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**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



SWAZILAND

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

BEST AVAILABLE

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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FY 1982

December 20, 1979

COUNTRY DEVELOPMENT STRATEGY STATEMENT
FOR SWAZILAND

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PART I ANALYSIS

A. Economic Overview and Setting

Income Levels and Growth - Since independence in 1968, Swaziland has made steady progress in terms of economic growth and has significant promise for future growth. Gross domestic product rose from E99.2 million in 1971-72 to E255.7 million in 1976/77 or from \$129 million to \$294 million at exchange rates prevailing at that time. Over this period real growth averaged 4.7 percent per annum. (Other growth rate estimates range from 4.1 percent to about 7.0 percent, but the 4.7 percent estimate appears to be the most accurate.) GDP per capita in 1976/77 was \$588. This enviable growth rate has occurred despite the fact that Swaziland's major export in the early 1970s, iron ore, has been depleted. This growth rate was possible because Swaziland's economy was diversified by growing more cash crops and producing other items for export during this period. The combined rapid expansion of economic activity and diversification has placed Swaziland in a threshold position from which self-sustaining economic growth is achievable over the next 10 to 15 years.

Structure of the Economy - Modern intensive agricultural expansion has provided the engine for this economic growth. Activity has centered on sugar cane, citrus, pineapple and cotton production and processing for export. Since independence the agricultural share of GDP increased from 19 to 31 percent. The share in mining has fallen from 21 to 5 percent due to depletion of the iron ore deposits; manufacturing's share has increased from 13 to 16 percent and the share in social services from 15 to 17 percent.

While the agricultural sector grew rapidly during the 1970s, this growth was not evenly distributed. Modern intensive agriculture being carried out on Individual Tenure Farm Lands (ITFLs), which are

I support fully the Proposed Assistance Planning Levels recommended by USAID over the strategy period and believe that they are appropriate and justified if the US is to play a significant role in assisting Swaziland to meet the basic human needs of its population and to overcome some of its key development problems.

I would appreciate your considering this letter to be an integral part of the CDSS submission and that it be circulated as such.

Sincerely yours,

A handwritten signature in cursive script that reads "Richard C. Matheron". The signature is written in dark ink and is positioned below the typed name.

Richard C. Matheron
Ambassador



EMBASSY OF THE
UNITED STATES OF AMERICA
MBABANE

December 18, 1979

The Honorable Goler T. Butcher
Assistant Administrator for Africa
Agency for International Development
Washington, D.C. 20523

Dear Mrs. Butcher:

Enclosed with this letter is the first comprehensive Country Development Strategy Statement (CDSS) for Swaziland. I have reviewed this submission and believe that it is consistent with overall United States policies and interests in Swaziland. Although I have only recently arrived in Swaziland, it is safe to say that I find this submission to be an excellent analysis of Swaziland's development problems as they have been presented to me by several sources. I do, therefore, commend it to you and your associates in Washington.

I share the judgment contained in the Analysis section that the four crucial development problems confronting Swaziland are rapid population growth, under-two mortality, low agricultural productivity and rising unemployment. Until these problems are alleviated, Swaziland will not be able to achieve the overall long-range goal established by the USAID Mission of self-sustaining and equitable growth. I believe that the functional key problem strategy proposed is an appropriate approach for overcoming these development constraints. I am convinced that this strategy will provide a useful basis and framework for the design and implementation of future projects, which will make a meaningful contribution to improving the quality of life of the Swazi people. Nevertheless, I plan over the next year to review carefully the assumptions upon which this strategy is based with the USAID staff and other Mission personnel. Much of this testing will consist of our looking carefully at the successes and, I hope, few failures in the execution of existing programs and projects.

privately owned farm lands, grew at a rate of 7 to 10 percent per annum. On the other hand, traditional agricultural production on Swazi Nation Land (SNL), which is land held in trust by the King for the use of Swazi people, grew by less than 3 percent annually. Production on SNL amounts to just 40 percent of total agricultural production and just 12 percent of GDP even though 50 percent of the labor force is employed there. Our analyses indicate that agriculture will continue to be the engine for growth in Swaziland; the challenge facing the Government and donors is how to make growth more equitable. This is important because about 90 percent of the modern sector economy is controlled by non-Swazis.

Employment/Underemployment - Swaziland has a higher percentage of its labor force engaged in wage employment than any other developing country in Africa. Despite this achievement, significant numbers of people remain outside of wage employment with earning patterns which reinforce their poverty. The resident active labor force in 1978 was estimated to be 181,000 and growing at 4.0 percent annually. In addition there are about 16,000 Swazis employed in the Republic of South Africa. In 1978, the formal wage sector employed 71,000 people which represents 39 percent of the resident labor force. Of this, 53,000 people were employed in the private sector, half of whom were in agriculture and forestry; and 18,000 people were employed in the public sector. Between 1972 and 1978, formal wage sector employment grew by 4.8 percent per year, which is higher than the 4.0 percent growth rate of the labor force. Perhaps 6,000 of the formal sector jobs are of a seasonal agricultural nature. Additionally, there are estimated to be perhaps 10,000 informal sector jobs such as household staff and petty traders. This leaves roughly 100,000 labor force members who are either absorbed in traditional agriculture or are unemployed. There are no firm estimates of the number of people unemployed. The labor force remaining full time on SNL is estimated to be about 90,000. This implies that Swaziland has a total unemployment figure of about 10,000 people or 6 percent of

the total labor force. While this figure is not large now its importance lies in the fact that unemployment is a new phenomenon, particularly among school leavers, and could swell by a few thousand per year. The growing unemployment despite the growth in formal sector employment results from a large migration of labor from SNL farms.

Underemployment is not thought to be a serious problem at the present time but is one that will grow along with unemployment. On SNL, labor tends to migrate until there are just sufficient people to carry out minimal farm tasks. Out of those that remain, de Vletter's study on the subsistence farmer has indicated that 67 percent of homesteads are engaged in beer brewing, handicraft making or other informal tasks. Until recently, the modern sector has been able to absorb productively the increased labor force. Thus, underemployment in the modern sector has not been a serious problem in the past.

Foreign Trade and Balance of Payment - Swaziland's economy is export oriented; exports account for two-thirds of the total increase of GDP from 1971/72 to 1976/77 and for 61 percent of total GDP. In 1978, major exports in order of importance were sugar, wood pulp, asbestos, canned fruit and fresh citrus fruits. Swaziland's export markets are so well diversified that the largest Swaziland customer, the United Kingdom, takes 23 percent of total exports and the second largest, South Africa, takes only 10 percent.

Imports have grown more rapidly than exports over the last few years resulting in a visible trade deficit beginning in 1976, which reached a total of \$58 million in 1978. Much of the increase in imports has been attributed to significant expansion of the nation's sugar industry, which will shortly lead to increased exports. The most significant import categories are machinery and transport equipment (20 percent of total imports) and mineral fuels and lubricants (12 percent). South Africa is virtually Swaziland's only supplier providing over 90 percent of its total imports.

Even with a sizeable balance of trade deficit, Swaziland has continued to maintain a balance of payments surplus. In 1978, this surplus amounted to \$11.5 million, which is mainly the result of Southern Africa Customs Union receipts and capital inflows from donor countries. Since 1974, the surplus has amounted on a cumulative basis to more than \$100 million. Net official reserves stood at \$97 million in June 1979, which is equivalent to 5 months of imports at 1977/78 levels.

Macroeconomic Policies - Swaziland is committed to a free enterprise economic system. Any Government participation in enterprises is always as a minority partner. The Government interferes minimally with market forces and does not directly subsidize economic activity. In addition, the Government does not provide substantial incentives to attract foreign capital. Within this context, the majority of Swaziland's macroeconomic policies are associated with its participation in the Rand Monetary Area (RMA) and Southern Africa Customs Union (SACU).

Swaziland's participation in close economic integration with the South African economy reflects the geo-political and economic realities of the area, but it has significantly reduced its flexibility in fiscal and monetary matters while at the same time increasing revenues and precluding irresponsible fiscal and monetary actions. Swaziland receives SACU revenues in excess of actual duties charged on South African imports destined for Swaziland which serves as compensation for its participation in the SACU. This revenue has become increasingly important, accounting for 62 percent of total Government revenue in 1978/79. In exchange Swaziland has given up flexibility in generating revenue by relinquishing the power to set its own import tariff and excise tax schedules.

Swaziland's monetary policy, as a member of the RMA, is almost entirely passive. While this has the disadvantage of again reducing flexibility to manipulate monetary policy instruments, it has the

advantage of ensuring monetary discipline. Within the context of total Swazi foreign policy, participation in the RMA and SACU are on the whole probably beneficial for Swaziland's development and, therefore, more realistic than any attempt to withhold participation.

The second major impact of close integration is on prices and wages. The major result is a price-lowering effect on basic foodstuffs. The Republic of South Africa subsidizes its agricultural production and the general efficiency of South African agriculture means cheap food imports into Swaziland and reduces incentives for domestic food production in Swaziland.

On the wage side, the openness of economic relations between the Republic of South Africa and Swaziland probably tends to raise Swaziland's wage rates to be more in line with those existing in South Africa. Real wages for both unskilled and semi-skilled male labor rose by 11 percent annually between 1973 and 1978 to an average of \$1,020 and \$2,045 respectively. While wages are high, labor productivity is not. This means that Swazi firms, to be competitive, must adopt fairly capital-intensive means of production.

Swaziland's economic relationship with South Africa helps to explain its basic overall macroeconomic situation. Large-scale labor migration to South Africa, agricultural estates and to the Manzini-Mbabane urban corridor is occurring, leaving a stagnant traditional agricultural sector. Labor is being pushed out of agriculture by low prices for traditional agricultural foodstuffs (maize) and pulled out by attractive wage rates offered by the modern sector. At the same time the capital intensity required to maintain competitiveness results in a relatively slower growth in the demand for the labor pouring out of the rural areas. Understanding the economic setting is important for comprehending the causes of poverty and establishing the rationale for the CDSS strategy.

B. Social/Status of Women/Administrative/Institutional Setting

Demographic and Social Overview - The population of Swaziland is estimated to be 530,000, of whom the vast majority are ethnically Swazi. An additional 16,000 Swazis are working in South Africa. The intercensal (1966-76) population growth rate was 2.8 percent per annum. More recent demographic estimates indicate that the growth rate has increased to 3.2 percent annually, which makes it one of the highest growth rates in the world. About 85 percent of the nation's inhabitants live in rural areas, but the urban population is growing at a rate of 5.1 percent annually. Of the total Swaziland population, less than 2 percent are European, many of whom are Swazi citizens.

