

DRAFT

ANNEXES

**MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)
SUMMARY REPORT OF PHASES I - V**

Prepared for

USAID/Swaziland

Prepared by

Office of Market Development and Investment, Bureau for Africa
Agency for International Development

LABAT-ANDERSON Incorporated

J. E. Austin Associates

May 17, 1989

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Annex A

MAPS Phase I--Summary USAID Strategy Articulation

The Swaziland MAPS team (Bernius, San Martin, and Leifert) arrived in Mbabane November 19 and departed December 3, 1988. During this time the team completed Phase I of the MAPS process (articulating the current overall Mission strategy) and started Phases II and III (describing and surveying the local private sector).

The strategy articulation details contained in the MAPS Phase I report of December 1988 showed that most of the Mission's objectives were being implemented through public-sector institutions, though all activities to one degree or another were affecting the private sector. The Mission had no private-sector strategy per se.

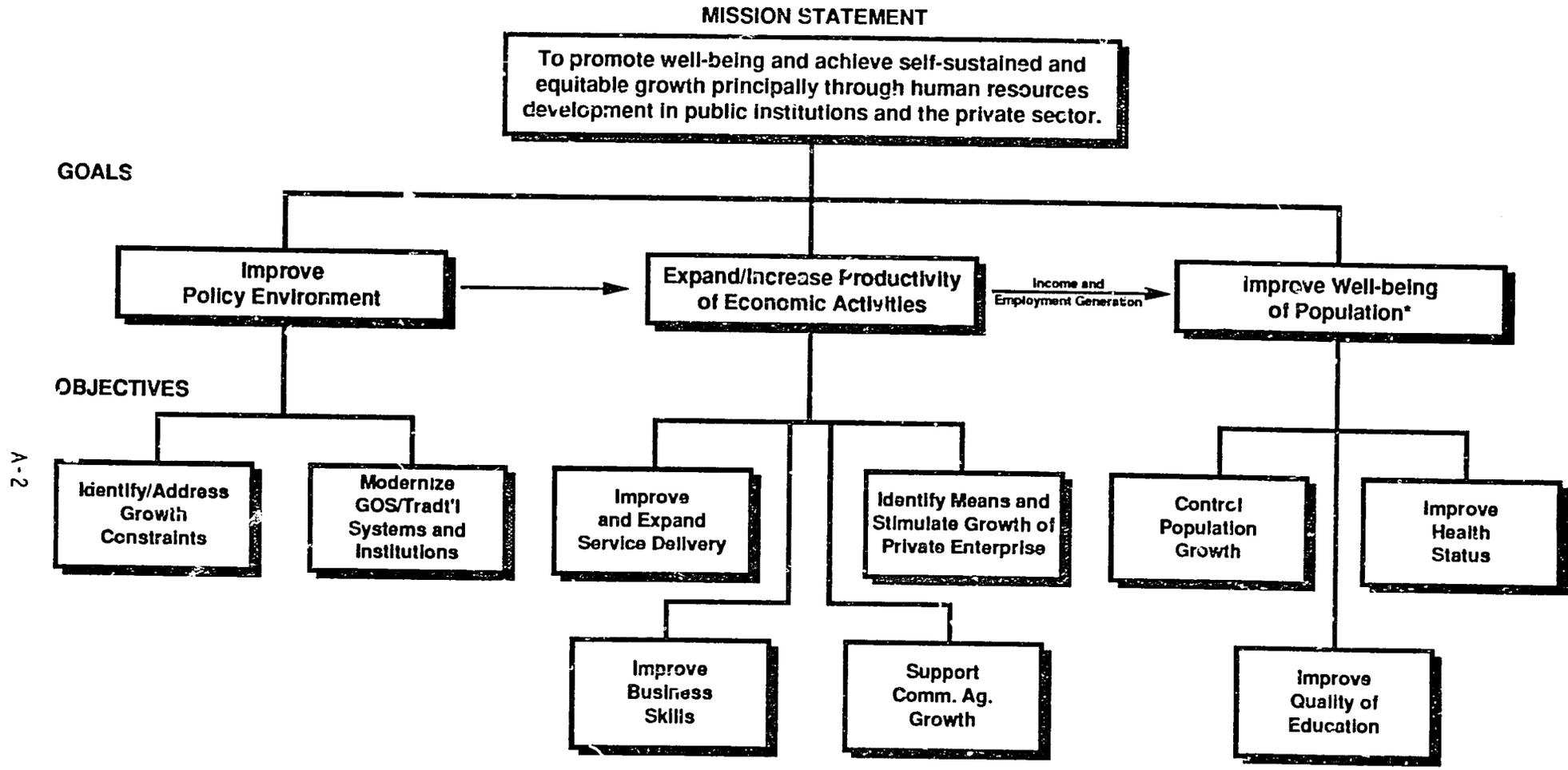
Nevertheless, the private sector was beginning to play an increasingly important role in the Mission's overall strategy for supporting Swaziland's development. A review of USAID's recent project papers, Project Implementation Reports (PIRs), and other documents, and consultations with USAID officials, showed that there was growing attention to assistance directly to and through the private sector, with the cooperation of the Government of Swaziland (GOS). For example, the Mission has a number of initiatives in place that intend to increase the participation of small-scale farmers in commercial agriculture. Also, the Small Enterprise Support and Training for Entrepreneurs Project provides financial and technical support to increase small-scale commercial production and private-sector entrepreneurial growth.

Figure 1 provides a graphic representation of the current Mission strategy as developed during the Phase I exercise. Figure 2 relates Mission objectives to its current project portfolio.

In addition to reviewing USAID/Swaziland strategy, the team interviewed a range of entrepreneurs and Government officials. The information gathered from these interviews and from discussions with the USAID staff raised a number of questions, examples of which follow:

- The only project that provides technical assistance to Swazi business persons is basically oriented towards research. What other areas or opportunities exist in the country for AID assistance? What are private-sector needs and constraints? What are the sources of growth in the private sector?
- Preliminary discussions with the Mission and the business community in Swaziland suggested that there were two private sectors in Swaziland, that of the smaller firms and that of the large (mostly expatriate-owned) establishments. How are the needs and constraints faced by the small entrepreneurs different from those faced by the larger firms? What type of linkages exist between large and small firms?
- Most of the Mission's assistance is currently channeled through the public sector. Are there implementing agents other than Government that can be used to channel assistance?

These questions helped guide the design of subsequent phases of MAPS. In particular, the MAPS team developed terms of reference for collecting and processing descriptive data on the private sector (Phase II) and for the survey (Phase III), conducted interviews with potential local consultants and firms to carry out the Phase II and Phase III work, and gave comments on proposals received and expected to the Mission. The team also refined the private sector survey instrument and methodology planned for Phase III to address key issues of interest to the Mission.



STRATEGIES (see next page)

*Directly and through improved delivery systems

Figure 1. Strategy articulation—USAID/Swaziland.

2

	Modernize Systems & Institutions	Ident./Address Growth Constraints	Imp./Expand Service Delivery	Improve Business Skills	Support Comm. Ag. Growth	Stimulate Private Enterprise	Control Population Growth	Improve Quality Basic Ed.	Improve Health Status
USAID									
RWBDC	●	●							●
CSRET		●	●		●				
TT	●		●					●	
SWAMPD*	●	●	●	●					●
PHC	●	●					●		●
SESP*				●					
STEP*						●			
FHS		●					●		●
CAPM*	●	●	●	●	●	●			
REGIONAL AND CENTRAL									
IRS						●			●
HOPE	●								●
NUTRITION						●			●
CCCD	●	●							●
AFGRAD	●			●					●
SADOC	●	●							
SARP/RRSS	●	●	●						

*Employment generation an indirect objective

Figure 2. Swaziland projects/objectives matrix.

Annex B

MAPS Phase II--Summary Of Private Sector Description

1. Purpose and Objectives of the Descriptive Phase

1.1 *The specific objectives of the descriptive phase of MAPS (Phase II) are to:*

- Quantify the private sector's importance in the Swazi economy
- Provide a "map" of where the private sector is located in the economy (vs. parastatals)
- Assess the impact of the state-owned enterprises on the economy
- Identify dynamic areas in the private sector
- Generate bench mark data to measure change over time
- Provide information which could be useful to USAID officers in future program and project design

1.2 *The descriptive phase is organized around a series of key questions:*

- How important is the private sector in the economy?
- Where in the economy is the private sector located?
- What is the impact on the economy of state-owned enterprises?
- Who is the private sector?
- What have been the trends in the private sector--which sectors have been lagging and which have been leading?

The sections in this report are grouped around the strategic questions listed above. The observations made below are a summary of the findings reported in "A Description of the Private Sector in Swaziland" produced for LABAT-ANDERSON by Capricorn Africa Economic Associates, April 1989. This full report can be obtained from LABAT-ANDERSON or from USAID/Swaziland.

2. How Important Is the Private Sector In the Economy?

2.1 *Contribution to Employment (wage economy):* The private sector plays a large role in the formal/monetary economy of Swaziland. *In 1987 the private sector accounted for over two thirds (69 percent) of monetary sector employment in the country, while the government accounted for 21 percent and parastatals for about 5 percent.*

(Wage and non wage economy): *The traditional non wage agricultural sector accounts for almost 3/4 of total (wage and non wage) employment in the country (74.8 percent--MAPS Figure 6).*

Most formal sector wage employment is dominated by a few large firms. Medium and large scale enterprises (over 25 employees) represent 28 percent of the total number of firms registered in the

country, but account for approximately 87 percent of formal sector employment (MAPS Figure 42).

- 2.2 *Contribution to GDP: The private sector dominates almost all aspects of the monetary economy in Swaziland, accounting for 57.4 percent of GDP in 1986* (the last year for which there are detailed data available). Parastatals accounted for almost 7 percent (6.8 Percent) and central government accounted for 22 percent. Tibiyo (through its holdings in the private sector) commanded approximately 14 percent of GDP in 1986.

Direct GOS participation in the economy is fairly small (7 percent) and the GOS budget as a percentage of GDP (on average about 35 percent--see MAPS Figure 9) has consistently been one of the lowest in the region (see MAPS Figure 30).

But indirect participation in the economy by government and the crown is fairly substantial. Tibiyo holds at least 50 percent of the shares in 20 companies engaged in a wide variety of economic activities (MAPS Figure 26 and 27). Tibiyo gains equity through cash investments, providing land or borrowing against future dividends.

GOS participates in private sector economic activity through SIDC (MAPS Figure 28), a development finance company. GOS owns 37.5 percent of the SIDC shares, the rest being owned by the CDC, DEG (German Finance Company), the IFC, FMO (the Netherlands Development Bank), Barclays Bank (Swaziland) and Standard Chartered (Swaziland). GOS also holds shares in SWAKI, one of the largest holding companies in Swaziland. GOS participation in SWAKI come through SIDC, which owns 50 percent of the shares in the holding company.

- 2.3 *Contribution to Investment: The private sector in Swaziland contributes almost 80 percent to the new investment in the country* (See MAPS Figure 31). Private direct investment peaked in 1987 at almost E100 million (MAPS Figure 34).
- 2.4 *Contribution to Fiscal Revenue: Company taxes have become an increasingly important source of fiscal revenue (contributing 18.8 percent to fiscal revenue in 1988/89)*. Personal income taxes (14.2 percent) and sales taxes (10.5 percent) have also grown to become a significant source of fiscal revenue. These taxes, all internal sources of revenue, give GOS more fiscal discretion than the SACU receipts (See MAPS Figure 23). But SACU receipts, in effect an excise tax, continue to be the major single source of fiscal revenue for Swaziland.
- 2.5 *Contribution to Foreign Exchange: The private sector is the major producer of exports and the major earner of foreign exchange*. The major earners of foreign exchange over the 1983 to 1987 period--sugar, wood pulp and in 1987-8 Coca Cola syrup are all produced primarily (if not entirely) by private companies. Most of the growth in exports over the decade of the 80's has also come from private sector produced sugar, wood pulp and fruit (MAPS Figure 33a). In addition, miner remittances and SACU receipts, though not traditionally regarded as foreign exchange, do represent substantial capital inflows (See MAPS Figure 38 and MAPS Figure 23).
- 2.6 *Trends in Private Sector Contribution: The private sector has been playing an increasingly important role in the Swazi economy. Its contribution to GDP and foreign exchange has shown a steady increase over the years. However, private sector employment has fallen from 76.7 of total wage employment to 69.3 percent*. Swaziland still has

one of the highest ratios of paid employment to working age population in Sub-Saharan Africa, but this too has dropped over the years (from 28.5 in 1979 to 27.2 in 1982). Growth in formal sector employment has not been able to keep up with the growth in labor supply. The average elasticity of employment with respect to GDP has fallen over the years (MAPS Figure 8).

3. Where In the Economy Is the Private Sector Located?

3.1 Agriculture:

- *In 1988 agriculture production contributed approximately 20 percent to GDP. (See MAPS Figure 4). In 1986 agriculture and agro-processing accounted for approximately 31 percent of monetary employment (See MAPS Figure 11).*
- *Sugar contributes well over 80 percent of agriculture GDP and it is entirely operated by the private sector. (See MAPS Figure 13). It is estimated that approximately 14 percent of the working age population depend on sugar production.*
- *Forestry, traditionally an important component of agriculture GDP and exports (MAPS Figure 13 and 33a), is dominated by the private sector. There are three major producers in this sector, Usutu Pulp Company, Peak Timbers and Tonkwane Estates, all privately owned. Tibiyo has a company called Tibiyo Forests, but its operations are very small.*
- *ITF (privately held) land represented only 44 percent of the total land under production in the country in 1985/6 (from 47 percent in 1971/72) but accounted for 80 percent of total agriculture GDP. (MAPS Figures 10 and 12).*
- *The area under cane cultivation in ITF (privately held) land exceeds that of all other ITF crop combined, explained by the fact that sugar has since the mid 1970's produced the highest average revenues per hectare in the country, only exceeded by pineapple since the early 1980's.*
- *SNL crop production has shown a dramatic increase since the drought in 1982. (MAPS Figure 10). Approximately 55 percent of the cotton in the country (representing less than 5 percent of agriculture GDP in 1986--MAPS Figure 13) is grown in SNL land by smallholders. But most of SNL production remains concentrated in grazing (MAPS Figure 12).*
- *Tibiyo has a strong presence in the agro-processing industry, mainly in the form of equity holdings in the sugar milling companies, its 40 percent share in Swaziland Breweries and its 45 percent share in the Swaziland Bottling Company (MAPS Figures 26 and 27).*
- *GOS controls the only dairy plant in the country through the Swaziland Dairy Board, a parastatal. The Dairy Board also operates the only feed mill in the country.*

3.2 Manufacturing:

- *Manufacturing activity has become an increasingly important component of GDP in the country (accounting for over 25 percent of total GDP in 1988--MAPS Figure 4).*

- *Agroprocessing activities dominate manufacturing sector production and account for 67 percent of manufacturing GDP (MAPS Figure 14) and well over 90 percent of manufacturing sector employment (MAPS Figure 15). But the share of total monetary sector employment in agriculture and agro-processing has been declining over time (MAPS Figure 16).*
- *State direct participation is limited to investments through SIDC (MAPS Figure 28) in a variety of industries and is on the whole minor.*
- *Tibiyo is involved in manufacturing through Swaziland Breweries, Swaziland Meat Industries (40 percent), Langa National Brickworks (40 percent), Jubilee Printing and Publishing Company (100 percent) and the Swazi Observer (100 percent). (See MAPS Figures 26 and 27). Its involvement in agribusiness was noted in point 3.1 above. These components account for a minor share of total manufacturing activity in the country.*

3.3 Services:

- *The share of services in GDP has been growing over time. In 1988 services (including government services) accounted for almost 50 percent of GDP. The finance sector in particular has become an increasingly important component. The growth in this sector is a sign of increasing maturity in the Swazi economy (MAPS Figure 4).*
- *Parastatals are predominant in the communications, transport, and public utilities sectors, which together account for over 70 percent of that sector's contribution to GDP (MAPS Figure 17).*
- *Finance, where the private sector dominates most activities (as is the case in the manufacturing and agro-processing sectors), has contributed most to the increase in service sector employment over the last 16 years (MAPS Figure 19). But commerce and construction account for most of employment in this sector (MAPS Figure 18).*
- *Almost two thirds (61 percent) of lending by formal banking institutions comes from private commercial banks (MAPS Figure 25).*
- *The Swaziland Development and Savings Bank is the parastatal in banking (accounting for 21.8 percent of commercial bank lending in the country--MAPS Figure 25).*
- *The tourist sector is also dominated by private sector activity (MAPS Figure 17). Tibiyo has some minority holdings in hotels (the Spa and Pigs Peak--MAPS Figures 26 and 27).*
- *Commerce and construction are almost entirely dominated by private concerns, except for some minority Tibiyo holdings. (MAPS Figures 17 and 27).*

3.4 Mining:

- *The importance of mining in the economy has declined over time. In 1988 mining activity contributed less than 1 percent to GDP (MAPS Figure 4). The proportion of the population employed in mining has declined over time to approximately 3 percent of monetary sector employment in 1987 (MAPS Figure 22).*

- *Asbestos mining contributes approximately 61 percent to mining GDP (MAPS Figure 21). Tibiyo holds 40 percent of the asbestos mine, which in 1988 accounted for 44 percent of total mineral sales in the country.*
- *All other mining activity is in the hands of the private sector. There is no parastatal involvement. (MAPS Figure 21).*

3.5 *Conclusions: The private sector is dominant in most sectors of the wage economy. Most parastatals do not dominate economic activity in the country, except in the areas of transport, communications and public utilities. The crown's involvement in the economy through Tibiyo is extensive, but Tibiyo's direct involvement in the management of enterprises in which it has ownership is rare.*

4. What Is the Role of the Parastatals?

- 4.1 *The GOS lists 25 public enterprises as being wholly government owned. Parastatals operate in almost all sectors of the economy except manufacturing. But as noted above, they remain a fairly small player in the country's economy.*
- 4.2 *Losses from the major parastatals (accounting for over 90 percent of GOS transfers) have been growing steadily..*

Total GOS transfers to parastatals have been growing and in 1988 accounted for over 2 percent of GDP and 26.2 percent of government capital expenditure. Approximately 60 percent of those transfers have gone to three parastatals: Royal Swazi Airways, the Swaziland Electricity Board, and Swaziland Railways.

But the flow of funds from government to parastatals underestimates the transfer of resources because much new lending received by parastatals is guaranteed by the government; accumulated losses in a number of parastatals are being funded by non-payment of interest and loans from GOS; and the existence of debts between public enterprises that are unlikely to be recovered.

- 4.3 *Most of the losses come from the transport parastatals (MAPS Figure 35). But losses for Swaziland Railways (MAPS Figure 36) are primarily due to the fact that a large part of its debt was incurred in foreign currency, rather than to poor management. As the rand lost value, the parastatal's debt increased in value (this is the situation faced by a number of other parastatals, including the Swaziland Electricity Board). Royal Swazi Airways (MAPS Figure 37) is believed to be seriously underutilized and a substantial proportion of its losses may be reduced through a more efficient use of its resources (increasing cargo, the number of flights).*
- 4.4 *Public sector borrowing has increased to cover parastatal losses (MAPS Figure 24).*
- 4.5 *Not all parastatal lose money, some have been or have the potential to be moderately successful (the SEB, Post and Communications, SEDCO). Others (such as the airline) have been a constant drain on the economy. But the continued existence of the airline as a parastatal will probably be regarded as being in the national interest.*

5. Who Is the Private Sector?

- 5.1 *A small number of large firms account for the majority of the jobs, value added and investment contributed by the private sector. The private sector (as registered in the SNPF) consists of over 1,600 firms, of which only 28 percent employ more than 25 workers (MAPS Figure 42). Yet these larger firms account for almost 9 out of 10 jobs in the wage sector.*
- 5.2 *There is considerable foreign equity ownership of firms, particularly the larger firms in the country. Foreign private investors range from multinationals (MNC's) to family holdings and individuals, and the enterprises themselves range in size from 10 employees to several thousands. Many of the MNC's are associated with Tibiyo.*
- Among the leading MNC's are the oil companies (Mobil, Caltex, Shell, BP, Total), commercial banks (Barclays, Standard Chartered, Union Bank), manufacturing concerns (Coca Cola, Cadbury-Schweppes, Bata Shoe) and transport (Unitrans).
 - Large RSA investment is concentrated in tourism (Sun International), but there are also a number of many smaller RSA firms as well as individuals who have invested in the country. Of the 31 foreign firms registered in the country in 1986, over 50 percent (17 firms) were from the RSA, and another 3 were partly owned by RSA concerns.
 - In the last five years textile/footwear has become the fastest growing area of investment, lead by investments from Taiwanese enterprises.

6. What Have Been the Trends In the Private Sector--Which Have Been the Lagging and Leading Sectors?

6.1 *Swaziland's economy has become increasingly diversified.*

- Although agriculture based economic activity still accounts for 25 percent of GDP, other sectors have acquired increasing importance, particularly manufacturing and finance. In 1988 manufacturing contributed over 25 percent to GDP from approximately 10 percent in 1967/68. Mining's contribution has declined from approximately 20 percent in 1967/8 to less than 1 percent in 1988 (MAPS Figure 4).
- Sugar continues to dominate agricultural and agro-processing activity and be the leading earner of foreign exchange. The sugar growing and processing subsectors continue to constitute the largest horizontally related industry in terms of value added, employment and export earnings. But the importance of agriculture and forestry as providers of employment in the private sector has declined from 55 percent in 1972 to 39 percent in 1986, partially as a result of increasing capital intensity in commercial agriculture.
- Textile/footwear investments by the Taiwanese and the Coca-Cola investments in the food and beverage industry have contributed to the growth in the manufacturing sector. The finance sector has also grown rapidly in the last 10 years.

6.2 *Swaziland has become increasingly able to exploit the export markets.*

- In 1974 exports represented less than 50 percent of GDP. In 1986 exports represented almost three fourths of GDP (MAPS Figure 5). Swaziland's exports as a proportion of GDP is the highest in southern Africa.

6.3 *Exports have become increasingly diversified.*

- Though Swaziland continues to depend on agriculture for about 50 percent of its export revenue, manufactures represented in 1986 about 20 percent (compared to 0 in 1967--MAPS Figure 33a). Swaziland has one of the highest proportions of manufactured exports in southern Africa. Nevertheless, a disproportionate share of those exports come from a relatively small number of actors. Hence the economy is remains very vulnerable and tied to the fortunes of the few major players.

6.4 *Export markets have become less diversified.*

- The proportion of exports going to the RSA has increased to 38 percent in 1986 from 16 percent in 1968 (though this is largely due to the fact that Coca Cola's production goes almost exclusively to the RSA). Swaziland continues to depend heavily on imports from the RSA (which has consistently provided over 90 percent of imports since independence).

6.4 *GDP has continued to grow (MAPS Figure 3) and growth has accelerated in recent years (MAPS Figure 1). Swaziland's economy has generally shown positive growth in all but 3 of the last ten years (MAPS Figure 1).*

6.5 *Per capita GDP growth has been negative 10 out of the last 15 years. But it has been positive since 1987 (MAPS Figure 1 and 2).*

6.6 *The local private sector wage economy has not been able to absorb a rapidly increasing labor force. Swaziland continues to be heavily dependent on South Africa for employment. In 1986 there were 76,406 Swazis in wage employment within the country and nearly 22,000 in the RSA (MAPS Figure 39 shows migrant labor as a percentage of total monetary sector employment). Moreover industrial development is becoming increasingly capital intensive. The elasticity of formal sector employment in relation to GDP has declined substantially since 1971 (MAPS Figure 8). Private sector contribution to wage employment has dropped.*

It has been forecast that, unless there are additional major new investments before the end of the century, the estimated average increase in the number seeking formal sector employment and not finding it will be 4,100 per year. Assuming that the elasticity of employment with respect to GDP were to remain at the level of .72, the economy would have to grow at an impossible rate of 8.3 percent per year in real terms in order to absorb all the available labor.

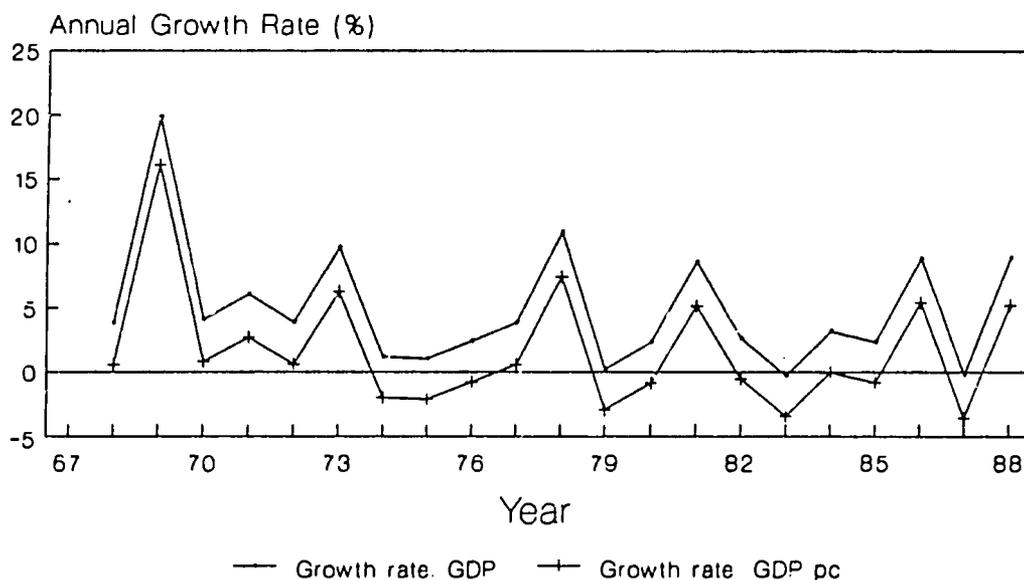
6.7 *As a result, migrant wages continue to be an important source of income. It is estimated that 5.2 percent of the income nationally is derived from remittances (6.5 percent in the rural areas), and account for about 10 percent of cash income. Most of this income seems to be invested in non productive activities or consumption (MAPS Figure 40) and migrant skills acquired abroad remain underutilized at home.*

Hearsay evidence suggests that apart from mine workers, there is considerable outflow of skilled and professional Swazis to the RSA.

- 6.8 *Foreign direct investment has accelerated greatly over the last 5 years and has doubled since 1981. Private direct investment declined by approximately 50 percent from its high point in 1987 (MAPS Figure 34).*
- 6.9 *Tourism has not realized its growth potential. After some slow years however, the industry seems to be recuperating and tourist arrivals have picked up (MAPS Figure 20). After a flurry of activity in the early 1970's, there have been no new hotels built in the country. Recent plans for a new 50-room hotel in Manzini and an international hotel in Mbabane have apparently been shelved.*

MAPS Figure 1

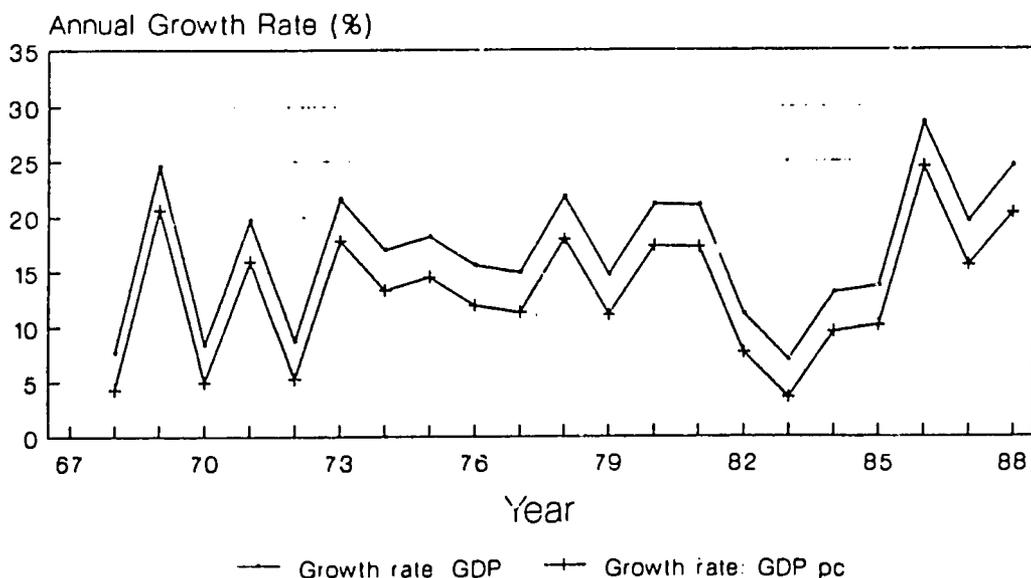
Performance of the Economy 1967 - 1988 (GDP: Constant 1980 Prices)



SOURCE: CSO: ASB 1968-1986; EPO:
Economic Review and Outlook 1989

MAPS Figure 2

Performance of the Economy 1967 - 1988 (GDP: Current Prices)

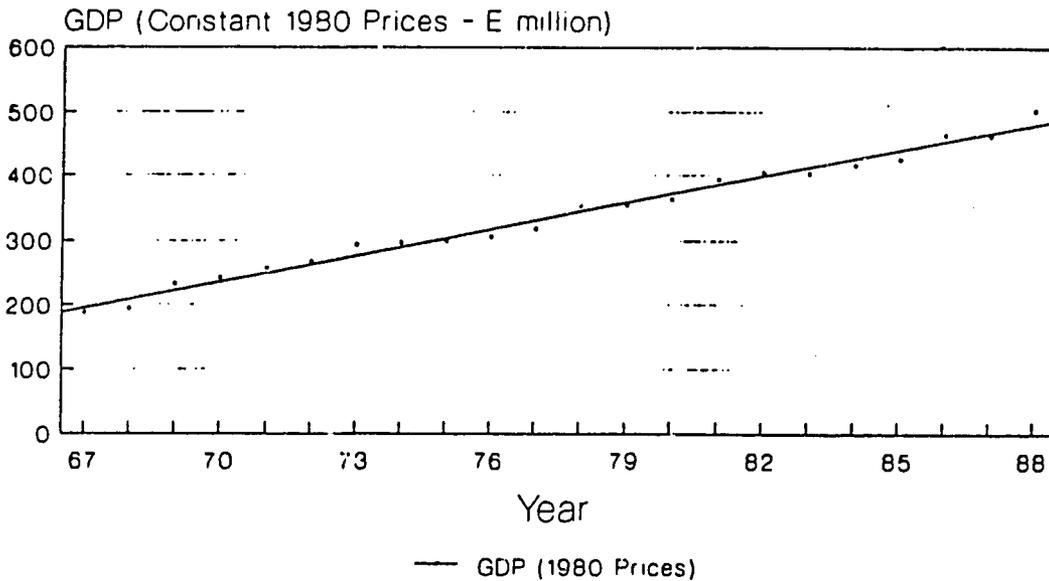


SOURCE: CSO: ASB 1968-1986; EPO:
Economic Review and Outlook 1989

MAPS Figure 3

Economic Performance 1967 - 1988

Trend in GDP (Constant 1980 Prices)



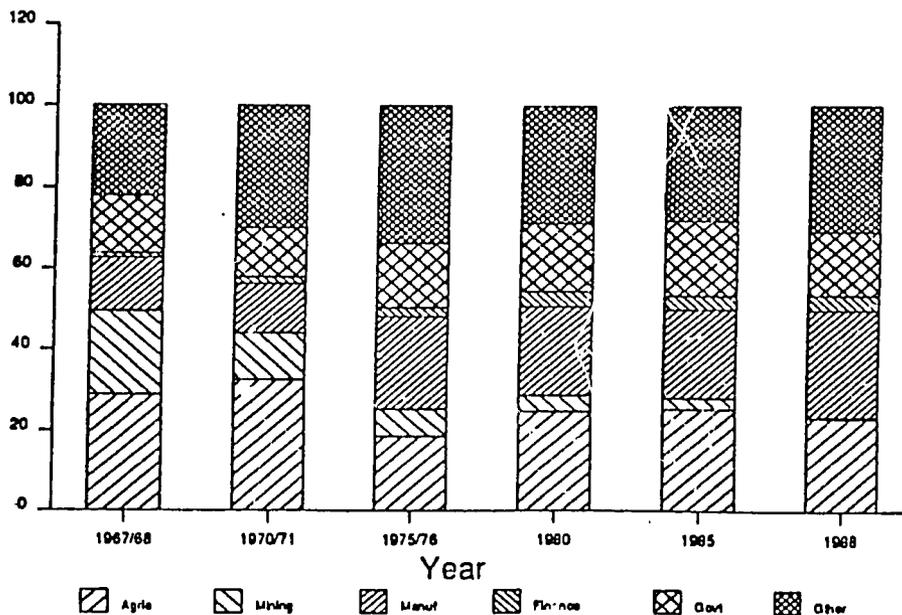
SOURCE: CSO: ASB 1968 - 1986; EPO: Economic Review & Outlook 1989

MAPS Figure 4

Economic Structure 1967 - 1988

Agriculture dominant, but increasingly diversified

Sectoral contribution to GDP (Factor Cost, Constant 1980 Prices) (%)



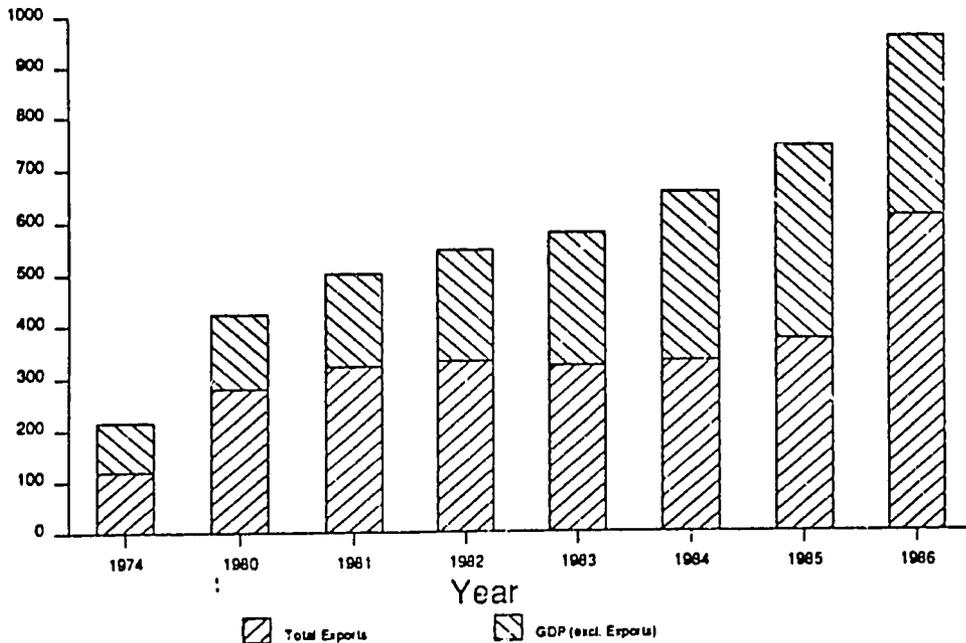
SOURCE: CSO: ASB 1968 - 1986; EPO: Economic Review & Outlook 1989

MAPS Figure 5

Economic Structure 1974 - 1986

An Open Economy: Exports as a Proportion of GDP

GDP at current market prices (E million)



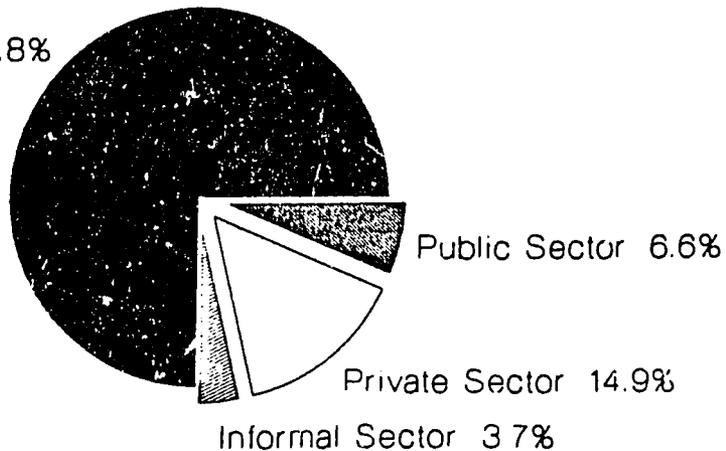
SOURCE: CSO: ASB 1974 - 1986.

