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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INDUSTRIAL DEVELOPMENT REVIEW SERIES

SWAZILAND

Enhancing industrial potential

V.92-54585

PREFACE

This Industrial Development Review is one of a series of country studies prepared by the Regional and Country Studies Branch of the United Nations Industrial Development Organization (UNIDO).

The Reviews present brief factual and analytical surveys of industrial development in developing countries. Such industry-specific Reviews are in demand for a variety of purposes: to provide an information service to relevant sections within UNIDO and other international organizations and aid agencies concerned with technical assistance to industry; to be used as a reference source for financial organizations, public and private industrial enterprises, and economic research institutes in developed and developing countries; and to serve as a handy, useful information source for policy-makers in developing countries. The Reviews do not represent in-depth industrial surveys. With an exclusive focus on industry they present information and analyses on the broad spectrum of the industrial development process in the countries concerned in a condensed form.

The Reviews draw primarily on information and material available at UNIDO headquarters from national and international sources as well as data contained in the UNIDO data base. Generally, the presentation of up-to-date information on subsectoral manufacturing trends is constrained by incomplete national data on the industrial sector. To supplement efforts under way in UNIDO to improve the data base and to monitor industrial progress and changes on a regular basis, it is hoped that the relevant national authorities and institutions and other readers will provide comments and further information. Such response will greatly assist in updating the Reviews.

This Review was prepared in cooperation with Thembayena Dlamini, UNIDO Consultant, on the basis of information available at end 1991. The Review is divided into four Chapters. Chapter I assesses the economic structure, recent development trends and key issues facing the economy of Swaziland. The manufacturing sector is assessed in Chapter II in terms of growth and structural change, employment and productivity, performance and efficiency, manufactured exports and imports and industrial location. The following Chapter III analyses key branches of industry and attempts to evaluate their prospects in the light of their resource base, recent developments in the industries concerned and the major constraints facing these industries. The final Chapter IV examines key industrial plants in terms of their current constraints and future prospects.

Annexed to this Review is information related to the legal framework governing investment (Annex A), industrial cost structure (Annex B), industrial incentives (Annex C), and import and export regulations (Annex D). The Annexes also include lists of investment opportunities (Annex E), and leading industrial companies (Annex F).

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

Dates divided by a slash (1990/91) indicate a fiscal year or a crop year. Dates divided by a hyphen (1990-1991) indicates the full period, including the beginning and the end years.

In this publication, references to the Federal Republic of Germany and the German Democratic Republic indicate the period prior to unification of the two German States, on 3 October 1990. As of that date, the designation "Germany" is used. In Tables and listings, the former component States are listed under "G": Germany, Federal Republic of; German Democratic Republic.

In Tables:

Percentages may not add due to rounding.

Totals may not add precisely because of rounding.
Two dots (..) indicate that data are not available or not separately reported.
A dash (-) indicates that data are not applicable or the amount is negligible.

The following *abbreviations* are used in this publication:

CMA	Common Monetary Area
CDC	Commonwealth Development Corporation
E	emalangeni (plural of lilangeni)
TEBA	Employment Bureau of Africa
EC	European Community
GSP	Generalized System of Preferences
GDP	gross domestic product
GNP	gross national product
VOCTIM	Gwamile Vocational Training Centre
ITF	Individual Tenure Farms
MVA	manufacturing value-added
MITC	Manzini Industrial Training Centre
NIDCS	National Industrial Development Corporation of Swaziland
NMC	National Maize Corporation
NATEX	National Textile Corporation
PTA	Preferential Trade Area for Eastern and Southern Africa
RDAP	Rural Development Area Programme
SEDCO	Small Enterprises Development Company
SACU	Southern African Customs Union
SADCC	Southern African Development Coordination Conference
SAP	Structural Adjustment Programme
SNL	Swazi Nation Land
SCI	Swaziland Chemical Industries
SCOT	Swaziland College of Technology
SDSB	Swaziland Development and Savings Bank
Swazican	Swaziland Fruit Canners (Pty) Ltd
SIDC	Swaziland Industrial Development Company
SMI	Swaziland Meat Industries
SUB	Swaziland United Bakeries
UNIDO	United Nations Industrial Development Organization
UNISWA	University of Swaziland

BASIC INDICATORS I: THE ECONOMY

Population (1989) : 760,000

Annual growth rate of population (1976-1986) : 3.2 per cent

Labour force (1988) : 85,867

GDP (1988) : E 1,384.2 million ($612.2 million)

GDP per capita (1988) : E 1,821 ($805)

Annual growth of GDP (Percentage) :

1977-1979	1980	1981	1982	1983	1984
5.6	3.3	5.7	0.5	2.0	6.2

1985	1986	1987	1988
3.8	5.6	-2.3	6.4

Expenditure on GDP :

	1980	1988
Gross domestic savings	-1.1	43.6
Consumption	93.5	63.0
Investment	35.3	28.2
Trade balance	-28.8	8.8

Structure of GDP (Percentage) :

	1980	1988
Agriculture	22.4	17.0
Forestry	1.7	1.4
Mining	3.2	3.0
Manufacturing	16.7	19.9
Construction	5.4	3.1
Government services	17.2	17.4
Wholesale & retail trade	12.1	13.6
Finance & real estate	11.6	10.7
Other	9.7	13.9

Exports (1989) : $475.7 million

Principal exports (E million, 1989) : Sugar (388.8), Edibles (265.4), Wood-pulp (192.5), Finished consumables (72.1), Minerals (56.3), Canned fruits (48.1)

Imports (1989) : $582.5 million

Principal imports (E million, 1989) : Machinery and transport equipment (514.3), Fuel and lubricants (222.8), Manufactures (221.8), Food and live animals (179.5), Chemical products (112.9)

Current account $ million :

1981	1982	1983	1984	1985	1986
-90.0	-111.6	-108.7	-77.1	-43.8	8.5

1987	1988	1989
80.2	105.0	2.4

International reserves (1990) : $10.9 million

External public disbursed debt (1989) as per cent of GDP : $40.2

Exchange rate (E equivalents to $1) :

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
0.78	0.87	1.09	1.11	1.43	2.17	2.27	2.04	2.27	2.63

1990	1991
2.59	2.76

Consumer price index (September 1988=100) :

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
26.1	29.7	35.1	40.0	43.0	52.3	59.1	70.3	79.0	88.9	106.2

a/ Reflects changes in the cost of living facing middle and high income groups in Mbabane.

BASIC INDICATORS II: THE MANUFACTURING SECTOR[a]

Manufacturing value added (1987)	:	E 232.5 million ($114.3 million)
MVA *per capita*	:	E 327.7 ($161.1)
Manufacturing employment (1988)	:	13,407 persons
As per cent of economically active population	:	22.5 per cent
MVA per employee (1987)	:	E 20,394 ($9,012)

Annual growth rate of MVA (Percentage) :

1981	1982	1983	1984	1985	1986	1987	1988
11.1	5.2	1.1	-0.6	-1.3	15.2	5.0	14.8

Structure of MVA (Percentage) :

	1981	1987
Food, beverages and tobacco	50.0	51.4
Textiles	2.1	7.1
Wood & wood products	6.5	4.0
Paper & paper products	21.0	30.8
Chemicals	11.7	0.6
Non-metallic mineral products	1.1	2.7
Machinery & equipment	7.3	3.3

a/ Large- and medium-scale enterprises only.

BASIC INDICATORS III: TRADE IN MANUFACTURES

Exports of manufactures:

Total export value (E million) :

1980	1981	1982	1983	1984
100.3	107.6	194.6	218.8	278.7

1985	1986	1987	1988	1989
295.1	477.4	620.0	817.9	987.9

As per cent of all merchandise exports :

1980	1981	1982	1983	1984
35.9	33.8	74.6	75.8	81.4

1985	1986	1987	1988	1989
79.1	78.3	72.8	79.8	79.4

As per cent of industrial production :

1980	1981	1982	1983	1984
..	55.3	49.9	57.5	72.4

1985	1986	1987
73.3	77.6	88.4

Principal manufactured exports (E million, 1989)

Sugar (388.8), Miscellaneous edibles (265.4), Wood-pulp (192.5), Finished consumables (72.1), Canned fruit (48.1)

Imports of manufactures

Total import value (E million) :

1985	1986	1987	1988	1989
653.4	720.4	784.6	1,017.4	1,345.0

As per cent of total imports :

1980	1988
93.2	87.1

Principal manufactured imports (E million, 1989) :

Beverages and tobacco (18.2), inedible raw materials (44.2), Mineral fuels and lubricants (222.8), Chemicals and chemical products (112.9), Manufactures (221.8), Machinery and transport equipment (514.3), Miscellaneous manufactures (144.6)

BASIC INDICATORS IV: RAW MATERIAL RESOURCES

Agricultural production (1985 = 100)	:	1980: 93, 1981: 101, 1982: 89, 1983: 84, 1984: 101, 1985: 100, 1986: 123, 1987: 102, 1988: 101
Forestry production (1985 = 100)	:	1980: 94, 1981: 99, 1982: 99, 1983: 90, 1984: 86, 1985: 100, 1986: 97, 1987: 107, 1988: 106
Food crops (Thousand tonnes, 1988)	:	Maize (111,689), Groundnuts (5,003), Jugo beans (1,144), Sorghum (612), Beans (2,043), Sweet potatoes (5,966)
Cash crops (Thousand tonnes 1988)	:	Sugar cane (3,689.5), Pineapples (38.2), Cotton (17.9), Tobacco (0.01), Citrus Fruits (51.1)
Livestock (Thousand head, 1988)	:	Cattle (639.9), Goats (279.5), Sheep (19.98), Horses (1.23), Poultry (678.8), Pigs (18.04)
Mining precious metals (Thousand tonnes, 1989)	:	Asbestos (28.2), Coal (165.1), Quarried stones (128.5)
Electricity production (Million Kwh, 1989)	:	435.5

BASIC INDICATORS V: INTER-COUNTRY COMPARISON OF SELECTED INDICATORS

Indicator	Unit	Swaziland	Lesotho	Mozambique	Botswana	Namibia[a/]	South Africa
I. Demographic indicators							
Population (mid-1989)	Million	0.8	1.7	15.3	1.2	1.7	35.0
Population growth (1980-1989)	% per annum	3.2	2.7	2.7	3.4	3.1	2.4
Primary school enrolment as percentage of school-age children (1988)	%	81.0	..	4.5	97	..	89
Area	Thousand sq m	17.4	30	802	582	824	1,221
Density of population (1989)	Persons per sq km	43.8	56.7	19.1	2.1	2.1	28.7
II. Economic indicators							
GDP (1988)	$ million	612.2	330	1,100	1,940	1,650	78,970
GNP <u>per capita</u> (1988)	$	805	420	100	1,010	1,030	2,290
GDP growth rate (1980-1988)	% per annum	3.8	2.9	-2.8	11.4	0.4	1.3
Agriculture (1988)	% of GDP	17	21	62	3	11	6
Industry (1988)	% of GDP	30	28	20	55	38	45
Manufacturing (1988)	% of GDP	20	13	..	5	5	25
Services (1988)	% of GDP	17	52	18	42	47	49
Exports of goods and non-factor services (1988)	% of GDP	89	23	15	..	..	29
Gross domestic investment (1988)	% of GDP	28	47	33	..	17	20
Total external debt (disbursed and outstanding) (1988)	% of GDP	40.2	85.2	400.5	25.7	..	..
III. Industrial indicators							
MVA (1988)	$ million	138	42	115	90	77	19,150
MVA growth (1980-1988)	% per annum	6.5	12.1	-8.2	7.6	1.1	0.5

Source: Sections I and II based on World Bank data presented in the *World Development Report 1991*, excluding the data for Swaziland, which are derived from national sources. The data in Section III are taken from the UNIDO database. It should be noted that the UNIDO database, United Nations statistics, national statistics and World Bank data do not always tally precisely and, therefore, discrepancies may be found between Basic Indicators VI and text tables.

a/ All data for 1989 or 1980-1989.

SUMMARY

The economy of Swaziland is largely a free enterprise economy. During the past decade it grew at an annual average rate of 4 per cent in real terms. This rate of economic growth is, however, far below the 7 per cent attained during the 1960s and 1970s. This slowdown in the growth of economic activity during the past decade can be attributed to the regional and world recession, low prices for many of the country's primary world export commodities, such as sugar and wood pulp, the severe regional droughts of recent years, the effects of the 1984 cyclone "Domoina", and the closure of a number of important industries. It has been aggravated by a shortage of skilled manpower, especially engineers, technicians, artisans, supervisors and managers. Meanwhile, the population growth rate is fairly high at 3.2 per cent annually; making it one of the highest in Sub-Saharan Africa. The labour force (composed of people aged 15-64 years) is growing faster because of the youthful structure of the population and an influx of Mozambican refugees. Although unemployment has been declining slightly since the mid-1980s, this trend is expected to be reversed in the short to medium term, mainly because of the contraction of job opportunities in the South African mines as a result of the low price of gold in the world market and the South African Government's policy of increasing the number of miners from the "homelands" in order to reduce its excessive dependence on miners from the neighbouring countries, including Swaziland. In 1990, the number of Swazi nationals recruited to work in the South African gold and platinum mines stood at 16,800 persons (about 2.4 per cent of the total population).

The economy of Swaziland has been shaped by the country's geographical location. Swaziland is completely land-locked, bordered on the east by Mozambique and on the other three sides by South Africa. Naturally, its economy is heavily influenced by its economic relations with South Africa. Swaziland is a member of both the Southern African Customs Union (SACU) and the Common Monetary Area (CMA). As a member of SACU, Swaziland depends on South Africa for a substantial proportion of its government revenue, foreign exchange and employment opportunities. It is estimated that over 80 per cent of Swaziland's imports come from, or transit through, South Africa and about 40 per cent of its exports are destined for South Africa. However, the country's major export commodities are sent to countries outside SACU. Swaziland's membership of the CMA limits its ability to pursue independent exchange rate and monetary policies. In addition, Swaziland's membership of SACU means that it cannot independently determine its tariff policy. Thus, the only relevant macroeconomic policy instrument available to the Swazi authorities is fiscal policy, and this is mainly in relation to expenditures, since revenue is largely dependent on SACU which provides about 40 per cent of total revenue.

Agriculture, manufacturing and government services dominate the Swazi economy, and are the main generators of economic activity and wealth. Together they account for about 50 per cent of gross domestic product (GDP). Private consumption accounts for about 40 per cent of GDP at market prices, while government consumption on goods and services contributes 20 per cent of GDP due to the private sector orientation of the economy. Exports and imports account for about 90 per cent and 80 per cent of GDP, respectively; an indication of the openness of the economy. With relatively few exceptions, however, the net contribution of external trade to GDP has been negative as imports have generally exceeded exports. Gross capital formation (fixed investment) has been decreasing in recent years, mainly because of financial and other difficulties experienced by the government in implementing capital or development projects.

Swaziland's industrial development objective focuses on the promotion of labour-intensive, natural resource-based, export-oriented industries. Swaziland has a small domestic market in terms of both population size and purchasing power. Consequently, development efforts have to be concentrated on export-oriented activities with emphasis on agro-based activities on which Swaziland has a comparative advantage.

At the time of Independence in 1968, manufacturing involved little more than the processing of agricultural and forestry products. However, over the years, the manufacturing sector has expanded substantially. The number of new industries has increased, especially after the "mini boom" of the mid-1980s, which was itself induced by an improvement in the investment climate and by the threat of sanctions against; and disinvestment from; South Africa by the world community. This has resulted in a significant diversification of Swaziland's industrial base. In

addition to producing and exporting primary commodities, Swaziland now manufactures and exports non-traditional goods to regional and world markets. The manufacturing sector has grown in terms of both gross output and value added.

Industrial development in Swaziland is constrained by a number of problems. These include a shortage of serviced land, as well as the poorly maintained infrastructure at the major industrial estate at Matsapha as well as the inavailability of skilled manpower. The lack of a written investment code has also limited investment as has competition from the South African homelands.

The food and beverage, textile and clothing, pulp, paper and printing industries account for a major share of the manufacturing sector's permanent employment opportunities. The growth of the building material and the wood and wood product industries have been negligible due to the closure of important enterprises in these industries.

Technical and financial assistance is required for the development of all branches of manufacturing industry. As indicated in the profiles of major manufacturing enterprises presented in Chapter IV, inadequate marketing facilities, high transportation costs for raw materials and final products, and the lack of appropriate qualified personnel in specific fields such as food processing technology pose severe problems. The lack of trained manpower imposes a particularly serious constraint on industrial development in Swaziland, and the country relies on imported engineers, technicians, managers and supervisors for most of its industries. Local training institutions are not well equipped to produce the skills required by the industries.

With the exception of firms processing agricultural and forestry products, many manufacturing enterprises do not have extensive backward and forward linkages within the country. The by-products of existing firms are not usually put to good use; although animal feed is produced out of waste from the food and beverage industries. Most of the backward linkages occur in South Africa; which supplies almost all the raw materials to local firms. Investment opportunities exist in the further processing of raw materials and other goods which are at present either exported in raw and semi-processed forms. This would permit an increased level of value to be added within Swaziland and generate increased employment opportunities within the country.

Although Swaziland's economic prospects largely depend on external events, some issues likely to affect its long-run economic development performance are amenable to domestic macroeconomic policy measures. The main policy issues in this category include the reduction of population growth, the promotion of agricultural and industrial development, the promotion of tourism and the maintenance of budgetary stability through careful control of the government's recurrent and capital expenditure.

I. THE ECONOMY OF SWAZILAND

A. RECENT ECONOMIC TRENDS

Swaziland has achieved considerable success in promoting economic development. The average growth rate of gross domestic product (GDP) at factor cost has been estimated at 3.8 per cent per year in real terms during 1980-1988. Nevertheless, the country's economic growth rate has fluctuated substantially in recent years as shown by Table I.1. The highest growth rate was attained in 1986, when the economy expanded by 8.5 per cent. This was followed by a contraction of 2.3 per cent in 1987. The strong economic growth experienced in 1986 can be attributed to a record volume of sugar output, the expansion and improvement of the wood pulp industry and a general expansion of the manufacturing sector as previous investments came on stream. The sharp decline in economic activity in 1987 can be explained to a large extent by the poor performance of the agricultural sector as drought during the latter half of the rainy season restrained the output of a number of major non-irrigated crops, including maize and cotton.

Table I.1. Gross domestic product, 1980-1988
(E Million, in constant 1985 prices)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	123.2	129.7	113.9	104.6	128.9	126.1	151.0	128.0	126.3
Forestry	9.3	9.8	9.8	8.8	8.5	9.9	9.6	10.6	10.5
Mining and quarrying	17.5	20.4	17.1	15.4	17.0	18.0	19.2	23.7	22.0
Manufacturing	91.8	102.0	107.3	108.5	107.9	106.5	122.7	128.8	147.8
Construction	30.0	27.6	22.0	31.3	27.8	24.8	24.2	22.8	23.9
Electricity & water	17.6	19.6	16.8	15.2	20.4	22.0	25.2	28.0	31.2
Transport & communications	34.9	36.6	36.8	38.9	40.1	43.5	49.0	49.4	55.0
Wholesale and retail trade, hotels and restaurants	66.4	66.2	78.3	85.0	86.3	83.1	89.2	88.2	101.0
Finance & real estate	63.9	70.9	71.8	72.9	74.7	70.5	73.1	75.6	79.1
Government services	82.8	89.3	98.9	104.3	110.5	137.9	133.3	125.3	129.0
Other	13.5	10.3	12.7	12.5	12.5	16.2	18.2	17.6	16.5
GDP at factor cost	550.9	582.4	585.4	597.4	634.6	658.5	714.7	698.0	742.3
Growth rate (Per cent change)	3.3	5.7	0.5	2.0	6.2	3.8	8.5	-2.3	6.4

Source: Central Statistics Office, Mbabane.

The economy of Swaziland suffered a marked slowdown in growth during the early 1980s as a result of the worldwide recession and the severe drought in southern Africa. During 1981-82 formal sector employment fell by 12 per cent. The growth of the industrial sector also slowed down considerably, with the economy being hurt by the closure of a number of both large and small industries, including the country's only fertilizer plant. The deterioration in economic activity was exacerbated by the persistent decline in the world market prices of Swaziland's major export commodities, sugar and wood pulp. This economic deterioration was reversed in 1985, however, when Swaziland began to enjoy a "mini boom" caused by an upswing in foreign investment, which was itself due to the improvement in the international and domestic economic environment. This lasted until mid-1989; since then there has been a slowdown in the growth of economic activity in general and investment activity in particular.

Agriculture and forestry have historically been the principal economic activities and generators of economic wealth in Swaziland, with mining and tourism playing an important supporting role. Since 1987, however, the manufacturing sector has become the largest sector in the economy. This development, and in particular the fact that the manufacturing sector has overtaken the agricultural sector, suggests that industry has become less dependent on agriculture and confirms the ongoing development and transformation of the economy of Swaziland.

Notwithstandir_ a modest contraction in 1985, the manufacturing sector grew at an annual average rate of 8.2 per cent in 1984-1988, during which period its contribution to GDP increased from 17 per cent to almost 20 per cent. This growth can be attributed to a sharp increase in industrial investment since the mid-1980s, which resulted in a substantial diversification of the economy of Swaziland in general and its industrial base in particular. While the manufacturing sector had traditionally been dominated by the production and processing of sugar and wood pulp, the beverage industry gained significantly in importance with the establishment of a production facility for Coca Cola concentrate in 1987. Following its inauguration, the value of beverage exports surged from negligible levels to E 117.8 million, with the industry becoming the second most important source of foreign exchange earnings after sugar.

Although a number of structural imbalances remain, the process of development has given rise to a reasonable geographic spread of production and a diversified manufacturing base. Initially, manufacturing was exclusively tied to the processing of the output of large agricultural estates, such as sugar cane and timber plantations, for export. Since the mid-1980s, however, manuf .cturing has also turned to meeting domestic demands with inputs from sources other than agriculture. The diversification of the industrial base has to some extent helped mitigate the fluctuations in the country's economic activity generated by unstable primary commodity prices in the world markets.

The contribution of minerals to total export earnings has increased steadily since the mining of industrial diamonds began in 1984. The mining sector contributed about 3 per cent to GDP and grew at an annual average rate of 11.7 per cent between 1984 and 1987, although it recorded a modest contraction in 1988. It suffered a further setback with the closure of the Havelock Asbestos Mine in February 1991, which is expected to have a negative impact on both economic growth and employment opportunities.

The service sector, which consists principally of transport related enterprises, is directly and heavily dependent on the industrial sector. It has enjoyed substantial growth in the wake of a rapid growth in industrial output. During 1984-1988 the transport and communications industry alone enjoyed an impressive annual growth rate of 8.2 per cent in real terms as a result of the industrial sector's remarkable development and growth.

Although the structure of Swaziland's imports has changed little over time, some changes have occurred in the composition of exports in recent years. Sugar and wood-pulp, which are generally regarded as Swaziland's traditional exports, have continued to dominate the country's export trade during the past decade. Other major products have included asbestos, citrus and canned fruits and beverages. Since 1985, however, a variety of non-traditional manufactured exports have gained in importance following the establishment of a number of new export oriented manufacturing enterprises. The most important non-traditional exports include textiles, beverages, furniture and footwear.

Merchandise export earnings as a whole have grown rapidly during the past decade. Customs-based data thus show that f.o.b. export revenues increased at an annual average rate of 35.1 per cent in emalangeni terms between 1985 and 1989, from E 373.1 million to E 1,244.8 million, largely as a result of increased investments in the manufacturing sector. Although the extent of this increase was magnified to some extent by a significant depreciation of the lilangeni during this period, the corresponding increase in dollar terms amounted to an impressive 29.2 per cent per year, from $170.4 million in 1985 to $475.7 million in 1989.

