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McNamara Papers

Travel brief
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1772894

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Travel briefs: Swaziland

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WBG Archives

SWAZILAND

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Mr. McNamara's Arrival Statement

SWAZILAND

I am delighted to visit the Kingdom of Swaziland and grateful to His Majesty the King and the Government for extending their hospitality to me and my colleagues. During this visit to your country, I hope to learn more about the development efforts of your people and to visit some of the projects which the World Bank and its affiliates, are helping to carry out.

Swaziland and the World Bank have been partners in development for close to two decades. Since 1962, the World Bank has extended eight loans, the International Development Association has approved two credits, and the International Finance Corporation one loan; in all a total of \$57,8 million.

These funds have helped to support a variety of projects: three road projects, two power projects and two education projects, plus projects for rural development, water supply and sewerage, a development finance company, and an irrigated sugar estate and factory financed by the International Finance Corporation.

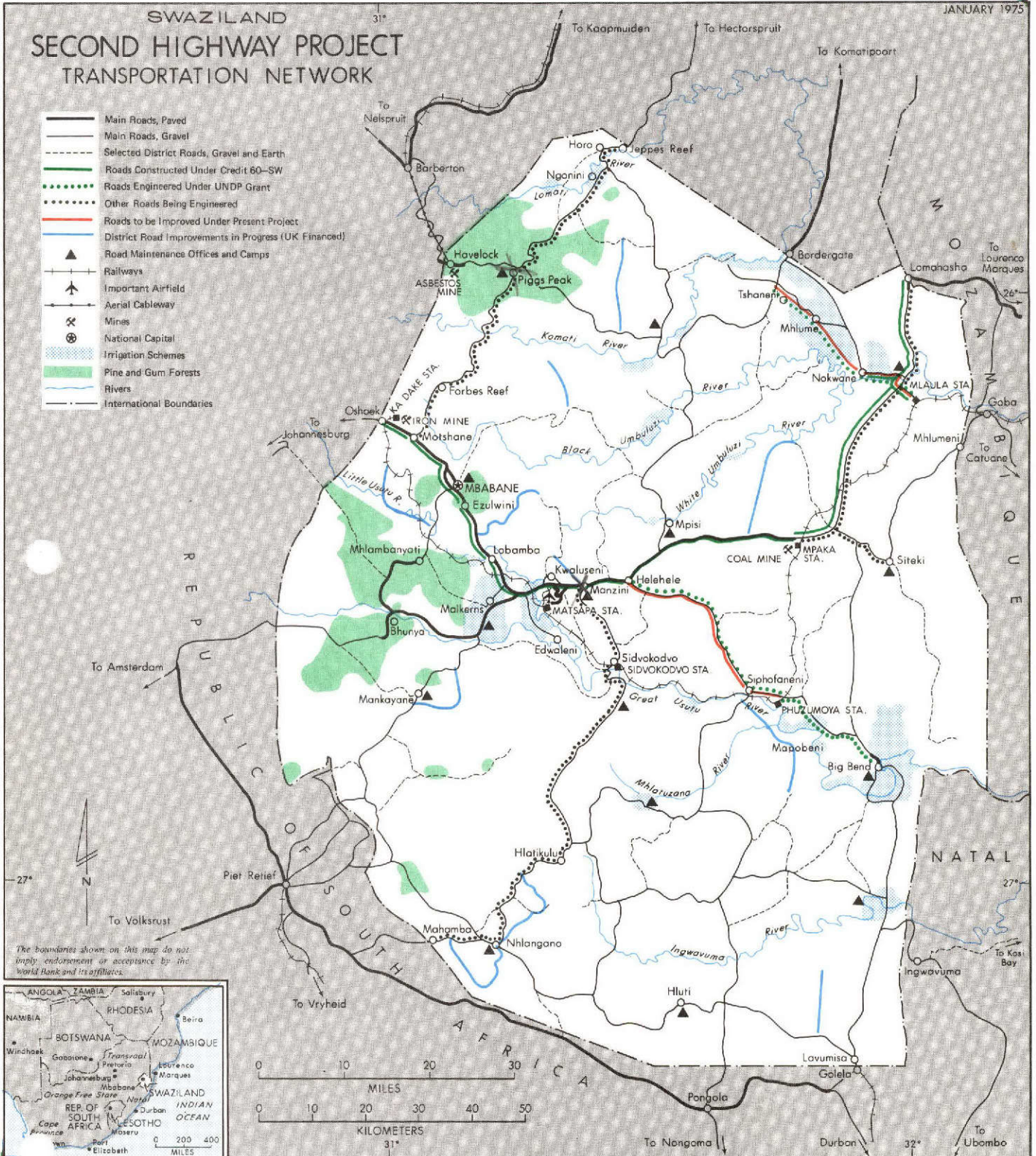
The Bank Group supports Swaziland's overall development strategy of creating conditions for sustained economic growth, achieving a greater measure of self reliance, and providing social justice and stability by spreading economic opportunities and services more widely in the rural areas. The Bank is ready to assist Swaziland in addressing these development goals through its economic and sector work, policy discussions with the Government, and its lending program.