MAPS Figure 6

Economic Structure: Employment (Percent)

A large traditional farm structure

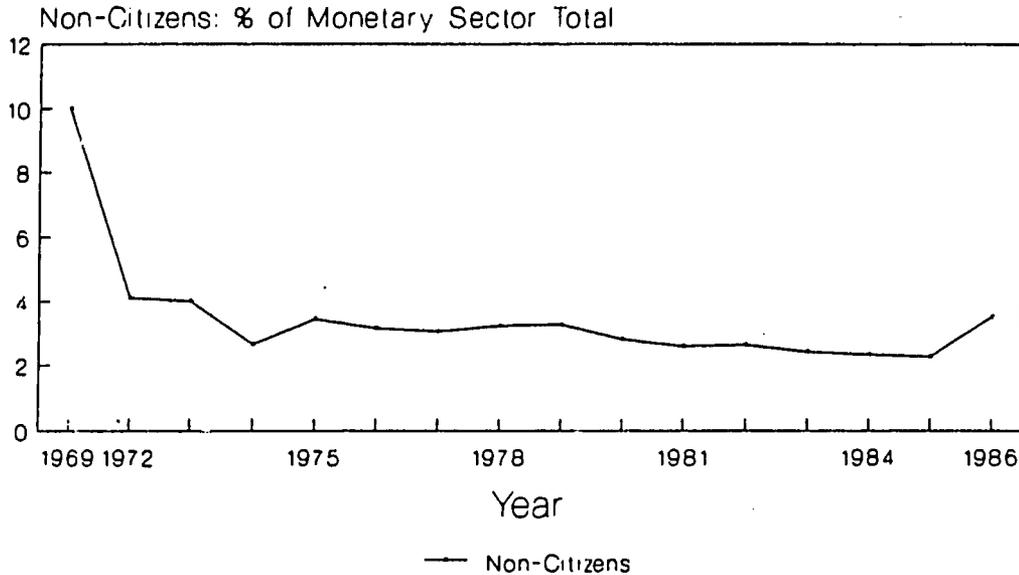
Traditional Sector 74.8%



MAPS Figure 7

Economic Structure 1969 - 1986

Non-Citizens: Monetary Sector Employment

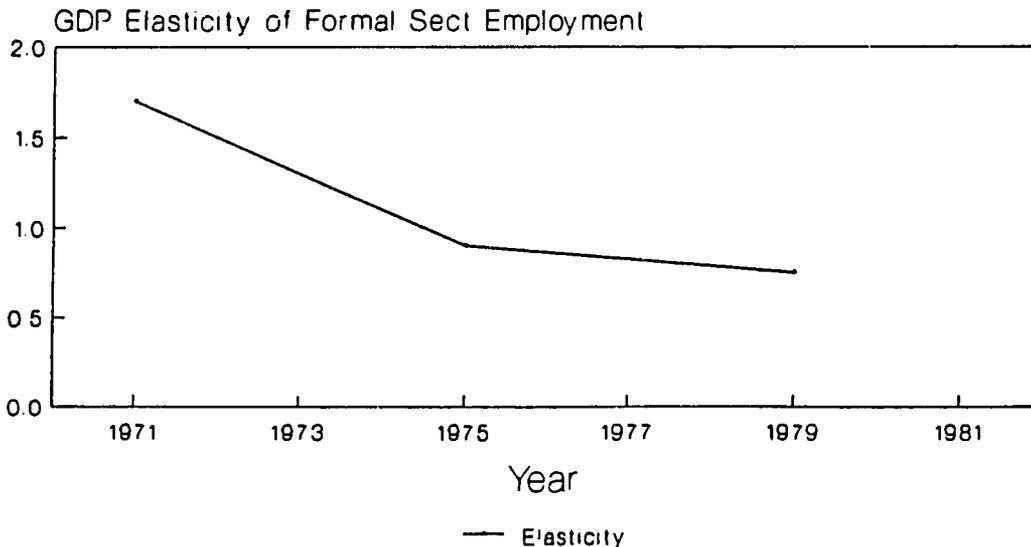


SOURCE: CSO: Employment and Wages Survey
1969-1986

MAPS Figure 8

Economic Structure 1971 - 1980

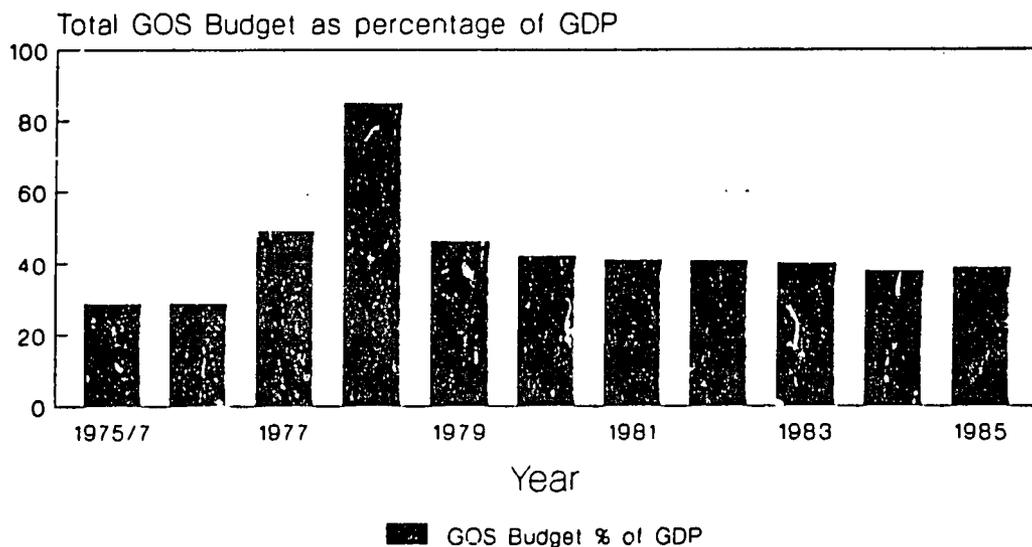
Industry growing more Capital Intensive



SOURCE: De Vletter, F (1989) in
A Whiteside (ed), Industrialization and
Investment Incentives in Southern Africa

MAPS Figure 9

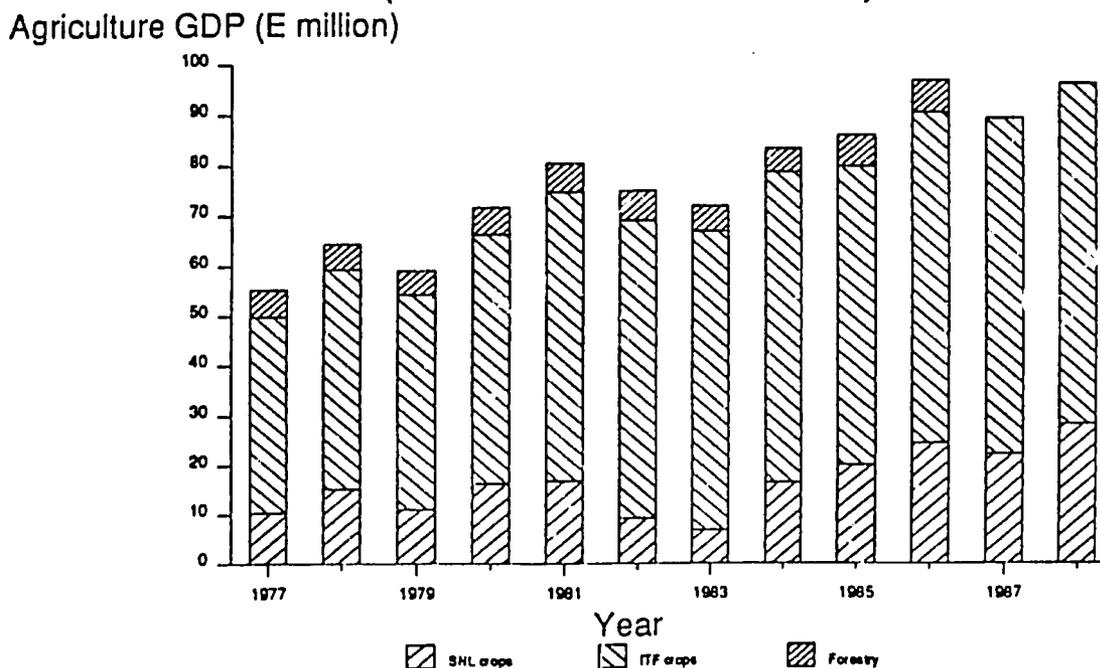
The Minor and Declining Role of Direct Government Participation in Production



SOURCE: CSO: ASB 1975 - 1986, National Accounts Swaziland 1975-1981, 1978-1984, 1980-1986

MAPS Figure 10

Agriculture 1977 - 1988 ITF and SNL Contribution to GDP (Constant 1980 Prices)

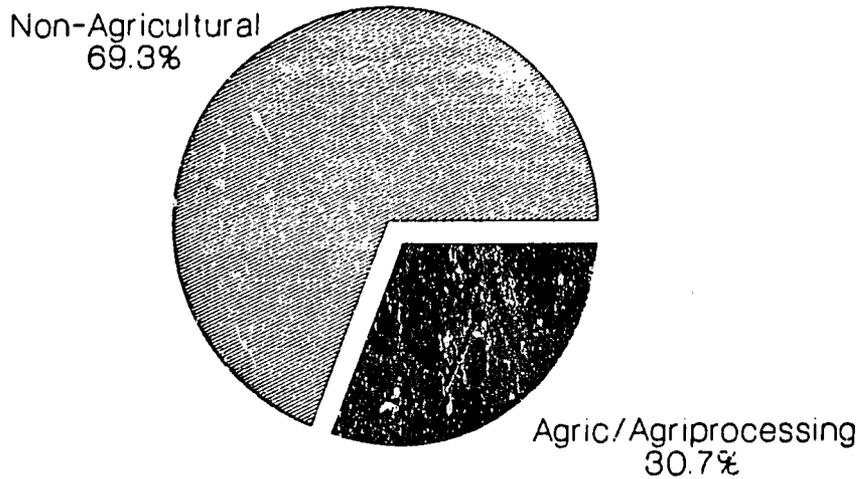


SOURCE: CSO: ASB 1977 - 1986; EPO: Economic Review & Outlook 1989

MAPS Figure 11

Agriculture

Contribution to Monetary Employment

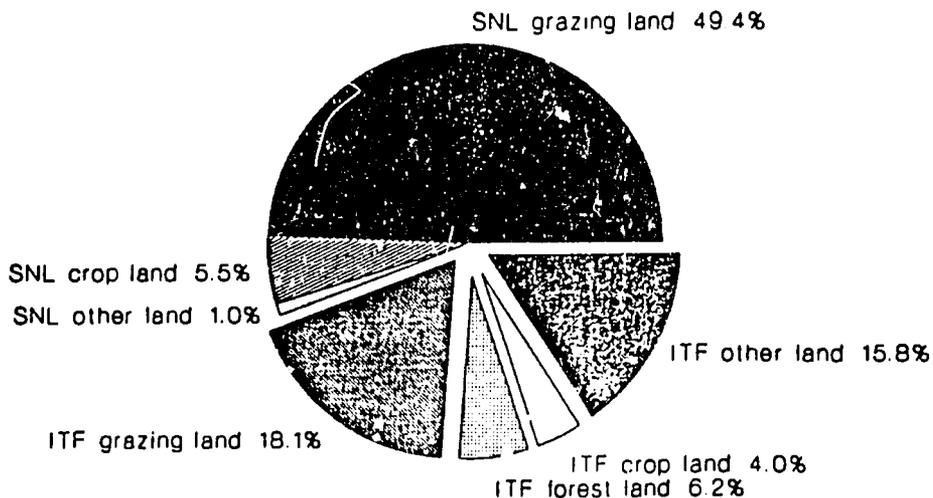


SOURCE CSO: Employment & Wages Survey, 1986

MAPS Figure 12

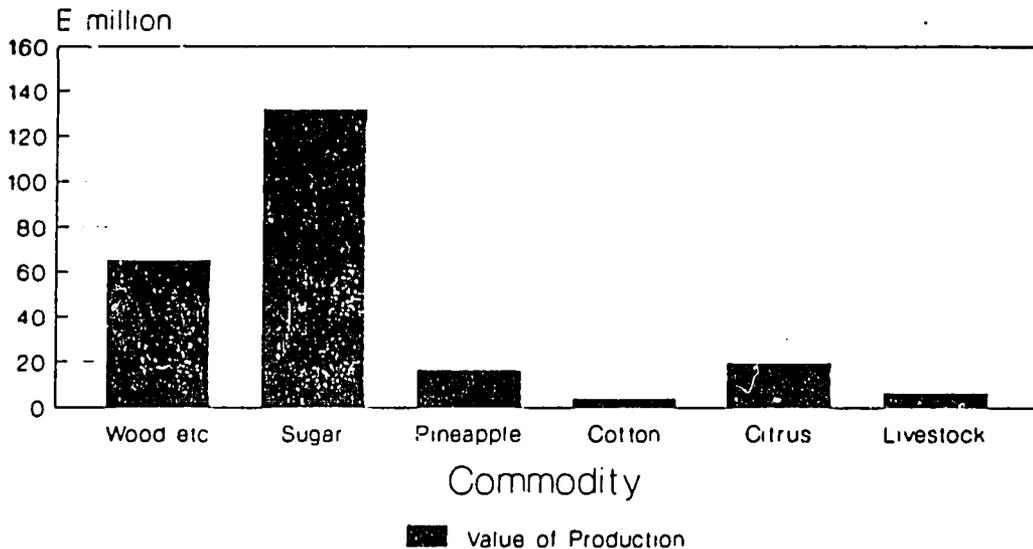
Agriculture 1986

Land Use Patterns: ITF & SNL



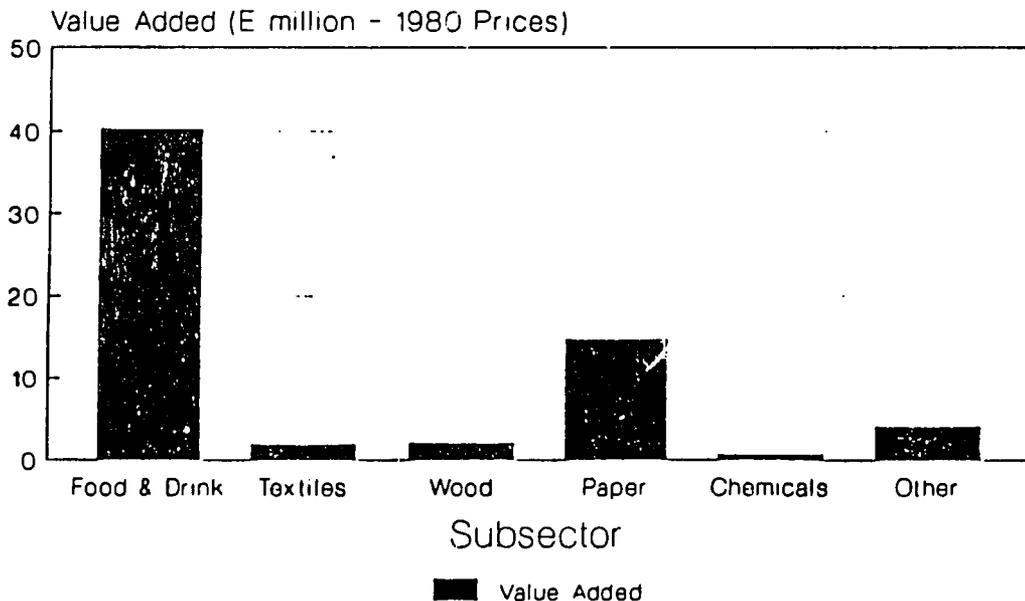
17

MAPS Figure 13 Agriculture Production 1986 (Constant 1980 Prices)



SOURCE: CSO: ASB 1986, EPO
Economic Review & Outlook 1989,
Central Bank of Swaziland Annual Reports

MAPS Figure 14 The Manufacturing Sector 1985 67 % of Value Added from Agroprocessing

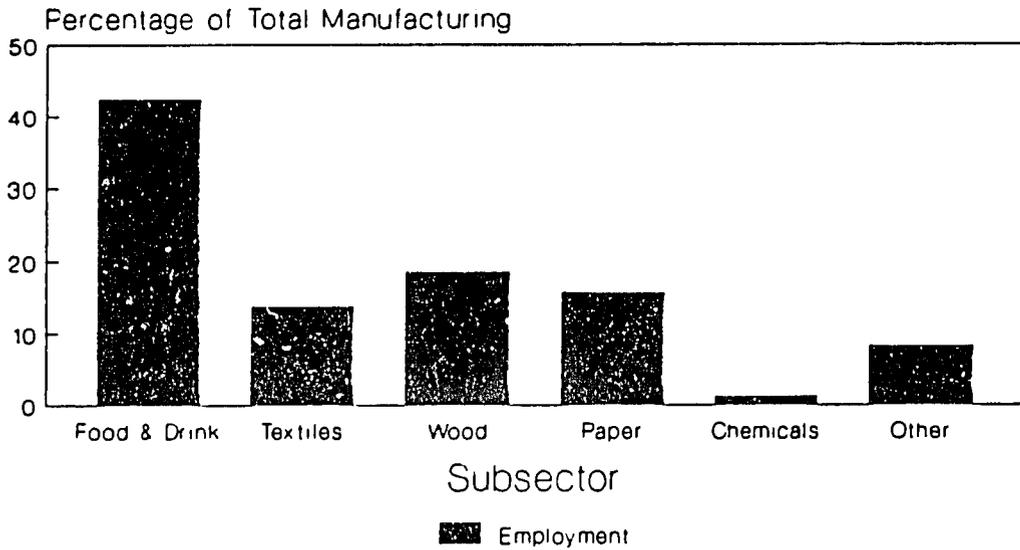


SOURCE: CSO: ASB 1985, 1986

MAPS Figure 15

Employment in Manufacturing 1986

Subsector Contributions to Total

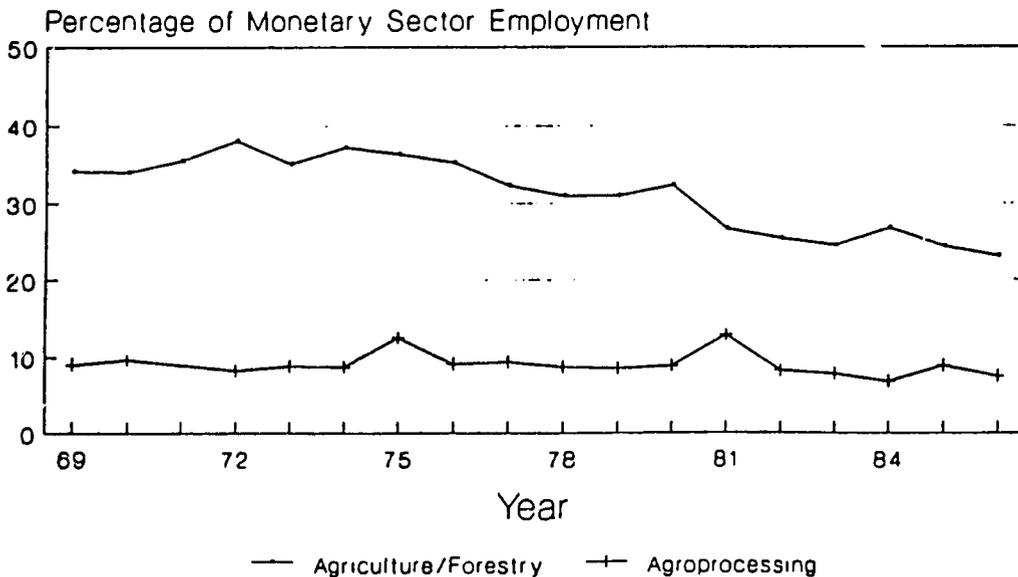


Agroprocessing and related activities •
 90% of Private Sector Employment
 SOURCE: CSO: Employment & Wages 1986

MAPS Figure 16

Trends in Employment

Agriculture & Agroprocessing

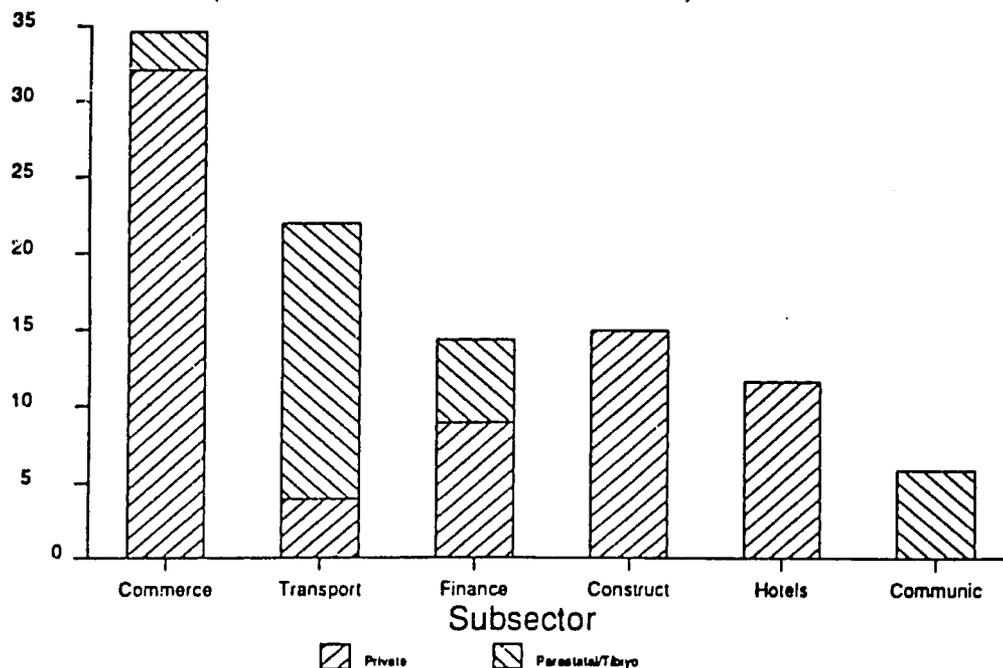


SOURCE: CSO: Employment & Wages Survey, 1969 - 1986

199

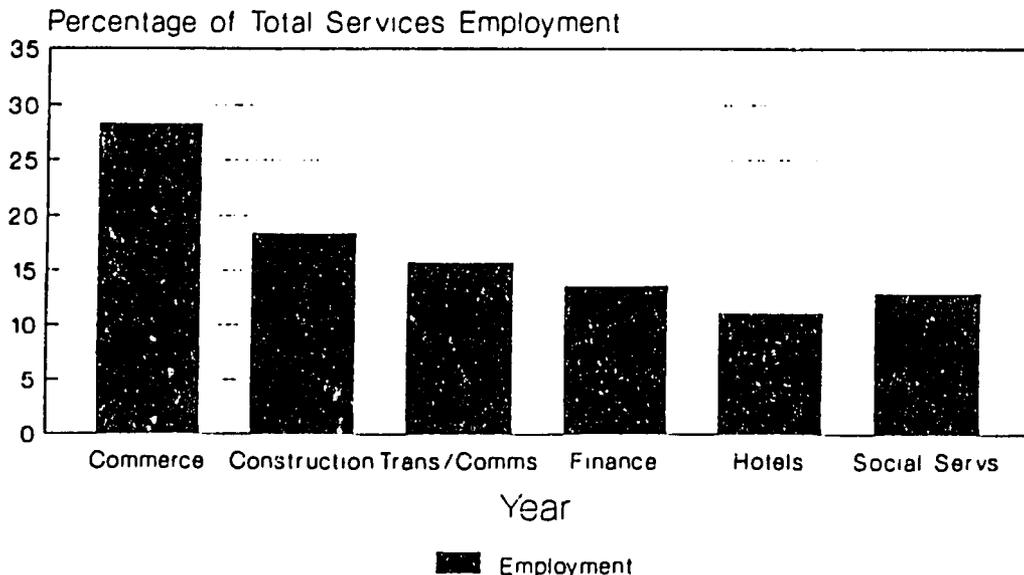
MAPS Figure 17 Service Sector 1986

Contribution to GDP (E million - Constant 1980 Prices)



SOURCE: Consultants' estimates

MAPS Figure 18 The Service Sector 1986 Contributions to Sector Employment

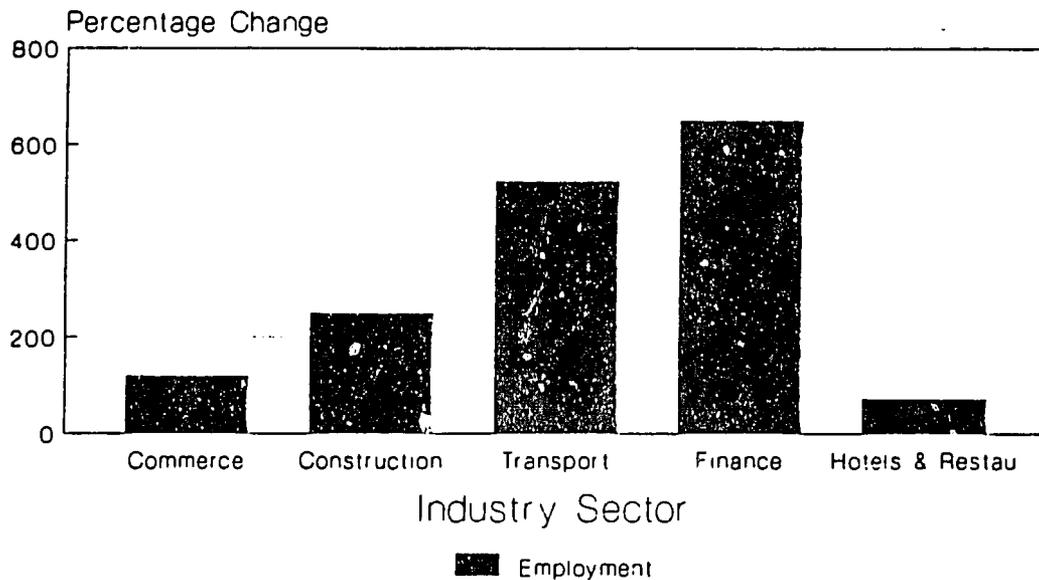


SOURCE: CSO: ASB 1986; Employment & Wages Survey 1986

MAPS Figure 19

The Service Sector 1970 - 1986

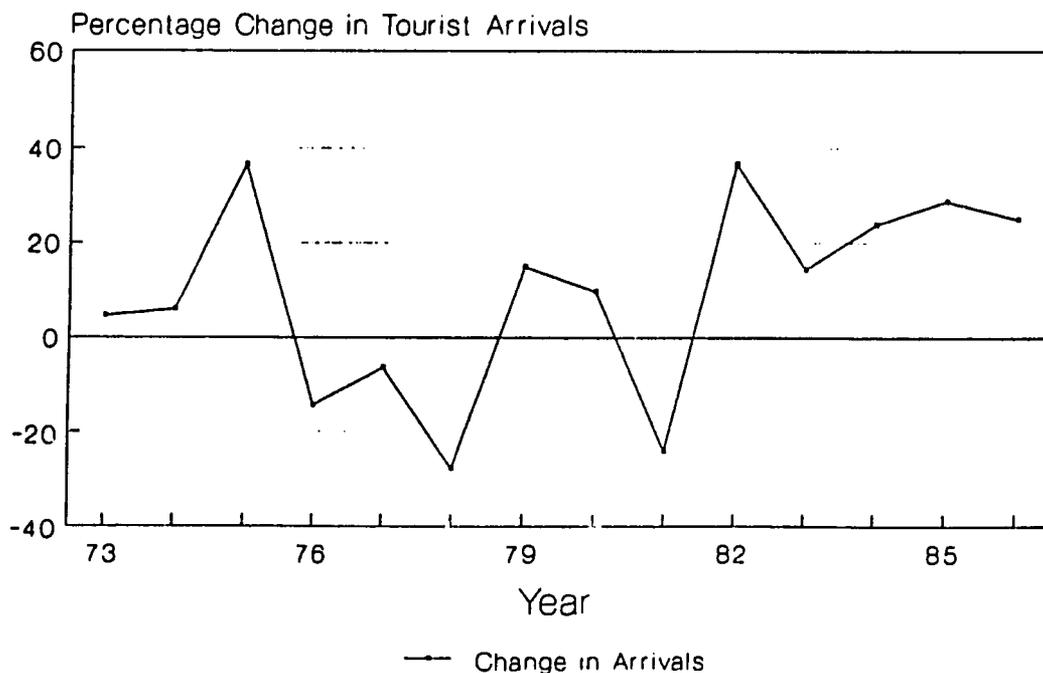
Percentage Changes in Employment



SOURCE: CSO: ASB 1970, 1986, Employment and Wages Survey 1970, 1986

MAPS Figure 20

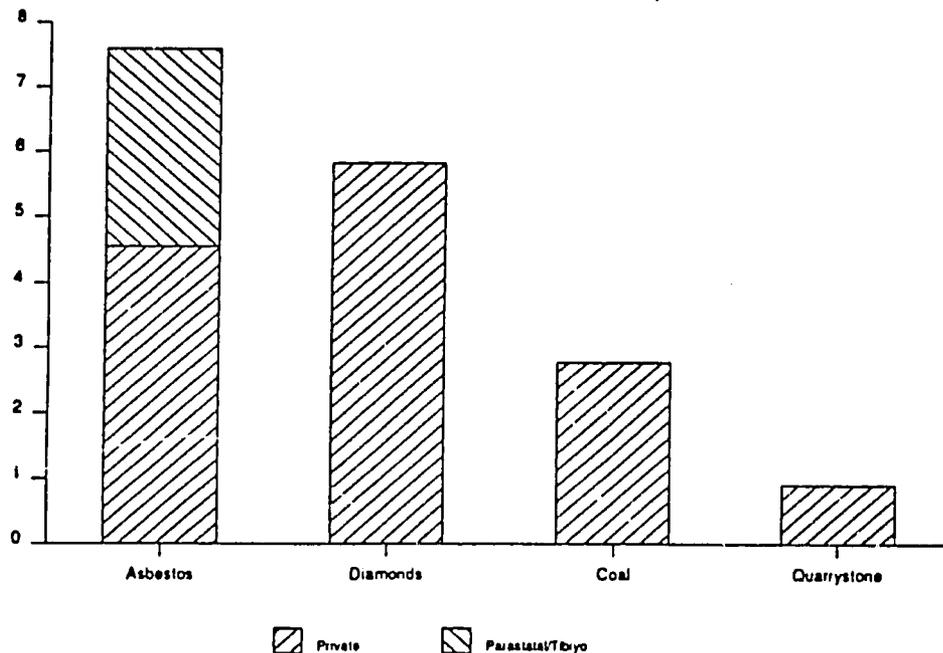
Trends in Tourism



SOURCE: Maasdorp 1987

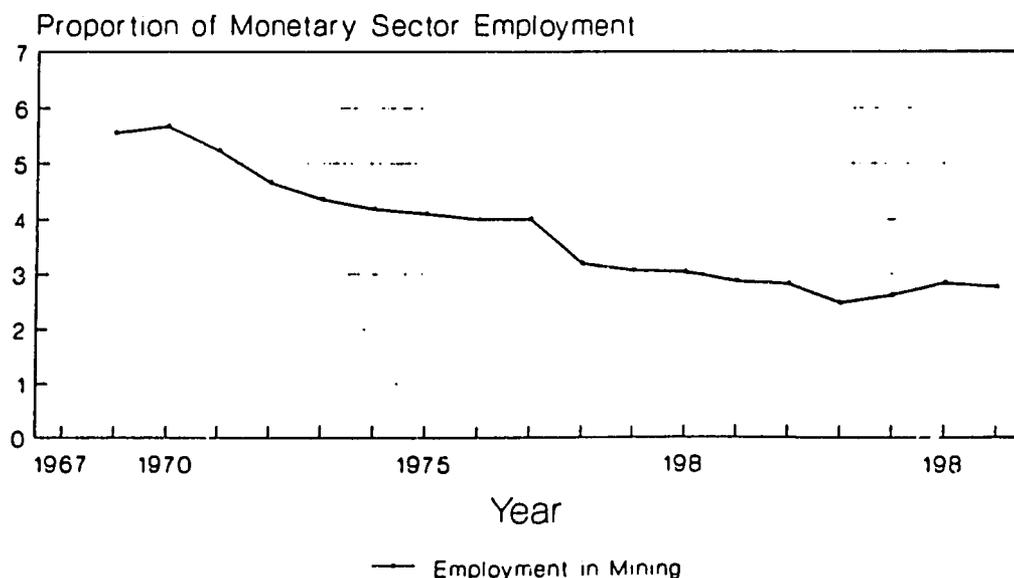
MAPS Figure 21 Mineral Production 1988

Contribution to GDP (E million - Constant 1980 Prices)