The rural areas are classified into Swazi National Land (SNL) comprising 57 percent of total land area with Individual Tenure Farm Lands (ITFL) making up the balance. SNL falls under the control of the Swazi National Council and is allocated by some 200 chiefs governing under a communal land tenure system. About 13 percent of SNL is divided into approximately 42,000 dispersed homesteads with a resident population of 350,000. Eighty-seven percent of SNL is used primarily for communal cattle grazing. The average size of non-communal land holdings is 2.75 hectares, but this varies by topographic zone with the relatively under-populated lowveld having an average size almost twice the national average. Slightly more than one quarter of homesteads are less than one hectare in size. Only 12 percent have areas exceeding 5 hectares. Even on these larger holdings the average total holding is only 8 hectares. Fragmentation of land holdings is common. Out of the total amount of land area allocated to each homestead, about 80 percent is in cropland. Homesteads enjoy some degree of security in land tenure, including the right to pass land on to progeny. Although chiefs are empowered to reallocate land, this is usually only done when a serious offense has been committed or land has been neglected.

The definition of what constitutes a homestead is a complex matter. A 1960 study by the University of Natal entitled, Experiment

in Swaziland, found 42 percent of the homesteads comprised nuclear families; 7 percent were polygamous family groups; 19 percent were extended agnatic groups (with relatives of the homestead heads or wives and children of male relatives of the homestead head); and 32 percent were more complex family groupings which did not fall into any other category. The heterogeneity in homestead types makes comparative analysis difficult.

Crops grown on SNL by most households are for consumption purposes only. Approximately 70 percent of SNL cropland is devoted to maize production. While there are some signs of increased SNL cash cropping particularly of cotton and tobacco, less than 10 percent of homesteads produce primarily for the market economy, and these tend to be homesteads with more than 5 hectares of land.

Eighty-seven percent (787,000 hectares) of SNL is used for communal grazing purposes accommodating 525,000 cattle and 270,000 sheep and goats. This is one of the highest stocking rates in Africa and has serious soil erosion implications. It reflects the prominent role of cattle as the most important store of wealth for the majority of rural households, which probably results from the fact that land/homes are not seen as viable wealth alternatives because of the tenure system. Despite overgrazing, the cattle growth rate remains in excess of 2 percent annually.

Over 40 percent of Swaziland's total land area is held in 850 ITFLs. These farms have an average size of 800 hectares but range from family farms of perhaps 20-30 hectares to the large agro-industry complexes such as the Usutu Forest and the sugar estates. Twenty-five percent of the ITFL is in these estates, and the remaining 75 percent is equally divided between Swazis and non-Swazis. Seventy percent of total ITFL is agriculturally exploited. Perhaps as much as 50 percent of Swaziland's wage employment is to be found on these ITFLs.

The urban and peri-urban population of Swaziland (some of whom may be on SNL) are estimated to consist of 31,000 urban families with an average family size of 3.1 persons. The number of families

is probably overestimated because of definitional problems and the average family size is probably closer to 5 persons. Urban employment is primarily generated in social services (33 percent), manufacturing (21 percent), construction (19 percent) and distribution (13 percent). The distinction between rural and urban residents is a blurred one. Of the total number of adults (16 and older) still considered to be SNL homestead members 38 percent had migrated and a further 10 percent were commuting to work from the homestead.

The Role of Women - According to the 1976 census the sex ratio (male/female) of the resident Swazi population is .88:1. This ratio reflects both higher male mortality rates and high male absenteeism in the 20-34 age group. One result of the high male absenteeism is the increased number of female-headed households, especially in the rural areas where approximately 31 percent of the homesteads have no adult males normally resident.

Current figures show that more Swazi females than males are in school today and that females increasingly attend secondary schools and institutions of higher education. The 1976 census figures show 43.1 percent of the females with no education as compared to 41.9 percent of the males. The majority of the uneducated women are over 30.

Approximately 28.1 percent of the Swazi women are either self-employed or employed in the wage earning sector. Among females, the self-employed constituted a much larger proportion of the total employed, forming over a third of employed females aged 15 and over, and more than two-thirds of those aged 55 and over. The majority of women wage earners (approximately 10,600) are employed in the private sector, primarily in agriculture, manufacturing, distribution and social services. Swazi women working in professional and technical services outnumber Swazi men. Women constitute about 23 percent of the public sector work force.

A large majority of the remaining 71.9 percent of Swazi women are "fully employed" on the homesteads, where they are not only responsible for all domestic work but play a major role in agricultural

activities. The women are primarily responsible for planting, hoeing, weeding, and harvesting. In fact it is estimated that women and children perform 70 percent of the agricultural labor, while adult males contribute only about 30 percent. However the time women can spend on agriculture is severely restricted by such domestic tasks as fetching water, gathering wood for fuel and cooking. In addition most SNL women earn other income through making handicrafts, brewing beer, etc.

A recent study of two Rural Development Areas (RDAs) revealed that more women than men tended to have more than one occupation; more men than women purchase farm inputs; women lag behind men in application for and procurement of loans; men more than women perceive having made economic progress the past few years; men more than women are visited by extension agents and among those visited men have more frequent contact with agents; and more women than men have never been encouraged by government officers to be good productive farmers.

The ability of Swazi women to deal with the problems mentioned above is severely hampered by both legal and cultural constraints, which particularly affect the decision-making role of women. In Swaziland a married woman is virtually a legal minor. She is not responsible for contracts she signs, she cannot own real property or inherit property under normal circumstances. She must obtain her husband's permission to make a loan, to leave the country and often to take a job. In situations of divorce, a woman has no right to the custody of her children, although she may have to care for them with no support from their father.

Institutional and Administrative Setting - Swaziland has a dual system of government consisting of modern ministries and an influential traditional system. The latter affects the customs and tenure of about 85 percent of the population on SNL. Politically-appointed ministers coordinate policy through a cabinet while the senior civil servants work together through a Permanent Secretary's Committee.

Administrative capacity is constrained by inexperienced managers, inadequate numbers of technically and administratively qualified personnel, traditional administrative behavior patterns and government procedures inherited from British Overseas Service. The limited capacity is most often manifested in too few qualified people being too overworked to make better plans and take effective decisions, and lack of enough time for inter-ministerial coordination resulting in a very slow decision-making process. These constraints are ameliorated by: a new cadre of young, better trained civil servants; the near completion of the public sector localization process which has resulted in many more Swazis gaining practical management experience; and a commitment to national development that attracts and holds many qualified Swazis from entering the otherwise more lucrative private business sector.

National elections were held after 7 years' suspension and a Parliament was formed again in 1979. This institution is proving to be a new voice of accountability - both to the people and by the ministers. While the omnipotence of the King remains, Parliament has begun to challenge the development ministries on the pace, quality and direction of their programs. Parliamentarians are in part selected by direct election and in part appointed by the King. In this regard they are an important link between the modern and traditional governments.

The supreme head of the Swazi Nation is the King, who exercises authority in the modern government through a Council of Ministers, and in the traditional government through the Swazi National Council (SNC). In addition to the formal Council, the King has a senior group of councillors advising him directly. In theory all adult Swazis are members of the Council, but in fact its inner decision-making body is composed primarily of chiefs and traditional leaders appointed by the King. SNC authority over SNL, tradition and custom is supreme. Also operating at the national level and in liaison with the modern ministries is the Central Rural Development Board (CRDB). All development proposals affecting SNL must be submitted to the CRDB as well as the King for approval. The CRDB is charged

with ensuring that developments are consistent with Swazi tradition and reflect the wishes of the people.

Bridging the gap between the central governing bodies and chiefs at the lower level of the traditional system are meeting centers (tinkhundla) which come directly under the SNC. Each center has an appointed head and it serves as a place where SNC officials, chiefs and some government officers hold meetings with local inhabitants to make announcements and debate issues and proposals. The Government's policy is to use the tinkhundla for coordinating rural social services in their areas. At the moment there is insufficient structure to perform these functions. District Councils, consisting of elected members, have also been created in each district and are responsible for coordinating national and economic activities at the district level and for identifying priority project needs in the region.

At the base of the traditional system are chiefs whose primary roles are allocation of land and the settlement of disputes. Swazi males can obtain land by swearing allegiance to a chief, which obligates their families to perform tribute labor for him although this practice is declining. In principle every household through its male head has right to land for residency and cultivation and general rights to communal pasture land. Land may also be obtained through inheritance and renting, the latter occurring infrequently. Rights to use land are also obtained, especially by women, from relatives or in the name of a deceased husband, where there are no male heirs or sons have migrated. The rights to use this land rest on the goodwill of other claimants.

In parallel to this hierarchical traditional system with appropriate linkages, the modern government has to propose and undertake approved development activities. Theoretically, such a system appears attractive with broad local participation in decision making to ensure acceptability by the populace of proposed programs. Recognizing the participatory functions of the CRDB, decision making appears to be held largely in the hands of the leaders with the wishes of the people indirectly expressed through them.

The traditional government may apply very different criteria to determine a project's worthiness. This can lead to long delays in project approval and complete blockage of proposed activities deemed in conflict with tradition. If a program or project once approved is in need of additional components, changes in its objectives or purpose or any other substantive changes, the traditional structure must give its approval. This creates a situation whereby programs/projects are frequently inflexible in adjusting to local conditions and changing situations and the implementing agency is hesitant or unwilling to submit a revised plan to bureaucratic scrutiny which will inevitably delay implementation. Furthermore, replication of successful projects is not automatic since each project must be judged on its own merits.

C. Characteristics of the Poor and Identification of Target Group

The approach taken to identify the characteristics of the poor is twofold. First, there is an analysis of Swaziland's Physical Quality of Life Indicators (PQLI) to ascertain which aspects of life contribute to its low quality. Second, there is a discussion of income distribution by broad groups to ascertain the characteristics of the low-income-earning groups. Finally, using these two approaches, the target group of the USAID/S strategy is identified.

Physical Quality of Life Indicators - In order to evaluate whether a particular PQLI is at a satisfactory level or not, we are using the expected value of the indicator, given Swaziland's per capita income level, determined by a worldwide relationship between income and the indicator. The methodology has the advantage of helping to determine an appropriate mix between programs aimed at affecting the physical quality of life and those aimed at raising income per se.

Education - Swaziland has an adult literacy rate of 50 percent. The value of the worldwide comparative indicator (CI) is 43 percent or well below Swaziland's achievement. Swaziland currently has 75 percent of its primary school age students in school (CI is 49 percent) and has a female primary school enrollment ratio of parity (CI equals 43 percent). It is clear that from a numbers point of view the educational status of Swaziland's population is well above countries with similar income levels.