Our Board of Directors has recently approved a loan for a Third Education Project in Swaziland which will assist the Government in improving the efficiency and relevance of primary and junior secondary education, and for strengthening the management capabilities of civil servants.

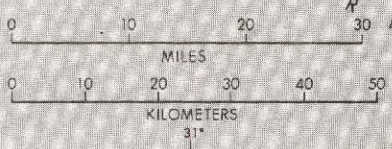
It is my hope that this visit will strengthen our cooperative effort to foster your national development and to realize a better standard of living for the rural and urban population of Swaziland.

SWAZILAND SECOND HIGHWAY PROJECT TRANSPORTATION NETWORK

- Main Roads, Paved
- Main Roads, Gravel
- Selected District Roads, Gravel and Earth
- Roads Constructed Under Credit 60-SW
- Roads Engineered Under UNDP Grant
- Other Roads Being Engineered
- Roads to be Improved Under Present Project
- District Road Improvements in Progress (UK Financed)
- Road Maintenance Offices and Camps
- Railways
- Important Airfield
- Aerial Cableway
- Mines
- National Capital
- Irrigation Schemes
- Pine and Gum Forests
- Rivers
- International Boundaries



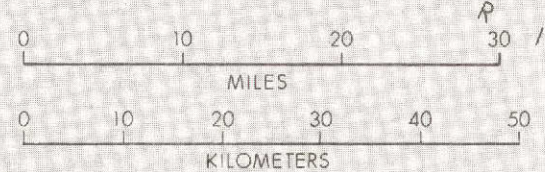
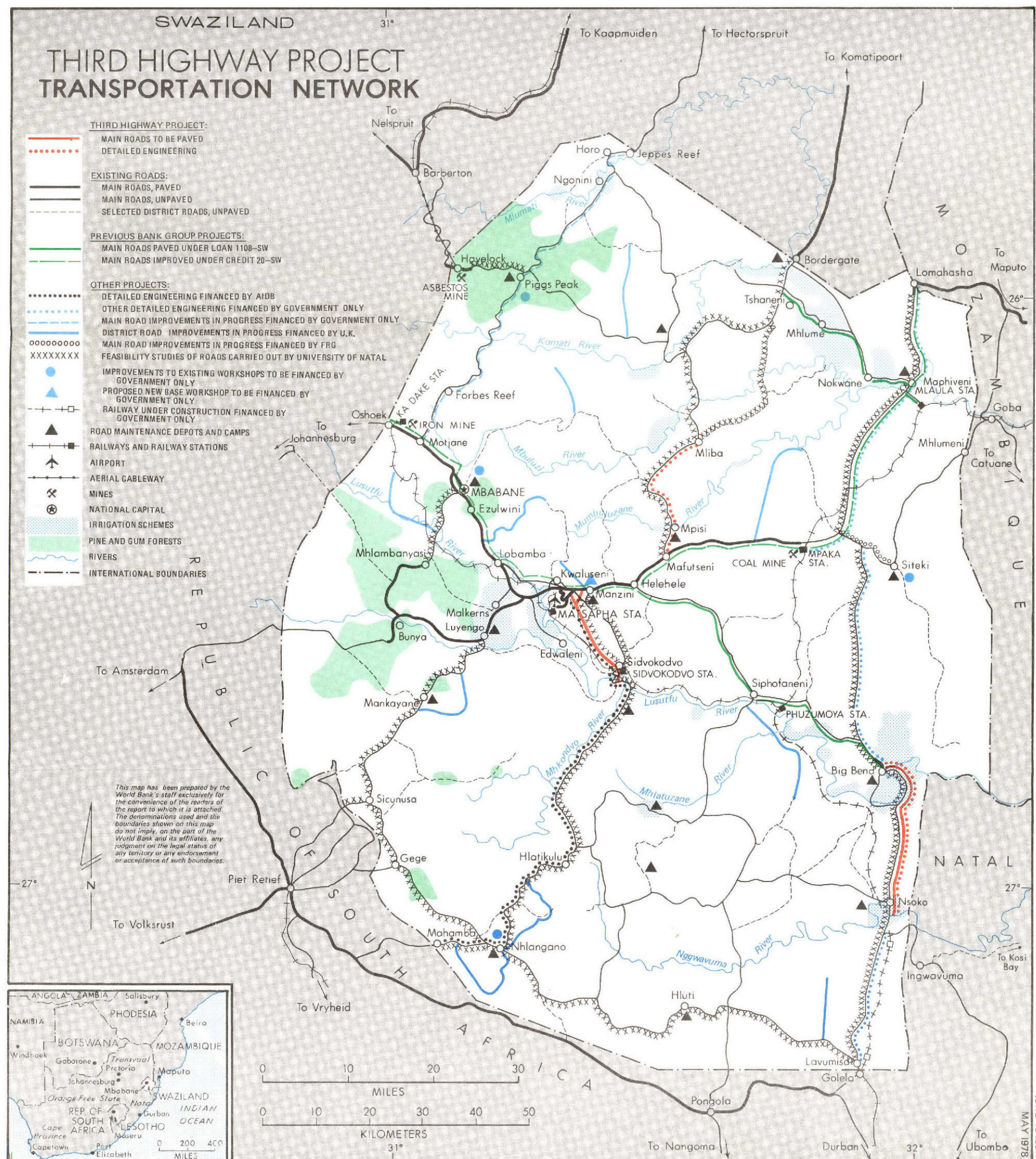
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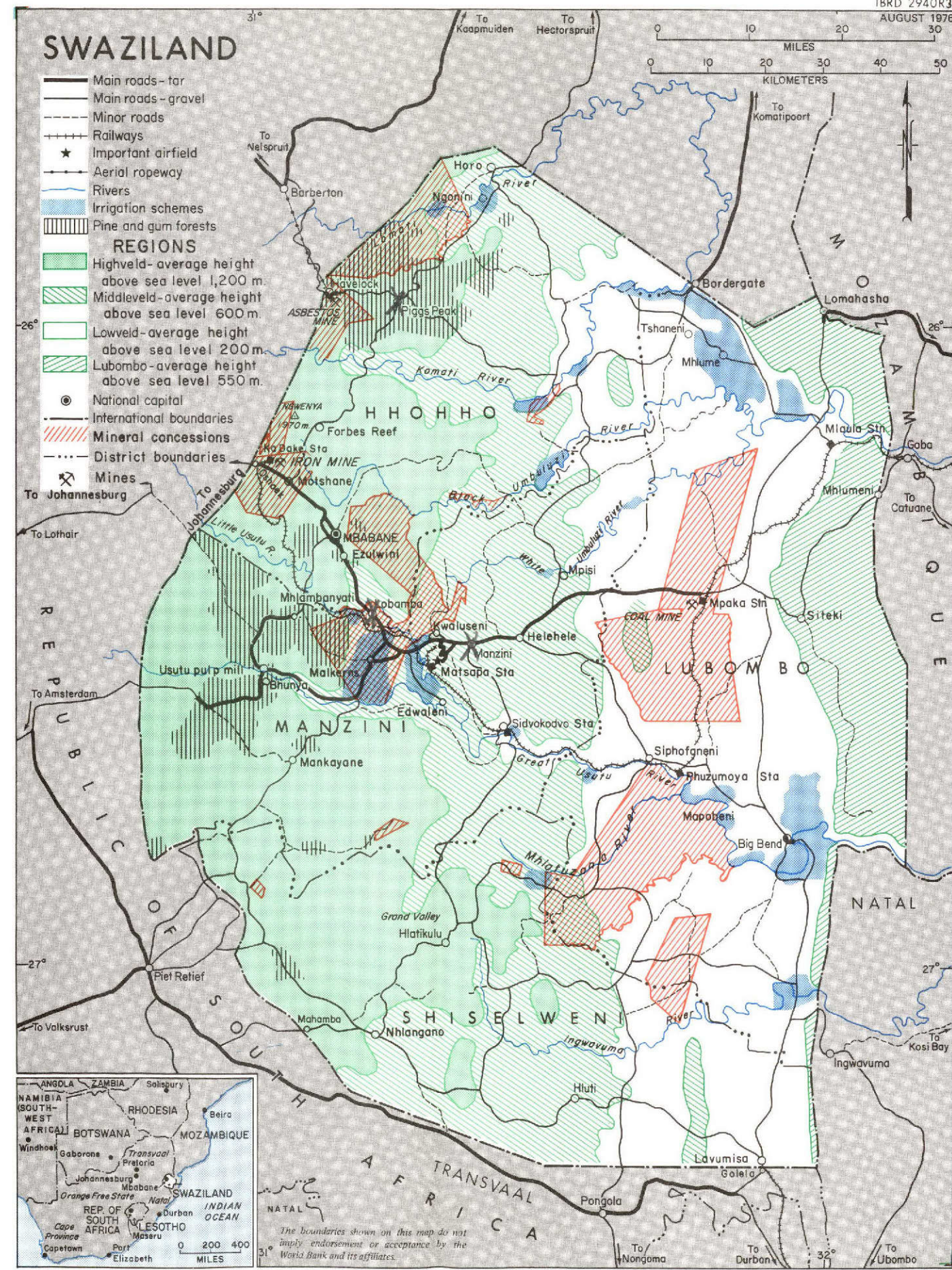
SWAZILAND THIRD HIGHWAY PROJECT TRANSPORTATION NETWORK

