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**Annex A**  
**SWAZILAND**

*A Report to the Congress on*

**DEVELOPMENT NEEDS  
and OPPORTUNITIES for  
COOPERATION in  
SOUTHERN AFRICA**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
SOUTHERN AFRICA DEVELOPMENT ANALYSIS PROJECT  
- SWAZILAND -

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## I. SUMMARY AND CONCLUSIONS

### A. Country Overview

The Kingdom of Swaziland was created in the late 1700's under the leadership of Chief Ngwane II. In 1903, the territory became a British protectorate and was administered by Swazi rulers and the British High Commissioner for South Africa until achieving full independence in 1968. The Kingdom is now ruled by the world's longest reigning monarch, King Sobhuza II, who has ruled since 1921.

The country is a small landlocked nation surrounded on three sides by the Republic of South Africa (RSA) and on the remaining side by the People's Republic of Mozambique. Although the second smallest country in Africa, its four varied geographic regions ranging from savannah-type areas to temperate highlands have permitted the development of a prosperous and diverse agricultural sector.

The 1976 census estimates the total population at about 518,000 including 25,000 absentees working in the RSA. With an estimated de facto population growth rate of 2.8 percent, the population is expected to double in 25 years. Eighty-four percent of the population resides in rural areas where they derive a living primarily from agriculture. The rate of internal rural-urban migration is high and the urban population has grown 6 percent per annum or twice as fast as the rural populace over the past 10 years.

Swazi social and political values have been characterized as conservative and the Swazi people are usually viewed as extremely traditional. At the same time, though, Swaziland is a nation in transition attempting to reap the benefits of modern development while trying to preserve treasured traditions of the past. As in other developing nations, these objectives sometimes conflict and the development process can be slow. However, the process continues and progress is indeed being made as is evidenced below.

Swaziland's economy is agriculturally-based, export-oriented, reasonably well diversified, sharply dualistic, and has close economic relations with the RSA and Mozambique.

The evolution of Swaziland's highly dualistic economy dates back to the turn of the century when European settlers and prospectors were granted large land concessions for farming, mining and commerce. Concessions were made to the effect that even today over 40 percent of the land is owned by non-Swazis. The remainder, Swazi Nation Land, is occupied mainly by Swazi subsistence farmers.

Modern sector development in Swaziland accelerated when the mining of asbestos began in 1939, and continued with iron ore production, and the establishment of large plantations of forestry, sugar, citrus and pineapples on foreign-owned land. The development

of modern agriculture was accompanied by related processing industries of sugar, woodpulp and fruit canning. The establishment and expansion of foreign enterprises took place in an environment in which the Government played only a minor role in directing national economic development.

Since independence the nation has prospered. In recent years, gross national product (GNP) is estimated to have grown at an average annual rate of about 7 percent in real terms and per capital GNP was estimated at approximately US\$450 in 1976/77. However, the benefits of growth are still not equally distributed, and it is estimated that cash incomes for homesteads in the traditional sector are only about US\$745 per annum compared to US\$2,100 in the urban sector. On a per capita basis, these would be about US\$100 and US\$700 respectively.

#### B. Description of the Poor

Basically, the poor in Swaziland can be divided into two groups: the rural poor engaged in subsistence agriculture on Swazi Nation Land and the urban poor living in squatter settlements on the edges of Swaziland's urban areas. The rural poor represent over 350,000 people or more than two-thirds of Swaziland's total population. The urban poor comprise 53 percent of the homesteads in the urban areas.

#### C. Development Constraints

Though Swaziland is well endowed with natural resources and has good development potential, it also faces a number of major constraints that can limit its success towards realizing this potential. Foremost among these are the following:

##### 1. Weak National Development Planning

Lack of macro-economic, cross-sectoral perspective and lack of data and analytical capability limits effectiveness of national development planning.

##### 2. Inadequate Human Resources Development

The inadequacies of human resource development are evidenced by:

- a) the large proportion of expatriates holding key technical, managerial and professional positions throughout the country;
- b) the shortage of skilled craftsmen; and
- c) the generally low productivity of Swazi labor both in the factory and on the farm.

There appears to be no other constraint more fundamental and crucial to Swaziland's development than this one.

### 3. Dependence on South Africa

Swaziland's dependence upon the RSA for trade, transport, private investment capital, recurrent revenue, employment, and highly skilled human resources is a constraint in that it can slacken the pace with which the GOS strives for self-reliance and can distort the ordering of development priorities.

### 4. Population Growth

At a rate of 2.8 percent per annum, Swaziland's population growth is among the highest in the world. Without more aggressive family planning efforts, the number of unemployed will continue to rise in the urban areas, the present land tenure system will eventually reach the limit to which viable production units can be divided, rural living standards will suffer as more marginal land is brought into production, and increasing population densities will contribute to the deterioration of the land base. The ultimate result is that the benefits of development efforts are "neutralized" or greatly diffused as more and more people must share the "development pie."

### 5. Overgrazing and Erosion

As recognized in the Third Five-Year Plan (draft), Swaziland has the highest livestock stocking rate in Africa. This has inevitably led to the deterioration of soil and water resources. The use of traditional cropping patterns, population growth, and the configuration of the land base itself are also contributing factors. As evidence of this deterioration, the MOA's Land Use Planning Section estimates the rate of erosion to be as high as 25 to 35 tons of soil loss per hectare per year. A maximum acceptable soil loss should be no greater than 3 tons per hectare per year.

### 6. Land Tenure System

The land tenure constraint has basically two dimensions. First, over 40 percent of the land is owned by non-Swazi residents whose ancestors were granted land concessions in the late nineteenth century. While on one hand, the use and management of this land contributes the bulk of GDP, it is also estimated that 30-40 percent of it is unutilized or underutilized. Second, although the land allocation system on Swazi Nation Land is an ideal one in terms of equity, the availability of land is limited and an alternative system will eventually be required. Moreover, the insecurity of tenure created as chiefs and family heads parcel the land into smaller and smaller productive units results in the reluctance of some farmers to put maximum effort into agriculture and improvement of the land. The smaller land units also further limit their potential for efficient agricultural use.

This second dimension of the land tenure constraint as well as the population and cattle overstocking problems present perhaps the three most sensitive and formidable challenges to Swazi development. The three are closely inter-related and epitomize some of the principal traits of Swazi traditional culture. Yet by the turn of the century, the population will be about one million if the present rate of growth continues and the land base simply will not be able to support the human (and livestock) population at that time under the present system.

D. Government Development Plan and Budget

The basic long-term objectives of the GOS are 1) economic growth; 2) self-reliance; and 3) social justice and stability.

- Economic Growth will be promoted through investment to expand modern sector agriculture, commercialize traditional agriculture, and expand the manufacturing and processing industries.

- Self-Reliance will be expanded by securing a greater control of productive resources for the Swazi people; strengthening the GOS' administrative capacity; developing local sources of goods and services; and diversifying external economic relations.

- Social Justice and Stability will be promoted by spreading economic opportunities and social services more widely; involving rural people more closely in decision-making on matters affecting their well-being; and adapting traditional institutions to make people more aware of the benefits of available services and productive technologies.

The GOS does not set priorities with respect to these objectives. Rather, it believes they are inseparable and that progress towards one leads towards the realization of the others. However, examination of the plan's capital budget suggests that the objectives are emphasized much in the order presented with growth and self-reliance given priority over social justice and stability. Consequently, under the influence of the plan's relatively capital-intensive investment pattern, it is likely that Swaziland's substantial modern sector will grow more rapidly over the next five years than the traditional sector thus widening the gap that already exists between the two.

While both the GOS and donor community favor the development of labor-intensive activities, the realities of the capital-labor productivity relationship in Swaziland are such that investors cannot be easily persuaded to undertake more labor intensive investments. Finding appropriate alternatives to capital-intensive investments thus presents the GOS and donors with one of their most formidable challenges over the decades ahead.

### E. Role of Donor Assistance

Until 1975, the United Kingdom was the major source of foreign financial assistance, providing funds to cover Swaziland's budget deficits as well as grants and long-term interest-free loans for development. During the last few years, however, Swaziland has diversified its sources of foreign assistance. In addition to ODM, several bilateral agencies, including USAID and SIDA, as well as multi-lateral lenders, such as UNDP, IBRD, AFDB and EDF, contribute to financing the government's capital budget. Because of the slow build-up of absorptive capacity, the utilization of foreign assistance following independence has been sluggish. However, a substantial technical assistance program is now in place and the country's absorptive capacity is improving as local staff benefits from training and experience.

### F. Donor Strategy

The long-term objectives of the donor assistance strategy proposed herein are directly supportive of the GOS' national development goals. These are to:

1. Expand the nation's productive capacity to sustain economic growth at the recent favorable rate of 7 percent per annum in real terms;
2. Reduce the sharp incomes disparity and economic dualism that presently characterize the country's economic structure;
3. Reduce the population growth rate which is currently among the highest in the world;
4. Increase employment opportunities to meet projected future needs;
5. Increase the nation's self-reliance;
6. Support GOS programs catering to the basic human needs of the society; and
7. Expand the nation's absorptive capacity for development assistance.

The objectives thus seek to maintain the momentum of impressive growth achieved in recent years. At the same time, there is a strong interest on the part of most donors to reduce the dualistic nature of the economy by promoting a proportionally greater participation of the Swazi people in the process and benefits of development. Reduction of the population growth rate is given high priority as gains in production, productivity, and job creation can be quickly eroded by a rapidly growing populace. The projected shortage of employment opportunities over the next decade also warrants job creation as a key component of the strategy. In view of Swaziland's landlocked position and excessive dependence upon expatriates and neighboring nations,

there is support for GOS efforts to become more self-reliant. All of the above elements are dependent in a large degree on efforts to expand the GOS' absorptive capacity for development assistance and this thus becomes an important component of the strategy as well.

## G. Conclusions

### 1. Development Dynamics and Strategy Implications

Reflecting upon the strategy outlined herein, the dynamics of development occurring in Swaziland become obvious. These dynamics take basically two dimensions: the rural-urban migration which appears to be inevitable in Swaziland as in most developing nations; and the arduous transition that the nation is making from a traditional to a modern technological society. These dynamics carry important implications with respect to the comprehensiveness of the donor strategy and the pace at which it can be carried out.

First, in view of the rapid urbanization occurring in Swaziland and the need to generate employment, it can be concluded that donor emphasis should be appropriately balanced (as suggested by the strategy outlined herein) between assistance to rural and urban areas. Often the tendency among development agencies is to largely direct assistance to rural areas where indeed the majority of people in greatest need of assistance are found. Moreover, the focus is generally on subsistence or traditional sector agriculture. But as the subsistence-level farmers' living standards and aspirations rise, many will seek further advancement by developing larger, more efficient farm production units, or seek wage employment in agribusiness and urban sector activities. Thus, the role of development assistance should be one of lifting the poor out of poverty and ultimately moving them into the mainstream of modern economic development as indicated above. To accomplish this, development assistance must be broad enough in its approach to encompass this entire transition path from the rural to urban sectors and within the sectors themselves.

The second dimension to the dynamics of development in Swaziland, the traditional-modern society transition, carries with it important implications with respect to the pace at which the strategy can be implemented. Considering the array of development activities suggested by the strategy, it becomes obvious that certain constraints - population growth, land tenure, and cattle overstocking for example - will require much longer time to tackle and overcome than others. This is because they are more deep-seated in Swazi tradition than others and require a timetable for change best determined by the nation's commitment to change and the evolutionary process of change itself. It follows that the donor community should encourage further discussion, contemplation, and development of strategies to respond to these more formidable challenges while at the same time staying in tune with the pace of change established by the GOS and Swazi society.

## 2. Strategy Priorities

Condensing the external assistance strategy down to those areas deserving of highest priority, two clearly stand out most prominently. These are national development planning and human resources development. The GOS national planning function is very weak and planning at both the central and ministerial levels must be significantly strengthened. Such planning and interministerial coordination can provide the guiding framework through which development problems are identified and analyzed, and through which strategies can be formulated into an integrated development approach. More sophisticated long range planning (10-20 years) and intermediate range planning (5 years) are also necessary recognizing the time required for change and development to occur.

While better planning assists in providing direction, human resources development is required to provide the basic capacity for development. Throughout the strategy the most common thread of need is the development of Swaziland's human resources. This is required to increase productivity on the farm and in the factory, localize public and private sector control and management of the economy, and thereby improve the welfare of the individual and Swazi society as a whole. This is the most fundamental and recurrent constraint in Swaziland today and for the foreseeable future. It should therefore receive highest priority from the donor community and serve as the center-piece of the overall development strategy.

## II. BACKGROUND

### A. History

According to legends, the Swazi people once lived near what is now Maputo (formerly Lourenco Marcques). In the late 1700's, Chief Ngwane II led a small band of Swazis over the mountains to what is now southeastern Swaziland. There they found and united with other African groups.

British traders and Afrikaner settlers first came to what is now Swaziland in the 1830's. In the 1880's gold was discovered. Prospectors rushed in and persuaded the Swazi Chief to sign documents granting them mineral rights and land for mining, farming, and commerce.

After the Boer War, Great Britain governed Swaziland from 1903 to 1967. When the Union of South Africa was formed in 1910, the territory was kept intact and was administered by Swazi rulers and the British High Commissioner for South Africa. In 1967, Swaziland gained control over its internal matters and received full independence in 1968. It is now ruled by the longest reigning monarch in the world, King Sobhuza II. The King, who celebrated his 79th birthday in 1978, has ruled since 1921.

### B. Geography

The Kingdom is a small landlocked country surrounded on three sides by the Republic of South Africa (RSA) and on the remaining side by the People's Republic of Mozambique. Its eastern borders are 65 kilometers (about 40 miles) from the Indian Ocean. With a total area of only 17,374 square kilometers (6,704 square miles), it is the second smallest country in Africa, and is about the size of the state of New Jersey.

The country is physically divided into four geographic regions with varying altitudes. The varied ecological conditions found in the different zones ranging from savanna-type areas to temperate highlands have permitted the development of a diverse agricultural sector. The higher elevations support extensive pine forests and temperate climate crops. Below is a middle area of fertile soil and rolling grasslands with sufficient rainfall, but with enough streams for extensive irrigation. The fourth region rises again into mountains on the east side of the country, has higher rainfall, and is called the Lubombo Region.

Of the country's total land area of 1.7 million hectares, about two-thirds is presently used for grazing and about 10% for cropland. Some 6% is in forests which were planted in the past 20 years and now constitute a growing forest industry.

Rainfall ranges from about 40 to 90 inches in the highlands with relative cool temperatures to 20 to 35 inches in the lowlands with hotter temperatures. Most rainfall occurs in the summer months, November to March.

### C. Population and Social Structure

Swaziland is also small in terms of population. The country's 1976 census estimates the total population at about 518,000 including 25,000 temporary absentees working in South Africa. With an estimated de facto population growth rate of 2.8%, the population is expected to double in about 25 years. The population is extremely young, with some 45% under the age of 15. Population density is about 30 persons per square kilometer.

In 1976, 84% of the population resided in rural areas where they derive a living primarily from agriculture.<sup>1/</sup> The only significant urban/peri-urban concentration consists of about 80,000 people in the two towns of Mbabane and Manzini, which are 39 kilometers (25 miles) apart, and the urban corridor which connects them.

The chief characteristic of the population is its homogeneity, with 97% of the population comprising Black Africans - the vast majority of whom are Swazis. Another noteworthy characteristic is the absence of adult males in many Swazi households due to the attraction of wage employment in South Africa. For example, a 1978 UN-supported rural household survey undertaken in the Northern Rural Development Area indicated that 31% of the homesteads did not have any adult males normally resident at the homestead (vs 35% in the 1976 homestead survey)<sup>2/</sup>. Of an estimated 25,000 men working in the RSA in 1976/77, about 17,000 of these were employed in the mining sector.<sup>3/</sup>

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<sup>1/</sup> Although 84% of the population resides in rural areas, most rural families, depend on earnings in the modern wage sector, to supplement their tradition sector incomes. The GOS estimates that agriculture provides about 65% of total employment and wages.

<sup>2/</sup> Source - "The Rural Homestead as an Economic Unit", University College of Swaziland, July 1978.