Health - The health status of Swaziland's population is, however, well below countries at the same income level. Life expectancy at birth is 46 years compared to the CI of 51.5 years. Infant mortality is 156/1000 compared to a CI of 106/1000; that is in Swaziland people, on an average, live five years less than their counterparts in countries with similar income levels and 50 percent more Swazi infants die. Infant mortality rates are available by the four districts of Swaziland and range from 135/1000 in Hhohho district to 170/1000 in Lubombo district. The lower rates in Hhohho probably reflect the inclusion of the capital city of Mbabane in these statistics, but even these rates are well above the CI. The low health status of the population as a whole, particularly the rural population, is clearly a major development problem.

Population Growth and Fertility - Population growth and fertility are included in the PQLI analysis because of the highly detrimental nature of rapid population growth on virtually all aspects of the development process. Swaziland's population growth rate was 2.8 percent over the decade 1966 to 1976. At this growth rate Swaziland's population will double from its current level of 530,000 to 1,060,000 in 25 years. Recent evidence indicates that the population growth rate might even be as high as 3.2 percent. This rate is well above the CI of 2.5 percent even given Swaziland's high mortality rate. The total Swazi fertility rate of 6.9 compares to a CI of 6.0, which indicates the average Swazi woman has one more child during her life

than do her counterparts in countries with similar incomes. Among women with a secondary education there is some indication of reduced fertility. Average parity for women completing their childbearing age was 0.8 less for women with secondary education than other women. Again, as in the case of health status, high fertility appears to be a major development problem.

Other PQLI - Swaziland's overall nutritional status is 92 percent of the estimated requirements or 5 percent below the expected CI of 97 percent. With the dearth of nutrition data in Swaziland, this relatively minor difference is not considered to be significant.

In 1976, 33 percent of Swaziland's population had access to tap water. In Shiselweni district only 11 percent of the population had such access to tap water, while in Lubombo 43 percent had access. No CI has been computed for comparison purposes, but this range puts Swaziland on a comparable status with Bolivia, Ghana, Ecuador and Malaysia and well ahead of Thailand despite the fact that these countries are all more urbanized and should be able to provide better access to tap water.

In 1976, 37 percent of Swaziland's population had access to toilet facilities. Again, Shiselweni district lagged with only 17 percent of its population having such access with the other three districts exhibiting roughly equal access.

Finally, a 1976 census estimate has been made of the number of homesteads with only temporary housing materials for walls. Forty percent of the houses were found to consist of this temporary construction. The highest figure by far was found in Hhohho district where 51 percent of the housing was considered of temporary quality. This almost certainly results from the large squatter population surrounding the capital city of Mbabane.

Income and Employment - Income data is particularly scarce in Swaziland and what is available does not offer easy comparisons and

is sometimes conflicting. Income data cross tabulated by such commonly used indicators as education are lacking as is a poverty datum index. With these limitations, an attempt is made to point out at least in broad stroke, the differences in income.

Average yearly income for urban families was estimated to be \$2,600 in 1978. However, fully 47 percent of the urban population are squatters whose estimated yearly family income of \$1,300 is insufficient to purchase the most modest permanent house available. Unfortunately, little is known of the characteristics of urban squatters but one can surmise that, as with squatters elsewhere, they are probably young, relatively recent migrants from rural areas and because of that, often unemployed.

Attempts to compare the urban squatter to the rural SNL resident is also difficult. The Swaziland Shelter Sector Survey conducted by A.I.D. indicates that 16 percent of squatter families earn less than \$200 per year per capita. However, raising the average family size to 5.0 residents per urban squatter homestead, found in a 1977 study, raises the percentage of families earning less than \$200 per capita to 40 percent.

A recent SNL study shows that 77 percent of families earned annual cash incomes of \$200 per resident member or less. Adjusting the SNL income upward to account for crop production for on-farm consumption only reduces the percent of families with incomes per capita below \$200 from 77 percent to 73 percent. From this analysis it appears that SNL families are much worse off than urban squatters but the very much larger household sizes of SNL homesteads offer certain economies of scale and more items such as fuel and housing are available on farms "free." This would narrow the apparent gap between the average urban squatter and the SNL homestead standards of living.

SNL homesteads' low incomes derive primarily from their low agricultural productivity. Most homesteads do not produce at all for the market and the mean per capita crop production for on-farm consumption is only about \$35 per year. Studies in three Rural

Development Areas (RDAs) indicate that average gross margins for total agricultural production (both crops and livestock) were \$165, \$203 and \$485 per homestead in each of the three areas. Per capita production even in these more "progressive" areas served by the RDA program averaged \$22, \$22 and \$49 respectively. Moreover, crop production accounted for less than half of this. SNL farmers supplement this meager agricultural income by sending labor force members to urban areas (48 percent of SNL adults were working off farm in one study) and engaging in handicrafts production, beer brewing, or other income-generating activities (65 percent of homesteads). A Lorenz curve of wealth distribution between SNL households yielded a gini ratio of .465 a figure which is indicative of an average degree of skewness in income distribution.

With about half of the people on SNL seeking employment in the modern sector, there is a rapidly growing pressure for non-farm jobs. With the increasing rates of rural-urban migration in search of work, unemployment in the modern sector is becoming a rapidly expanding problem in Swaziland. While the level of unemployment is not yet large (about 10,000) it will become a more pressing problem. This will negatively affect the already low SNL homestead income, since much of it is derived from workers remittances.

In summary, rapid population growth and poor health status are the major physical quality of life factors indicative of poverty in Swaziland. Both of these factors are nationwide phenomena with perhaps the southern and eastern districts of Shiselweni and Lubombo being worse off than the rest of the country. If one uses roughly a \$200 per capita income poverty line, 40 percent of the squatter families surrounding urban areas would be considered poor. This equates to about 20 percent of the urban population or 20,000 people. In rural areas, this would encompass approximately 73 percent of SNL holders or 255,000 poor people. Based on this analysis, the target group of the USAID/S strategy consists of the 275,000 people (52 percent of the total population) who earn less than \$200 per capita.

The four characteristics of the poor - rapid population growth, low health status, low agricultural productivity and rising unemployment - constitute the four problem areas to be focussed upon. The underlying causes of these problems and the constraints to successfully attacking them will be analyzed in the next section.

D. Causes of Poverty

Poverty in Swaziland is and for the immediate future will be primarily a function of: (1) rapid population growth; (2) low health status; (3) low agricultural productivity; and (4) rising unemployment.

Rapid Population Growth - Swaziland's rapid population growth of 2.8 to 3.2 percent annually is placing great strains on its limited land resources and is generating rising unemployment. Even with modern-sector employment growing at 4.8 percent annually only about 3,900 of the 7,000 labor force entrants can be absorbed each year. SNL farms will need to absorb the rest of the labor force if it is to avoid rising unemployment. At this rate of absorption the average size of a SNL farm would fall from 2.75 hectares to 1.96 hectares in 10 years. Small farm sizes are already contributing to low agricultural productivity. Continued rapid population growth will only exacerbate the productivity/unemployment problem if the labor force entrants do not remain on the farm. The high fertility rate associated with rapid population growth has been clearly linked to increased infant mortality and the reduced health status of both mothers and children. Thus, the rapid population growth problem is closely linked to and is perhaps the major factor associated with the three other key development problem areas upon which we are focussing.

The causes of rapid population growth are rooted in a lack of awareness on the part of leaders of the impact of population growth,

inadequate knowledge of modern contraceptive means, traditional values and high infant mortality. At this point, the lack of family planning facilities and services per se are not seen as a major constraint, but a lack of knowledge is. In a recent rural study done for the Ministry of Education, 63.2 percent of rural women said they did not know about family planning methods. This is consistent with our previously stated finding that only women with secondary school education appeared to be limiting their family size to any extent.

While the lack of knowledge is a major constraint, traditional values may be becoming less important. While rural women have noted that they did not know about contraceptives, 67.5 percent indicated that they did not want more children. Moreover, the idealized family size, while still high (5-6 children in rural areas and 3-4 in urban areas) is significantly smaller than actual family sizes. The economic costs of children are also becoming an important factor. Forty-four percent of rural and 84 percent of urban respondents in another study expressed a strong desire to limit the number of children in order to provide schooling, clothing and food. However, little is documented on the attitudes of men toward family planning in Swaziland, but these are extremely important given that married women who do seek family planning assistance are expected to have the permission of their husband. Ironically these changing values are currently leading to increased fertility as the traditional child spacing practices of abstinence often associated with polygamy and prolonged breast feeding are giving way to modern life styles of increased monogamy, early returns to jobs after pregnancy and shortened periods of breast feeding. This does not mean that the traditional authorities are now ready to endorse nationwide family planning, but there is an attitude change on the part of traditional people.

The third constraint to limiting family size is Swaziland's high infant mortality rate. About two-thirds of women in one study felt that women in Swaziland are having more children than they were years ago. These same respondents also believed that fewer children survive now so that women must bear many children in order for some to reach maturity.

The Swazi value system appears to be becoming more compatible with a reduced family size. The three key constraints to actually accomplishing a decline in fertility are a lack of awareness of the impact of population growth, a lack of knowledge of modern contraception and the high infant mortality rate.

Low Health Status - Low life expectancy and high infant mortality rates have been used in this paper to indicate low health status as a major characteristic of the poor in Swaziland. These two indicators are, however, manifestations of the same problem. Data from the 1976 census indicate that children die frequently before the age of two (the under-two mortality rate is 192/1000). If the under-two mortality were reduced to the comparative indicator of 126/1000, the life expectancy of the Swazi population would increase to 52 years which is slightly above the expected comparative indicator value. That is, reducing under-two mortality by itself would raise life expectancy to a satisfactory level given Swaziland's economic status. From this we conclude that the overwhelming health problem in Swaziland is under-two mortality. As in most countries, high under-two mortality is the result of three interrelated factors - high fertility rates, malnutrition and infection.

The relationship between fertility and under-two mortality is a circular one. As the above discussion has indicated, high under-two mortality creates a desire for more children, but increased numbers of births also lead to higher under-two mortality. Frequent birth intervals force young children to be weaned prematurely. In this process both the vital nutrition needed early in life and the antibodies contained in breast milk, which are essential for combatting infection, are stopped. Poorly spaced births also have a detrimental physical effect on the mother herself which in turn produces negative effects on the fetus she carries and her own productivity.