Table I.2. Value of merchandise exports, 1979-1989 (f.o.b., E Million)

Commodity	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Sugar	69.1	128.5	122.8	109.2	121.9	140.6	139.6	245.3	278.2	295.2	388.8
Wood & pulp	28.2	36.2	50.6	46.5	54.5	85.5	98.6	157.6	145.4	192.3	192.5
Citrus fruit	9.4	7.6	7.3	15.6	20.3	21.0	23.1	28.7	32.7	39.6	32.5
Minerals	20.5	18.5	21.2	17.3	14.3	22.9	32.7	38.4	42.1	46.7	56.3
Fertilizers	10.0	23.7	36.4	55.2	42.7	0.7	-	-	-	-	-
Canned fruit	9.2	9.4	12.7	18.0	21.8	28.2	26.5	30.3	38.5	43.7	48.1
Finished goods	-	-	-	-	-	-	-	-	19.7	60.3	72.1
Cotton seeds & linters	-	-	10.1	8.4	8.4	10.8	11.0	12.6	16.2	34.4	55.8
Meat & meat products	7.3	8.6	4.2	5.3	6.3	3.4	7.4	13.4	13.3	-	0.6
Miscellaneous edibles	-	-	-	-	-	-	-	-	9.2	186.6	265.4
Other	41.1	46.6	52.9	56.4	33.5	29.2	34.4	83.7	173.0	126.1	132.7
Total	**194.8**	**279.1**	**318.2**	**331.9**	**323.7**	**342.3**	**373.3**	**610.0**	**851.3**	**1,025.0**	**1,244.8**
$ equivalent	231.4	358.7	365.7	305.8	291.1	238.0	170.4	268.9	418.3	453.3	475.7

Sources: The Central Bank of Swaziland. *"Quarterly Review"*, Mbabane (various issues). Central Statistics Office, *"Annual Statistical Bulletin"*. Mbabane (various issues). Department of Economic Planning and Statistics. *Economic Review and Outlook"*, Mbabane (various issues).

Table I.3. Value of merchandise imports, 1979-1989 (c.i.f., E Million)

Commodity	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Food & live animals	19.7	32.9	42.4	48.2	59.9	57.4	53.8	78.5	101.2	150.3	179.5
Beverage & tobacco	4.9	6.8	6.5	5.2	8.0	31.9	16.6	12.5	14.5	18.6	18.2
Crude materials inedible	2.1	2.9	3.5	2.4	6.7	4.4	16.8	12.9	12.8	31.1	44.2
Fuel & lubricant	47.7	76.8	79.0	82.7	87.2	109.2	191.8	114.1	131.4	158.1	222.8
Oils & fats	0.3	0.7	1.0	1.2	1.6	1.6	1.6	1.8	3.2	4.5	8.7
Chemicals	43.0	49.6	43.3	86.0	70.6	39.6	36.1	39.5	67.6	137.7	112.9
Manufactures	68.0	60.0	59.4	49.0	63.4	77.6	73.8	101.8	102.6	209.3	221.8
Machinery & transport equipment	60.7	97.8	114.8	123.0	189.9	166.3	164.9	169.5	144.7	268.3	514.3
Miscellaneous manufactures	56.2	68.5	75.9	59.4	37.1	47.6	49.2	82.2	99.8	123.7	144.6
Other	63.1	88.7	91.0	112.2	88.4	107.1	102.5	186.0	208.0	66.0	57.3
Total	**365.7**	**484.7**	**516.8**	**569.3**	**612.8**	**642.7**	**707.1**	**798.8**	**885.8**	**1,167.6**	**1,524.3**
$ equivalent	434.4	623.0	593.9	526.3	551.0	446.9	322.7	352.1	435.3	516.4	582.5

Sources: The Central Bank of Swaziland. *"Quarterly Review"*, Mbabane, 1991. Central Statistics Office, *"Annual Statistical Bulletin"*, Mbabane, (various issues).

Table 1.4. **Swaziland - Balance of Payments, 1979-1989**
($ Million)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Merchandise exports (FOB)	241.6	368.3	388.3	324.0	303.8	230.8	176.7	278.1	423.5	466.5	480.9
Merchandise imports (FOB)	-361.1	-537.1	-502.0	-437.7	-463.5	-371.2	-271.7	-295.9	-369.4	-436.8	-495.7
Trade balance	-119.5	-168.9	-113.8	-113.7	-159.7	-140.4	-94.9	-17.8	54.1	29.4	-14.8
Services: credit	31.4	36.1	41.4	32.9	41.2	43.7	27.8	30.5	47.5	54.8	70.2
Services: debit	-84.7	-80.3	-107.8	-104.5	-92.4	-84.5	-69.2	-81.7	-78.2	-82.7	-85.5
Services: balance	-53.3	-44.2	-66.4	-71.6	-51.2	-40.8	-41.4	-51.2	-30.7	-27.9	-15.3
Income: credit	27.4	46.4	68.6	54.6	66.9	70.9	67.4	71.3	100.6	125.5	123.3
Income: debit	-20.7	-41.9	-50.1	-41.5	-29.4	-32.1	-33.1	-57.0	-101.6	-106.3	-181.6
Income: balance	6.7	4.5	18.5	13.1	37.5	38.8	34.3	14.3	-1.0	19.2	-58.3
Unrequited transfers	45.3	76.8	70.5	59.7	64.6	65.1	53.1	58.2	49.3	74.0	75.9
Current account balance	-120.7	-131.7	-90.0	-111.6	-108.7	-77.1	-43.8	8.5	80.2	105.0	2.4
Direct investment	55.5	17.5	31.7	-11.8	-6.0	-	13.2	26.0	39.5	37.5	50.5
Portfolio investment	-	-	-	-0.4	-0.5	-0.2	1.9	-0.6	1.1	7.3	7.9
Other capital flows	44.7	19.0	-10.4	39.6	76.7	24.8	27.8	-13.6	-49.3	-106.3	-53.5
Net errors and omissions	12.0	125.4	19.3	75.4	50.2	43.4	-3.3	-13.0	-49.9	-29.5	43.7
Changes in reserves*	8.5	-34.1	49.4	8.7	-11.6	9.2	4.2	-7.5	-21.5	-14.1	-51.0

Source: IFS Yearbook 1991.

* Counterpart item, minus sign indicates increase in reserves.

Balance of payments data presented in Table 1.4 indicate that Swaziland has recorded a current account surplus in each of the years from 1986 to 1989, with the trade balance showing a surplus in 1987 and 1988. Foreign exchange earnings from the export of services posted a particularly encouraging performance in the latter half of the 1980s, increasing at an annual average rate of 26 per cent from $27.8 million in 1985 to $70.2 million in 1989. The major contributors to this growth were transport charges levied by Swaziland Railways and an increase in tourism. In addition, investment income from abroad also rose substantially during this period, from less than $70 million in 1985 to almost $125 million in 1989. At the same time, however, Swaziland's imports of services and outflows of investment income also increased substantially during this period, as a result of which the invisibles account has remained in deficit. Unrequited transfers from official sources make an important contribution to Swaziland's balance of payments, significantly offsetting the impact of the overall deficit on services and income.

Although private direct investment has fluctuated mildly during the past decade, it is now following a rising trend. This is due mainly to the good earnings achieved by existing foreign investors, most of whom have invested in export oriented manufacturing industries and have re-invested their profits in Swaziland. Together, these increased exports and investment flows have resulted in a significant increase in Swaziland's external reserves, even though the flow of official long-term capital has been negative in recent years as a result of the government's efforts to reduce its external debt. At the end of December 1991 Swaziland's net official foreign exchange reserves stood at $204.4 million, which represented an increase of 13.8 per cent over the end-December 1989 level of $179.6 million and provided an import cover of more than three and a half months. Although these reserves declined in 1991, they still remained relatively high at $159.5 million by the end of the year.

The government of Swaziland depends on international trade for a substantial proportion of its budgetary revenue. As shown in Table 1.5, the most important source of this revenue is the government's share of the Southern African Customs Union (SACU) common revenue pool. Between the late 1970s and late 1980s the disbursements to Swaziland from this pool recorded a threefold increase in nominal emalangeni terms, from E 54.1 million in the 1978/79 fiscal year to E 162.4 million in 1988/89. During this time the government has attempted to diversify its sources of revenue, particularly through the introduction of a sales tax in 1984/85 and by encouraging corporate investment with a view towards generating increased company tax revenue. Receipts from the SACU customs revenue pool nevertheless remain the largest component of government revenue, despite some noticeable fluctuations in their share over time. Indeed, while Swaziland's share of the SACU revenue pool accounted for about 64 per cent of total government revenue in the 1985/86 fiscal year, it is estimated to have accounted for only 35 per cent of this total in 1989/90. This declining trend is beginning to be reversed, however, as a result of import growth, improved customs law enforcement and better statistical coverage. Consequently, receipts from the SACU pool were budgeted to provide about 51 per cent of total government revenue in 1990/91.

During 1984-1988 formal sector paid employment experienced slow growth, averaging 2 per cent per year. After the setbacks of 1984 and 1985 when the level of employment contracted by 1.3 per cent and 5.7 per cent, respectively, paid employment increased at relatively high rates. The number of persons in paid employment in 1988 was estimated at 59,667, which represented an increase of 2.3 per cent over the corresponding figure for the previous year. Due to the economy's inability to provide sufficient employment opportunities to all job seekers, job opportunities outside Swaziland continue to be an important source of personal incomes and foreign exchange earnings. In 1990, the number of Swazi nationals recruited by South African mines declined by 2.8 per cent. This downward trend is expected to be reversed when the price of gold picks up.

B. ECONOMIC STRUCTURE

The economic structure which Swaziland inherited from the pre-independence era was that of a dualistic export economy. It consisted on the one hand of a modern export-oriented sector which arose from the introduction of mining, sugar cane, timber and related agro-industries, and on the other of a traditional subsistence sector concerned with satisfying the basic food needs of the predominantly rural population. The modern sector, which continues to be characterized by its narrow base and its intimate linkage with the South African economy, is regarded as the core of

Fig. I.A. Growth of GDP and MVA, 1981-1988 (Percentage)

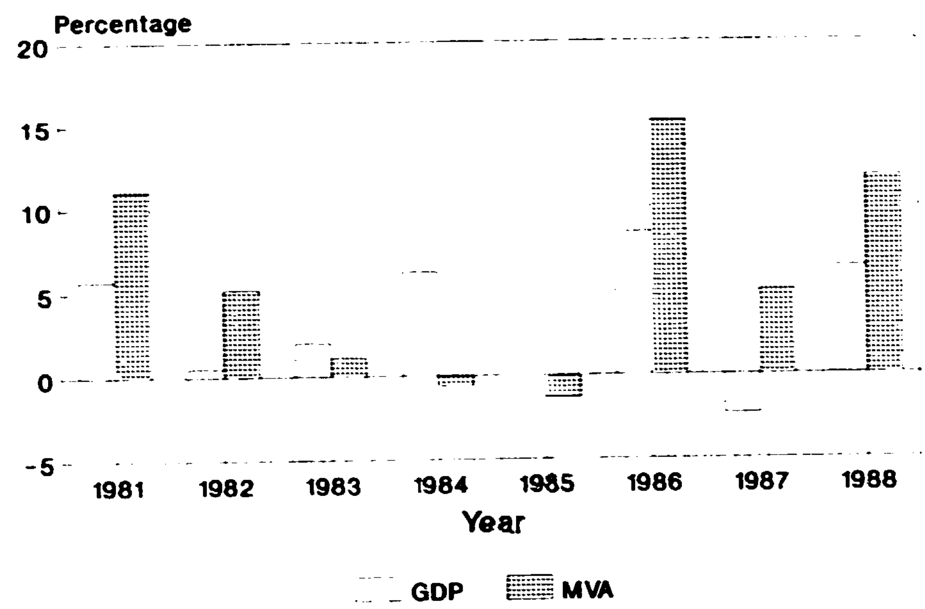
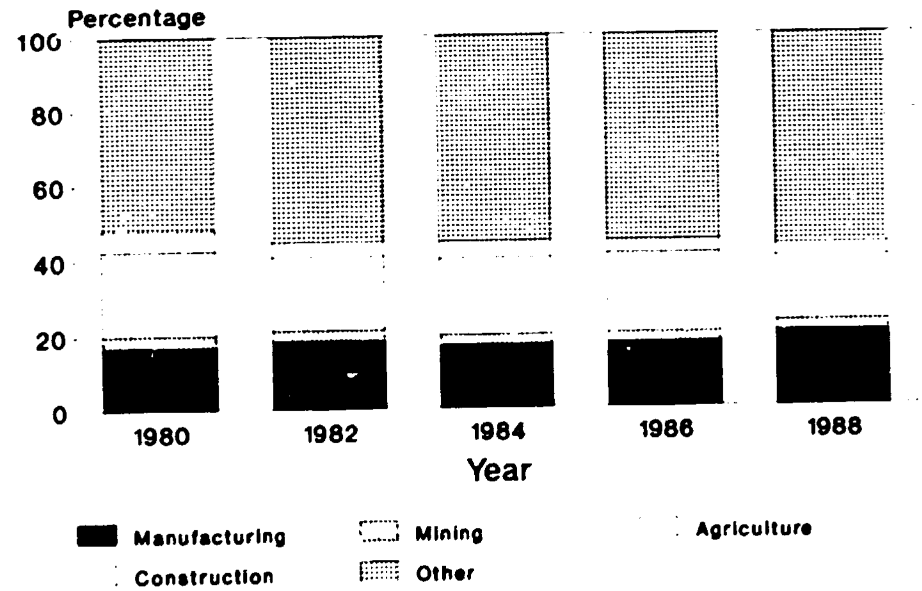


Fig. I.B. Distribution of GDP by sector, 1980-1988 (Percentage)



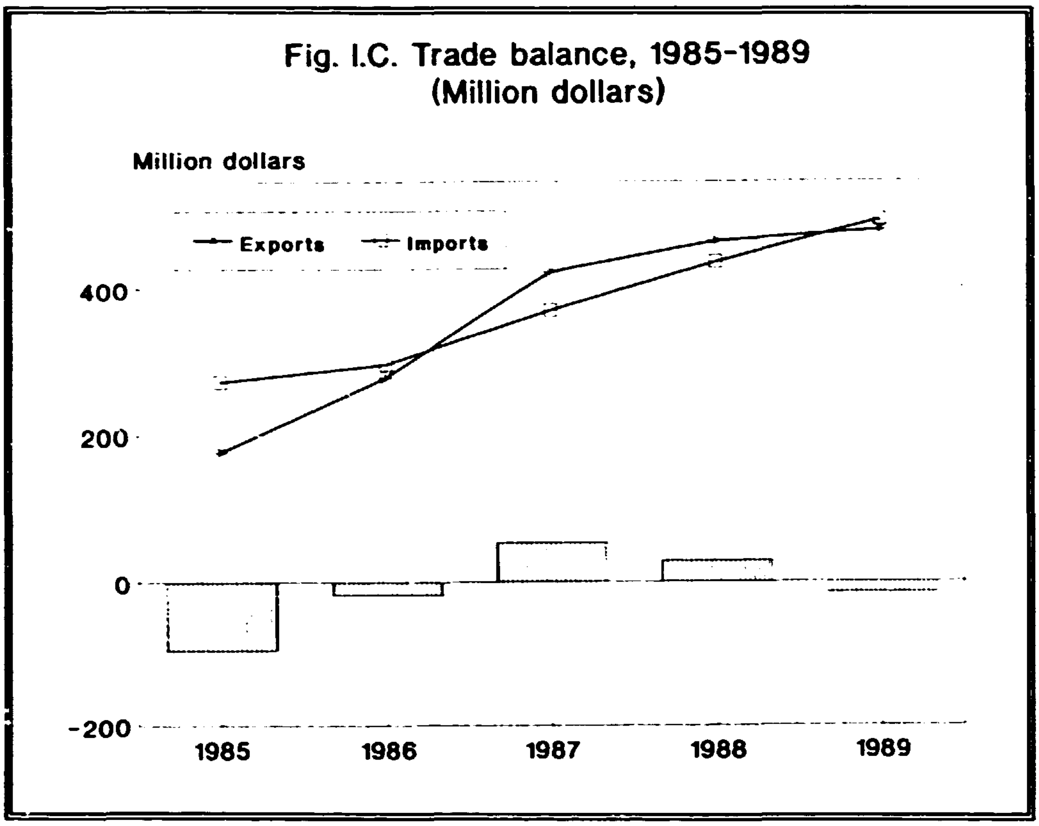


Fig. I.C. Trade balance, 1985-1989
(Million dollars)
Million dollars
Exports
Imports
400
200
0
-200
1985
1986
1987
1988
1989

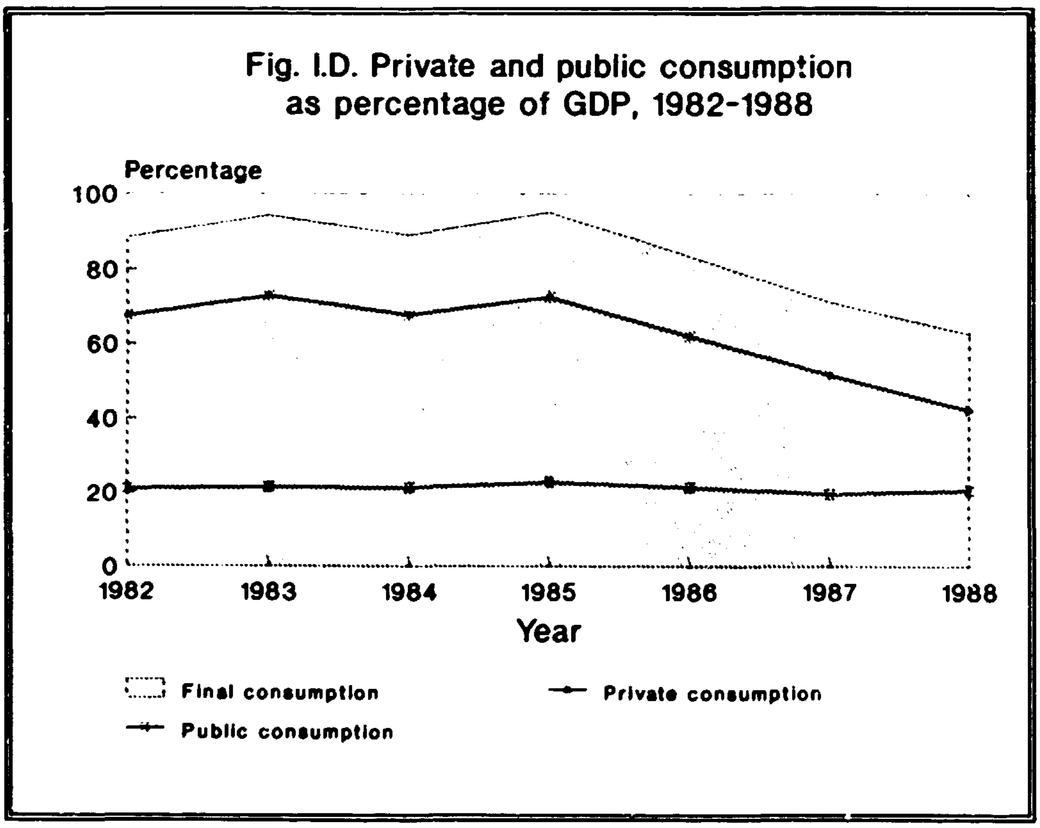


Fig. I.D. Private and public consumption
as percentage of GDP, 1982-1988
Percentage
100
80
60
40
20
0
1982
1983
1984
1985
1986
1987
1988
Year
Final consumption
Private consumption
Public consumption

Fig. I.E. Capital formation as percentage of GDP, 1982-1988

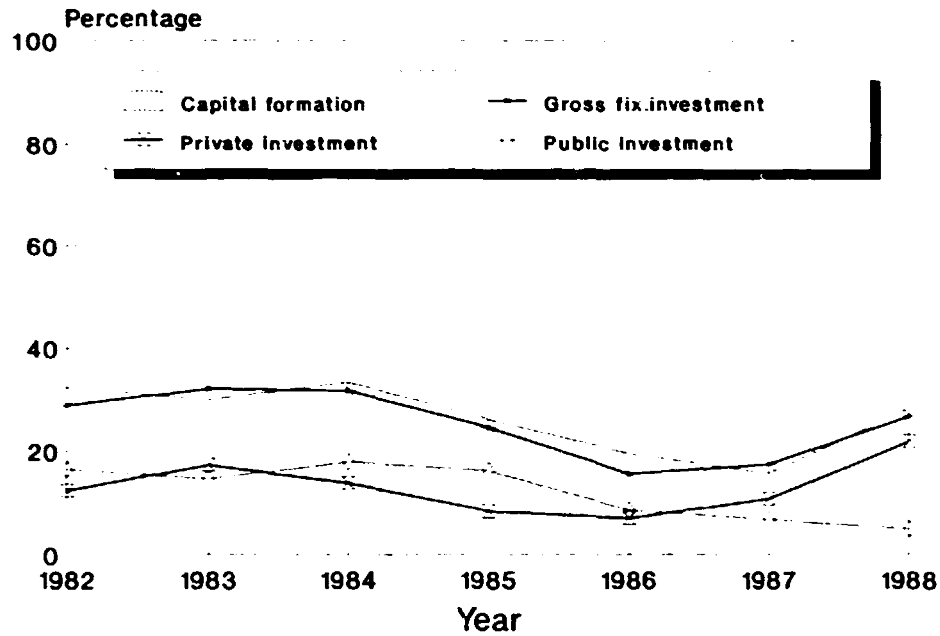


Fig. I.F. Consumer price index, 1980-1989 (September 1988=100)

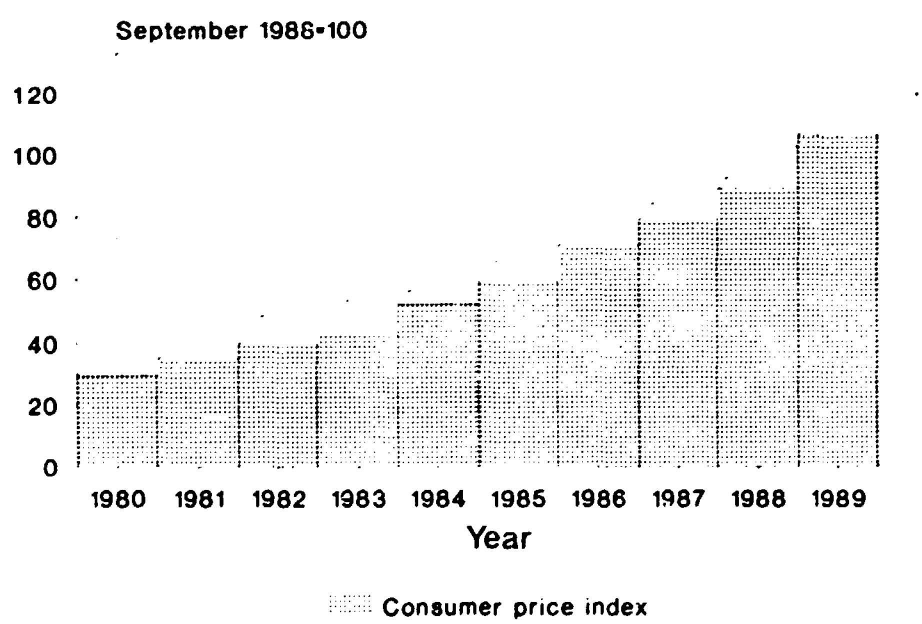


Fig. I.G Current account balance, 1981-1989 (Million dollars)

