaziland Industrial Development Company (SIDC), established in 1991, provides equity, loan capital, advisory services and it has a portfolio of industrial buildings for rental to industries. The company invests in both new and established businesses, giving priority to investments that encourage employment creation, domestic resource utilization, exports, and technology transfer. In many instances, however, it acts in the capacity of catalyst and facilitator. It is owned by a consortium of international development agencies and the Swaziland Government, with the latter holding almost 34 % of the equity. Top management is provided by the second largest shareholder, the German Investment Development Company.

92. A policy framework is to be produced soon setting out requirements for SME development and, by the same date, a task force will have developed a programme for empowering, in an economic sense, the SME sector. Already the SME sector is assisted through a number of agencies: the Small Enterprise Development Corporation (SEDCO); the Small and Medium Scale Business Development Fund; the Small Scale Enterprise Loan Guarantee Scheme; and the Export Credit Guarantee Scheme.

93. SEDCO is a wholly government-owned company with the responsibility of promoting small businesses through the provision of managerial and marketing assistance to local entrepreneurs. The company also runs a number of small industrial estates throughout the country which provide entrepreneurs with a location to start up their businesses. By 1993 a total of 144 units had been made available.

94. SGBT makes loans available to entrepreneurs who would not be eligible through normal banking channels. It also seeks to identify business opportunities for local business people.

95. The Small and Medium Scale Business Development Fund, with funds to the value of E 44 million, was established by the Government in 1996 as another source of finance available to small businesses. Loans are made available through selected non-governmental organizations.

96. The Small Scale Enterprise Loan Guarantee Scheme, which is administered by the Central Bank through the commercial banking sector, was established in 1991 and is currently being reviewed to assess whether the Scheme is attaining the objectives for which it was established. These were to promote the participation of small-scale entrepreneurs in the economy. By the end of March 1996 a total of 504 loans, with a total value of E 12.4 million, had been approved by the commercial banks

since inception. By the same date 47% of the loans had been fully repaid and the balance guaranteed stood at E 4.7 million. Of the loans made only 7% were accounted for by manufacturing businesses.

97. The Export Credit Guarantee Scheme guarantees 75% of loans extended by commercial banks to exporters for financing exports. The scheme is administered by the Central Bank. Funds deposited amount to approximately E 15 million, including interest. The scheme also provides pre- and post-shipment insurance. This scheme is not available to the major exporters and businesses, such as the sugar and citrus exporters. At the end of March 1996, 16 loans with a total value of E 14.5 million were outstanding.

98. There are no restrictions to the entry of new firms in the manufacturing sector, with the exception of fruit canning where Swaziland fruit canners have a temporary monopoly, as noted in section (1)(vi) above.

99. There are no special marketing arrangements in respect of manufactured goods.

(iv) Sectoral performance

Textiles and Clothing

100. The textile sector consists of a spinning plant, a vertically integrated spinning, weaving, dyeing and finishing plant and a number of clothing manufacturers. The textiles industry throughout southern Africa has experienced difficulties as a result of competition. Much of the yarn produced in Swaziland is of specialist qualities in order to find niche export markets particularly in the EU. Clothing is exported worldwide, generally under GSP arrangements. A quota limit is imposed by Canada on exports of garments from Swaziland.

(4) Services

(i) Tourism

101. The Economic and Social Reform Agenda sets out the immediate objectives of the Government with respect to tourism: "The Government is committed to tourism development since it represents one of the biggest potential contributors to significant economic growth in the future. A small Working Group of key private sector representatives will be appointed in 1997 and will prepare a tourism development policy and action programme, specifying the geographical and sectoral priorities, by the end of June 1997 for launching by the beginning of November 1997. A Tourism Development Board was to be created by the end of December 1997, however the enabling legislation was still awaiting government approval as at end-February 1998. The new Board will work closely with the private sector and the Swaziland Investment Promotion Authority." Tourist receipts are shown in Table IV.9.

Table IV.9
Tourist receipts, 1991-95
(Thousands and Emalangeni million)

	1991	1992	1993	1994	1995
Bed nights sold ('000)	256	305	317	370	404
Total receipts (E million)	76.4	85.7	93.9	104.0	128.3

Source: Data provided by the Swaziland authorities.

102. Swaziland is a party to the Maputo Corridor projects and Lebombo Initiative, both of which include the promotion of tourism in the region as an objective. Swaziland is also part of a regional tourism initiative, the Regional Tourism Organisation of Southern Africa, which has been formed by SADC countries.

103. The tourism sector is not regulated beyond the normal requirements in respect of companies; there is no hotel grading system, for instance. The Ministry of Tourism and Communications is responsible for the development of the tourism sector. The Hotel and Tourism Association is a voluntary body which attempts to coordinate activities within the sector and to establish a lobby with the Government.

