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COUNTRY INDUSTRIAL DEVELOPMENT PROFILE
OF SWAZILAND *

Prepared by the
International Centre for Industrial Studies

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PREFACE

The International Centre for Industrial Studies, Regional and Country Studies Section, has undertaken, under its 1978-1979 work programme, the preparation of a series of Country Industrial Development Profiles. These profiles are desk studies, providing statistical and economic analyses of the industry sector, its growth, present status and future prospects. It is hoped that the profiles will provide analyses of use to programming technical assistance, industrial redeployment and investment co-operation activities.

This profile on Swaziland is based on documents, reports and studies available at UNIDO Headquarters. No field survey has been undertaken and some of the data on industry are not up-to-date.

The views or comments contained in this document do not reflect those of the Government of Swaziland nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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EXPLANATORY NOTE

References to dollars (\$) are to United States dollars, unless otherwise stated.

The monetary unit in Swaziland is the hlangeni. In December 1977 the value of the hlangeni in relation to the United States dollar was US \$1 = 0.87 hlangeni.

Totals in tables may not add precisely because of rounding.

SUMMARY AND CONCLUSIONS

The manufacturing sector of Swaziland, which contributed 25.6 % of GDP in 1973, is split into a small number of large plants, chiefly processing sugar and wood and canning fruit, and a larger number of small plants. These small units together account for only about 3 % of GDP. The large units employ some 6,500 people, and have substantial foreign ownership. About half the population is still engaged in subsistence agriculture and cattle-rearing, and it is on the processing of their products that the country's industrialization efforts concentrate. The impact of South Africa on the economy is substantial: it is the source of 90 % of Swaziland's imports and handles 25 % of the merchandise exports.

The development plan for 1973-1977 aimed at faster industrial growth and the indigenisation of skilled jobs. Two institutions were established to oversee these activities, and so far results are encouraging. The rapid growth attained in the late 1960s laid the foundation for some of this success. The monetary authority has developed more autonomy from the Republic of South Africa, and by taking an interest in two foreign banks, the Government is now able to lend more widely to incipient Swazi entrepreneurs. More roads are being built, the railroad system is adequate, and the electricity grid reaches all four regions of the country.

Industrial development prospects are chiefly conditioned by three factors: the trade policies of developed countries regarding imports of agricultural goods; the extent to which South Africa's own industries render Swaziland's manufactured exports unattractive; and the inflow of foreign capital to fund investments. Agricultural and cattle prospects clearly depend upon the first of these three factors; while more extensive and intensive exploitation of minerals depend in the main upon the third. A number of likely small-scale industrial goods have been identified, however, whose prospects are less critically dependent upon these preconditions.

I GENERAL ECONOMIC BACKGROUND AND THE ROLE OF MANUFACTURING
IN THE ECONOMY

Swaziland is a landlocked country which lies between the Republic of South Africa and Mozambique. The area of the country is 17,368 sq.km. and it had an estimated population of half a million in 1975, growing at a rate of about 3 per cent per annum.

The country can be divided into four topographical regions - (1) the highveld (5,200 km²) in the west is a mountainous region of pine forests; (2) the middleveld (4,700 km²) is an area of fertile soils and rolling grass lands. This is the most densely populated region, and is the location of the capital city of Mbabane and the main commercial and industrial centre of Manzini. (3) The lowveld (6,200 km²) is a savanna-type country in the east with large sugar plantations; (4) the Lubombo region (1,300 km²) is an escarpment of 600 m which stretches along the lowveld towards the western low lands of Mozambique.

Swaziland was a British protectorate from 1902 until 1968 when it achieved independence.

Together with Botswana, South Africa and Lesotho, Swaziland belongs to the Rand Monetary Area and the Southern Africa Customs Union. In September 1974, the Government issued its own currency, the lilangeni (plural: emalangeni) with the same par value as the Rand; under a monetary agreement with the Republic of South Africa, the Rand remains legal tender in Swaziland. The country has benefited from this association with the Republic of South Africa in terms of investments and markets, and the Swazi economy has become closely linked with that of the Republic. About 90 per cent of imports originate in, or pass through, the distribution system of the Republic of South Africa, which itself absorbs about 25 per cent of merchandise exports. Approximately one half of central Government revenue is derived from the common pool of the Customs Union.

THE ECONOMY

At independence in 1968, the Government inherited an acutely dualistic economy. This pattern began with the mining of asbestos in 1939, and continued with iron ore production, and the establishment of large plantations of forestry, sugar, citrus and pine apples on foreign-owned land. The development of modern agriculture was accompanied by the related processing industries of sugar, wood pulp and fruit canning. The establishment and expansion of foreign enterprises took place in an environment in which the Government played only a minor role in directing national economic development.

In contrast to the development of modern sector, the traditional sector consists of subsistence agriculture, the principal crops being maize, ground nuts and sorghum and cattle rearing. About 50 per cent of the population is dependent upon subsistence agriculture and cattle rearing for most of their livelihood. Traditional agriculture in 1973 accounted for about 40 per cent of value added in agriculture and about 14 per cent of overall GDP.

The structure of the economy in 1973 in terms of gross domestic product by economic activity is presented in Table 1. This shows that agriculture and forestry dominated the economy, contributing 31.1 per cent to gross domestic product. Next in importance was the manufacturing sector whose contribution to GDP was 25.6 per cent in 1973.

The Swazi economy has been growing quickly. Over the period 1970-75, gross domestic product increased at a rate of 13.3 per cent per annum, and with a population growth rate of 3 per cent, the per capita income increased at a rate of 9.9 per cent per annum. During this period, the highest growth rate was that attained by the manufacturing sector, whose growth touched 21.4 per cent per annum.