<sup>3/</sup> Source - "Wages in Swaziland", Federation of Swaziland Employers, 1977. This figure is considered to be overstated by some GOS officials due to the possibility of double counting - miners are contracted on a six month basis and the same individual could be counted twice under current reporting procedures.

Besides external labour migration, there are high rates of internal migration from rural to urban areas. In 1977, the urban population comprised 14% of the nation's total. However, it has grown twice as fast as the rural areas over the past 10 years and represented 16% of the total in 1976.<sup>1/</sup>

Traditional values, both political and social, persist and are embodied in the monarchial system and the King. These values have been characterized as conservative and the Swazi people are usually viewed as extremely traditional. But, at the same time, Swaziland is a nation in transition attempting to reap the benefits that modern technology and methods offer while yet trying to preserve treasured traditions of the past. At times, these objectives conflict and the process of change and development can be slow. This is of course the experience throughout the developing world. Progress requires change, and change, more often than not, generates new problems which must be addressed in turn. Such is the development process in Swaziland as indeed it is in every developing society.

#### D. Government

The political system is dualistic, with the King representing the highest authority in both the modern and traditional sectors. Invested with the executive authority of Swaziland, the King names a cabinet comprising a Prime Minister and a flexible number of Ministers, all of whom must be members of Parliament. The cabinet is responsible for the operation of the western-style bureaucracy. As Ingwenyama ("Lion"), the King, in consultation with traditionally chosen members of the Swazi National Council, presides over all aspects of the society outside the modern sector, including all matters relating to development in the rural traditional sector. This system functions through a hierarchy of appointed chiefs and their councils.

A new trend is to increase the importance of the country's 40 meeting centers (tinkhundla), not only for socio-economic organization, but also for the dispensing of rural social services. This decentralization was extended further in October 1978 by the creation of a Regional Council of popularly elected members for each of Swaziland's four administrative Districts. The Regional Councils have a two-fold responsibility in the development process: to co-ordinate national and economic activities at the District level, and to identify priority projects needed by residents of their Districts. Each Regional Council functions under a Regional Administrator, who reports to a Ministry.

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<sup>1/</sup> Source - "Swaziland Shelter Sector Assessment", AID office of Housing July, 1978.

E. Economy

Swaziland's economy is agriculturally-based, export-oriented, reasonably well diversified compared to other African economies and sharply dualistic. It is further characterized by its close economic relations with the Republic of South Africa and the People's Republic of Mozambique.

1. Growth

In its ten year since independence, Swaziland has prospered. Gross domestic product (GDP) is estimated to have grown over the past several years at an average annual rate of 7% in real terms. However, in the last two years a slowdown appears to have occurred as investment flows have slackened and as export earnings have fallen with declining prices of the country's two major exports, sugar and wood pulp. The GOS nevertheless believes the economy can maintain its 7% average real growth rate given the investment package foreseen for the Third Five-Year Plan (1978/79 - 1982/83) and some improvement in export prices. Per capita GDP was estimated at approximately U.S. \$450 in 1976/77. 1/

Despite Swaziland's impressive growth performance, the benefits of growth have not been equally distributed, and it is estimated that cash incomes for homesteads in the traditional sector are only U.S. \$745 per annum compared to U.S. \$2,100 per annum in the urban sector. On a per capita basis, these would be about U.S. \$110 and U.S. \$700 respectively. 2/

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1/ Estimates of per capita GDP for Swaziland vary widely among different sources and are subject to reliability. The GOS believes this figure most closely approximates an accurate estimate.

2/ The number of resident persons per household is estimated at 6.8 per household in rural areas and 3.1 persons in urban areas.

The evolution of this highly dualistic structure dates back to the turn of the century when European settlers and prospectors were granted large land concessions for farming, mining and commerce. Concessions were made to the effect that even today over 40% of the land is owned by foreigners. The remainder, Swazi Nation Land, is occupied mainly by Swazi subsistence farmers.

Modern sector development in Swaziland accelerated when the mining of asbestos began in 1939, and continued with iron ore production, and the establishment of large plantations of forestry, sugar, citrus and pineapples on foreign-owned land. The development of modern agriculture was accompanied by related processing industries of sugar, woodpulp and fruit canning. The establishment and expansion of foreign enterprises took place in an environment in which the Government played only a minor role in directing national economic development.

Since independence it is estimated that the major sectoral shares of GDP have shifted with the share of agriculture and forestry rising from 19% in 1968/69 to 31% in 1976/77; mining and quarrying falling from 21% to 5%; manufacturing increasing from 13% to 16%; and social services increasing from 15% to 17% in this same period. These shifts can be attributed to:

- a. a depletion in the commercially exploitable deposits of iron ore, the principal contributor to GDP in the mining sector; and
- b. an investment pattern which has continued to emphasize development of the modern agricultural sector and related processing industries.

### 3. Economic Relationship to South Africa and Mozambique

Swaziland's economic ties to the Republic of South Africa are strong. With South Africa and Lesotho, Swaziland is a member of the Rand Monetary Area, and prior to 1974 Swaziland used the rand as its national currency. In 1974 the GOS established the Monetary Authority of Swaziland and issued its own national currency, the lilangeni (emalengeni - plural). The lilangeni is wholly backed by the rand, and is readily convertible in rand on demand. Both currencies circulate in the economy and Swaziland continues to be a member of the Rand Monetary Area.

Swaziland also belongs to the Southern Africa Customs Union (SACU) along with South Africa, Botswana and Lesotho. Movement of goods and funds among all of these countries is virtually free and Swaziland derives on average about 50% of its recurrent revenues under the customs union agreement\*. Though these monetary arrangements have created a favorable investment climate in Swaziland in some respects, they have also limited the Government's capability to control economic, monetary and fiscal policy as will be noted below.

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\* Customs revenues represented 45% of total recurrent revenues in 1977/78 and 62% in 1978/79.

The RSA is also important to Swaziland's economy in that it provides it with over 90% of its consumer goods and operates the major transport links on which these goods are shipped; absorbs about 20% of Swaziland's exports; accounts for about 27% of private foreign investment in Swaziland; provides employment to an estimated 25,000 migrant workers; and satisfies the country's water supply and power (24%) needs to a large extent. South African technical, managerial, and professional personnel are employed in important private and public sector activities throughout the country as well.

Swaziland's economic relationship to Mozambique is also of major significance. While being heavily dependent upon the RSA for satisfying its import needs, Swaziland is equally dependent upon Mozambique's port of Maputo to ship its exports to world markets. This dependence will be reduced with the completion of the new railway being constructed between Phuzumoya and Golela. Still, bordered as it is by white minority-ruled South Africa and socialistic black majority-ruled Mozambique, Swaziland remains politically located in one of the most volatile areas in Africa.

#### 4. External Trade

Because of its limited domestic market, most of Swaziland's modern sector production is exported. The value of exports, estimated to be E156.3 million in 1977, amounts to about 61% of the GDP. Three exports -- sugar (33%), woodpulp (19%) and iron ore (16%) -- together account for about 70% of the total export value. However, iron ore declined from 22% of total exports in 1971 to 6% in 1977 and will soon not contribute at all due to the depletion of commercially exploitable deposits. As noted above, it is likely that newly discovered coal and tin deposits will make significant contributions to future earning as these are developed. Establishment of a third sugar mill and the resulting expansion of total production capacity to 500,000 tons annually will further boost earnings. Other exports include citrus, asbestos, pineapple and meat.

From 1974 to 1976, Swaziland maintained a healthy balance of trade surplus of about E40-50 million because of:

- a. a sharp rise in the price of sugar; and
- b. the relatively slow rise in the average unit cost of imports.

However, in 1977, it is estimated that the trade surplus was reduced to about E15 million due to declines in the value of sugar, wood pulp and iron ore; and a large rise in the value of imports than exports. While the value of 1977 exports fell by E11 million to E157 million, imports rose by E15 million to E142 million (FOB).

Swaziland's major export markets are the United Kingdom and South Africa. The U.K. absorbed 33% of 1976 exports and the RSA 20%. Other markets are Japan - iron ore and wood pulp, the USA - sugar, Canada - sugar, several African countries - coal and sugar, and other countries in Europe, Asia and South America - wood pulp.

Imports have risen in every year since 1969, reflecting efforts to develop the economy. Major imports include machinery and transport equipment (29%), manufacturing materials (14%), miscellaneous manufactured goods (13%), and petroleum products (11%). Imports of food and live animals also continue to be significant (E6 million in 1977) indicating Swaziland's continuing dependence on other countries, and particularly the RSA, for some major food items. The source of most of Swaziland's imports, about 90%, is either from or through South Africa.

5. Balance of Payments

TABLE 1  
SWAZILAND'S BALANCE OF PAYMENTS 1974 - 1977  
(E'000)

	1974	1975	1976	1977
Merchandise				
Exports	121,500	145,719	168,400	156,993
Imports	-68,499	-96,266	-126,944	-141,700
Trade Balance	53,001	49,453	41,456	15,293
Services (Net)	-27,942	-13,367	-23,134	-17,358
Total Goods & Services	25,059	36,086	18,322	- 2,065
Unrequired Transfers (Net)	9,629	10,871	9,045	10,807
Current Account Balance	34,688	46,957	27,367	8,742
Capital (Net)	-17,139	-7,915	4,286	-6,166
Short-term	-18,553	-12,440	-6,717	-8,499
Long-term	1,414	4,525	11,003	2,333
Net Errors and Omissions	-9,719	-8,689	-7,493	15,958
Increase in External Reserves	7,830	30,353	24,160	18,534

P : Provisional

Source : Monetary Authority of Swaziland

From 1974-1977 Swaziland has enjoyed an overall balance of payments surplus (See Table 1). However, over the past three years, the surplus has progressively declined from a record high of E30.4 million in 1975 to E18.5 million in 1977. This has resulted mainly from a declining trade balance for the reasons indicated above.

In the services accounts, the trend has been more erratic with a net outflow of E27.9 million recorded in 1974 compared to E17.4 million in 1977. The following notable trends have occurred in these accounts from 1974 to 1977: a sharp increase in income from "Travel" rising from E12.6 million to E30.9 million; a steady rise in migrant "Workers Earnings" from E1.0 million to E3.9 million\*; and a decline in "Investment Income" on the debit side from E26.0 million to E6.2 million. However, offsetting these trends have been an increase over the same period in "Transportation and Merchandise Insurance" costs from E2.9 million to E9.9 million; a rise in "Travel" expenses from E7.6 million to E17.0 million; and increases in "Other Services" from E5.7 million to E16.5 million.

Swaziland's capital account has also been more erratic in movement with the net position recording a E6.2 million debit in 1977 compared to an E18.6 million debit in 1974. Particularly noteworthy in these accounts has been the decline in "Direct Investment in Swaziland" from E10.7 million in 1974 to E2.3 million in 1977. This trend may reverse itself as planned capital projects come on stream in the next few years. At the same time, though, it is a signal that investment plans must be implemented as scheduled and/or that other foreign and domestic investment capital must be sought to help sustain the momentum of economic growth achieved in recent years.

As Table 1 indicates, it is estimated that in 1977 Swaziland will record a E2.1 million deficit on its "Total Goods and Services" account, the first since 1974. Still, though, there will be a current account surplus due to positive net "Unrequited Transfers" (mostly official grants to government), and an overall payments surplus due to "Omissions" which have not yet been recorded in the other accounts.

Swaziland's external debt was \$39 million in 1974. Debt service payments on that level were \$4.2 million, a fraction of the total GDP and about 5% of the value of total exports at that time. Between 1976 and 1977, however, the external debt rose from E50 million to E71 million (\$81.6 million) with debt service payments in similar relationship to GDP and value of exports. Thus, Swaziland is still in a comfortable position with respect to its external debt load and is capable of taking further advantage of its credit worthiness should it so desire.

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\* In view of South Africa's intentions to reduce its dependence on migrant laborers, it is expected that these earnings will either level off or decline in the future.

6. Public Finance

The role of the public sector in the economy has grown in the past several years. However, in comparison with other African nations, its contribution to the GDP, 23% in 1975/76, is still quite small.

Recent GOS budgetary performance is indicated in Table 2 below:

TABLE 2

GOS National Budget  
FY 1976/77- FY 1978/79  
(000 Emalangeni)

	<u>FY 75/76</u>	<u>FY 76/77</u>	<u>FY 77/78</u>	<u>FY 78/79</u>
<u>Current Account</u>				
Revenue	69	62	78	87
Expenditures	31	46	51	48
Surplus	38	16	27	39
<u>Capital Account</u>	30	22	37	125
<u>Deficit (Surplus)</u>	(8)	-5	-10	-86
Foreign Financing	-	5	7	40
Domestic Financing	-	1	3	46

Impressive gains have been shown in the revenue account largely as a result of recent changes in the formula for the distribution of custom union revenue. These have risen from E13.2 million in 1976/77 to an estimated E54.2 million in 1978/79. At the same time, though, receipts from the sugar levy which peaked at E23.9 million in 1975/76 have since fallen to about E4.5 million due to tax base adjustments necessitated by declines in world market sugar prices and higher production costs. Whereas customs union and sugar levy revenue were 35% and 29% of total receipts respectively in 1975/76, these proportions are estimated at 62% and 5% in 1978/79.

Since 1976/77 current expenditures have remained fairly stable resulting in a growing surplus in the current account from E16 million to E39 million. These surpluses have been used to finance capital expenditures which rose sharply by 438% in 1978/79 after increasing 68% the year before. These substantial increases are accounted for largely by central government investments in major projects including the southern railroad link to RSA permitting access to Richard's Bay (E20.5 million), the third sugar refinery (E15.0 million) and construction of a new state house (E9.8 million). Thus, although recurrent revenues have shown respectable increases over the same period, they have fallen far short of total expendi-

tures resulting in an estimated deficit of E86 million in 1978/79. To finance this deficit, the GOS will depend on foreign borrowings (E40 million) as well as domestic resources (E46 million).

This recent budgetary performance represents a sharp departure from past conservative fiscal policies. In years past, recurrent account surpluses have been sufficient to finance the capital fund. However, substantial investment capital was required for the number of large projects getting underway this fiscal year. It is uncertain to what extent such bulges in the investment flow will continue although prospects for mining projects and related infrastructure development suggest this may be the case over the next few years.

Of particular note regarding government finance is the significance of the 1969 Customs Union Agreement among the RSA, Botswana, Lesotho and Swaziland. Swaziland depends on revenue provided under this agreement to fund on average about 50% of its recurrent budget. The agreement provides that South Africa assumes responsibility for setting tariff and excise tax rates and collecting all of the duties. The PLS countries are reimbursed out of the revenue pool by a formula which attempts to compensate them for the flexibility they give up. At present, it is widely accepted that the revenue formula is very favorable for the BLS countries in terms of the revenue generated. A recent confidential study commissioned by the Swazi government concluded that Swaziland would suffer considerably under alternate arrangements. However, because political and economic conditions may change over the next several years, it will be necessary to re-evaluate the costs and benefits of Swaziland's membership as changes occur.

Though the arrangement has net advantages at present, there are nevertheless major disadvantages which should be recognized. First there is the price raising effect of the RSA's import control measures and its policy of protecting South African industries. Due to high protective tariffs the RSA places on electrical goods, consumer durables, and luxury goods, these products are more expensive to the BLS than they otherwise might be if imported from elsewhere.

Secondly, there is the polarization effect whereby industries choose to locate in South Africa because of its more favorable conditions in terms of market size and affluence, physical infrastructure, financial institutions, etc.

Still another disadvantage is the loss of fiscal discretion. Under the provisions of the agreement, Swaziland has given up its power to set its own tariff schedule on imports and its own excise taxes. In order

to generate additional revenues, Swaziland has introduced a levy on sugar. This levy is an important, though diminishing, source of indirect tax revenue. As already noted, receipts have dropped sharply from E23.9 million in 1975/76 to an estimated E4.5 million in 1978/79.

Despite these disadvantages and other constraints imposed on the government's flexibility to control economic, monetary and fiscal policy, Swaziland's economic relationships with the RSA are still believed to be of a positive net benefit to the GOS. It is unlikely that these relationships will change significantly in the near future although, again, changing political and economic conditions will require reassessment and adjustments over time.