SOURCE: Department of Geological Services: Personal Communication

MAPS Figure 22 Employment in Mining As a Proportion of Monetary Employment

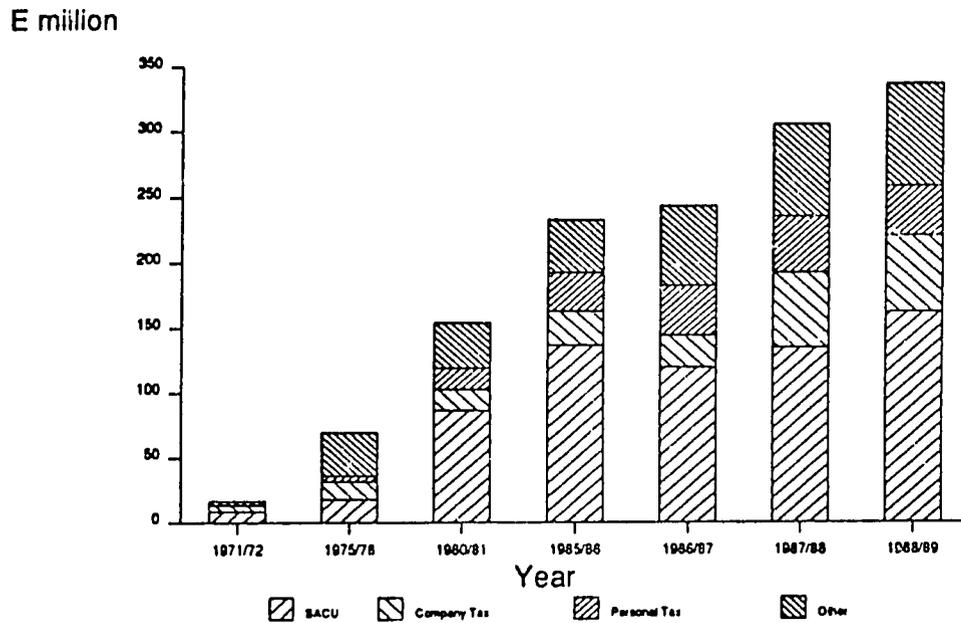


SOURCE: CSO: Employment & Wages Survey, 1969 - 1986

MAPS Figure 23

Sources of Fiscal Revenue

Importance of SACU Receipts and Company Tax

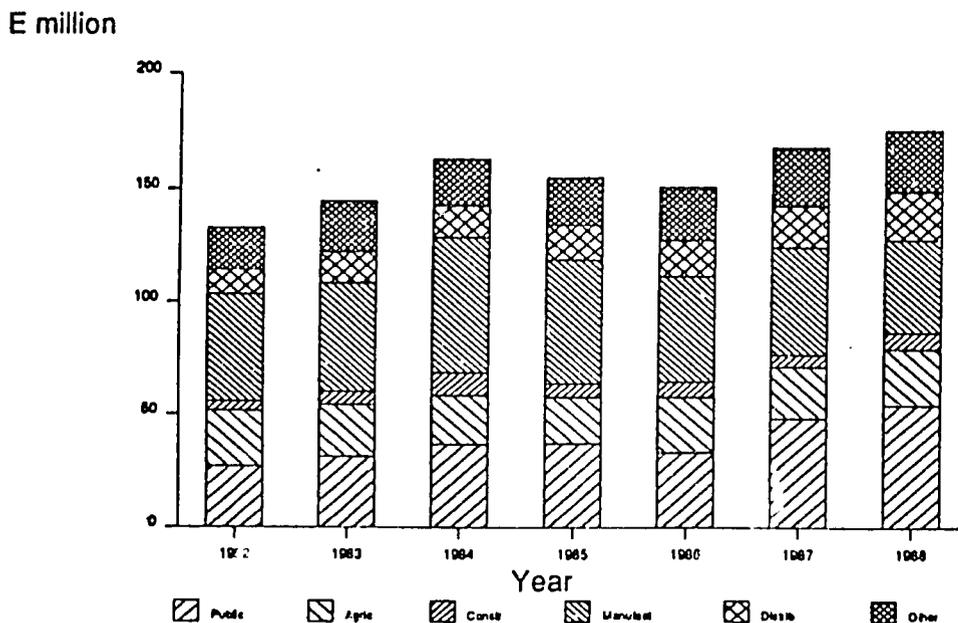


SOURCE: Central Bank of Swaziland Annual Reports

MAPS Figure 24

Destination of Loans in Swaziland 1982 - 1988

Larger Share to Public Sector

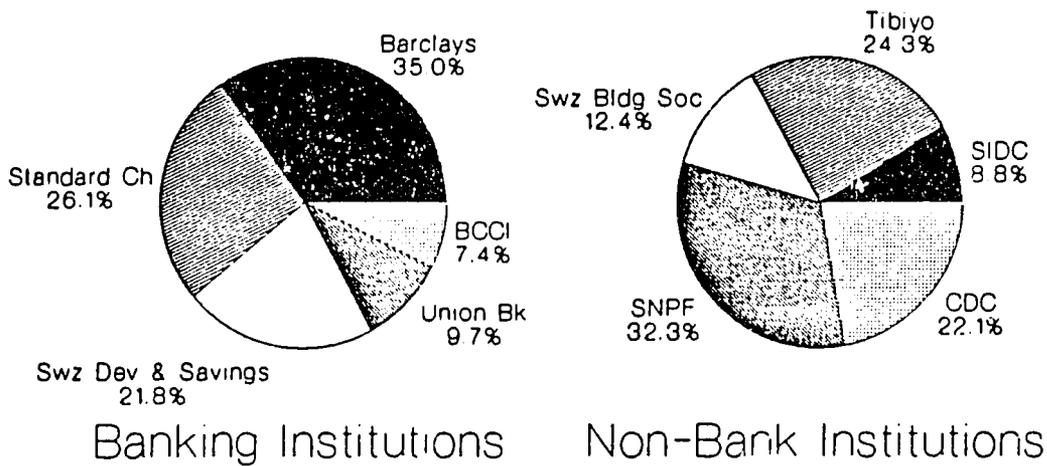


SOURCE: Central Bank of Swaziland Annual Reports

MAPS Figure 25

Economic Structure

Credit and Capital Sources

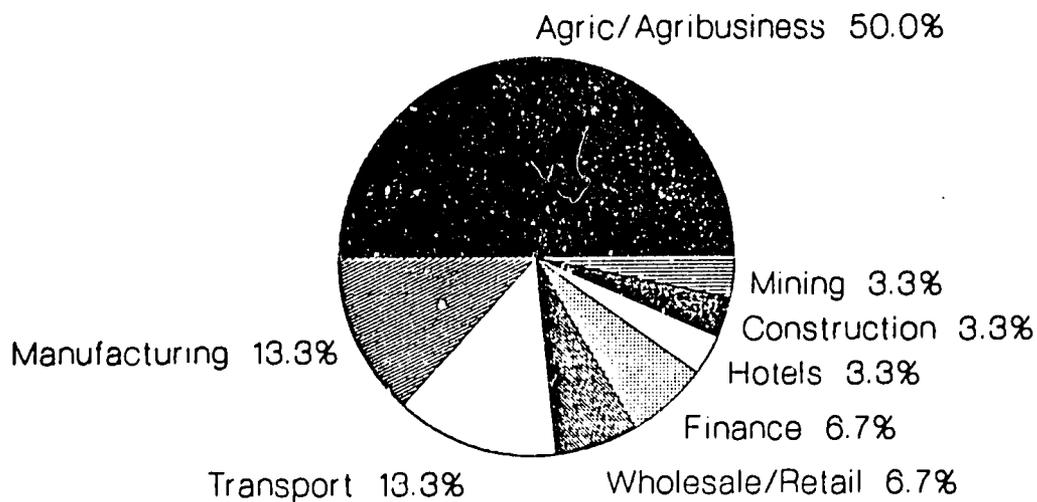


SOURCE: Consultant's estimate

MAPS Figure 26

Tibiyo Participation

A Diversified Portfolio of Investment



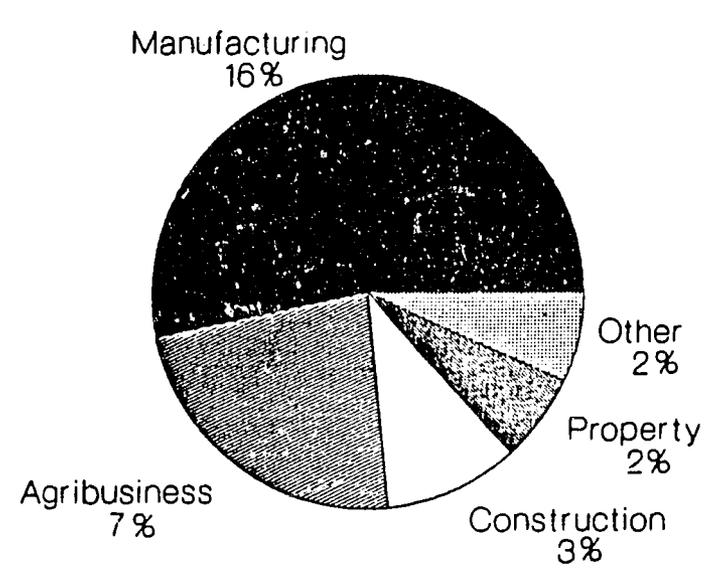
SOURCE: Tibiyo brochure

Table 4.3.4 Tibiyo Investments

Sector/Company	Holding %	Activity
Agriculture/Agri-business		
Ubombo Ranches Ltd	40	Sugar
Sivunga Estate	100	Sugar growing & milling
Mhlume (SWD) Sugar Co Ltd*	50	Sugar
Sihoye Estate	100	Sugar growing and milling
Royal Swaziland Sugar Corporation Ltd*	32	Dairy farming
Tibiyo Dairy Project	100	Maikerns
Tibiyo Maize Project	100	Maize cultivation
Tibiyo Rice Project	100	Rice cultivation
Tibiyo Cattle Project	100	Cattle rearing
Sivandze Shiselweni	100	Irrigated agriculture
Inyoni Yami Swaziland Irrigation Scheme	50	Forestry
Tibiyo Forests	100	Milling
Tibiyo National Milling Company (Pty) Ltd	80	Grain storage
Tibiyo Granaries	100	Slaughter & processing of meat
Swaziland Meat Industries*	40	
Mining		
Havelock Asbestos Mine (Swd) Ltd	40	Mining of asbestos
Manufacturing		
Swaziland Breweries Ltd	40	Production & bottling of beer
Langa National Brickwork	40	Manufacture of clay bricks
Jubilee Printing & Publishing Co (Pty) Ltd	100	Commercial printing
Swazi Observer (Pty) Ltd	100	Production & distribution of newspaper
Construction		
Roberts Construction (Swd) Ltd	50	Building (see note 1)
Wholesale/Retail		
Simunye Plaza	25	Shopping complex
Tibiyo Frasers (Pty) Ltd	50	Retail & wholesale
Hotels		
Swazi Spa Holdings Ltd	39	Hotel & casino complex
Transport & Communications		
Tibiyo workshop	100	Repair of Tibiyo vehicles
Tibiyo Manica Freight	50	Shipping and removal
Swaziland United Transport	40	Transport of goods
Royal Swazi National Airways Corporation Limited	50	Air travel
Banking, insurance, etc		
Bank of Credit & Commerce International (Swd)(Pty) Ltd	45	Commercial banking
Tibiyo Insurance Brokers (Pty) Ltd	53	Insurance

Source: Tibiyo brochure, undated.
 Notes: * indicates involved in more than one sector.
 (1) Roberts Construction is reported to be withdrawing from Swaziland due to lack of work. Tibiyo's interest will therefore cease.

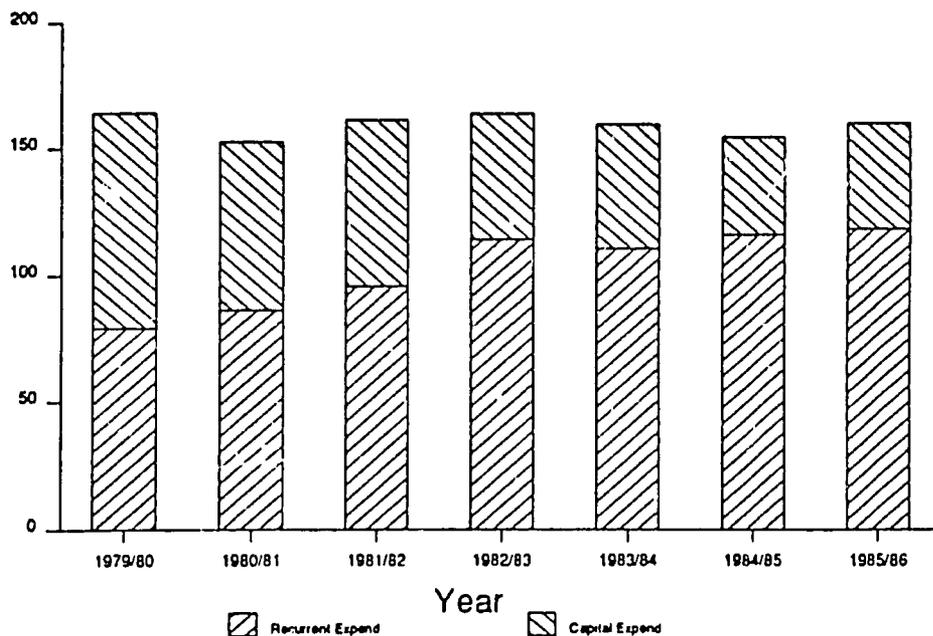
MAPS Figure 28 The SIDC Investment Portfolio



MAPS Figure 29

Central Government: Total Expenditure Pattern 1979-1985

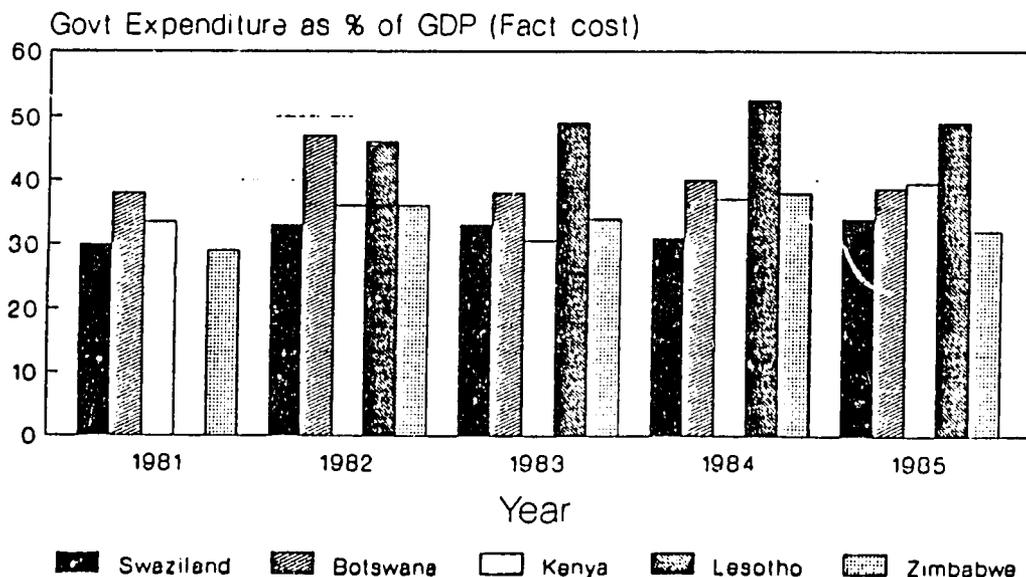
E million - Constant 1980 Prices



SOURCE: The National Accounts of Swaziland 1975-1981, 1980-1986

MAPS Figure 30

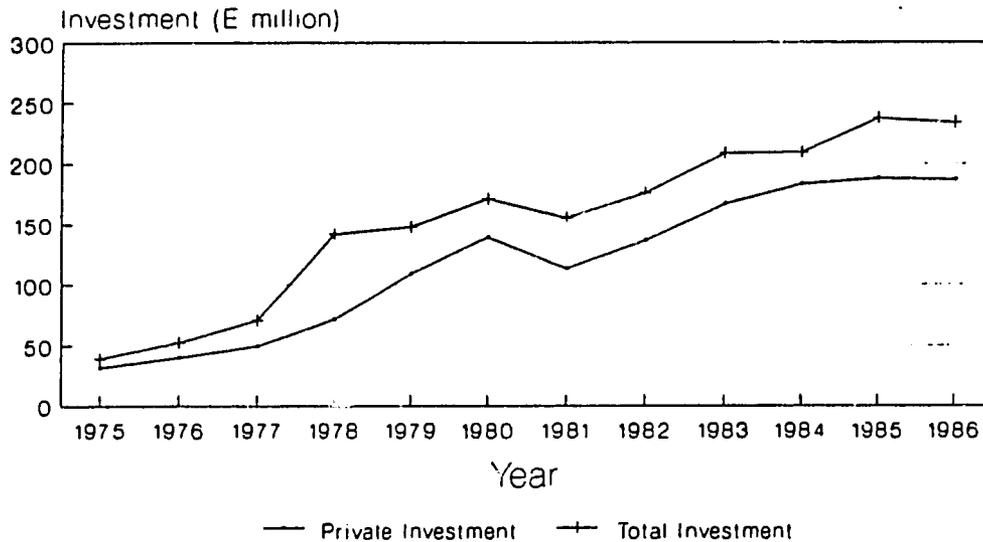
Central Government Expenditure 1981-1985 Comparison with other Countries



SOURCE: IMF International Financial Statistics June, December 1988

MAPS Figure 31

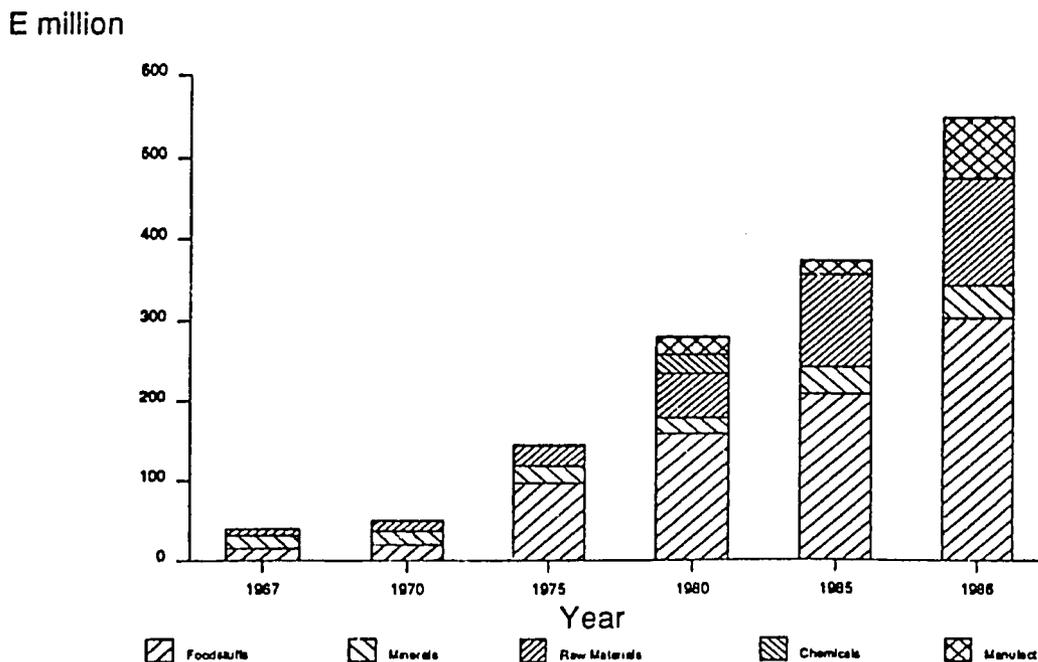
Private and Public Direct Investment 1975 - 1986



SOURCE National Accounts 1975-1981,
1979-1986

MAPS Figure 32

Sources of Export Revenue Growth in Exports of Manufactures

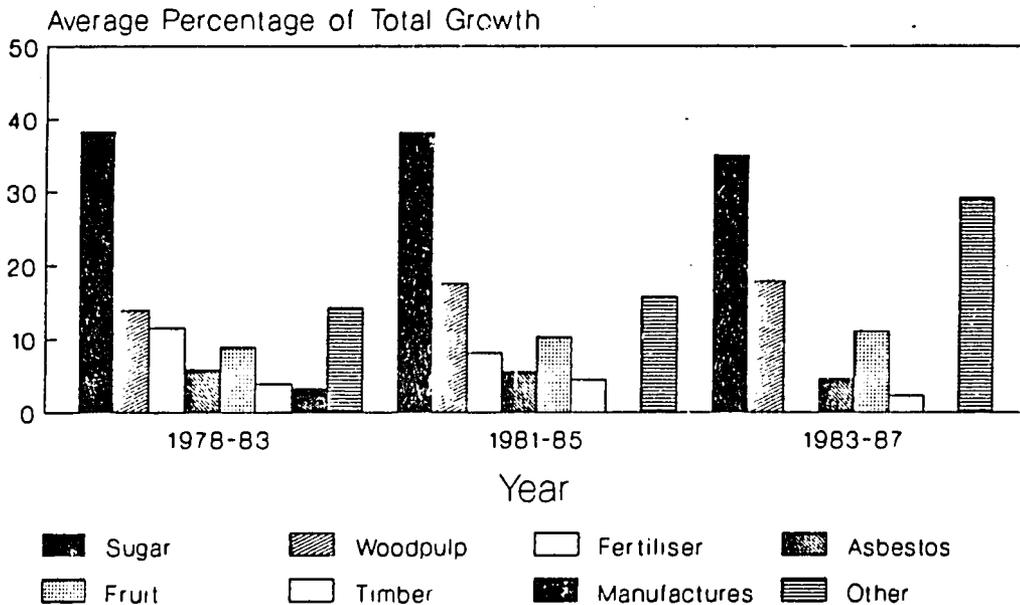


SOURCE: CSO: ASB 1968 - 1986

MAPS Figure 33(a)

Growth of Exports

Major Export Averages for Selected Years

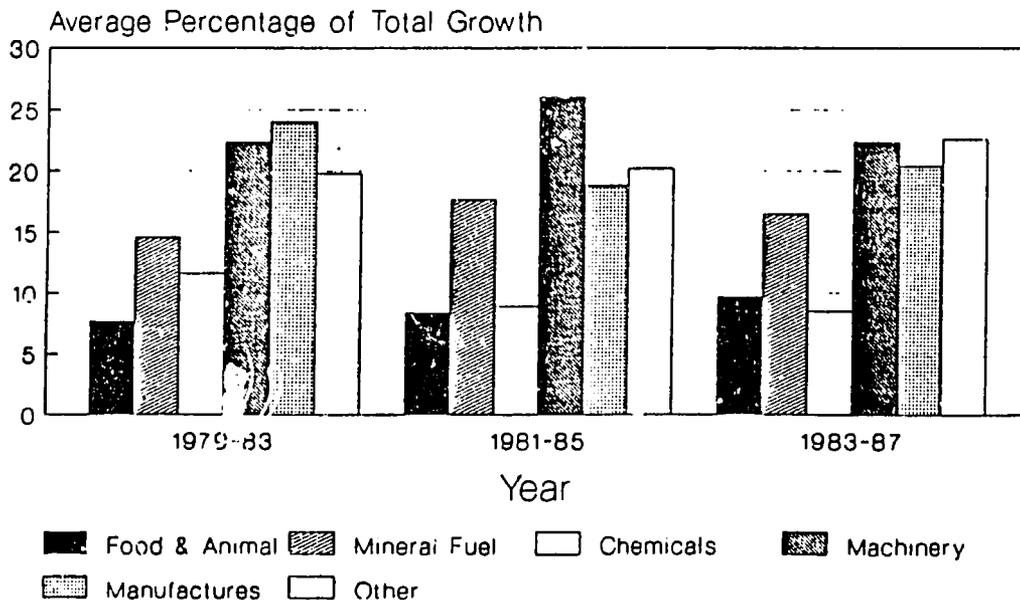


SOURCE: EPO: Economic Review & Outlook

MAPS Figure 33(b)

Growth of Imports

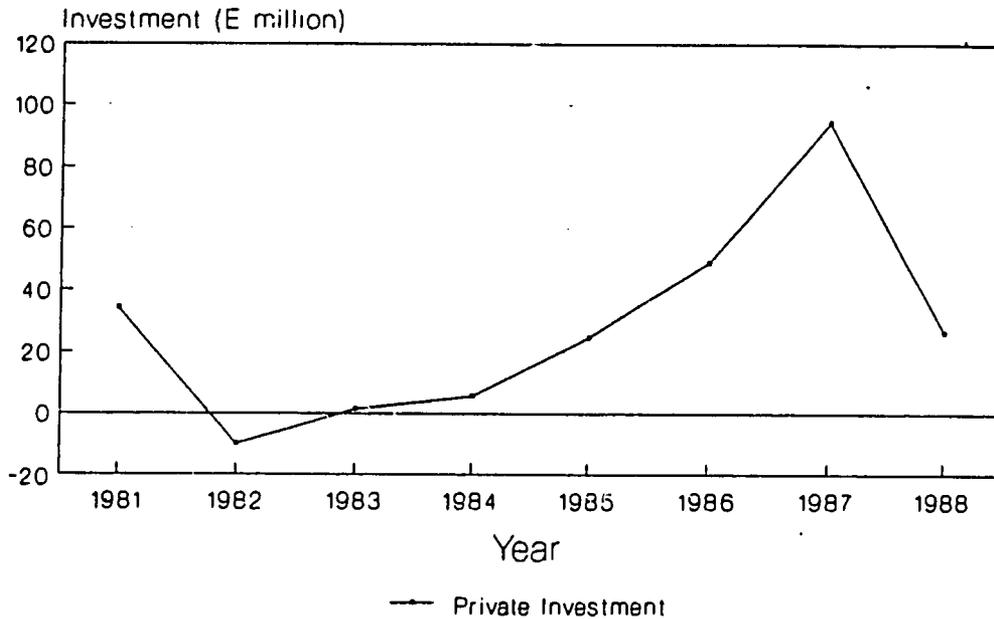
Major Import Averages for Selected Years



SOURCE: EPO: Economic Review & Outlook

MAPS Figure 34

Private Direct Investment 1981 - 1988



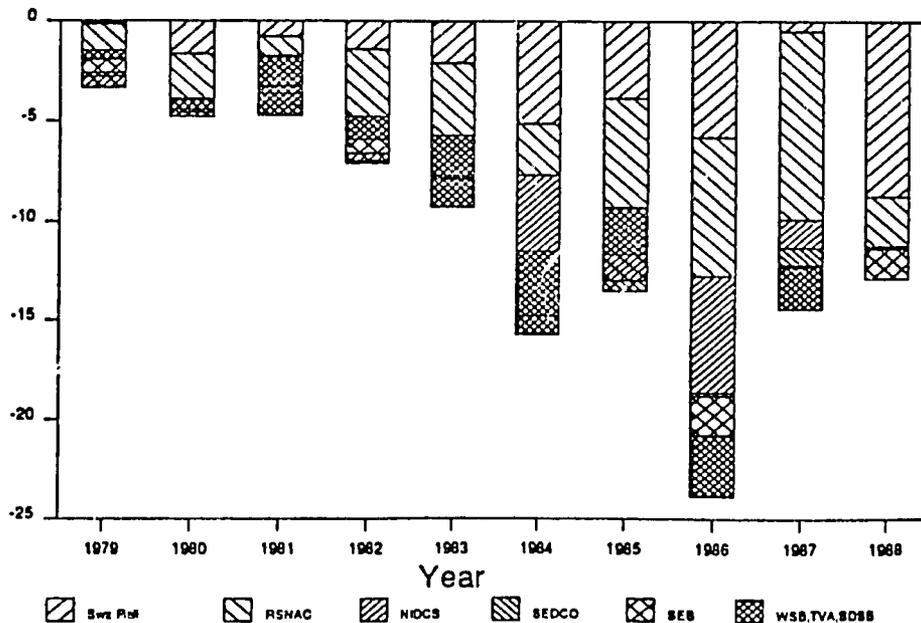
SOURCE Personal communication from the Central Bank

MAPS Figure 35

Parastatal Performance

Financial Results for Major Public Enterprises

Net Profit/Loss (E million)