Table 1: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY - 1973

(In Producers' Values)

Industry	Gross value added (mill. emalangen)	Percentage distribution
1. Agriculture, forestry and fishing	47.4	31.1
a. Agriculture and livestock production	39.6	26.0
b. Forestry and logging	7.8	
c. Fishing	-	
2. Mining and quarrying	7.1	4.7
3. Manufacturing	39.0	25.6
4. Electricity, gas and water	1.9	1.2
5. Construction	4.4	2.9
6. Wholesale and retail trade, restaurants and hotels	17.3	11.3
7. Transport, storage and comm.	5.9	3.9
8. Finance, insurance, real estate and business services	9.1	5.9
9. Community, social and personal services	4.7	3.1
10. Producers of Government services	12.5	8.2
11. Services of other producers	4.8	3.1
12. Less imputed bank service charges	1.6	1.0
Gross domestic product	152.5	100.0

Source: UN Yearbook of National Accounts Statistics 1976.

Some of the important growth indicators of the Swazi economy are given in Table 2, while the absolute figures are produced in Annex 1.

Table 2: INDICATORS* OF GROWTH OF SWAZI ECONOMY - 1960-75
(1970 = 100)

Indicator	1960	1965	1970	1975	Annual growth rates	
					1960-75	1970 - 1975
1. GDP	42.8	73.4	100.0	182.3	9.38	13.27
2. Per capita GDP	56.8	84.7	100.0	156.2	6.19	9.91
3. Gross value added in agriculture	45.5	81.7	100.0	152.3	7.04	8.25
4. Gross value added in manufacturing	20.0	53.6	100.0	278.6	18.85	21.42
5. Private final cons.expenditure	40.6	65.1	100.0	183.3	10.30	10.77
6. Per capita private final cons.exp.	53.9	75.1	100.0	157.2	7.09	7.50
7. Gross fixed capital formation	36.9	80.4	100.0	198.2	8.79	16.11
8. Exports	30.0	70.0	100.0	172.3	12.04	13.11
9. Imports	24.6	64.5	100.0	172.7	12.38	10.45
10. Population	75.3	86.7	100.0	116.6	2.99	3.05

Source: UNIDO based on data furnished by UN Statistical Office

* The indicators are based on figures in 1970 prices and US dollars

POPULATION AND LABOUR FORCE

In 1960 the population of Swaziland was estimated at 316,600 . It has been increasing at an annual rate of about 3 per cent, reaching a figure of 490,000 in 1975. The distribution of population by age and sex in 1973 is shown in Table 3. Only about 7 % of these people lived in towns in that year.

Table 3: POPULATION BY AGE GROUP AND SEX - 1973

	('000s)			
	0-14	15-59	60 and over	Total
Both sexes	219	239	20	478
Male	109	118	9	236
Female	110	121	11	242

Source: UN Economic Commission for Africa - African Statistical Yearbook, 1974

The total labour force [defined as total employment in the modern sector plus those persons whose main activity was in the traditional sector] was 165,000 in 1966 and 202,000 in 1973. The distribution of the labour force in the modern and the traditional sectors is shown in Table 4.

Table 4: LABOUR FORCE - 1966 and 1973

	('000s)		
	1966	1973	Percent increase in 1973 over 1966
Total labour force	165	202	22.4
(1) Employed in modern sector	59	87	47.5
of which: in Swaziland	39	67	71.8
in South Africa	20	20	-
(2) Employed in traditional sector	106	115	8.5

Source: Economic Memorandum on Swaziland, World Bank, 1975

On the basis of the figures in Table 4 the labour participation rate in 1966 and 1973 works out at 46 per cent. In general, there is a shortage of skilled Swazis throughout the modern sector, necessitating the recruitment of expatriate personnel. Employment in the modern sector accounts for 33 per cent of the total labour force; the rest are engaged mainly as unpaid family workers in the traditional sector, including about 20,000 classified as "absentees" in South Africa.

Table 5: EMPLOYMENT IN THE MODERN SECTOR, 1971-73

	1971	1972	1973
<u>Private Sector</u>	46080	53268	54264
Paid employees	37130	43767	44285
Self employed ^{1/}	1278	869	987
Unpaid family workers ^{1/}	142	1042	1093
Small Swazi traders ^{1/}	1030	1090	1399
Employees by private homesteads ^{1/}	6500	6500	6500
<u>Public Sector</u>	9921	10089	12747
Total employment	56001	63357	67011

Source: Economic Memorandum on Swaziland, World Bank, 1975

The rapid expansion of employment during the 1960's as a result of the establishment of modern sector enterprises has been sustained with a growth rate of about 8.4 per cent annually between 1970 and 1975. Agriculture is the largest source of employment, accounting for about 40 per cent of total cash employment, with a growth rate of 7.1 per cent annually. The manufacturing sector, which in 1975 was the third largest source of employment, has grown at 13.3 per cent per annum.

^{1/} These estimates are subject to wide margins of error

Table 6: NUMBER OF EMPLOYEES, 1970-75

	('000s)					
Sector	1970	1971	1972	1973	1974	1975
1. Agriculture, forestry and fishing	18.3	20.8	24.3	23.7	28.0	24.8
2. Mining and quarrying	2.9	2.9	3.0	2.9	3.0	3.1
3. Manufacturing	5.4	5.8	6.5	7.4	7.5	10.8
4. Electricity, gas and water	0.5	0.5	0.5	0.6	0.5	0.4
5. Construction	2.3	2.5	3.6	4.0	4.4	3.3
6. Wholesale and retail trade, restaurants and hotels	3.4	3.8	3.8	4.0	4.4	4.5
7. Transport, storage and comm.	1.9	2.1	2.3	2.7	2.5	2.5
8. Finance, insurance, real estate and business services	0.3	0.4	0.6	0.6	0.8	1.2
9. Community, social and personal services	7.3	8.1	9.2	11.3	10.8	11.9
Total	42.4	47.1	53.9	57.0	62.1	62.6

Source: Yearbook of Labour Statistics, ILO, 1977

INCOME DISTRIBUTION

No detailed information is available on income distribution in Swaziland. However, in view of the dualistic character of the economy and the dominance of foreign ownership in the modern sector, it is likely that income distribution is concentrated. Using data on farm holdings, prices and food production a World Bank mission constructed rough estimates of income distribution for the year 1971-72, and these are reproduced in Table 7.