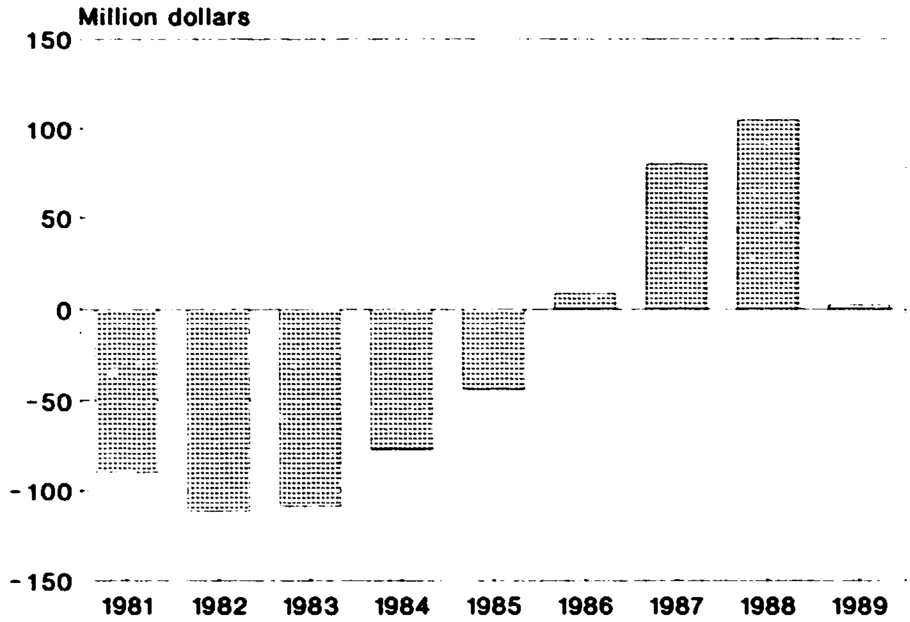


Fig. I. H. Exchange rate, 1980-1991 (Emalangeni equivalents to $1)

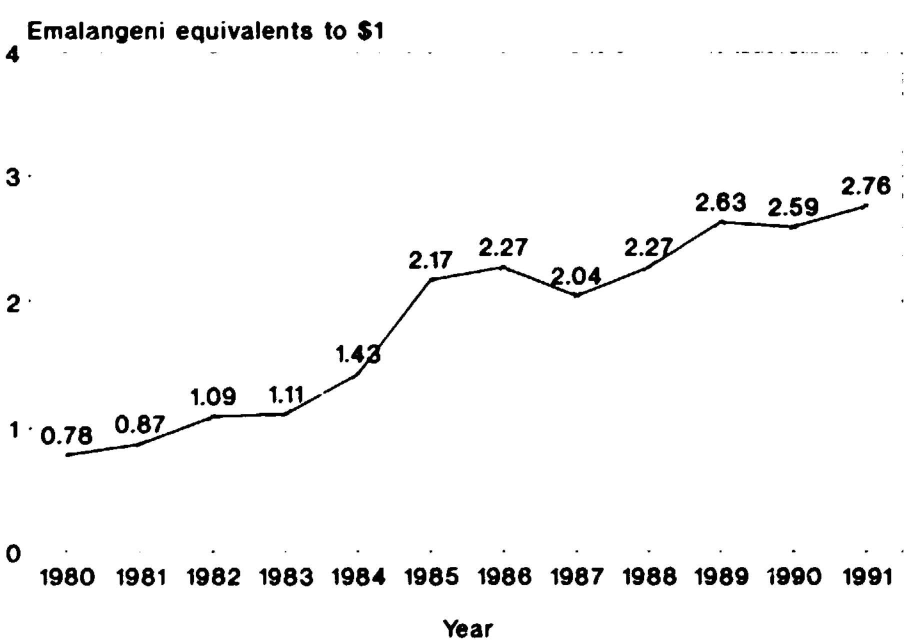


Table 1.5. Central Government Budget, 1978-1988[a/]
(E Million)

Component	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
REVENUE											
Direct taxes	26.7	33.7	33.0	42.4	41.1	42.6	52.0	59.8	67.9	126.5	144.2
Company tax	12.7	17.8	15.7	18.0	18.4	17.2	21.0	26.5	24.4	73.4	83.2
Individual tax	10.8	12.2	16.7	21.4	20.2	22.8	26.6	29.2	38.0	43.9	50.5
Other	3.0	3.4	0.3	2.6	2.0	2.1	4.0	3.7	4.9	7.9	10.2
Property tax	0.2	0.3	0.3	0.4	0.5	0.5	0.4	0.4	0.6	1.3	0.3
Indirect taxes	63.7	85.3	103.5	78.6	122.3	123.9	137.7	152.9	155.9	177.7	236.5
Customs Union	54.1	74.2	86.9	62.7	117.6	120.4	130.4	136.6	119.8	134.9	162.4
Sales tax	-	-	-	-	-	-	4.4	13.6	31.3	35.1	51.0
Sugar levy	6.3	7.9	13.4	12.3	1.4	-	-	-	1.1	3.4	18.3
Gambling	1.5	1.5	1.4	1.4	1.2	1.0	0.6	-	0.4	0.5	0.5
Other	1.1	1.2	1.2	1.4	1.4	1.6	1.6	1.6	2.1	2.2	2.5
Other taxes	0.7	0.5	0.6	0.8	0.7	0.9	0.7	1.1	1.2	1.6	1.8
Non-tax revenue	8.2	7.2	9.3	10.3	13.4	12.8	20.3	19.7	19.5	26.5	41.9
Property income	4.8	3.7	4.3	6.2	8.9	7.9	13.8	11.5	12.6	16.2	27.7
Fees & fines	3.4	3.5	3.1	2.2	2.5	2.5	3.0	5.7	4.0	6.6	4.0
Miscellaneous	-	-	-	-	-	-	-	-	-	-	6.7
Other	-	-	1.9	1.9	2.0	2.4	3.5	2.5	2.9	3.7	3.5
Total revenue	**98.6**	**126.2**	**145.8**	**131.3**	**176.8**	**193.3**	**210.0**	**232.4**	**243.3**	**330.7**	**422.6**
Grants	**5.7**	**7.2**	**7.8**	**5.0**	**5.4**	**5.7**	**3.2**	**12.5**	**11.8**	**6.6**	**5.6**
Total revenue & grants	**104.3**	**133.4**	**153.6**	**136.3**	**182.2**	**185.0**	**213.2**	**244.9**	**255.1**	**337.3**	**428.2**

(continued)

Table I.5. (continued)

Component	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
EXPENDITURE											
Recurrent	59.2	65.3	84.5	109.1	124.0	135.3	156.0	170.5	217.7	235.5	289.6
Wages & salaries	32.8	34.9	45.9	59.2	66.6	75.6	83.0	87.5	106.8	118.7	144.3
Goods & services	18.2	20.2	26.9	31.5	36.2	35.7	45.9	47.3	56.7	57.6	77.5
Subsidies & transfers	6.1	6.0	7.1	12.6	13.3	15.3	16.8	20.0	32.6	38.9	45.5
Interest	2.1	4.2	4.6	5.8	7.9	8.7	10.3	15.7	21.6	20.2	22.2
Capital	53.7	44.7	45.3	61.9	57.7	55.3	53.8	87.3	73.3	65.9	65.3
Net lending	31.1	21.2	12.4	11.2	17.7	14.6	15.4	12.1	13.5	14.4	14.2
Total expenditure	144.0	131.2	142.2	182.2	199.4	205.2	225.2	269.9	304.5	315.8	369.1
Surplus/deficit	-39.7	2.2	14.4	-46.0	-17.3	-19.8	-11.9	-25.0	-49.5	21.6	59.2
Net foreign financing	46.0	9.1	6.2	6.3	0.8	4.2	-8.3	2.7	27.[illegible]	5.5	-7.2
Domestic financing - net	-6.3	-11.3	-20.6	39.7	16.5	15.7	20.2	22.3	21.6	-27.4	-52.0

Sources: The Central Bank of Swaziland, *"Quarterly Review"*, Mbabane, 1991. Economic Planning Office, *"4th National Development Plan, 1983/84-1987/88"*, Mababne, 1984. Central Statistics Office, *"The National Accounts for Swaziland, 1980-1988"*, Mbabane, 1991. Central Statistics Office, *Annual Statistical Bulletin"*, Mbabane, (various issues). Ministry of Economic Planning and Development, *"Development Plan 1992/93-1994/95"*, Mababane, 1992.

a Fiscal years beginning 1 April of years indicated.

the economy of Swaziland. The underlying concepts and functions of the modern and traditional sectors are different from, but largely complementary to, each other. Together they serve to meet the essential requirements of about 90 per cent of the population who reside on the Swazi Nation Land (SNL) while the remaining 10 per cent of the population depends on the modern sector.

The economy of Swaziland has three basic structural features. First, it is an open economy dominated by trade, with exports accounting for almost 90 per cent and imports accounting for about 80 per cent of GDP in 1988. Second, it is a specialized economy dominated by agriculture and forestry and related agro-industries. Third, it is a free enterprise economy in which the direct role of government in production is limited to the provision of physical and social infrastructure and other forms of economic activity are undertaken almost exclusively by the private sector.

Three sectors dominate the economy of Swaziland: agriculture and forestry, manufacturing and government. In 1988, they jointly accounted for almost 60 per cent of GDP at factor cost in constant 1985 prices. The share of each was respectively as follows: agriculture and forestry 18.4 per cent, manufacturing 19.9 per cent, and government services 17.4 per cent. Although the shares of manufacturing and government services have remained approximately steady and fluctuated only mildly within a narrow range, the contribution of agriculture and forestry has declined discernibly over the past decade. As indicated in Table I.6, the share of agriculture and forestry in total GDP fell from more than 24 per cent in 1980 to only about 18 per cent in 1988. To some extent, however, these figures disguise the overall importance of agriculture in the economy of Swaziland, since many of the activities of the manufacturing sector involve the processing of agricultural commodities.

Table I.6. Gross domestic product by sector, at constant 1985 prices, 1980-1988
(Per cent share)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	22.4	22.3	19.5	17.5	20.3	19.1	21.1	18.3	17.0
Forestry	1.7	1.7	1.7	1.5	1.3	1.5	1.3	1.5	1.4
Mining	3.2	3.5	2.9	2.6	2.7	2.7	2.7	3.4	3.0
Manufacturing	16.7	17.5	18.3	18.2	17.0	16.2	17.2	18.5	19.9
Construction	5.4	4.7	3.8	5.2	4.4	3.8	3.4	3.3	3.2
Electricity & water	3.2	3.4	2.9	2.5	3.2	3.3	3.5	4.0	4.2
Transport & communications	6.3	6.3	6.3	6.5	6.3	6.5	6.8	7.1	7.4
Wholesale and retail trade, hotels & restaurants	12.0	11.4	13.3	14.2	13.6	12.7	12.4	12.6	13.6
Finance & real estate	11.6	12.2	12.3	12.2	11.8	10.8	10.2	10.8	10.7
Government services	15.0	15.3	16.9	17.5	17.4	20.9	18.7	18.0	17.4
Other	2.5	1.8	2.1	2.1	2.0	2.5	2.7	2.5	2.3
GDP (at factor cost)	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Central Statistics Office, Mbabane (various issues).

The agricultural sector of Swaziland is divided into two sub-sectors: cash crop production on Individual Tenure Farms (ITF) and food crop production on the Swazi Nation Land (SNL). While the former uses modern farming techniques and produces mainly for commercial purposes, the latter uses traditional farming methods and produces purely for subsistence. The ITFs thus grow commercial crops such as sugar, cotton, tobacco, citrus fruits, maize and vegetables, while farms on the SNL grow subsistence crops like maize, pumpkins and legumes. Although the SNL accommodates more than 90 per cent of the population and covers about 56 per cent of total land, it produces less than 30 per cent of Swaziland's agricultural output.

The manufacturing sector has been second in importance to agriculture (including forestry) until 1988, when its output increased by 14.8 per cent in real terms and its share of GDP exceeded that of agriculture for the first time. The rapid growth experienced by the manufacturing sector in the late 1980s can be attributed largely to the increase in industrial investment since the mid-1980s and to industrial diversification. The resulting reversal of established production patterns, with manufacturing contributing more to GDP than agriculture, confirms the fact that the economy of Swaziland is undergoing a structural transformation.

The contribution of government services to GDP rose gradually in the early 1980s from 15.0 per cent in 1980 to a peak of 20.9 per cent in 1985 before dropping back steadily to 17.4 per cent in 1988. The relatively small contribution of the government sector reflects the pre-eminence of market mechanisms in the economy. At the same time, however, these data disguise the role of both the central government and quasi-governmental organizations (parastatals) in other sectors of the economy by not taking into account the equity participation of the government and parastatal bodies such as the Swaziland Industrial Development Company in private sector companies.

The demand structure of the economy of Swaziland is presented in Table 1.7, and illustrates the importance of private consumption in Swaziland as a market economy. In 1985 private consumption expenditure accounted for 72.5 per cent of GDP at current market prices while government expenditure on consumption of goods and services accounted for only 22.8 per cent of GDP, although the latter figure may be distorted slightly by the exclusion of consumption expenditure by government and parastatal organizations. The share of gross capital formation has shown a decreasing trend through most of the 1980s. While it accounted for almost 44 per cent of GDP in 1978, this share fell to only 15.8 per cent in 1987. A recovery to 28.2 per cent was recorded in 1988, however, and is certain to have been sustained in the following years by the major infrastructural investments that are still being undertaken.

The importance of trade is another outstanding structural feature of the economy of Swaziland. It is estimated that about 85 per cent of Swaziland's imports originate from or transit through South Africa and about 40 per cent of its merchandise exports are sent there. On the other hand, however, Swaziland's trade with other member countries of the Preferential Trade Area for East and Southern Africa (PTA) accounts for less than 10 per cent of the total, mainly because of similarities in comparative advantage and commodity composition between these countries, and because of their chronic shortage of foreign exchange.

Swaziland is a member of the Southern African Customs Union (SACU), an economic organization also including Botswana, Lesotho, Namibia and South Africa. As in the case of Botswana, Lesotho and Namibia, it is heavily dependent on its economic ties with South Africa for a wide range of financial resources, including foreign exchange earnings, investment flows and government revenues. Under the SACU agreement, customs revenue from the common customs pool is shared according to a specified revenue sharing formula among Member States. The agreement permits a free and unimpeded interchange of goods and services with the partial exception of labour, although provision has been made for Botswana, Lesotho, Namibia and Swaziland to levy duties on imports from South Africa for an eight year period for the purposes of protecting infant industries.

In addition, Swaziland is a member of the Common Monetary Area (CMA), a monetary union with Lesotho, Namibia and South Africa. Although the circulation of the South African currency, the rand, is restricted in Swaziland and its legal tender status was removed on July 1, 1986, it is still widely accepted as a medium of exchange in the country. The local currency, the lilangeni (plural emalangeni) remains at par with the rand, and there are no foreign exchange restrictions hindering trade between the two countries.

The South African economy provides employment opportunities to thousands of unskilled labourers from Swaziland who migrate to South Africa in search of jobs in the mines, farms and industries. About 60 per cent of the migrants' earnings are spent in Swaziland.

The composition of trade reflects the structural characteristics of the economy. Exports are dominated by agricultural and forestry products, in both raw and processed forms. Between the late 1970s and late 1980s sugar has accounted for about 30-45 per cent of export earnings, with wood pulp, fresh citrus fruits, canned fruit, cotton seeds, meat and meat products, and other edibles accounting for the bulk of the remainder. While this specialization in the export mix is a reflection of the country's natural resource base and comparative advantage, the dominance of sugar means that foreign exchange earnings are highly vulnerable to fluctuations in the world price of sugar.

In short, the structure of the economy is based on the exploitation of renewable resources, producing a limited range of export commodities with significant value added but in an enclave environment with low spread effects. This highly confined and limited production base is subject to the vagaries of the world market, and is growth-oriented without necessarily having widespread development effects.

The structure of the economy of Swaziland has been determined by the relative size, geographical position and historical antecedents of the country. These have accentuated the export orientation and specialization of the economy, which came about through the establishment of preferential trade arrangements in certain raw materials and the provision of foreign investment and management services. These influences monetized the economy and shaped its structure, and continue to affect production decisions in the modern sector of the economy. This is particularly true of the sugar and wood-pulp industries.

Because of its small domestic market in terms of both population size and low purchasing power (the latest available data suggest that GDP *per capita* amounted to only E 1,821, or approximately $805, in 1988) and proximity to South Africa, the economy of Swaziland is inevitably connected to the South African economy. As a member of both SACU and the CMA, the country's exchange rate, interest rate, monetary and tariff policies are linked to those of South Africa. With most of its revenues originating from the SACU revenue pool, Swaziland can only use fiscal policy on a limited basis as a macroeconomic policy instrument.

Swaziland's links to external markets have been further strengthened by recent public investment decisions. A substantial proportion of the investments undertaken by the National Industrial Development Corporation of Swaziland (NIDCS) and the Swaziland Industrial Development Company (SIDC) have been channelled into the establishment of wholesale and/or retail service enterprises, of which the parent companies are based in South Africa. While some of the benefits of this investment expenditure accrue to Swaziland in the form of employment creation and income generation, a substantial proportion of these benefits are transferred outside the country because of the high import content of both the initial capital investment and the expenditures arising from the incomes generated by this investment. The cumulative multiplier effects of these expenditures within Swaziland are therefore small, and prevent the spontaneous development of cross sectional linkages.

In addition, Swaziland's close links to the large industrialized economy of South Africa have also influenced the specialization of the economy of Swaziland by reducing the potential areas of diversification. Industrial development has been particularly affected as the more advanced South African economy is more easily able to attract and hold new industries through its larger markets and financial and commercial support systems.

Despite imposing these restraints on Swaziland's ability to pursue independent economic policies and diversify its economic structure, however, Swaziland's economic ties with South Africa and its membership of SACU and the CMA have also had some economic advantages. In particular, they have enabled the efficiency and specialization of the South African economy to spill over into Swaziland, making its economy more sophisticated than it would otherwise have been. Meanwhile, Swaziland's membership of the Southern African Development Coordination Conference (SADCC) and the Preferential Trade Area for Eastern and Southern Africa (PTA) has helped foster closer economic ties with other countries in the subregion, and hence helped to reduce its dependence on South Africa.

The sectoral distribution of employment during the past decade is illustrated in Table 1.8, which shows that agriculture and forestry accounted for 25-35 per cent of the total formal sector labour force for most of this period. The share of manufacturing has remained relatively stable; fluctuating between 12.5 per cent and 16.0 per cent of the labour force despite the rapid growth of the industrial sector after the mid-1980s. This reflects the capital intensive development path followed by the medium- and large-scale industrial enterprises.

Table I.7. Demand structure of the Swazi economy at current prices, 1978-1988

Component	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Final consumption	77.8	93.4	93.5	93.8	88.5	94.4	89.2	95.3	83.7	71.4	63.0
- Private	56.1	73.3	74.4	72.5	67.6	73.0	67.9	72.5	62.2	51.7	42.4
- Public	21.7	20.1	19.1	21.3	20.9	21.4	21.3	22.8	21.5	19.7	20.6
Capital formation	43.9	41.7	35.3	31.1	32.3	30.0	33.4	26.2	19.5	15.8	28.2
- Gross fixed investment	43.9	41.7	30.1	28.1	28.9	32.1	31.7	24.6	15.6	17.5	26.7
- Private	22.3	29.2	18.3	10.2	12.4	17.4	13.8	8.3	7.0	10.8	21.8
- Public	21.6	12.5	11.8	17.9	16.5	14.7	17.9	16.3	8.6	6.7	4.9
- Increase in stock	-	-	5.2	3.0	3.4	-2.1	1.7	1.6	3.9	-1.7	1.5
Trade balance	-21.7	-35.1	-28.8	-24.8	-20.8	-24.4	-22.6	-21.5	-3.2	12.8	8.8
- Exports			69.5	75.4	66.0	61.9	55.3	56.4	66.9	85.6	89.1
- Imports (-)			-98.3	- 100.2	-86.8	-86.3	-77.9	-77.9	-70.1	-72.8	-80.3
GDP at market prices	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Sources: Central Statistics Office, *"The National Accounts of Swaziland, 1980-1988"*, Mbabane, 1991. Central Statistics Office, *"Annual Statistical Bulletin"*, Mababne (various issues).

The inability of the manufacturing sector to create many jobs, especially for unskilled labour, in spite of its substantial expansion during the late 1980s has required many Swazi nationals to seek employment outside their own country. In 1987 almost 20,000 Swazi nationals were employed in the South African mines, although this figure fell to about 16,800 in 1990 as a result of both the fall in the price of gold in the world market and the South African policy of wanting to increase the number of miners from the so-called "homelands" in order to reduce its over-reliance on miners from the neighbouring countries. About 60 per cent of the miners' earnings are remitted to Swaziland by arrangement with the Employment Bureau of Africa (TEBA). These remittances are either invested or used to finance consumption expenditure in Swaziland.

In the first half of the 1980s the public sector emerged as the main source of gross fixed investment in Swaziland, and accounted for 66.3 per cent of total investment in 1985. This pattern was reversed during the late 1980s owing to problems faced by the government in the implementation of capital projects and a favourable response by private investors to the government's efforts to improve the investment climate through the provision of a number of incentives such as a five year tax holiday and staff training allowances. By 1988 the private sector accounted for 81.6 per cent of total fixed investment, with the public sector accounting for only 18.4 per cent.

Capital or development projects have been financed mostly out of funds provided by international organizations, with the World Bank and the African Development Bank and African Development Fund being the leading lenders. Bilateral loans are also used to finance economic development. During 1985-1989 loans from international organizations accounted for approximately 52 per cent of the total public and publicly guaranteed debt while bilateral loans accounted for some 42 per cent. The balance was accounted for by loans from private sources.

During 1986-1990 the government's total revenue and grant receipts grew at an average annual rate of 31 per cent while total government expenditure increased by 21 per cent per year. The net effect was the reduction of the government deficit from E 49.5 million in 1986, to surpluses of E 95.9 million and E 101.5 million in 1989 and 1990, respectively. These surpluses served to reduce the government's external debt obligations as well as reducing its domestic debt.

Table I.8. Structure of employment, 1982-1988
(Per cent)

Sector	1982	1983	1984	1985	1986	1987	1988
Agriculture & forestry	31.8	31.4	34.1	31.6	30.2	25.4	27.4
Mining and quarrying	3.2	2.8	3.0	3.3	3.2	3.0	2.8
Manufacturing	15.2	14.4	12.5	14.5	14.3	13.7	15.9
Construction	9.6	8.7	7.7	5.0	6.8	5.8	5.8
Electricity and water	1.4	1.4	1.7	1.8	1.9	1.8	1.8
Distribution	9.0	9.8	9.0	9.7	9.8	12.1	11.5
Transport	5.4	5.9	6.4	7.4	7.4	5.3	5.3
Finance	2.9	3.1	5.1	4.5	4.5	11.3	6.6
Other services	21.5	22.4	20.5	22.2	21.9	21.6	23.0
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Central Statistical Office, "Employment & Wages," Mbabane, 1988.

C. KEY ISSUES

Enhancing economic growth and development as well as permanent employment creation are the most important issues facing the economy of Swaziland. Swaziland has a comparative advantage in agriculture and forestry and related agro-based industries and, to some extent, tourism. It is a free market economy in which economic activities are undertaken almost exclusively by the private sector; the direct role of government in production is strictly limited to the provision of resources for physical and social infrastructure. Considerable constraints on economic development are nevertheless imposed by the small size of the domestic market in terms of both physical size and low purchasing power, competition for investment from the South African homelands, and similarities in both production mix and the areas of comparative advantage with other Member States of the PTA and SADCC.

The key macroeconomic issues amenable to policy action that can affect the future growth of the country are a reduction of the country's high population growth rate, the promotion of industrial development, agriculture and tourism, a reduction of unemployment, and the maintenance of fiscal stability. These issues are discussed in greater detail below.

Reduction of rapid population growth

The 1986 population census of Swaziland revealed a de facto population of 712,131 persons and an annual growth rate of 3.4 per cent per year. If the population continues to grow at its present rate, the population of Swaziland will exceed a million persons by the year 2000. The existing unemployment problem will be accentuated by the speed of population growth and by the reduced number of job opportunities in the South African mines and industries.

The annual rate of population growth has been increasing as a result of stable but high fertility rates coupled with the declining mortality rates, and is now among the highest in the world. Such high population growth rates impose severe pressure on the natural and man-made resource base of the country, and affect all areas of development planning. One important result of these high growth rates is the youthful age structure of the Swaziland's population which has at least two important implications for the country's economy:

(a) It means that the country has acquired a built-in reproductive momentum because of the large proportion of the population entering child-bearing age. An accelerating expansion of the total population therefore becomes inevitable.