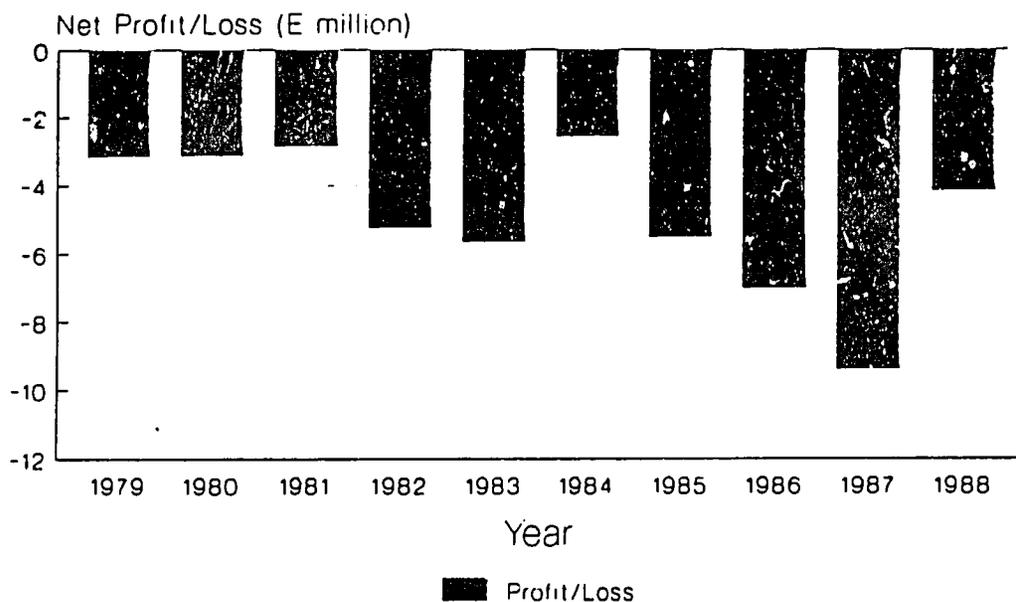


SOURCE: Financial statements for various parastatals

MAPS Figure 36

Parastatal Performance 1979 - 1988

Royal Swazi National Airways Corp Losses

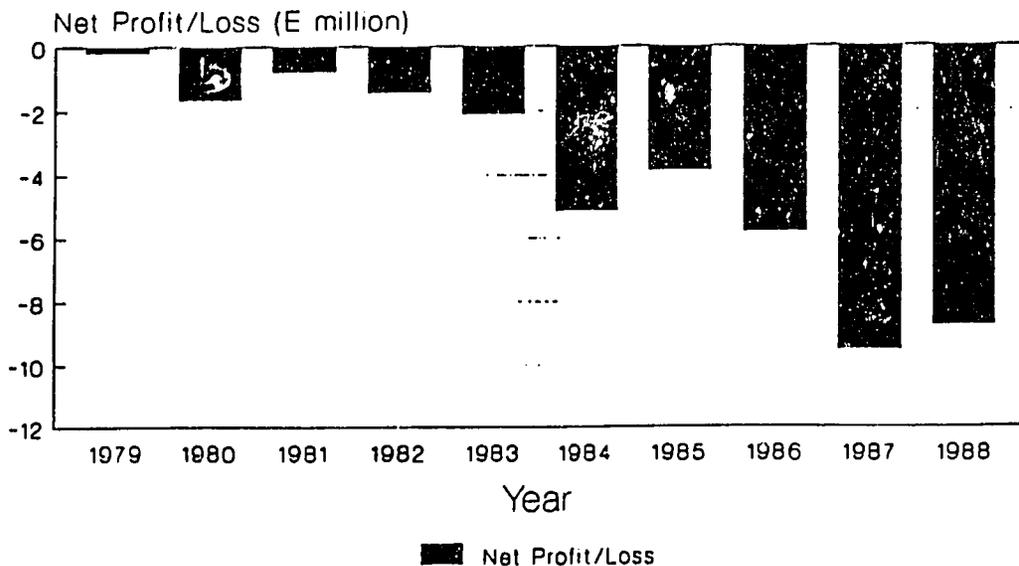


SOURCE: RSNAC Financial Statements

MAPS Figure 37

Parastatal Performance 1979 - 1988

Swaziland Railways Losses

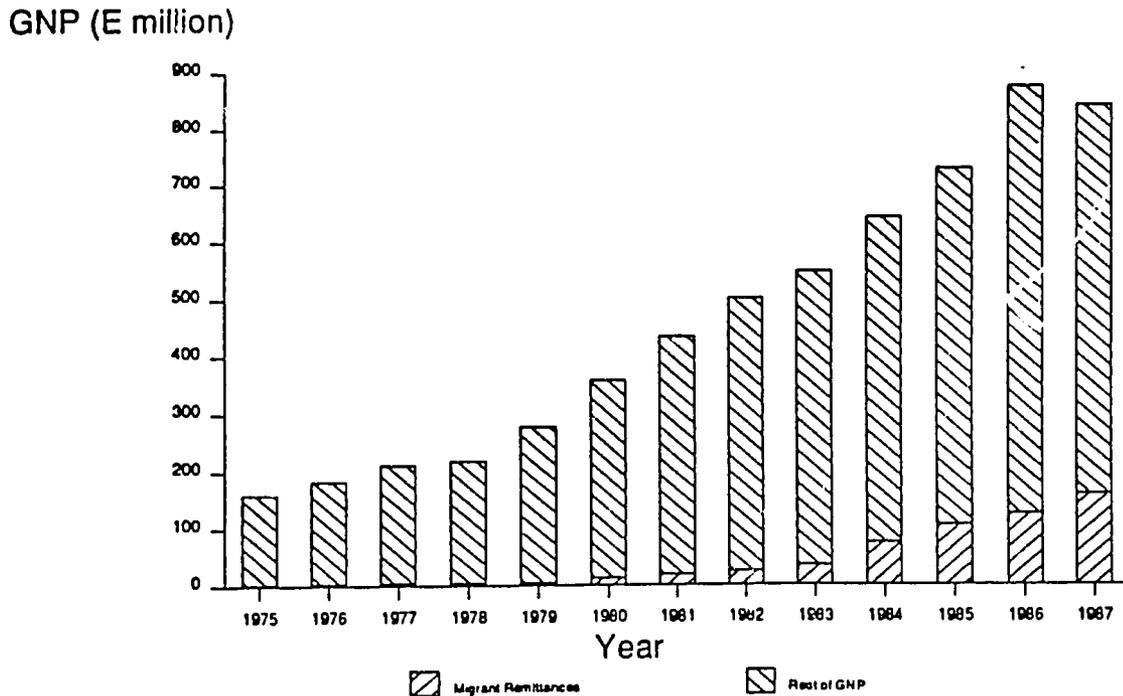


SOURCE: Swaziland Railways Financial Statements

MAPS Figure 38

The Importance of Migration

Remittances as a Proportion of GNP



SOURCE: CSO: ASB 1974 - 1986; Central Bank of Swaziland Annual Reports; The National Accounts of Swaziland; Consultant's estimate: Whiteside

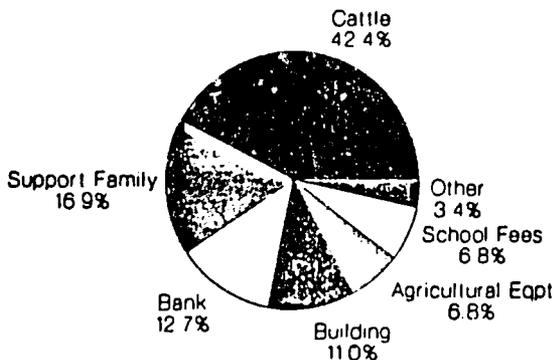
MAPS Figure 39

Migrant Labour 1975 - 1988

% of Total Monetary Sector Employment

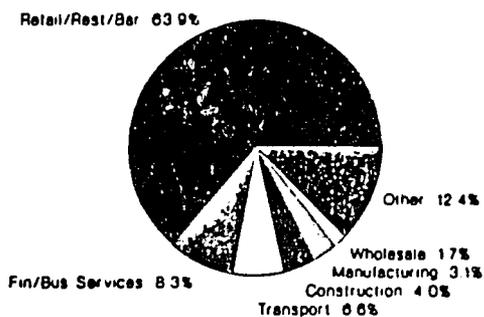


MAPS Figure 40
Migrant Remittances
Structure of Expenditure



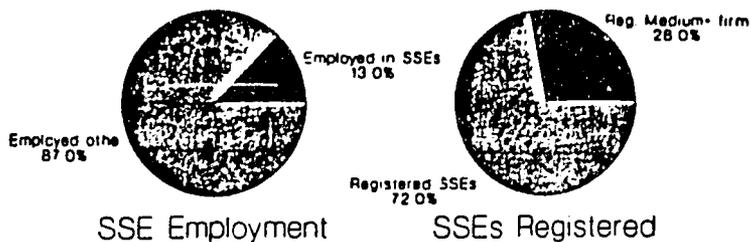
SOURCE: de Vletter (1988)

MAPS Figure 41
Distribution of Small Scale Enterprises
by Sector 1986



SOURCE: National Provident Fund

MAPS Figure 42
Small Scale Enterprises
Distribution of Employment/Firms by Size



Annex C

MAPS Phase III--Private-Sector Diagnosis Swaziland

1. Objectives of the Study

1.1 Objective

The objective of MAPS Phase III, diagnosis of the private sector, is to develop information on the perceptions of the business community regarding:

- Past, current, and future investment climate
- Resource constraints to business development in the country
- The effect of public policies on business growth
- The role and effectiveness of business associations
- Interest in existing and potential growth and investment opportunities
- Awareness of benefits derived from international donor assistance programs

To this end, a survey instrument was designed to gather data from all the major sectors in the Swazi economy (see Exhibit 2 for the breakdown of the sample by sector). The topics covered by the survey included not just questions regarding the general business climate, but focused on perceived resource constraints in the areas of credit, labor, energy, transportation, communications, and land. In addition, it included questions on the effectiveness of the support provided by existing business associations. The survey was implemented in March of 1989 by the Mbabane-based firm of Coopers & Lybrand (C&L). English and Siswati copies of the survey instrument are included in the full C&L report. A copy of this report is available from LABAT-ANDERSON Incorporated or from USAID/Swaziland.

The results of the survey will help the USAID Mission in Swaziland identify new program and policy priorities in private-sector promotion and strengthen ongoing program activities to this end.

1.2 Organization of the Report

The report is organized as follows. Section 2 presents the methodology used for gathering data on private-sector perceptions. This includes discussion of the scope of the survey, the sampling frames, the stratification techniques, and the key issues addressed by the survey. It also presents a discussion of the analytic tools used to understand and interpret the survey results.

Section 3 presents the major findings of the survey. It includes a description of the characteristics of the survey sample.

Section 4 summarizes the study's key findings and the implications for subsequent dialogue sessions and strategy formulation.

2. Study Methodology

2.1 Survey Instrument Design

The survey instrument was carefully elaborated in terms of substance and language. It is the result of close collaboration between USAID Mission personnel, the MAPS team consultants, and the survey experts provided by the firm of Coopers & Lybrand. It also was designed to incorporate questions similar to those asked in previous surveys of the business community to allow the database to build upon past survey results.

2.1.1 *Initial version of the survey questionnaire was reviewed by USAID.* An initial version of the survey instrument was prepared during the first visit of the MAPS team, which took place in November 1988. All senior Mission staff had a chance to comment on and suggest changes and additions to the questionnaire. On the basis of their comments and suggestions, substantial changes were made to the questionnaire. A final version of the questionnaire was drafted and approval secured during the consultant's visit in February 1989.

2.1.2 *Language adapted to Swazi environment.* After agreement on the contents of the questionnaire was secured, the language and format of the questions was revised with the help of the survey experts at C&L and the Project Monitor, Mr. Derek von Wissel. In particular, the language and the manner in which the questions were posed was adapted so that it would be understandable to the smaller entrepreneurs. It was important to ensure that any alteration in the manner in which the questions were asked of the small entrepreneur would provide responses comparable in meaning to the responses obtained from the larger, more sophisticated firms. Ambiguities in the meanings of some of the terms were clarified. The questions were formatted so as to facilitate post-survey codification and data entry by using precoded responses. The survey was also translated into Siswati.

2.1.3 *Survey was modified based on the pretest results.* Two experienced researchers at C&L studied the questionnaire and conducted the pretesting exercise. Six enterprises were chosen at random. The enterprises selected for pretesting came from the manufacturing, service, commerce, and agribusiness sectors. Thus testing was aimed at obtaining a cross-section of the target groups. The results from enterprises chosen for the pretest were not included in the results of the full-scale survey.

Only minor changes to the questionnaire were required as a result of the pretest. These entailed some changes in language (replacing the words "skilled" and "unskilled" labor with "trained" and "untrained"), some changes in response categories (such as the inclusion of a "not applicable" category for several of the questions), and the introduction of a classification in the question about the environment in which the firm operated that differentiated between the economic, political, and social environment (question 25).

A section "for interviewer's reference" was also added to questions relating to percentages. This was done to assist interviewees in the smaller enterprises, since they often had

difficulty communicating in terms of percentages. The interviewer's reference section thus served as an aid to the interviewer by providing space in the questionnaire to enter actual data. These data were later converted to percentages by C&L coders.

- 2.1.4 *Interviewers were carefully selected and trained.* C&L used two separate groups of interviewers, one for the group of firms employing more than 25 people, and one for the smaller, less sophisticated enterprises. Interviewers selected to conduct interviews for the more-than-25-employee group had postgraduate academic qualifications and had been used by C&L in previous research. Interviewers selected to interview the smaller firms had extensive research and survey work experience with this group in Swaziland. Interviewers were trained in a classroom situation by two experienced survey supervisors. They spent two afternoons conducting two trial interviews under supervision.

2.2 Sampling Methodology

- 2.2.1 *A sampling frame was constructed.* C&L identified potential data sources for a survey of business establishments. It evaluated these databases on the basis of:
- Nature of data--computerized or manual
 - Date of most recent figures
 - Degree of accessibility
 - Degree of reliability
 - Adequacy of the information contained in the database for the purposes of the survey--in particular, whether it contained information on the number of employees, fixed capital assets, industry sector in which it operated, and geographic location.

In addition, C&L consulted two prominent researchers in Swaziland, Professor M.S. Matsebula, Head of the Department of Economics, and Dr. E.L. Huppert, retired Head of the Department of Statistics at the University of Swaziland.

- 2.2.2 On the basis of their assessment of the databases, it was concluded that *the SNPF data provided the most reliable and complete list of the larger enterprises available in the country.* It was selected as the database from which to draw the sample for enterprises employing more than 25 persons. SNPF data was sorted by size and sector as outlined in the terms of reference for the survey (included in C&L's report, available under separate cover from LABAT-ANDERSON Incorporated or from USAID/Swaziland).
- 2.2.3 *There was no known reliable database for small-scale enterprises.* Small enterprises account for about 11 percent of the total number of employees on the SNPF registry. However, the number of employees in this registry only accounts for 85 percent of the total number employed in the formal sector, according to the latest population census. Moreover, it is likely that those firms employing less than 25 workers, but registered in the SNPF, are not

representative of the universe of small-scale enterprises operating in the country; that is, they are more likely to be more established and be non-Swazi owned and operated. Hence the SNPF was not considered to be adequate as a sampling frame for the type of sample of the smaller firms desired by the Mission--one that targeted the Swazi owned-enterprises.

C&L is currently undertaking primary research to establish a database of the smaller informal sector enterprises under a contract with CARE International. For this reason C&L obtained permission from CARE to use the database developed thus far on those firms.

2.2.4 *Hence, a sampling frame was constructed from three distinct statistical population groups:*

- Owner/managers of enterprises in Swaziland employing more than 25 workers and with fixed capital assets of more than E100,000 (drawn from the National Provident Fund List--this database provides postal addresses only and hence does not differentiate between urban and rural firms)
- Owner/managers of *urban* enterprises employing 25 or fewer workers with fixed capital assets of less than E100,000 (drawn from the database established for the CARE study of small-scale enterprises)
- Owner/managers of *rural* enterprises employing 25 or fewer than 25 workers and showing fixed capital assets of less than E100,000 (drawn from the CARE database of small scale enterprises)

2.2.5 *A stratified random sample was drawn from each population group.* An attempt was made to include in the sample the main industrial sectors in the same proportion found in each sampling frame. However, this principle was not applied when the percentage called for in the sample was less than one unit. In such cases, at least one unit from that industry sector was included. A unit was then subtracted from the main industrial sector representing the major proportion of enterprises in the population, at a correct statistical figure. Hence the sectoral distribution in the sample deviates somewhat from the sectoral distribution in the sampling frames.

Table 1 shows the distribution of firms in the each sampling frame and in the sample by industry sector. In *almost every case the sample represents more than 10 percent of the population in the sampling frame, giving greater accuracy to the survey results.*

2.2.6 *The refusal rate was very low, reducing the likelihood that the survey results were biased.* Table 1 shows that only 13 firms initially drawn for the sample had to be rejected (either because it turned out that they were no longer operating, no longer met the size requirements, or refused to cooperate). This represents a refusal rate of about 7 percent, excellent for this type of survey.

Table 1
Composition of the 200 Enterprises Included in the Survey

Sampling Frame	Industry Sector	Total Number in Frame	Total Number in Frame	% of Frame	Number of Rejections/ Refusals
1. SNPF	Agriculture	34	14	41	0
	Agroprocessing	22	9	41	1
	Manufacturing	30	13	43	1
	Mining	6	5	83	0
	Construction	229	41	0	
	Finance	10	4	41	0
	Commerce	77	30	39	4
	Services	41	16	39	1
2. CARE/urban	Agroprocessing	125	11	9	1
	Manufacturing	204	17	8	1
	Mining	1	1	100	0
	Construction	9	2	22	0
	Finance	2	2	100	0
	Commerce	266	20	8	2
	Services	162	14	9	2
3. CARE/rural	Agroprocessing	85	8	9	0
	Manufacturing	183	10	6	0
	Construction	2	2	100	0
	Commerce	76	7	9	0
	Services	28	6	21	0
Total		1,357	200	15	13

2.3 Survey Analysis

- 2.3.1 All survey variables and responses were coded, entered and processed by the Coopers and Lybrand survey team. *The data was analyzed using SPSS, a common software for statistical analysis in the social sciences.*
- 2.3.2 Most of the questions in the survey have scalar or categorical response measures. Thus, rather than computing a measure, such as the mean response, more appropriate when the response is measured in an ordinal scale, only relative frequency distributions are shown.
- 2.3.3 The first output produced from the survey data was a complete set of frequency tables--a sample count of the number of respondents per answer per question. The raw frequency tables are available from USAID/Swaziland.
- 2.3.4 *Contingency tables, or "cross-tabulations," were prepared in order to examine the effect of firm size (using number of employees), economic activity (sector), ownership (men or women owned), and geographic location (urban/rural) on the responses. In most cases there were no significant differences in responses once one also accounted for firm size. Hence, most of the discussion of the survey results focuses on the variation of responses by size category. Size was highly correlated to gender, sector, and geographic*

location. In particular, the majority of women-owned firms and manufacturing sector firms were also micro enterprises (57 percent). On the other hand, the majority of the large enterprises (more than 100 employees) also were agricultural sector firms (51 percent).

- 2.3.5 Graph-in-the-Box, a graphics and spreadsheet program was used to construct the graphics and the charts included in this report.

3. Results of the Survey

This section first presents descriptive data on the firms sampled. Subsequent sections discuss how perceptions regarding the environment, resource constraints and opportunities are distributed by firm size, and where relevant, by gender or sector.

3.1 Description of the Sample

- 3.1.1 *The sample was fairly evenly divided between micro, small, medium, and large enterprises (Exhibit 1).* For the purposes of analyzing survey results, those firms that were owner operated and that employed no other workers were classified as micro enterprises. Those employing between 1 and 25 persons were classified as small, those employing 26 to 100 workers were classified as medium, and those employing more than 100 workers were classified as large. These divisions were not arbitrary. Preliminary analysis of the data showed that there were substantial differences among the responses of firms in each size category outlined above. About 19 percent of the sample was classified as "micro enterprise," 31 percent was classified as small, 27 percent fell under the "medium" category, and the remaining 23 percent was classified as large.
- 3.1.2 *Most of the agriculture sector firms were large enterprises, while most of the manufacturing sector firms were either small or micro enterprises.* On the other hand, most of the firms in the sample operating in the commerce sector were also medium-scale enterprises. Exhibit 2 shows the size distribution of firms by sector.
- 3.1.3 *Most of the women-owned firms were micro-enterprises.* Approximately 57 percent of the women-owned firms in the sample were also micro enterprises. Almost two thirds of the micro-enterprises in the sample consisted of women-owned firms. Exhibit 3 shows the size distribution of male- and female-owned firms.
- 3.1.4 *A third of the firms sampled operated outside the main urban areas.* Approximately two-thirds of the firms sampled (67 percent) were based in Mbabane, Manzini, Matsapa, and other areas classified as urban. Exhibit 4 shows the geographic distribution of the sample.
- 3.1.5 *Almost three-fourths of all respondents reported selling their product in the domestic market only.* Smaller firms are more likely to depend heavily on the domestic market than the larger firms. Exhibit 5 shows the size distribution of firms by market orientation.

- 3.1.6 *The majority of large firms report some foreign equity ownership, while most of the smaller firms do not report any foreign owners at all. Exhibit 7 shows the size distribution of foreign ownership as well as the size distribution of public/government equity. Again, the larger firms are far more likely to report ties to foreign companies as well as Tibiyo, SWAKI, or SIDC participation than the smaller firms.*
- 3.1.7 *Smaller firms are more likely to employ Swazi labor in all skill categories than the larger firms. Exhibits 8a and 8b show that the likelihood that a firm will employ Swazis at the skilled or supervisory level increases as the size of the firm decreases.*
- 3.1.8 *Women are a relatively minor part of the labor force in the firms sampled. Exhibit 9 shows that women are a minority of the labor force employed in the country. Small firms are more likely to employ women (or have a labor force composed mostly of women) than the larger firms.*
- 3.1.9 *Smaller firms have generally less experience operating in Swaziland than the larger companies. Approximately 75 percent of the large firms in the sample had been operating in Swaziland over 10 years, compared to the 24 percent of the micro-enterprises, 39 percent of the small enterprises, and 28 percent of the medium-scale enterprises.*
- 3.1.10 *Conclusion: There are two private sectors in Swaziland--the private sector of large firms and that of the micro and small firms. The large firms employ a labor force with a different gender and ethnic composition, have been around longer and operate in and are interested in different markets. As shall be shown below, the larger firms have very different perceptions of the business environment and face very different constraints than the smaller firms.*
- 3.2 **Perceptions Regarding Business Environment, Firm Performance, and Business Opportunities**
- 3.2.1 *Firms were much more likely to see improvements in the economic climate of the country than in the political or social climate. While almost three-fourths of the firms interviewed felt that the economic climate in Swaziland had improved substantially over the last year, less than one-third believed that the social and political conditions had improved (see Exhibit 10). This view may have much to do with the fact that recent government pronouncements, particularly the land proclamation, had firms jittery. Exhibit 13 shows that large firms were more likely to feel affected by such government pronouncements than the smaller firms.*
- 3.2.2 *Smaller firms and women-owned firms were far less satisfied with their past sales performance than the larger firms. Exhibit 11a shows that the large and medium-size firms were twice as likely to report at least some improvement in their sales volume over the previous year than the micro-enterprises. Exhibit 11b shows that women-owned enterprises were also less likely to perceive that their sales had improved over the last year, though they were more likely to be optimistic about the future than micro-enterprises in general.*

- 3.2.3 *Small and micro-enterprises believe marketing constraints account for their poor sales performance.* Exhibit 12 shows that the most important factors perceived to be affecting the sales performance of the smaller firms were related to competition from local firms and difficulties getting the product to the market: distance from the market, lack of market infrastructure, transportation, and lack of adequate market information. Smaller firms also were twice as likely to report low consumer demand as a constraint (perhaps because their clientele is less affluent and has fared worse over the last year than that of larger firms).
- 3.2.4 *The small and micro enterprises were more likely to perceive that difficulties accessing raw materials had hindered business performance than the larger firms.* Exhibit 13 shows that the smaller firms were more than twice as likely to perceive this as a hindrance to business development than the larger (medium and large) firms. Exhibit 14 suggests that part of this difficulty may be explained by the difficulty these firms face getting financing.
- 3.2.5 *Large firms were far more likely to believe that poor sales performance was related to GOS policies.* Government incentives and taxation policies are only perceived as relevant (either beneficial or detrimental) by larger firms; small and micro-enterprises perceive that these incentives have no or little effect on their operations (Exhibit 12). On the other hand, tax incentives are not believed to have much of an effect by the larger firms (Exhibit 13). Some interviewees explained that the 5-year tax holiday currently in place is not generally perceived as being of much benefit to most new investors: the first 5 years of operation are often not profitable and the tax holiday cannot be carried forward. They also expressed that more emphasis should be placed by the government on tax incentives, particularly in the areas of labor training and export; incentives as currently structured are not perceived as being of much use.
- In addition, Exhibit 13 shows that micro or small enterprises are far less likely to feel affected by matters related to credit (collateral requirements, interest rates) than the larger firms. Exhibit 19a suggests that this is because so many of the smaller firms rely solely on personal funds for their capital. Collateral requirements and interest rates may hinder small firms' access to formal credit (and Exhibits 15a and 20 suggest that access is indeed a problem) but do not affect their current operations, since these policies only affect those actually *using* credit from external (nonpersonal) sources.
- 3.2.6 *Larger firms were far more likely to be dissatisfied with the quality of government services (electricity, water, housing, health, education, the lack of suitable premises) than the small and micro-enterprises (Exhibit 15a).* More than half the larger firms believe the quality of these services had hindered business development, compared to less than 20 percent of the small enterprises and less than 10 percent of the micro enterprises. The larger firms, in their comments to the interviewers, stated that the country is generally better run than most African countries. Nevertheless they also believe that government agencies are

generally inefficient and slow moving, and that red tape abounds. Criticism was leveled in particular at Customs and Excise, the postal system, the police department, the water board, health and education services, and the parastatals. In addition, the increasing bribery and corruption of the government is of great concern.

- 3.2.7 *Production technology is not considered to be a constraint the majority of all respondents.* Small firms were least likely, and the agriculture-sector firms were most likely, to be satisfied with the production technology available in the country. The high proportion of all respondents satisfied with their access to production technology in the country perhaps reflects in part Swaziland's proximity to the Republic of South Africa (RSA).
- 3.2.8 *Many firms see prospects and profits in agribusiness.* Exhibit 16 shows that though only 12 percent of the sample operated in the agribusiness sector, 29 percent of the firms sampled believe that agriculture, either for domestic consumption or for export (though a majority were likely to feel that the domestic market was best), offers the best prospects for the investor. Interviewees suggested that prospects for agriculture would be even greater if land utilization were rationalized and funding for agricultural research increased. Less than 5 percent see any prospects in tourism.
- 3.2.9 *The RSA and the European Economic Community were perceived as the most profitable markets by those firms interested in exporting.* Exhibit 6 shows that the preference for the RSA as an export market is related to size; the larger the firm the more likely that it would express a preference for the RSA.

3.3 Perceptions Regarding Resource Constraints Affecting Productivity

- 3.3.1 *Firms in all size categories are experiencing difficulties accessing skilled labor in Swaziland.* Exhibit 15a shows that smaller firms were much more likely to believe that the lack of skilled or supervisory labor was hindering business performance than the larger firms. Their responses to other questions related to labor suggest that their problem is not so much related to the *quality* of the skilled labor force per se as it is to difficulties *recruiting* this skilled labor. Dialogue sessions revealed that Swazis prefer to work for the larger firms, since they offer greater benefits, job stability, and an opportunity to learn from experienced managers and professionals. But for larger firms, the problem with the labor force was one of *quality*. Less than one-third of the large firms reported being satisfied with the productivity of their labor force; almost 100 percent reported having to invest heavily in employee training (Exhibit 17). During interviews, company owners in the larger firms complained that education in Swaziland is underfunded and deteriorating; degrees from the University of Swaziland are not at all highly regarded. Good, experienced professional and technical personnel are particularly difficult to find locally (Exhibit 18). As a result, large firms report having to pay very high salaries to attract quality skilled personnel from outside Swaziland. GOS

regulations regarding work permits make it very difficult to do this according to respondents (Exhibit 12).

- 3.3.2 *For larger firms, the key constraints affecting productivity are related to the poor quality of services.* Exhibit 15a shows that larger firms are more than twice as likely to feel affected by the lack of reliable electricity, quality housing, and quality services. Larger firms also felt particularly hindered by their ability to access inputs. Exhibit 14 suggests that this is largely due to local scarcity of the types of inputs they need to operate and to the cost of transport.
- 3.3.3 *For micro and small enterprises, the key constraints are marketing and access to credit and capital.* The survey revealed that firms in this size category rely heavily on nonformal sources of capital, particularly personal funds and funds provided by family and friends (Exhibit 19). This has thwarted expansion and production plans to some extent (Exhibit 20). These firms also report problems marketing their goods. Survey results suggest that in part this is due to problems accessing the markets (see Exhibit 12) and in part because they lack adequate information on consumer tastes and demand (Exhibit 12).
- 3.3.4 *As a result, the large enterprises are very interested in investing in personnel development programs, while the smaller firms are far more interested in developing marketing.* Exhibit 21 shows that the larger firms are twice as likely to express interest in developing management skills and their personnel training program than the smaller firms. On the other hand, the smaller firms are more interested in improving their marketing than the large firms.

3.4 Implementing Agents

The results highlighted above suggest that there are some key bottlenecks to private-sector development in the country. The question then arises, how to reach the private sector. Survey results suggest that reaching the smaller enterprises may be far more problematic than reaching the larger firms:

- 3.4.1 *Small enterprises, by and large, do not belong to any business association (Exhibit 22).* While almost all large enterprises (90 percent) report belonging to some association, only 17 percent of micro-enterprises and 30 percent of small enterprises do. When asked to explain why they do not belong to any association, the overwhelming majority of the micro-enterprises (80 percent) and two-thirds of the small firms said it was because no organization provides the type of services they find useful.
- 3.4.2 *Even those associations to which the smaller firms belong are not considered effective by their members.* Those organizations made up of smaller firms (Sibakho, Commercial Amadoda, and to a lesser extent the Chamber of Commerce) received very low effectiveness ratings from their members (Exhibit 23).
- 3.4.3 *But there is a considerable demand among the smaller firms for the types of services business associations may offer. Micro and small enterprises want and require different things*

from the organizations than the larger firms. The large firms believe a business organization should serve as a vehicle to lobby government and perhaps assist with the development of personnel training programs. Small firms believe these organizations should assist by providing them with credit and marketing information (Exhibit 24).

- 3.4.4 *There is very little contact between the large and the smaller firms. The smaller firms generally do not belong to the same business associations as do the larger firms, and even when they do belong to the same association, they have very different perceptions regarding how well that particular organization serves their interests (Exhibit 23).*

3.5 Observations Regarding Donor Assistance

- 3.5.1 *Most firms (63 percent) interviewed were unaware of any benefits they may have derived or are deriving from international donor assistance. Only 5 firms out of the 200 interviewed could say with certainty whether anyone in the company had participated in USAID funded training, though three of those that did found the material useful. In their comments the interviewees noted that though they were generally aware of foreign aid to the country, they did not know the extent of that aid, or to which areas it was being channeled. Some of the interviewees suggested that USAID and other donors should publicize their activities more.*

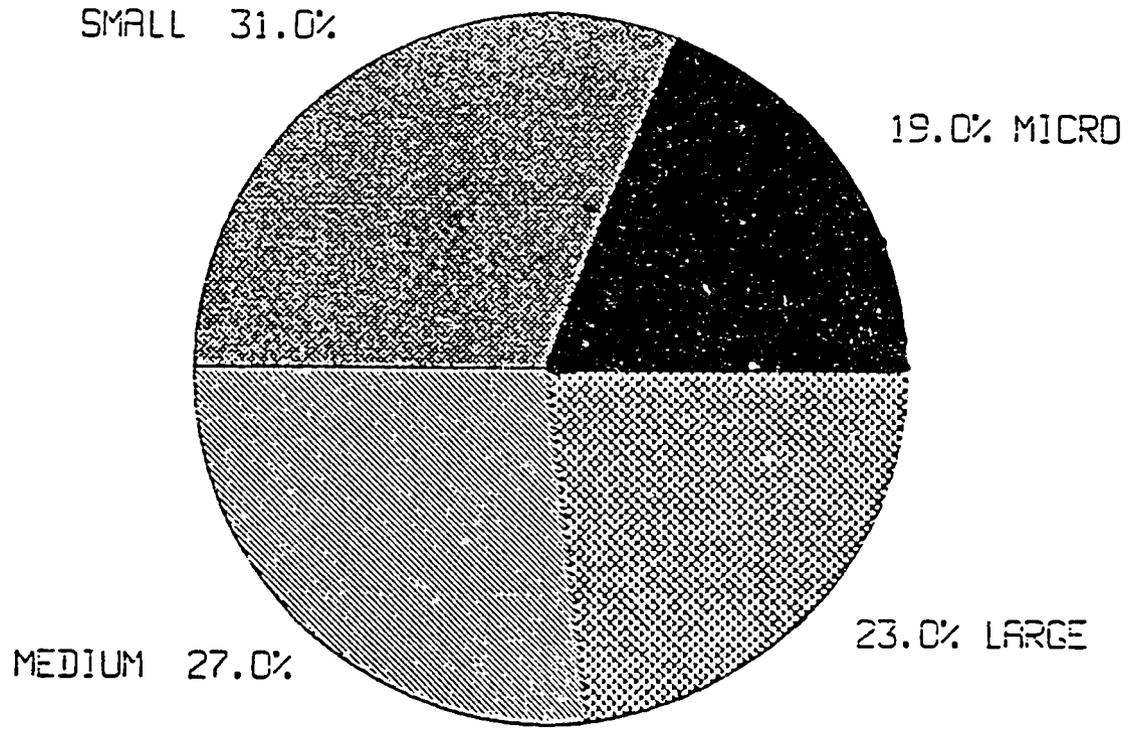
4. Implications for Dialogue and Strategy

- 4.1 *Large and small firms have very different problems. These problems cut across all sectors of economic activity in which each group operates.*
- 4.2 *The creation of relevant labor skill training in the country must be a priority.* This issue is not new. Past actions that have failed to reduce the problem have included the Industrial and Vocational Training Act (April 1986), which allows private-sector participation in the training structure. The question for the focus groups then arises: why does the problem persist; why have past actions not seem to have alleviated this situation?*
- 4.3 *Small firms have virtually no access to formal credit sources. Again this issue is not new. The survey results suggest that a major bottleneck for channeling credit assistance may be the lack of organizational infrastructure among the smaller firms. Hence, a development strategy for these firms must address organizational bottlenecks along with credit bottlenecks. The dialogue sessions should explore the extent to which there is a consensus regarding the seriousness of this constraint. They also should explore ideas on how to mobilize domestic savings more effectively and channel them towards these enterprises.*
- 4.4 *Small firms face severe problems on the marketing side. Hence, a strategy for developing these firms must address marketing infrastructure and information issues.*
- 4.5 *The one effective business association, according to respondents (the Federation of Swaziland Employers), does not provide the type of assistance most needed and wanted by the smaller enterprises. Since the majority of smaller firms do not belong to any type of*

association it may be difficult to reach and provide needed services for these entrepreneurs efficiently.