Table 7: INCOME DISTRIBUTION, 1971-72

	(Percentage)		
	African population	Labour force	Income
1. Swasi nation farms	62.1	65.7	14.1
2. Individual tenure farms and forestry	16.8	15.2	22.0
3. Other employment	21.1	19.1	63.9
Total	100.0	100.0	100.0

EXPORTS, IMPORTS AND BALANCE OF PAYMENTS

Swaziland has always earned a favourable balance on its merchandise trade. Over the period 1972-74 export earnings increased at 33 per cent per annum as against a rise of 22 per cent in import value. This was largely due to higher prices of sugar and wood pulp, whose share of total merchandise exports was about 60 per cent in 1974. The export markets are well diversified; about 75 per cent of merchandise exports are destined outside the rand area to North America, Europe and Japan. In 1973/74, the ratio of exports to GDP was 60 per cent, while that of imports was 50 per cent.

Table 8: MERCHANDISE EXPORTS, 1972-74

	(mill emalangeni)			
Commodity	1972	1973	1974	1974 percent
1. Sugar	19.2	18.9	44.1	33.9
2. Wood pulp	11.1	15.3	31.3	24.1
3. Iron ore	9.3	7.9	12.3	9.5
4. Asbestos	4.6	6.7	6.0	4.6
4. Uncanned fruit-citrus	3.5	3.9	7.7	5.9
6. Meat and meat products	2.2	3.7	7.5	5.8
7. Canned fruits	1.8	2.8	2.7	2.1
8. Other	10.1	13.6	18.4	14.1
Total	61.8	72.8	130.0	100.0

The structure of imports in Swaziland has not changed significantly since independence, although between 1971 and 1974 there was a steady upward trend in the share of fuels and lubricants in total imports, increasing from 8 per cent to 13 per cent, while that of machinery and equipment fell from 26 per cent to 21 per cent.

Table 9: MERCHANDISE IMPORTS, 1972-74

Commodity	(mill. emalangen)			
	1972	1973	1974	1974 per cent
1. Food and live animals	4.7	5.8	7.6	8.9
2. Beverages and tobacco	2.7	4.4	5.1	6.0
3. Crude materials	0.5	0.9	0.8	0.9
4. Fuels and lubricants	4.3	7.3	11.0	12.9
5. Animal and vegetable oils and fats	0.3	0.3	0.4	0.5
6. Chemicals	5.9	6.7	10.4	12.2
7. Manufactured goods	9.4	11.0	12.6	14.7
8. Machinery and transport equip.	13.8	16.2	17.9	20.9
9. Misc. manufactures	7.3	7.0	9.7	11.3
10. Others	4.4	6.9	10.0	11.7
Total	53.3	66.6	85.5	100.0

The latest available data on external payments relate to 1970/71 and to the current account only. A World Bank Mission prepared the estimates for 1972/73 and 1973/74, and these are reproduced in Table 10.

Table 10: SUMMARY CURRENT BALANCE OF PAYMENTS, 1971/72 - 1973/74

Item	(mill. emalangeni)		
	1971/72	1972/73	1973/74
1. Merchandise exports	57.5	65.8	88.2
2. Merchandise imports	-49.2	-57.0	-72.4
3. Non-factor services, net	-6.1	-6.7	-9.5
4. Factor income payments, net	-8.5	-9.8	-12.2
5. Transfers, net	8.8	9.5	10.0
Current balance	2.5	1.8	4.3

The main outflows in the current account of the balance of payments are dividends from modern sector enterprises and non-resident charges for such services as insurance and head-office management fees. These payments have been almost offset by Government transfer receipts. No estimates of home remittances of Swazi workers in South Africa are available.

II STRUCTURE OF THE MANUFACTURING INDUSTRIES

Swaziland is at an early stage of industrial development. While the share of manufacturing in gross domestic product amounted to 25.6 per cent in 1973, this was largely composed of three mills processing sugar and wood pulp for export. Apart from these processing industries, other manufacturing activity - which amounts to only 3 % of GDP - operates on a comparatively small scale and is largely composed of establishments producing light consumer goods and building materials. Table 11 gives the breakdown of value added by industry groups.

Table 11: GROSS VALUE ADDED BY MANUFACTURING INDUSTRIES, 1971-73
(In producers' values)

(mill. emalangeni)

Industry group	1971		1972		1973	
	Value added	Percent	Value added	Percent	Value added	Percent
1. Manufacture of food and beverages	5.4	40.6	7.0	31.8	11.9	30.5
2. Textile, wearing apparel and leather industries	0.2	1.5	0.6	2.7	0.1	0.3
3. Manufacture of wood and wood products incl. furniture	0.8	6.0	0.8	3.6	1.5	3.8
4. Manufacture of paper and paper products, printing and publ.	6.5	48.9	12.9	58.7	24.3	62.3
5. Other manufacturing	0.4	3.0	0.7	3.2	1.2	3.1
Total	13.4	100.0	22.0	100.0	100.0	100.0