#### Tibiyo Fund

Owing to their impact on central government financial operations, any discussion of Swaziland's public finance would not be complete without reference to the Tibiyo Fund. This traditional sector as opposed to modern sector fund has as its major source of revenues royalties from the Havelock Mine, mineral production, the Royal Swazi Hotel and Spa, as well as other commercial investments. These revenues are intended for investment in commercial ventures to primarily benefit Swazis on Swazi Nation Land. The fund also aims to make Swaziland self-sufficient in all its basic food requirements through programs to improve and expand the agricultural sector, and participates in other endeavors including land purchases and the award of educational scholarships. The fund's major investments in recent years has included major capital participation in the construction of a third sugar mill, and the establishment of the airline Royal Swazi Airways. As of 30 April 1978, accumulated funds, totalled E22.1 million.

Central government finance becomes directly involved in traditionally sector-funded ventures with respect to both capital and recurrent costs financing. Participating capital is usually required to supplement traditional sector funding and accounted to some extent (E16.5 million) for the surge in GOS capital budget expenditures estimated for 1978/79 (see discussion above). Traditional sector funded projects also can place a drain on government recurrent revenues as ventures are sometimes passed to the GOS. For example, the airline has reportedly lost about E2.0 million since its establishment. Thus, though outside of central government operations, these funds have a significant impact on public finance and economic development in Swaziland.

### III. DESCRIPTION OF THE POOR

Although Swaziland's 1976/77 per capita GDP of about U.S. \$450 is among the highest in sub-Saharan Africa, the country's income distribution is sharply skewed reflecting the dualistic nature of the economy. While reliable income distribution data is not available, rough estimates have been made in recent years. An early effort by the U.K.'s Overseas Development Ministry (ODM) indicated the following distribution:

TABLE 3  
INCOME DISTRIBUTION, 1971/72

	African Popu- lation*	Labor Force (percent)	Income
Swazi Nation Farms	62.1	65.7	14.1
Individual Tenure Farms and Forestry	16.8	15.2	22.0
Other Employment	21.1	19.1	63.9
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

These figures show that the two-thirds of the labor force employed in the traditional sector or on "Swazi Nation Farms" earn only 14% of total income whereas the remaining one-third in the modern sector earn 86%. Though based on a 1971/72 survey, the COS and donor agencies believe this breakdown is still indicative of the current distribution.

More recently, an AID-sponsored shelter sector survey mission to Swaziland estimated 1976 cash income per homestead at U.S. \$745 in rural areas compared to U.S. \$2,100 in the urban sector. However, since rural homesteads are larger than those in the urban sector the difference is more pronounced when comparison is made on a per worker basis. In this case, the annual figures are U.S. \$275 and U.S. \$1,350 per worker per annum for the rural and urban sectors respectively. On a per capita basis the figures are U.S. \$110 and U.S. \$700 respectively.\*\*

\* Excludes absentees

Source: Annual Statistical Bulletin, 1974 and IBRD estimates.

\*\* Excluding absentees working elsewhere, the average number of residents is estimated at 6.8 and 3.1 per household in the rural and urban areas respectively.

While there is a sharp disparity between urban and rural incomes, there is a marked difference in income levels within the two sectors as well. The ODM data indicates that about 30% of the rural populace on Swazi Nation Farms earn about 40% of rural income while the remaining 20% - Individual Tenure Farms and Forestry - earn about 60%. In the urban sector, estimates of the Shelter Sector Team indicate that 13% of urban households earn incomes of U.S. \$4,800 or more; 34% earn from U.S. \$2,200 to U.S. \$4,800 and 53% earn less than U.S. \$2,200.

Though the above data may not be precise, it is nevertheless indicative of the sharp skewness in the country's income distribution. Moreover it clearly demonstrates the need for donor assistance to help the GOS correct this imbalance.

Thus, basically, the poor in Swaziland can be divided into two groups; the rural poor engaged in subsistence agriculture on Swazi Nation Land and the urban poor living in squatter settlements on the outskirts of Swaziland's urban areas. A closer look at these groups will be helpful in determining the needs for development assistance.

#### A. The Rural Poor

Over 350,000 or more than two-thirds of Swaziland's total population can be classified as rural poor. These people live on approximately 42,000 small-scale farms with an average size of less than 3 hectares each. The average number of residents is 6.8 persons per household excluding absentees working elsewhere. These farms are run largely on traditional lines employing family labor and draught animals and producing mainly for subsistence. Women are the principal farmers by tradition with the men predominantly concerned with livestock.

On Swazi Nation Land where the great majority of the rural poor reside, traditional authority prevails and the land is held communally. Approximately 10% of the area (114,000 hectares) is devoted to crop production with the remainder used primarily for grazing. (See Table 4 below). Maize, the staple food crop is grown on 80% of the crop area. However, because of low yields, and price disincentives stemming from subsidies paid on maize in South Africa, about 15-20% of the country's maize requirements must be imported from the RSA.

Table 4 also indicates that while the use of land for growing maize continues to predominate it has lost some ground to cash crops including cotton, tobacco, and vegetables.\* This is to be expected as farmers are now using higher yielding varieties of hybrid maize thus making it possible to allocate more land for cash crops production. Despite this trend, though, imports of fresh fruits and vegetables have steadily grown from a level of about \$650,000 in 1972 to an annual rate of nearly \$2 million in 1976.

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\* From 1970 to 1976, the production of tobacco on Swazi Nation Farms rose from 60 tons to 165 tons while cotton production rose from 960 tons to 6,013 tons.

TABLE 4  
 SWAZI NATION LAND : LAND USE AND MAJOR CROPS  
 1971/72 AND 1975/76  
 (Percentage Distribution)

	<u>LAND USE</u>		<u>MAJOR CROPS</u>		
	<u>1971/72</u>	<u>1975/76</u>	<u>1971/72</u>	<u>1975/76</u>	
Cultivation	9.3	9.8	Maize	73.6	66.9
Fallow	1.7	2.2	Groundnuts	5.8	4.6
Homesteads and Other Land	0.7	0.6	Cotton	4.6	11.3
Grazing Land	88.3	87.4	Jugo Beans	3.3	1.8
			Sorghum	3.0	3.2
			Beans	2.5	2.4
			Sweet Potatoes	1.1	2.0
			Pumpkins	3.4	3.9
			Tobacco	0.4	0.6
			Other Crops	2.3	3.3
	100.0	100.0		100.0	100.0

Sources : Agricultural sample Census, 1971/72; Central Statistical Office - Annual Survey of Swazi Nation Land 1975/76.

Cattle ownership is extremely important for social reasons and this, combined with reduced mortality through improved veterinary services, has led to overstocking on Swazi Nation Land. Herd size has grown without a corresponding increase in productivity. In many areas, the condition of the cattle and the range land are deteriorating.

It can be readily observed that these traditional farmers have not shared significantly in the country's economic growth of recent years. It is estimated that only 22% of the traditional farmers enter the market economy, and cattle still make a comparatively little though growing contribution to the growth in GDP\*\*. These farmers' stagnant situation presents a sharp contrast to the intensive, largely foreign-owned and managed farming sector which occupies over 40% of the land. Table 5 below illustrates the contrasts between these two sectors.

TABLE 5  
AGRICULTURE LAND OWNERSHIP/TENURE

	Individual Tenure Farms	Swazi Nation Farms
Area (000 ha)	691	114*
Resident Populatio- (000)	148	345
Number Farms/Estates	850	42,000
Average Holding (ha)	800	2.75
Ownership/Tenure (000 ha)		
Swazis	259	114
Major Companies	173	-
Non-Swazis	259	-
Percent of Total Agricultural Output	60	40
Production Growth Rate (%)	5	2.8

\* Whereas virtually the total area of freehold land is included in the ITFs, the SNFs occupy a relatively small amount of Swazi Nation Land. Most of the rest is taken up by communal grazing land.

\*\* From an economic perspective, cattle are at present more important to the Swazi farmer as a store of wealth than as a productive asset. As a result, the contribution of cattle to the growth in GDP is below its potential and is small compared to other farming activities. In 1977, for example "meat and meat products contributed only E4.3 million to export earnings compared to sugar, E51.8 million; citrus fruit E10.4 million; and canned fruit E5.7 million". As GOS efforts to further encourage the commercialization of livestock production are strengthened, cattle can be expected to make a more significant contribution to GDP.

This lack of commercialization in the traditional sector is reflected particularly in the low level of rural family cash incomes as noted above. To make ends meet, most rural families must depend upon cash earnings by members of their family in the wage sector. Those thus employed may live at home, but more often must leave to work elsewhere in Swaziland or the RSA. This often leaves the women and children, and elderly to take care of the farm and make crucial farming decisions. The rural poor are also lacking with respect to:

#### Access Roads

While Swaziland has better roads than many developing countries in the modern sector, the rural poor lack an adequate feeder road infrastructure to permit the ready availability of farm inputs and services and access to markets for farm output. Swaziland's present road network is 2,653 kilometers of which 54% are main roads and 46% are district roads. Only about 10% of the total system is paved. At present, two-thirds of the nation is within 8 kilometers of an all-weather road.\* Not only are additional feeder roads required but existing one's need to be upgraded to an all-weather status in order that produce may be readily transported during the rainy season, which is also the harvest season for several crops.

#### Marketing Infrastructure

In addition to transport links, subsistence farmers on Swazi Nation Land seriously lack other necessary marketing infrastructure - farm inputs; supply depots; credit facilities; collection and distribution centers, etc., required to bring more rural people into the money economy. Marketing institutions, in particular, are inadequate to buy a range of small lot commodities from farms, consolidate them, and to perform grading, processing and other marketing services.

#### Health Services

The availability of health care in Swaziland's rural areas is low. Death rate and life expectancy statistics indicate the magnitude of the problem: in 1975, the crude death rate for the country was 22 per thousand head of population, and the life expectancy only 44 years. Principal disease problems are respiratory (TB) and gastro-intestinal diseases, bilharzia, and malnutrition. An estimated 70% of the school age population has bilharzia. Diseases such as bilharzia, gastro-enteritis, typhoid and tapeworm infection are largely attributed to the inadequacy or absence of hygienic water supplies and safe methods of human waste disposal.

The inadequacy of health services to Swaziland's rural poor is evidenced by the distribution of such services. For example, the Mbabane-Manzini corridor contains about 16% of the population, 60% of the hospital beds, 62% of the doctors, and 55% of the nurses. The GOS has recognized this problem and health programs have been reoriented in recent years to have a wider impact on the health problems of the rural population.

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\*The term "all-weather road" is a misnomer in that there are many so-called roads which are impassable during periods of heavy rain.

### Nutrition

Although relatively well off compared to other developing nations, many of Swaziland's rural poor still lack an adequate food diet. Although there has never been a full-scale nutrition survey in which biochemical and clinical data have been correlated with dietary intake, a Canadian team which visited Swaziland in 1977 reported on the findings of a survey carried out on rural food consumption in 1976. These findings showed that 59% of the families had a balanced diet and 20% had inadequate food consumption. 30% lacked protective foods in their diet and only 10% ate body-building food.

WHO reports from 1976 and 1978 list the major problems related to nutrition as follows:

- soil erosion;
- fluctuation in maize production due to irregular rainfall patterns and declining production due to the competition with cash crops;
- the low productivity of small-scale subsistence farming;
- the high rate of population growth;
- overgrazing; and
- inadequate utilization of 40% of freehold farms (non-Swazi), covering 36% of the area under individual tenure.

### Education

The standard of education is generally poor due mostly to unsuitable school curricula and poorly trained staff. Efforts are being made to reorient curriculums away from their non-technical bias but progress has been slow. In 1976, only 68% and 74% of the primary and secondary teachers respectively were considered qualified. Failure and resignation rates are high. In 1975, only 32% of those in primary schools completed the 7 year program while only 25% completed 5 years of secondary education.

Enrollment in both primary and secondary schools has increased substantially in recent years, with the average growth rate for primary institutions 8% per annum and secondary institutions 15% per annum since 1960. But, despite this, only 70% of those in the 6-12 year age bracket and 20% of those in the 13-17 year bracket were enrolled in educational institutions at the beginning of 1975. Literacy for Swaziland is calculated at about 36%.

### Housing

Rural homesteads totalled 59,150 in 1976 (68% of total) and are increasing at a rate of 1,200 per year. Housing on these homesteads are meager as illustrated by the facts that about 90% of rural homes are constructed on non-durable or partially durable materials, 89% lack a source of treated water supply, and over 80% have neither a toilet or pit latrine. These conditions contribute largely to the incidence of disease and poor health.

#### B. The Urban Poor

Estimates based on the 1976 census indicate that 128,000 or 24% of Swaziland's total population live in urban areas. This population is concentrated in two major urban centers: Mbabane (29,750 persons), the capital; and Manzini (32,550 persons) the principal manufacturing town and transportation center. All other towns have fewer than 8,000 inhabitants and are centered around agricultural processing and mineral extraction operations. These urban centers are the most rapidly growing areas in the country averaging a 6% growth rate per year. If this trend continues, it is projected that by the turn of the century, Swaziland's total population will approach one million and 40% of the population will be living in urban areas.

In terms of households, there were approximately 87,000 dwellings in 1976 of which 28,000 or 32% were in urban areas. The relatively large proportion of urban homesteads is reflective of household size, which is considerably smaller in urban than rural areas. Resident persons per household have been calculated at 3.1 for urban homesteads compared to 6.8 for rural households excluding absentee members.

Table 6 presents a profile of male non-agricultural wage earners in terms of various skill categories and income levels. Almost 60% of these workers are unskilled and earn annual incomes of U.S. \$950 or less; including semi-skilled laborers, 75% of the total earn U.S.\$1,950 or less. Adjusted for cash sent to rural areas these figures drop to U.S. \$825 and U.S.\$1,650 respectively. Table 7 further illustrates the distribution of incomes in the urban sector indicating that 53% of the total fall into the low income category earning U.S.\$2,200 or less per annum.

As the country-wide statistics relating to education and health suggest, schools and health services are inadequate to meet the needs of the urban poor. While these needs are less pronounced than those in the rural areas, the availability of services are still not well-adapted nor near the standards required for supplying urban labor markets with the technological skills needed. Reorientation of school curriculums and training in vocational skills are needed in particular to increase the productivity of labor and make it more competitive with that in the homelands, RSA, and the rest of the world.

In addition to these services, the most immediate needs are for jobs and housing. The Economic Planning Office estimates that the number of new entrants into the labor market is double the number of available paying jobs. Today, absorption of the labor surplus by the urban informal sector or traditional agriculture seems not to pose a severe problem. However, a number of observers have predicted that strains will begin to show, particularly among the younger people who have some education, if concerted efforts are not made to close the gap.

As in the rural areas, housing in the urban areas is far from adequate. Only 47% of all urban homesteads are constructed of durable materials; 19% do not have access to a treated water supply, and 16% do not have a toilet or pit latrine.

In addition to meeting these present needs, it is estimated that the demand for urban dwellings will average about 2,000 per year or 11,000 units over the next 5 years. It is likely that informal sector construction will continue to primarily meet these needs in view of the facts that the present capacity of the formal construction sector is only about 500 units per year; and that 47% of urban households cannot afford housing built by the formal sector.

Table 6

Estimated Distribution of Homesteads by Income Level  
(Based on Non-Agricultural Wage Employment in 1976)

	<u># Males</u>	<u>Cum. # Males</u>	<u>Cum. % Males</u>	<u>Average Monthly Wage For Males</u>	<u>Avg. Wage Income Per Homestead</u>	<u>Homestead Inc. Adj. for Cash Sent to Rural Areas</u>
Private Sector Prof. & Tech.	569	33,366	1.000	581	726	617
Private Sector Adm. & Mngerial	623	32,797	.983	531	664	564
Public Sector Adm. & Mngerial	436	32,174	.964	378	473	402
Private Sector Skilled Workers	1,416	31,174	.951	315	394	335
Public Sector Prof. & Tech.	2,766	30,322	.909	196	245	208
Private Sector Cler. & Related	1,073	27,556	.826	162	202	172
Public Sector Skilled Workers	865	26,483	.794	158	198	168
Public Sector Cler. & Related	698	25,618	.768	113	141	120
Private Sector Semi-Skilled	3,487	24,920	.747	103	129	110
Public Sector Semi-Skilled	1,880	21,433	.642	87	109	93
Public Sector Unskilled Wrker.	5,784	19,553	.586	56	70	60
Private Sector Unskilled Wrker	<u>13,769</u>	<u>13,769</u>	<u>.413</u>	<u>51</u>	<u>64</u>	<u>54</u>
	33,366			112	141	120

Note: Expatriates are included above, but that portion of expatriate income which comes from foreign donor sources is not included.