(b) It imposes severe strains on the country's health, education and training systems, and on the capacity of the economy to create and to sustain sufficient productive employment opportunities.

The government is concerned about this rapid rate of population growth because of its serious and widespread ramifications for the social fabric of Swaziland. It is particularly anxious about the resulting increase in the number of people under the age of 15, and consequently in the dependency ratio, which will seriously constrain its ability to meet the basic human needs of the population. Indeed, the youthful age structure of the population has already resulted in substantial additional pressures on Swaziland's educational system and the government's financial resources.

To achieve an accelerated decline in fertility and population growth rates would require *inter alia*, the development of a coordinated family planning, information and education programme, using a variety of approaches, including the introduction of family life education in schools. In addition, the government would also need to give official support to private sector organizations such as Family Life Association of Swaziland, which undertake a wide range of community activities and family planning.

Promotion of industrial development

Swaziland has a good industrial potential, particularly in agro-processing activities, where it has a comparative advantage in the processing of agricultural and forestry products. In addition, Swaziland has an abundant supply of renewable natural resources. It enjoys access to various regional and world markets, including the Member States of the Southern African Customs Union (SACU), the Southern African Development Coordination Conference (SADCC), the Preferential Trade Area for Eastern and Southern African States (PTA) and the European Community (EC), as well as north America and Australia. Despite these advantages, the country faces a number of constraints in the development of its industrial sector:

(a) Although Swaziland has a surplus of unskilled labour, it suffers from an acute shortage of skilled personnel, such as engineers, technicians, artisans, supervisors and managers.

(b) Swaziland faces strong competition from South Africa and its so-called "homelands", which offer very generous and attractive incentives to new investors. This competition from the homelands has played an important part in the slowdown in foreign private investment in Swaziland since mid-1989.

To overcome the shortage of skilled labour, Swaziland needs to remain dependent on expatriates for skilled manpower. Since this problem will be resolved only in the long-term, it is essential to facilitate the entry of foreigners who have the needed expertise. To encourage foreign private investment there is a need to formulate a comprehensive and consistent industrial development strategy. Such a strategy should contain the following key components:

(a) An aggressive investment promotion campaign to attract potential investors. This campaign should emphasize the availability of natural resources, the country's political and economic stability, its access to various preferential markets, the incentives provided to investors (including a five year tax holiday) and the fact that investors are allowed to repatriate profits and dividends.

(b) Measures to revitalize the National Industrial Development Corporation of Swaziland (NIDCS) and strengthen the Small Enterprises Development Company (SEDCO), the Swaziland Industrial Development Company (SIDC) and the Swaziland Development and Savings Bank (SDSB), in order to enable them to perform their role of promoting and guiding new investors as well as offering financial assistance to both new and existing enterprises.

(c) An active government role in promoting vocational and technical training in necessary industrial skills such as engineering and management for Swazi nationals, in order eventually to reduce the industrial sector's over-dependence on imported skilled labour. The provision of tax incentives, such as deductibility of employee training expenses, should be retained and improved in order to encourage private sector programmes on training.

(d) The government needs to have a written investment code to serve as a guide for existing and prospective investors. More generally, there is an urgent need for the government of Swaziland to improve the overall investment climate in order to compete effectively with the neighbouring countries, including the so-called homelands in South Africa.

(e) The government needs to establish an investment promotion unit within the Ministry of Commerce, Industry and Tourism, to complement the investment promotion activities currently being undertaken almost entirely by SIDC. Better still, the government needs to establish a one stop investment office capable of providing all the information and assistance required by prospective investors.

The tax incentives currently offered to industrialists are an appropriate tool for industrial promotion, but nevertheless need to be properly defined and improved as part of an investment incentive package. The five-year tax holiday currently granted to firms which are either the first in their line of production or producing almost exclusively for export has attracted a number of footloose industries, which often leave the country before the tax exemption period is over. Despite such abuses, there is a further need to improve the tax incentives provided to investors, which should be based on the following criteria:

(a) The incentive structure should be consistent with the present industrial development strategy, emphasizing labour intensive, agro-processing and export-oriented activities.

(b) The objective of the tax incentives should be the promotion of new investments without reducing existing tax revenues.

(c) The incentives should be considered for the expansion of both new and existing enterprises.

(d) The period for which incentives are granted should depend on the gestation period of the investment project in question. Decisions should be taken on a case by case basis and the merit of each case should be considered.

(e) Measures to encourage small-scale enterprises should be made part of the overall policy on industrial development. A separate package of incentives for small businesses needs to be put in place by the government.

Promotion of agriculture

The government is especially concerned with the development of the agricultural sector since it is regarded as the mainstay of the economy of Swaziland and a key sector for the generation of future economic growth, development and employment opportunities. On the one hand, the development of agriculture in the Individual Tenure Farms (ITFs) has taken place relatively rapidly with major crops such as sugar cane, wood-pulp producing trees, cotton, pineapples and citrus fruits being grown for export. On the other hand, the development of the Swazi Nation Land (SNL), which is held in trust by the King on behalf of the Swazi Nation and administered by local chiefs, has been negligible. The low productivity in the SNL is in part due to the land tenure system, which discourages substantial investment since the land holder does not have title to ownership of the land and therefore lacks security. In addition, small-scale farmers on the SNL often cannot obtain loans because they are unable to provide the collateral required by the banks. Their techniques of farming are backward, and they do not use enough modern inputs.

The government has expended substantial efforts through the Ministry of Agriculture and Cooperatives to develop the SNL through the Rural Development Area Programme (RDAP). The objective of this programme was essentially to increase output through the dissemination of modern farming techniques. To accomplish this aim, the programme also sought to increase the ratio of agricultural extension workers to farmers.

The RDAP programme was not initially successful, however, and the anticipated benefits were not realized because the intensification strategy was not supported by the appropriate farm-level incentives. In addition, the dependence of rural households on wage employment for cash incomes combined with the relatively high wage rates in the modern monetized sector and the low productivity in agriculture on the SNL caused an increasing number of rural persons to seek employment outside the SNL. The RDAP has therefore been discontinued, although some of its benefits are now being felt after a time lag.

In the face of slow economic growth rates, rising urban unemployment accentuated by rapid population growth and rural-urban migration, declining migration to the South African mines and the poor prospects for new employment in the formal sector of the domestic economy resulting from the fact that the bulk of new investment is not being channelled into labour intensive activities, SNL agriculture will have to generate substantial rural employment opportunities in the future. It is therefore necessary to improve productivity in the SNL so that farming there becomes financially attractive even to young people. A particularly important issue in this context is cattle overgrazing on the SNL, which in turn is causing soil erosion. There is an urgent need for the government to formulate a livestock policy to combat overstocking in the SNL.

Promotion of tourism

Although tourism is not a leading economic sector, it is nevertheless important and contributes greatly to employment and foreign exchange earnings. There is considerable potential for the further development of the tourism industry. Swaziland has numerous natural attractions, including waterfalls, bushmen's paintings and game reserves. The government regards the promotion of tourism as a priority, and is in the process of formulating and implementing a national tourism policy.

At present, South African visitors constitute the bulk of tourists. They come mainly because of the physical attractiveness of the country, gambling and related activities and the existence of hotel accommodation of a reasonable quality. The government's strategy is to diversify its markets by attracting tourists from the United States and Europe as well as South Africa. This is done through an aggressive promotion campaign as well as the "siphoning-off" some long stay tourists coming to South Africa. In fact, visits by international tourists consist mainly of those on package tours, passing through Swaziland en-route to or from the Kruger National Park in South Africa on the popular circuit linking Johannesburg with the Kruger Park and Durban. To date, the overnight stop in Swaziland has essentially been a matter of convenience.

The question of linkages with other sectors of the economy, particularly with agriculture and industry needs to be studied with a view of increasing value-added of the sector. The available evidence indicates that the tourist industry imports from South Africa a great deal of food which could be produced efficiently in Swaziland. The slowdown in investment activity since 1989 has reduced the number of foreign visitors coming to Swaziland during the past two years.

Reduction of unemployment

The working age population, defined as the section of the population falling within the 15-64 age bracket, is estimated to be growing at an annual rate of 3.2 per cent in spite of the efforts of the government to reduce fertility. Although Swaziland's unemployment rate is low by developing country standards, unemployment is the primary concern of the government. Due to the high population growth rate and the youthful structure of the population, the demand for formal sector jobs continues to exceed their supply. During 1984-1988 about 1,700 new jobs are estimated to have been created annually in the formal sector of the economy. Based on present demographic trends, the estimated gross additions to the labour force will be in the order of 8,500 persons per year in the coming years. With the rate of economic growth averaging only a modest 4.0 per cent per year during 1984-1988, about 4,500 persons per year were unable to find employment in either the formal or the informal sector. They had to join the pool of the urban unemployed, migrate to the South African mines and industries or return to the SNL to make a living. To be able to absorb the entire labour force, the economy will have to grow at a rate of 6 per cent per year by the year 2000 and beyond.

The government is taking the following measures to resolve the unemployment problem over the longer term:

a) Identification and execution of training programmes which would enhance the suitability of the labour force for the formal sector, where most of the new entrants are likely to find jobs.

b) Introduction of tax incentives for new investments. In granting these incentives, the authorities should give priority to labour intensive activities.

In addition, government expenditures can be useful as a means of generating employment opportunities in the formal sector, provided that they can be justified on economic and financial grounds and are kept within sustainable levels.

Maintenance of stability in government expenditure

The preservation of a sound financial performance in the public sector is a key issue. In Swaziland, recurrent expenditure has often grown rapidly and is met to a large extent out of revenue from the SACU pool. During 1978/79 and 1989/90 total government recurrent expenditure increased about ninefold from E 59.2 million to E 328.4 million. Some restraint on expenditure is, therefore, necessary to maintain fiscal stability and, financial improvements are needed in some parastal organizations which still require government subsidies.

To improve the efficiency of public expenditure, the following measures appear appropriate:

(a) Government expenditure on vocational training should increase faster than expenditure on regular academic training in order to increase the availability of skilled manpower;

(b) The government should concentrate on preventive care and family planning so as to reduce population growth;

(c) The government's capability to identify, prepare and implement capital or development projects needs to be strengthened through more qualified personnel and through better coordination with on-going or prospective private investments, especially the ones promoted by SIDC and SEDCO; and

(d) Additional efforts should be made to ensure that external technical assistance programmes strengthen local institutions and train local personnel. This requires the government to coordinate technical donor assistance efforts, the identification of priority areas where technical assistance is necessary, and the appointment of local counterpart personnel.

II. MANUFACTURING

A. OVERVIEW OF THE MANUFACTURING SECTOR

The manufacturing sector in Swaziland dates back to the early 1950s, when a number of major agricultural and forestry industries were established. Despite its considerable diversification in the following decades, the manufacturing sector has continued to be dominated by industries involved in the processing of agricultural and forestry based commodities. According to the latest available industrial census, which was conducted by the Central Statistics Office in 1980, agro-industries accounted for 74 per cent of total manufacturing value-added (MVA) and 69 per cent of manufacturing employment. Major agro-industries in that year included two sawmills, two sugar companies, a wood-pulp mill and a canning factory. These few industries accounted for 68 per cent of the value-added and 45 per cent of the employment generated in the agro-industrial branch of the manufacturing sector.

The 1970s saw the establishment of a fruit canning factory, a fertilizer factory, a radio and television assembly plant, and some medium-sized food and beverage industries. Some of these industries, including the fruit-canning and sugar industries undertook substantial expansion programmes during the 1980s, which generated a significant increase in employment. In addition, several other major industries were established during this period, including a sugar mill, a cement brick plant, a zipper factory, clothing and knitwear factories, a confectionery plant, a soft drink concentrate production plant, a textile mill, and a paper mill.

Investment levels, although subject to annual fluctuations, rose significantly after the mid-1980s in response to an improvement in the investment climate and the threatened imposition of a trade embargo and/or sanctions against South Africa. This resulted in a substantial increase in the establishment of small- and medium-scale industries. In 1986 alone some E 75 million were invested in an expansion of the manufacturing sector, resulting in the creation of about 2,000 new jobs. This influx of investors to Swaziland, and consequently the establishment of new industries is continuing, albeit at a reduced rate since mid-1989.

As a result of this ongoing investment, the manufacturing sector has emerged as an important source of economic growth, and constitutes a significant component of GDP at factor cost. As shown by the data in Table I.1 in the previous Chapter, the average contribution of the manufacturing sector to GDP amounted to 17.7 per cent during 1984-1988, while its average annual growth rate amounted to 8.2 per cent. The economy as a whole grew at an average rate of about 4.0 per cent per year during the same period.

It would be misleading to equate the industrial sector's good performance in terms of growth with industrial development. With the exception of the agro-based industries, most industries depend on imported raw materials with very little, if any, spread effects. Because of the country's membership in the Southern African Customs Union (SACU), moreover, the capital goods and spare parts utilized by Swaziland based enterprises generate almost no impulses for industrial development. Most capital goods and spare parts are imported from South Africa since Swaziland lacks the capability of producing them.

Although the new industrial enterprises established since 1985 have created a reasonable amount of permanent employment opportunities, industrial projects have for the most part been of a capital intensive nature, limiting the labour absorption capacity of the sector. As shown in Table II.1, total employment in manufacturing amounted to 11,708 persons in 1982, but began to decline the following year and remained below the 1982 figure until 1988, when it increased to 13,617.

In 1980, the number of industrial enterprises employing more than 10 persons was estimated at 77. Most of these were located at the industrial estate at Matsapha. However, because the major agro-industries, such as sugar, wood-pulp and fruit canning industries are based on the primary processing of raw materials, they tend to be located closer to the sources of raw materials in such company towns as Big Bend, Bhunya, Malkerns, Mhlume, Pigg's Peak and Simunye. This decentralization of economic activity implies that industrial employment and incomes are distributed fairly evenly throughout the country.

Table II.1. Paid employment by industry, 1982-1988
(Persons)

Industry	1982	1983	1984	1985	1986	1987	1988
Agriculture and forestry	24,557	24,672	26,423	23,034	23,072	21,003	23,515
Mining and quarrying	2,492	2,227	2,335	2,415	2,455	2,475	2,416
Manufacturing	11,708	11,296	9,639	10,600	10,944	11,369	13,617
Construction	7,426	6,847	5,925	3,632	5,210	4,784	5,012
Electricity and water	1,091	1,139	1,332	1,324	1,426	1,518	1,543
Distribution	6,932	7,621	6,967	7,051	7,479	9,991	9,844
Transport	4,187	4,638	4,976	5,413	5,643	4,380	4,542
Finance	2,233	2,472	3,918	3,264	3,469	9,323	5,657
Other services	16,627	17,647	15,882	16,151	16,707	17,901	19,721
Total	**77,253**	**78,609**	**77,397**	**72,884**	**76,405**	**82,744**	**85,867**

Source: Central Statistical Office, "*Employment & Wages*," Mbabane, 1988.

Originally, the major industrial enterprises were wholly owned by British and South African interests. Recently, however, the Tibiyo TakaNgwane Trust Fund has acquired substantial stakes in the manufacturing sector, including the sugar industry. In addition, the government also has interests in medium-sized industrial ventures, which were held initially by the National Industrial Corporation of Swaziland (NIDCS) and now by the SIDC.

Senior positions in almost all medium- and large-scale industries continue to be filled almost exclusively by expatriates, particularly at the managerial, technical, professional and supervisory levels. This reflects the inability of Swaziland's educational institutions to keep pace with the rate of technological development and graduate adequately trained personnel with the skills required by the industrial sector. The lack of a local entrepreneurial class also acts as a constraint to Swaziland's industrialization.

Although there have been attempts to diversify the industrial base, this process must be continued through the introduction of intermediate products and services. This is especially necessary in the field of light metallurgical industries, including the production of spare parts. In addition, efforts must be made to develop linkages within the manufacturing sector through the spread of subcontracting and similar practices between enterprises. In addition, there is room to increase the productive capacities of existing enterprises through the diversification of production lines and improving the product quality.

In summary, industrial development in Swaziland is restricted by the following basic constraints:

(a) Swaziland's membership of SACU makes it a component part of a free trade area which allows the free flow of all goods and services with the partial exception of labour. The country's industrial development is consequently influenced by the "homelands" policy followed by South Africa and by the similarities in comparative advantage between itself and these "homelands". The scope for diversification is also reduced by the fact that

South African firms are more efficient, have lower unit costs of production and are closer to the markets. Although the SACU Agreement permits infant industries in Swaziland and the other smaller members of the SACU to be granted protection for up to eight years, such protection has rarely been sought. Moreover, the small size of Swaziland's economy itself limits the potential for import substitution within SACU.

(b) The distance of the country from the world markets means that Swaziland can only be competitive in specialized areas, such as sugar and wood-pulp.

(c) Serviced land at Swaziland's principal industrial park at Matsapha is completely sold out and the physical infrastructure, including the road netweork and the sewerage system, requires extensive rehabilitation. Funds have recently been secured, however, to cover both the rehabilitation work and an expansion of the Matsapha Industrial Estate by 100 hectares of fully serviced prime land.

(d) There are forces at work in the economy which have tended to raise the price of labour relative to that of capital, and have therefore created a capital bias in investment decisions. These include, *inter alia*, the low productivity of the unskilled labour force and the shortage of skilled workers.

(e) No comprehensive programme of action has so far been designed to promote the country's industrialization process. Moreover, the absence of a written investment code has tended to discourage potential foreign investors in recent years.

B. GROWTH AND STRUCTURAL CHANGE

Significant developments have taken place in the manufacturing and processing industries since the late 1950s. At the time of independence in 1968, manufacturing involved mainly the processing of agricultural and forestry products. The 1970s saw both the expansion and diversification of the industrial sector. This acceleration of industrial development was enhanced by the establishment of the now defunct National Industrial Development Corporation of Swaziland (NIDCS), a parastatal corporation attached to the Ministry of Commerce, Industry, Mines and Tourism. By 1976 ten major manufacturing and processing enterprises contributed about 15 per cent to GDP and employed some 6,160 persons, which amounted to approximately 1.2 per cent of the resident population of the time. These figures did not, moreover, take into account the contribution to both GDP and employment of the primary agricultural and forestry industries which supplied the processing enterprises. By 1978 the number of industrial enterprises with more than ten employees had risen to 58, and the industrial census conducted by the Central Statistics Office in 1980 showed a further increase in the number of such enterprises to 77.

The expansion of the manufacturing sector has gained further momentum since the mid-1980s. This is due mainly to improvements in the investment climate, including the introduction of a five-year tax holiday which has managed to attract many footloose industries. Threats of an international trade embargo and/or the imposition of sanctions against, and disinvestment from, South Africa have also helped to fuel industrial growth in Swaziland. Most of the industrial enterprises established after the mid-1980s are involved in the manufacture of non-traditional export commodities such as textile yarns and garments, shoes, confectionery and beverages. At present there are some 185 establishments engaged in industrial production, most of which have been established by private initiative.

The data presented in Table II.2 on the gross output and value-added of the manufacturing sector confirm its spectacular growth in the mid-1980s. During 1985-1987 gross output increased at an annual average rate of about 32 per cent in nominal terms, while manufacturing value added grew at an even more impressive rate of more than 52 per cent per year. This dramatic increase in gross output and MVA reflected the establishment of a large number of new industries and the resulting expansion and diversification of Swaziland's industrial base, with a large number of new products and brands being produced.

Despite the substantial increases in gross output and MVA recorded during 1985-1987, it is nevertheless worth noting that the growth rate of both variables slowed down in 1987 due to the closure of a number of footloose textile industries. This slowdown is expected to have persisted into 1988 and 1989, when an explosion at a pulp mill caused a substantial drop in the output of wood-pulp. This trend is believed to have been reversed in 1990, however, when the difficulties at the pulp mill were partially solved and other new enterprises became productive.

Table II.2. Gross output and manufacturing value added (MVA) by industry branch, 1981-1987
(E Million)

Branch	1981	1982	1983	1984	1985	1986	1987
Gross output							
Food & beverages	174.06	182.45	208.92	235.56	248.96	355.50	383.01
Textiles & garments	16.95	10.87	10.10	12.72	19.32	45.44	54.90
Wood & wood products	18.05	21.41	18.48	19.40	12.78	18.36	34.24
Paper & paper products	63.23	67.07	65.07	88.33	98.08	146.35	172.65
Chemical & plastic products	50.54	66.27	46.04	5.16	3.94	8.15	7.77
Non-metallic mineral products	4.66	7.68	7.30	6.09	2.60	14.68	18.76
Machinery & equipment	29.14	33.75	24.13	17.42	17.05	26.21	30.01
Others	0.46	0.36	0.59	0.13	0.11	0.54	0.07
Total: value	**357.09**	**389.88**	**380.62**	**384.83**	**402.85**	**615.23**	**701.42**
per cent growth	-	**9.2**	**-2.4**	**1.1**	**4.7**	**52.7**	**14.0**
MVA							
Food & beverages	42.57	44.57	49.43	62.72	63.52	106.22	119.55
Textiles & garments	1.82	1.24	0.90	2.23	2.91	9.94	16.51
Wood & wood products	5.53	7.87	4.47	5.68	3.22	4.36	9.27
Paper & paper products	17.93	17.24	12.67	29.53	23.26	48.39	71.65
Chemical & plastic products	10.00	17.87	8.95	0.76	1.01	1.47	1.47
Non-metallic mineral products	0.92	1.16	2.24	1.58	0.51	4.36	6.33
Machinery & equipment	6.23	6.96	5.77	4.78	5.76	7.87	7.70
Others	0.21	0.08	0.15	0.06	0.05	0.41	0.03
Total: value	**82.22**	**96.98**	**84.58**	**107.35**	**100.23**	**183.02**	**232.50**
per cent growth	-	**18.0**	**-12.8**	**26.9**	**-6.6**	**82.6**	**27.0**

Sources: Central Statistical Office, *"Annual Statistical Bulletin," Mbabane (various issues)*. Central Statistical Office, *"Report on the Census of Industries, 1986-1987"*, Mbabane, 1990.

Table II.3 summarizes the structure of the manufacturing sector based on value-added at current prices. The data reveal the predominance of the food and beverage branch, which on average accounted for about 55 per cent of MVA during 1981-1987. The paper and paper products branch has increased its share of total MVA during the 1980s mainly because of the establishment of printing enterprises and a paper producing plant. The textile and garments industry also increased its share because of the establishment of a number of yarn processing and garment producing enterprises after the mid-1980s.

On the other hand, the contribution of the chemical and plastic products industry has declined as a result of the closure of Swaziland's only fertilizer plant in 1984. Wood and wood products have declined slightly in importance since 1985, partly because of the closure of furniture workshops such as Swazi Pine (Pty) Ltd. The contribution of the non-metallic mineral products (building materials) branch has fluctuated, but did not change much during 1981-1987, while that of the machinery and equipment branch declined significantly in the early 1980s, but has remained broadly unchanged since then.

Table II.3. Distribution of gross output and manufacturing value added by industry branch, 1981-1987
(Per cent)

Branch	1981	1982	1983	1984	1985	1986	1987
GROSS OUTPUT							
Food & beverages	48.7	46.8	54.9	61.2	61.8	57.8	54.6
Textiles & garments	4.8	2.8	2.7	3.3	4.8	7.4	7.8
Wood & wood products	5.1	5.5	4.9	5.0	3.2	3.0	4.9
Paper & paper products	17.7	17.2	17.1	23.0	24.3	23.8	24.6
Chemical & plastic products	14.2	17.0	12.1	1.3	1.0	1.3	1.1
Non-metallic mineral products	1.3	2.0	1.9	1.6	0.7	2.4	2.7
Machinery & equipment	8.2	8.7	6.3	4.5	4.2	4.3	4.3
Others	0.1	0.2	0.2	-	-	0.1	-
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**
MVA							
Food & beverages	50.0	46.0	58.4	58.4	63.4	58.0	51.4
Textiles & garments	2.1	1.3	1.1	2.1	2.9	5.4	7.1
Wood & wood products	6.5	8.1	5.3	5.3	3.2	2.4	4.0
Paper & paper products	21.0	17.8	15.0	27.5	23.2	26.4	30.8
Chemical & plastic products	11.7	18.4	10.6	0.7	1.0	0.8	0.6
Non-metallic mineral products	1.1	1.2	2.7	1.5	0.5	2.4	2.7
Machinery & equipment	7.3	7.2	6.8	4.5	5.7	4.3	3.3
Others	0.3	0.1	0.2	0.1	0.1	0.2	-
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Sources: Central Statistical Office, "*Annual Statistical Bulletin*," Mbabane, (various issues)
Central Statistical Office, *Report on the Census of Industries, 1986-1987*," Mbabane, 1990.