Source: UN, Yearbook of National Accounts Statistics, 1976

The processing of primary products and, in particular, agricultural and forest products, has hitherto been the basis of industrial development in Swaziland. The Usutu Pulp Mill began operations in 1959, with a capacity of 110,000 tonnes of unbleached sulphate pulp. Sugar milling at Big Bend was extended to reach an annual output of 66,000 tonnes and a mill of similar capacity was established at Mhlume. In 1964, the Matsapha Industrial Estate was opened; a cotton ginnery and petroleum depot were the first enterprises established on the estate. Thereafter and until the end of the decade industrial development was slow. By late 1972, however, manufacturing activity in Swaziland has expanded to include an abattoir, confectionary production, cement grinding, brewing, packaging, the assembly of agricultural machinery and the production of garments. In 1971, a \$140 million sugar project in the north-east of the country was begun by the publicly-owned Royal

Swaziland Sugar Growing Corp. Ltd. The IFC is providing some of the share capital. Some 4,000 people will be employed when full output - 120,000 tons/year - is attained by 1980. Net foreign exchange earnings are expected to be \$20 million per year. Alongside these larger enterprises, a number of small and locally-owned enterprises were established, mostly in light metal-working and handicrafts.

a. THE LARGE-SCALE SECTOR

In 1973, the manufacturing sector in Swaziland consisted of 39 establishments of 10 or more workers, which together employed 6,499 persons. 'Food and beverages' accounted for 14 establishments and 2,963 employees; 'textiles and wearing apparel' for 6 units and 621 workers; 'wood products and furniture' for 7 units and 1,278 workers; 'paper and products' for 4 units and 1,285 workers and 'all other manufactures' for 8 units and 352 workers. All except some in the last group fall into the large and medium-scale categories and are generally foreign owned and managed. Figures of value added and output by these establishments are given in Tables 12 and 13.

Table 12: GROSS OUTPUT AND VALUE ADDED BY ESTABLISHMENTS WITH TEN OR MORE WORKERS, 1972 - 73

(mill. emalangeni)

Industry	Gross output		Value added		Value added as percentage of gross output	
	1972	1973	1972	1973	1972	1970
1. Food products and beverages	27.8	30.6	5.9	6.8	21.2	22.2
2. Textiles and wearing apparel	1.5	2.9	0.3	0.8	20.0	27.6
3. Wood products, furniture and fixtures	3.2	4.3	0.8	0.7	25.0	16.3
4. Paper and products	11.9	19.9	6.7	12.9	56.3	64.8
5. Other industries	1.9	2.4	0.3	0.5	15.8	20.8
Total	46.3	60.1	14.0	21.7	30.2	36.1

Source: UN, Yearbook of Industrial Statistics, 1975

Table 13: PRODUCTION OF SOME COMMODITIES OF MANUFACTURING INDUSTRIES

(000 tons)

Commodity	1963	1969	1970	1971	1972	1973	1974
1. Meat	5	4	4	4	5	7	6
2. Sugar	150	154	157	176	181	176	180
3. Wood pulp, chemical	90	95	98	n.a.	n.a.	n.a.	n.a.
4. Molasses	42	43	40	45	49	51	53
5. Sawn wood (000m ³)	44	69	86	89	82	79	90

Source: UN, African Statistical Yearbook 1975

Table 14: GROSS FIXED CAPITAL FORMATION IN ESTABLISHMENTS WITH TEN OR MORE WORKERS, 1970 - 73

(000 emalangeni)

Industry	1970	1971	1972	1973
1. Food products and beverages	478	2015	1620	3222
2. Textiles and wearing apparel	n.a.	n.a.	72	191
3. Wood products, furniture and fixtures	833*	3918*	423	225
4. Paper and products	*	*	4096	1571
5. Other industries	122	77	142	229
Total	1433	6010	6353	5438

Source: UN Yearbook of Industrial Statistics 1975

* Capital formation in wood pulp industry is included with wood products.

Table 14 clearly indicates that over the period 1970-73 the rate of fixed capital formation was rapid. In 1970, gross fixed capital formation amounted to about 1.4 million emalangeni, and in 1972 it increased to 6.4 million emalangeni.

b. THE SMALL-SCALE INDUSTRIAL SECTOR

The only published information on small-scale industry (establishments with less than ten workers) is contained in the "Third Survey on Performance of Small Enterprises Development Company Assisted Enterprises" and the "Skarner Report on (secondary) Forest Industries". By combining the data in these two documents one arrives at the following figures for small-scale manufacturing. No great reliance should however be placed on these figures since, without doubt, there were other small-scale enterprises not recorded in the above reports and such employment is in any case fluid and seasonal. To help encourage small-scale enterprises SEDCO (The Small Enterprises Development Company) has established a number of industrial estates, whose location and principal activities are shown in Table 16.

Table 16: SEDCO INDUSTRIAL ESTATES

Location	Principal field of activity
Mbabane I	Ready-made clothing
Mbabane II (new estate)	Handicrafts, ceramics
Manzini	Light metal-working
Pigg's Peak	Wood working
Shunya	Tall oil and general estate
Hlatikulu	Leather products
Nhlangano (new estate)	Mixed estate
Vuvulane (new estate)	Ceramics and mixed estate

Source: Government of Swaziland, Second National Development Plan, 1973-1977

The dispersed location of the estates is to help distribute the benefits of industrial development beyond the Mbabane-Manzini pole of growth, in which most industrial development had hitherto been concentrated.

III INDUSTRIAL DEVELOPMENT OBJECTIVES AND STRATEGY AND INSTITUTIONAL INFRASTRUCTURE FOR INDUSTRY

The Government's industrial policy as outlined in the National Development Plan, 1973-1977, is to promote rapid industrial growth and raise domestic incomes and employment, and to foster local enterprise and management. Two institutions were established to pursue this policy: The Small Enterprises Development Company (SEDCO), set up in 1970 along with its training affiliate, the Small Enterprises Promotion Office (SEPO); and the National Industrial Development Corporation of Swaziland (NIDCS) set up in 1971.