TABLE 7

Estimated Distribution of Urban Households

By Income in Swaziland, 1978  
(E=U.S. \$1.15)

	<u>Distribution of Households</u>		<u>Urban Total</u>
	<u>Non Squatter</u>	<u>Squatter</u>	
<u>High Income</u>			
E350+	24.5%	-	13.0%
<u>Middle Income</u>			
E160-350	54.7%	10.6%	34.0%
<u>Low Income</u>			
E135-160	11.1%	10.9%	11.0%
E110-135	7.4%	15.4%	11.1%
E 75-110	2.3%	27.6%	14.2%
E 60-75	-	11.3%	5.3%
E 45-60	-	10.1%	4.8%
E 18-45	-	11.8%	5.5%
E 0-18	-	2.3%	1.1%
Subtotal Low Income	20.8%	89.4%	53.0%
TOTAL	100%	100%	100%

Note: These estimates are based on Employment and Wages, 1976, the Establishments Register, 77/78, and the Urban-Rural Migration Study of 1977. As these sources are based on different segments of the labor force, and no source of household income data covers all population segments, considerable judgement has been exercised by the researchers in interpolating these estimates from the data. These estimates should be replaced as soon as better data becomes available. Also, it should be remembered that these income estimates exclude expatriate income earned from abroad.

Source: Rivkin Associates, Inc., Swaziland Shelter Sector Assessment. Forthcoming.

#### IV. Development Constraints

The major development constraints identified in the preparation of this analysis are summarized below. They are based on:

1. recognition of the country's economic, social and political conditions as described above;
2. the findings of a series of sector studies undertaken by AID in collaboration with the GOS in July 1978 in Swaziland; and
3. subsequent GOS/AID reviews and discussions held during November, 1978 in Mbabane. These constraints, in turn, serve as the basis for the donor assistance strategy presented in section VII.

Of the many limiting factors noted below, a few can be singled out as being more pervasive in their constraint on development than others. Moreover, were these selected constraints overcome, many of the others could be much more easily managed as well. These "root" constraints include:

##### A. Weak National Development Planning

At present, planning is mainly project-oriented performed largely on a sector by sector, ministry by ministry basis, and lacks reliable data and sufficient analysis from a macro-economic cross-sector perspective. More comprehensive national development planning involving close interministerial and donor coordination is required for a more efficient allocation of Swaziland's limited development resources.

##### B. Human Resources Development

The inadequacies of human resource development are evidenced by:

1. The large proportion of expatriates holding key technical and professional positions throughout the country;
2. The shortage of skilled craftsmen; and
3. The generally low productivity of Swazi labor both in the factory and on the farm.

There appears to be no other constraint more fundamental and crucial to Swaziland's development than this one.

##### C. Dependence on South Africa

Swaziland's dependence upon the RSA for trade, transport, private investment capital, recurrent revenue, employment, and highly skilled human resources is a constraint in that it may slacken the pace with which the GOS strives for self-reliance and can distort the ordering of development priorities. Moreover, the very existence

of Swaziland as a small developing nation with a limited domestic market, positioned on the periphery of an advanced industrial giant serves as a major disincentive to promoting development in Swaziland. Aside from these economic realities, there are of course the political uncertainties of the region which in the final analysis provide the primary justification for developing a more self-reliant economy.

D. Population Growth

At a rate of 2.8 percent per annum, Swaziland's population growth is among the highest in the world. Without more aggressive family planning efforts, the number of unemployed will continue to rise in the urban areas, the present land tenure system will eventually reach the limit to which viable production units can be divided, rural living standards will suffer as more marginal land is brought into production, and increasing population densities will contribute to the deterioration of the land base. The ultimate result is that the benefits of development efforts are "neutralized" or greatly diffused as more and more people must share the "development pie".

E. Overgrazing

As most recently recognized in the Third Five-Year Plan (draft), "the grazing areas of Swazi Nation Land are severely overstocked. It is estimated that 525,000 head of cattle and 270,000 head of sheep and goats graze 787,000 hectares of grazing land per stock unit -- the highest stocking rate in Africa. This has inevitably led to the deterioration of soil and water resources." The use of traditional cropping patterns, population growth, and the configuration of the land base itself are also contributing factors. As evidence of this deterioration, the MOA's Land Use Planning Section estimates the rate of erosion to be as high as 25 to 35 tons of soil loss per hectare per year. A maximum acceptable soil loss should be no greater than 3 tons per hectare per year. In terms of both Swaziland's agricultural and industrial development, the land is the nation's most valuable natural resource. It is therefore essential that it be preserved and protected.

F. Land Tenure System

The land tenure constraint has basically two dimensions. First, over 40 percent of the land is owned by non-Swazi residents whose ancestors were granted land concessions in the late nineteenth century. Though, on one hand, the use and management of this land contributes the bulk of GDP, it is also estimated that 30-40 percent of it is unutilized or underutilized. Second, although the land allocation system on Swazi Nation Land is an ideal one in terms of equity, the availability of land is limited and an alternative system will eventually be required. Moreover, the insecurity of tenure created as chiefs and

family heads parcel the land into smaller and smaller productive units results in the reluctance of some farmers to put maximum effort into agriculture and improvement of the land. The smaller land units also further limit their potential for efficient agricultural use.

This second dimension of the land tenure constraint as well as the population and cattle overstocking problems present perhaps the three most sensitive and formidable challenges to Swazi development. The three are closely inter-related and epitomize some of the principal traits of Swazi traditional culture. Yet by the turn of the century, the population will be about one million if the present rate of growth continues and the land base simply will not be able to support the human (and livestock) population at that time under the present system.

In addition to these principal constraints, others identified include the following:

#### Structural Constraints

- 1) Dualistic Economy - Evolution of the present dual economic structure began in late 1800's with land concessions to foreign settlers and traders and became more pronounced with start up of "industrialization movement" in 1940's; existing structure tends to perpetuate itself; Third Plan investment program suggests dualism will be heightened rather than abated.
- 2) Land Tenure System - See section IV F above.
- 3) Limited Domestic Market - hinders development of manufacturing sector due to large scale of production required to break-even in many industries; forces Swaziland to rely heavily on external markets for effective demand required.
- 4) Inadequate Marketing System - collection, distribution, credit, and processing facilities as well as pricing incentives needed to move more rural people into money economy; a recent marketing study undertaken by the FAO concluded that "the lack of an organized market structure through which the farmer can sell his produce is probably the most important single factor affecting his decision to increase production. Until such time as he can be assured of a regular and reliable means of achieving sales, it is considered unlikely that he will increase production significantly"\*.
- 5) Inadequate Transport Network - lack of feeder roads and all-weather roads restricts distribution of farm inputs

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\* FAO "Project Proposal for the Marketing of Fresh Produce in Swaziland", Contract No. 6/SWA/02/1, April, 1978.

and outputs and hinders de-centralization of industrial activity; landlocked position requires dependence on railway links through neighboring countries to permit foreign trade.

6) Excessive Dependence Upon South Africa -

See IV. C. above.

Natural Resource Constraints

- 1) Underutilized Productive Land - it is estimated that 30-40 percent of arable land on "Individual Tenure Farms" are unutilized or underutilized.
- 2) Declining Soil Fertility - pressures of excessive growth rates in human and livestock population continue to deteriorate land base.
- 3) Prospect of Drought - Hydrological time-series data indicate Swaziland will experience serious drought in early and mid-80's; contingency planning for this eventuality should begin now.
- 4) Depletion of Mineral Resources - commercially exploitable iron ore deposits have been depleted; geological surveys should continue to locate other mineral resources in addition to coal and tin,
- 5) Overgrazing - See section IV E above.

Human Resource Constraints

- 1) Excessive Population Growth - See section IV D above.
- 2) Lack of Mid- and High-level Technical, and Managerial Personnel - expatriates fill most of these positions in both the private and public sectors.
- 3) Inappropriate Education Curriculum - present curriculum designed in colonial era to supply low-level administrative personnel and heavily oriented to humanities; ill-suited for needs of developing technological society.
- 4) Shortage of Qualified Teachers - teachers are untrained and undertrained; expatriates are still heavily relied upon.

- 5) Lack of Business Skills - badly needed to promote localization program in private sector as well as upgrade management performance in public sector.
- 6) Lack of Craft Skills - development of craftsmen in skills such as bricklaying and carpentry badly needed to further develop and expand capacity of construction industry.
- 7) Lack of Technical Skills - skills based on math and science needed in both private and public sectors; again, expatriates still fill many of these positions.
- 8) Low Productivity of Labor - Swazi labor productivity is low due to weaknesses in human resource development identified above; as a result, investors lean to capital-intensive technology in order to be competitive.

#### Institutional Constraints

- 1) Weak National Development Planning - lack of macro-economic, cross-sectoral perspective and lack of data and analysis limits effectiveness of national development planning.
- 2) Intenministerial Coordination - required at program and project level to make development efforts more effective.
- 3) National Industrial Development Corporation (NIDC) and Small-Scale Enterprise Development Corporation (SEDCO) - lack resources - human, physical infrastructure, financial - to more effectively guide industrial development in accordance with country's long term interests.
- 4) Weak Agricultural Extension Service - understaffed, under-trained, and undersupervised extension service is one of key constraints to increase agricultural production.
- 5) Agricultural Research - research center understaffed; recent efforts to reorientate research to needs of small farmer should continue.

#### Socio-Cultural Constraints

- 1) Absence of Male-Head of Households in Rural Areas - leaves management of rural farms in hands of women, children, and elderly who are less prepared to perform arduous tasks associated with small-scale farming.

- 2) Attitude towards Cattle - cattle maintained by traditional farmers mainly as store and display of wealth, not as a productive asset; cattle make a growing though still comparatively small contribution to GDP although great potential exists.
- 3) Attitude towards Technical Vocations - Swazi preference to study law and become politicians or administrators and aversion to technical occupations hinder human resources development of badly needed expertise.
- 4) Attitude towards Business Involvement - it is hypothesized that Swazi non-involvement in business has developed a negative attitude of Swazis toward industrial activities; such an attitude hinders development of needed business skills.
- 5) Attitude towards Family Planning - village chiefs do not condone family planning concepts thus presenting a major obstacle to population control efforts.

## V. Government Development Plan and Budget

The GOS has completed work on, but not yet published, the Third National Development Plan extending to 1983. Government development objectives are stated in the Plan as follows:

- Economic Growth
- Self-Reliance, and
- Social Justice and Stability

In general, the GOS will employ the following strategies in pursuing these objectives:

- Economic Growth, resources will be directed in the agricultural sector towards the continued expansion of modern sector estate production and the commercialization of traditional agriculture through the Rural Development Areas (RDA) Program. In the industrial sector, further development and expansion of manufacturing and processing industries will continue to be emphasized. GDP over the plan period is targeted to increase 7 percent annually.
- Self-Reliance, will be expanded by securing greater control of productive resources for the Swazi people; strengthening the GOS' administrative capacity; developing local sources of goods and services; and diversifying external economic relations.
- Social Justice and Stability, will be promoted by spreading economic opportunities and social services more widely; involving rural people more closely in decision-making on matters affecting their well-being; and adapting traditional institutions to make people more aware of the benefits of available services and productive technologies.

The specific targets and strategies aimed at achieving these long-term goals are detailed in Chapter III of the Plan.

The GOS does not set priorities with respect to these objectives. Rather, it believes they are inseparable and that progress towards one leads towards the realization of the others. At the same time, though, the Plan recognizes that "the equitable distribution of the fruits of development does not happen automatically" and that conscious efforts must be made to ensure this occurs.

Though priorities are not explicitly indicated in the plan, an examination of the plan's capital budget suggests the relative importance placed on each, at least in terms of financing. This program, shown in Table 8, indicates that the plan objectives are emphasized much in the order they are presented with growth and self-reliance given priority over social justice and stability. That is, the program con-

TABLE 8  
GOS CAPITAL BUDGET  
1978-83  
THIRD NATIONAL DEVELOPMENT PLAN

-55-

	<u>Total</u>		<u>1978/79</u>		<u>1979/80</u>		<u>1980/81</u>		<u>1981/82</u>		<u>1982/83</u>	
	<u>Total</u>	<u>Local</u>	<u>Total</u>	<u>Local</u>	<u>Total</u>	<u>Local</u>	<u>Total</u>	<u>Local</u>	<u>Total</u>	<u>Local</u>	<u>Total</u>	<u>Local</u>
General Administration	32.6	32.6	15.8	15.8	3.7	3.7	4.1	4.1	4.3	4.3	4.7	4.7
Law and Order	22.7	22.7	4.4	4.4	5.7	5.7	4.7	4.7	3.8	3.8	4.1	4.1
Work and Surveys	29.8	7.1	13.4	1.5	9.0	1.2	2.8	1.9	2.5	1.5	2.1	
Housing	19.2	8.5	2.4	2.4	4.1	2.6	6.2	3.1	3.6	0.4	3.4	-
Other Common Services	13.8	11.5	3.5	2.5	3.0	2.9	3.0	2.8	2.3	1.7	2.5	1.6
Education	53.9	17.8	10.3	3.3	12.2	4.0	10.9	3.6	10.7	3.6	9.8	3.3
Health	8.7	0.8	2.9	0.2	1.7	0.2	1.6	0.2	1.2	0.1	1.3	0.1
Agriculture	55.0	18.4	10.9	3.7	15.9	5.3	8.7	2.9	9.5	3.2	10.0	3.3
Industry	90.8	74.3	24.7	20.8	24.2	20.6	18.9	15.8	13.9	11.2	8.6	5.9
Transportation Commerce	85.2	44.4	34.0	28.5	13.4	5.0	9.2	3.0	12.3	3.5	15.8	4.4
Commerce	1.0	1.0	0.6	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Coops	3.5	0.3	0.2	0.1	3.0	0.1	0.1	0.1	0.1	-	0.1	-
<b>Total</b>	<u>416.7</u>	<u>239.4</u>	<u>123.1</u>	<u>83.8</u>	<u>96.5</u>	<u>51.4</u>	<u>70.8</u>	<u>42.3</u>	<u>64.3</u>	<u>33.4</u>	<u>62.0</u>	<u>28.5</u>
- Third Sugar Mill	35.0	35.0	15.0	15.0	14.0	14.0	5.0	5.0	1.0	1.0	-	-
- Dam	18.6	0.6	11.5	0.4	7.1	0.2						
- Large Coal Mine	9.8	9.4	0.3	0.1	0.3	0.1	4.1	4.1	4.7	4.7	0.4	0.4
- New Rail Link	20.5	20.5	20.5	20.5								
Airlines (Sub-vention)	2.7	2.7	1.4	1.4	0.4	0.4	0.3	0.3	0.5	0.5	0.1	0.1
- Lozitha State House	9.8	9.8	9.8	9.8								
<b>Total "Big Projects"</b>	<u>96.4</u>	<u>78.0</u>	<u>58.5</u>	<u>47.2</u>	<u>21.8</u>	<u>14.7</u>	<u>9.4</u>	<u>9.4</u>	<u>6.2</u>	<u>6.2</u>	<u>0.5</u>	<u>0.5</u>
<b>"Normal Program"</b>	<u>320.3</u>	<u>161.4</u>	<u>64.6</u>	<u>36.6</u>	<u>74.7</u>	<u>36.7</u>	<u>61.4</u>	<u>32.9</u>	<u>58.1</u>	<u>27.2</u>	<u>61.5</u>	<u>28.0</u>

tinues past lines of action by stressing capital-intensive industry and estate agriculture and transport more heavily than programs impacting on the poorer segment of the population. Industry, for example, is allocated 22 percent of the budget and transport 19 percent whereas sectors catering to the poorer segments of society are allocated considerably less; i.e., agriculture and co-operatives 14 percent; education 13 percent, housing 5 percent, and health 2 percent.