104. There are a number of hotels and lodges in Swaziland that meet international standards, including four belonging to the Sun International group, one operated by the Protea group of South Africa and three privately owned hotels. There are lodges or camps at each of the game parks and nature reserves. There are also a number of hotels catering to local needs. Three of the hotels also have casinos.

105. The Government is not actively involved in the tourism sector, apart from owning an hotel and casino at Pigg's Peak in north-west Swaziland. This facility is operated under a management contract by a South African group.

106. Swaziland has three assets which it can and does promote in respect of tourism: scenery, wildlife and traditional culture.

107. Swaziland has several game parks and nature reserves, which have been developed by both the Government and the private sector. The Government is keen to promote Swaziland's strong cultural tradition; it has recently completed the construction of a traditional village as an attraction. The annual Reed Dance is popular with tourists.

108. Difficulties experienced by the sector include restricted border opening hours, which is being addressed with South Africa and Mozambique; reduced attraction of Swaziland for South African visitors as gambling has been legalized in South Africa; and reduced visits by Mozambicans since access to South Africa is now much easier.

109. The sector benefits from proximity to the attractions offered in South Africa and Mozambique, where Swaziland is included in regional itineraries. It also hosts an annual car rally and an annual golf tournament, both of which are part of regional calendars for these sports. Although statistics are not available, South Africa, followed by Mozambique, are the main sources of visitors to Swaziland.

(ii) Telecommunications

110. Telecommunications is the domain of the Government, the Swaziland Post and Telecommunications Corporation (SPTC) being a parastatal body. Under present legislation no other body is permitted to operate services in this sector. There is on-going discussion regarding the structure of SPTC and a possible future development is the division of the Corporation into two entities, one responsible for telecommunications and the other retaining the postal service. The possibility exists that a private-sector joint-venture partner will be sought for the telecommunications operation.

111. A telecommunications policy, including the concept of strategic partnerships for value-added services (cellphones, data networks etc.) will be submitted to Cabinet soon and the enabling legislation sent to Parliament, with a view to introducing a cellphone system as part of a customer-responsive

telecommunications network. By March 1998, SPTC aims to have provided 5,000 new urban and peri-urban connections and a further 1,000 for the rural network (Table IV.10). By June 1998, the network should be fully digital with the fault rate reduced from 2.5 to 1.5 faults per customer per year. Mbabane and Manzini, will be connected via a fibre-optic link.

Table IV.10
Swaziland Post and Telecommunications Corporation, 1990-95

	1990/91	1991/92	1992/93	1993/94	1994/95
Telephone lines	13,700	14,400	15,100	16,300	18,200
Revenue (E million)	48.8	56.3	56.1	71.0	87.1
Operating surplus (E million)	3.1	8.4	4.5	6.4	16.9
Fixed assets (E million)	58.4	70.9	93.0	132.7	192.4

Source: Data provided by the Swaziland authorities.

112. By 1997 there were 21,430 subscribers in areas where the infrastructure exists and the waiting time for a telephone line was three months.

113. Price increases applied by Swaziland Posts and Telecommunications Corporation must be kept at or below the official inflation rate. Any deviation from this requires a special dispensation from the Minister of Tourism and Communication. The Minister would refer the matter to Cabinet.

114. Private-sector participation is permitted with regard to the supply of user equipment, for example: PABX, fax, and telex.

115. Postal services are also the responsibility of SPTC and are similarly restricted in terms of both competition and pricing. However, courier services are allowed to operate and these are responsible for their own pricing and business decisions.

(iii) Transport

116. Of the three modes of transport available in Swaziland, i.e. road, rail and air, the Government is responsible for two through Swaziland Railways and Royal Swazi National Airways Corporation. Road services, both freight and passenger, are operated by the private sector and the Government is not involved in road transport in any way other than for its own needs and in a regulatory and development capacity. The Ministry of Works and Transport is the responsible Ministry.

117. The draft National Development Strategy identifies tourism as one of the reasons for providing an adequate physical infrastructure. It also recognizes the need in other areas: "Properly maintained and upgraded civil aviation, rail and road networks are critical for the stimulation and sustenance of economic development in the country. They are an important determinant of foreign and domestic investment, regional and global competitiveness, creation of jobs and wealth, and in the improvement of social welfare."

118. Responding to the above, the Ministry of Works and Transport is preparing a policy document which will present a coordinated plan for the development of the sector, reflecting national priorities.

(a) Road transport

119. The Road Transportation Board, under the Ministry of Works and Transport, regulates local and international freight load operations and public passenger transportation by road according to government regulations and the Memorandum of Understanding on cross-border issues between SACU members.