SEDCO, in collaboration with SEPO, is mainly responsible for the development of Swazi entrepreneurship. Besides the provision of factory shells on its industrial estates, SEDCO's facilities include technical workshops, credit, training, and advice to small business regarding finance, accounting, quality control and management. SEDCO is also helping localize certain jobs in foreign-owned businesses. International technical assistance has played an important part in SEDCO's development, and the results so far have been very encouraging. Under this programme, small businesses have been successfully launched in handicrafts, ceramics, furniture, clothing, leather products and light engineering.

However, because of the dominance of the foreign sector in the Swazi economy, the role of SEDCO is very limited in terms of its contribution to output and employment. Only about 500 persons were in SEDCO-sponsored firms, and their output in 1974 was about emalangi 1 million. But 70 Swazi entrepreneurs were being provided with technical and financial assistance.

The main task of NIDCS is the identification of investment opportunities, the provision of physical facilities and financial assistance to enterprises, and participation in selected joint ventures through loan and equity capital. Capital expenditure of

NIDCS was expected to increase from E 1 million in 1974/75 to E 3 million in 1975/76. Equity in successfully established enterprises is eventually to be resold to the public to promote wider local ownership and control in manufacturing. In the present absence of local entrepreneurship on any but the most modest scale, NIDCS relations are largely with foreign enterprises.

In the monetary and fiscal fields the Government has taken a number of measures in recent years, establishing some new financial institutions, and strengthened existing ones. Under an agreement with the Republic of South Africa, it established a Monetary Authority in April 1974. Before this, interest rates moved automatically with those in the Republic of South Africa, but now the Monetary Authority has instituted an independent interest-rate policy. It has also assumed responsibility for issuing Government bonds and treasury bills, and although it has no facilities for discounting commercial papers, it has recently collaborated with the commercial banks in financing the country's cotton harvest.

Also during 1974, the two foreign commercial banks were locally incorporated with 40 per cent Government share-holding. They are now subject to local requirements for minimum capital and liquid assets, and to Government supervision through the Registrar of Financial Institutions, which is the Monetary Authority. In order to increase the contribution of these institutions to development, legal provision was made for loans under deeds of hypothecation. This would facilitate lending to small Swazi entrepreneurs who would normally be unable to meet the conventional requirements of collateral for loans from commercial banks.

Infrastructure

Transport: The system consists of: (i) 2,600 km of roads (190 km of which are paved); (ii) 220 km of a single-line railway used almostly for transporting iron ore to a connecting line of the Mozambique system; and (iii) an international airport served only by South African Airways and Delta Airline of Mozambique. Road and rail are by far the most

important modes of transport. For the most part, exports are dependent on rail transport to Capetown and on to overseas markets, while imports mostly originate in South Africa and enter Swaziland almost entirely by road. The hilly topography of the country makes the provision of transport facilities very costly.

Traffic densities are generally low through out the country; the routes of heaviest freight volume (over 200,000 tons per annum) are those involving movement of forest products in the northwest, and of sugar products in the southeast. The vehicle fleet was estimated at 33,000 in 1972, of which about 60 per cent were cars. In 1973, the railways carried almost 85 per cent of the country's total freight, three quarters of all railway freight consisted of iron ore. Domestic air transport is of only minor importance because of the country's small size.

The EDF may finance a 32 km canal to irrigate the new sugar areas, but South African tenders have not yet been accepted.

No major investment in railways was envisaged in the Development Plan.

Power: Swaziland is well endowed with both coal and water for electric power production, although limited use is made of water and none is made of the coal reserves. About one-third of total electricity consumption is met from hydro-electricity generation, mainly using run-of-river flows, and the remainder is met by using imported fuels and waste products from the sugar and forestry industries.

The Swazi Electricity Board meets about half the total electricity requirements of the country; the remaining half is generated by individual industrial and agricultural concerns for their own use.

Most of the main centres of economic activity in the country have been linked to the Swaziland Electricity Board transmissions. These include the two main towns of Mbabane and Manzini, the corridor between these two towns, the mines, the areas under irrigated agriculture and the main agricultural processing industries. Transmission lines to certain of the smaller towns, notably Siteki and Pigg's Peak, have been completed and construction has begun on a line to Hlatikulu and Nhlanguano. Thus, the grid system is now extended into all the four regions of the country.

The installed capacity of Swaziland Electricity Board in 1972 was 33 MW which was adequate to meet demand at that time, but is insufficient to meet the growth in demand expected in the current decade. An agreement was therefore reached with the Electricity Authority in the Republic of South Africa (ESCOM) to establish a link with the ESCOM grid to import of electricity. This link became operational in early 1973 and, as a consequence, the supply capacity of SEB was increased from 33 MW to 67 MW. This capacity is sufficient to meet the growth in domestic demand until the end of present decade.

A UNDP/FAO report on the development of the main river basins estimated that very substantial hydro-electricity generation was technically feasible. However, apart from the existing hydro-electric plant at Edwaleni, which mainly relies on run-of-river, no economically viable hydro-electric scheme could be identified. The National Development Plan envisaged, depending on its economic feasibility, setting up a thermal power station based on local coal. This power station would have a capacity of 1,500 MW on final completion.

Other infrastructure developments are centred on the country's tourism efforts. There are 24 hotels at present - 3 more are planned - and by 1980 500,000 tourists per year are expected. It is hoped that linkages to the indigenous economy can be created from tourism, in contrast to the experience of other countries' tourist enclaves.

Education and Training

At independence in 1968 the Government inherited an education system which was rapidly expanding at both the primary and the secondary levels. In 1974 primary enrolment was estimated at about 70 per cent of the 6 - 12 age group. Growth of enrolment at the secondary level has been a high - at an average of 15 per cent since 1960 - and the total enrolment in 1974 was estimated at 20 per cent of the 13 - 17 age group. The quality of education was, however, low in large measure due to the inadequate professional level of the teachers.