- THIRD HIGHWAY PROJECT:**
 MAIN ROADS TO BE PAVED
 DETAILED ENGINEERING
- EXISTING ROADS:**
 MAIN ROADS, PAVED
 MAIN ROADS, UNPAVED
 SELECTED DISTRICT ROADS, UNPAVED
- PREVIOUS BANK GROUP PROJECTS:**
 MAIN ROADS PAVED UNDER LOAN 1108-SW
 MAIN ROADS IMPROVED UNDER CREDIT 20-SW
- OTHER PROJECTS:**
 DETAILED ENGINEERING FINANCED BY AIDB
 OTHER DETAILED ENGINEERING FINANCED BY GOVERNMENT ONLY
 MAIN ROAD IMPROVEMENTS IN PROGRESS FINANCED BY GOVERNMENT ONLY
 DISTRICT ROAD IMPROVEMENTS IN PROGRESS FINANCED BY U.K.
 MAIN ROAD IMPROVEMENTS IN PROGRESS FINANCED BY FRG
 FEASIBILITY STUDIES OF ROADS CARRIED OUT BY UNIVERSITY OF NATAL
 IMPROVEMENTS TO EXISTING WORKSHOPS TO BE FINANCED BY GOVERNMENT ONLY
 PROPOSED NEW BASE WORKSHOP TO BE FINANCED BY GOVERNMENT ONLY
 RAILWAY UNDER CONSTRUCTION FINANCED BY GOVERNMENT ONLY
 ROAD MAINTENANCE DEPOTS AND CAMPS
 RAILWAYS AND RAILWAY STATIONS
 AIRPORT
 AERIAL CABLEWAY
 MINES
 NATIONAL CAPITAL
 IRRIGATION SCHEMES
 PINE AND GUM FORESTS
 RIVERS
 INTERNATIONAL BOUNDARIES

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IBRD 13409R
MAY 1978



background NOTES

Swaziland

department of state * april 1977

OFFICIAL NAME: Kingdom of Swaziland

PEOPLE

Most Swazi are subsistence farmers. About 29,000 are employed outside the country, principally in South Africa. The whites consist of English, Afrikaans, and Portuguese-speaking groups and are engaged mainly in agriculture, commerce, construction, and mining. The chief occupation of the Eurafricans is farming, although a few are engaged in skilled and semiskilled occupations.

There is considerable mixing of Christian and traditional belief and practice. Most Swazi ascribe a special spiritual role to His Majesty, King Sobhuza II, the Head of the Nation.