120. A revised Road Transportation Act is to be tabled in Parliament. This will introduce the compulsory registration of operators, streamline permit procedures and allow for further deregulation of freight transport. The Act also addresses the emerging minibus industry in the regulatory requirements for public passenger transport.

121. The Road Traffic Act is being reviewed with the objective of bringing it in line with the Southern African Transport and Communications Commission Road Traffic Model Statute and SACU standards, improving overloading control and enhancing driver training and testing standards.

122. Road freight haulage is highly competitive; there is no restriction on competition. Each operator sets its own pricing and business strategy. There are numerous road transport freight operators, the major ones being subsidiaries of South African companies; South African operators also carry considerable quantities of freight between the two countries. There is no restriction on the establishment and operation of such businesses beyond normal licensing requirements and no restriction in respect of competition with the railways.

123. Public road passenger services are operated by private companies and individuals. Long-distance minibus taxis are increasingly popular. Bus ticket prices are controlled by the Ministry of Works and Transport. Passenger service operators are required to apply for a licence to operate a particular route and such licences are limited.

(b) Air transport

124. An organizational review of the Directorate of Civil Aviation (DCA), the responsible authority, is ongoing to ensure that the functions of the DCA are fulfilled effectively and efficiently. The aviation legislation, the Civil Aviation Act of 1968, is being updated to bring safety and operational standards in line with the international requirements of the Convention on International Civil Aviation.

125. Air services are licensed by the Director of Civil Aviation; a number of charter companies are in operation. It is unlikely that another operator of scheduled services, in addition to the two that already exist, would be permitted, due to the limited market. The two scheduled operators agree prices on shared routes.

126. Royal Swaziland National Airways Corporation (RSNAC), owned by the Government, operates passenger flights to regional centres, i.e. Johannesburg, Maputo, Dar es Salaam, Nairobi, Harare and Lusaka (Table IV.11). There is no internal air service because Swaziland is too small for this to be worthwhile. Beyond the ability of passenger aeroplanes to carry freight, there is no air cargo service. A South African company, Comair, also operates a scheduled service between Swaziland and Johannesburg and air charter services are available.

127. Negotiations are continuing with a regional partner for the formation of a joint-venture company to replace RSNAC, which has recently been subject to a major restructuring exercise to reduce losses.

Table IV.11
Royal Swazi National Airways Corporation, 1990-95

	1990/91	1991/92	1992/93	1993/94	1994/95
Passengers (number)		59,493	55,112	47,959	51,426
Cargo (tonnes or '000 tonnes)		155	200	213	307
Operating revenue (E million)	17.1	18.8	18.7	20.3	26.5
Operating surplus (E million)	-1.0	-0.5	-3.5	-12.9	-12.3
Fixed assets (E million)	5.7	3.9	3.0	2.2	9.5

Source: Data provided by the RSNAC.

(c) Rail transport

128. Railways are the responsibility of Swaziland Railways within the Ministry of Works and Transport. Swaziland Railways is a government-owned monopoly; however, there is no restriction on road freight operators competing for the same business.

129. Swaziland Railways has been restructured as a commercial enterprise; but offers only freight services. The rail system is connected to the South African system, in the south into the Natal province, and in the north into Mpumalanga province, and to the Mozambique system in the east. The rail system provides access to the South African ports of Durban and Richards Bay and to the Mozambican port of Maputo. Much of the traffic on the 300 kilometres of track is through-traffic between South Africa and Mozambique (Table IV.12).

Table IV.12
Swaziland railways, 1990-95

	1990/91	1991/92	1992/93	1993/94	1994/95
Operating revenue (E million)	55.1	61.9	68.8	64.4	69.3
Operating surplus (E million)	19.8	15.9	21.2	14.2	10.0
Fixed assets (E million)	84.0	84.3	87.0	93.1	96.1
Employees	1,106	1,074	747	728	725
Tonnes carried ('000):					
Total	4,033	4,356	4,203	3,908	4,286
Exports	807	735	698	575	615
Imports	218	248	330	284	349
Transit	3,006	3,372	3,175	3,049	3,322

Source: Data provided by the Swaziland authorities.

(d) Outlook

130. Projects that are underway or under consideration include the Mbabane-Matsapa-Manzini road being upgraded into a dual carriageway highway; it is hoped that a project to upgrade the facilities of the international airport at Matsapa will be completed by December 1998, including a satellite communication system; and the east-west rail line, from Swaziland to Mozambique is to be overhauled.

131. The Maputo Corridor agreement may result in further structural improvements in road and rail facilities.

(iv) Financial services

132. Financial institutions are subject to the Financial Institutions (Consolidation) Order, 1975. The regulating authority is the Monetary Authority of Swaziland, established under the Monetary Authority of Swaziland Order of 1974. This is the jurisdiction of the Central Bank of Swaziland, which is responsible to the Ministry of Finance.