As shown in Table II.4, however, the non-metallic minerals (building matrials) branch recorded a dramatic increase in 1986, which reflected a significant expansion of the construction industry in response to the general growth of the economy and the reconstruction of physical infrastructure destroyed in 1984 by cyclone Domoina. The textile and garments industry also expanded considerably, if fitfully, in the 1980s, and recorded particularly strong growth between 1984 and 1987 as new enterprises producing cotton yarns, garments and knitwear were established. High growth was also achieved by the paper and printing branch, which was due in part to the establishment of a paper mill in 1987-1988. The chemical and plastic products branch experienced a decrease in value-added, which was accounted for largely by the closure of Swaziland's only fertilizer plant in 1984.

There is no indication that the manufacturing sector of the Swaziland's economy will move towards the production of intermediate and capital goods with the exception of some building materials. Swaziland is likely to remain heavily dependent on imported machinery, equipment and spare parts due to the small size of the domestic market, which will prevent domestic industries from attaining the necessary economies of scale.

Another feature of the manufacturing sector is the relatively low ratio of value-added to gross output, suggesting a low level of processing and reflecting the fact that most of Swaziland's major exports are shipped in raw or semi-processed form. One of the principal aims of the government's industrial policy therefore is to raise the level of processing in the industrial sector as a whole in order to increase the proportion of domestic value added. This policy began to achieve some results in the latter half of the 1980s, with the ratio of MVA to gross output increasing from about 0.25 in the years preceding 1985 to 0.33 in 1987 as a result of the increase in the number of enterprises producing non-traditional export goods.

Fig. II.A. Composition of manufacturing value added, 1981 and 1988 (Percentage)

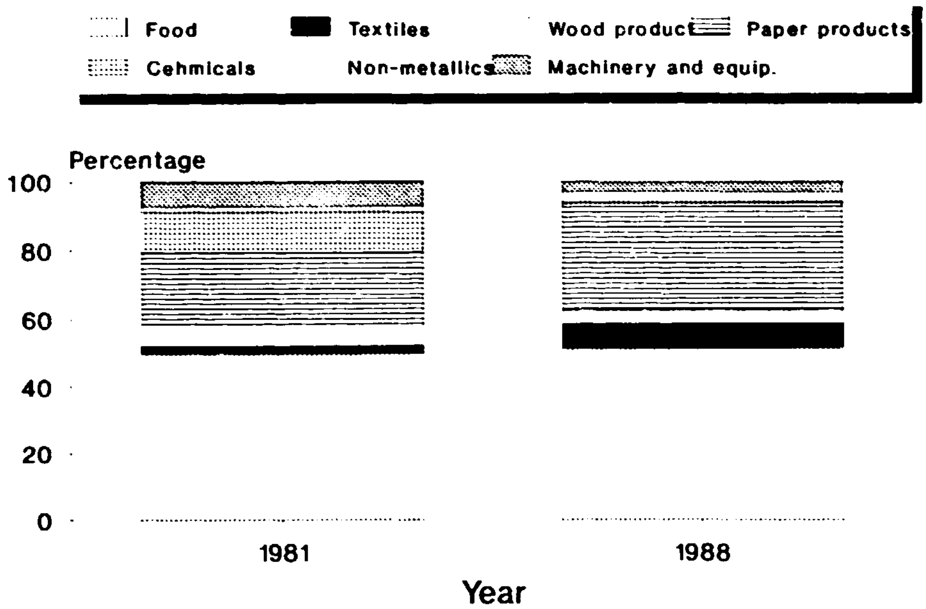


Fig. II.B. Value of gross output by product, 1987 (E million)

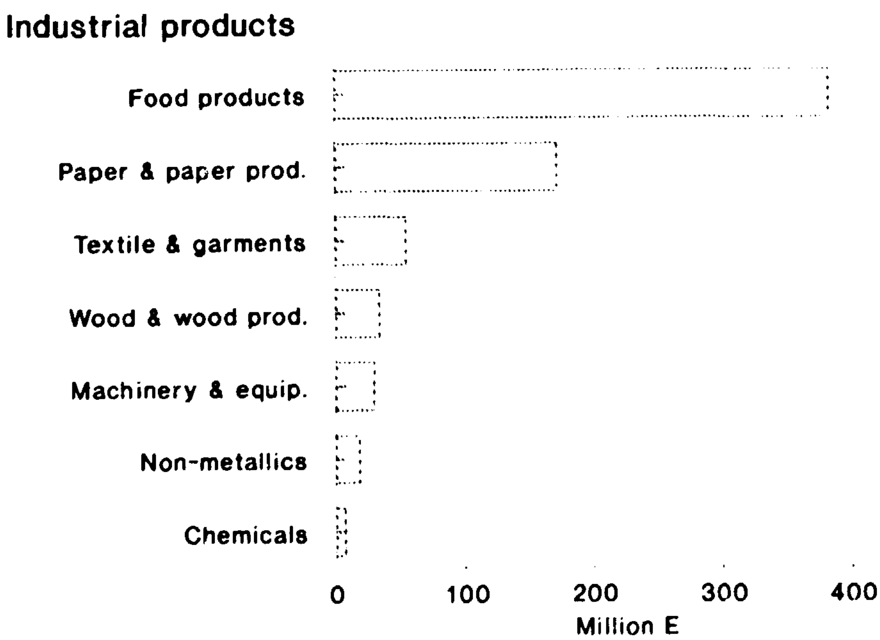


Table II.4. Growth of gross output and MVA by industry branch, 1982-1987
(Per cent)

Branch	1982	1983	1984	1985	1986	1987
GROSS OUTPUT						
Food & beverages	4.8	14.5	12.8	5.7	42.8	7.7
Textiles & garments	-35.9	-7.1	26.0	51.8	135.2	20.8
Wood & wood products	18.6	-13.7	5.0	-34.1	43.6	86.5
Paper & paper products	6.1	-3.0	35.8	11.0	49.2	18.0
Chemical & plastic products	31.1	-30.5	-88.8	-23.6	106.6	-4.6
Non-metallic mineral products	64.7	-5.0	-16.6	-57.3	464.6	27.8
Machinery & equipment	15.8	-28.5	-27.8	-2.1	53.7	14.5
Others	-21.6	61.5	-77.0	-17.8	387.4	-86.7
Total	**9.2**	**-2.4**	**1.1**	**4.7**	**52.7**	**14.0**
MVA						
Food & beverages	4.7	10.9	26.9	1.3	67.2	12.5
Textiles & garments	-31.8	-27.4	147.0	30.7	241.4	66.1
Wood & wood products	42.2	-43.2	27.2	-43.3	35.4	112.5
Paper & paper products	-3.8	-26.5	133.0	-21.2	108.1	48.1
Chemical & plastic products	78.6	-49.9	-91.5	32.0	46.0	-
Non-metallic mineral products	26.0	93.6	-29.5	-67.6	750.7	45.1
Machinery & equipment	11.7	-17.1	-17.1	20.4	36.6	-2.2
Others	-61.4	80.2	-60.3	-12.1	705.9	-92.7
Total	**13.8**	**-29.0**	**55.7**	**-6.6**	**82.6**	**27.0**

Sources: Central Statistical Office, "*Annual Statistical Bulletin*," Mbabane, (various issues).
Central Statistical Office, *Report on the Census of Industries, 1986-1987*," Mbabane, 1990.

C. EMPLOYMENT AND PRODUCTIVITY

According to data published by the Central Statistics Office about 11,708 persons were employed in the industrial sector in 1982. The majority of these people were employed in medium- and large-scale enterprises, particularly in large agro-industries. However, this figure does not include people employed by firms in the informal sector, such as handicraft producers. Although paid employment in the manufacturing sector fluctuated substantially during 1982-1988, it remained below the 1982 level between 1983 and 1987. This was partly due to the closure of a number of labour intensive industries such as a fertilizer plant, a radio and television assembly plant, several footloose textile manufacturers and a number of small to medium-scale enterprises. The decline in employment opportunities during this period was aggravated by the worldwide economic recession as well as the severe drought which inflicted the southern African region in the early 1980s.

Employment in the manufacturing sector began to increase again in 1985, and by 1988 had risen to 13,617 persons, exceeding the 1982 level by 16.3 per cent. This increase in industrial job opportunities may be attributed primarily to an increase in foreign investment, particularly in manufacturing.

The manufacturing sector, like other important sectors of the economy, has failed to create enough jobs to absorb the unskilled and semi-skilled labour force, principally because most of the the modern medium- and large-scale industrial enterprises are capital intensive in nature. Consequently, some semi-skilled and unskilled persons are forced to search for employment in the South African mines and industries. This implies that small-scale industries employing up to ten persons and informal manufacturing entities such as handicraft producers will have to generate a substantial number of new job opportunities if the current level of unemployment is to be reduced in future.

Table II.5 reveals that the food and beverage branch is the most important employer among industrial enterprises employing more than ten persons, consistently accounting for more than 40 per cent of the total manufacturing work force in the 1980s. The high level of employment in this sector reflects both an increase in the number of food and beverage enterprises during the 1980s and the fact that most of the newly established enterprises in this branch use predominantly labour intensive technology.

Table II.5. Employment in manufacturing industry by branch, 1981-1987

Branch	1981	1982	1983	1984	1985	1986	1987
Persons							
Food & beverages	6,071	4,964	6,776	4,019	5,244	6,304	5,406
Textiles & garments	991	667	353	540	710	883	1,068
Wood & wood products	2,548	2,388	961	2,024	1,865	743	1,717
Paper & paper products	1,906	1,464	1,575	1,455	1,664	1,850	1,882
Chemical & plastic products	551	574	449	434	149	185	170
Non-metallic mineral products	457	410	233	308	328	435	520
Machinery & equipment	1,210	1,077	769	694	510	434	525
Others	146	164	180	155	130	110	81
Total	**13,880**	**11,708**	**11,296**	**9,639**	**10,600**	**10,944**	**11,369**
Per cent share							
Food & beverages	43.7	42.4	60.0	41.7	49.5	57.6	47.6
Textiles & garments	7.1	5.7	3.1	5.6	6.7	8.1	9.4
Wood & wood products	18.4	20.4	8.5	21.0	17.6	6.8	15.1
Paper & paper products	13.7	12.5	13.9	15.2	15.7	16.9	16.6
Chemical & plastic products	4.0	4.9	4.0	4.5	1.4	1.7	1.5
Non-metallic mineral products	3.3	3.5	2.1	3.2	3.1	4.0	4.6
Machinery & equipment	8.7	9.2	6.8	7.2	4.8	4.0	4.6
Others	1.1	1.4	1.6	1.6	1.3	1.0	0.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Sources: Central Statistical Office, "*Annual Statistical Bulletin,*" Mbabane, (various issues).
Central Statistical Office, "*Report on the Census of Industries, 1986-1987,*" Mbabane, 1990.

The wood and wood products branch has traditionally been the second largest industrial employer, and accounted for 21.0 per cent of total manufacturing employment in 1982 and 21.0 per cent in 1984. Its role has subsequently declined following the closure of some furniture industries, such as Swazi Pine Ltd, during the 1980s, and by 1987 its share in the total had fallen to 15.1 per cent. Meanwhile, the contribution of the paper and printing branch to total manufacturing employment has increased between 1981 and 1987 from 13.7 per cent to 16.6 per cent. The contribution of the chemical branch has declined during the same period, mainly because of the closure in 1984 of the fertilizer plant, Swaziland Chemical Industries (SCI), which was very labour intensive and operated a 24 hour shift. The machinery and equipment branch has also suffered a relative decline, with its share in total manufacturing employment falling from 8.7 per cent in 1981 to 4.6 per cent in 1987.

The modest contribution made by medium- and large-scale industries to total employment generation in the manufacturing sector is due to the predominance of capital intensive production techniques, which are utilized because of the low productivity of local unskilled labour. This is particularly true of the textile and wearing apparel, non-metallic mineral products (building materials) and machinery and equipment branches as revealed by Table II.6.

The available data indicate that productivity levels have improved in all branches, partly as a result of the adoption of new and improved production techniques and training, including on-the-job training. Total productivity measured in terms of gross output per worker is estimated to have increased by 139.8 per cent during 1981-1987, while productivity measured in terms of value added per employee increased by 233.1 per cent during the same period.

According to Table II.6, labour productivity is highest in the paper and printing, machinery and equipment, food and beverages, and textiles and garments branches. Most of the enterprises in these branches are large-scale and use sophisticated capital intensive production methods. Productivity levels are lowest in the wood and wood products and building materials branches due to the low productivity of the unskilled labour which forms the bulk of the employees in these branches.

Table II.6. Labour productivity by branch, 1981-1987
(E Thousand)

Branch	1981	1982	1983	1984	1985	1986	1987
Gross output per employee							
Food & beverages	28.7	36.8	30.8	58.6	47.5	56.4	70.9
Textiles & garments	17.1	16.3	28.6	23.6	27.2	51.5	51.4
Wood & wood products	7.1	9.0	19.2	10.0	6.9	24.7	19.9
Paper & paper products	33.2	45.8	41.3	60.3	58.9	79.1	91.7
Chemical & plastic products	91.7	115.5	102.6	11.9	26.5	44.0	45.7
Non-metallic mineral products	10.2	18.7	31.3	19.8	7.9	33.8	36.1
Machinery & equipment	24.1	31.3	31.4	25.1	33.4	60.4	57.2
Others	3.2	2.2	3.3	0.9	0.8	4.9	0.9
Total	**25.7**	**33.3**	**33.7**	**39.9**	**38.0**	**56.2**	**61.7**
Value added per employee							
Food & beverages	7.0	9.0	7.3	15.6	12.1	16.9	22.1
Textiles & garments	1.8	1.9	2.6	4.1	4.1	11.3	15.5
Wood & wood products	2.2	3.3	4.7	2.8	1.7	5.9	5.4
Paper & paper products	9.4	11.8	8.1	20.2	14.0	26.2	38.1
Chemical & plastic products	18.2	31.1	19.9	1.8	6.8	7.9	8.6
Non-metallic mineral products	2.0	2.8	9.6	5.1	1.6	10.0	12.2
Machinery & equipment	5.2	6.5	7.5	6.9	11.3	18.1	14.7
Others	1.4	0.5	0.8	0.4	0.4	3.7	0.4
Total	**6.1**	**8.3**	**7.5**	**11.1**	**9.5**	**16.7**	**20.5**

Source: Based on Data provided by the Central Statistical Office, "*Report on the Census of Industries, 1986-1987*", Mbabane, 1990.

Although Swaziland has an abundant supply of cheap, unskilled labour, its productivity is low due to poor training and inadequate education. While Swaziland is thus a labour surplus country in which the need to create jobs is of paramount importance, the scope for job creation in the manufacturing sector is limited by some economic forces that raise the real price of labour relative to capital and inject a bias into investment decisions. These include the low productivity of the labour force and the existence of restrictive labour laws, such as the Minimum Wage Legislation, which tend to reduce the absorption of labour. Since most of these forces are generated within Swaziland, however, they are also amenable to corrective domestic actions, including legislative reform and the provision of extensive on and off the job training.

While unskilled labour is plentiful, skilled labour and professional talent is in short supply. This shortage of skilled technical, artisanal and managerial personnel significantly retards the growth of industrial production, since the availability of an appropriate mix of skilled manpower is an important determinant of corporate decisions to invest in new projects or expand their existing operations. In addition, the lack of sufficiently high skill levels also restrains the ability of school leavers to acquire well paying industrial jobs or be promoted to more remunerative skilled positions.

The shortage of skilled labour is increasingly coming to be acknowledged as a serious problem in Swaziland. Since it is due principally to the limited scope and poor quality of the education system, there is a growing recognition that greater attention must be devoted to the increased provision of business administration education and vocational training in every area. In particular, it is being seen as a high priority for government action, because it is through the upgrading of skills that a solid base will be established for the creation of new jobs.

The basic responsibility for education and training is shared between the Ministries of Education, Labour and Public Services, and the Department of Economic Planning and Statistics under the Prime Minister's Office. Partly because of this division of responsibilities between various bodies, educational policy has often tended to be haphazard and uncoordinated. The government seldom carries out reviews of the existing state of formal and informal sector training, or international comparisons of local training programmes and institutions. Even though a growing emphasis on vocational training prompted the enactment of an Industrial and Vocational Act in 1981, no definite approach to the planning of vocational training has been formulated as yet.

The Swaziland College of Technology (SCOT) provides most of the institutional and technical training in Swaziland, as well as upgrading courses for non-residential students. SCOT is mainly concerned with training middle level technicians, electrical and automotive engineers, and building, woodwork and carpentry technicians. In addition, it also provides courses in technical services and commerce, and supervises a junior manager training and development unit as well as a trade testing unit.

An industrial training centre was established by Anglican and Catholic Missionaries at Manzini in 1984. This institution, the Manzini Industrial Training Centre (MITC), provides two years of formal and on-the-job training to about 180 school drop-outs per period. More recently, a new vocational training centre, Gwamile Vocational Training Centre (VOCTIM), has been established at Matsapha in 1988. It trains personnel to very high skill levels in the electrical, metalwork and carpentry trades, and also has a commercial section for secretaries and clerical personnel. Following the establishment of VOCTIM, SCOT has shifted its emphasis to technical training.

Several other institutions are also engaged in manpower training. The University of Botswana and Swaziland provides training in economics and the natural sciences, and its Institute of Development Management offers management courses. Management training is also available at Swaziland Institute of Management and Public Administration and the Management Training Institute, while the Department of Extra-Mural Studies of the University College of Swaziland provides training in business management and accounting, and the Small Enterprise Development Corporation offers training in entrepreneurial skills and small enterprise management. The Swaziland International Education Centre, finally, offers vocational training.

In addition, the government encourages private firms to provide training for employees through the allowance of corporate tax deductions equal to 100 per cent of training expenses. Some firms have developed their own training programmes, which are sometimes quite extensive but often only focus on the skills required by their own particular industries. They do not invest in the four years or more of training required for the development of skilled and highly skilled level artisans.

The shortage of skilled and well qualified engineers, technicians, managers and artisans has left many industrial enterprises heavily dependent on imported foreign labour. While efforts are being made to improve educational standards within Swaziland, the government has recognized the need for foreign expertise to overcome the existing skill shortages, and has permitted the hiring of foreigners to fill vacancies for skilled jobs. Craftsmen's jobs are frequently filled by Portuguese refugees from Mozambique, and plant engineers and mechanics are also mostly expatriates.

This heavy dependence on imported labour has become a significant feature of employment in the manufacturing sector of Swaziland's economy. Although published statistics do not indicate the number of foreign workers in the industrial labour force, it has been established that foreign workers constitute the bulk of the employees in complex technical jobs such as metalwork, engineering and supervisory and technical positions in medium- and large-scale enterprises. The management of industrial enterprises is also almost exclusively in the hands of non-Swazis. This situation reflects the acute shortage of trained technical staff and the unsuitability of local training for the needs of the industrial sector, and is likely to persist for the short to medium term. The foreign workers are expected to be replaced over the longer term, however, when there are enough local technicians to take their place.

Table II.7 **Average monthly wages in manufacturing by skill and sex, 1978-1988** (Emalangeni)

Category	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Males											
Professional & technical	689	885	1,113	1,121	1,111	1,177	1,191	1,616	1,839	1,945	1,656
Administrative & management	827	735	864	996	1,186	1,221	1,215	1,414	1,402	1,767	1,885
Clerical	205	218	258	301	345	351	335	384	470	490	505
Skilled	521	629	445	607	766	807	806	881	946	1,032	941
Semi-skilled	169	143	153	177	301	350	309	357	432	413	376
Unskilled	90	101	118	127	155	217	339	214	214	234	218
Females											
Professional & technical	-	-	521	567	528	548	566	884	918	927	1,165
Administrative & management	-	-	518	613	546	576	734	706	723	724	830
Clerical	196	233	242	255	311	302	347	378	396	481	458
Skilled	-	-	133	242	318	290	507	265	572	577	402
Semi-skilled	-	142	119	101	125	131	211	173	207	190	238
Unskilled	90	123	96	104	125	111	186	155	156	192	170

Sources: Central Statistical Office, "*Wages and Employment, 1988*", Mbabane, 1990. Central Statistical Office, "*Annual Statistical Bulletin*", Mbabane, various issues.

Some medium- and large-scale enterprises recruit female workers for both production and office work. Female employment is concentrated mostly in the food and beverage and textile and clothing branches.

The determination of wages and salaries is complex in Swaziland. Wages are affected by three labour markets within the formal sector: the private sector, the parastatal sector and the civil service. The influences of these three sectors interplay and overlap with each other, although the private sector, with its strong international bias and historical precedents of overseas employment and services, has set the pattern of employment benefits in the country. The pervasive influence of the private sector labour market on the other two markets implies that no appropriate capital/labour investment mix or market clearing rates for labour are determined in the parastatal sector and public service.

Some industrial enterprises adopt capital intensive production methods as a means of reducing labour costs. Nominal average wages for unskilled male labour increased by about 41 per cent between 1982 and 1988 from E 155 to E 218 per month. On the other hand, average earnings for professional and technical male staff increased by 49 per cent from E 1,111 to E 1,656 per month while the average monthly wage of professional and technical female staff increased by about 121 per cent from E 528 to E 1,165 during the same period.

The prevailing wage levels are relatively high by developing country standards. This imposes a comparatively heavy burden on the industrial sector and has prompted a number of industrial enterprises to favour capital over labour. It prevents medium- and large-scale enterprises from adopting labour-intensive practices even though their training expenses are wholly deductible for corporate tax purposes.

D. PERFORMANCE AND EFFICIENCY

The major manufacturing enterprises such as the sugar milling companies and wood-pulp company are producing close to capacity. However, other manufacturing enterprises including the meat company, textile companies and the Swaziland Dairy Board are producing far below capacity. For the meat industry, the below-capacity production is mainly due to the inavailability of enough cattle for slaughter which has caused the Swaziland Meat Industries to be unable to meet Swaziland's export quota to the EC for the supply of meat and meat products. The textile industry is also currently producing far below capacity mainly because of the decline in demand for textiles in both the regional and world textile market. Moreover, this problem is accentuated by the flooding of cheap yarn by Asian countries into the SACU market, especially in South Africa, the principal importer of yarn produced in Swaziland. This was facilitated by South Africa's decision to reduce tariffs and quotas as a result of its Structural Adjustment Programme (SAP). Until recently, the wood pulp industry has also been producing below capacity as a result of problems such as a boiler explosion at the Usutu Pulp Company in 1989.

Most industrial enterprises are profitable because of their low production costs. However, industrial enterprises often close down their operations when faced with marketing problems since losses cannot be sustained for long due to a lack of financial reserves and access to credit. Some enterprises have sought to diversify their output in order to avoid incurring substantial financial losses. The Simunye Sugar Mill cut down the acreage under sugar cultivation when the world price of sugar was low in the early 1980s, and introduced livestock and crop farming in order to enhance its profitability. The dairy industry has been operating below capacity and has not been profitable for years, but has the potential of recovering its profitability.