While infant malnutrition may not be as severe or chronically obvious in Swaziland as in other poorer countries, it is an important and apparently growing factor in under-two mortality. A 1978 WHO

report indicates that the fatality rate for kwashiorkor cases increased from 4.7 percent in 1973 to 18.9 percent in 1974 and then slightly decreased to 14.7 percent in 1975. But the major impact of malnutrition is not as a direct cause of death but is in its ability to make infants more susceptible to infectious diseases such as diarrhea.

In identifying the characteristics of the poor, Swaziland's nutrition levels were felt to be reasonably sound, so the major cause of malnutrition in the under-two age group would seem to be related to a lack of knowledge about nutritious weaning foods. There are few trained health or home economics community workers who are able to demonstrate the preparation of hygienic and nutritious weaning foods to mothers in their own homes using locally available foods.

Under-two mortality has its most direct connection to infection in the sense that the various ordinary infections are what ultimately cause death when compounded with the factors already discussed. Infections, common in Swaziland are: diarrhea, measles, pneumonia, T.B., and other respiratory tract infections. Diarrheal diseases are especially a problem due to the lack of potable water and poor sanitation in many parts of Swaziland. The 1976 census figures show a positive correlation between a lower infant mortality rate and piped water availability. Local cultural remedies such as starvation and administration of enemas during periods of diarrhea exacerbate the problem further. Again, as was the case with fertility and malnutrition, lack of knowledge is an important constraint, but the need for potable water supply systems and appropriate sanitation facilities are also needed to break the cycle of infections.

On the institutional side, the infrastructure and manpower to provide basic health services is or will shortly be in place. Currently there are about 70 clinics, or one per 7,000 population, reasonably scattered throughout the country. Most of these clinics are well supplied (each offers family planning services and has oral rehydration units) and are staffed with reasonably well-trained

nurses. In addition, there will be 625 (one per 65 rural homesteads) Rural Health Visitors in place shortly. By 1983, 75 percent of the population will live within 5 miles of basic health facilities.

The reasons why Swaziland has sufficient levels of health infrastructure and manpower, but has such dismal under-two mortality rates, are insufficient planning and inappropriate policy. The reasonably adequate infrastructure and manpower are not formed into an effective health delivery system. The duties and responsibilities of health manpower are not matched against health needs. Supervisory support and in-service training and motivation are lacking. While the Ministry of Health has a policy to move more toward a preventive approach to health care, most of the staff of the Ministry are still clinic bound and concentrate on curative services. In this setting, it is not difficult to see why the lack of basic health information and knowledge is the most important constraint to reducing the most serious health problem, i.e., under-two mortality.

Low Agricultural Productivity on SNL - The basic causes of low agricultural productivity are complex. In order to understand the causes, four factors from the earlier analyses should be recalled: (1) agricultural prices in Swaziland are linked to South African prices and are low; (2) wage rates in the modern sector of Swaziland are high and until recently unemployment was not a problem; (3) farm sizes, as a result of population pressures, are small; and (4) the traditional land tenure system basically does not allow the "owner" of a farm to dispose of it or motivate him to invest in it, and his grazing rights on communal land are unlimited.

Within this framework, the agricultural system on SNL is one where much of the labor force migrates from the farm to obtain higher paying wage employment in the modern sector while leaving just sufficient labor on farm to maintain a claim to land by cultivating it and to retain grazing rights. Nevertheless, the economics of the situation are rational. Cash crops, cotton and tobacco, yield higher gross margins (value of production minus input costs) than

does the traditional crop, maize, but they require much larger inputs of labor.

In the following analysis, calculations are based on the average farm size figure of 2.75 hectares of which 80 percent (2.20 hectares) are in crops. In the average year the SNL farmer typically grows his maize for home consumption before considering other options. With crop yields of at best 1600 kg/ha, average consumption of 220 kg/per capita and homestead size of 9 persons, at least 1.2 hectares of land will be devoted to maize production. The following gross margins can be obtained (using typical RDA yields) on the remaining 1.0 hectares: local maize, \$102; hybrid maize, \$122; sorghum, \$86; cotton, \$225; and tobacco, \$485-824. Of course the labor input required is different. The total labor requirement for tobacco is as much as 3.75 times as that for maize and at the peak month would require 470 hours of labor.

The situation set out above is the current upper limit for crop income (gross margin) for 75 percent of Swazi farmers who hold 2.75 hectares or less. Off farm, the average wage for unskilled male labor is \$1,020 annually. By leaving the farm, an adult male laborer can make more than by staying and the risks associated with farming are reduced. Even cash cropping tobacco on his full cropped area, he can earn only \$882-\$1,498. Purchasing his maize requirements would cost \$395, plus transportation, leaving him with a new income from growing tobacco of \$487 to \$1,103. If he goes to work the remaining homestead members still can produce low labor input maize plus perhaps some cash crop. Therefore, even under optimal growing conditions, on-farm income exceeds off-farm income of the potential migrant by only \$83. If without the migrant, the rest of the family can produce a surplus of \$83, which the above figures indicate it can, then it is advantageous for labor to migrate. Additional homestead labor continues to migrate until there is only enough left to grow maize which has the lowest labor content of the crops, and even there the labor input may be less than optimal. This occurs

despite the fact that tobacco yields twice the income level of maize per hour of labor employed; hence, the low productivity of labor. Not all labor leaves because the homestead would be forfeited. Thus, in Swaziland, a rational system exists whereby low agricultural productivity exists because there is insufficient incentive to keep more than a minimal amount of labor on the farm.

This explains the phenomenon of hybrid maize adoption rates in the RDAs far exceeding target rates but adoption rates of the much more profitable tobacco falling far short of target. Hybrid maize is a labor-saving innovation when compared to local maize, releasing more labor for off-farm profitable employment. Growing tobacco is a labor-using innovation which if adopted would require more labor to remain on farm.

The utilization of cattle as a store of wealth rather than as an income generator (with the concomitant overgrazing/soil erosion problem) has a similar rationality even though it leads to low-level productivity. Cattle are a good hedge against inflation, since their price keeps up with other prices and the number of cattle increase by 2 percent annually. Since there is no limit to the number of cattle an individual can put on communal land, it is in his interest to keep as many as possible. Cattle are only sold for specific cash requirements such as education. This leads to the odd but rational situation where raising slaughter prices for cattle actually leads to a decrease in the number offered.

Within such a system the major constraints to increased agricultural productivity are first rapid population growth which drives down average farm sizes. Not unexpectedly the larger farms, that on average allow higher income potential, are the ones which grow the cash crops and keep family labor employed on farm. Thus the 1971/72 agricultural census of SNL shows that no farm under one hectare grew cotton and only one percent of these grew tobacco. On the other hand, cotton was grown on 21 percent of the farms of five hectares or more and six percent of these farms grew tobacco. Likewise, the

percentage of farm holders with a non-agricultural job as their occupation was 42 percent for homesteads with less than one hectare, 27 percent for homesteads of one to 5 hectares and only 12 percent for holdings of 5 hectares or more.

The land tenure system and traditional government policies are other major constraints. Families disinterested in farming cannot "sell" the land to allow smaller farms to be combined into appropriately larger units. More importantly, ITFL when it reverts to SNL is most often not divided into homestead units but is kept in agricultural estates for commercial farming. This does not relieve the pressure for further fragmentation of farm holdings brought about by population increase. Moreover, the communal grazing land policy leads to serious overgrazing and environmental degradation.

Ironically, another constraint is the high off-farm wage rate policy of the Government which draws so much labor off farm that the productivity of remaining labor is undermined.

The final major constraint is a lack of agricultural research although whether this would help depends on how high yields could be raised on what cropping systems' combination and at what labor requirement. All of the other typical agricultural constraints found in developing countries also exist in Swaziland to one degree or another: There could be more access roads, a better marketing infrastructure, more agricultural credit (although evidence suggests that increased credit availability in Swaziland leads not to increased purchase of inputs but to cattle purchases), an agricultural pricing policy that is more favorable to farmers, etc., but evidence from the RDAs suggests that such measures have relatively little impact. In the RDA areas, access roads, input services, and good marketing facilities for cotton and tobacco exist; yet production of tobacco has been stagnant or falling. The use of hybrid maize has not raised total output, but it has reduced the land area under cultivation.

The reason these latter constraints are not very important is because of their marginal nature in most cases. A 20 percent increase in maize prices, for example, would do little to stimulate further

maize production. A better marketing system for crops which cannot, under any reasonable circumstances, offer incomes competitive to off-farm wages will not stimulate adoption of the crop.

Rising Unemployment - Out of a 1979 total labor force of 197,000, about 71,000 are in the formal wage sector, 16,000 are in South Africa working, 10,000 are in the informal sector of petty trading and household staff and 90,000 are engaged in SML agriculture. This implies that there are about 10,000 unemployed Swazi workers (5 percent of the total labor force or 10 percent of the wage labor force). This figure is not large but, for Swaziland, it represents a recent and rapidly growing phenomenon and, therefore, will be a leading cause of poverty in the medium-term future. Unemployment in Swaziland is particularly serious since there is evidence that the system for providing extended family assistance to people with no other means of support is weakening. In such circumstances the unemployed will become the poorest element in Swazi society. This growing specter of unemployment is arising despite very creditable macroeconomic performance over the last decade which has created a growth rate of formal sector jobs of 4.8 percent per year.

The greatest contributor to growing unemployment is again rapid population growth (2.8 - 3.2 percent) which is resulting in a labor force growth rate of four percent annually. This equates to a labor force growth of 7,000 per year of which about 3,900 will find employment in the formal sector if past economic trends continue. With what appears to be an accelerating rate of natural increase, rapid growth of the labor force will continue for at least the next generation.

In order to understand the other reasons for growing unemployment, we need to keep in mind Swaziland's economic relationship to South Africa which leads to high wages and heavy competition and Swaziland's free enterprise orientation. Within this context, the formal education system needs to be analyzed. The Swazi people place a very high emphasis on education, viewing it as a family investment. The GOS

has responded to the social demand for education to such an extent that Swaziland ranks approximately second in Africa in percentage of primary school age children enrolled. In 1979, 75 percent of the primary school age population, 45 percent of the junior secondary school age population and 20 percent of the high school age population were enrolled. Universal primary education (grades one to 7) is a 1985 target with the universal junior secondary education (grades 8 to 10) goal to be sought immediately thereafter.