- 4.6 *There is a need to create a greater number of linkages between the large and the small entrepreneur. Business organizations can play a key role here as well by providing networking opportunities. The creation of more networking opportunities between small and large enterprises could help boost small-firm market contacts.*

CHARACTERISTICS OF THE FIRMS SAMPLED:
BY FIRM SIZE DISTRIBUTION
N = 200



DEFENITIONS:

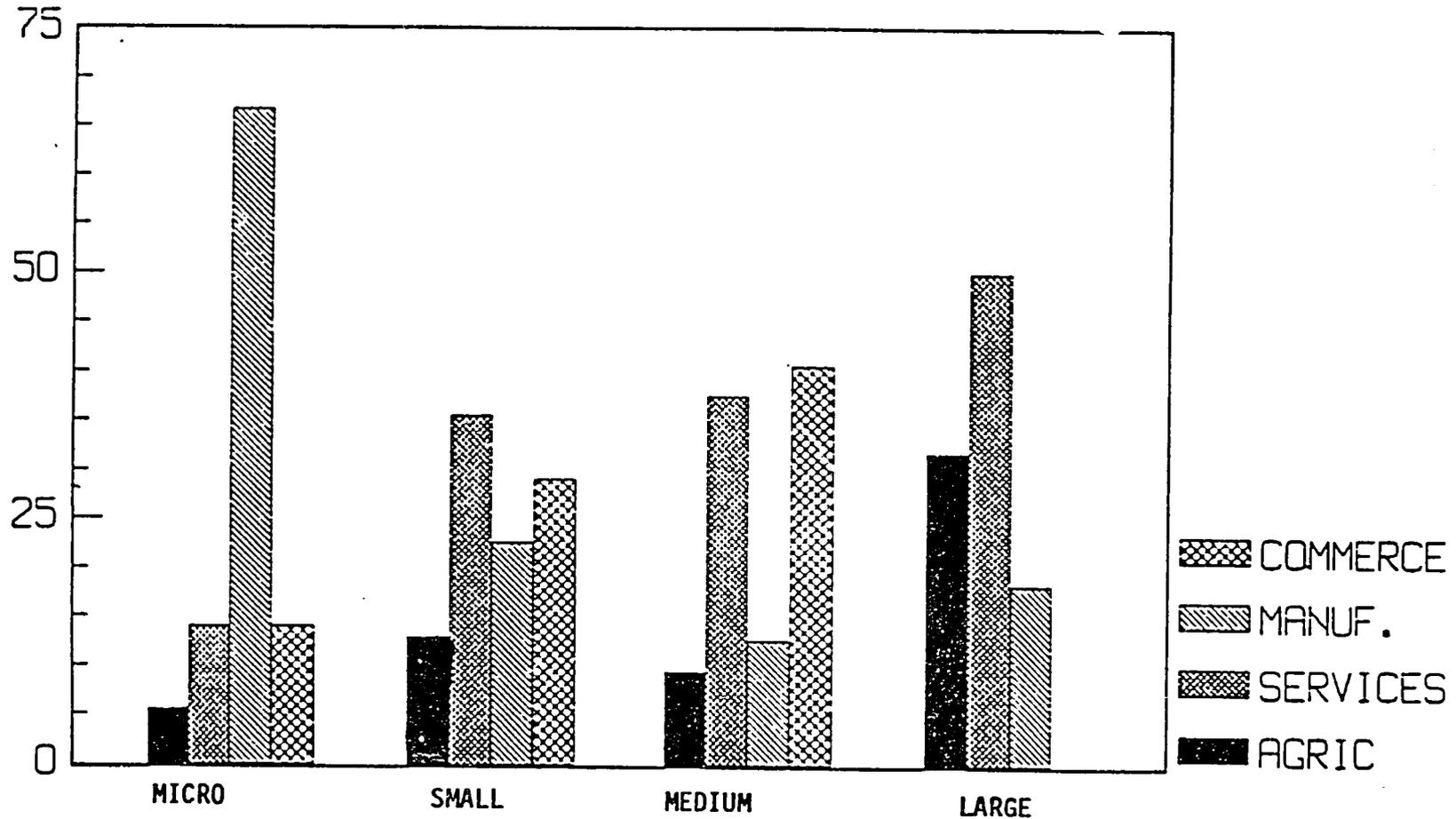
MICRO ENTERPRISE = NO EMPLOYEES (OWNER OPERATED)

- SMALL " = 1 - 25 EMPLOYEES
- MEDIUM " = 26 - 100 EMPLOYEES
- LARGE " = OVER 100 EMPLOYEES

C-13

45

CHARACTERISTICS OF THE FIRMS SAMPLED:
 SECTORAL DISTRIBUTION
 N = 200

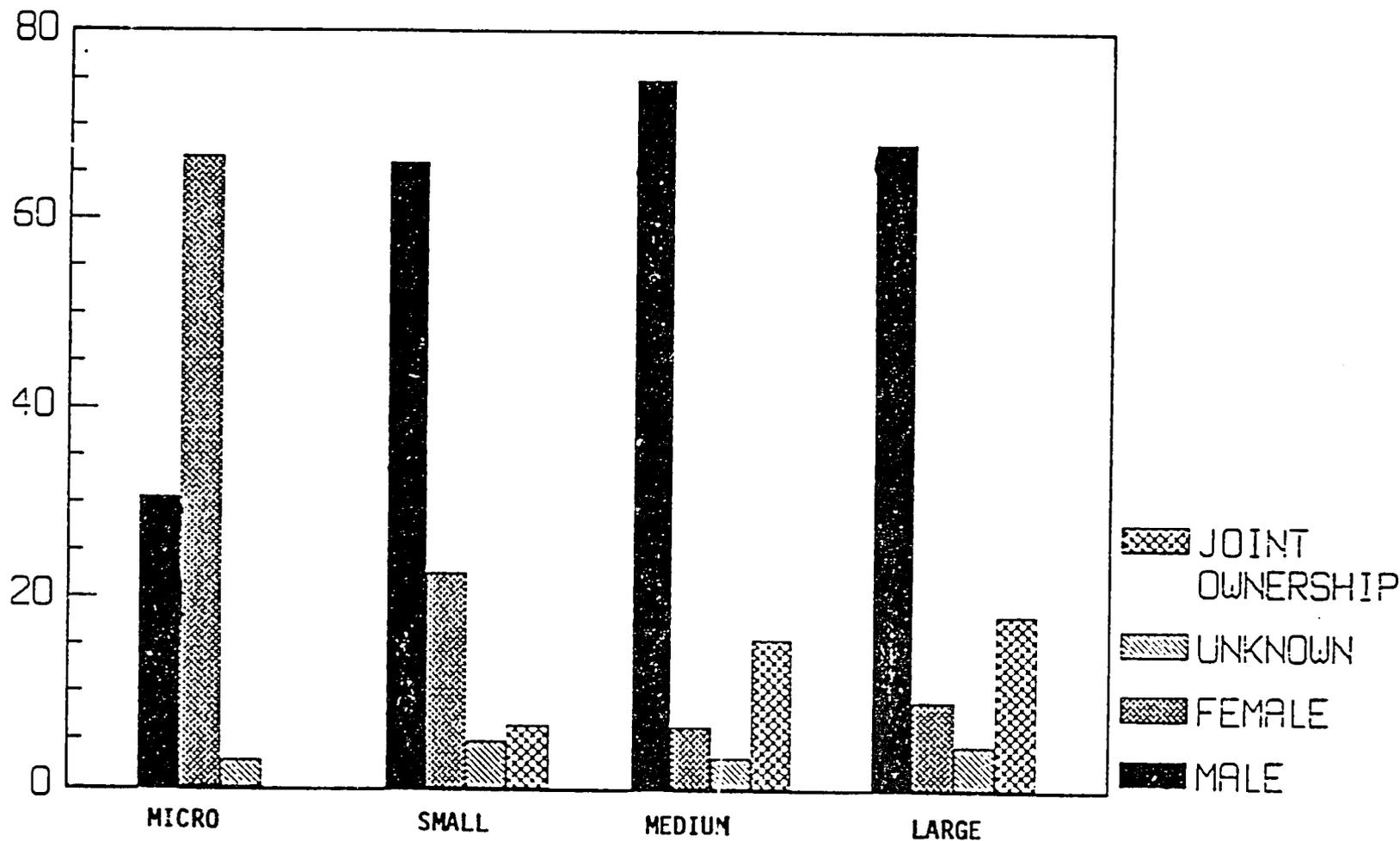


DEFINITIONS:

MICRO ENTERPRISE = NO EMPLOYEES (OWNER OPERATED)
 SMALL " = 1 - 25 EMPLOYEES
 MEDIUM " = 26 - 100 EMPLOYEES
 LARGE " = OVER 100 EMPLOYEES

~~EXHIBIT 3~~ ~~QUESTION 4~~

**CHARACTERISTICS OF THE FIRMS SAMPLED:
OWNERSHIP BY FIRM SIZE**
N = 200



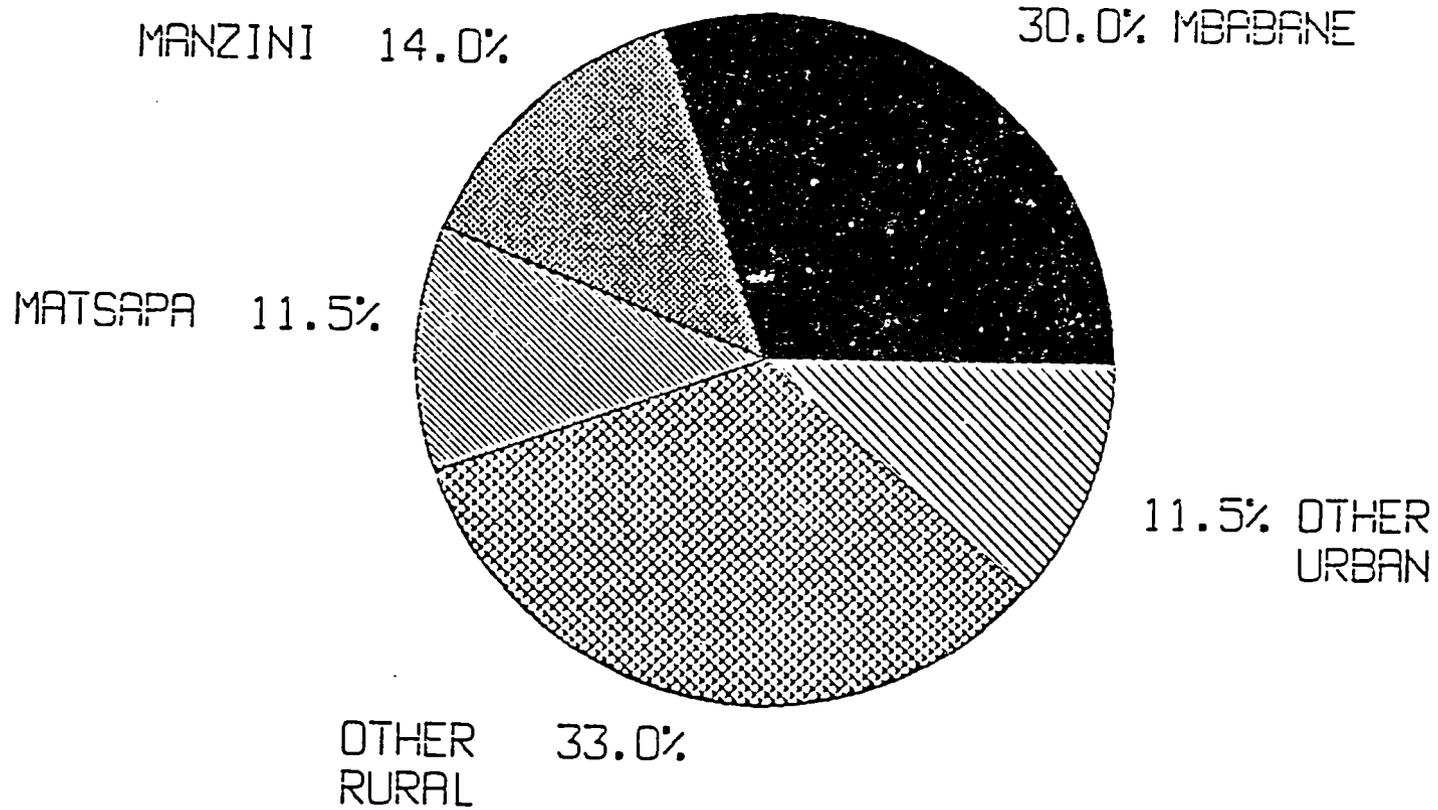
DEFINITIONS:

MICRO ENTERPRISE = NO EMPLOYEES (OWNER OPERATED)
 SMALL " = 1 - 25 EMPLOYEES
 MEDIUM " = 26 - 100 EMPLOYEES
 LARGE " = OVER 100 EMPLOYEES

C-15

47

CHARACTERISTICS OF THE FIRMS SAMPLED:
GEOGRAPHIC DISTRIBUTION
N = 200



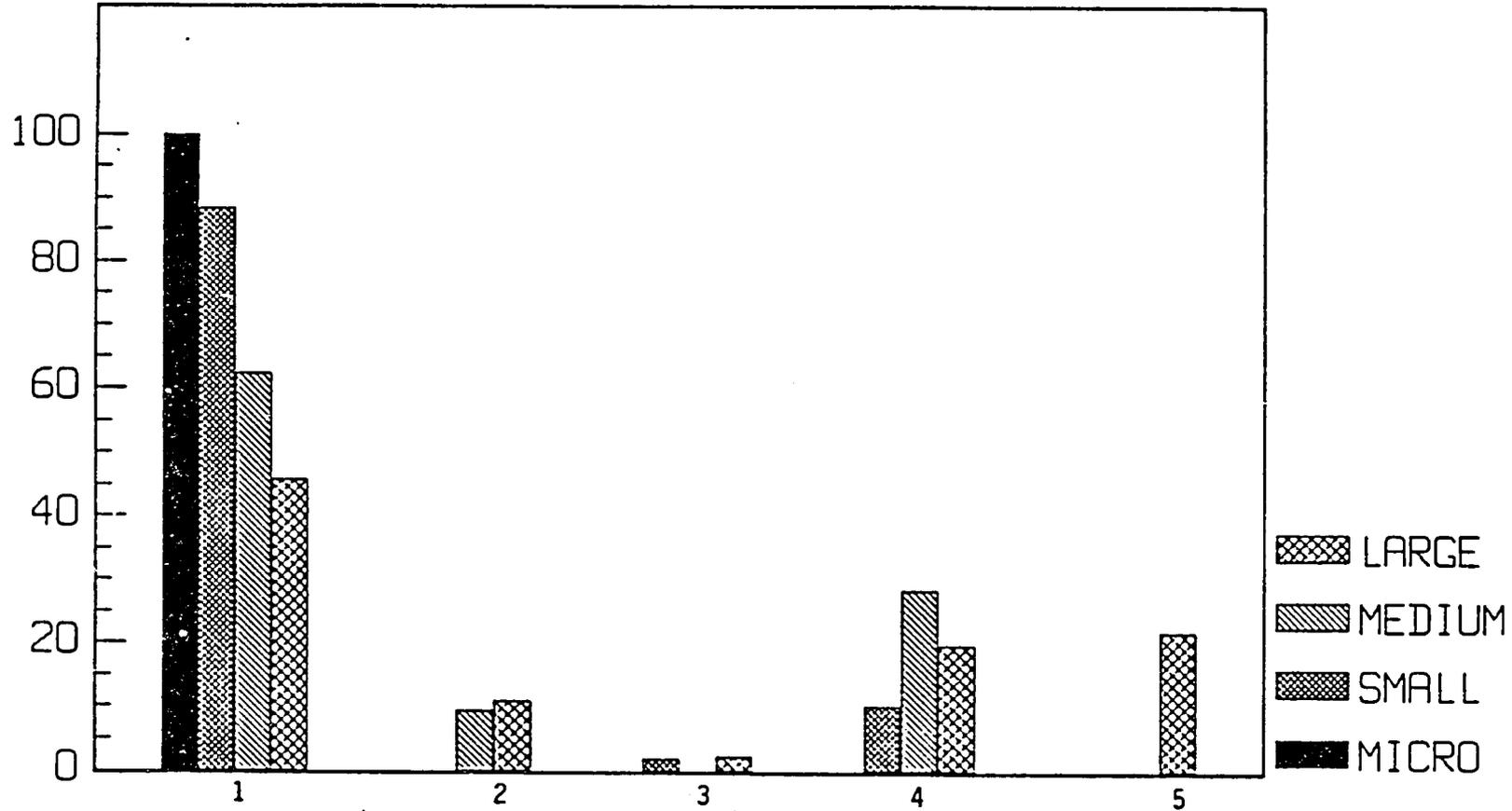
C-16

18

**CHARACTERISTICS OF THE FIRMS SAMPLED:
MARKET ORIENTATION BY FIRM SIZE**

N = 197

C-17



LEGEND:

1 DOMESTIC MARKET
2 EXPORT TO RSA
3 EXPORT TO SADCC

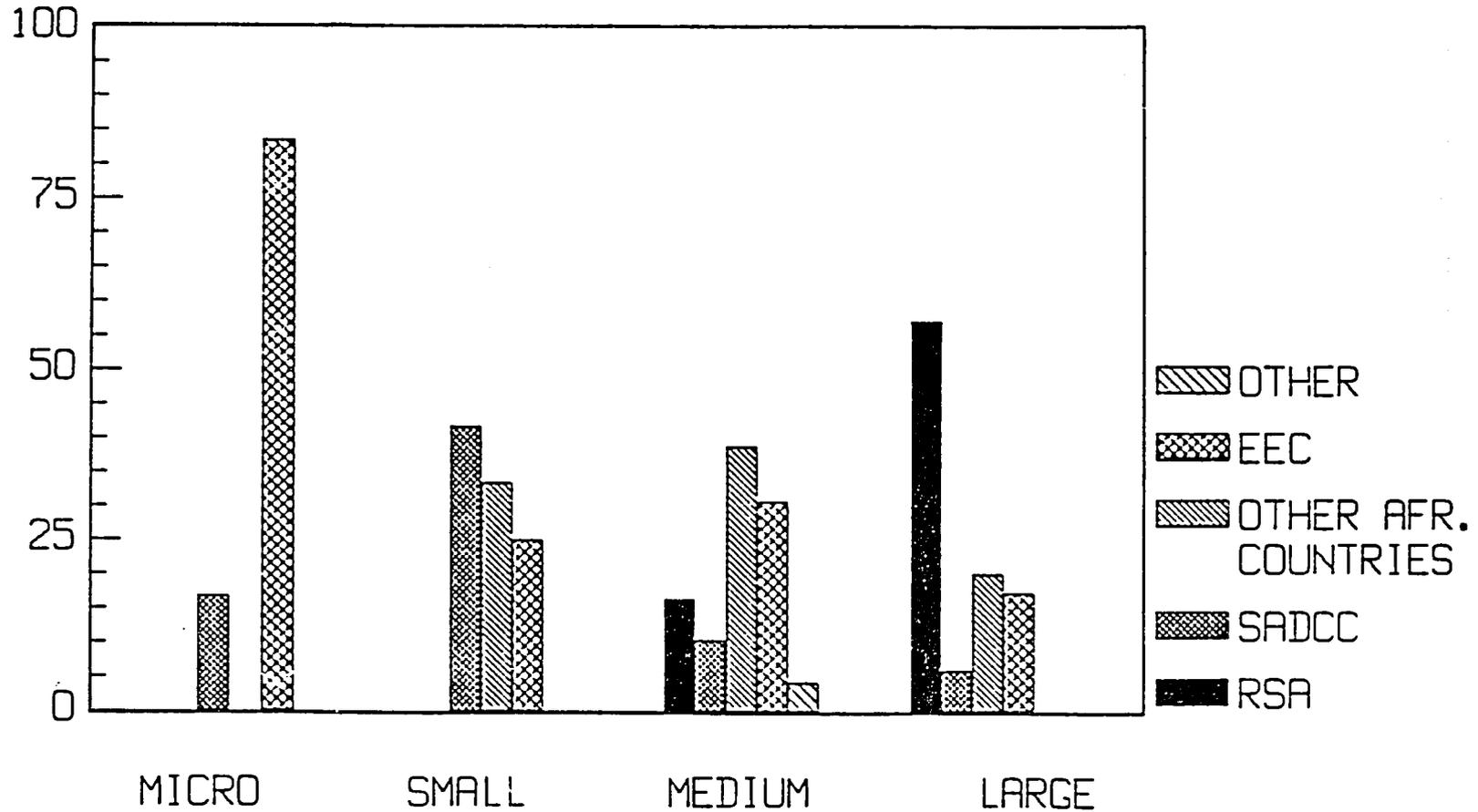
4 BOTH EXPORT & DOMESTIC MARKETS
5 EXPORT TO OTHER CONTINENTS

11

EXHIBIT 6

QUESTION 58

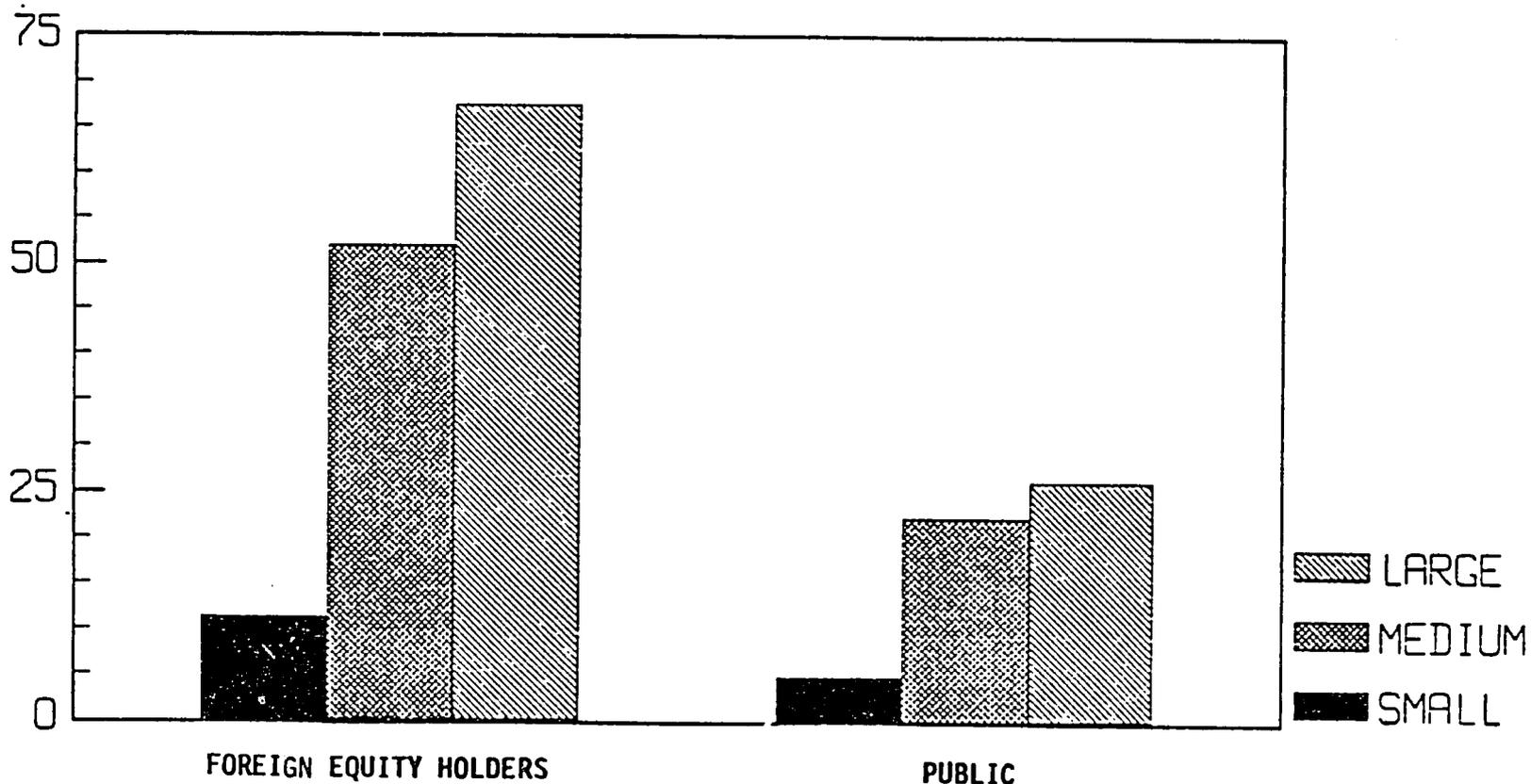
PERCEPTIONS REGARDING EXPORT MARKETS
PROPORTIONS BELIEVING EXPORT MARKET
PROFITABLE
N = 200



C-18

60

**EQUITY HOLDING PATTERNS BY FIRM SIZE:
PROPORTION REPORTING FOREIGN OR PUBLIC
EQUITY
N = 200**



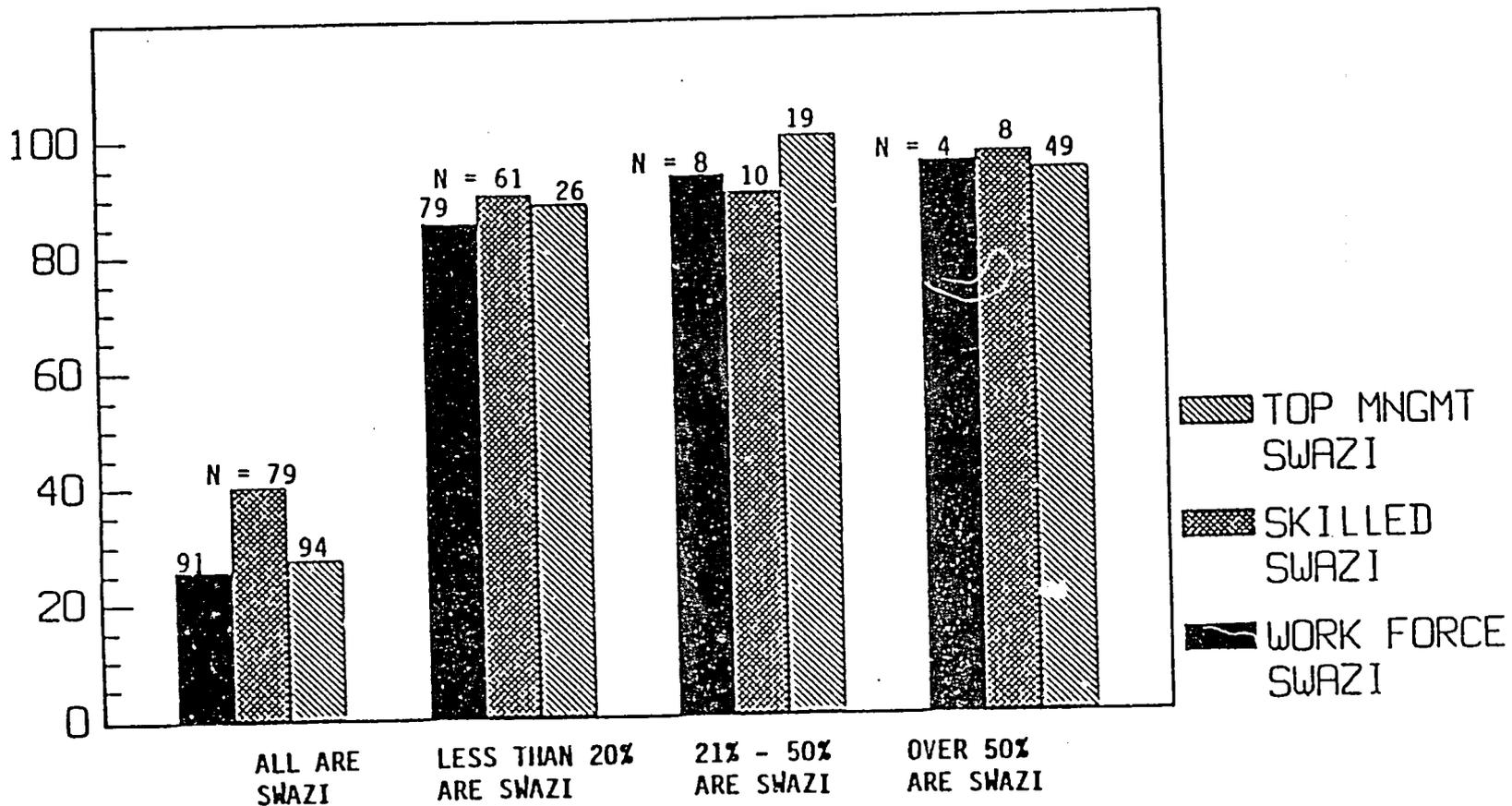
C-19

DEFINITIONS:

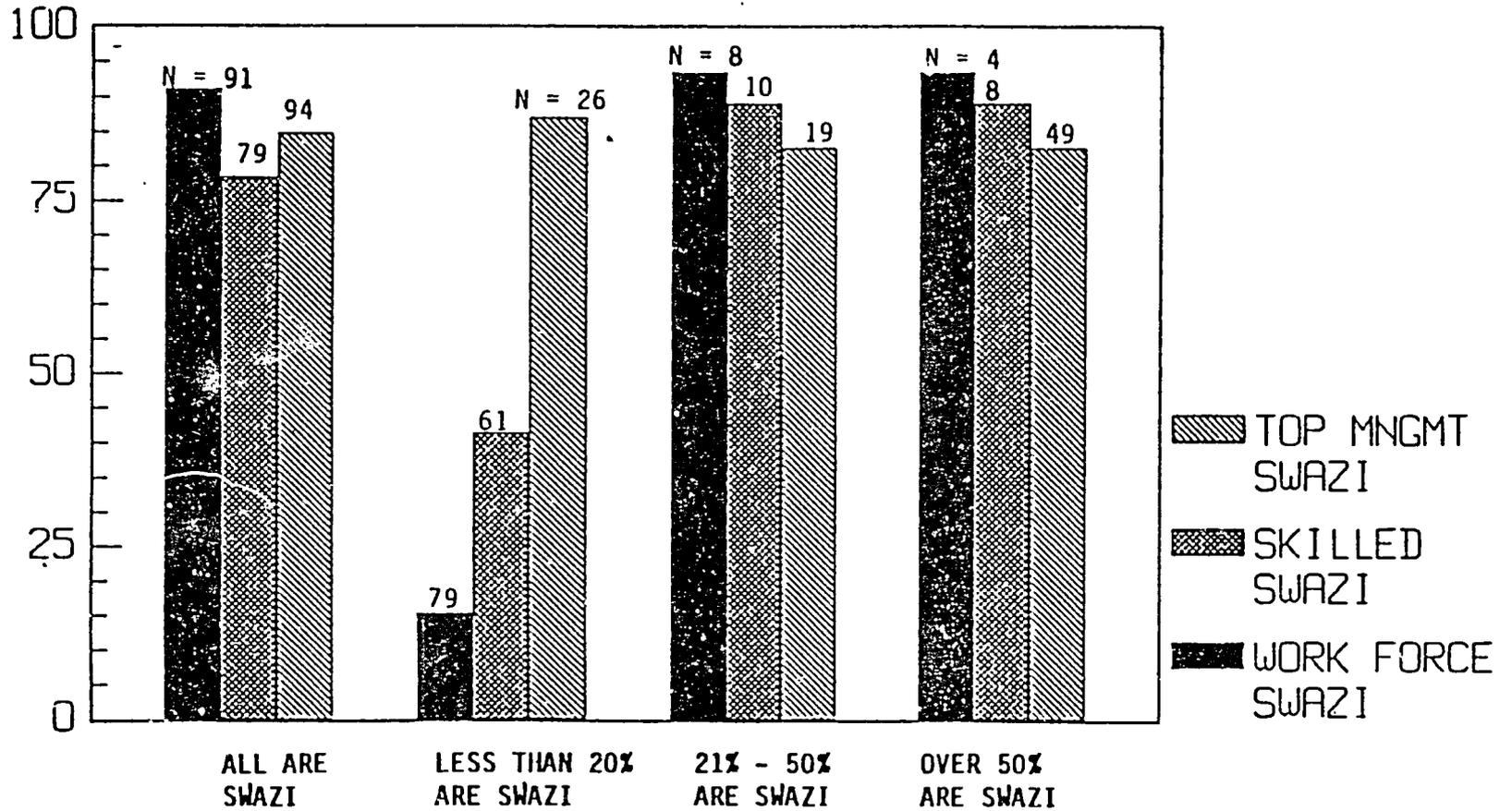
MICRO ENTERPRISE = NO EMPLOYEES (OWNER OPERATED)
SMALL " = 1 - 25 EMPLOYEES
MEDIUM " = 26 - 100 EMPLOYEES
LARGE " = OVER 100 EMPLOYEES

51

DEMOGRAPHIC CHARACTERISTICS OF LABOR FORCE:
 BY FIRM SIZE DISTRIBUTION
 PERCENTAGE OF LARGE FIRMS RESPONDING THAT:

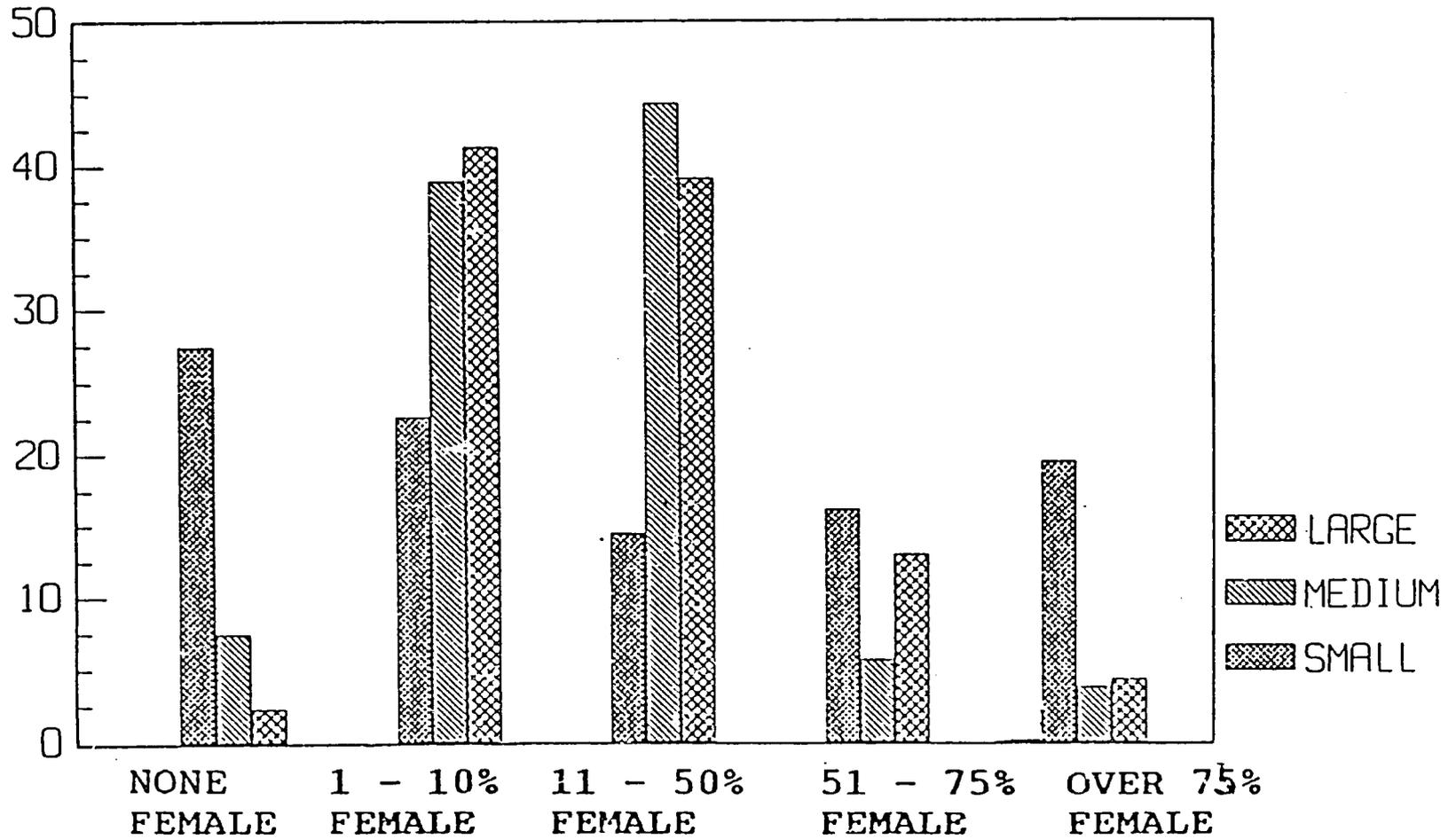


DEMOGRAPHIC CHARACTERISTICS OF LABOR FORCE:
BY FIRM SIZE DISTRIBUTION
PERCENTAGE OF SMALL FIRMS RESPONDING THAT:



DEMOGRAPHIC CHARACTERISTICS OF LABOR FORCE:

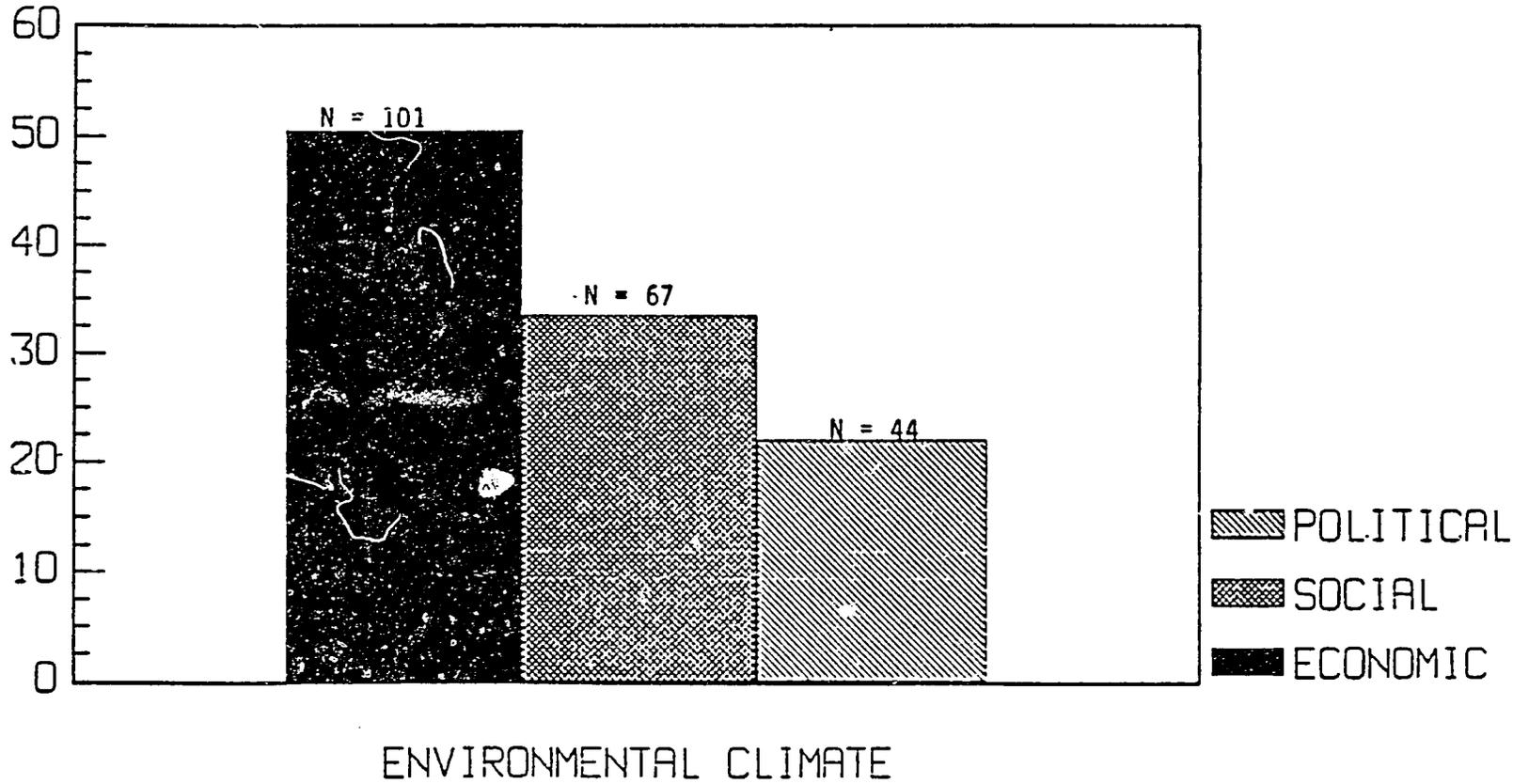
EMPLOYMENT OF WOMEN BY FIRM SIZE:
PROPORTION OF RESPONDENTS REPORTING THAT:
N = 200



C-22

54

PERCEPTIONS REGARDING BUSINESS CLIMATE TODAY:
PROPORTION OF ALL BUSINESSES RESPONDING
"BETTER TODAY"



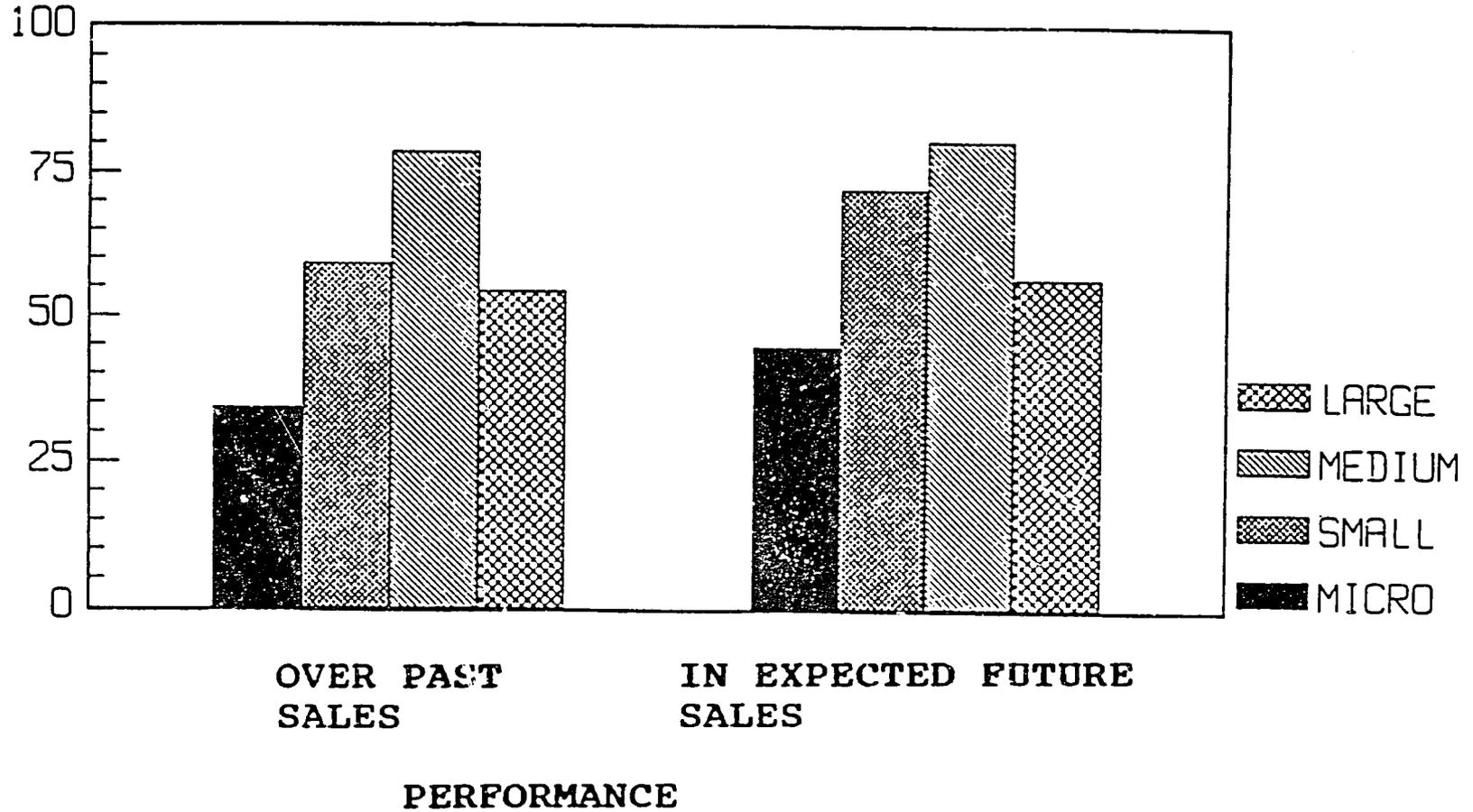
C-23

5

EXHIBIT 11 A

QUESTION 27 & 28

PERCEPTIONS REGARDING SALES PERFORMANCE
BY FIRM SIZE DISTRIBUTION:
PROPORTION REPORTING AT LEAST SOME
IMPROVEMENT



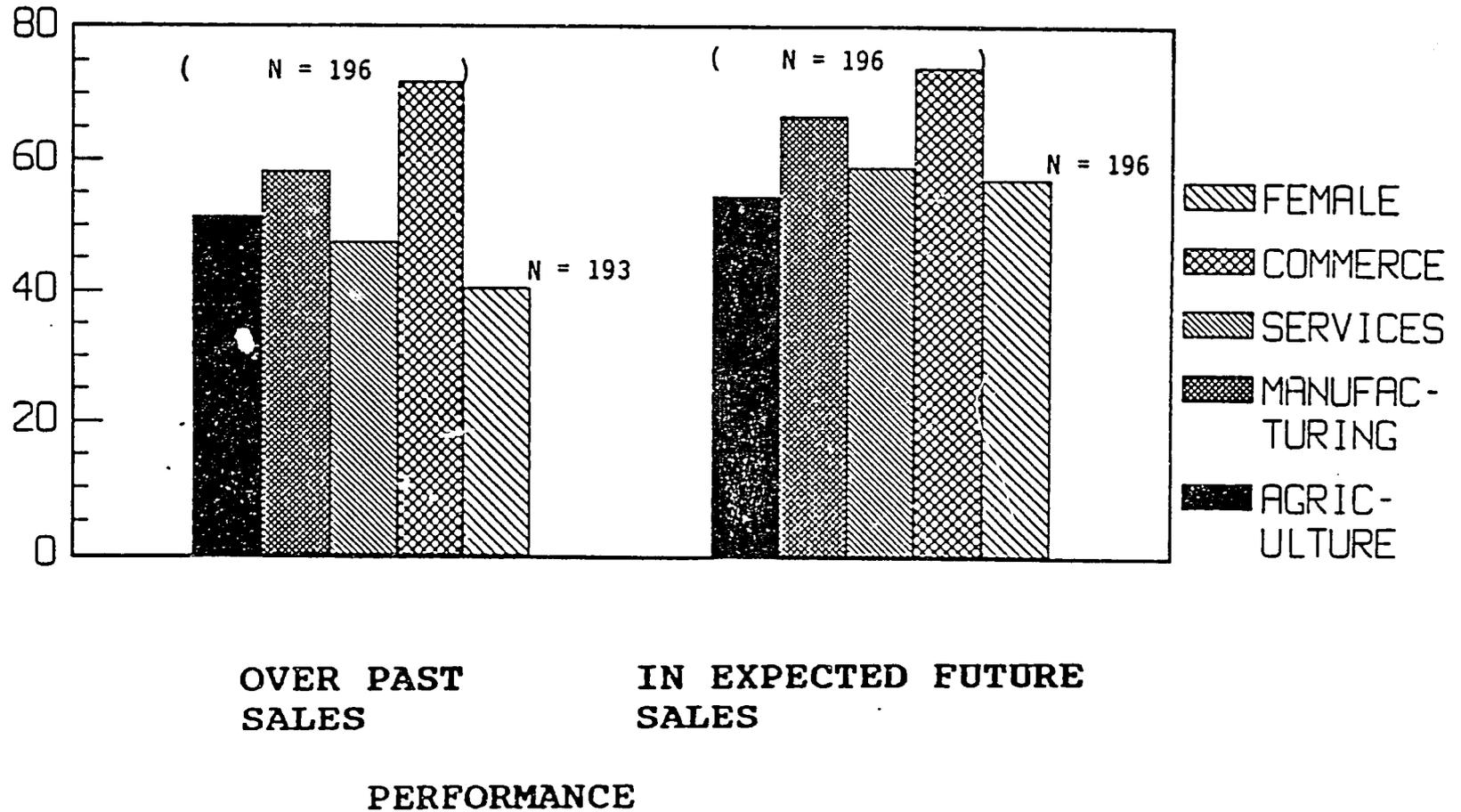
C-24

54

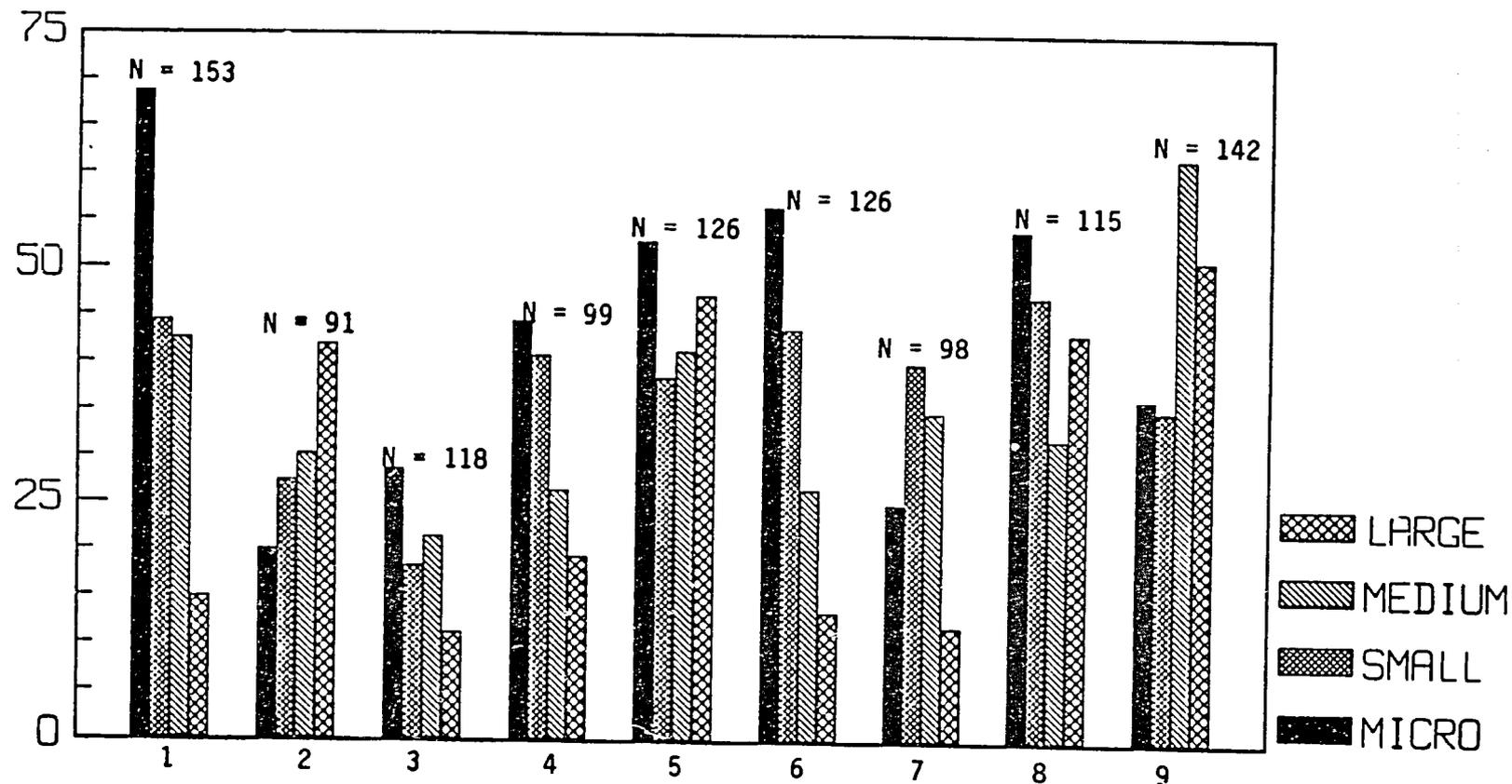
EXHIBIT 11 B

QUESTION 27 & 28

PERCEPTIONS REGARDING SALES
BY MAIN INDUSTRY/GENDER:
PROPORTION REPORTING AT LEAST SOME IMPROVEMENT



**FACTORS AFFECTING SALES LAST YEAR
BY FIRM SIZE:
PROPORTION REPORTING VERY IMPORTANT**



C-26

LEGEND:

DEMAND

- 1 COMPETITION FROM SWAZI
- 2 COMPETITION FROM RSA
- 3 CONSUMER DEMAND

PRODUCTION

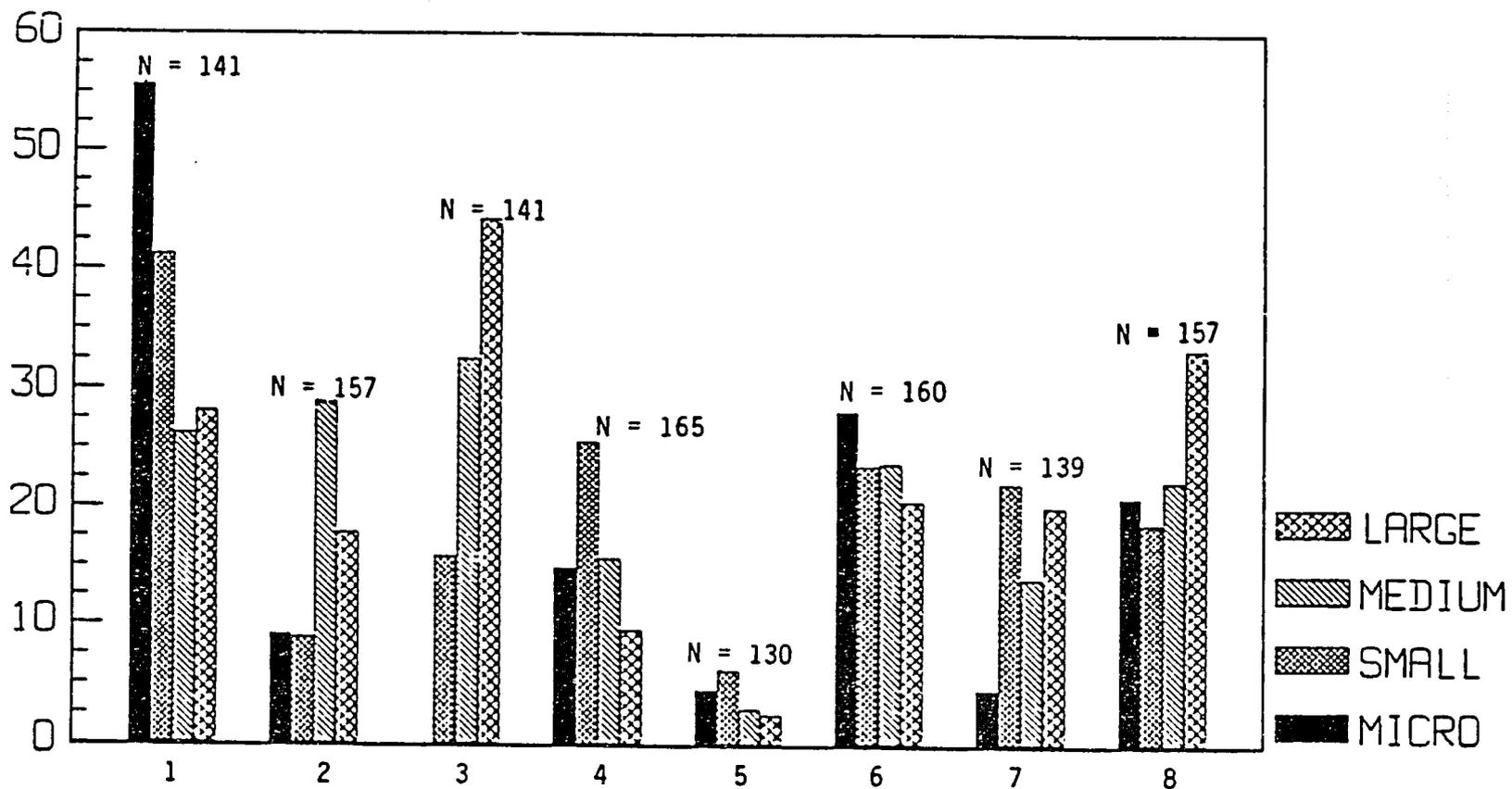
- 4 MARKET INFRASTRUCTURE
- 5 TRANSPORT
- 6 LACK OF MARKET INFORMATION
- 7 TECHNOLOGY
- 8 DISTANCE FROM MARKET

POLICY

- 9 GOS REGULATION

148

**FACTORS AFFECTING BUSINESS PERFORMANCE:
PROPORTION BELIEVING FACTOR HAS A LARGE
EFFECT ON BUSINESS**



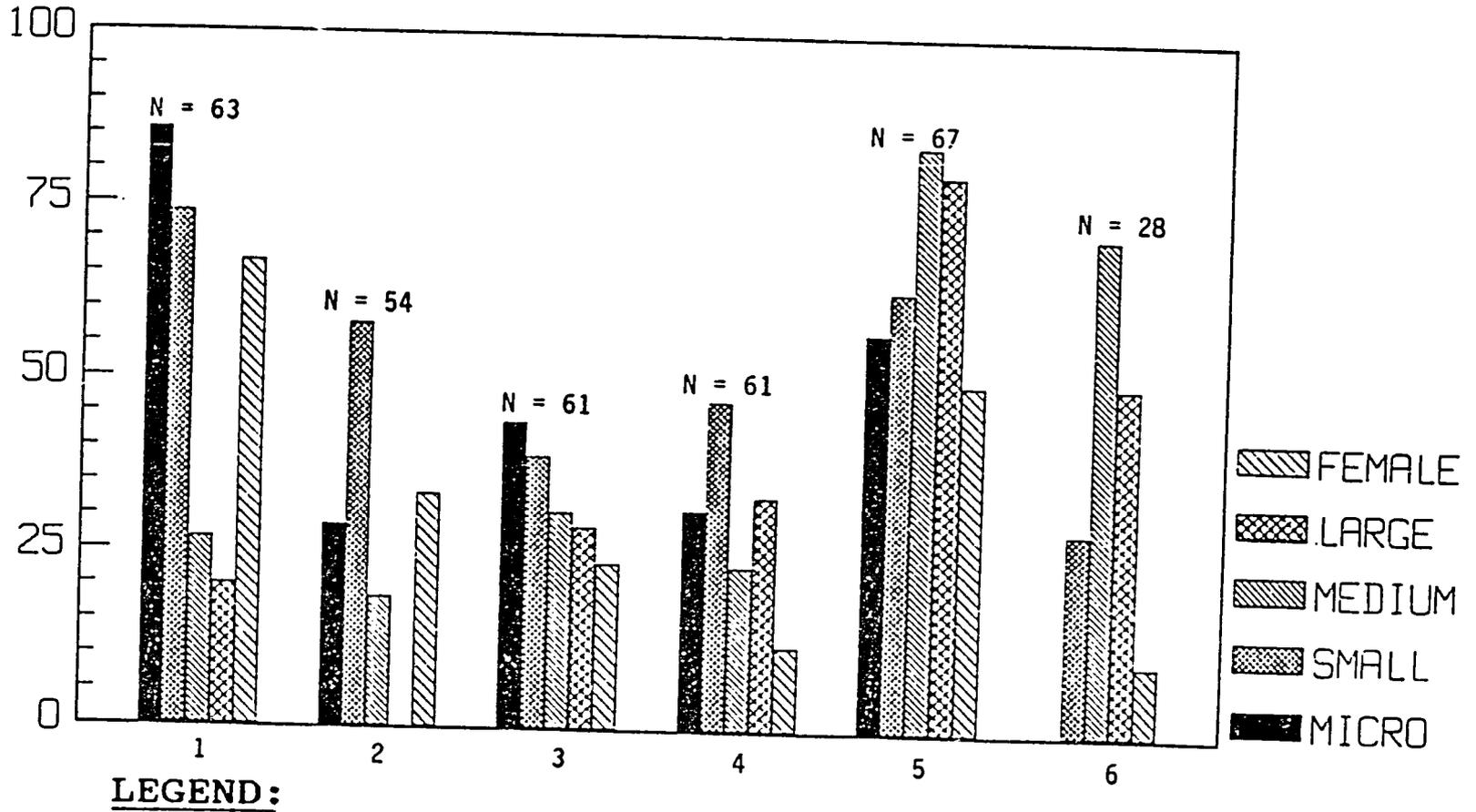
LEGEND:

- | | |
|------------------|----------------------|
| 1 RAW MATERIALS | 5 TAX INCENTIVES |
| 2 INTEREST RATES | 6 OUTPUT PRICES |
| 3 EXCHANGE RATES | 7 LOAN COLLATERAL |
| 4 TAXES | 8 GOS PRONOUNCEMENTS |