Under the influence of this investment pattern it is likely that Swaziland's substantial modern sector will grow more rapidly over the next five years than the traditional sector thus widening the gap that already exists between the two sectors. Given this possibility, it is uncertain whether GOS resources have been fully planned and balanced in accordance with the expressed objectives and needs of the nation.

As this issue of labor vs. capital intensive development is one of major concern to a number of donor agencies not only in Swaziland but throughout the developing world, further insight into this dilemma is appropriate. In Swaziland's case, it should be first recognized that it is stated government policy to promote labor-intensive activities even though the capital budget does not always reflect this. Several difficulties, not unique to Swaziland, confront the GOS in promoting labor-intensive investment, and these should be identified to gain a greater understanding of the issue.

These difficulties all ultimately bear on the pricing and productivity relationships that exists between capital and labor inputs. Looking at an investment opportunity from the perspective of the investor rather than the government, the investor wants security of his/her investment which can only be assured by an appropriate capital-labor mix which will make the venture a competitive, revenue-producing enterprise. In Swaziland, labor productivity is low and, despite this, relatively high wages must be paid to attract labor into many wage sector activities. This may seem inconsistent when recognizing the fact that there is an overall surplus of Swazi labor in relation to job availabilities. In such a case, one would expect the supply-demand relationship to depress wage levels. However, in Swaziland's case it can be hypothesized that this does not always occur due to:

1. the temporary short supply of semi-skilled laborers;
2. the competitiveness of wage levels in the RSA; and
3. Swazi attitudes toward work.

These factors are all closely inter-related and help explain why wage levels are not more in line with the value of labor productivity. First, until only recently, semi-skilled laborers have been in short supply. This is due largely to substantial increases in demand for Swazi labor in South African mines over the past three years. This appears to be a relatively short-term phenomena as it is now expected that mine labor recruitment will level off or decline as South Africa moves

to further mechanize mining operations and provide greater employment opportunities for South African blacks. Nevertheless, this recent shortage has contributed to the relatively high wage levels in Swaziland. Moreover, it is further likely that Swazi laborers view RSA wage rates as a gage upon which they should be paid. That is, Swazi laborers probably extend their view of the labor market to include the RSA. In this broader context, market forces thus prevail and jobs are accepted from the highest bidder.

It should be further noted that labor is in short supply with respect to secondary school leavers and those urban and rural poor who possess few skills and little or no education at all. With the prospect that mining recruitment will diminish, employment generation thus remains a serious development problem for the present and the future as labor force entrants continue to outpace job availabilities.

Discussions with GOS officials also raised the question of Swazi attitudes towards work as another possible explanation for the relatively high wage levels. Although this is an area for further in-depth investigation, it is hypothesized that unless attractive wages are offered, Swazi laborers are not interested in employment which involves working under harsh conditions such as is the case with cane cutting and similar work in other activities - field labor for pineapple and citrus production, forestry, etc. This again is not unique with Swazis. After all, who would not prefer working in a modern factory environment or in a desk job with comfortable office surroundings.

The problem, of course, is that large numbers of these type jobs are identified with nations at a much more advanced stage of development with a substantial services sector catering to a more urbanized, affluent society. Such jobs are now extremely limited in Swaziland and require types and levels of education and experience which ten years of independence have only begun to develop. Again, this hypothesis of worker attitude is just that. It requires further analysis as does the whole matter of labor productivity in both the traditional and modern sectors. Nevertheless these factors appear to be reasonable explanations of the labor productivity problem.

Returning to the investor contemplating a major investment in Swaziland, he/she is faced with the problem of employing Swazi laborers who are less productive than their counterparts in the RSA and the homelands but who still demand about the same level of wage remuneration. Recognizing the competitive disadvantage with which he/she is faced, the investor either puts his money into the RSA or the homelands or he opts for capital-intensive technology to at least the extent it is required to maintain a competitive position in the world market.

Viewing the investment problem from the GOS' position is also helpful in gaining greater understanding of the capital vs. labor intensive issue. The third sugar mill may be cited as an example. This venture

requires an overall investment of E150 million including construction of a dam to supply water for irrigating the cane fields. Government participation in this project is about E 55 million and represents 15 percent of the total capital budget for the Third Five-Year Plan. This project has been a "bone of contention" between some donors in Swaziland and the GOS because the technology employed is relatively capital intensive. That is, the cost per job created is about E 42,000. Labor intensive ventures generally involve capital costs of about E 5,000 - E 7,000 per job created.

While the GOS also favors investment in labor intensive activities, one must consider several factors impinging upon the Government's decision to support the third sugar mill project. First, the GOS capital participation exercises substantial leverage (in an absolute sense) in that it generated an additional E 75 million that might otherwise have been foregone\*. Viewed in this sense, the GOS capital cost per job created would be about E 21,000 rather than E 42,000, obviously still high though. Second, with the exhaustion of commercially exploitable deposits of iron ore, Swaziland needs another source of foreign exchange earnings to maintain reserves at a level sufficient to satisfy its import needs. The third sugar mill provides that opportunity in the time frame required. The GOS believes that investment in an alternative labor intensive approach would have required a much longer time period to upgrade the productivity of labor and achieve the desired flow of earnings. Moreover, private investors would not have been willing to take such a risk.

Still another dimension is the revenue-generating feature of the investment. Though sugar prices fluctuate unpredictably on the world market, they can nevertheless provide valuable recurrent revenues in times of good market prices to support other development programs and increase economic and social services to the Swazi Nation. At the same time, of course, sustained depressed prices can be costly and it is necessary that the nation diversify its export base - as it appears to be doing - to protect itself against this possibility.

Having thus considered the problem from the investor's and GOS' perspective, the crux of the problem becomes one of finding alternative labor-intensive activities that can satisfy the nation's needs with regard to foreign exchange, revenue, and employment generation. The circumstances surrounding investment as outlined above thus present not the case for capital intensive investments but the challenge to defining labor-intensive alternatives.

Towards meeting this challenge it may have to be accepted that some investment opportunities necessarily require capital-intensive technology. From this perspective, the GOS/donors' response should be one

\* GOS investment plus Tlbiyo Fund participation totals E 75 million.

of promoting labor-intensive activities to balance rather than substitute for capital-intensive enterprises. The development of small farm sugar cane production on the periphery of the estate scheme now being encouraged by the GOS suggests one example of how this may be brought about. In considering alternatives, though, one direction that should be avoided is the establishment of state parastatals heavily subsidized by the government in order to provide employment and maintain artificially low prices to bring the cost of living down. These attempts do not have a very impressive track record where pursued in other countries and usually result in financial insolvency.

To sum up, both the GOS and donor community favor the development of labor-intensive activities but the realities of the capital-labor productivity relationship in Swaziland are such that investors cannot be easily persuaded to undertake more labor intensive investments. Finding appropriate alternatives to capital-intensive investments thus presents the GOS and donors with one of their formidable challenges over the decades ahead.

## VI. Role of Donor Assistance in Development

### A. Donor Assistance

Since independence, donor assistance has played a major role in promoting economic growth and development in Swaziland. Prior to 1973, the United Kingdom provided the bulk of assistance including grants and interest-free loans for development, as well as support to finance budget deficits. This latter assistance spared Swaziland the necessity of resorting to deficit financing and also reduced the public debt burden the nation would have otherwise assumed.

Since 1973, the GOS has enjoyed budget surpluses enabling it to meet its recurrent costs and finance part of its capital expenditures. Nevertheless, the GOS has been able to finance only 30-75 percent of its capital budget in recent years and still requires donor assistance, foreign investment, and domestic borrowing to help finance its development.

From 1969 to 1971 Swaziland received an average annual level of donor assistance of \$ 4 million. This increased to about \$ 10 million annually in 1971/75 and to about \$ 20 million in 1975/76. Swaziland's sources of foreign assistance have also changed notably in recent years. Whereas in 1962/65 83 percent of donor assistance came from the U. K., the British share dropped to 46 percent in 1971/75 as aid from other sources increased. These other sources include the multilateral agencies (29 percent in 1971/75), the U. S. (10 percent), and other Development Assistance Committee (DAC) countries (15 percent). Principal bilateral and multilateral donors in 1975/76 are indicated in Table 9.

TABLE 9

Official Development Assistance  
Swaziland (US million)

	<u>- 1975 -</u>		<u>- 1976 -</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<u>BILATERAL FLOWS</u>	<u>11.2</u>	<u>100%</u>	<u>8.4</u>	<u>100%</u>
U.K.	5.6	50%	3.4	41%
Sweden	2.3	20%	1.3	15%
U.S.	1.0	9%	1.0	12%
Others 1/	2.3	21%	2.7	32%
<u>MULTILATERAL FLOWS</u>	<u>10.4</u>	<u>100%</u>	<u>10.6</u>	<u>100%</u>
UN Agencies	6.2	60%	5.8	55%
IBRD/IDA	2.0	19%	2.0	19%
Others 2/	2.2	21%	2.8	26%
<u>TOTAL FLOWS</u>	<u>21.6</u>	<u>100%</u>	<u>19.0</u>	<u>100%</u>
Bilateral	11.2	52%	8.4	44%
Multilateral	10.4	48%	10.6	56%

1/ Includes West Germany, Denmark, Japan

2/ Includes AFDB, EDF.

Source : USAID/Swaziland

Donor assistance is concentrated in the areas of agriculture, industry, and education. Smaller amounts are channelled into other sectors including communications and transport. Some assistance has also gone towards developing the GOS' planning and implementing capacity, an area where Swaziland is still weak.

Most bilateral and multilateral donors sponsor some component of agricultural development, the most significant activity being the Rural Development Areas Program. In the industrial/tourism sector, the Germans, Japanese, Scandinavians, and the UN agencies are the principal donors. The U. K. and U. S. are the major sponsors in the human resources sector.

Infrastructure development (e.g. buildings, housing, urban water and sewerage, physical planning, civil aviation, posts and telecommunications and roads) is supported mainly by the multilateral agencies although the U. K., the Danish, and SIDA provide some technical assistance as well. The Scandinavians, U. K., UN agencies and CIDA have been the primary donors in development planning.

#### B. Donor Coordination

In terms of overall development planning, there is no formal mechanism for coordinating donor assistance. However, donor coordination does occur at the program and project levels. The RDA program, for example, involves five major bilateral and multilateral agencies who meet annually (August 31) to review an annual draft work program prepared for the next fiscal year (April 1 to March 31). At the same time, these donors have the opportunity to share comments and make recommendations regarding future RDA program implementation. With regard to most other project activities, coordination is generally carried out on a less formal basis involving contact among resident representatives. Informal lunches are most frequently held for these purposes.

#### C. Adequacy of Arrangements

At present, the GOS and some donors are satisfied with existing arrangements as described above. The GOS believes that the development of a broader mechanism for donor coordination such as the annual donor conference held in some countries is not appropriate at this time in Swaziland. Reasons cited are:

- 1) the fact that many donor agencies do not have resident representatives in Swaziland;
- 2) the preference of some donors for the present mode; and
- 3) the substantial time and effort required of the government's extremely limited staff to prepare for donor conferences.

However, should the climate described above change in the future such that more formal coordination arrangements are desired, several possibilities might be considered. For example, a donor's conference,

sponsored by the GOS, may be held annually and/or as one of the initial steps in preparing the national development plan. These would be helpful to the government in maintaining a realistic assessment of donor's interests and planned assistance. Another conference may also be desirable mid-way through the plan period to assess progress and make recommendations for strengthening programs or shifting emphases as appropriate. Closer donor coordination could also be facilitated by GOS initiatives in encouraging more multi-donor projects and programs.

#### D. Absorptive Capacity for External Assistance

The volume of external assistance which a developing nation can effectively absorb depends upon a number of factors including an effective planning and implementation capacity to insure resources are optimally utilized; budgetary resources to support recurrent outlays both during and after external assistance is withdrawn; human resources to assume technical positions as foreign advisors depart; the construction capacity to build necessary physical infrastructure; and infrastructure itself to extend development assistance to the more inaccessible regions of the country. These factors are briefly assessed below as they apply to Swaziland. They are elaborated upon further in the paper's discussions of development constraints and strategy objectives.

##### Weak National Development Planning

The lack of more effective planning in Swaziland results in less efficient use of both domestic and external resources to achieve development objectives and expand absorptive capacity for further development assistance.

##### Recurrent Budget Costs

At present, Swaziland is in an enviable position with respect to its budgetary performance as well as its adequacy of foreign exchange reserves, debt-service position, and excess liquidity in the monetary sector. Nevertheless, the implications of today's capital investments in terms of future recurrent costs (both local currency and foreign exchange) should be more fully analyzed and taken into account when formulating development programs over the long term. Lack of foresight in this regard today could strain the absorptive capacity for external assistance in the future. Upgraded national development planning could serve as the catalyst for developing an appropriate portfolio of revenue and non-revenue producing programs thus ensuring a financially viable overall development approach.

##### Human Resources Development

Absorptive capacity is heavily dependent upon the availability of human resources to continue development activities after donor technical assistance is withdrawn. A critical element required to expand

absorptive capacity in this respect is reform of the education curriculum. This is needed to produce the pool of technically-oriented graduates from which the human resources needs of development programs must be met. The single most limiting constraint to absorptive capacity and overall development in Swaziland today is the weakness of Swazi educational institutions to:

- a) produce graduates with strong science and math backgrounds; and
- b) produce sufficient numbers of qualified technical, managerial, and professional personnel.

#### Construction Capacity

Delays in program implementation are sometimes attributed to the limited capacity of Swaziland's construction industry to build physical plant and infrastructure. Human resource development is again the ultimate constraint in this area as evidenced by the lack of Swazi engineers and craftsmen (bricklayers, carpenters, plumbers, etc.)

#### Infrastructure

The capacity of the GOS and donor community to extend and increase assistance to the more remote areas of the country is limited by the lack of infrastructure, roads, electricity, water supply, telecommunications, etc. Physical infrastructure is necessary in these areas to integrate greater numbers of the country's poor into the modern sector as well as expand the country's absorptive capacity for donor assistance.

## VII. External Assistance Strategy for Development

### A. Strategy Perspective and Limitations

The external assistance strategy outlined below has been planned to respond to the development constraints and absorptive capacity limitations identified in sections IV and VI above. It is designed to directly support and complement the GOS development objectives - economic growth; self-reliance; and social justice and stability - stated in the Third Five-Year National Development Plan (1978/79 - 1982/83). At the same time, it is prepared in consideration of development needs envisioned over at least the next two decades. Viewed in this longer term perspective, a number of questions arise, the answers to which are not clear. Greater GOS and donor community reflection is required on these in order to make the five-year plans better structured building blocks towards the type of society and economic structure desired at the turn of the century. Among such questions are the following:

- By the year 2,000 Swaziland's population will be about one million, double its present size, and approximately 40 percent or 400,000 will be living in urban areas. These projections are reasonably valid assuming present trends with respect to population growth and migration continue. Will development resources and programs undertaken over the next 20 years be adequate to provide a rising standard of living for Swaziland's rapidly growing population? To what extent will this higher living standard be equitably shared among all Swazis?

- In the rural areas, the number of homesteads on Swazi Nation Land (SNL) was estimated at about 42,000 in 1976 with an average size holding of 2.8 hectares; by 2,000 it will be roughly 58,000 with an average size holding of just under 2.0 hectares. Assuming that the portion of non-Swazi owned land does not appreciably change, will the present land tenure system be adequate to satisfy the SNL demand for land units large and fertile enough to be a commercially viable unit of production? To what extent will large scale estate agriculture replace the 2-3 hectare farm as the unit of agricultural production on SNL by the year 2,000? To what extent will non-Swazis continue to own individual tenure farms? What alternative forms of land tenure will be established as population pressures force resolution of the land tenure issues?