The Swaziland Industrial Training Institute (SITI) is the only industrial training institution in the country, offering instruction in a wide range of skills, as well as in supervision and management.

The country continues to have a shortage of skilled and educated labour. This shortage has two serious consequences. First, it means that important tasks both in Government and in the private sector are performed by expatriates, with the result that citizens are deprived of influence in many key sectors of the economy, and also of the higher incomes associated with many of these jobs. Secondly, the shortage of citizens capable of filling professional, technical, administrative and skilled manual jobs is a severe constraint on Swaziland's development wherever expatriates are not used.

IV PROSPECTS AND POTENTIAL FOR INDUSTRIAL DEVELOPMENT

Though the country is small, the diversity of its agricultural, forest and mineral resources present opportunities to develop new industries as well as to expand existing industries. The domestic market in Swaziland is very small and this restricts the scope for the development of import-substituting industries but opportunities none the less exist for the development of small, locally-owned enterprises. It is evident, however, that rapid industrialization

depends on establishing export-oriented industries. At present the bulk of manufacturing output consists of sugar and wood pulp and these are exported mainly to markets in Europe and North America. Supply conditions in Swaziland to further expand these industries are favourable - if cash crop production can be encouraged to replace subsistence production - but the scope for increased access to export markets depends very heavily on commercial policies in the developed countries. With such access substantial opportunities exist for the establishment or expansion of agro-based enterprises for processing such products as sugar, timber, semi-tropical fruits, cattle, tobacco, tea and vegetables.

In the fields of finished manufactures and intermediate goods, the main market prospects lie in Southern and Eastern Africa. An important consideration in this respect is that as a member of the Common Customs Area of Southern Africa, Swaziland enjoys duty-free access to the markets of Botswana, Lesotho and the Republic of South Africa. The advantage of duty-free access is, however, counterbalanced by the Republic of South Africa's own well-developed industrial structure and this places Swaziland at a disadvantage in those industries where external economies, or proximity to markets, significantly affect costs. However, the closeness of Swaziland to parts of the South African market and favourable labour conditions lessen these cost disadvantages for many industries.

Other markets, particularly in Eastern Africa, also offer possibilities for the export of finished manufactures and intermediate goods. Trade agreements have been signed with several African countries for the interchange of goods.

Industrial development in Swaziland is also dependent upon the inflow of foreign capital. It is Government policy to encourage this inflow while, at the same time, seeking greater local participation in foreign owned enterprises. The inflow of foreign capital is facilitated by Swaziland's membership of the Rand currency area, within which there is no restriction on the movement of funds.

The following sections briefly review prospects in agricultural and mineral development.

(i) Land and water: The country has adequate land and water resources which are at present only partially exploited. Together, these endowments represent a considerable potential for agricultural development. About 65 per cent of the total land area of 1.7 million hectares is presently used for grazing, and 20 per cent is considered suitable for intensive agriculture. However, only one half of this area was under cultivation in 1974. In that year, about 25,000 hectares were irrigated and an additional 15,000 hectares could probably be brought under irrigation. About 6 per cent (mainly mountainous slopes) of the total land area supported a thriving forestry industry.

The agriculture sector is severely dichotomised. There are 790 foreign owned estates and farms (designated individual tenure farms or ITFS) averaging about 800 hectares each and covering about 45 per cent of the total land area. The growth of output on these farms has been about 5 per cent per annum, and although only about one half of these farms are economically exploited, their output accounts for 60 per cent of the output of the agriculture sector. The rest of the sector consists of about 39,000 small-scale Swazi Nation Farms (SNFs) with an average size of less than 3 hectares. About 70 per cent of the population resides on Swazi Nation land, adequate data for which is not available.

Sugar cane is the main crop on ITFs, followed by cotton, citrus and pineapples. The crops produced on ITFs, together with forestry products, are largely exported after processing; whereas production on Swazi farms is mainly for subsistence. The principal crops there are maize, groundnuts, sorghum, beans and potatoes. About 75 per cent of total livestock production is carried out on SNFs.

The ITFAs modern technologies; and their output per acre is high. The SMEs, on the other hand, are run largely on traditional lines, i.e. employing family labour and draft animals. The small size of SMEs, their low productivity, and the lack of adequate marketing services have combined to hamper marketable surpluses of food crops on SMEs. According to estimates by the Agricultural Experimental Station, yields on many crops could be increased from between 10 and 15 per cent; in particular, the yield of maize could be increased by about 60 per cent if best practice were followed.

The standard of animal husbandry is generally low and cattle raising has not yet become a major activity on ITFAs. The off-take for cattle is about 11 per cent per year, a figure which the Government hopes to raise to 15 per cent by 1978.

In view of the favourable economic outlook for agricultural growth and development, the output of ITFAs over the period 1972/73 - 1979/80 expected to grow by at least 5 per cent per annum, as this table shows.

Table 17: PRODUCTION ON INDIVIDUAL TENURE FARMS 1972/73 AND PROJECTIONS 1979/80

(million emalangeni)

Item	1972/73	1979/80 (1972 prices)	1979/80 (current prices)
1. Sugar	9.2	13.9	28.5
2. Citrus	4.5	6.2	11.5
3. Cotton	1.7	2.9	6.7
4. Rice	0.6	0.8	2.4
5. Maize	0.4	0.9	1.4
6. Potatoes	0.3	0.8	2.3
7. Other	0.5	1.2	2.4
Total	17.2	26.7	55.2

Source: Economic Memorandum on Swaziland by World Bank, 1975

(ii) Minerals: Until about 1969, mining was the dominant sector of the modern economy; since then, it has been superceded by sugar and forestry products. There have been no new mining operations of any significance in recent years. In 1973, mining accounted for 5 per cent of modern sector employment, 4.7 per cent of GDP, and 20 per cent of merchandise exports.