C-27

59

**FACTORS AFFECTING ACCESS TO INPUTS:
PROPORTION PERCEIVING IT AS A 'VERY
IMPORTANT' CONSTRAINT**

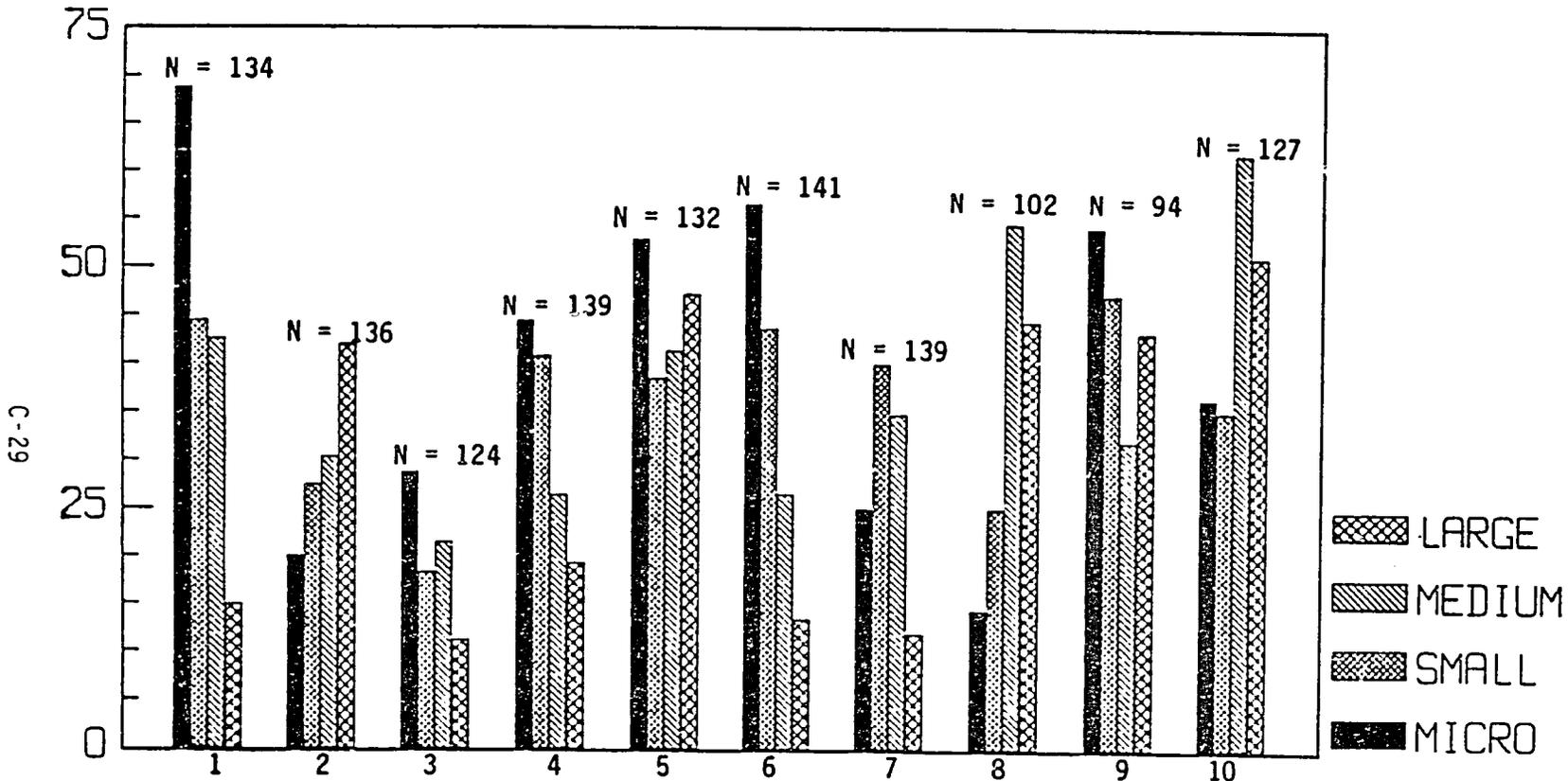


LEGEND:

- 1 FINANCE
- 2 LACK OF COOPERATIVE BUYING
- 3 TRANSPORT

- 4 COST OF TRANSPORT
- 5 AVAILABILITY OF SUPPLIES
- 6 OTHER

PERCEPTIONS REGARDING RESOURCE
CONSTRAINTS BY FIRM SIZE:
PROPORTION REPORTING NEGATIVE EFFECT



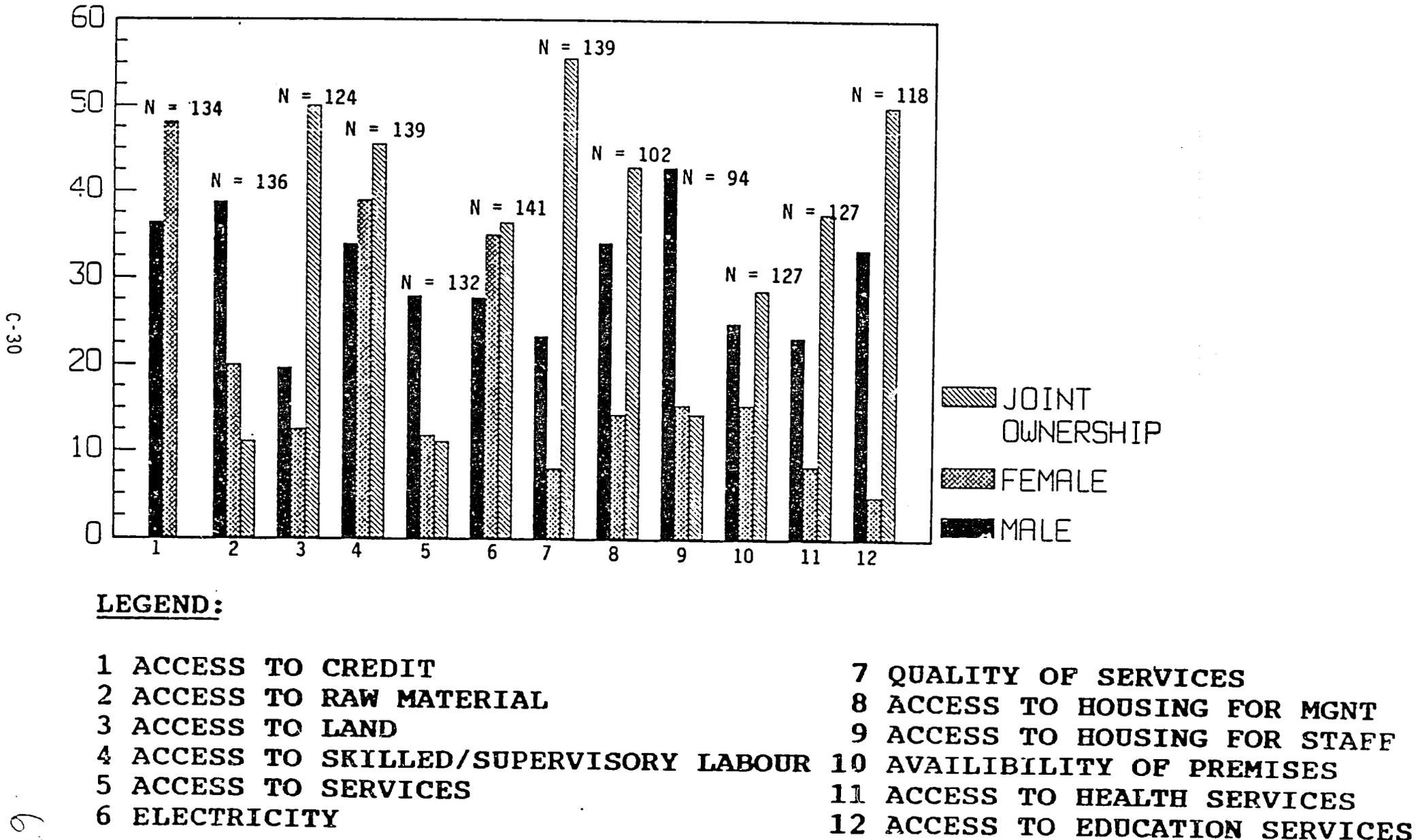
LEGEND:

- 1 ACCESS TO CREDIT
- 2 ACCESS TO RAW MATERIAL
- 3 ACCESS TO LAND
- 4 ACCESS TO SKILLED/SUPERVISORY LABOUR
- 5 ACCESS TO SERVICES

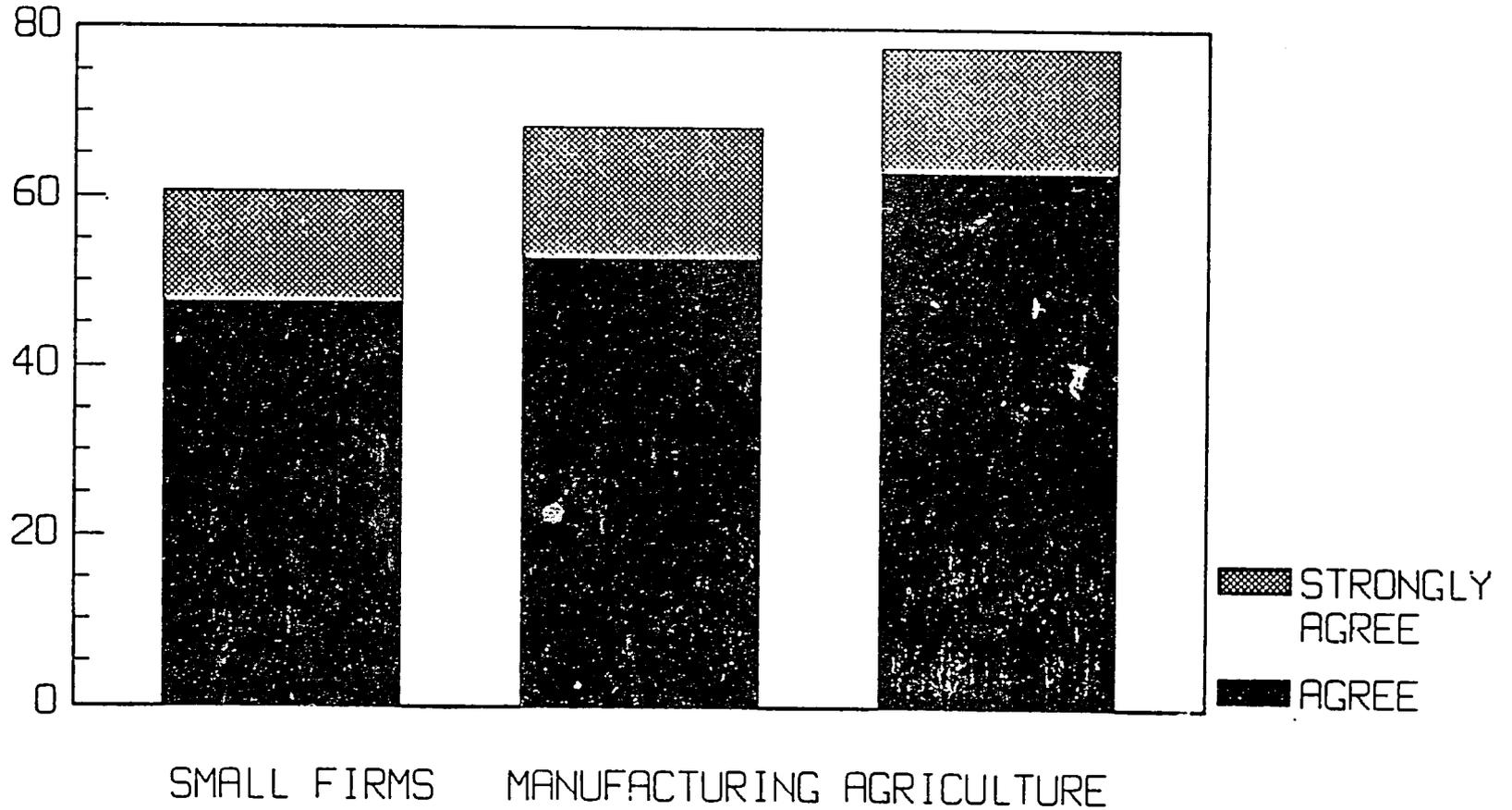
- 6 ELECTRICITY
- 7 QUALITY OF SERVICES
- 8 ACCESS TO HOUSING FOR MGNT
- 9 ACCESS TO HOUSING FOR STAFF
- 10 AVAILABILITY OF PREMISES

61

PERCEPTIONS REGARDING RESOURCE
CONSTRAINTS BY GENDER:
PROPORTION REPORTING NEGATIVE EFFECT



PERCEPTIONS REGARDING PRODUCTION TECHNOLOGY:
PROPORTION AGREEING THAT IT IS ADEQUATE
N = 132

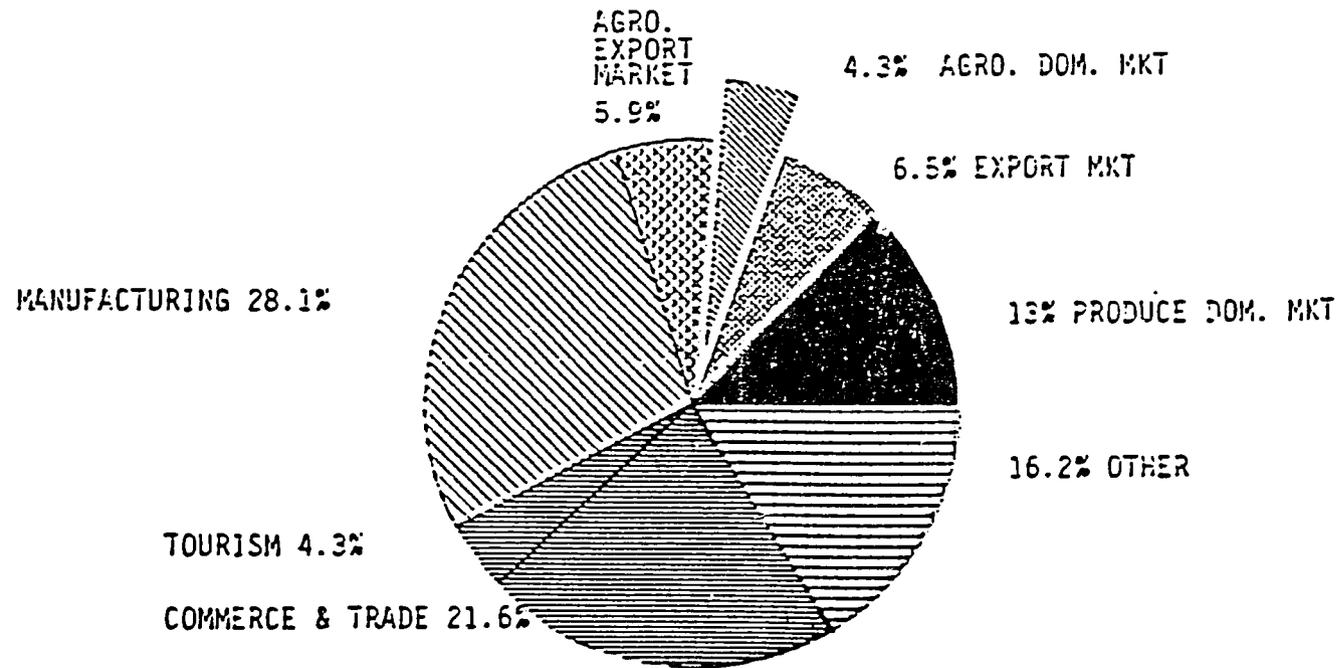


C-31

63

WHICH AREA OFFERS BEST RETURN ON INVESTMENTS (ALL FIRMS)

N = 200



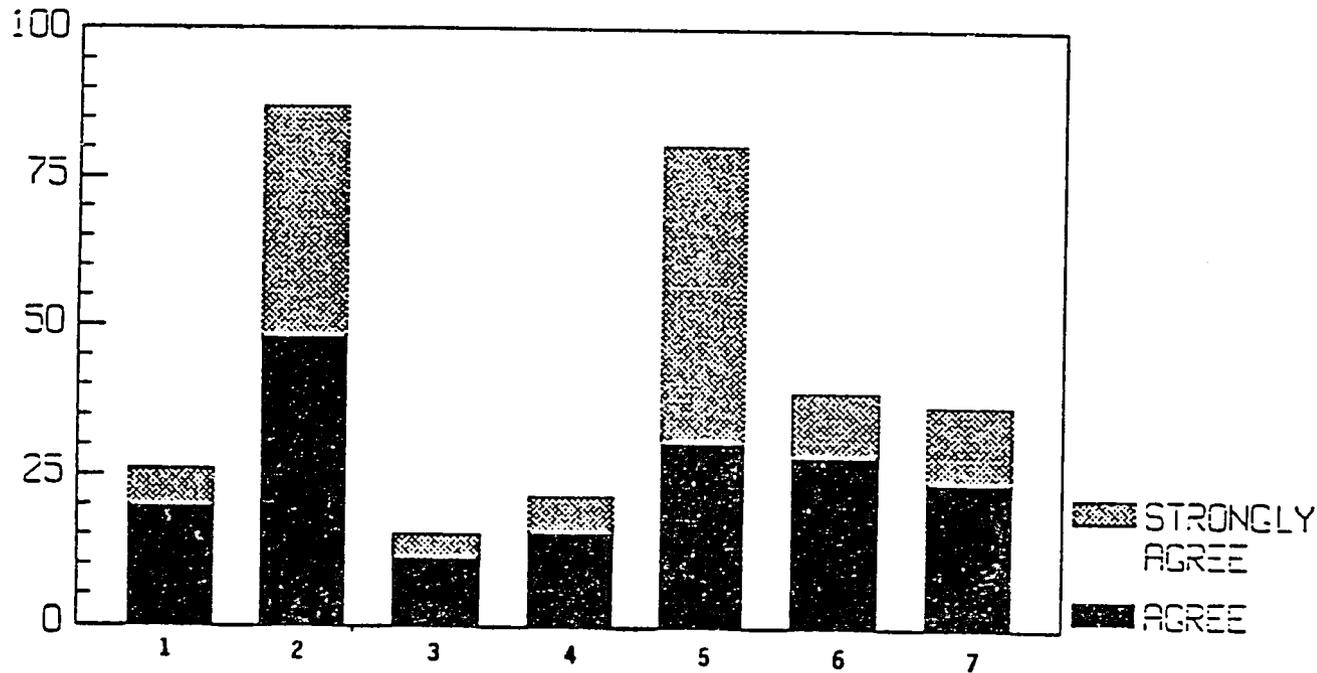
C-32

199

PERCEPTIONS REGARDING LABOR PRODUCTIVITY
(LARGE FIRMS ONLY)

N = 45

C-33



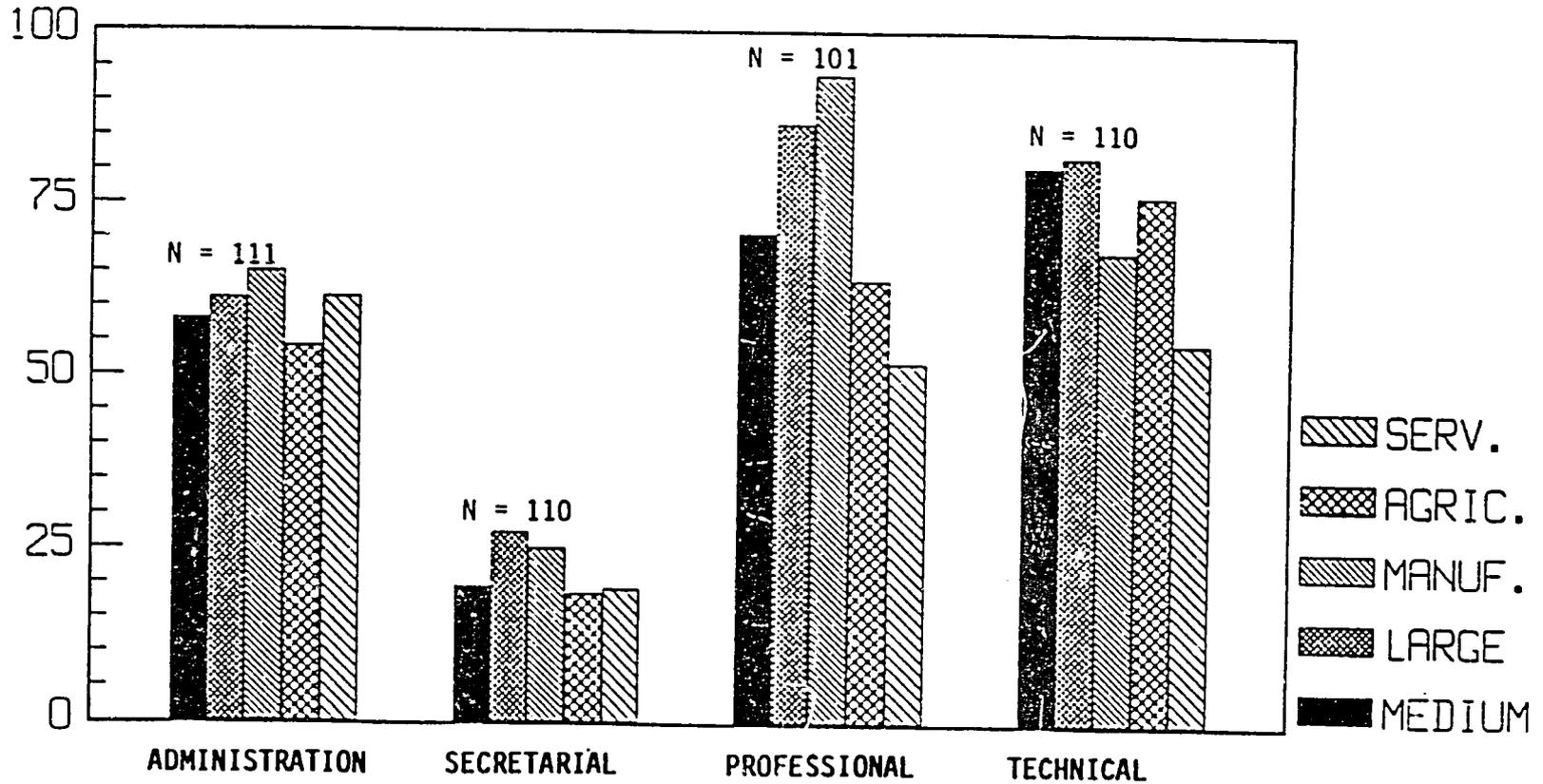
LEGEND:

- 1 SATISFIED WITH PRODUCTIVITY
- 2 NEED TO INVEST IN TRAINING
- 3 INVEST IN TRAINING DUE TO TAX INCENTIVES
- 4 NEED TO PAY VERY HIGH SALARIES TO ATTRACT OUTSIDE LABOR

- 5 NEED TO PAY VERY HIGH SALARIES TO ATTRACT LOCAL LABOR
- 6 HIGH SALARIES OF LOCAL MANAGERS & ADMINISTRATIVE STAFF HINDER BUSINESS DEVELOPMENT
- 7 HIGH SALARIES HINDER BUSINESS DEVELOPMENT

59

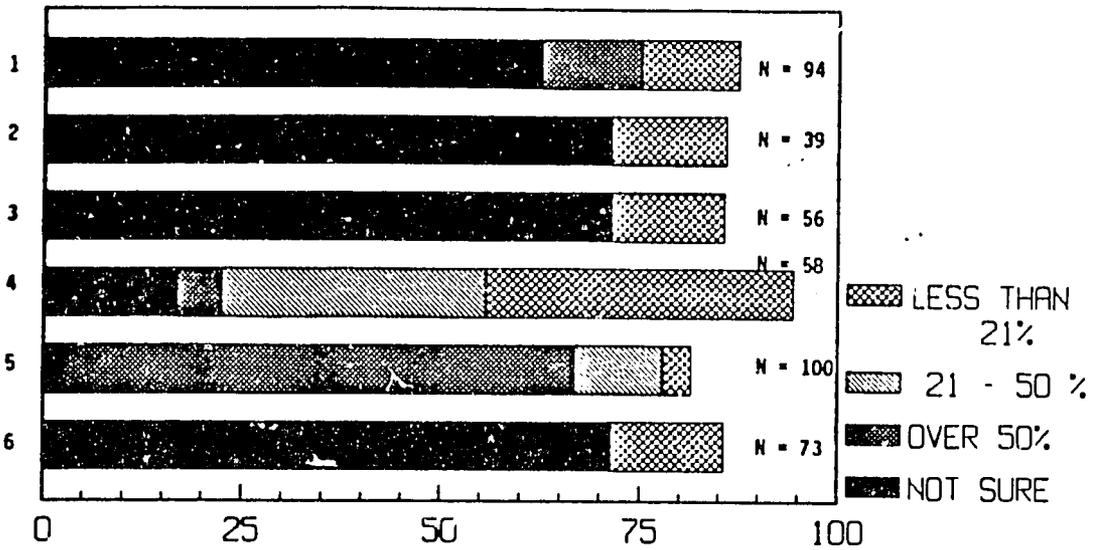
PERCEPTIONS REGARDING LOCAL AVAILABILITY OF SKILLED LABOR
 BY FIRM SIZE:
 PROPORTION REGARDING DIFFICULTY IN FINDING PERSONNEL



C-34

92

EXHIBIT 19A
 SOURCES OF CAPITAL
 SMALL FIRMS QUESTION 45

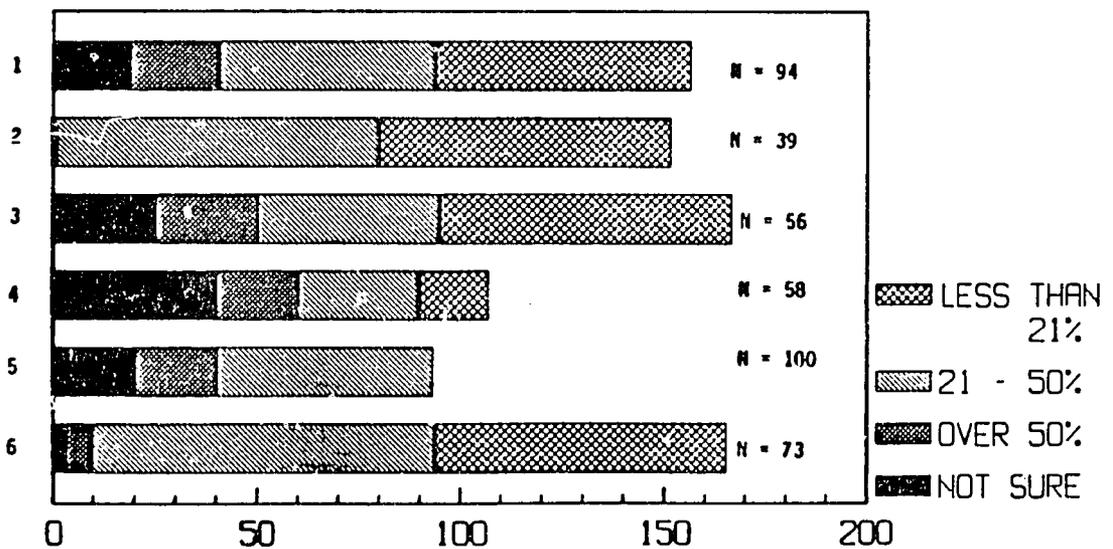


PROPORTION REPORTING USING SOME QUANTITY

LEGEND:

- 1. LOCAL COMMERCIAL BANK
- 2. SDBS
- 3. RSA
- 4. FAMILY & FRIENDS
- 5. PERSONAL
- 6. TRADE CREDITORS

EXHIBIT 19B
 SOURCES OF CAPITAL
 LARGE FIRMS QUESTION 45



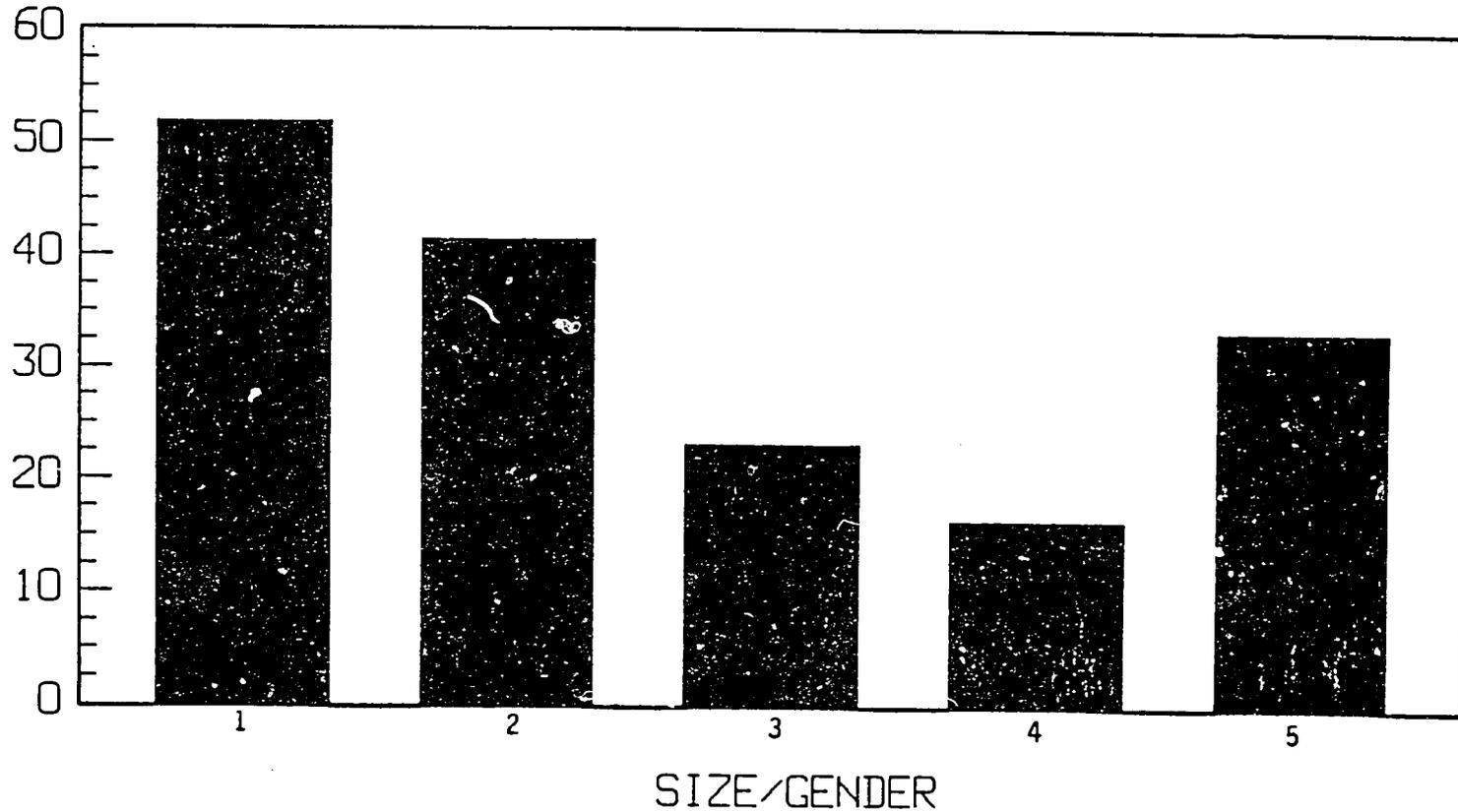
PROPORTION REPORTING USING SOME QUANTITY

LEGEND:

- 1. LOCAL COMMERCIAL BANK
- 2. SDBS
- 3. RSA
- 4. FAMILY & FRIENDS
- 5. PERSONAL
- 6. TRADE CREDITORS

67

EFFECT OF EXISTING COLLATERAL REQUIREMENTS:
PROPORTION REPORTING INHIBITION OF PRODUCTION PLANS
N = 200



LEGEND:

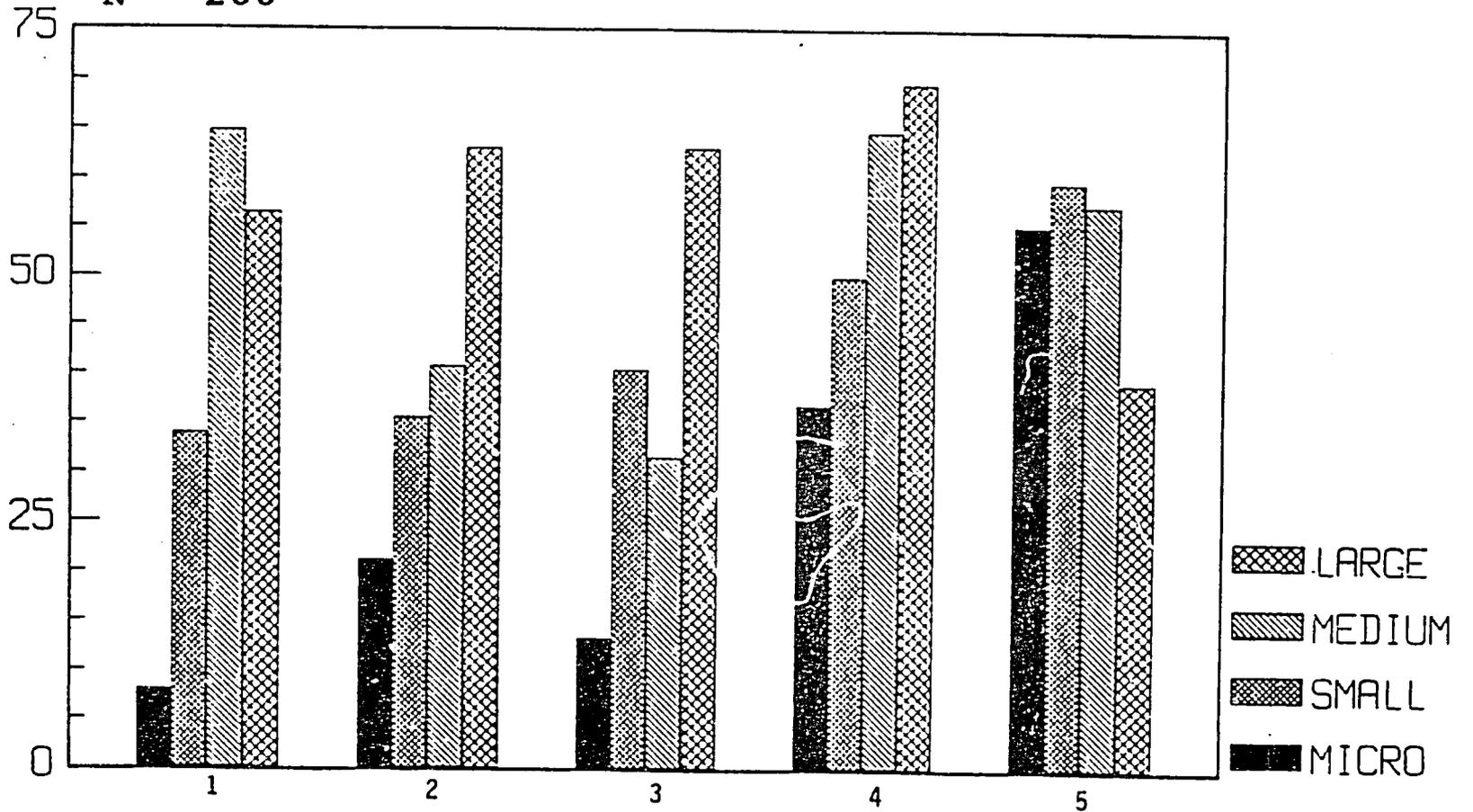
1 MICRO ENTERPRISES
2 SMALL "
3 MEDIUM "