Given the GOS's free enterprise policy, the public sector will not be Swaziland's growth engine and civil service employment will no longer expand rapidly. Unfortunately, the formal educational system has not changed its academic emphasis to reflect this fact. Most students, upon leaving school, and parents continue to think in terms of white-collar civil service jobs. Students are ill-trained for private sector skilled jobs and consider themselves too educated for farming, but it is precisely these job areas where the demand for labor has and will continue to exceed supply.

Non-formal education geared to provide life skills in the trades is not well developed in Swaziland. The GOS has committed most of its resources to the formal education system. Thus the Swaziland College of Technology (SCOT) currently enrolls only 508 students and the Rural Education Centers (RECs) are enrolling only 727 (down 40 percent from last year) even though they have received IBRD support.

The traditional agriculture system provides a poor income alternative to wage employment. This, combined with the academic bias of the educational system, ensures that little educated labor is attracted to agriculture even though it still employs almost 50 percent of Swaziland's labor force. Yet agriculture is "offered" in only 10 percent of primary schools and none of the primary school teachers are trained in this field. Forty percent of the secondary schools offer agriculture. However, because primary school leavers have not been exposed to agricultural education, few of them take it at the secondary level. MOE statistics show that for 1977 of 3,217 students taking the "0" level examination (which is equivalent to

10 years of schooling), only 65 (2.1 percent) tested in agriculture even though they must take tests in 3 out of 11 possible subjects. The same bias is reflected in higher education, for out of 32 places set aside at the University College of Swaziland per annum for the B.Sc. in agriculture, only 5 are taken up by Swazis. With universal primary and perhaps junior secondary but a few years away, the vast majority of students will seek employment outside of agriculture under current circumstances. This is hardly appropriate for a nation whose people and future are tied to agriculture.

For the private sector, education's lack of emphasis on technical subjects (from math and science to manual skills) translates into a labor force with low productivity for the jobs available in Swaziland (agriculture, trade skills, business-oriented skills such as accounting). Moreover, the quality of the educational output is falling as the input quantity expands. First, second and third class passes on the "O" level examination have fallen from 74 percent in 1968 to 31 percent in 1978. This decline in quality will reduce further the already low productivity of the labor force. It also means that fiscal resources are being wasted through growing inefficiency.

However, low productivity in the labor force is not reflected in low wages. Swaziland's labor is high priced, because it is matched to relatively higher productivity and wages in South Africa. Given the linkages in the Swazi and South African economies and the free enterprise nature of the Swazi economy, which does not emphasize social criteria such as employment, this low productivity - high wage situation leads to capital-intensive investment rather than the favoring of Swaziland's growing factor endowment, labor. The third sugar mill is a prime example of this. Thus, even though the economy grows rapidly, employment generation cannot keep pace with growth in the supply of labor.

The development of more labor-intensive small-scale industry has only recently received limited Government support. It is likely, however, that low productivity will also thwart the development of many successful small-scale efforts in Swaziland, particularly as they

relate to forward and backward linkages to large-scale industry and for the export sector.

The major constraints to making the educational system more relevant to the job realities of Swaziland include a weak system of education and manpower planning, a lack of coordination between formal and non-formal efforts, inappropriate curricula, and un- and under-qualified teachers. At the planning level there has been a reasonable start to manpower planning and manpower projections have been made for the modern sector only. The main difficulty lies in educational planning where past aid efforts have not been very fruitful. Besides trying to match numbers of students with teachers, books and classrooms, which is the current preoccupation, educational planning must also begin to match the curricula to the manpower needs of the country, so that the output of the school system will be more employable.

The curricula must include practical training as well as academic pursuits. Except for the agricultural courses discussed above, there is little practical manipulative exposure for primary school students. In regular secondary schools, courses are offered in carpentry and commercial subjects. However, in 1977 of the 3,217 students taking "0" level examinations, only 203 students (6 percent) took exams for carpentry and 396 (12 percent) for commercial subjects. The academic bias in the formal school system is clearly overwhelming.

At present there are 1,000 (35 percent) unqualified teachers serving in primary schools. Even "qualified" teachers are unprepared for the broader technical educational experience Swazi children require. The current level of quality of teachers in Swaziland is borne out by the very low standard test scores achieved by Swazi students.

The constraints to the non-formal skill training system are not well understood. The GOS has asked the IBRD to conduct an "impact study" to enable it to understand better the role non-formal education plays. We will study this area more during the course of the coming year with a view to seeking other interventions that might be linked appropriately to the formal school system.

In summary, the major constraints to preventing rising unemployment are rapid population growth, an inappropriate wage structure

and an educational system that, while providing a commendable quantity of education, has done little to ensure that the kind and quality of education provided in Swaziland is useful given the structure and prospects of the Swazi economy.

E. Progress and Commitment

This section will focus on the effectiveness of Swaziland's rural development activities in addressing the poverty problem. Overall, Swaziland has made effective use of donor funds and its own resources in addressing poverty in the country. In addition, Swaziland has established its credibility for effective use of future aid resources.

The nation's leaders assigned highest priority in their Second National Development Plan (1973/74-1977/78) to widening participation by the Swazi people in development and to exerting greater independent control over economic affairs. A similar commitment is made in the Third National Development Plan (1978/79-1982/83) through four stated objectives: economic growth, self reliance, social justice and stability. This Third Plan assigns a high priority to the following: (1) increasing agricultural production by 6 percent annually with a higher proportion of cash cropping and the extension of the Rural Development Areas program to cover 60 percent of SNL; (2) expanding education and training programs and increasing the practical orientation of the curriculum to meet Swaziland's manpower and employment needs; (3) increasing the quality, quantity and distribution of preventive health services; and (4) expanding coverage of family planning services to reduce the population growth rate. These areas emphasized in the Third Plan are supportive of our analysis of Swaziland's major development problems. Swaziland has chosen the private enterprise model for implementing these commitments and strongly believes that growth in the private sector will finance equitable development opportunities for the poorer elements in the country.

Growth and Equity - Swaziland's progress and commitment to growth is unchallenged. As noted in the Economic Overview and Setting section, GDP and wage employment have grown rapidly. In the past Swaziland's commitment to equity was less emphasized. Several major investments in recent years have been either of a capital-intensive nature when they could have been more labor-intensive (third sugar mill) or were unnecessary frills undertaken more for "prestige" or political reasons than for basic development (airline and shipping line). The reasons for the capital-intensive nature of much investment in Swaziland is the high wage - low productivity situation that exists. At least equally important, however, is a lack of understanding on the part of GOS officials of the dynamics of rapid population growth; that is, they are basically unaware of the consequences for labor force expansion and even less aware of the braking time needed to reduce this expansion.

With regard to "prestige" or political investments, the Government installed earlier this year has taken a much more responsible position. While the GOS had to finance losses of the airline and shipping line earlier this year, it has moved quickly to divest itself of the shipping line and is currently reorganizing the airline in an attempt to make it profitable.

Moreover, with the exception of the health and population indicators, Swaziland compares favorably with other countries at a similar stage of development when it comes to widespread access to basic human needs services. Perhaps, most telling is its commitment to education. Emphasis is placed on education because this is the opportunity equalizer in a free enterprise system. The shortcomings of the education system are recognized by the GOS and steps are beginning to be taken to match the system to the development needs of the country.

Budgetary and Plan Implementation Performance - During the Second Plan, Swaziland demonstrated its ability to meet virtually all of its recurrent budget requirements and 79 percent of its capital expenditures from domestic sources. In 1977/78 prices the total

capital budget of the Second Plan was \$199 million. Of this amount \$139 million or 70 percent of the target was actually spent. Overall, 28 percent of capital expenditures and 35 percent of recurrent expenditures were spent on the basic human needs areas of health, education and agriculture. While the Third Plan maintains the capital spending ratio, the actual 1979/80 budget of the new Government raises the proportion of capital expenditures going to basic human needs areas to 34 percent; and fully 45 percent of the increase in the 1978/79 recurrent budget is allocated to basic human needs areas. Thus, the budgetary commitment to equity-oriented growth is improving, while at the same time anticipating large increases in capital expenditures. In real terms, the Third Plan anticipates spending 2.4 times as much on capital development as did the Second Plan. While absorptive capacity problems will likely limit the increase to something less than this figure, it does indicate a growing commitment to development.

On the planning side, it has been pointed out that the institutional mechanisms are weak. Symptomatic of this is the fact that Swaziland is nearing the end of the second year of the Third Plan and the Plan document has just been released. Each section of the Third Plan was apparently drafted by the individual ministries. Consequently, it becomes more of a guide to the things Swaziland desires to accomplish without the rigorous analysis that interrelates activities and allocates resources accordingly.

Human Rights - In Swaziland, there are no gross violations of human rights, such as mass torture, killings or apartheid. However, civil and political rights such as freedom of speech, assembly and egress have some restrictions on them and dissent is limited by the prohibition on political parties and the Detention Order. Due process, as described in the basic human rights documents, is practiced in the modern judicial system but is not practiced by the traditional courts. The formation of labor unions is discouraged and the Swaziland National Association of Teachers was dissolved in 1977

following the Government's determination it was engaged in political activities. On the other hand, there has been growth in active employees associations. In addition, elections were held recently for the newly established Parliament.

Some of the restrictions on speech and assembly are justified by the GOS as being necessary to maintain the "public order." Despite these restrictions Swaziland has a private newspaper, The Times of Swaziland, a privately-owned TV station and a government-operated radio station, which do a certain amount of critical reporting.

In summary, Swaziland has achieved significant economic progress in the 11 years since independence. GDP and employment have grown much faster than population. Swaziland's progress and commitment to equitable growth while less obvious, is still impressive and the current government appears to be giving even more emphasis to equity and providing access to basic human needs services.

F. Absorptive Capacity

The question of Swaziland's absorptive capacity can be disaggregated into three separate but related areas - financial, institutional and socio-cultural.

Financial Capacity - The foreign trade orientation of the Swazi economy has led to a rapid increase in Government revenues. Over the 1973/74-1978/79 period domestic revenues increased from \$32.0 million to \$99.6 million or by 25 percent per annum (13 percent in real terms), due to large increases in Southern Africa Customs Union receipts. This rapid increase has helped the GOS to maintain an enviable financial record. According to the IMF, domestic public debt is extremely low - \$18 million in Government stocks and bonds outstanding. Total external debt of the GOS is \$103 million. The current debt service ratio is 3.4 percent and is not expected to rise above 7 percent by 1986.