133. At present only one insurance company, the Swaziland Royal Insurance Company (SRIC), is allowed to operate, however, the new Insurance and Pensions Bill, which is awaiting the approval of Parliament, will permit competition in this sector. SRIC, a parastatal organization, provides both short-term insurance and long-term life services. All insurance must be placed with SRIC unless special authorization is obtained from the Minister for Finance or unless SRIC is unable to deal with the particular requirement. There is no limitation on the number of insurance brokers that may operate, provided the necessary authorization is obtained.

134. There are four commercial banks operating in Swaziland of which one, the Swaziland Development and Savings Bank, is a parastatal organization. The Central Bank is the regulatory authority. There is no restriction on the number or origin of banking institutions, provided that the normal prudential criteria are satisfied for the issue of a banking licence.

135. Until 1997 the banking sector was dominated by international banks: Barclays, Standard Chartered and BCCI. After the collapse of BCCI, its banking licence was taken over by Meridien BIAO and, following its collapse, by First National Bank of South Africa. Standard Chartered sold its operation to Nedbank of South Africa with effect from 1 January 1997. Standard Bank of South Africa established the Union Bank of Swaziland in the early 1990s; this changed its name to Stanbic Bank in 1994 and, after the withdrawal of Standard Chartered Bank, changed its name again, in May 1997, to Standard Bank. Swaziland did not suffer any damage from the collapse of either BCCI or Meridien banks. The Swaziland Development and Savings Bank, which is the only government involvement in the banking sector, is in financial difficulties and is in the process of restructuring. There is no imposed limit to the number of financial institutions that may operate, although new applications would be viewed with care to prevent the banking sector from being over-traded.

136. Other than key parameters, such as the lending rate, all banks are free to determine their own business strategies and service charges. Authorization by the Central Bank, as the responsible authority, would be required for the opening of a new branch.

137. Swaziland Stock Brokers Ltd. provides assistance for listing companies on the Swaziland Stock Exchange and is also responsible for all trading activities on the Exchange. Other stockbrokers could obtain a licence, but the number of listings on the Exchange and the number of transactions is too small to warrant another broker.

138. Other registered financial institutions include Swaziland National Provident Fund, and Swaziland Building Society.

139. All financial institutions are required to be licensed; applications for a licence must include: the memorandum and articles of association, the address of the head office, the name and address of all directors and the principal officer, a balance sheet and a business plan. Applicant banks (and established banks) are required to meet minimum asset requirements which are the greater of E 1 million or 5% of the bank's liabilities. Also the sum of capital and reserve accounts shall not be less than 8% of the sum of its risk assets. All banks are required to establish and maintain a reserve account

into which must be transferred not less than 10% of net profits until the balance of the reserve account is equal to the minimum required capital. The difference between foreign and local institutions is that the assigned capital of a foreign institution shall serve the same purpose as the paid-up capital of a local institution.

140. In considering applications for a licence the Central Bank of Swaziland will consider such matters as the validity of documentation provided, the financial status and history of the applicant, the character and experience of management, the adequacy of the financial structure and the needs of the community. The Central Bank has the power to refuse a licence.

(v) Other services

(a) Health services

141. The Government provides hospital services at subsidized rates as a social service. Private clinics are permitted and exist with the approval of the Ministry of Health. Hospitals are also run by missionary societies and by the agricultural estates.

142. Pharmacies are operated by the private sector, subject to Ministry of Health and normal company requirements.

143. Doctors, dentists and medical specialists who are in private practice are required to register with the Ministry of Health. No prescribed fees apply.

(b) Energy

144. The price of liquid fuels is controlled by the Ministry of Natural Resources and Energy. All such fuels are purchased from refineries in South Africa. The price of petrol and diesel includes a contribution to third-party accident insurance and a government levy. The price of fuel in Swaziland is kept below that of South Africa. The supply and distribution of fuels is the responsibility of the private sector; private sector operators are free to define their own business strategies.

145. Electricity is provided by the government-owned Swaziland Electricity Board (SEB). SEB has some generating capacity, based on hydro-electric facilities, but relies on South Africa for the bulk of supplies. To an extent, therefore, pricing is dependent on the South African supplier. At present no other electricity provider is permitted. Swaziland is in the final stages of an environmental impact study for the construction of the fourth feeder line from South Africa; this is needed in order to improve the general power supply structure and to increase the power available. This may be superseded, however, by a regional arrangement whereby a heavy-duty power line may be built across Swaziland for the supply of electricity from South Africa to a major new industrial development in Maputo; Swaziland would be able to draw power from this line.

146. Coal prices are not regulated and the sale of coal is not restricted.

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