4 LARGE ENTERPRISES
5 WOMEN'S FIRMS

C-36

89

POTENTIAL DEVELOPMENT AREAS FOR FIRMS
 BY FIRM SIZE:
 PROPORTION 'VERY INTERESTED'
 N = 200



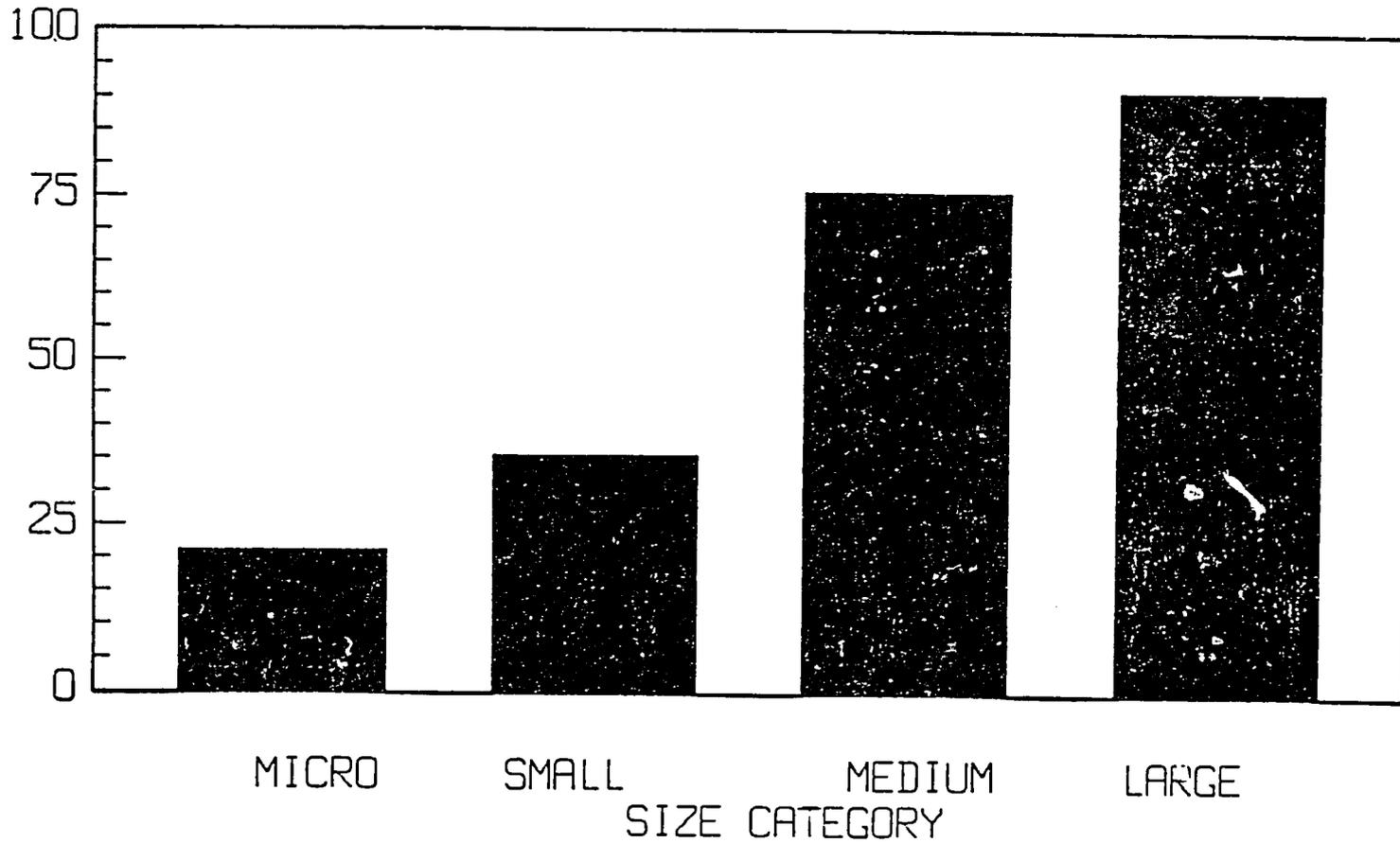
LEGEND:

- | | |
|---------------------------------|----------------------|
| 1 PERSONNEL TRAINING | 4 IMPROVE MANAGEMENT |
| 2 IMPROVE PRODUCTION TECHNOLOGY | 5 MARKETING |
| 3 IMPROVE PHYSICAL PLANT | |

C-37

69'

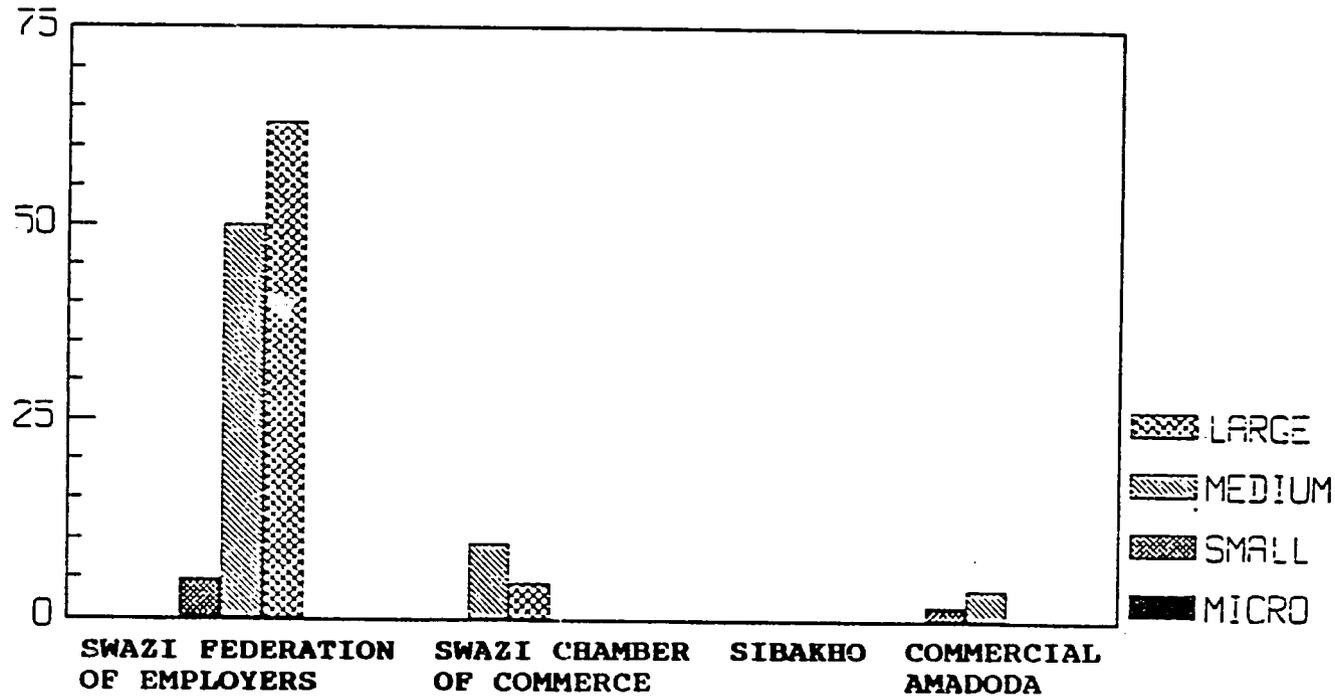
MEMBERSHIP IN ASSOCIATIONS
BY FIRM SIZE:
PROPORTION BELONGING TO ASSOCIATIONS
N = 200



C-38

10

**HOW BUSINESS ORGANISATIONS ARE RATED
BY MEMBERS AND BY FIRM SIZE:
PROPORTION RATING ORGANISATION AS VERY EFFECTIVE
N = 200**



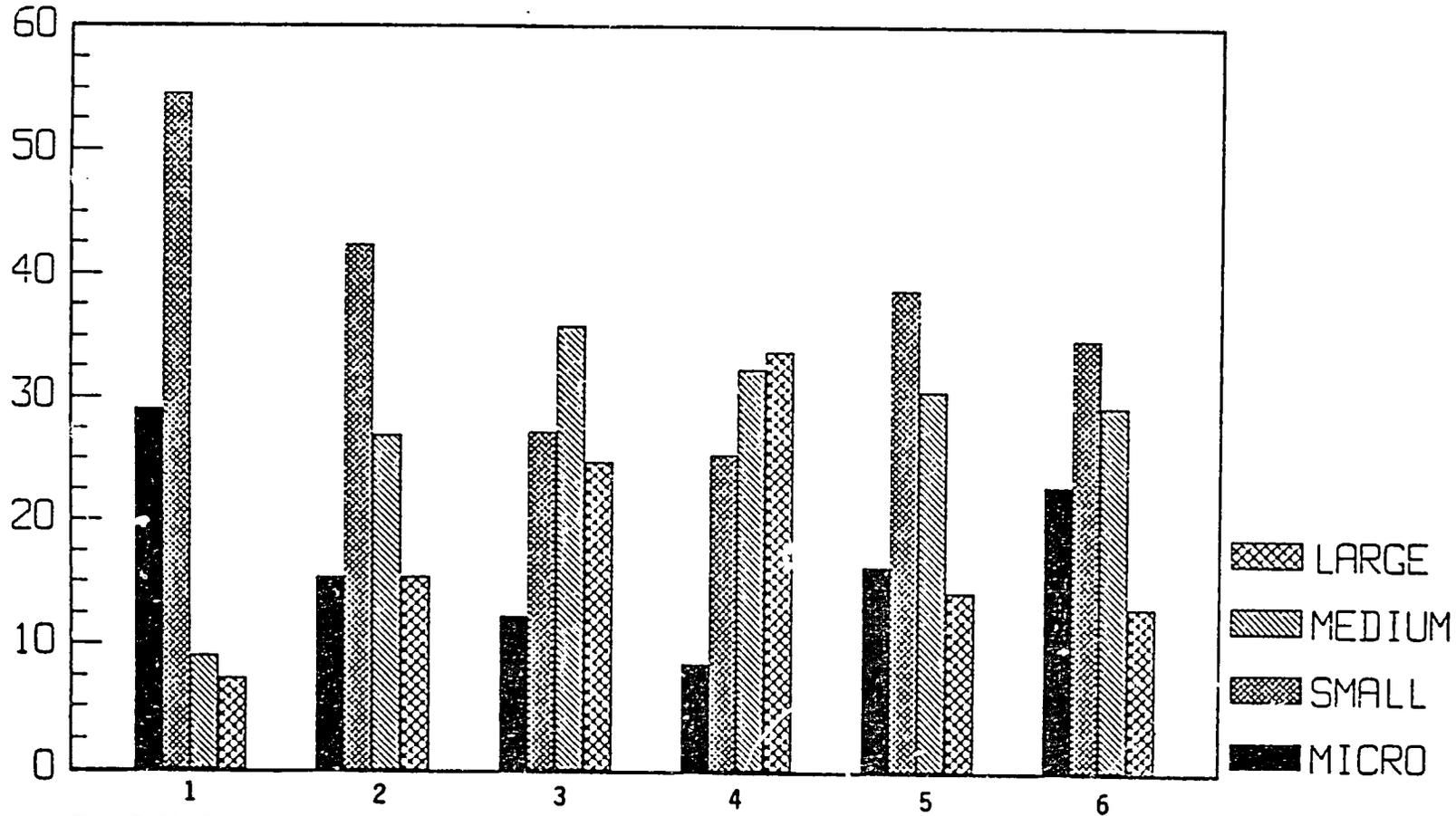
DEFINITIONS:

MICRO ENTERPRISE = NO EMPLOYEES (OWNER OPERATED)
 SMALL " = 1 - 25 EMPLOYEES
 MEDIUM " = 26 - 100 EMPLOYEES
 LARGE " = OVER 100 EMPLOYEES

C-39

71

**SERVICES FIRMS WANT BUSINESS ASSOCIATION
TO OFFER BY FIRM SIZE:
PROPORTION 'VERY INTERESTED'
N = 200**



LEGEND:

- 1 PROVIDE ACCESS TO CREDIT
- 2 PROVIDE TECHNICAL ASSISTANCE
- 3 DEVELOP PERSONNEL TRAINING

- 4 INCREASE CONTACT WITH GOS
- 5 FEASIBILITY STUDIES
- 6 MARKETING INFORMATION

C-40

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Annex D

MAPS Phase IV--Summary Results of Dialogue Process

Dialogue sessions were held with three separate groups. The focus groups with private sector were organized by firm size rather than sector, because survey results suggested that the problems facing businesses in Swaziland were more a function of firm size than of the sector in which they were operating; small firms in all productive sectors surveyed faced similar constraints and these were different from those faced by the larger establishments. The focus group discussions confirmed the impression from the survey that there were indeed two private sectors operating in Swaziland, that of the large (mostly expatriate-owned firms), and that of the smaller Swazi-owned establishments.

The focus group discussions with the private sector were held on two separate days. On May 1, a meeting was held with representatives from large (more than 100 employees) firms. Fourteen of the eighteen companies invited attended. Firms represented included Aiken and Peat, Chartered Accountants; Mafutani Ltd (cattle); Swaziland Electricity Board; Swazi Hotels; Barclays Bank; and others. Harry Johnson, Deputy Director, USAID; Leticia Diaz, USAID/HRDO; and Dean Bernius, AID/AFR/MDI, were in attendance. Derek von Wissel led the discussion.

On May 2, a meeting was held with representatives of the smaller firms. Twelve participants were in attendance from a variety of small businesses, including an electrician, a plumber, a soap maker, a dress designer, and a child-care provider. All but one of the attendees employed other Swazis--normally one to five. All were black indigenous Swazis with one exception--a woman-owned business operated by a South African. The focus group was also attended by Leticia Diaz, USAID/HRDO, and Dean Bernius, AID/AFR/MDI. Derek von Wissel made the presentation.

In addition, on May 12, a third focus group discussion was held with those participants sponsored by USAID/Swaziland who received masters degrees in the U.S. and have returned to hold responsible positions in government and the private sector. The participants attending this meeting were Paul Thabede (SEDCO), Bonlavi Nxumu (CONLO), Siza Zwane (SIDC), Nicholas Dlamini (SDSB), Stanley Matsebula (Central Bank), Spencer Dlamini (Tibiyo), and Leon Jaiobz (SWAKI).

The following is summary of findings from these focus groups.

A. Credit and Collateral

- Credit and collateral requirements represent a serious constraint for the micro and small entrepreneur and the traditional farmer on Swazi National Lands (SNL).
- Bank procedures, credit limits, lending policies and paperwork requirements favor the larger borrower. Banks have limited interest in assisting the small borrower.
- Banks and financial institutions were perceived by majority of focus group participants as not responsive to their needs.
- The representatives of the small and micro-enterprises said there is a preconceived notion among micro and small entrepreneurs that the banks will not help them and that it is a waste of time to go to them. They also pointed out that going to the banks was embarrassing for the small entrepreneur. It was not clear if this was because of the

procedures employed by the bank or the preconception that since the bank was not interested, they would simply be ignored.

- Farmers and entrepreneurs occupying SNL are at a particular disadvantage when it comes to obtaining credit assistance.
- Interest rates were not seen as a strongly differentiating factor. Supervision of credit was identified as a key problem. Usutu Pulp credit union and CARE credit programs were identified as potential models for reaching the small and micro-entrepreneur.

B. Markets and Competition

- Micro and small Swazi entrepreneurs export a significant but undefined amount of their production. Many small entrepreneurs sold in the Republic of South Africa through traders who were often gone for 2 to 3 weeks.
- Those smaller entrepreneurs who are registered and operating in the formal sector feel the unlicensed informal sector competes unfairly because they do not incur costs associated with obtaining licenses and other bureaucratic requirements or pay rent. The participants were critical of the government's failure to regulate the informal sector.
- GOS regulations, given the problem highlighted above, were more important for the small entrepreneur than identified in the MAPS survey.
- Micro and small entrepreneurs felt that MAPS data underplayed the effect of competition (from other Swazi firms) on local businesses, which was felt to be fierce. Technological or marketing improvements in this small enterprise sector were rapidly copied since price of market entry is modest.

C. Employment and Training

- While the larger business people said they have problem finding qualified talent, the smaller entrepreneurs pointed out that their problem is even worse. They noted that the small businessman does not have the capability to interview or recruit large numbers of candidates from a wider area. As a result, his applicant pool is limited and generally of lower quality.
- Micro and small entrepreneurs noted that Swazis prefer to work for an expatriate-owned firm, considering them more stable employers and offering more benefits and higher salaries than the local and smaller firms (though it was pointed out that this was not always the case). The result is that micro and small entrepreneurs may have more difficulty than larger firms in attracting and retaining qualified talent. Furthermore, the small entrepreneurs noted that the white-managed firms are considered more competent--that is, white managers are perceived to be better trained and thus offer more potential for the Swazi to learn.
- There was consistent agreement among entrepreneurs operating in businesses of all sizes that training was a major and perhaps *the* major constraint to private-sector growth and enterprise creation and strengthening.
- Training in accounting (bookkeeping) and financial management for the small entrepreneur was consistently identified as a major need.

Participants returning from the United States thought the banks should train small borrowers in financial management areas.

- Some of the smaller entrepreneurs participating in the focus groups said they had received training in basic accounting and management skills in the past but there seemed to be differing opinions on the effectiveness and applicability of the training. CARE was given high marks by several of the attenders who had received technical and financial support from this organization.
- The formal educational system was considered generally poor and often irrelevant to the needs of the private sector in Swaziland. According to focus group participants from the larger companies, Swazi job applicants were generally very poorly prepared technically and professionally. The comment was made that less than 5 percent of Swazi university students take math and less than 5 percent pass. But some focus group participants noted that the fault may not rest solely with students or the education system. Employer selection criteria may also have an effect. It was said that employers do not look closely at either the relevance of the courses taken by applicants or at their academic records. What counts is the degree. Hence students often feel that only the "credential" value of the degree is important, and tend to place a premium in simply graduating rather than learning or selecting courses that may be useful but difficult (such as mathematics). There was general agreement that the quality of education in Swaziland had deteriorated and that little was presently being done to correct the situation.
- Business representatives agreed that they should play some role in improving the educational system, but they were unsure as to the role the business community should play. There was some disagreement over whether large firms were really being as responsive as they could be in the area of training.
- It was generally agreed that firms would be receptive to the idea of a tax or levy for training but there was little agreement on what exactly should be done with the funds so generated. Firms represented in the focus groups agreed that any levy or fund should not be administered by the Government.
- Micro and small entrepreneurs said Swazis often consider the small Swazi entrepreneur to be less trustworthy. Small entrepreneurs living close to the edge reportedly may experience more rapid and more serious labor and other problems if they run short on operating capital and may thus often miss or delay paychecks, and so on.
- Returned U.S. participants said they were often considered overqualified for the position being offered or held. Further, they noted the practice in Swaziland of considering "time" or seniority as a more important criteria than performance when awarding promotions. But all participants noted they had been approached with offers by the private sector or other firms.
- Highly qualified people in the public sector are not jumping to the private sector because salary differentials being offered are not that great. Salaries in Government may be considered low, but job security may be considered higher. In addition some participants felt that often higher salaries are offered to an expatriate with the same qualifications and credentials.
- Motivation of large employers to promote Swazis is considered low.

D. Business Associations

- The discussions with entrepreneurs confirmed the survey results, which suggested that, besides the Federation of Swaziland Employers, no other business associations were considered effective. The effectiveness and continued existence of the Chamber of Commerce was questioned. Sibakho was noted as having strong positions that are often considered intemperate and possibly threatening to the status quo. Nevertheless, the micro and small entrepreneurs (as well as the returned participants) with whom this issue was discussed felt that, for all its problems, Sibakho was at least a voice for the previously unrepresented small Swazi entrepreneur.
- At present, there is no effective representation of the micro or small manufacturing sector or agriculture/agribusiness sector.
- The small entrepreneurs noted that they did not know much about such organizations as the Federation or the Chamber and they were never contacted to join. Further, they did not know how such organizations would or could help them. Mr. von Wissel pressed hard for the Federation, saying that the survey had shown it to be the most effective. This elicited little reaction from the participants, although they did acknowledge and support the idea that membership in such an association would give them the opportunity to get to know fellow businessmen and establish potentially profitable business contacts.
- The Federation of Swaziland Employers, while rated as highly effective by its members, is considered to be a largely expatriate, predominantly white elitist "club" by a significant percentage of indigenous Swazis.
- The Chamber of Commerce was identified as having lost membership lately and was characterized by one participant as being poorly managed. Many of the members of the Employers Federation are also members of the Chamber and there was some discussion of why one organization was considered effective while the other had few supporters. There was considerable discussion among the focus group of larger entrepreneurs regarding the need to merge the Federation with the Chamber. While no conclusion was reached, it was apparent that this was an outstanding issue of considerable import for businessmen in Swaziland.
- The representatives from the larger businesses seem to recognize the need for an all-encompassing business organization that would draw more small Swazi businessperson. But, while there was concern, there were no real tangible proposals offered during the meeting to accomplish the objective of reaching and involving the micro and small Swazi businessperson. No tangible returns for membership (such as greater linkages between the small and large businesses in terms of input supply or marketing efforts) were discussed; the discussion seemed to focus more on the intangible benefits a small Swazi businessman would derive from "networking" with other, perhaps more powerful and influential, businesspersons.

E. Policy and Enabling Environment

- Continuing attention to policy reform and consistency of policy application were identified as being priorities by participants in enterprises of all sizes.

- Changes in tax treatment, licensing, and so on, identified as areas needing study and possible reform/modification.
- The role of the GOS and its attitude toward micro and small business is viewed largely as neutral. Government has shown no great interest in nor undertaken any major initiatives to help develop micro and small entrepreneurs.
- Swazi participants considered the monarchy to be the reason for the present healthy economic environment. The monarchy is seen as a source of stability and continuity in the country.
- Survey findings indicating less optimism with respect to economic and political environment, compared to the optimism demonstrated regarding the economic environment, were attributed to the influence and problems being experienced in the RSA and not to internal or domestic situation. The focus group participants also recognized that the recent land ownership decree could also be factor causing great uneasiness in some quarters. Subsequent private discussions with other private-sector representatives and experts in the country have pointed out that Swazis are often very reluctant to criticize the monarchy or the traditional system directly or openly. The three-tiered system of government (the traditional monarchy and chieftainship system, the civil service, and the ministerial system) is believed to be increasingly unwieldy, hindering the public sector's ability to take decisive action.

F. Transport and Marketing

- Access to markets was identified by all participants as a serious constraint. This includes transport or rolling stock and roads. Representation of these issues to the GOS was considered a priority.
- Marketing also was considered an important obstacle to increased market participation. This includes access to market information and marketing training.
- In terms of constraints, there was some variation between groups, but all agreed, that improved technology and improvement of physical plant were priorities. Technology was particularly important for the medium-sized entrepreneur, perhaps because he was at a critical point in terms of growth or expansion.

G. Miscellaneous and Other

- Inability to find secure space was identified as a problem by many micro and small entrepreneurs.
- Agriculture is an attractive area for private-sector growth as it is less complex and the price of entry to commercial market can be lower.
- Big firm/small firm linkages are badly needed.
- Efforts must be made to develop an "enabling environment" to draw small-scale enterprises into the market place and to ensure continued economic growth. GOS is thought to lack a clear understanding of the importance of the private sector in the economy and of business and business concepts. Financial institutions and Government must be involved in developing an improved environment for business growth.

- Nevertheless, despite the problem areas noted above, private-sector participants in all focus groups felt that the outlook for business in Swaziland is good even if the RSA has problems.

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Annex E--Part 1

Government of Swaziland Development Strategy and Priorities

Relevant objectives of the Government of Swaziland per their fourth National Development Plan (1983/84 to 1987/88) in the areas of commerce, industry, mines and tourism include:

- Explore ways and means to further promote commercial and industrial activities in the country
- Promote tourism
- Improve the quality and efficiency of the Ministry's service to the various industrial and commercial interests of the country

Priorities within the plan period include:

- Promote commercial and industrial activity
- Improve the efficiency and quality of the government's services to the commercial and industrial sectors
- Identify those products that can provide the greatest value-added and can be successfully exploited

In the 1989/90 to 1991/92 Development Plan, the manufacturing sector remains the sector of key importance to the fulfillment of the Government of Swaziland's overall development objectives of boosting employment and increasing and diversifying the country's export base. In this area, the Government will pay particular attention to more effectively exploiting the country's resources and to enhancing the level of domestic value-added in manufacturing.

In the 1989/90 to 1991/92 plan, the Government will encourage and assist with the establishment of small to large industries by the promoting of local and foreign investment. This will include research into ways of promoting industrial development through changes in the government's overall macro-economic policy or, more specifically, in incentive schemes, while ensuring that the development is appropriate. (labor intensive and environmentally safe).

In the areas of vocational/technical education and training, which are a continuing area of programmatic focus of USAID/Swaziland, the Government's fourth National Development Plan had the following objectives:

- To secure a manpower-training plan that relates the training requirements to the development needs of the country
- To encourage industry to play a greater role in industrial training and to coordinate government efforts with those of industry
- To extend trade testing to cover a greater number of trades
- To establish four vocational training centers in proximity to centers of employment
- To expand apprenticeship training programs
- To raise the level of training programs to full technological certificate and higher diploma levels

- To provide advanced training for the hotel and catering industry
- To expand the training facilities at the University of Swaziland

Priorities of the Government within the sector include the establishment or improvement of vocational centers and training facilities at the national university, the improvement of training programs, and the development of a national manpower plan.

This focus was reconfirmed in the 1989/90 to 1991/92 Development Plan, which reiterated that the goal of the government in the sector was to provide education to all Swazi citizens appropriate to their needs and abilities.

In agriculture, the Government's major goals include the achievement of self-sufficiency in maize production, the expansion of fruit and vegetable production as a means to increase rural incomes and improve nutrition, the encouragement of cash crop production among small-scale producers, and diversification. Within the sector, the Government has assigned a top priority to the intensification of production among small-scale producers on Swazi National Land (SNL).

Planning, policy reform and improvement, agriculture research, forestry production using environmentally safe approaches, intensification of livestock and fish production, improved land utilization, and intensified agriculture, as identified above, will receive governmental attention and support under the Government's plan.

In the area of commerce and trade, the Government's goals remain the same as for other sectors of the economy: to create an environment that is conducive to the expansion of trade and investment, both local and foreign and to ensure that growth is in harmony with other Government objectives, such as the reduction of unemployment and the promotion of economic independence.

Trade is to be encouraged through support for trade fairs and exhibitions and other trade promotion activities, export promotion training, and through improved followup on trade inquiries and trade matters. Increased trade with SADCC will be encouraged and the Government will provide continuing support for handicraft production.

In tourism, the Government is to give increased attention to the development of European travel, thereby reducing the country's dependence on South Africa.

Policy reform remains a priority and the Government of Swaziland recognizes that further expansion of the country's economy may be significantly and deleteriously effected by the tax structure of the country. Efforts are being directed to rationalizing the country tax structure while examining and promoting tax incentives or rebates for value-added activities and investments.

While the Government's policies are heavily proprivate sector, it sees its role as one of support and regulation rather than direct involvement in commercial investments. The Government thus refuses to participating in projects and appears serious about reducing its present parastatal investments, many of which are losing money.

The Government is presently in the process of hiring an American, who will be given Under Secretary rank in the Government of Swaziland, to head the Public Enterprise Unit charged with privatization and the rationalization of the Government's parastatal investments. This reportedly includes parastatal reform preparatory to privatization.

While the Government has followed conservative policies, it will give continued attention to institutional reform during the plan period. This will include study in current fee collection procedures, developing manuals on improved accountancy procedures, and expanding of data systems and databases in selected areas.

In the health sector, the goal remains to promote preventive and promotive health interventions to reduce and prevent diseases and illnesses before they occur, thus reducing the cost and need for curative services and facilities. In health, the Government will examine user fees, as well. Water and sanitation, communicable diseases, nutritional deficiencies, and maternal and child health care are other health priorities of the Government.

Annex E--Part 2

Other Donor Activities

The major donors in Swaziland include the European Economic Community, the United Nations Development Program, and affiliates, Great Britain, Canada, Republic of China (Taiwan), Korea, Israel, UNICEF, and the Republic of South Africa. A description of their private sector activities follows:

1. European Economic Community (EEC)

The EEC provides long-term technical assistance and training of staff support to the Swaziland Industrial Development Corporation (SIDC). Amount of assistance identified for the period 1985-1990: 1,200,900 ECU's.

The EEC also is promoting tourism and trade through long-term technical assistance to the Manzini Industrial Training Center (vocational education).

A survey of all industrial sites in Swaziland also will be undertaken with EEC support.

In ancillary areas, the EEC provides the Government with planning and training support through a number of organizations and schools.

2. United Nations and Affiliated Agencies (UNDP)

Priority emphasis is being placed by the UNDP in the following areas: environment, private sector, agriculture, manpower, and women in development. Given the need to stimulate agricultural production, particularly on SNL lands, and the need for improved human resource training, the UNDP program remains highly relevant to A.I.D. private-sector thinking.

UNDP projects are targeted to:

- Long-term technical assistance in agricultural marketing, including assistance in the collection and publishing of relevant agriculture statistics and marketing information.
- Small-farm development strategy development. Funding estimated at \$502,000 for the period 1988-93.
- Range management focusing on the overgrazing problem. Funding is estimated at \$470,000. The project will start in 1991. Other projects will work with and provide training to livestock producers and provide land use and land management assistance.
- Women in development (institution building/strengthening). Under this activity, the UNDP will provide technical assistance and training under a public-sector support activity. A Phase III of this project will support women-in-development activities. Phase III funding is estimated at \$700,000.

Total UNDP assistance for the period 1987 to 1991 is expected to be approximately \$20 million.

3. Overseas Development Administration (ODA)--Great Britain

Assistance from Great Britain through the ODA in 1987 and 1988 totalled roughly \$2.1 million per year. While the bulk of this assistance was allocated for scholarships and training, the ODA also provided (a) 90 percent

of the costs of the IVS volunteers in-country (b) some grant support to selected non-governmental organizations (NGO's); and (c) technical expertise to the Government in selected areas.

4. Canada (CIDA)

CIDA has assisted the Government of Swaziland with a number of projects, including the establishment of a dairy plant and a seed multiplication farm. CIDA has also provided support to the University of Swaziland, the Swaziland College of Technology (SCOT), and the Mphaka Technical School.

Other CIDA assistance is directed to water system development, water-technician training, and ground-water surveys.

5. Republic of China (Taiwan)

Chinese assistance is primarily channeled through the agricultural technical cooperative and the handicrafts technical cooperative agreements. Under the agricultural agreement, assistance to the large agricultural farm at Matsaph is provided. This consists of long-term technical assistance and training. In the future, the Chinese will give increased attention to bigger farmers engaged in mechanized farming. Rice growing and irrigated schemes have been part of the Chinese focus in agriculture.

Under the handicrafts projects, China provides technical assistance and lecturers to train local crafts people in crafts work. The Republic of China also provides some limited scholarship support to Swazi students.

6. Korea

Korea provides limited agricultural commodity support to the Government of Swaziland and two doctors who are assigned to Government hospitals. Their program is small.

7. Israel

The Israeli program is small--some \$200,000 per annum. Under the program, specialists are provided in health and agriculture. At the present, this consists of an eye specialist, a cotton expert, and a poultry specialist. Some limited short-term training of public-sector officials is also provided.

8. UNICEF

The UNICEF program is almost exclusively targeted to health.

9. Republic of South Africa (RSA)

The annual level of RSA assistance is estimated at \$1 million. It is targeted to scholarships, tobacco and cotton production, cattle breeding, and irrigation. Some assistance in malaria control and AIDS testing is also provided. Assistance consists of both long- and short-term technical assistance and limited commodity support.