- In some areas of the country, overgrazing brought about by excess numbers of cattle is contributing to the erosion of the land base at an alarming rate (25 - 30 tons per hectare per year). This trend carries with it serious implications with regard to the toll taken in terms of soil fertility and agricultural production by the year 2,000. Will current and planned programs to commercialize livestock production and increase the offtake rate be effective enough to stabilize and/or reduce the cattle population?

- With respect to urban development, will urban areas be established in accordance with a nation-wide spatial development program or will the urban population cluster into centers such as the Mbabane-Manzini concentration now evolving?

- Should the current relatively capital-intensive investment pattern continue, what implications will this have for the nation's income distribution 20 years hence? Where will jobs be found for the already growing number of unemployed and particularly secondary school graduates? What are the viable alternatives for employment generation? Will the economy become a more or less self-reliant one?

- Will human resources be adequately developed to more fully manage the public and private economy? Will Swazi labor productivity be competitive in an increasingly competitive world economy?

- Will adequate infrastructure - transport, telecommunications power, and water - be available to support the needs of a more urbanized, more industrialized, and more modern agriculturally-oriented society?

- How will development programs undertaken over the next few years impact upon the nation's recurrent budget, balance of payments and debt service position over the next two decades? Is there an appropriate mix of revenue and non-revenue producing activities to ensure a financially viable overall program? Will the composition of exports and the tax structure be adequately diversified to reduce the vulnerability that can be brought about by excess dependence on one or two export commodities or one or two sources of revenue?

Upon first pondering questions such as the above, the tendency may be to view some of them as too distant for consideration at this time. The attitude may be that somehow such problems will resolve themselves, and it will be up to the next generation to tackle them. Unfortunately, though, development is such a long term process that the type of society desired 20 years hence must be planned for today. Curriculum reform for example requires years of study and experimentation through each grade level to develop the overall primary-secondary-higher education program best suited to the nation's needs. Reflection upon the questions posed above thus have relevance to planning today. While it is true that uncertainty increases at perhaps an exponential rate as the planning period lengthens, it is nevertheless desirable to have some longer term roadmap of the directions the nation is taking in order to better tailor plans of shorter duration.

To adequately suggest an appropriate external assistance strategy for Swaziland over a 15-20 year period, such a roadmap is necessary. Unfortunately, though, in Swaziland as in most nations, developing or "developed", such long term planning is a luxury rarely permitted due to the limitations of staff and time and the pressures of more immediate

term planning and problem-solving. Thus, it should be recognized that the strategy suggested herein is limited to the extent that such a long term roadmap for Swaziland is not complete. In particular, the land tenure, population growth, overgrazing, and employment generation questions are "roadsigns" which do not offer as clear directions as would be desired. This suggests that these should be primary targets for GOS long term planning over the years ahead.

A further limitation of the strategy is that it does not investigate or cost out the trade-offs involved in pursuing the strategy's objectives. For example, a relatively capital-intensive activity to boost the growth rate may be "costly" in terms of efforts to generate more employment and reduce the severity of economic dualism. Nor does the strategy include cross-sectoral analysis to determine appropriate program linkage and the timely ordering of program implementation.

To overcome the above limitations, it would require much greater in-depth analysis than the scope of this paper permits. Moreover, to be fully comprehensive the analysis would require specific project definition and inclusion of GOS and private sector activities outside the spectrum of donor agency programs. It is therefore the intent of the external assistance strategy below to establish cross-sector objectives for donor assistance and suggest plausible approaches towards meeting them. How the recommended approaches are woven into the fabric of the GOS over-all development program is of course the prerogative of the government itself. With this perspective in mind, the following strategy is proposed.

#### B. Overall Strategy Approach and Objectives

The strategy outlined below seeks to maintain the momentum of impressive growth achieved in recent years. At the same time, there is a strong interest on the part of most donors to reduce the dualistic nature of the economy by promoting a proportionally greater participation of the Swazi people in the process and benefits of development. Reduction of the population growth rate is given high priority as gains in production, productivity, and job creation can be quickly eroded by a rapidly growing populace. The projected shortage of employment opportunities over the next decade also warrants job creation as a key component of the strategy. In view of Swaziland's landlocked position and excessive dependence upon expatriates and neighboring nations, there is support of GOS efforts to become more self-reliant. All of the above elements are dependent in a large degree on efforts to expand the GOS' absorptive capacity for development assistance and this becomes an important component of the strategy as well. Specifically, the objectives are to:

1. Expand the nation's productive capacity to sustain economic growth at the recent favorable rate of 7 percent per annum in real terms;
2. Reduce the sharp incomes disparity and economic dualism that presently characterize the country's economic structure;

3. Reduce the population growth rate which is currently among the highest in the world;
4. Increase employment opportunities to meet projected future needs;
5. Increase the nation's self-reliance;
6. Support GOS programs catering to the basic human needs of society; and
7. Expand the nation's absorptive capacity for development assistance.

Each of these is discussed at greater length below.

1. Expand the Nation's Productive Capacity to Sustain Economic Growth at the Recent Favorable Rate of 7 Percent per Annum in Real Terms

- a. Agriculture

In recent years, modern sector agricultural output has grown at about 5 percent per annum in real terms compared to 2 percent to 3 percent per annum in the traditional sector. The Third Five-Year Plan is targeting an overall annual growth rate of 6.5 percent; 8 percent in the modern sector, 5 percent in the traditional sector. Though ambitious, these targets are not impossible assuming that development activities are implemented as planned, and that political, economic, and weather conditions are favorable over the plan period.

It is expected that private capital will continue to finance the bulk of modern sector investment where the state of the art is better known and risks are correspondingly less. GOS and donor assistance should likewise continue their support of traditional agriculture where uncertainty and risks are much greater and where government assistance must be depended upon to prime the pump of growth and development.

The primary instrument of rural development in Swaziland is the Rural Development Areas (RDA) Program and this program should be the principal mode of donor assistance. However, donor interest must be matched by budgetary, staff, and investment allocations of the GOS or it may be difficult for donors to justify and mobilize the necessary resources. The RDA program's objective is "to assist Swazi farmers in making the transition from subsistence to semi-commercial and commercial agriculture." This entails a strategy of encouraging subsistence farmers to increase cash crop production while at the same time striving for self-sufficiency in the production of the country's staple food crop, maize. This is to be accomplished by reallocating land use such that a greater proportion is devoted to growing cash crops such as cotton, tobacco, and vegetables with corresponding less land used for maize. Higher yielding varieties of hybrid maize will be grown on smaller plots to maintain and increase food crop production while freeing land for cash crop production.

This strategy will benefit the Swazi farmers by giving them greater assurance of meeting their food needs and by increasing their cash incomes. Through the RDA program, the GOS aims to double existing incomes in the RDA's by March 1983. The Swazi nation will also benefit from this strategy through higher export earnings and lower food import costs.

With respect to livestock, the most formidable challenge in this sub-sector is the commercialization of small herder livestock production. The GOS aims to increase the cattle offtake rate from 10 percent to 12 percent by the end of the plan period. This will be sought through extension efforts to encourage the adoption of better range management practices, the expansion of fattening ranches and group ranch schemes, and improvements in the livestock marketing system.

Donor assistance to support GOS efforts to commercialize and increase crop and livestock production should be designed to strengthen the following areas:

1) RDA and Agriculture Sector Planning

At present, RDA and agricultural sector planning is weak. This is due primarily to shortages in staff. The RDA annual work plan, in particular, needs greater analytical content to ensure a more optimal allocation of GOS and donor resources. Systems analysis examining linkages of program elements (research, extension, marketing, production, credit, etc.) is needed and would be helpful in maximizing the benefits of development efforts. Thus, strengthening the RDA's planning capacity should receive top priority from the donor community.

2) Extension

The GOS recognizes extension as a crucial element in its efforts to encourage farmers to adopt more productive, conservation-oriented farming practices. However, at present, there are only 85 field officers whereas approximately 200 more are needed to reach an agent/farmer ratio of 1:250 in the RDAs and 1:300 in the non-RDAs. These are the ratios required to more effectively promote and bring about rural transformation.

The University of Botswana and Swaziland (UBS) is able to graduate certificate level field officers at a sufficient rate to meet the above targets by 1984. However, these agents are still "inexperienced" when they are put in the field. They need guidance and supervision. Technical assistance is required to provide in-service training. Assistance could also be provided to strengthen UBS extension training curriculum with respect to teaching agents how to motivate farmers to accept new farming practices. Training aids and equipment should also be provided to support the extension service as it expands.

### 3) Research

Recently, the agriculture research function was transferred from the UBS to the MOA, and the latter is re-orienting research from plantation estate agriculture to the needs of the small landholder. The research staff is seriously understaffed and assistance is needed to staff these positions and train Swazis to ultimately fill all research posts.

It is also noteworthy that the GOS and the research center is particularly concerned at this time with the prospect that Swaziland may experience an extended drought during the early and mid-1980's. A recent time-series analysis of hydrological data suggests this will be the case. Such a development could have a detrimental impact on GOS efforts to increase economic growth throughout the economy. Technical assistance and training programs should therefore be tailored to include a GOS research capacity for dealing with problems of dryland agriculture.

### 4) Marketing

A recent FAO marketing study concluded that the lack of an organized market structure is probably the most important single factor affecting the farmer's decision to increase production. Instances are reported of Swazi Nation farmers with surplus produce that rots in the field while at the same time trucks distributing farm inputs to rural areas return empty. In order to correct this problem and provide incentives to subsistence farmers to break out of their traditional production patterns, assistance to develop and strengthen marketing systems and facilities is needed. This is particularly true for maize, livestock, milk, and commercial vegetables raised by small farmers.

Central storage facilities are needed in particular to reduce wastage, stimulate production, and provide the nation with strategic grain reserves. The development of integrated systems embracing farm inputs, credit, marketing and storage is deserving of high priority from the GOS and the development assistance agencies.

### 5) Transport

In general, donors have been responsive towards meeting Swaziland's transport needs and an impressive program to build and upgrade the country's road network is moving along quite well. By 1982/83, 28 percent of the entire network of roads is targeted to be tarred compared to about 10 percent in 1976/77.

Despite the fact that Swaziland has better roads than many developing countries in its modern sector, the SADAP agricultural sector study concluded that "there is real opportunity for

improvement in most rural areas of Swazi Nation Land. Construction and maintenance of these feeder roads are needed to facilitate the distribution of farm inputs, provide access to markets, and develop greater intercourse with the developed sector of the economy.

As evidence of this need, over 900 kilometers of access roads are planned for construction in the RDA's alone over the next five years. In addition to new construction, upgrading and maintenance of existing roads to an all-weather status should also be encouraged and supported.

With regard to servicing the modern agriculture sector, the present program underway is extending the paved system into the periphery, facilitating the internal transportation of sugar and citrus exports to railheads at Phuyumo and Mlawula, and enabling the export of timber and citrus from the Piggs Peak area to South Africa.

Although capital inputs required for the roads program are largely met, donor assistance is needed to overcome a lack of sufficient expertise and skilled manpower\*; develop a more comprehensive statistical base for improved planning; upgrade the equipment maintenance capability of the Central Transportation Office (CTO); and strengthen the ministry's road maintenance and maintenance training capability.

Railway transport is also of significance to agriculture production in that export commodities such as sugar, molasses, woodpulp and fruit are transported by rail on the Ngwenya-Maputo line for ultimate shipment to world markets. Additional rail links now under construction or proposed will also be significant with regard to future agricultural development and particularly to the sugar industry. A spur to a northern link now being considered would be able to service two of Swaziland's major sugar mills. The discussion of transport under "Mining" below gives guidance for donor support in this area.

#### 6) Land Tenure

As noted in Section IV F, the land tenure question is an extremely sensitive and important one with respect to Swaziland's long term development. It is of particular significance to the extent that it serves as a disincentive to production. The donor community should therefore be prepared to assist the GOS with respect to studying alternative arrangements to the present system characterized by non-Swazi ownership of over 40 percent of the land and limited land availability for a rapidly growing Swazi population.

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\* An Assessment of Technical Assistance Requirements for the Ministry of Works, Power and Communications," June, 1978, Mbabane, provides a detailed list of the ministry's manpower shortages.

7) Overgrazing

Another particularly delicate issue within the GOS and the donor community is the overgrazing problem. As already noted, numerous approaches are being taken to address this problem - fattening ranches, SISA schemes, group ranches, etc. - but there is still doubt in the minds of some GOS and donor officials whether these will be effective enough in controlling the problem. Again, the donors should be prepared to offer what assistance they can - research, attitudinal studies, surveys, etc. - should the GOS desire such aid towards further gaining understanding of this problem. In the meantime, current programs including those indicated above and extension efforts should receive continuing donor support.

8) Protection of Land Resource Base

Having a direct bearing on the expansion of productive capacity on Swazi Nation Land is the stability and productivity of the land itself. With the highest cattle stocking rate per hectare in sub-Saharan Africa and one of the highest human population growth rates, Swaziland's land resource base is progressively deteriorating at an increasing rate as these pressures increase. To halt this trend, donor assistance must continue to support GOS efforts to strengthen land use planning and land development activities.

b. Industry

Swaziland's industrial sector is developing at an impressive pace. However, industrial development tends to be relatively capital intensive and largely foreign owned. Recognizing this, the GOS established the National Industrial Development Corporation (NIDC) and the Small-Scale Enterprise Development Company (SEDCO) to promote the growth of industries which are more attuned to Swaziland's long-term interests. These institutions have attempted to encourage industrial activities which create more jobs per unit of capital invested, maximize the exploitation of indigenous raw materials, increase the value-added processing of local resources and increase Swazi participation in the capitalization, control, and management of enterprises.

Donor assistance should be oriented towards strengthening NIDC and SEDCO in order to promote the type of industrial growth and development just described. The following strategy is suggested:

1) Institution Building

To strengthen NIDC and SEDCO's effectiveness, donor assistance should provide technical expertise, working capital and training in the areas of investment promotion, marketing and export promotion, finance, accounting and management. Training in the art of negotiating with private foreign investors and the training of financial analysts are of particular importance. Technical assistance and training of this nature

is essential if the GOS and donor community expect these institutions to more effectively guide and promote industrial growth and development which is appropriate to Swaziland's long-term interests and needs.

2) Product Identification Studies

Although a number of product identification studies have been performed in recent years, the GOS finds them lacking in comprehensiveness and believes they should be reexamined. Updates of these studies as well as investigations into other plausible ventures heretofore not considered should be performed for both large and small-scale enterprises. These should be undertaken to determine optimum investment and manufacturing patterns relative to GOS objectives to create jobs and promote growth.

3) Business and Technical Training

Business and technical skills needed in the industrial and manufacturing sector are critically lacking. Consideration should be given to strengthening present institutions teaching business and technical skills (SCOT, SEDCO) and/or the creation of an institution tailored to provide this badly needed resource. Alternative training programs should be developed which are commensurate with the level of need and scale of enterprise.

4) Industrial Estates

The unavailability of industrial sites for small-scale enterprises is one of SEDCO's major problems. Upon completion of training, "graduates" are expected to move to other premises in order that others may be trained. Due to the lack of funding to build other sites, entrepreneurs do not move. This creates a bottleneck which donors can help break by providing modest infrastructure assistance to develop other sites.

With respect to larger scale enterprises, assistance is required to support the infrastructural development of the Ngwenya and Nhlanguano industrial estates. The Ngwenya estate already has basic infrastructure and services installed as it is the site for the iron ore mining operations. However, with the exhaustion of the commercially exploitable ore deposits, the GOS places first priority on expanding and promoting continued use of this estate for alternative industrial/manufacturing activities. Of particular need at this time is the construction of factory shells to attract potential investors.

The Nhlanguano complex lies outside the Mbabane-Manzini corridor, and its development would promote "depolarization" of industrial activity in Swaziland. Proposals for developing other industrial sites outside the Mbabane-Manzini corridor should also receive donor consideration.

5) Quality Control Laboratory

To establish product standards and maintain the quality and attractiveness of Swazi exports, donor support should be provided for the establishment of a quality control laboratory. Laboratory testing would apply to both large and small scale enterprise manufactures.