The outlook during the next several years is for a much reduced rate of expansion in revenues. The Third Plan estimates real increases at only 3.5 percent annually. This slowdown will occur primarily because the recent growth rate in Southern Africa Customs Union receipts are expected to decline. A real increase in recurrent expenditures of 6 percent annually is anticipated. This will leave no room for real growth of domestically-financed capital expenditures, since both real revenues and real recurrent expenditures are expected to grow by \$17 million over the course of the Third Plan. To finance the growing capital budget, the Third Plan anticipates increasing foreign borrowing by about \$12 million (or more than 100 percent) per year over the Second Plan levels and increasing domestic borrowing to \$14 million per year from a level of \$1 million per year during the Second Plan. Actual revenues for the first three years of the Third Plan have exceeded expectations resulting in smaller financial gaps than anticipated, but this trend toward increased borrowing does reflect the increased absorptive capacity of the GOS. The financial position of the GOS warrants the increased use of borrowed funds if it leads to real development gains.

Institutional Capacity - The GOS development effort is most constrained by the inefficiencies of the delivery systems, which in turn are major manifestations of the manpower constraint. Thus, while the number of clinics and health personnel, schools, and teachers, agricultural extension workers, and home demonstration agents is impressive, the impact of their presence is not. Personnel are poorly trained, disciplined, supervised and motivated. Planning at the national, sectoral and project level is obviously weak. As a result, administrators and supervisors, some poorly trained themselves, have little guidance in directing programs to achieve maximum effect. Complicating this are management systems and procedures that exacerbate the planning and personnel weaknesses.

A better planned and managed development program could produce greatly improved development services, both qualitatively and

quantitatively, with little change in budgetary requirements. The GOS needs to make more appropriate utilization of existing infrastructure and personnel, rather than expand the quantity of either.

On the positive side, the GOS is willing to accept large amounts of technical assistance to overcome some of its manpower constraints. The requirement for expatriate personnel is falling, albeit slowly, but it does indicate that local capacity to undertake development activities is growing. Moreover, the free enterprise system fostered by the GOS enhances the absorptive capacity of the economy. Most economic decisions are decentralized. However, again, better GOS planning would give potential investors more information on which to judge the profitability of investments, reduce uncertainty and lead to an expansion of investment in the country.

Social/Cultural Factors - The social and cultural factors associated with absorptive capacity were discussed in detail in the Social Setting section. It will be recalled that the need for approval of rural development activities on SNL by the Central Rural Development Board, has led to delays in the inauguration of projects, the outright vetoing of some projects, and produces an inhibiting influence on project implementors when it comes to making project adjustments. The necessity of working through the central traditional authorities thus has a tendency to reduce Swaziland's absorptive capacity at the same time it adds traditional acceptance, legitimacy and participation in the decision-making process.

In conclusion, Swaziland has historically been in an enviable financial position brought about by rapidly growing revenues but accompanied by weak planning and management that has limited Swaziland's absorptive capacity. While there is still a basic need for better planning and management capacity at the Planning Department and within technical ministries the situation is improving and this expanding

absorptive capacity combined with slowing revenue growth indicate that Swaziland will have to make increasing use of financial resources other than domestic revenues if it is to proceed as rapidly as possible with development.

PART II STRATEGY

A. Long-Range Goals, Objectives and Strategy Overview

As discussed in the Analysis section, Swaziland has development problems typical of other developing countries. The most important problems associated with poverty are rapid population growth, low agricultural productivity, increasing unemployment and high under-two mortality. With these problem areas in mind the long-range goal of USAID/S assistance to Swaziland is: to achieve self-sustaining and equitable growth.

The principal broad objectives to which USAID/S assistance will be directed to reach this goal are:

- a reduction in population growth rates
- increased agricultural productivity on SNL
- increased employment and productivity of the non-agricultural labor force
- a reduction in under-two mortality.

In order to focus on these objectives USAID/S has chosen a functional key problem strategy, based on the recommendations contained in the Southern Africa Development Analysis Project (SADAP) report, to assist Swaziland in meeting its basic human needs by eliminating the four basic causes of poverty identified above. Within the strategy, heavy focus will be placed on human resources development as the major intervention proposed to solve these problems.

By its nature, this type of focus will not show direct results in a few years, but if our analyses of the problems and Swaziland's prospects are correct, there will be a dramatic impact within 10 to 15 years that will allow Swaziland to achieve self-sustaining and equitable growth.

We believe that the detailed strategy proposed is the most appropriate for Swaziland and will lead to self-sustaining growth because: (1) Swaziland has a reasonably strong and well diversified economy based upon the exploitation of renewable resources; but it needs to make more productive use of these resources; (2) The educational infrastructure is in place and universal primary education is planned within 10 years, but the existing formal educational system needs to reach the total population with attitudinal changes and skills training to make it more productive and employable; (3) The RDA program has much infrastructure in place and there is a large amount of equipment and expertise already available in land use planning and development; (4) Swaziland has a well-assured and inexpensive source of foodstuffs; and (5) Swaziland has the soil and water necessary for expanded agricultural programs. As the detailed USAID/S strategy unfolds these points should be kept in mind.

B. Detailed Strategy for FY 82-86

The detailed USAID/S strategy for each of the four key problem areas is provided in this section. The interrelated nature of the key problem areas was discussed throughout the Analysis section. Care is taken here to point out the interrelated nature of the proposed interventions and reinforcing results expected in these problem areas.

Rapid Population Growth - Rapid population growth has been clearly identified in the SADAP report as a major impediment to Swaziland's development. Our specific 10-year target for reducing

rapid population growth is:

- reduction of the crude birth rate from 52/1000 to 30/1000.

The intermediate targets expected to be achieved by 1986 are:

- an understanding by Swaziland's decision makers of the importance of limiting population growth and their positive support for family planning
- a reduction of the crude birth rate from 52/1000 to 45/1000.

The major constraints to achieving a reduction in population growth have been identified as: a lack of knowledge of modern family planning methods by the majority of the population; a cultural environment where learning of these methods is not yet a "legitimate" topic of conversation; and a lack of awareness on the part of traditional and modern leaders of the negative impact of rapid population growth on development. To reach the above targets, the strategy in the earlier years (1982-84) first will focus upon informing traditional and modern sector leaders about the development implications of rapid population growth. This will range from exposure to relevant family planning/population programs elsewhere in the developing world for comparative purposes to statistical presentation of Swazi demographic variables and their probable impact on the achievement of development objectives. The purpose of the information program will be to create an increased awareness in leaders that will permit mounting an effective family planning education program for change agents and later for fertile couples. A private Swazi Family Life Association of Swaziland has just been formed and appears to be an organization with objectives and strategy similar to ours. We will provide technical, commodity and training support for their efforts, the Planning and Statistics Department, Health Education Unit of the Ministry of Health and formal and non-formal education institutions as opportunities arise.

As the informational-educational strategy builds the awareness and technical skills in the early years, an action program will be supportable in about the 1984-86 time frame or sooner if circumstances warrant. The information-education program would bring about attitudinal changes which would allow the population to make use of the already established but unutilized family planning services which are in place. This would include training programs to upgrade information/motivation efforts by rural health visitors and to expand private and clinic-based FP services.

Interventions in the other problem areas will reinforce the direct efforts to slow population growth. If the infant mortality interventions are successful and infant mortality is reduced, this will reduce the perceived need to have large numbers of children in order for a few to survive. In the unemployment problem area, intervention to improve the relevance of the formal schooling system will include health education courses, demography and biology, which will increase awareness of the importance of family planning. As progress is made in stemming rising unemployment and as agricultural productivity increases, the increased incomes and standards of living resulting from this will also play a positive role in reducing fertility. We believe the above strategy has a high potential for success because it recognizes the need to build support in both the traditional and modern sectors; carefully builds awareness and commitment before mounting an action/practice program; will work in an economic environment that is advanced enough to reinforce family planning motivations; will be parallel to a reduction in infant mortality; and has a broad education and clinic base on which to build. Combined with evidence from recent studies which show that Swazi women are receptive to more family planning and an openness to understand this phenomenon by a few key leaders, we would expect to see rather dramatic results over the next 5 to 10 years.

Under-Two Mortality - The Analysis section of this CDSS document clearly identified under-two mortality as a key factor related to the

low quality of life of many Swazis. The 10-year target that we will strive for is:

- a reduction by one-half of the under-two mortality rate from a level of 192/1000 to 96/1000.

The major constraints to reducing under-two mortality, as pointed out in the SADAP report, are a lack of knowledge by Swazis of proper techniques of child spacing, nutrition and protection from and treatment of infections, a poorly planned and administered health system that has a strong curative bias rather than a preventive/health education oriented one and a lack of potable water and sanitation facilities. Thus, the intermediate targets to be achieved during the 5-year planning horizon are:

- a real reorientation of the health care system from curative/clinic based to a preventive public health/community based one
- an improvement in the planning and administration of the health care system to take what is now a fairly impressive collection of clinic and manpower infrastructure and transform it from a "collection" into a working system
- a national cadre of 625 community-level rural health visitors, who are actually engaged in delivering appropriate maternal and child health information and are referring clients to clinics as needed
- a potable water and sanitation program which is producing potable water and sanitation facilities at a rate sufficient to achieve virtual nationwide coverage by 1990.

In order to achieve these objectives USAID/S assistance must be directed to upgrading the planning capacity of the Ministry of Health to design and carry out a well-conceived child health and family planning scheme in particular and a preventive rural health delivery service in general. It is at this stage that policy could be affected.

Specifically, while the Third Plan recognizes the need for a well-balanced curative-preventive (clinic-community) approach to health care, relatively little has been done to give more importance to preventive community-based public health programs. This assistance will begin as rapidly as possible.

At the service/delivery level, USAID/S will support an expanded pre-service and in-service training program for the Rural Health Visitor cadre who will be the primary health educators and motivators at the community level. This training would focus on the appropriate child spacing, nutrition and infection prevention and control messages. We will work with the Ministry to devise an appropriate supervisory and incentive program to enhance the prospects for optimal performance by Rural Health Visitors. We are also prepared to participate in the training of other cadres such as home demonstration agents of the Ministry of Agriculture in these maternal child health areas. This total training effort will likely require assistance to the health education unit of the Ministry in addition to that to be provided by USAID/S' Rural Water Borne Disease Control project. We intend to support an integrated maternal and child health system rather than developing vertical systems. It is expected that such assistance can be mounted by FY 83 or shortly thereafter.

In line with this training effort, and a prerequisite to it, will be the need in some instances to obtain better information around which to build the training effort. Thus, it is anticipated that a comprehensive nutrition survey will be necessary and USAID/S is prepared to support it. This should be undertaken as soon as possible in order that the creation of an appropriate training program is not unduly delayed. The Knowledge Attitudes and Practice study associated with USAID/S' Rural Water Borne Disease Control project will be a useful input to the training program.