(a) Asbestos: The production of asbestos started in 1939 at Havelock in the north-east of the country, and was the first industrial operation of any significance in the development of the modern economy. At the current rate of production of about 35,000 metric tons, the existing mine was expected to be exhausted by 1983/84. There are, however, sufficient exploitable reserves in the vicinity of the present mine to extent the life of the industry.

(b) Iron ore: This has been mined at Ngwenya along the western border since 1964 and exported almost exclusively to Japan under a long-term contract. Production has been steady at about 2.2 million tons per annum since 1969. The reserves of the higher/medium grade ore of this mine were expected to be exhausted in 1978. There are about 265 million tons of known reserves of lower grade ore, and a further 400 million tons of even lower grade in other parts of the country. The exploitation of these low-grade deposits under present technology is not considered profitable.

(c) Coal: The country's coal reserves are concentrated in the east, and are estimated at between 200 and 400 million tons. Production is carried out by a small mine at Mpaka, and has increased from 114,000 metric tons in 1969 to 150,000 tons in 1971. In 1974 production was 117,000 tons. Domestic consumption mainly by railways accounted for about one half of production while exports were mainly to Kenya.

Most of the reserves are low volatile bituminous coal, with smaller quantities of semi-anthracite or anthracite coal. Large scale exploitation of the substantial low quality deposits is most feasible in the production of power by specially designed station boilers.

Other mineral developments are not very significant. Some industrial minerals which are being mined on a small scale are barytes, kaolin, silica and pyrophyllites.

Table 18: MINERAL PRODUCTION, 1966-74

Mineral	(000 tons)					
	1966	1970	1971	1972	1973	1974
1. Coal	77	138	150	126	140	117
2. China clay	1	1	2	2	2	2
3. Iron ore (g.w.)	2208	2295	2312	1984	2147	2160
4. Iron and ore (m.c.)	1003	1469	1480	1270	1374	1380
5. Tin concentrates	12	12	12	12	12	12
6. Barium minerals	1.0	0.2	0.1	0.2	0.1	0.2
7. Asbestos	36	33	36	34	37	40
8. Pyrophyllites	1.5	0.2	0.2	0.1	0.1	0.1

Source: UN African Statistical Yearbook 1975

IDENTIFICATION OF PROJECTS IN THE SMALL-SCALE INDUSTRIAL SECTOR

A UNIDO survey ^{*)}, "Identification of projects in the Small-scale Industrial Sector" conducted in 1975, suggests a number of products suitable for small-scale industries. These are (a) those providing some essential product or service, mainly for the area in which they are situated; (b) those producing for the entire Swaziland market and possibly also for export; and (c) those processing, or further processing, raw materials of Swazi origin for export and/or the domestic market.

^{*)} The report has yet to be cleared with UNIDO

The survey suggests that enterprises in groups (b) and (c) are not likely to be successful unless they can guarantee acceptable and consistent quality and meet delivery dates. For some years to come a measure of control will therefore be necessary. This function could be undertaken by SEDCO (assisted by UNIDO/ILO Mission), but to be effective, SEDCO must establish, or have a majority interest in, each new enterprise until such time as it can be handed over, or sold, as a going concern to a Swazi entrepreneur.

Criteria used in the survey in the selection of new products classify these products into the following groups, though not mutually exclusive:

1. Those resulting from the further processing of indigenous materials; provided such processing does not increase weight or volume to the extent to involve higher freight charges.
2. Those making use of waste material arising in existing industries, or material under-utilized at present.
3. Those not at present made in Swaziland and in the Republic of South Africa, or if made in the latter, not to the extent to satisfy the demand within the Common Customs Union.
4. Those made to meet the needs of the Swaziland, Central and Southern African Markets, excluding that of the Republic, from materials imported through the Republic, provided that the freight on the finished product exceeds that on the raw or intermediate material that go into its manufacture.
5. Those involving a very high percentage of unskilled labour.
6. Those that are characteristically Swazi with strong local and/or tourist appeal.

While it will be possible to select products that fulfil one or more of the above criteria it does not follow automatically that each will be a possible manufacturing venture or an entrepreneur in the small-scale sector, nor that the demand will be sufficient to sustain production. The market for each selected product must be examined in depth, and

where appropriate its reaction to prototype ascertained. Where feasibility studies have been made they should be re-examined in the light of the market research. The foregoing criteria, probably, are more useful in a negative than in a positive sense; in as much as an article that does not fit into one of the above categories is unlikely to be a viable manufacturing proposition.

Possible products suggested in the survey for small-scale manufacture in Swaziland are listed below:

Wood Products

- (i) Wood-wool cement panels, based on wattle
- (ii) Mosaic parquetry, based on wattle
- (iii) Rulers and geometrical instruments, based on wattle
- (iv) Furniture like easy-chairs, coffee tables and settees to be supplied in "knocked down" condition
- (v) Bobbins based on wattle and scrap tin plate
- (vi) Wooden toys
- (vii) Clothes pegs - as a side line
- (viii) Brush heads

Engineering Products

- (i) Scootch carts
- (ii) Foundry products
- (iii) Spun metal products like enamelled flat and hollow wares; plates, bowls, kettles and frying pans of aluminium
- (iv) Wire nails
- (v) Motor vehicle exhaust systems
- (vi) Agricultural implements such as digging hoes, cane knives, grass slashers, crowbars, hammerheads etc.
- (vii) Steel pipe fittings
- (viii) Fluorescent light fittings
- (ix) Miscellaneous pressings from scrap

Wire Products

- (i) Chain-link (diamond mesh) fencing
- (ii) Twisted wire brushes

Glass Products

- (i) Blown glassware of decorative nature
- (ii) Cast glass ware like tumblers, plates, ash-trays, jars and bottles for fluids
- (iii) Mirrors

Clay Products

- (i) Low-tension insulators, sewer pipes and sanitary wares
- (ii) Building bricks, floor tiles and fired clay hollow blocks
- (iii) Ceramics - cooking pots, bowls, beer mugs, glazed tiles, etc.