6) Attitudinal Study

The lack of Swazi entrepreneurs is suspected by some GOS officials to be linked to a negative Swazi attitude toward business involvement. Historically, Swazis have been engaged in subsistence farming. Cattle raising is given high priority and the ownership of cattle is a symbol of success. It is hypothesized that the historical conditioning of Swazi non-involvement in business has developed a negative attitude of Swazis toward industrial activities, and white-owned and controlled enterprises dominate the economy of Swaziland. Surveys and analysis should therefore be a part of the donor strategy to determine the extent to which this impedes the development of entrepreneurial talent and how such attitudes can be changed.

7) Transport

Assistance needs identified under "agriculture-transport" are generally applicable to those with respect to transport in support of industrial activities. This is because the latter are largely agriculturally based. With an impressive main road construction program already underway, donor emphasis might focus more on district roads for future programs. Such feeder roads would serve to link newly developed industrial estates into the modern economy and thereby promote decentralized industrial growth.

c. Mining

Although mining's contribution to GDP has fallen from 72 percent in 1971 to 13 percent in 1978, the sector has very favorable potential for expansion. Exploitation of large-scale coal deposits in the Eastern Lowveld holds promise for a significant increase in long-term export earnings, diversification of the export base, more job opportunities, and more self-reliance for the nation towards meeting its energy needs.

1) Institutional Support

While private foreign capital has traditionally been the major source of investment in this sector, the donor community can offer its support with assistance to the GOS Geological Survey Department. This unit has been a catalyst for development of iron ore, coal deposits, and re-opening of gold and tin mines in the past and could continue this role in the future provided it continues to receive donor aid and attract

competent professional personnel. Assistance to the mining sector should continue in the form of technical assistance to the Survey Department and the training of Swazi mining technicians, engineers, geologists, and metallurgists both at local institutions and abroad.

## 2) Transport

In addition to donor support for road development as described above, railway and in an indirect sense civil aviation development are of particular significance to the mining sector. Regarding railway development, a 94 km southern link from Phuyumoya to Golela on the South African border will be completed in 1978. This link will permit the exploitation and shipment of coal via Richard's Bay. This is desirable because coal handling facilities at Richard's Bay are much more advanced than those at Maputo.

In addition to this southern link, a northern link in the northeast corner of Swaziland to the South African rail line to the north is also being considered. This line would connect with the southern link thus permitting transshipment of South African traffic from the Eastern Transvaal through Swaziland to Richard's Bay. Moreover, assuming that extensive coal deposits in the northeastern area of Swaziland are commercially exploitable, a rail spur may be constructed to the mine site. This spur would serve the Mhlume sugar mill and the third sugar mill as well as the coal mine.

External assistance in support of railway development is required mainly with respect to technical assistance and training at all skill levels to more effectively operate and maintain the rail lines. These needs and recommended assistance are further defined in a Transmark study of Swaziland Railways entitled "Swaziland Railway Development Study".

Civil aviation development is of significance to both mineral and agricultural production in that the proposed site for a new international airport lies on top of extensive coal deposits and in an ideal area for sugar cane production. Donors may be of some assistance in determining the most rational approach to maximize benefits among these "competing" activities.

### d. National Development Planning and Donor Coordination

National development planning is mainly project-oriented, performed largely on a sector by sector, ministry by ministry basis, and lacks reliable data and sufficient analysis from a macro-economic perspective. Cross-sectoral input-output analysis, the application of linear programming techniques, and studies indicating the foreign exchange costs, recurrent costs and revenue generation implications of projects are needed. The collection of statistical data and training of planning officers to permit more analytical development planning are also required. The GOS and donor community should give this area high priority to ensure that development

resources are optimized in terms of growth and national objectives.

2. Reduce the Sharp Income Disparity and Economic Dualism that Presently Characterizes the Country's Economic Structure

To reduce the sharp duality of the economic structure, external assistance should be targeted primarily towards the 70 percent of the population engaged in traditional agriculture and the urban poor. The strategy should emphasize 1) the commercialization of traditional agriculture; 2) the promotion of small and large-scale labor-intensive enterprises; and 3) the development of manpower skills required to increase labor force productivity and achieve greater Swazi participation in the modernization of agriculture and industry.

a. Rural Development

The GOS' primary instrument of rural development is the RDA program. The allocation of GOS and donor resources to this program offers the best opportunity to help ameliorate the sharp duality that exists in the agriculture sector. Priority areas for support have already been identified in the above discussion related to promoting economic growth.

b. Small-Scale Enterprise

Small-scale enterprise should be strongly supported by the donor community as small entrepreneurs often come from the poor class and hire employees from the less advantaged populace as well. These enterprises require much less capitalization and infrastructure support and are generally suited for establishment in rural areas outside of "polarized" industrial centers. Resource linkages are usually stronger than is the case with large-scale enterprises. Small-scale enterprises can supply light consumer goods to the rural populace and serve as an outlet for enterprising farmers to earn extra income and gain employment during crop cycles. Small businesses which have successfully been established include handicrafts, ceramics, furniture, clothing, leather products, and light engineering. Specific areas in which small-scale enterprises can be supported are also noted in the above discussion related to growth.

c. Human Resource Development-Education

Education and human resource development represent the major keys to integrating more Swazis into the modern sector growth process. Since independence, the GOS has recognized that the country's education curriculum is ill-suited to the technical needs of a developing society. Yet, because of the years of experimentation required, progress in this regard has been painfully slow. External assistance should be directed towards helping the GOS overcome this core problem if efficient and effective participation of Swazis in the process of development is to be expected. There appears to be no area which is more basic and crucial to the reduction of income disparities than this. It should receive major emphasis and highest priority from the GOS and donor community.

While much remains to be done with regard to curriculum improvement, the GOS has also made noteworthy progress in recent years to add greater technical content to its overall education program. For example, technical subjects including home economics, woodworking, metalworking, drawing, and agriculture have been introduced into 41 of the country's 400 primary schools and 32 of its 80 secondary schools. There are two school programs teaching agriculture; one is very basic teaching children how to grow vegetable gardens (300 schools); the other is more advanced (41 schools). The GOS is gradually introducing these technical subjects to more and more schools, about 3 per year, as resources and teacher training permit.

Outside the formal education system, technical training is being promoted through the establishment of Vocational Training Centers (VIC's) and Rural Education Centers (RIC's). Teachers are now being trained to staff two pilot VIC's being established in Vuvulane and Entfonjeni to teach core vocational skills in agriculture, farm machinery, building construction, and metalworking. At the less formal level, the Rural Education Centers will teach such subjects as sewing, woodworking, and machinery and auto repair. Basic academic training for adults is also offered. Seven RIC's have been established and donor assistance is now being sought to expand the system to twenty.

Technical and vocational training at its highest level is provided by the Swaziland College of Technology (SCOT). Although SCOT has a good program, the GOS believes technical training at more advanced levels is still needed. Suggestions have been made that a study be done to determine an appropriate curriculum and whether the SCOT program should be expanded or a new institution established.

In view of Swaziland's present and long term needs for a more technically skilled labor force, programs such as those described above should be encouraged and supported by the donor community. Other areas in need of assistance are:

Teacher Training - the growth in Swaziland's school system has far outpaced the nation's capacity to supply it with adequately trained teachers. Support is required to train additional teaching staff as well as upgrade the qualifications of the existing one.

Planning - the MOE's planning section is understaffed and in need of technical assistance and training for counterparts.

Special Studies - The MOE has indicated areas in which special studies would be of significant assistance to its future programming. One would examine the primary-secondary curriculum program as a system rather than a structure - at present, the progression from the primary to secondary level is not well designed. Other studies would determine the opportunities for improving business and management skills training and the establishment of farmer training centers.

3. Reduce the Population Growth Rate which is among the Highest in the World

As in many nations, family planning (FP) programs designed to reduce the population growth rate are controversial in Swaziland and have not been fully accepted. To date, programs do exist but are viewed as a means of improving the health care of mothers rather than specifically limiting population growth. However, a number of private FP associations have been established and FP concepts are being introduced through the Ministry of Agriculture's Better Family Living program. Moreover, some GOS officials feel that a soon to be released demographic study will have a marked effect towards gaining greater awareness and understanding of the impact that rapid population growth will have on Swaziland's long term development.

Thus, although the GOS is yet prepared to launch major population control programs, the climate for such efforts are likely to change over the next few years and donors should be prepared to respond. Assistance should take the form of studies to better understand attitudes toward FP and how to approach them; comprehensive education programs which recognize sociological and attitudinal constraints; and necessary technical, training, and commodity aid to launch effective programs.

4. Increase Employment Opportunities to Meet Projected Future Needs

With the exception of university graduates, recent manpower studies indicate there will be a serious excess supply of labor over the next ten years. Increased unemployment of educated manpower at the primary and secondary levels is expected to continue as a serious problem in particular.

The studies further indicate that the labor supply will increase by about 7,000 per year, but only about 3,000 of these will be able to find employment in the formal sector. A small minority will find jobs in the informal sector of small markets, traders, and producers, but the bulk of the remainder will have to work in the traditional sector. Migratory labor to the RSA is more likely to fall than rise in view of RSA policies to use more capital-intensive mining technology and make mining more attractive to South African nationals.

In view of this scenario, job creation should be a major focal point of the development strategy. Emphasis should be placed on supporting labor-intensive activities and on further orienting educational programs to better satisfy the technical needs of the nation. In the modern industrial sector, assistance should support the strengthening of NIDC's capability to channel private investment into more labor-intensive industries. Likewise, SEDCO should receive strong support to encourage further development of small scale enterprise.

Assuming the modern sector can employ roughly half of the new labor force entrants, GOS and external assistance should concentrate resources on employment possibilities for the remainder who must find work in the informal and traditional sectors. GOS and donors should focus on promoting the commercialization of traditional agriculture such that small-scale cash farming offers an alternative to unemployment in the urban areas. Looking at trade statistics, there exists a range of higher value cash crops that could be supplied by Swazi farmers that are now imported. Moreover, prolonged food deficits are anticipated in Mozambique and Swazi farmers could find attractive export potential if trade agreements could be negotiated.

a. The RDA Program

By the end of 1983, the RDA program will be extended to cover 60 percent of Swazi Nation Land and 190,000 people or about 40 percent of the total population. This program thus offers the greatest potential for employment generation if actively promoted. Those components of the RDA program which should receive priority attention are noted in the above discussion related to growth.

b. Industry

Investment relating to both large and small-scale enterprise is appropriate if such enterprises are labor intensive and are in Swaziland's long-term interests. In general, though, small-scale enterprises tend to be more labor-intensive, employ more labor per unit of capital invested, and are suited for rural as well as urban areas. External investment should therefore mainly support small-scale enterprises which private investors generally shun. The basic approach donors should take to promote the development of small-scale enterprises is outlined in section VII b above.

c. Education

Swaziland's formal education system must be re-oriented to the technical needs of its society in order that job skills match job requirements. In addition to assisting the GOS in redesigning primary and secondary school curriculums, support should be given to the strengthening of those institutions teaching agricultural sciences, technical and business skills, and vocational trades.

5. Increase the Country's Self-Reliance

As is the case with most black ruled countries in the Southern Africa region, Swaziland is heavily dependent upon expatriates and its relations with the RSA and Mozambique to maintain and promote its economic growth and development (see sections II and IV). Given its lack of resources at independence, the country has in most instances wisely sought the assistance of others, public and

private, to aid it in its development and its efforts to become more self-sufficient. Nevertheless, its dependence on others is still significant throughout the economy.

To achieve a greater degree of self-reliance over the next several years, the GOS will impose stricter measures to "localize" the control and management of productive enterprises in the private sector; continue its program to upgrade and localize the administrative capacity of the GOS; promote investments and programs to lessen its reliance on external sources of goods and services; and seek a wider diversification of external economic relations.

Donor assistance can support these efforts as follows:

a. Localization

By 1983, the GOS aims to localize half of the positions now held by expatriates in the private sector and virtually all government posts. This program could be supported by 1) ensuring that the training of Swazi counterpart technicians is an integral and key component of technical assistance activities; 2) assisting local educational institutions that teach agricultural sciences, business and technical skills, and other disciplines in high demand; and 3) supporting primary and secondary school curriculum reform to ensure a continuing long-run supply of professional and technical skills needed to design, implement and control development programs.

b. Maize Production

Although Swaziland has the production potential to meet its maize requirements, it must now import 25,000 tons annually. The GOS and donors supporting the RDA program should provide the necessary incentives and extension programs to ensure that maize production is maintained and increased as traditional farmers make the transition to commercialized agriculture. Promoting the use of the higher yielding varieties of hybrid maize should make this possible. Less land will be available relative to population increase and the higher yielding varieties of hybrid maize should allow concentration of small farm food production with correspondingly larger areas going into cash crops.

c. Energy

The exploitation of Swaziland's newly discovered coal deposits will contribute towards self-reliance by 1) diversifying the export base which is now basically composed of sugar and forestry products; 2) providing a domestic source of energy for its industrial sector; and 3) offering alternative employment for migrant workers should job opportunities in the RSA be reduced. In addition

increased output of coal is required to fuel the planned thermal power plant which will permit Swaziland to satisfy 100 percent of its electricity requirements. Exploitation of these deposits is being assisted by financing the railway link to Golela. Further assistance in roads and other supporting activities will also contribute to the development and commercialization of livestock and crop production in the area. In view of the shortage of Swazi mining technicians, scholarships to train Swazi in appropriate mining disciplines might also be supported by the donor community.

While the private sector can be primarily relied upon to support the exploitation of the coal deposits, donor emphasis in the energy field should focus on GOS' initiatives to find alternative renewable energy sources for village level use. As this is still in its early stages of development in both the Third World and the industrialized world, assistance should concentrate on pilot projects to determine technologies which are culturally and economically acceptable.

d. Domestic Resources for Development

In view of the GOS heavy dependence upon SACU revenues, donors might also assist the GOS in 1) exploring ways in which the domestic tax base might be expanded; 2) examining the appropriateness and effectiveness of current tax laws; 3) improving tax administration; and 4) upgrading GOS negotiating skills to maximize tax concessions when bargaining with private investors financing large-scale enterprises. This will not only make Swaziland less reliant upon the RSA but also of concessional resources as the economy becomes more capable of financing its own development.

e. Export Promotion

Technical assistance to strengthen the GOS' export promotion program and diversify its export base and markets should be supported by the donor community. In particular, an Export Promotion Bureau is now being established and assistance should be targeted towards developing this into an effective institution.

6. Support GOS Programs Catering to the Basic Human Needs of the Society

As already noted, social justice and improvement in Swazi living standards are major aims of the GOS national plan. Moreover, in recent years, this has become a principal objective of many bilateral and multilateral donor agencies.

Planning a BHN strategy requires careful consideration of their financial implications as BHN programs often entail high re-current costs and long-term returns. Therefore, GOS and donor development portfolios should include an appropriate balance of revenue and non-revenue producing projects to make larger unit programs financially viable. Comprehensive national development planning is essential to designing such a portfolio. In planning a BHN program, the following BHN activities should be taken into consideration:

a. Food - Nutrition

Maize is the staple food crop of the Swazi people and represents 80 percent of total agricultural output on SNL farms. Although Swaziland has generally been self-sufficient in maize production in the past, it has had to import about 25,000 tons annually in recent years to satisfy domestic demand.

To ensure a ready availability of this basic food crop in the future, donor assistance should support increased production through the RDA Program. As has been noted above, the transition to cash-cropping and commercial agriculture must not be accomplished at the sacrifice of reduced output in the country's main food crop.

In addition to maize, the GOS and donors should continue to encourage small holder production of vegetables for home consumption in order to achieve a more balanced diet. Support of GOS efforts to strengthen the research center, marketing system, and extension services are believed to be the most appropriate means for accomplishing these objectives.

b. Health Services

The provision of health services not only improves the overall well-being of society, but directly contributes to its productivity through the availability of an alert and energetic labor force. A number of areas requiring development aid are indicated below. Of those, the upgrading of mental health care and the development of management and data systems are most lacking with respect to donor assistance at this time.

1) Mental Health

Present mental health treatment facilities and staffing are badly in need of support. Donors should assist the GOS in developing a specific mental health program including:

-- renovation/new construction of decentralized in-patient facilities including construction of a new smaller facility at the St. George's Barracks site. Emphasis at the outlying sites would be on home care and expansion of the type out-patient maintenance already existing in the mental hospital. Integration of traditional

healers in the treatment program should be developed within the context of an overall mental health program strategy;

-- identification of short and long-term training needs;

-- review of the mental health impact on the current national development pattern and approaches to primary prevention in the context of national development strategies.