Finally, the sanitation infrastructure is already being addressed by the Rural Water Borne Disease Control project. The Canadian International Development Authority and the U.K. have been providing

substantial assistance to the expansion of rural water supply systems and we anticipate this assistance to continue. If this proves to be an incorrect assumption, USAID/S is prepared to become involved in the provision of rural water supplies.

In addition to these direct interventions, the following other USAID/S-supported interventions will also have an impact on infant mortality. Foremost is our assistance in reducing population growth. As family size limitation becomes a legitimate health, education, family and religious topic, the ease with which mothers can accept effective child spacing techniques will be enhanced. The health education curriculum to be integrated into the formal schooling system will provide a powerful adjunct to the Rural Health Visitor message. As agricultural productivity is raised through irrigation, the variety of crops that will be grown will proliferate and this combined with the expected income gains will aid in upgrading nutritional standards.

Low Agricultural Productivity on SNL - This factor has been identified as the major reason why 75 percent of SNL homesteads generate incomes of less than \$200 per capita, which is the poverty line we have adopted for Swaziland. The 10-year targets of our strategy for this problem area are:

- to have 30 percent of SNL homesteads engaged in multiple cash cropping on irrigated lands
- to have 25 percent of SNL dryland farmers primarily producing cash crops
- to have 75 percent of SNL under effective soil conservation measures.

The 5-year targets that will indicate significant progress in these areas are:

- an ongoing irrigated and dryland cropping systems research program which has identified optimal cropping patterns. A total of 6 appropriate farming systems

should be determined for each of Swaziland's 3 ecological zones.

- well functioning land use planning and land development sections of the Ministry of Agriculture which are undertaking soil conservation and water development efforts at a pace sufficient to lead to the 10-year targets. Land use plans should be developed for an additional 6 maximum input RDAs. Results of a comprehensive water use plan to be developed in 1980 should be utilized for irrigation water development in RDAs. A total of 3,000 hectares of additional land will be brought under irrigation
- a comprehensive extension training program, including in-service training, in place which increases the quality of extension agents to provide advice on the more technically sophisticated irrigated farms and increases the numbers from an agent:farmer ratio of 1:400 to 1:250
- an agricultural planning/policy capability which is actively planning agricultural programs and issuing policy-related studies and recommendations on topics such as food self-sufficiency.

The major constraints to increasing agricultural productivity were identified in the Analysis section and the SADAP report to be rapid population growth, the land tenure system, environmental degradation, the lack of agricultural labor which is enticed off the land by high off-farm wages and a lack of appropriate agriculture research and dissemination of results. We take the land tenure and high off-farm wage rates as given in the medium term, thus eliminating such options as increasing the size of the average holding through a combining of holdings or putting downward pressure on off-farm wages. We also reject the introduction of very labor-saving innovations on dryland farms to reduce the labor shortage constraint.

This is considered inappropriate in a country experiencing rising unemployment. If these assumptions are valid a strategy to raise agricultural productivity must first direct itself toward a large quantum increase in the income-generating potential of the average SNL homestead. Marginal increments in income-earning potentials will be insufficient to more than marginally reduce the flow of labor to non-farming pursuits leaving an insufficient quantity of labor on farm to make full and effective use of the land's potential. The system of adoption of hybrid maize explained in the Analysis section is direct evidence that "marginal" changes will be insufficient. Similarly, pricing policy changes on maize and other crops will also produce only a marginal impact.

Our agricultural strategy is based on converting SNL farms from a dryland to an irrigated basis. Our hypothesis is that an irrigated farm which allows double or triple cropping and higher yields per crop will provide a sufficient jump in income-earning potential that farmers will remain on the land and utilize its potential. There is some firm evidence that small farm families with incomes of \$3,500 from growing irrigated sugar cane migrate in far fewer numbers than their dryland counterparts. The first step in this process is to develop a sound water use plan which identifies potential costs and benefits of moving into more widespread irrigation. This will be done during 1980. USAID/S assistance is proposed, in coordination with other donors, to actually assist in implementing a much larger irrigation program for small SNL farmers than currently anticipated (600 hectares in RDAs) during the Third Plan. We would anticipate this commencing early in the Fourth Plan or the 1984-86 time frame. This irrigation program would be done primarily through the land use planning and land development sections of the RDA program and would utilize equipment already provided to that program by USAID/S. The water use plan will also aid in the efforts of the land use planning and land development sections to push forward with soil conservation programs. USAID/S would anticipate continued assistance to this program with new efforts commencing in FY 84.

In preparation for this intervention USAID/S will support cropping systems research, which will provide the basic cost/benefit data and optimal cropping patterns for dryland and irrigated crops in the three ecological zones of Swaziland. This research may also uncover much better dryland cropping combinations and techniques than are currently employed. If the income-generating potential rivals that obtainable off farm, labor could be attracted back even to those areas for which irrigation is unwarranted for technical or economic reasons.

Associated with this research effort, USAID/S is prepared to provide assistance to upgrade the quality and quantity of the agricultural extension system. This system forms the link between the research activity described above and the farmer himself. With the expanded technical knowledge required to manage an irrigated farm this upgraded extension training, both pre-service and in-service, is essential.

Moving from a system of dryland agriculture to one based more on irrigation and cash cropping will require a significant upgrading of the agricultural planning/policy skills within the Ministry of Agriculture. USAID/S anticipates providing assistance to the planning unit to enable it to plan carefully the agricultural expansion program and to produce well-reasoned policy position papers on matters such as self-sufficiency in foodstuffs, overgrazing and farmer participation.

A strategy which anticipates an expansion of irrigated agriculture would be remiss if it failed to consider the health implications of such an approach. Therefore to the extent that the irrigation strategy is implemented, USAID/S already has a Rural Water Borne Disease Control program approved to ensure that an increase in schistosomiasis and malaria incidence is not an unwanted by-product of this strategy.

Finally, as a corollary to increasing the amount of labor available on farm, USAID/S would anticipate providing assistance to develop

woodlots and more efficient stoves in Swaziland. Recalling that the overwhelming majority of women in one study identified closer sources of fuelwood as a major way to improve their lives, assistance that makes firewood gathering less time consuming would seem to be a needed and appropriate way to ease the labor shortage on farms.

In addition to the direct interventions to improve productivity on SNL, the other USAID interventions which will support this strategy and assist in reaching targets are: The intervention to reduce population growth which, if they are successful, will begin to lessen the pressure on farm sizes; thereby lessening the otherwise growing economic disadvantages of small-farm agriculture in Swaziland. Additionally, the infusion of appropriately trained vocational agriculture teachers and relevant curriculum in the formal school system will not only help to remove the academic/urban bias of the school system, it will also make the work of the extension service easier.

Before proceeding to the strategy for stemming rising unemployment, it must be pointed out that this strategy contains the implicit hypothesis that the male labor force that is to be attracted to agriculture on economic grounds will undertake farming tasks that have been traditionally within the purview of women. If they are unwilling to do so, the labor shortage constraint will not have been broken and productivity even with irrigation may not increase. This hypothesis will be tested during the course of the next year on those currently irrigated areas of the RDA program and on SNL that is being used to grow irrigated sugar cane on small farms.

Rising Unemployment - The last problem area associated with poverty in Swaziland is the rising unemployment rate. The 10-year targets of USAID/S in this area are:

- to not let unemployment levels rise above the 5 to 8 percent range

- to have in place a universal 10-year educational system which, using techniques of manpower and educational planning, is turning out appropriately trained students to be engaged productively in Swaziland. That is, the ratio of student output in agriculture should closely match the proportion of total jobs in agriculture, and the numbers to be taken into higher education should closely approximate the proportion of jobs requiring higher education, etc.

The 5-year targets associated with these long-range ones are:

- a manpower planning system in place which is capable of and is projecting manpower needs over a 10-to-15-year period
- an educational planning system in place which is orchestrating not only the appropriate output of teachers, curricula and classrooms (i.e., internal efficiency), but also is capable of adjusting the training thrust of the educational system based on the manpower planning (i.e., external efficiency).
- appropriate pre-service and in-service teacher training programs in place and 750 teachers who are trained each year to use the new curriculum to meet the primary and junior secondary school level needs
- appropriate curricula in place for the first 10 years of schooling so that students leave school with life skills appropriate for a productive, healthy existence in Swaziland
- an in-service public administration training system which is upgrading public service skills.

The major constraints associated with dealing with rising unemployment were identified in the Analysis section to be rapid population

growth rates, an inappropriate wage structure and a formal educational system, which is not preparing Swazis for the kind of life skills needed in Swaziland as identified in the SADAP report. This latter constraint translates into low labor productivity, and a situation wherein school leavers refuse to accept available jobs, because they consider them to be beneath their educational qualifications.

We have argued in the Analysis section that the formal wage sector has been producing a commendable number of jobs, but that the labor force seeking such jobs is expanding even more rapidly. One strategy which we have rejected for the present time is direct employment generation. While small-scale enterprises using labor-intensive techniques appear attractive on the surface, the low productivity of the Swazi worker and the efficient competition from South Africa lead us to conclude that such a strategy is premature.

Rather, our strategy is to increase labor's productivity by significantly improving and structurally changing the first 10 years of the formal education system. Improved labor productivity will put Swaziland in a more competitive position to attract private investment and will also tend to increase the labor intensity of that investment in a competitive world. This strategy is appealing because Swaziland will likely achieve a universal 10-year education system by 1990. This goal is probably the most politically important in Swaziland and, with sizeable resources being committed to education, the GOS is very positively disposed to getting productive outputs from its investment.

Specifically, we are prepared to make interventions to assist the educational planning system (formal and non-formal) to consolidate gains already made and to enable it to re-direct the educational process. We are also prepared to provide assistance to the Department of Planning and Statistics of the GOS to undertake better manpower analyses. In addition, we would envisage other assistance to the Planning Department to upgrade their abilities in the related area of demographic analysis and long-range planning.

USAID/S will continue to provide assistance to primary school curriculum development through its Primary Curriculum project. The curriculum will place more emphasis on manipulative and behavioral skills and will include such subjects as health and agriculture education, linked to efforts in the Ministries of Agriculture and Health. At the secondary level we are prepared to become engaged in development of practical skills training programs such as vocational agriculture training.

A major focus of the overall program will be in-service and pre-service teacher training because without qualified teachers investments in the nation's human capital will be marginal at best. USAID/S is prepared to assist in the training of staff of the teacher training college system, which is to be significantly expanded.