Textile and Cordage

- (i) Hand loom cotton textiles like table mats, tray and tea-cloths, and table runners
- (ii) Woollen textiles like rugs, carpets and wall hangings
- (iii) Silk screen printing
- (iv) Batik printing
- (v) Crochetwork-handbags, bed-spreads, chair covers, anti-macassars, table-mats, curtains, etc.
- (vi) Macrame-wall-hangings, curtains and room-dividers of knotted cord
- (vii) Miscellaneous products like espadrilles (rope-soled slippers), neck ties

Edible Oils

- (i) Un-refined cotton-seed oil in conjunction with a cattle feed plant
- (ii) Sesame oil

Essential Oils

- (i) Vetiver
- (ii) Peppermint
- (iii) Citronellol

Plastic Products

- (i) Extrusion of flexible pipe for sub-soil drainage and garden hose
- (ii) Extrusion of rigid pipe for water and sanitary services
- (iii) Manufacture of rain wear and disposable, or semi-disposable, clothing and bed linen
- (iv) Cellular flexible foam
- (v) Reinforced mouldings such fittings for low-cost housing as draining boards, sinks, bases for shower cabinets and even baths

Paper and Paper Conversion

- (i) Coarse wrapping paper
- (ii) Toilet tissue, napkins, sanitary pads, paper bags, envelopes, exercise books, writing pads, paper plates, drinking cups and straws, food containers, etc.

Chemical Products

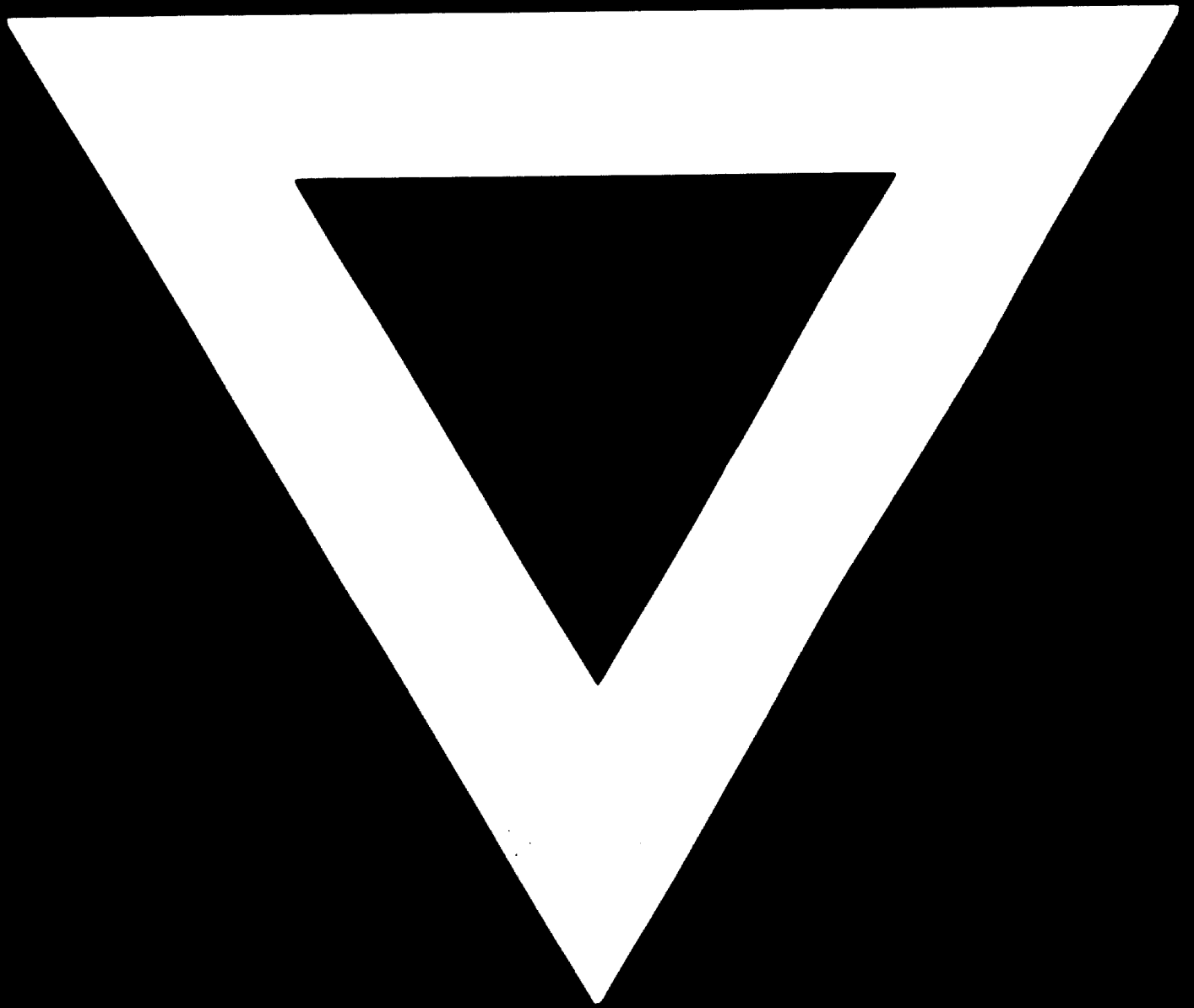
- (i) Laundry soap
- (ii) Candles

Miscellaneous Products

- (i) Reclamation of used lubricating oil
- (ii) Whisk brooms



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