E. MANUFACTURED EXPORTS AND IMPORTS

Because of its small domestic market in terms of population size and purchasing power, Swaziland's economy is heavily export oriented and most of its manufactured goods are produced almost exclusively for export. In 1987 the value of manufactured exports amounted to approximately E 698 million, representing about 82 per cent of total exports but 99.5 per cent of gross industrial output. Sugar has traditionally been the single most important manufactured export, with wood-pulp coming second. This pattern changed in 1987 with the opening of a Coca Cola concentrates plant, as a result of which the export of "miscellaneous edibles" surpassed that of wood-pulp. Together, sugar, miscellaneous edibles and wood-pulp accounted for 68 per cent of total exports in 1989, as shown in Table II.8 below.

Swaziland's membership of SACU permits a free and unimpeded interchange of goods, services and, to a limited extent, labour with the organization's other Member States, Botswana, Lesotho, Namibia and South Africa. Consequently, about 40 per cent of Swaziland's total merchandise exports are shipped to South Africa. Very little trade is undertaken between Swaziland and the other smaller members of SACU, mainly because of similarities in comparative advantage. Despite the importance of SACU in Swaziland's export trade, the country's major export products are sent mainly to countries outside the SACU area. Sugar is sold mainly to the EC and North America, while unbleached wood-pulp is exported mainly to Australia, the EC, Japan and the Republic of Korea.

Fig. II.C. Structure of merchandise exports, 1989 (Percentage)

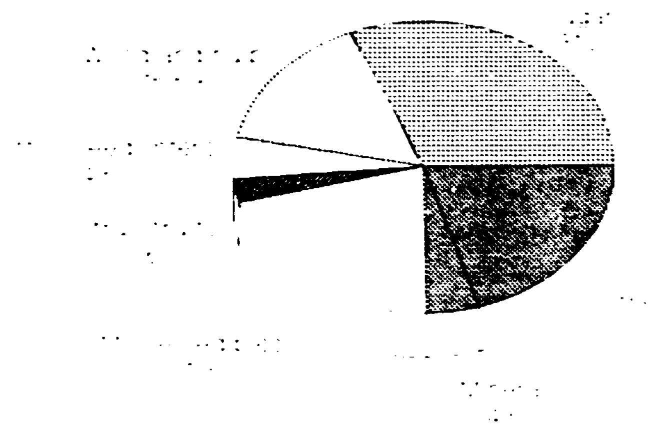


Fig. II.D. Structure of merchandise imports, 1989 (Percentage)

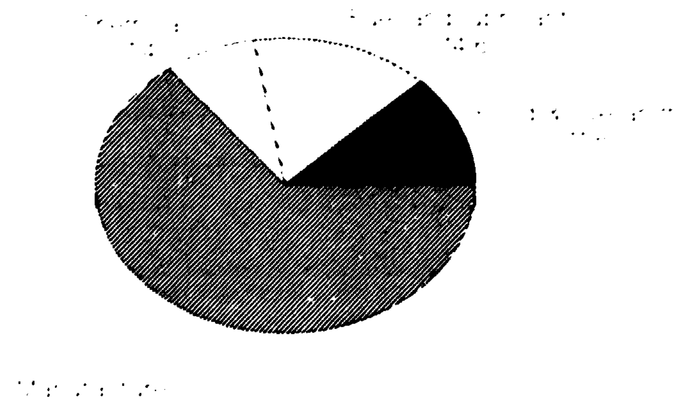


Table II.8. Merchandise exports, 1978-1989
(Percentage shares)

Commodity	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Sugar	35.5	46.0	38.6	33.0	37.7	41.1	37.4	40.2	32.8	28.7	31.2
Wood and pulp	14.5	13.0	15.9	14.0	16.8	25.0	26.4	25.6	17.1	18.8	15.5
Citrus fruits	4.8	2.7	2.3	4.7	4.4	6.1	5.2	4.7	3.8	3.9	2.6
Minerals	10.5	6.6	6.7	5.2	6.3	6.7	8.8	6.3	4.9	4.6	4.5
Fertilizer	5.1	8.5	11.4	16.6	13.2	0.2	-	-	-	-	-
Canned fruits	4.7	3.4	4.0	5.4	6.7	8.2	7.1	5.0	4.5	4.3	3.9
Finished goods	-	-	-	-	-	-	-	-	2.3	5.9	5.8
Cotton seeds & linters	-	-	3.2	2.5	2.6	3.2	2.9	2.1	1.9	3.3	4.5
Meat & meat products	3.7	3.1	1.3	1.6	2.0	1.0	2.0	2.2	1.6	-	-
Miscellaneous edibles	-	-	-	-	-	-	-	-	10.8	18.2	21.3
Other	21.1	16.7	16.6	17.0	10.3	8.5	9.2	13.7	20.3	12.3	10.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Computed from Table I.2

Although Swaziland is also a member of the Preferential Trade Area for Eastern and Southern African Countries (PTA), it conducts very little trade with the other PTA Member States. This is due largely to the fact that most PTA States have similar commodity compositions, economic structures and resource bases, and also because most countries outside the SACU area are constrained by both foreign exchange shortages and the high debt service burdens. In fact, less than 10 per cent of Swaziland's exports are destined for the PTA market, even though it currently exports to Kenya, Lesotho, Malawi, Mozambique, Somalia, Tanzania, Zambia and Zimbabwe.

Swaziland is also a member of the Southern African Development Coordination Conference (SADCC) market, which includes Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Tanzania, Zambia and Zimbabwe. Consequently, exports from Swaziland are given preferential treatment in these countries as well. Apart from the PTA and SADCC, Swaziland has also penetrated some of the other sub-regional markets in Africa.

Exports from Swaziland are also accorded preferential treatment in many other markets. In the EC Swaziland enjoys preferential trade treatment through the Lome Convention, while in Australia, Canada and the United States it has been granted trade privileges under the Generalized System of Preferences (GSP). More recently, Swaziland has also begun to penetrate the Asian market with exports to Japan, the Republic of Korea, Indonesia, Malaysia, Thailand, Taiwan, the Philippines and Thailand. In addition, Swaziland also exports to Uruguay, Venezuela and Peru, as well as to Iran and Saudi Arabia.

Swaziland's good export performance reflects the outward looking orientation of the country's production and the result of conscientious efforts to ensure that the quality of the country's output meets international standards. The government is particularly concerned to promote natural resource based, export-oriented, manufacturing industries. While Swaziland has a relatively good export promotion infrastructure, however, the Trade Promotion Unit of the Ministry of Commerce, Industry and Tourism has severe shortages of adequately and appropriately trained personnel for the identification and penetration of export markets in continents other than Europe. Markets in North and South America, Asia and Australia have therefore been neglected to a considerable extent, and offer considerable scope for a further expansion of exports from Swaziland.

Lack of training in industrial skills and the small domestic market render an import-substituting industrialization strategy inappropriate for Swaziland. The country will therefore continue to follow an export-oriented path to industrial development. Manufactured goods which cannot be absorbed by the domestic market will have to be exported to both the regional and world markets.

Although areas of comparative advantage have been identified in the processing of agricultural and forestry products, research has still to be undertaken to identify other areas of comparative advantage in manufactured goods.

Table II.9 indicates that machinery and transport equipment, including spare parts, are Swaziland's principal imports. The import of these products reflects the country's increasing industrial development, since they are used mainly by industrial enterprises. The new manufacturing enterprises established in 1985-1989 produce mostly for the export market instead of replacing imported manufactured goods, however, since the potential for import-substitution is limited by the small size of the domestic market. Consequently, manufactured products (SITC categories 6 and 8) have traditionally accounted for a significant proportion of Swaziland's total imports, and their importance is likely to increase in the foreseeable future. In the absence of any local petroleum resources, Swaziland is also heavily dependent on imports of fuels and lubricants, which make a major contribution to the country's import bill.

Table II.9. Merchandise imports, 1978-1989
(Percentage share)

Commodity	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Food & live animals	5.4	6.8	8.2	8.5	9.8	8.9	7.6	9.8	11.4	12.9	11.8
Beverage & tobacco	1.3	1.4	1.3	1.0	1.3	5.0	2.3	1.6	1.6	1.6	1.2
Inedible raw materials	0.6	0.6	0.7	0.4	1.1	0.7	2.4	1.6	1.4	2.7	2.9
Fuel & lubricants	13.0	15.8	15.3	14.5	14.2	17.0	27.2	14.3	14.9	13.5	14.6
Oil & fats	0.0	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.4	0.4	0.6
Chemicals	11.8	10.2	8.4	15.1	11.6	6.2	5.1	5.0	7.6	11.8	7.4
Manufactures	18.6	12.4	11.5	8.6	10.3	12.1	10.4	12.7	11.6	17.9	14.6
Machinery & transport equipment	16.6	20.2	22.2	21.6	31.0	25.8	23.3	21.2	16.3	22.9	33.7
Miscellaneous manufactures	15.4	14.1	14.7	10.4	6.1	7.4	7.0	10.3	11.3	10.6	9.5
Others	17.3	18.4	17.5	19.7	14.3	16.7	14.5	23.3	23.5	5.7	3.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Computed from Table I.3

F. INDUSTRIAL LOCATION

In Swaziland, the majority of industrial enterprises are located on the 375 hectare industrial estate at Matsapha. Very few industries are located at the newly established industrial estates at Ngwenya and Nhlangano. Because the agro-industries are raw material oriented, however, they tend to be located in rural company towns such as Big Bend, Bhunya, Malkerns, Mhlume, Pigg's Peak and Simunye. Small-scale industrial enterprises are also located in the eight SEDCO industrial estates throughout the country.

The government has recently obtained funding to rehabilitate the infrastructure at the Matsapha Industrial Estate, and an additional 100 hectares of prime land have been purchased in the vicinity in order to extend the estate and enable it to accommodate more industrial enterprises. Similarly, the other two industrial parks, Ngwenya and Nhlangano, will also be developed and expanded within the next fiscal year. SEDCO is also scheduled to have completed another industrial estate at Sidwashini in Mbabane before the end of 1992 to house more small-scale entrepreneurs. Through these developments, Swaziland is seeking to decentralize the location of its industrial base.

III. INDUSTRY BRANCH PROFILES

A. FOOD AND BEVERAGES

The Resource Base

The food and beverages branch includes sugar, beer, coca cola concentrates, meat processing, dairy products and fruit canning. This branch is the most important in terms of value-added and employment creation. In 1987, the food and beverage branch accounted for 51.4 per cent of MVA and 47.6 per cent of total employment in the manufacturing sector. During 1981-1987 this branch was very dynamic, with gross output growing at an annual average rate of about 14 per cent and value-added growing at an average rate of approximately 19 per cent per year .

The food industry is based primarily on the processing of local agricultural resources. Locally grown sugar cane, citrus fruits and livestock are processed into sugar, canned fruits and meat and meat products, respectively, and locally produced milk and maize is utilized to produce dairy- and maize products. Due to the insufficient local supply of milk and maize to meet the needs of the local food processing industry, however, additional quantities of these inputs are imported from South Africa to be processed locally.

Swaziland has a number of bakeries, the largest of which is the Swaziland United Bakeries (SUB) chain, which has branches at Matsapha, Mbabane and Nhlangano. Although wheat can be grown and milled in Swaziland, wheat flour is imported from South Africa. Swaziland does have the potential, however, to grow enough wheat for its bakeries.

The beverage sector is not based on the processing of locally produced resources, and uses only very small quantities of local intermediate products such as sugar. Most of the raw materials used by the beverage manufacturing enterprises are imported from South Africa.

Recent Trends

Despite some minor year-to-year fluctuations, the food and beverage industry has experienced rapid growth during the past decade as indicated by the data in Table III.1. The gross output of the food processing industry was more than twice as high in 1987 than in 1981, while value-added increased by some 210 per cent during the same period. Similarly, the sugar milling and beverage industries also recorded substantial growth during this period, with the latter receiving a sharp boost from the opening of a plant manufacturing Coca Cola concentrates in 1987.

Constraints

One of the most pressing problems facing the food and beverage branch is the size of the domestic market, which is too small to enable some food processing companies such as the bakeries and the breweries to reach economies of scale. Moreover, transit problems within Mozambique pose a major difficulty for enterprises producing for export. Some food processing enterprises, especially in the dairy and the meat processing industries, also face a problem in obtaining sufficient quantities of local raw materials. The lack of skilled workers and highly trained personnel such as engineers, technicians and food processing technologists poses further problems.

Investment Prosp. :s and Technical Assistance Requirements

Considerable investment opportunities exist in the food processing industry, and in particular in the Swaziland Dairy Board and the Swaziland Meat Industries. The government is currently seeking an investor to take over the management of the Swaziland Dairy Board, a parastatal enterprise, and enable it to diversify and produce items currently imported from South Africa, such as the additional 4000 liters of pasteurized milk per week, ice cream, yoghurt, cottage cheese and indeed packaging materials. Similarly, the Swaziland Meat Industries is seeking investment in feedlots, the establishment of a tannery to process hides and skins into finished leather and leather products, and a plant to produce glue from horns.

Table III.1. Gross output and value added of the food and beverage branch, 1981-1987 (E Million)

Branch	1981	1982	1983	1984	1985	1986	1987
Gross output							
Food processing	43.14	46.50	57.52	66.63	77.57	73.43	86.78
Sugar cane milling	116.97	117.71	129.45	149.64	150.28	258.73	236.01
Beverage processing	13.95	18.25	21.95	19.29	21.12	23.34	60.22
Total	**174.06**	**182.46**	**208.92**	**235.56**	**248.97**	**355.50**	**383.01**
Growth rate (percentage)	-	**4.8**	**14.5**	**12.8**	**5.7**	**42.79**	**7.7**
Value added							
Food processing	6.80	11.71	12.32	16.52	22.28	22.68	21.13
Sugar cane milling	32.01	27.81	30.95	39.01	34.39	75.84	66.65
Beverage processing	3.76	5.05	6.16	7.19	6.84	7.71	31.77
Total	**42.57**	**44.57**	**49.43**	**62.72**	**63.51**	**106.22**	**119.55**
Growth rate (percentage)	-	**4.7**	**10.9**	**26.9**	**1.3**	**67.2**	**12.5**

Sources: Central Statistical Office, "*Report on the Census of Industries, 1986-1987*", Mbabane, 1990. Central Statistical Office, "*Annual Statistical Bulletin*", Mbabane, (various)

Additional investment opportunities exist in poultr and pig breeding, and the processing of poultry products and pork for the domestic market. Investment is required particularly urgently in the field of poultry farming and processing in order to enable Swaziland attain self-sufficiency in poultry products, since it still depends on poultry imports from South Africa despite the existence of many small poultry producers in the country. Investments in facilities to produce alcohol and ethanol from the waste products of Swaziland's sugar industry also have favourable prospects, as do investments in wheat growing and milling.

Technical assistance is needed by the Dairy Board and the Swaziland Meat Industries, both of which urgently require specialists in food processing technology. Engineers, artisans, laboratory technicians and quality control specialists are also needed both by the food processing industry itself and by firms using the by-products of food processing enterprises, such as tanneries and ethanol plants. Technical assistance in the area of plant and equipment repairs and maintenance is vital if the food processing industry in question is to maintain its leading role in Swaziland's economy.

B. TEXTILES AND CLOTHING

The Resource Base

At present Swaziland can only partially meet the raw material requirements of its textile industry from its own resources. The supply of locally grown cotton in particular is insufficient to meet the demands of the textile industry, and the relatively inferior quality of the locally produced short fibre varieties requires them to be mixed with imported long fibre cotton. Swaziland does have the potential to grow enough cotton for its domestic use, however, and both short and long fibre varieties can be grown in the country. The low veld, which is the driest part of the country, is particularly suitable for cotton farming. It is currently planted to maize, for which it is less suited.

The main raw materials used by Swaziland's knitting mills and carpet and rug weaving enterprises are wool and mohair, which are imported from Lesotho. Swaziland's own potential for the farming of sheep and angora goats is limited, and it appears likely to remain dependent on imports of wool and mohair required for the production of knitwear, carpet and rugs.

Recent Trends

The textile and clothing industry has been the third most important branch in terms of its contribution to manufacturing value-added since the mid 1980s. Table II.3 in the previous Chapter indicates that while the production of textiles and garments contributed only 2.1 per cent to total MVA in 1981, it accounted for 7.1 per cent of total MVA in 1987. After contracting in 1982-1983, the gross output of the textile and clothing industry grew at an average rate of 62.7 per cent per year during 1984-1987, while value added in the industry increased by 94.9 per cent per year. This excellent performance is due mainly to the establishment of a number of large new textile and clothing enterprises during this period.

The most important textile enterprises are the National Textile Corporation (NATEX), which produces textile yarn and fabrics, and Injobo, which produces ready made garments. In addition, the textile industry includes a cotton ginning plant, a metal and nylon zipper plant, knitting mills, clothing factories, yarn and fabric factories, and wool and mohair carpet and rug factories. Most of the textile enterprises are located at the Matsapha industrial park, although smaller knitwear and clothing enterprises are dispersed throughout the country, especially in the SEDCO estates. Most of the larger and more important textile enterprises in terms of employment, output, MVA, and revenue earnings were established during the "mini boom" of the mid-1980s, which in turn was induced by a substantial increase in foreign private investment. Some of the textile companies established at that time are footloose enterprises, which were attracted by the financial incentives offered by Swaziland, and in particular the five year tax holiday.

Most of the textile enterprises are established by Asian or South African capital. NATEX and another domestic yarn producer SPINTEX were established with South African and local capital, while Injobo and the zipper factory were established with Chinese and Japanese capital, respectively. The small clothing, knitwear and carpeting factories are mostly established by small-scale entrepreneurs with local capital.

As indicated by the data in Table III.2, the textile and wearing apparel branch has expanded considerably in recent years despite year to year fluctuations in the growth rates of both gross output and value-added. This expansion is likely to be curbed in the coming years, however, by a variety of marketing problems faced by the textile industry in both the regional and world markets.

Constraints

The main problem of the textile and clothing industry is a tightening of both regional and world markets for textile products, which is causing a number of textile and clothing enterprises to incur heavy losses. This problem is accentuated by the fact that a number of Swaziland's textile enterprises are capital-intensive, since they were established in the late 1980s when there was a boom in the textile industry. The situation has been further aggravated in the SACU market by the Structural Adjustment Programme (SAP) of the South African Government, which has resulted in the market being flooded by cheap yarn from Asian countries. Despite the good quality of Swazi textiles, their market share has declined even in South Africa.

Further problems are posed by the lack of an aggressive marketing strategy by local textile companies, as a result of which the textile industry has made little headway outside the SACU area. In addition, the design and choice of fabrics is also inappropriate for the local market, with even the traditional dress (emahiya) having to be imported from outside the SACU area.

The expansion of the woolen carpets and rug industry is severely constrained by the unavailability of raw materials from local sources. Mohair is imported from Lesotho and the producers of rugs are allocated quotas, which often fall short of their requirements. This inhibits production because producers cannot obtain mohair above the assigned quotas even if demand for their rugs and carpets increases.

Table III.2. Gross output and value added of the textile and garments branch, 1981-1987

	1981	1982	1983	1984	1985	1986	1987
Value (E Million)							
Gross output	16.9	10.9	10.1	12.7	19.3	45.4	54.9
Value added	1.8	1.2	0.9	2.2	2.9	9.9	16.5
Growth rates (Per cent)							
Gross output	-	-35.9	-7.1	26.0	51.8	135.2	20.8
Value added	-	-31.8	-27.4	147.0	30.7	241.4	66.1

Sources: Central Statistical Office. "*Report on the Census of Industries, 1986-1987*", Mbabane, 1990. Central Statistical Office. "*Annual Statistical Bulletin*", Mbabane, (various issues).

Note: Growth rates calculated from unrounded data.

Investment Prospects and Technical Assistance Requirements

Substantial investment opportunities still exist in the textiles and garments industry. Investors are required to establish a grey blanket factory in Swaziland which could produce both for the domestic market and for export to the neighboring countries like Mozambique and Malawi. Currently, all blankets are imported from South Africa.

Another area which is still open to investors is the production of bed linen, such as sheets, pillowcases, comforters, and duvets for the domestic market. Although a small unit producing household linen has been established at NATEX, this operation needs to be expanded considerably since the domestic market is still largely dependent on imports. Investment is also required in garment factories specializing in children's clothing, protective clothing of various kinds and uniforms for police, army, and nursing staff.

At a more upstream level, potential exists for the establishment of large-scale cotton farming enterprises, especially for the production of long fibre cotton. Some scope also exists for investment in the farming of sheep and angora goats for the production of wool and mohair respectively.

The textile industry is still in its infancy and therefore supplies a fraction of the local market and faces stiff competition from cheaper imported textiles. Market penetration could be increased through the production of a wider range of materials in more appropriate patterns and designs. Technical assistance is therefore required in the field of pattern and colour design, at least for the domestic market. Assistance may also be required to develop more approp.'ate market policies. Although NATEX produces a wide range of fabrics, material for the production of school uniforms continues to be imported from South Africa because the mill prefers to sell the material in bulk and is reluctant to sell it in smaller pieces. Since the small-scale entrepreneurs who produce school uniforms cannot afford to purchase the material in bulk, they are forced to continue importing it from South Africa.

Furthermore, technical assistance is required to teach local small-scale entrepreneurs to design, cut and sew a variety of finished products such as household linen, children's clothing, protective clothing, school uniforms and uniforms for the police, army and nurses. At present, bed linen, clothing, blankets and uniforms are imported from South Africa. Technical assistance is also needed in the field of carpet and rug designs in order to enable Swazi carpets and rugs to be competitive in world markets.

The development of new product lines is considered a pre-requisite for th[illegible]shment of a ready made garment industry. Unfortunately, most enterprises lack the skill[illegible]cessary to design and produce finished clothing. In order to develop and/or improve design and manufacturing skills so that textile factories can introduce the manufacture of finished garments and existing garment factories such as Injobo can diversify their production, there is need to have appropriately trained personnel with skills in fashion design.

The textile industry also suffers from infrastructural shortcomings and energy shortages. Repeated cuts in electricity at the plant level, which frequently lasted for several hours, were a common occurrence during the 1990/1991 rainy season. Technical assistance is required in the field of electrical equipment repairs and maintenance, and in the training of power engineers needed to strengthen the capabilities of the Swaziland Electricity Board.

C. PULP, PAPER PRODUCTS AND PRINTING

The Resource Base

This sector consists of one wood-pulp mill, a paper mill, a corrugated kraft container plant, and 13 printing and publishing enterprises. Wood-pulp production is a natural resource based industry, and in Swaziland involves the processing of timber from renewable man-made forests into wood-pulp. The projected Phase II development of the Swaziland Paper Mills will also be resource based, in that it will use domestically produced wood-pulp as the main raw material in its manufacture of various types of paper. The printing and publishing industry is, of course, not directly resource based.

The Usutu Pulp Mill was established in the late 1940s and produces unbleached wood-pulp for export from locally grown pine trees. The mill's output is exported to a number of countries, of which the Republic of Korea, South Africa and Zimbabwe were the three most important in 1989. Now, unbleached wood pulp is also exported to the PTA Member States, particularly to Kenya and Tanzania. The wood pulp industry experienced some problems as the result of a boiler explosion at the Usutu mill in 1989, but these have now been resolved and production is expected to start increasing.

A paper mill, operated by Swazi Paper Mills Ltd., was established in 1986 to produce toilet and tissue papers for the domestic market, and uses recycled waste paper as an input. Only the first phase of this project has been completed so far, with Phase II expected to commence in 1992. This latter phase will involve the production of kraft paper from wood-pulp for export. It is also anticipated that the Swazi Paper Mills will be upgraded to produce different types of paper for both the PTA and SADCC regional markets.

The producer of pulp paper containers, NEOPAC was set up in 1969. It supplies containers mainly to the Swaziland Citrus Board and to Swaziland Fruit Canners (Pty) Ltd (Swazican), with about 70 per cent of its output being sold to Swazican. The company's scope for expansion is seriously restricted by the small size of the domestic market.