## 2) Health Personnel

Assistance is required in training health assistants, health inspectors and nurses and Swazi physicians in a minimum number of basic specialties. Concurrent with the expansion of health personnel, support should be given to training of Swazi trainers and supervisory personnel to ensure their long-term availability and most effective use. With regard to nurse training, in particular, in-service training and the modification of curriculums in existing nursing schools is required to expand skills and better adapt skills to needs.

## 3) Architecture of Health Facilities

It is recommended that one or two architects with backgrounds in the design/renovation of low-cost health facilities in company with a health professional familiar with clinic and hospital operations visit Swaziland to assess architectural training needs and assist the Ministry of Public Works and the Ministry of Health in the architectural review of the following:

-- rural housing such that temperature excesses and dampness can be better controlled;

-- the existing District Hospital in regard to renovation/new construction to accomplish decentralized mental health programs;

-- clinics for new construction in regard to functional lay-out, construction materials and capital construction; and

-- capital support may be necessary to build small outposts for some categories of frontline workers; consultation with the Ministry is required to determine need for and possible design of such outposts.

## 4) Central Laboratory

The Central Laboratory is understaffed and under-equipped. Consideration should be given to renovating and expanding the facility, providing supplies and equipment, and training adequate staff.

5) Central Public Health Library

A central public health library directed to concerns such as environmental health, food and drug issues, medical administration and health planning in LDC's should be established in the future. Basic medical texts and journals as well as cassette tapes for continuing education are needed to cover the areas of basic medical sciences and specialties, public health, preventive medicine and mental health.

6) Management and Data Systems

Supporting programs in the following areas are recommended:

- vital and health statistics;
- public health and medical care output statistics, e.g., utilization, efficiency; and
- management methods in regard to budget and personnel, and relationship of resources supplied to output produced to ultimate results achieved.

c. Water Supply and Sanitation

The GOS should begin preparing and implementing comprehensive programs for the development, protection, and maintenance of safe and adequate water supplies for both the RDAs and non-RDA rural areas. With regard to the RDAs, in particular, a major incentive in the resettlement program is the availability of water. An adequate water supply is essential not only to improve the health status of the Swazi people, but to promote resettlement and major agricultural development programs as well.

To prevent contamination of local water supplies, donor assistance should also be provided to assure that human waste facilities are properly designed, constructed, and situated. This assistance should include the provision of supplies for construction and on-site local technical assistance to assure that design goals are met.

d. Housing

A recent shelter sector survey of Swaziland found that 19 percent of urban households are without a source of treated water, 16 percent without a toilet or pit latrine, and that 53 percent are constructed of partially durable or non-durable materials. For rural households, these figures are 89 percent, 83 percent and 90 percent respectively.

In addition to the need of upgrading the present shelter stock, the survey projects that over the five year period to 1983, 11,000 new urban households will require shelter, utilities and some form of secure tenure. This compares with about 6,000 new homesteads that will be build in rural areas.

As in the past, it is expected that the informal sector will supply the bulk of future housing needs. The current capacity of formal housing construction is only about 500 units per year. Unless more appropriate policies are formulated and action programs are implemented to direct future shelter development, the informal sector will continue to solve shelter problems on its own terms endangering both public health and the orderly development of urban areas.

Swaziland thus faces a critical juncture at this stage of its history as to the guidance of shelter development and settlement patterns. Despite the increase in urbanization and in self-built squatter housing, the country is in a favorable position to deal with these problems. It has a relatively diversified economy based on natural resource exploitation, a decentralized pattern of urban settlement with no primate city, a national policy emphasis on rural area improvement, and an array of institutions responsible for housing and infrastructure. These institutions include planning, financing, and implementing agencies: governmental, parastatal and arms of the traditional Swazi Nation.

At the same time, Swaziland faces serious constraints in gearing up this institutional structure for the increased scale of effort demanded by accelerated rural-urban migration. No policy framework exists for shelter programs or for addressing serious issues of land tenure, land availability, utilities pricing, subsidies, and shelter finance. No spatial development policy exists to reinforce the present decentralized settlement pattern. All of the informal publicly-sponsored shelter production efforts are at a scale too small to meet shelter needs, to achieve construction economies, or to capitalize on the on-the-job-creating capability of the construction sector.

Assuming the GOS will deal with these constraints and shelter sector issues rather than permit present trends continue, there are a number of opportunities for donor assistance as follows:

1) Spatial Development Policy

It was concluded in the "Swaziland Shelter Sector Assessment" of July 1978 that of all constraints identified, the summary issue was the absence of a comprehensive housing policy.

It is therefore strongly recommended that donor technical assistance be provided to assist the GOS in formulating a spatial development policy as a part of national economic planning. This policy would set population and development targets by regions and urban areas and would identify packages of public and private investment to assist in achieving the targets.

If government establishes a policy-formulation mechanism over the next two years, skilled foreign advisers in such fields as housing and development economics, law, land use planning could assist in this activity. A recently prepared Shelter Sector Assessment under AID sponsorship will provide much of the necessary data base for such a policy-making effort. It is proposed that responsibilities for this be placed in the office of Economic Planning in the Prime Ministry.

## 2) National Housing Policy

Foreign donor assistance is further recommended to assist in the formulation of a comprehensive National Housing Policy which should be handled by an interministerial task force with participation by Swazi Nation and private sector institutions chaired by the Office of Economic Planning. This task force would review and hopefully resolve such issues as: the need for housing by income levels and communities; capital requirements for shelter provision and the role of various sectors and agencies in meeting needs; subsidy questions; utilities pricing; expanded capability for financial institutions; land availability; housing investment in rural development- possible institutional and legislative changes- and possible roles for external assistance in shelter development. An 18 month period is proposed for preparation of a draft policy document for governmental review.

## 3) Shelter Production

International agencies can assist in increasing the scale of shelter production for low income families. Specific proposals have been made for self-help, sites and services, squatter upgrading and mixed income development utilizing existing institutions. Once sufficient land has been assembled, the potential scale of production can be considerably greater than Swaziland has experienced before. International financial and technical assistance may be needed; for example, shelter loans (through the World Bank or the AID Housing Guarantee Program), loans for infrastructure and services, grants for community facilities, and technical support in organizing a greater Swazi production and management capacity.

## 4) Advisors and Counterpart Training

Major increases in skilled personnel are essential if Swaziland is to successfully increase the scale of shelter production

in its urban areas. Part of the need can be filled in the short run by increasing the number of foreign advisors to key agencies such as the Planning Office, the Housing Unit, and the Community Development Office of the Ministry of Local Administration. However, any deployment of expatriate advisors should be coupled with explicit requirements for counterpart personnel; and the advisors should have a clearly stipulated training role in relation to these counterparts. This is the only effective manner in which a complement of Swazi personnel can be provided to key agencies in the short run.

Longer term efforts will require identifying the scale of personnel need and the institutions, both Swazi and foreign, able to provide training in fields ranging from architecture to financial management. In addition, to provide a well qualified pool of counterpart trainees, the GOS believes it is essential that an intermediate level training center be established for technicians above the level of SCOT and under the level of university graduates (for surveyors, assistant architects, assistant quantity surveyors, clerk of works, housing managers, etc.)

#### 5) Rural Shelter and Services

A fifth area for international assistance is in rural shelter and services. Although Swaziland has major commitments to improving rural agricultural productivity, there is no activity directed towards bettering the character and quality of rural housing. Perhaps more than many other countries in the region, Swaziland has an opportunity to retard rural-urban migration through improving settlement conditions within rural areas. The actual housing or homestead unit itself, and its accessibility to services (especially potable water) thus becomes an appropriate target for both governmental and international assistance. Such assistance could supplement presently-committed efforts, including those of the World Bank and AID. It could come in the form of loans for materials, grading and site preparation for resettled families, technical assistance in construction, organization or cooperatives and other techniques.

#### 6) Building Material Industry

With the implementation of major housing programs, further development of the local building materials industry will be required. This could provide opportunities for small businesses in both urban and rural areas. Donors should support the development of this industry through feasibility studies, financial assistance, and the training of managers and production workers.

#### 7. Expand the Nation's Absorptive Capacity for Development Assistance

In addition to assisting the GOS in promoting economic development, this strategy seeks to help the GOS expand its

capacity for development and external assistance as well. Toward this end, the GOS and donors should emphasize 1) human resource development to provide more and better qualified training counterparts in development assistance programs and the economy at large; 2) prudent program and financial planning giving due consideration to recurrent budget, foreign exchange, and debt implications such that future financial constraints are avoided; and 3) well planned physical infrastructure development ideally in accordance with a national long-range plan identifying cross-sectoral linkages and a spatial development policy permitting broad participation of the populace in development. Discussions in the context of the other strategy objectives with respect to human resource development, national development planning, tax administration (revenues for development), export promotion (foreign exchange for development), and physical infrastructure development (transport, industrial estates, housing) are applicable here as well.

#### VIII. Regional Development Opportunities

Sharing three-fourths of its border with the RSA and one-fourth with the People's Republic of Mozambique, Swaziland has only limited opportunities for participation in region-wide projects involving other majority-ruled states. Nevertheless, there are a number of possibilities identified below which appear worthy of consideration for regional cooperation.

##### East and Southern African Preferential Trade Area

At a meeting of the ECA MULPOC group in Lusaka in March, a southern Africa preferential trade area was prepared. Under this arrangement, countries would seek to reduce trade barriers within the region and promote interregional trade. Nine of 17 countries, including Swaziland, have already signed an agreement to further study the establishment of such an arrangement and four other countries are still giving the proposal serious consideration.

Swaziland will host another round of discussions among the interested parties in November 1978. The major consideration impinging on Swaziland's membership in the trade area pact will be the comparative costs and benefits between it and Swaziland's current SACU arrangements.

##### Swaziland-Mozambique Trade

Although Mozambique was not a signatory to the above trade area proposal, long-term opportunities for expanding trade with Mozambique appear favorable. A trade treaty expressing the intent of both countries to expand trade has already been signed and Swaziland exported beef totalling E1.2 million in 1977. Mozambique would also like to import potatoes and rice from Swaziland but Swaziland's production capacity cannot yet meet this demand. Mozambique's limited foreign exchange reserves are a limiting trade constraint at this time as well.

Despite these constraints, both countries are well endowed with resources which permit the diversification of their manufacturing and export base, and the long-term possibilities for further expanding trade should be promoted. This is particularly true in agriculture where anticipated long-term deficits in Mozambique provides an attractive market for Swazi farmers.

#### Swaziland-Mozambique Railway

Vital to the shipment of Swaziland's export commodities to overseas market is the efficient operation of the rail link to Maputo in Mozambique. Since the departure of the Portuguese, the RSA has assisted in maintaining the operation of the line as well as the port itself. Services still are not as efficient as desired, and donor consideration should be given to promoting and supporting joint Swazi-Mozambique efforts to upgrade management of the line. The possibilities for expanding railroad training facilities within east and southern Africa might also be explored in this regard. It is reported that Swazi rail personnel will undergo training at the Mozambique Railway training center at Imhambane as part of an EEC regional project.

#### Animal Disease Control

Recognizing the social significance and potential for the commercialization of livestock production in Swaziland, joint animal health projects with Mozambique to control small diseases such as hoof and mouth disease, rinderpest, and trypanosomiasis appear worthy of GOS and donor consideration. Cooperation with the regional center for tick-borne diseases to be established in Malawi also offers promise of benefits through regional cooperation.

#### Training

Opportunities which present themselves for expanded regional training include 1) training in mining technology at the Department of Mines at the University of Zambia, and 2) telecommunications training for middle-level technical and supervisory personnel at the center in Blantyre - advance training is provided in Kenya.

#### Research

The overstocking of cattle and resulting deterioration of the land base is a major problem common to the cattle-oriented countries of southern Africa. This appears to be an area in which regional cooperation in research and experimentation should be further promoted. Other areas of common interest might include dryland crop research, farming systems research, appropriate technology (such as the Tinkabi tractor), and soil and water conservation.

## IX. Conclusions

### A. Development Dynamics and Strategy Implications

Reflecting upon the strategy outlined above, one readily becomes aware of the dynamics of development occurring in Swaziland. These dynamics take basically two dimensions: the rural-urban migration which appears to be inevitable in Swaziland as in most developing nations; and the arduous transition that the nation is making from a traditional to a modern technological society. These dynamics carry important implications with respect to the approach the donor community should take towards implementing the above strategy.

First, in view of the rapid urbanization occurring in Swaziland and the need to generate employment, donor emphasis should be appropriately balanced between assistance to rural and urban areas. Often the tendency among development agencies is to largely direct assistance to rural areas where indeed the majority of people in greatest need of assistance is found. Moreover, the focus is generally on subsistence or traditional sector agriculture. But as the subsistence-level farmers' living standards and aspirations rise, many will seek further advancement by developing larger, more efficient farm production units, or seek wage employment in agri-business and urban sector activities. Thus, the role of development assistance should be one of lifting the poor out of poverty and ultimately moving them into the mainstream of modern economic development as indicated above. To accomplish this, development assistance must be broad enough in its approach to encompass this entire transition path from the rural to urban sectors and within the sectors themselves.

In Swaziland, such an approach is particularly relevant. Compared to many African countries, the industrialization and urbanization process is moving at a fast pace. The urban areas are the most rapidly growing areas in the country, and the Mbabane-Manzini core region surpasses the rest of the nation in its growth rate\*. Thus, external assistance should be balanced (as suggested by the strategy outlined above) to address the needs of both the rural and urban sectors and to help them along the transition path to modern development. This calls for relatively greater emphasis on urban and industrial sector development than has been given in recent years. As already noted, employment generation and housing are the areas in greatest need of attention and support.

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\* The average urban growth rate for Swaziland is 6 percent per year compared to 3 percent in the rural areas.

The second dimension to the dynamics of development in Swaziland, the traditional-modern society transition, also carries with it important implications with respect to implementing the donor strategy. These relate to the pace at which the strategy can be implemented rather than its overall comprehensiveness. Considering the array of development activities suggested by the above strategy, it becomes obvious that certain constraints - population growth, land tenure, and cattle overstocking for example - will require much longer time to tackle and overcome than others. This is because they are more deep-seated in Swazi tradition than others and require a timetable for change best determined by the nation's commitment to change and the evolutionary process of change itself.

Recognizing the "growth pains" of this transition, the donor community should therefore encourage further discussion, contemplation, and development of strategies to respond to these more formidable challenges while at the same time staying in tune with the pace of change established by the GOS and Swazi society. Ultimately, though, the most critical factor affecting the pace at which the donor strategy can be implemented is the GOS' own conception of what is required to achieve the type of society believed to be most desirable for the Swazi Nation 20 years hence and beyond. Comprehensive long-term national development planning again arises as a key ingredient toward reaching this end and determining the pace of change necessary to achieve national development objectives.

#### B. Strategy Priorities

Condensing the strategy outlined above down to those areas deserving of highest priority, two clearly stand out most prominently. These are national development planning and human resources development. The GOS planning function is very weak and planning at both the central and ministerial levels must be significantly strengthened. Such planning and interministerial coordination can provide the guiding framework through which development problems are identified and analyzed, and through which strategies can be formulated into an integrated development approach. More sophisticated long range planning (10-20 years) and intermediate range planning (5 years) are also necessary recognizing the time required for change and development to occur.

While better planning assists in providing direction, human resources development is required to provide the capacity for development. Throughout the strategy outlined above the most common thread of need was the development of Swaziland's human resources. This is required to increase productivity on the farm and in the factory, localize public and private sector control and management of the economy, and thereby improve the welfare of the individual and Swazi society as a whole. This is the most fundamental and recurrent con-

straint in Swaziland today and for the foreseeable future. It should therefore receive highest priority from the donor community and serve as the centerpiece of the overall development strategy.

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\*Extensive bibliographies of information and data sources used in the preparation of studies supporting this paper appear in each of the SADAP consultant reports referenced above.