Finally, USAID/S is already designing a program, in coordination with other donors, to improve the capability of the Swaziland Institute of Management and Public Administration to upgrade the administrative skills of the civil service. In this way we will alleviate the administrative deficiencies identified throughout the Analysis section.

Several of the interventions aimed at other problem areas will have an impact on reducing unemployment. Again, the most important is the intervention to reduce population growth, which will slow the growth rate of the labor force over time. Of more immediate impact is the intervention to increase agricultural productivity on SNL. If successful, the reduced net migration from SNL will reduce the pressures on the formal employment system. Additionally, the impact of improved nutrition on infants and children has been associated with enhanced mental capacities and increased attention spans in schools.

C. Alternative Strategies Considered

The strategy adopted by USAID/S for Swaziland is a functional, key problem strategy. Alternative strategies considered but rejected

include a single sector concentration strategy and a geographic area of concentration strategy.

The sectoral concentration strategy was rejected because the Analysis section, in identifying the major causes of poverty, also identified the interrelated nature of the problem areas. Thus, while we could have confined ourselves to the agricultural sector, we would have cut ourselves off from involvement in the basic constraints to agricultural development, e.g., population growth.

A geographically concentrated strategy was rejected for two reasons. First, analysis indicated that there is not one region which is obviously more disadvantaged than the others. More importantly, the analysis has also indicated that there is great interdependence between regions of the country in terms of manpower and financial flows. Concentrating in one area would require continual nationwide analysis to anticipate the impact of project intervention. This is most clearly demonstrated in the work of the RDA program. The RDA program is proceeding apace with all project interventions in the demarcated areas, but the expected results are not being achieved because of events, specifically employment opportunities, outside of the RDAs. The strategy we are sponsoring avoids the pitfalls associated with an area concentration strategy.

D. Other Donor Programs

Donor assistance to Swaziland is concentrated in the areas of agriculture, industry, and education. Smaller amounts are channeled into other sectors including communications and transport. Most bilateral and multi-lateral donors sponsor some component of agricultural development of which the most significant activity is the RDA program in which USAID/S, U.K., IBRD and ADB are the principal donors. In the industry/tourism sector, the Germans, Japanese, Scandinavians and the UN specialized agencies are the principal donors. The U.K. and USAID/S are the major donors 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 multi-lateral agencies although the U.K., Denmark and Canada provide some technical assistance as well. The largest donors are the IBRD (\$15-20 million), ADB (\$10 million), European Development Fund (\$7.5 million) and the U.K. (\$7.5-10 million) on an annual basis.

At the highest level of government-to-government coordination, the Planning and Statistics Department of the Prime Minister's Office is charged with the responsibility of coordination of all donor programs. Informal meetings with individual donors have taken place, but have not allowed substantive discussions where all donors could press for common solutions with the GOS. The new Permanent Secretary of Planning is charging his expanding staff with coordination responsibilities by development sector. This should greatly facilitate donor coordination at the sector level. In addition, the Department of Planning has indicated that it will call the first resident donors meeting in the latter part of January 1980. This step is considered to be a major breakthrough in coordination by all of the donors and we plan to work to make it, and future sessions, joint planning efforts that will result in positive reinforcements to all donor projects for Swaziland's development.

Overall, then, the present informal donor coordination arrangements when combined with the institution of a resident donors meeting chaired by the Department of Planning should be adequate to avoid duplication of effort and to maximize the development impact of the total donor assistance program.

PART III ASSISTANCE PLANNING LEVELSA. Commentary on Indicative Planning Allocation

The Indicative Planning Allocation (IPA) proposed by AID for FY 86 totals \$5 million. We believe that this proposed level is too low to effectively carry out our functional, key problem strategy to assist Swaziland in meeting its basic human needs. This level is also too low in overcoming the causes of poverty identified in this CDSS document as rapid population growth rates, high under-two mortality, low agricultural productivity on SNL and rising unemployment. In fact, the level proposed is substantially below the previously Approved Assistance Planning Levels (AAPL) of \$10 million for FYs 82-85 provided by AID in April 1979 based on the broader Southern Africa Development Analysis Project (SADAP) report and the Swaziland Country Development Strategy Statement (CDSS) Supplement document prepared in March of 1979. If our long-term goal of helping Swaziland to achieve self-sustaining and equitable growth is to be successful, we will require a Proposed Assistance Planning Level of at least \$15 million by FY 86.

Our basic justification for proposing a higher level is as follows:

(1) While Swaziland's per capita income level is high, the country has a dualistic economy with a modern sector that is generating growth still largely controlled by non-Swazis. Proper implementation of our agricultural productivity and unemployment strategies will allow Swazis to take much more control of the economy and to benefit more directly from its income growth. Without such assistance, growth may still continue, but the majority of Swaziland's poor population will not be the principal beneficiaries.

(2) Swaziland is willing to accept technical advisors as part of a donor activity. This is in direct contrast to many other developing countries and enhances Swaziland's absorptive capacity in those areas where assistance is provided. We believe that Swaziland has the will and the capacity to absorb the assistance levels proposed.

(3) Swaziland has received a higher 102(d) rating of 3 this year largely as a result of past progress in economic performance. The IPA level proposed by AID instead of rewarding Swaziland for this progress has penalized it, because the gross economic indicators appear to be high.

(4) Unlike most developing countries, Swaziland has the capacity to reach a self-sustaining and equitable growth position at which time it will not require further donor assistance. If Swaziland can solve the rapid population growth, unemployment and low agricultural productivity constraints, a future independent of donor assistance over the next 10 to 15 years will be virtually assured.

(5) Swaziland is a stable country in a region of rapid, sometimes violent change. New ideologies are being introduced in the region which challenge the viability of Swaziland's traditional conservatism which has served as the foundation of its stability. While Swaziland is committed to development for its people, the political dynamics of southern Africa are pressuring for a more rapid pace than the GOS can meet with domestic resources and historical donor levels. If the U.S. and Swaziland are to play an important role in bringing about peaceful, evolutionary change in the region as a whole, then much higher aid levels will be necessary.

B. Proposed Assistance Planning Level (PAPL) (\$000)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
AGRICULTURE					
Low Productivity on SNL					
(a) Research	1,700	1,600			
(b) Irrigation			3,000	9,500	10,000
(c) Soil Conservation	1,300	1,500	3,000		
(d) Energy	1,000				
	<u>4,000</u>	<u>3,100</u>	<u>6,000</u>	<u>9,500</u>	<u>10,000</u>
EDUCATION/HUMAN RESOURCES					
Rising Unemployment					
(a) Planning	1,500	3,000			
(b) Curriculum	700	2,800		2,500	
(c) Teacher Training	2,000		5,000	2,000	5,000
(d) Management Training	2,600	700	1,500		
	<u>6,800</u>	<u>6,500</u>	<u>6,500</u>	<u>4,500</u>	<u>5,000</u>
HEALTH					
Under-Two Mortality					
(a) Community Level Health Training		4,000			
(b) Sanitation	700	600			
(c) Health Administration	400				
	<u>1,100</u>	<u>4,600</u>			
POPULATION					
Rapid Population Growth					
(a) Community Level/ Information Education			2,000		
(b) Awareness	400				
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL	12,300	14,200	14,500	14,000	15,000
Of Which Ongoing	(8,900)	(5,700)	(1,500)		

The above table shows that USAID/S' proposed development assistance program for the period FY 82-86 is focused on the set of key, functional problems identified in the strategy sections of this CDSS document. While the assistance levels proposed are about double the level being provided to Swaziland in FY 80, the higher funding levels would represent a program only slightly above current levels in real terms by FY 86.

In regard to the mix of assistance, USAID/S proposes to use loan funds for the irrigation-related activities because of their directly productive nature, but plans to continue grant funding the activities associated with overcoming the population growth, infant mortality and rising unemployment problems which have heavy technical assistance components. Swaziland's income status should not be equated with that of countries like Botswana or Nigeria which derive a large percentage of GNP from "windfall" mineral development with the large profits going into government revenues. Swaziland's income growth is associated with the development of renewable resources and it does not receive such windfall revenues. Its ability to service loan payments is thus less than countries such as Botswana.

USAID/S foresees the possibility in the latter years of this strategy time frame to convert our assistance to the educational system into a sectoral assistance package. If by that time, the education and manpower planning capabilities are sufficiently strong, if the teacher training program is being implemented properly and if the curriculum units are institutionalized, sector assistance would appear to be warranted.

USAID/S believes that Private Voluntary Organizations (PVOs) can play a meaningful role in this development strategy particularly in the areas of family planning, health planning, nutrition and non-formal education and we will be exploring these various program opportunities with PVO organizations over the course of the strategy period. We also propose to make every effort to link our assistance

programs in health education, teacher training and agricultural education with Peace Corps programs.

In regard to the development of regional projects in the southern Africa area, we hope to take maximum advantage of such projects, where they coincide with our proposed strategy and Swaziland's development needs. Regional southern Africa projects that appear to offer the most potential are those concerned with manpower training, employment generation opportunities and increased agricultural productivity.

Finally, life of project versus incremental funding is an issue that should be addressed. For the last few years Swaziland has been receiving assistance levels well below those planned. USAID/S has often been forced to postpone planned obligations for ongoing projects because of funding shortfalls. Under those circumstances, USAID/S is only able to incrementally fund project activities.

In recognition of the tight funding levels and staff ceiling allocations received thus far, we have already restricted new project starts to one a year. While we could postpone all new starts for a couple of years, given Swaziland's assistance needs, its political setting in southern Africa and the fact that Swaziland could be on the threshold of the "take-off" stage of growth, we feel such an approach would be ill-advised. If our proposed annual assistance levels were increased substantially, we would be in a better position to provide life-of-project funding for all our projects.

C. Staffing Implications

Currently, USAID/S has received AID/Washington and MODE approval for a total of 13 USDH and 14 FNDH employees plus one Part-Time Intermittent Temporary Position (PIT) for a secretary. We have also requested approval for an additional PIT position for a FNDH Agricultural Economist. Included in the numbers of USDH employees

are four full-time regional positions, which have regional support responsibilities for the other southern African countries, including Botswana, Lesotho, Malawi and Zambia.

Assuming the continuation of ceiling constraints and the Agency's policy of doing "more with less" throughout the planning period covered by this CDSS document, USAID/S does not propose any staffing increases in its USDH or FNDH employees above those already requested or approved. While we have proposed new programming areas in this CDSS document, many of the projects we are currently undertaking will be completed over the strategy period. Therefore, we plan to have only one new project start a year and maintain our project portfolio at a level of about 12 actual projects throughout this planning period.