Printing enterprises employing more than 10 persons include the Swaziland Printing and Publishing Company, the Apollo Services Company, MacMillan Boleswa Publishers, Jubilee Printing and Publishing, Inter agencies (Pty) Ltd, Modern Printing Works (Pty) and Webster Printing (Pty) Ltd. In addition, there are also a number of smaller printing shops.

Recent Trends

The data in Table III.3 show that the wood-pulp, paper and printing industry recorded an impressive growth performance in 1981-1987 in terms of both gross output and value-added, which grew at annual average rates of 18.2 per cent and 26.0 per cent respectively during this period. The growth of this branch is expected to continue because of the anticipated expansion of the Swazi Paper Mills. Following the recent replacement of the boiler which exploded in 1989, the output of the Usutu pulp mill is also expected to increase in the coming years. The takeover of the mill by the Sappi Group of South Africa in 1991 is also expected to result in a significant increase in output because of the likely improvements in management.

Table III.3. Gross output and value added of the pulp, paper and printing industry, 1981-1987

	1981	1982	1983	1984	1985	1986	1987
Value (E Million)							
Gross output	63.2	67.1	65.1	88.3	98.1	146.4	172.6
Value added	17.9	17.2	12.7	29.5	23.3	48.4	71.6
Growth rates (Per cent)							
Gross output	-	6.1	-3.0	35.8	11.0	49.2	18.0
Value added	-	-3.8	-26.5	133.0	-21.2	108.1	48.1

Sources: Central Statistical Office. "*Report on the Census of Industries, 1986-1987*", Mbabane. 1990. Central Statistical Office. "*Annual Statistical Bulletin*", Mbabane. (various issues).

Note: Growth rates calculated from unrounded data.

Constraints

The major problem facing the pulp, paper and printing industry is a shortage of marketing outlets, which might itself be the result of the poor quality of its output. Although the printing enterprises are operating below capacity, some major local companies continue to nave their publicity material printed in South Africa. The government owned printing enterprise, Swaziland Printing and Publishing Company, appears to be affected by both management and financial problems.

Investment Prospects and Technical Assistance Requirements

Investment opportunities exist in the expansion of Swazi Paper Mills to produce various types of paper. The local university, the University of Swaziland (UNISWA), has no printing and publishing facilities, and this area is therefore still open to investors. There is need to add more domestic value to the locally produced wood-pulp, and investment is also needed in this field.

Technical assistance will be required to help Swazi Paper Mills to embark on its proposed Phase II development, which will entail the production of various types of paper. Technical assistance is also needed to help rehabilitate and enhance the capabilities of the local printing enterprises, and particularly the government owned printing company. In addition, most of the existing printing enterprises require technical and financial assistance in the field of colour separation.

D. WOOD AND WOOD PRODUCTS

The Resource Base

This industry involves saw-milling, timber processing and furniture manufacturing, and utilizes Swaziland's extensive forestry resources. The country has one of the world's largest man-made forests covering a total of 103,566 hectares as well as two medium-sized natural forests. The wood and wood products industry is very important in terms of employment creation and revenue generation, and is one of the largest employers of unskilled labour.

The industry currently comprises two sawmills, three wood processing plants and four medium-scale furniture workshops. In addition, there are also a number of smaller workshops producing simple household, office and school furniture. While timber processing and saw-milling enterprises are located near the sources of raw materials, the larger furniture manufacturers are located at the Matsapha Industrial Estate and at Mbabane. Smaller furniture producers are also located at the SEDCO estates in various parts of the country.

The furniture manufacturing enterprises are also significant exporters, but are frequently unable to satisfy domestic demand for household furniture. In addition, Swaziland exports significant quantities of timber to South Africa and Zambia for use as mine props without much value being added in the country. Wood is also widely used by the construction industry within Swaziland.

Recent Trends

The wood processing industry went though a period of stagnation and contraction in the first half of the 1980s, when a sawmill at Piggs Peak and several furniture making enterprises were closed down. As shown in Table III.4, however, this downward trend began to be reversed in the mid-1980s. The improved investment environment in recent years has encouraged the establishment of several new furniture making enterprises, as a result of which the performance of the wood processing industry has improved significantly. This favourable development has been reinforced by the rehabilitation of the previously decommissioned sawmill at Piggs Peak, which resumed production at the end of 1990.

Table III.4. Gross output and value added of the wood processing industry, 1981-1987

	1981	1982	1983	1984	1985	1986	1987
Value (E Million)							
Gross output	18.0	21.4	18.5	19.4	12.8	18.4	34.2
Value added	5.5	7.9	4.5	5.7	3.2	4.4	9.3
Growth rates (Per cent)							
Gross output	-	18.6	-13.7	5.0	-34.2	43.7	86.5
Value added	-	42.2	43.2	27.2	-43.3	35.4	112.5

Sources: Central Statistical Office, "*Report on the Census of Industries, 1986-1987*", Mbabane, 1990. Central Statistical Office, "*Annual Statistical Bulletin*", Mbabane, (various issues).

Note: Growth rates calculated from unrounded data.

Constraints

One of the major problems facing the wood processing branch is the limited marketing capability of the small- and medium-scale enterprises producing for the export market. Another is the predominance of small-scale workshops situated in the SEDCO estates, which use simple technology and designs and give only low priority to design development and quality control. A third problem is the export of substantial volumes of unprocessed timber, which embodies only a limited amount of domestic value added.

Investment Prospects and Technical Assistance Requirements

Additional investment is required in the furniture industry to meet the needs of the domestic market, which at present continue to be met to a large extent by imports. Investment is also required in a plant utilizing sawdust for the production of pressed boards as building materials. A Portuguese investor has shown interest in this area.

Technical assistance is required in the field of carpentry techniques and design to improve product quality for both the export and the domestic market. Special attention needs to be given to small-scale indigenous carpenters. Technical assistance is also required in the area of quality control for exporting enterprises. Furthermore, furniture marketing specialists are needed to help the small-scale entrepreneurs.

E. NON-METALLIC MINERAL PRODUCTS (BUILDING MATERIALS)

The Resource Base

This branch is essentially concerned with the manufacture of building materials, and involves the production of glass, cement and concrete. It is based at least partially on the processing of domestic natural resources, with manufacturers of clay bricks and tiles utilizing local clay as their main raw material and manufacturers of cement blocks using local supplies of sand. The cement mixing industry also uses sand in addition to clinker.

Cement used to be produced at a grinding plant, Matola Cement, from clinker imported from Mozambique. Matola Cement was set up at Matsapha in 1969, with a capacity of 60,000 metric tones per year. A variety of problems with supply of clinker from Mozambique caused a shutdown of the Matola plant in 1984, following which Inter-Africa Supplies Ltd, the marketing company of Matola Swaziland, began to import ready made cement from South Africa, either in bulk to be bagged in Swaziland or already bagged, in order to satisfy domestic demand. Although clinker is also available in South Africa, it would not be economically feasible for the Swaziland cement plant to import it because of the high cost of South African clinker.

A brick factory, Langa National Brickworks was established in 1983. It produces bricks and clay tiles from local clay. Langa National Brickworks produces both for the domestic and the South African market, with 85 per cent of the output being exported to South Africa. There are many small producers of cement bricks and blocks throughout the country, but they produce solely for the domestic market.

Table III.5. Gross output and value added of the non-metallic mineral products (building materials) industry, 1981-1987

	1981	1982	1983	1984	1985	1986	1987
Value (E million)							
Gross output	4.7	7.7	7.3	6.1	2.6	14.7	18.8
Value added	0.9	1.2	2.2	1.6	0.5	4.4	6.3
Growth rates (Per cent)							
Gross output	-	64.7	-5.0	-16.6	-57.3	464.6	27.8
Value added	-	26.0	93.6	-29.5	-67.6	750.7	45.1

Sources: Central Statistical Office, "*Report on the Census of Industries, 1986-1987*", Mbabane, 1990. Central Statistical Office, "*Annual Statistical Bulletin*", Mbabane, (various issues).

Note: Growth rates calculated from unrounded data.

Recent Trends

The building material branch has experienced an upswing in terms of both gross output and value-added since the mid-1980s, which expanded more than seven-fold and ten-fold respectively between 1985 and 1987. This growth is attributable primarily to the increase in new investment during the latter half of the 1980s, which in turn induced an increase in the construction industry. Although the building material branch is not one of the largest employers of labour, paid employment increased at the rate of 2.2 per cent per year during 1981-1987.

Constraints

One of the major problems encountered by this branch is the dominance of many small-scale indigenous producers of cement blocks. They are likely to benefit from the formation of associations in order to achieve economies of scale and acquire trucks for delivery purposes. Most construction companies prefer buying building materials, including bricks, from companies which are able to deliver the material to the construction site. Indeed, a major problem for the small-scale producers of cement blocks outside the Manzini-Mbabane corridor is the unreliability of cement supplies and the high cost of transporting cement from the main distribution centre at Matsapha to the various parts of the country. A further difficulty facing the industry is the unavailability of clinker from Mozambique as a result of the civil war in that country, which has severely disrupted transit flows to Swaziland.

Investment Prospects and Technical Assistance Requirements

Investment is required for the rehabilitation of the cement plant at Matsapha, which still has much of the required basic infrastructure. In addition, investment is also needed to establish a glass manufacturing plant to reduce Swaziland's dependence on South Africa, which currently still supplies almost all of Swaziland's needs for glass.

Technical assistance is required for improving the capabilities of the management team at the Mozambique clinker plant. This could be regarded as a PTA and/or SADDC project since Mozambique and Swaziland are members of both these regional organizations. Technical and financial assistance is also required for the rehabilitation of the railway line from Matsapha (Swaziland) to Maputo (Mozambique).

IV. INDUSTRIAL PLANT PROFILES

A. NATIONAL TEXTILE CORPORATION OF SWAZILAND LIMITED (NATEX)

NATEX is a completely integrated textile company established in 1986. It employs at least 1,000 workers in spinning, weaving, bleaching, dying, printing and finishing, and operates three eight-hour shifts. Ginned cotton is bought by NATEX, spun into yarn and woven into a wide variety of fabrics. The company has a spinning mill with 18,144 ring spindles producing about 3,220 metric tonnes of high grade polyester cotton yarn annually for the knitting and weaving industry, and also possesses highly advanced technical equipment for the production of dyed and printed fabrics.

NATEX utilizes a substantial proportion of Swaziland's cotton output. Since only short fibre cotton is grown locally, the company imports long fibre cotton from South Africa, which it mixes with locally grown cotton for the production of textile yarns. Scope does exist for the domestic production of long fibre cotton, however, and farmers need to be encouraged to grow it in addition to the short fibre variety in order to meet the needs of NATEX. The achievement of such a shift in production patterns will require the Ministry of Agriculture and Cooperatives to intensify its extension and field services to cotton farmers.

Apart from its direct backward linkages to domestic and foreign cotton suppliers, NATEX also has direct forward linkages to the clothing industry which is the end user of the NATEX material. The NATEX range of fabrics has been carefully selected to provide maximum market flexibility within a compact base, and includes poplin, twills and sheeting in cotton and cotton/polyester blends suitable for both the local and export markets. The colour and design collection of NATEX is formulated to individual consumer requirements, utilizing both in-house and independent design studios to provide the best of the current designs and colour trends.

NATEX produces for both the SACU and world markets. Its attempts to penetrate the European market have been successful, and countries are now being targeted around the world. As a result of these developments NATEX has become a truly international company manufacturing high quality and fashionable fabrics for both local and foreign markets.

NATEX has a small unit producing household linen such as sheets, comforters and duvets. However, that unit has been leased to a company based in South Africa.

Its successes notwithstanding, NATEX faces a number of serious constraints. First, it is a capital intensive company, which is operating below capacity due to the slowdown in demand in both the regional and overseas markets. Second, it has some financial problems because of its capital intensive nature, and at present barely covers its fixed costs. Third, it is constrained by a lack of adequate marketing skills. Fourth, it has been adversely affected by the inflow of cheap textile yarns from Asian countries, which has been encouraged by South Africa through the reduction of both tariffs an quotas on imported yarn under its Structural Adjustment Programme (SAP).

Despite these problems, NATEX has bright prospects for the future. As a very new industry established in 1986, it has no rehabilitation needs. If the textile market improves, it could produce at full capacity, and the production of finished clothing would be initiated. With an aggressive marketing campaign, NATEX would be able to penetrate both regional and world textile markets.

B. SWAZILAND PAPER MILLS

Swaziland Paper Mills Ltd was established in 1987 but commenced production in September 1988. The Mill's product profile presently comprises:

a) Toilet tissues (19-21 gsm);
b) Fluting medium (70-160 gsm); and
c) Liner (125-250 gsm).

The Mill produces all its paper from waste paper collected daily from major centres of the country. It currently produces 10,000 tonnes of tissue paper per year as well as 25,000 tonnes of fluting and liner medium used in the corrugated box industry. The Mill produces for the local as well as the SACU and SADCC markets. It is also poised to trade with all other PTA Member States.

It is expected that upon completion of Phase II of the Project, which is expected to commence in 1992, the Swazi Paper Mills will be able to manufacture the following additional products:

a) Fruit wrapping paper
b) Lightweight packing paper
c) Cover paper and envelope paper
d) Cement and potato bag paper

For the new product range, the mill will utilize wood-pulp from the Usutu Pulp Mill as the main raw material. By virtue of the fact that more value will be added locally to the Swaziland's pulp output, the country will be able to generate additional export revenues and create more industrial jobs.

The Swaziland Paper Mills plant has no rehabilitation needs and faces no serious constraints. Its prospects for the future are good as it has the potential to produce different types of paper for both the domestic and the regional markets. The raw materials its uses, both waste paper and wood pulp, are readily available in Swaziland. Because of these advantages, Swaziland is considering an application to host the PTA Pulp and Paper Institute, thereby making Swaziland Paper Mills a regional project.

C. SWAZILAND UNITED BAKERIES LTD (SUB)

Swaziland United Bakeries (SUB) was formed in 1976 and currently has three branches at Matsapha, Mbabane and Nhlangano. This company is jointly owned by the Premier Milling Group of South Africa, which holds 60 per cent of the equity, and the Swaziland Industrial Development Company (SIDC), which holds the balance. The company employs about 330 persons, of which 180 are employed by the Matsapha branch, which is the largest of the three branches.

The Matsapha bakery produces about 500,000 loaves of bread weekly for distribution throughout the country. It was expanded in 1989 with the installation of new equipment capable of producing 5,000 loaves an hour to replace the existing facilities which had a capacity of 2,800 loaves an hour. The new bread plant covers the combined requirements of both the Mbabane and Matsapha bakeries, and SUB has acquired a "Bread Train" which shuttles freshly baked bread from Matsapha to Mbabane to be loaded in trucks for distribution to different parts of the country.

The Mbabane branch is the second largest bakery in the group and employs 95 Swazis. It concentrates on the production of confectionery, including pastries, pies, and cakes. The Nhlangano branch employs about 55 persons and has a production capacity of 85,000 loaves of bread per week. It produces only for the Shiselweni district.

The company has created neither backward nor forward linkages within Swaziland since its major raw material, flour, is imported from South Africa. It is nevertheless linked to the sugar industry which supplies it with sugar. However, Swaziland has a prospective wheat growing and milling project in the pipeline. Tibiyo TakaNgwane Trust Fund has shown interest in the wheat growing project and a private investor has already built a wheat milling plant at Matsapha.

Both the Mbabane and Nhlangano branches of SUB require extensive rehabilitation, with the need being particularly urgent in the case of the Mbabane branch. In addition, SUB suffers from an insufficiency of delivery trucks to ensure the timely distribution of its products to various parts of the country, and especially to remote areas. Since the company is required to distribute small quantities of bread to remote locations, such as one dozen loaves to Lomahasha on the border with Mozambique, delivery costs are high. With the price of bread being subject to government control, SUB is unable to add a reasonable markup to recover its high delivery costs, and must therefore accept a reduction in profits. While it does have distribution arrangements with smaller bakeries, these tend to concentrate their activities in the main population centres where they do not incur sizeable delivery costs.

Swaziland United Bakeries has good prospects for expansion and the establishment of plants in other parts of the country in order to enable it to deliver bread more efficiently to remote places. This scope for expansion is reinforced by the fact that the company is unable at present to supply the domestic market in its entirety, with the border areas near South Africa still being dependent on South African bakeries for their supplies of bread. If an expansion programme is implemented, SUB would even have the potential of supplying bread to the Mozambican market.

D. SWAZILAND MEAT INDUSTRIES (SMI)

Swaziland Meat Industries (SMI) was established in 1989. It is financed jointly by Tibiyo TakaNgwane, the Commonwealth Development Corporation, the Lonrho Sugar Corporation and the Swaziland Industrial Development Company. Although the company supplies the domestic market with beef, its marketing strategy is directed mainly to the international market in an effort to maximize its foreign exchange revenue. Its beef exports have gained EC quality control certification, with Swaziland's beef quota to the EC currently standing at 3,300 metric tonnes. In addition to exporting to the continental EC, SMI exports to the Canaries and Reunion, and also supplies several markets in the Middle East. This export success is attributable to the good quality of the beef produced, the consistently high production standards of the industry, and the technology applied to satisfy consumers' precise specifications.

The company's export earnings are re-invested in Swaziland, where they are channelled back to support and develop the country's livestock production and trade facilities. SMI has thus assumed a considerable responsibility for expanding and improving the national herd, for introducing modern production systems and for assisting both traditional and commercial producers on a national basis. It has also introduced important peripheral programmes to enhance the quantity and quality of abattoir throughput, and the efficiency and financial stability of the entire industry.

A particularly important initiative launched by SMI has been the introduction of customs commercial feedlots where cattle are fed and finished on behalf of producers, encouraging the production of young quality beef. The balanced feeds provided at these lots are formulated by SMI's scientists and produced from the by-products of Swaziland's other industries, such as the sugar industry and the brewing, maize milling and cotton ginning operations. The customs feedlots concept has provided Swaziland with a broad range of possibilities for accelerating the turnover of young stock and relieving the pressure on the pasture at a time of the year when grass is in its most vigorous growth phase. This practice is expected to have far reaching advantages for Swaziland in the future.

SMI is directly linked to the animal husbandry industry and also has links with the sugar refining, maize milling, cotton ginning and brewing industries, which supply it with the raw materials used in manufacturing the animal feeds for its feedlots. SMI thus has direct linkages with both crop and livestock farming.

The SMI facility has been extensively renovated, and although the company still needs a laboratory, the renovation has been a technical success. The government and the other shareholders are nevertheless concerned about the future of SMI for a number of reasons. First, the company has a huge and still growing deficit, which has already fully eroded the shareholders' equity. Second, there is an urgent need to find a new management group since the contract of the present group has been terminated. Third, government policies and management practices regarding fattening ranches tend to reduce slaughter rates in Swaziland below optimal levels.

The viability of SMI is threatened in particular by the unavailability of sufficient numbers of cattle for slaughter. Although Swaziland is estimated to have a potential availability of 60,000-70,000 head of cattle per year, the SMI abattoir achieved an annual throughput of only 23,000 head in recent years, of which only about 60 per cent were processed further at SMI. The primary reason for this shortfall is SMI's inability to compete effectively in acquiring cattle in the domestic market due to deficiencies in the regulatory environment and public support framework within which SMI operates. Furthermore, SMI's problem is aggravated by the fact that Swazis regard cattle as a store of wealth and are therefore unwilling to sell cattle to the meat industry. This explains why SMI is unable to get enough cattle for slaughter despite the country's large cattle population. At present, the company has difficulties meeting its EC quota.

The following policy measures could be recommended if SMI is to survive:

a) A pricing information system for SNL farmers which publicizes prices for various grades of cattle obtainable in both Swaziland and South Africa.

b) The establishment of a cattle marketing system with fixed dates and venues for markets.

c) A national cattle grading system compatible with that existing in South Africa, combined with a grade-based pricing framework.

d) A reintroduction of the regular dip tank sales.

e) Uniform veterinary standards for cattle slaughtering which apply also to municipal abattoirs and large private ones;

f) Auctions should be permitted at government fattening ranches, and should be widely publicized.

g) The government should educate SNL farmers to sell cattle when their economic value is still high, i.e., at a tender age.

h) Indigenous Swazis should be educated to regard livestock as a means of earning income instead of wealth *per se*.

The prospects for Swaziland Meat Industries are clouded by its need to operate far below capacity, and therefore incur heavy financial losses, because of the traditional attitude of Swazi Nation Land farmers, who continue to regard cattle as a store of wealth. Its prospects will improve if the local supply of cattle to the abattoir increases and enables SMI to operate the plant at an economically viable capacity.

E. SIMUNYE SUGAR MILL

The Simunye Sugar Estate has become one of the giants of agriculture in Swaziland. It is the largest sugar growing estate in Swaziland with 9,200 hectares planted to sugar cane. In 1986, it produced some 164,107 metric tons of raw sugar while in 1989, only 150,000 metric tonnes of raw sugar were produced.

The Simunye Estate is the largest single employer of labour, including unskilled labour, in Swaziland. On average, it employs more than 3,800 persons during the peak season, and has a population of about 18,000 people, making it the third largest centre in Swaziland after Manzini and Mbabane. It is committed to the training of Swazi nationals and the implementation of the government's localization policy. Its apprentice training centre has already graduated more than 50 artisans.

The Simunye Sugar Estate is linked directly to the agricultural sector in that it is engaged in both crop farming and livestock farming. It is also linked to other major industries within the country such as the bakeries, Swaziland Fruit Canners, the confectionery plant, the breweries and Swaziland Meat Industries.

Although the Simunye Sugar Estate has no major rehabilitation needs, it does have a few problems. Its main problem involves the marketing of pork produced at its piggery, which the domestic market is too small to absorb and which cannot be exported to the EC because the abattoir does not meet EC standards. Efforts are therefore being made to penetrate the Mozambican market for pork.

The Simunye Sugar Estate's prospects will be bright once the price of sugar picks up in the world market, or at least when a good, reliable market for pork has been secured. It does intend eventually to export pork to the EC, and in the process to improve and expand its pork processing plant.

F. SWAZILAND FRUIT CANNERS (PTY) LTD (SWAZICAN)

Swaziland Fruit Canners is the main grower and producer of pineapples for canning, and also produces citrus segments, juices and concentrates, and jams and marmalade. Swazican exports about 98 per cent of its total production and earns about E 60 million in foreign exchange. The factory was expanded in 1985, but the capacity of even this enlarged facility has now been fully utilized. Plans have therefore been drawn up to expand capacity even further, which in turn will increase employment opportunities, the intake of fresh pineapples and citrus fruits, and foreign exchange earnings. In addition to its citrus and pineapple operations, Swazican is at present investigating the feasibility of broadening its range of products, and experimental plantings of several fruit varieties are taking place. The company stresses high quality, both with regard to the raw materials it uses and the finished product it produces, and has established a good reputation in its many overseas markets. An E 1 million waste drying plant was acquired and commissioned in 1986. This has proven to be successful, and dried pineapple and citrus peel waste is now available as dried meal pellets for livestock feeds.

Swazican employs more than 1,000 permanent employees, and during the peak production and harvesting seasons the number of its employees increases to about 3,500. About 98 per cent of the employees are Swazis, and the majority of them are women.

Swazican has direct linkages to the agricultural sector. In particular, it is linked to crop farming because it processes pineapples and citrus fruits, and to livestock farming, because it also produces animal feed from the by-products of the canning factory. In addition, it is also linked directly to the sugar industry, which provides it with the sugar required by the canning factory. Furthermore, Swazican is positively related to the company producing packaging materials, NEOPAC, which supplies it with 80 per cent of its output.

The company is facing a shortage of additional land for growing pineapples, and is currently leasing some land from the Tibiyo TakaNgwane Trust Fund for this purpose. It also needs to rehabilitate its factory and replace most of its canning machinery, which suffers from frequent breakdowns, especially during the canning season. This has resulted in substantial losses through deterioration of fruit since Swazican has a very small storage capacity for fresh fruits. In addition, the Company is incurring heavy transportation costs because the civil war related transit problems in Mozambique are forcing it to route its exports via Durban rather than Maputo. Like many other exporters of food items and beverages using Mozambican harbours Swazican has incurred substantial losses in Maputo and along the railway line to the city.

Swazican has bright prospects. It has considerable potential for expansion since it can still embark on the production of new product lines such as watermelon and guava jam, with which it is currently experimenting.

G. USUTU PULP COMPANY

The Usutu Pulp Company of Swaziland owns and manages vast plantations of pine trees. It was established in 1949 with the assistance the Commonwealth Development Corporation (CDC), which established a man-made forest as a basis for the development of the associated pulp industry. Usutu Pulp Company currently has one of the largest man-made forests in the world, with some 70 million trees in plantations covering some 65,000 hectares. It is the country's largest employer with a work-force of about 2,800 excluding a large number of local contractors and suppliers. In fact, it has been estimated that some 20,000 people depend upon the continuing prosperity of Usutu Pulp for their livelihood.

The Usutu pulp mill, the second Phase of the CDC project, was opened in 1961 by which time about 50 million trees planted in 1949 were mature and ready for felling. The Mill is entirely committed to the production of unbleached kraft pulp used in the manufacture of brown paper, cardboard, and specialized products such as filtration media and fibre cement composites. Research scientists and Usutu Pulp Mill staff are constantly seeking and developing new end uses.

The Usutu pulp mill processes 3,000 metric tons of wood per day to produce some 180,000 metric tons of pulp per year, representing about 12 per cent of the world's wood-pulp requirements. The unbleached wood pulp is produced mainly for export. The principal markets are Republic of Korea, Japan, Taiwan Province of China, southern Europe and the United States.

The Usutu enterprise is directly and positively linked to the forestry industry. When the phase II development of Swazi Paper Mills Ltd commences in 1992, the Usutu Pulp Company will also be linked to the paper industry, which it will be supplying with wood pulp.

Since the replacement of a boiler which exploded in 1989, the Usutu Pulp Company has no major rehabilitation needs. The company faces no serious constraints of any other kind beyond the fact that it must bear significantly increased transportation costs in exporting its output to countries outside the SACU area as a result of the need to ship its exports via Durban instead of Maputo. The cost of shipping via Durban is about E 2,000 per metric ton higher than the cost of shipping via Maputo. Wild fires also pose an occasional problem for Usutu pulp mill because they can destroy many hectares of the timber required for milling.

The Usutu Pulp Company has bright prospects. Considerable scope exists for an expansion of the company's output, especially through the adoption of technology for the utilization of the tops and branches of trees, which are presently discarded by the Usutu Pulp Mill and by the larger scale saw milling industries. Furthermore, the Usutu Pulp Company could add value by further processing the wood-pulp into various types of paper and also find use for the sawdust it produces and currently discards as waste. The prospects of the Usutu Pulp Company may improve further if Swaziland is chosen as the location of the Paper and Pulp Institute of the PTA, since it may then be required to supply wood-pulp to the PTA Member States and conduct training programmes for nationals of other PTA Member States.

H. BERAL SWAZILAND

Beral Swaziland was founded in 1981 as a joint venture between the Swazi and German governments and Beral Bremsbeläge GmbH of Marienheide in the Federal Republic of Germany. In 1986 the company was purchased by the T & N Group, which has similar interests throughout the world and is headquartered in London.

The Company employs about 300 persons, most of whom are Swazis. Beral's main activity is the manufacture of friction materials for the automotive industry, including heavy duty brake linings for trucks, buses and trailers; clutch facings for trucks, buses, motor cars and agricultural tractors; disc pads for passenger cars and light duty motor vehicles; brake blocks for railway locomotives and rolling stock; and specialized products for a variety of other industrial uses.

Since Beral Swaziland is part of the T & N Holdings Group and with the ever increasing demand for new products, it has access to the T & N Group Technology world-wide. The Company produces according to International Quality Assurance Standards, using the latest manufacturing methods in order to ensure customer satisfaction as well as meeting legislative quality requirements and specifications and of standards organizations of numerous countries.

Beral Swaziland is linked directly to the transport and communications sector and the agricultural sector as a provider of inputs. The company has no significant rehabilitation needs and faces no major constraints. It is, however, heavily dependent on imported raw materials.

Beral Swaziland has prospects for further expansion. It has no competition within Swaziland and therefore has an unrestricted potential for supplying the expanding local market. It also exports its products to several neighboring countries. As the growth of the economy prompts a further expansion of both the agricultural sector and the transportation and communications sector, demand for Beral's products will grow correspondingly.

I. NATIONAL MAIZE CORPORATION (NMC)

The National Maize Corporation (NMC) is a wholly government-owned company established in 1985. Its main objective is to promote maize production in Swaziland in order to achieve the government's objective of making Swaziland self-sufficient in maize. As a secondary objective, the NMC is charged with ensuring the provision of maize meal, which represents the main food staple in the Swazi diet, to the nation at the lowest possible cost.

The maize mill at Matsapha used by the NMC is leased from Swaki, the largest industrial and commercial group in Swaziland owned jointly by the Swaziland Industrial Development Company (SIDC) and Kirsh Holdings. The mill has a production capacity of 50,000 metric tons per year, but actual production fluctuates according to demand, which in turn depends on the amount of maize grown by households for their own consumption. Specifically, demand for maize is inversely related to the size of the local harvest and can range from 34,000 tons to 42,000 tons per year. While in 1987 about 8,000 tons of maize were purchased by NMC from Swazi farmers, some 39,000 tons were processed by NMC. In 1988, some 9,500 tonnes and 42,500 tonnes were respectively purchased and processed by NMC. The gap between local production and domestic consumption is thus substantial, but is expected to narrow and eventually disappear with the projected annual improvement in agricultural productivity. In the interim, the NMC is obliged to import the shortfall from neighbouring countries, and especially from South Africa.

In order to cope with the very concentrated seasonal supply of local maize, a part of the annual harvest is stored at the government silos at Matsapha. These silos have a holding capacity of some 12,000 metric tons.

The cornerstone of the National Maize Corporation's policy has been a guaranteed market for farmers at a good price. The rates offered by NMC to farmers in Swaziland are extremely favourable in comparison to those prevailing elsewhere in the region. In 1990 the NMC's procurement price at the farm gate was E 420 per metric ton compared with E 265 per ton in South Africa. The result of this policy has been an expansion of land planted to maize and an increase in maize production.

The NMC has no rehabilitation needs at present. Its principal constraint is its dependence on maize farming, which in turn depends on the incidence and amount of rainfall since maize is not grown under irrigation in Swaziland, especially in the Swazi Nation Land. The lack of sufficient storage capacity represents another problem, and the NMC currently uses government silos to store excess maize which cannot be stored at the mill.

The NMC has bright prospects. As maize production increases, NMC has the possibility of expanding and meeting Swaziland's overall demand for maize. It has the potential of supplying maize and maize products to the Mozambican market. Indeed, Mozambique, like Swaziland, depends heavily on South Africa for maize imports.

J. SWAZILAND BREWERS LIMITED

Swaziland Brewers was established in 1971. It produces and distributes several varieties of beer, including Lion Lager, Castle Lager, Carling Black Label beer and Castle Milk stout. Although it has the capacity to produce more than 50 million quarts per year, its annual production is currently in the region of 25 million quart bottles. The company has well over 200 employees, most of whom are Swazi nationals, and produces mostly for the domestic market.

Swaziland Brewers has very few forward linkages at present and no backward linkages at all. There is some potential for the brewery to be indirectly linked to the agricultural sector, however, through the supply of malt, a major input for the production of beer. It is also linked to livestock farming in that waste from the breweries is utilized in the production of animal feed. In addition, the breweries could be directly linked to the manufacture of packaging materials, such as quart bottles and cans.

Swaziland Brewers has no need for rehabilitation. It completed an expansion of the factory in 1990, and inaugurated new staff facilities involving an investment of E 1.5 million in 1991.

The brewery has no major constraints even though has started cutting down on beer production, and consequently on the hours of work, in order to reduce national beer consumption. The company has bright prospects. It is a monopoly producer of beer in Swaziland, where the high population growth is expected to lead to an increased demand for beer in the future even despite official efforts to reduce national beer consumption.

ANNEXES

ANNEX A: Legal framework governing investment

Foreign investors are received favourably in Swaziland. Recognizing its contribution to the national economy and its role in the generation of employment, income, and output, the government pursues an open door policy for foreign investment. Swaziland is a free market economy where production decisions are taken almost entirely by the private sector and Government limits itself to the provision of the physical and social infrastructure required by investors.

Swaziland does not at present have a comprehensive legal framework governing private, including foreign, investment. Investors therefore tend to be guided by individual statements contained in various official documents. The government does, however, offer a number of financial and other incentives to encourage businessmen and industrialists to invest in Swaziland. These include generous allowances, liberal foreign exchange control regulations, and the free repatriation of dividends and profits.

Enterprises established in Swaziland which export all of their output are eligible to a five-year tax holiday. A similar tax holiday is also granted to companies which are engaged in the production of a product new to Swaziland. Any manufacturer can claim 50 per cent depreciation on new machinery and industrial buildings in the first year. Expenses incurred on training are 100 per cent deductible.

A new enterprise is required to register the company with the Office of the Registrar of Companies in the Ministry of Justice. The application procedure is very simple, and normally takes only one day. The enterprise is required to have a registered office in Swaziland. Although there is no need for a manufacturing licence, a trading licence is required. The trading licence is renewable on an annual basis. Special licences are also required to carry out certain activities concerned with agriculture, food and mining.

It usually takes about one month to register a company and a maximum of three months to obtain work permits for expatriates, including foreign investors and employees. The work permit for foreigners is granted for a five-year period subject to renewal. Expatriates do, however, need to have a local counterpart as a deputy.

The government is currently drafting a formal investment code, which is expected to be adopted by Parliament in 1992. In the meantime, business is conducted with minimum controls and labour is relatively cheap. Labour relations are also harmonious.

ANNEX B: Industrial cost structure

Basic cost factors for industrial projects

Electricity	Cents per Kw
Domestic	11.30
General purpose	46.40
Commercial/industrial	15.70

Water	Cents per cubic metre
Domestic/residential	0.39
Industrial/commercial	0.63

Industrial land	Emalangeni per square metre
Industrial land (Fully serviced)	3.00 - 5.00
Construction cost	4.00 - 6.00
SIDC lease rates	5.00 - 7.00

Manufacturing industry

Labour: minimum wage per week	Emalangeni
General labourer	42.15
Office clerk	45.78
Handyman	56.65
Machine operator	50.88
Telephonist	47.89
Wages clerk	53.00
Personal secretary	58.86
Artisans (Grade I)	164.29
Supervisors	25 per cent above the highest category of the person being supervised.

Social overheads range between 10-20 per cent.

ANNEX C: Incentives for investors

Swaziland offers both non-fiscal and fiscal incentives to investors:

A. NON-FISCAL INCENTIVES

Political stability

Swaziland is a politically stable country. It is a monarchy with cabinet government and an elected parliament reflecting the dualism between the Swazi tradition and modern influences. The King is the Head of State and rules the country in consultation with the cabinet, parliament and the Swazi National Council. The constitution reinforces this dualistic political structure combining the modern western concept of government with the traditional system in order to provide for harmonious social and economic development.

Access to markets

Industrial enterprises located in Swaziland have considerable scope for penetrating foreign markets:

(i) Swaziland is a member of the Southern African Customs Union (SACU) with Botswana, Lesotho, Namibia and South Africa, and as such its exports enjoy duty free access to the SACU market with a population of more than 30 million. Except in the case of Botswana, foreign exchange is not required for trade within SACU since the other three partners are also members of the Common Monetary Area.

(ii) Swaziland is a member of the 18 nation Preferential Trade Area (PTA) for Eastern and Southern African countries. Consequently, its exports are fully acceptable and given preferential access in all Member States of the PTA. The PTA also operates a currency clearing house with a common currency, the unit of account of the PTA (UAPTA), which results in significant payment advantages since it obviates the need for foreign exchange allocations to importers.

(iii) Swaziland commodities have also been granted preferential access to many other markets through the Lome convention and the Generalized System of Preferences (GSP). These markets include the European Community (EC), Australia, Canada, Japan, New Zealand and the United States.

Well educated work-force

Although specialized skilled labour is in short supply, unskilled labour is abundant in Swaziland. The labour market is flooded with about 8,500 school leavers every year, all of whom possess high school or junior high school certificates. Though unskilled, this labour force is well educated and easily trainable.

The government's localization policy recognizes that Swaziland needs foreign personnel both to provide necessary skills and train local counterparts. Most of the supervisors, managers and artisans working in Swaziland are foreigners, and the government now issues work permits to foreigners for a five year period instead of a two year period as used to be the case.

Harmonious labour relations

There has been very little labour unrest in Swaziland since the country gained independence in September 1968. This is mainly due to the government's policy of encouraging harmonious labour-employer relations through work councils, which provide a forum for discussion and have been successful in promoting Swaziland's tradition of good management-labour relations.

B. Financial incentives

Rather than providing grants and subsidies to new and existing investors, the government prefers to offer investment incentives through the tax system. Company (corporate) income is subject to generous tax allowances and deductions in the calculations of taxable income, with the government providing a five year tax holiday, initial allowances, training allowances and depreciation allowances.

(i) Tax holidays: All new firms in industries not previously represented in Swaziland and firms producing almost exclusively for export are exempted from company tax for the first five years of their existence.

(ii) Initial allowances: A manufacturer is permitted to claim an initial allowance of 50 per cent of the actual cost of machinery in the first year of use. There is a similar allowance of 50 per cent of industrial buildings used in manufacturing.

(iii) Training allowances: A training allowance is available to assist companies to train their employees and to use more labour intensive methods of production. Training expenses are double deductible for income tax purposes.

(iv) Depreciation allowances: The following annual deductions are allowable in computing taxable income:

	Per cent
- Motor vehicle	20
- Plant and Machinery	10-15
- Furniture & Fittings	5-10
- Industrial Buildings	4-10
- Housing for Employees	20 (first year)

(v) Carrying forward of losses: Provided that a company continues to operate, assessed losses may be carried forward indefinitely and set off against income in later years.

(vi) Corporate taxation: Corporate tax is levied at 37.5 per cent in Swaziland. Mining companies are taxed at 27 per cent on the first E 20,000 and 37.5 per cent thereafter. Dividends accruing to or received by a company incorporated in Swaziland are tax free.

(vii) Repatriation of dividends and interest: Dividends can be freely remitted subject to a withholding tax of 15 per cent. In the case of dividends remitted within the SACU area, the rate is 12.5 per cent. The repatriation of interest is subject to a tax of 10 per cent.

(vii) Public tender preference: All government tenders are subject to a local price preference of 10 per cent for all goods and services. Local value-added must account for at least 25 per cent of gross output value, and final processing must occur in Swaziland.

ANNEX D: Import and export regulations

Swaziland's membership of the Southern African Customs Union (SACU) means that no customs tariffs are applied to merchandize trade between Botswana, Lesotho, Namibia and South Africa. A common external tariff is charged by all the SACU members.

A. IMPORT PERMITS

All goods imported into Swaziland from outside the SACU area require an import permit which must be obtained in advance of the arrival of the goods. As an open economy, Swaziland applies a liberal import policy, and permits are generally available without difficulty provided the goods concerned are intended for consumption in Swaziland or for re-exportation to places outside the common customs area.

Goods manufactured or grown in Swaziland may be transferred without permit to the other Member States of SACU. However, South Africa applies import permit requirements in respect of goods originally imported into Swaziland and subsequently re-exported to South Africa.

B. EXCHANGE CONTROLS

The local currency unit in Swaziland is the Lilangeni (plural: Emalangeni), which is tied to the South African Rand (E1 = R1 = $0.38). There are no restrictions on the free transfer of funds within the Common Monetary Area (CMA) comprising Lesotho, Namibia, South Africa and Swaziland. Exchange control regulations apply only to the transfer of funds between Swaziland and areas outside the CMA. The system of exchange control is administered by the Central Bank of Swaziland through the commercial banks, which are regarded as authorized dealers.

Legitimate investment activities should not encounter any difficulties with exchange regulations in Swaziland. The approval of the Central Bank is required in the following cases:

(i) Raising of capital in Swaziland by issue of government securities and shares, among others, in aggregate amounts exceeding E 100,000 during any 12 months period.

(ii) Transfer of capital to Swaziland from outside the Common Monetary Area.

(iii) Raising capital through borrowing within the CMA by companies with more than 25 per cent of their capital owned by non-residents.

(iv) Transfer of dividends and interest outside Swaziland;

(v) Repatriation of foreign capital outside the Common Monetary Area;

(vi) Payments for directors' fees, travel expenses, royalties, technical services fees and management fees. The Central Bank of Swaziland's involvement is only necessary when the amounts involved exceed E 4,000 per beneficiary per year for directors' fees and E 10,000 per person per annum for business travel allowances. Amounts within these limits can be made by the Authorized Dealers without application to the Central Bank.

The approval of the above activities is routine, and even in cases falling outside the official rulings, the authorities may employ flexibility in dealings with genuine applications which should be made through one of the commercial banks in Swaziland.

C. EXCISE DUTY

The local manufacture of certain products is liable to excise duty. These include wines, beer, potable spirits, cigarettes, tobacco, cigars, petroleum, jewellery, cameras, projectors, television sets and radios.

D. INDUSTRIAL REBATES

Rebates of customs duty are available in respect of certain imported materials and components used in local manufacture. With a few exceptions, these rebates cover 100 per cent of the full external duty. Since more than 1500 customs tariff items have been approved for industrial rebate purposes, it is advisable to contact the Department of Customs and Excise for specific information.

E. DRAWBACKS OF CUSTOMS DUTY

Drawbacks of customs duty are allowed in respect of certain raw materials used in the manufacture of goods for export to places outside the SACU area. Refunds of duty may also be claimed in respect of specified goods re-exported in the same condition as originally imported. The Department of Customs and Excise normally advises whether any imported materials qualify for drawback or refund, and what conditions must be met before they are granted.

F. TARIFF PROTECTION AGAINST IMPORTS (NON-CUSTOM UNION)

The government or an individual firm or industry in Swaziland may apply to the South African Government for external tariff protection in certain cases. Such applications are subject to the procedures as are normally applied by the South African Government to similar proposals from industrialists in South Africa. There are several conditions which have to be met before such protection is granted, the most important being that the industry concerned should have the capacity to supply at least 60 per cent of the quantitative requirements of the Customs Union.

G. TARIFF PROTECTION FOR INFANT INDUSTRIES AGAINST IMPORTS

Infant industry protective tariffs, against imports from within the Customs Union and outside, can be levied by the Government of Swaziland. The protective tariff has to be applied on a non-discriminatory equal basis to imports from within the Customs Union and outside. Before the levy of such duties, the Government of Swaziland is required to consult with the other members of the Customs Union; but its discretion on the matter is not hampered by these consultations.

ANNEX E: Investment opportunities

Areas of investment opportunities

Sector		Existing industries	Project possibilities
AGRICULTURE			
(i)	Meat (beef)[a/]	Slaughtering Preparation Packaging Canning Marketing	Feedlots, Hides and skins Rendered fats Tallow Meal Horn and hair Gallstones
(ii)	Dairy[b/]	Milk production Butter fat (cream)	Cheese and curd Butter Preserved products Packaging inputs
(iii)	Sugar Cane[c/]	Sugar manufacture Molasses	Bagasse Distilling and fermentation
(iv)	Cotton	Ginning Cotton seed Cotton lint Yarn and fabrics	Primary and secondary processes Yarn and fabrics based products
(v)	Maize	Milling/meal	Residues, oil etc
(vi)	Tobacco	Growing	Processing Curing
(vii)	Pineapples	Growing Canning	Further processing and alternatives
(viii)	Vegetables	Growing Marketing	Further processing Dehydration
(ix)	Wood	Sawn timber Plywood Mine timber Treated poles Veneer sheets Wattle bark Wood furniture	Further processing
MINING			
(i)	Asbestos	Mining Brake/clutch linings Roofing	Ceramic ware Insulators Paper Textiles
(ii)	Kaolin	Known deposits	Ceramic ware Paper Pharmaceuticals Refectory/foundry products
(iii)	Tantalum/ Niobium	Minor deposits	Metal processing

Sector		Existing industries	Project possibilities
(continued)			
(iv)	Limestone	Small low-grade deposits	Cement Ceramic Ware Glass and glass products Paper Refectory/foundry products
(v)	Diamonds	Mining Marketing	Cutting Glass Matches
(vi)	Coal	Mining Marketing	Chemicals Fuel
OTHER POSSIBILITIES			
		Industrial chemicals Textile chemicals Pesticides Fertilizers Paints Soaps and detergents Pharmaceuticals Veterinary drugs	

a/ Other livestock such as goats, sheep, poultry and pigs have great potential.
b/ Second stage processing is almost non-existent
c/ Some alternatives are currently under study.

ANNEX F: Leading industrial companies

A. Food and beverages

1. Swaziland Breweries Ltd - beer production
2. Swaziland United Bakeries - bread and confectionery baking
3. Conco - coca cola concentrate production
4. Simunye Sugar Estate - sugar production
5. Mhlume Sugar Company - sugar production
6. Ubombo Ranches - sugar production
7. Swaziland Fruit Canners (Pty) Ltd - pineapple growing and pineapple and citrus fruit canning
8. Swaziland Dairy Board - production of dairy products
9. Swaziland Meat Industries Ltd - production of meat and meat products
10. Swaziland Milling Company - maize (corn) milling
11. Bromor Foods (Pty) Ltd - fruit juices and squash production
12. Swaziland Bottling Company Ltd - soft drink production
13. Candy World (Pty) Ltd - confectionery production
14. Maluti Foods (Pty) Ltd - manufacturing moirs and a range of glace products.

B. Textile and garments

1. National Textile Corporation of Swaziland Ltd (NATEX) - textile yarn and cloth production and processing
2. SPINTEX Ltd - textile yarn production
3. YKK Zippers Swaziland (Pty) Ltd - zipper manufacturing
4. Sikanye Footwear Ltd - shoe manufacturing
5. Swazi Knits - knitwear manufacturing
6. Swaziland Cotona Cotton Ginning Company - cotton ginning
7. New Biella Textiles (Pty) Ltd - knitwear manufacturing
8. Injobo (Pty) Ltd - clothing manufacturing
9. Mantenga Craft - carpet and rug production
10. Tintsaba Craft - carpet and rug production
11. Tishweshwe Craft - carpet and rug weaving
12. Rosecraft - manufacturing pure mohair products

C. Wood and wood products

1. Swazi Timber Products Ltd - furniture manufacturing
2. Swazi Peak Timbers - saw milling
3. Swaziland United Plantations - saw milling
4. Wood Masters - furniture manufacturing
5. Interboard (Pty) Ltd - manufacturing particle board

D. Pulp, paper and paper products

1. Usutu Pulp Company - wood-pulp production
2. Swazi Paper Mills - paper manufacturing
3. Swaziland Printing and Publishing Company - commercial printing
4. Jubilee Printing and Publishing (Pty) Ltd - commercial printing
5. NEOPAC Swaziland Ltd - corrugated container manufacturing
6. MacMillan Boleswa Publishers - book publishing
7. Apollo Services Ltd - commercial printing

E. Building materials

1. Langa National Brickworks Ltd - manufacture of clay bricks and tiles
2. Swaziland Safety Glass Ltd - automotive glass manufacturing
3. Inter Africa Supplies (Pty) Ltd - cement mixing, bagging and distribution

F. Chemical and plastic products

1. Polyplas (Pty) Limited - manufacture of plastic injection products and moulding facilities
2. Swazi Plastic Industries Ltd - Manufacture of plastic sheeting, tubing, and bags for agricultural, mining, construction and industrial use.
3. Plastic Extrusion Swaziland - manufacture of drums, large blow moulded industrial products and plastic bags.

G. Machinery and equipment

1. Beral Swaziland (Pty) Ltd - manufacture of friction materials for automotive industry.
2. Sizeze Pipe Ltd - manufacture of precast concrete, including pipes, fence posts and walls.
3. Swazi Brake and Clutch - manufacture of brakes and clutches.

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