The country's official languages are siSwati (a Nguni language related to

Zulu) and English. Government and commerce are largely conducted in the latter.

GEOGRAPHY

Swaziland is all but surrounded by the Transvaal and Natal Provinces of the Republic of South Africa; it also shares a 70-mile (112 km.) border with Mozambique.

Swaziland is divided geographically into four well-defined regions of roughly equal breadth running from north to south. The mountainous highveld in the west has a humid, near-temperate climate with 40-90 inches (100-230 cm.) mean annual rainfall. The middleveld and Lubombo Plateau (the central and extreme east-

ern sections, respectively) are subtropical and somewhat drier (35-45 inches (90-115 cm.) mean annual rainfall), while the lowveld (a broad area running from north to south) is subtropical and semiarid with 20-30 inches (50-76 cm.) mean annual rainfall concentrated mainly in a few heavy storms. Mean annual temperatures vary between 60°F (16°C) in the highveld and 72°F (22°C) in the lowveld.

HISTORY

According to tradition, the people of the present Swazi nation migrated south before the 16th century to what is now Mozambique. Following a series of conflicts with people living in what

PROFILE

People

POPULATION: 494,000 (1976). ANNUAL GROWTH RATE: 3%. DENSITY: 74 per sq. mi. (29 per sq. km.). ETHNIC GROUPS: Swazi, Zulu, non-African (approx. 3%). RELIGIONS: Christian, animist. LANGUAGES: English, siSwati (both official), Zulu. LITERACY: 36%. LIFE EXPECTANCY: 43 yrs.

Geography

AREA: 6,704 sq. mi. (17,366 sq. km.); slightly smaller than N.J. CAPITAL: Mbabane (pop. 22,000). OTHER CITY: Manzini (26,000).

Government

TYPE: Monarchy. INDEPENDENCE: September 6, 1968. DATE OF CONSTITUTION: None in effect.

BRANCHES: Executive—King (Chief of

State), Prime Minister (Head of Government), Cabinet, Swazi National Council. Legislative—None. Judicial—Court of Appeal, High Court, subordinate and traditional courts.

POLITICAL PARTIES: None. SUFFRAGE: None. POLITICAL SUBDIVISIONS: 4 Districts, 2 municipal governments.

FLAG: Five horizontal stripes—blue, yellow, crimson, yellow, and blue—with shield, two spears, and staff centered on wide crimson band.

Economy

GROSS NATIONAL PRODUCT (GNP): \$218 million (1975). ANNUAL GROWTH RATE: 9.8%. PER CAPITA INCOME: \$440 (1975). PER CAPITA GROWTH RATE: 0.9%.

AGRICULTURE: Land 8%. Labor 85%. Products—corn, livestock, sugarcane, citrus fruits, cotton, rice, pineapples.

INDUSTRY: Labor 5%. Products—

milled sugar, ginned cotton, processed meat and wood, tourism, chemicals, machinery, beverages, consumer goods.

NATURAL RESOURCES: Iron ore, asbestos, coal.

TRADE: Exports—\$152 million (1975): sugar, wood products, iron ore, asbestos, citrus fruits, canned fruits, meat products. Partners—UK, US, South Africa, Japan. Imports—\$151 million (1975): motor vehicles, fuels and lubricants, foodstuffs, clothing. Partners—South Africa, UK.

OFFICIAL EXCHANGE RATE: 1 lilangeni (pl. emalengeni)=1 South African rand=US\$1.15 (Jan. 1977).

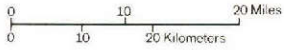
ECONOMIC AID RECEIVED: Total—\$221 million (1961-73). U.S. only—ca. \$10 million (1968-75): Food for Peace, development projects, Peace Corps.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: U.N. and most of its specialized agencies, Organization of African Unity (OAU), Commonwealth of Nations, Southern African Customs Union.



Swaziland

- International boundary
- National capital
- Railroad
- Road



is presently the area of Maputo, the Swazi settled in northern Zululand in about 1750.

Unable to match the growing Zulu strength there, the Swazi moved gradually northward in the early 1800's and established themselves in an area including what is now known as Swaziland. They consolidated their hold in this area under several extremely able leaders. The most important of these was Mswati, from whom the Swazi derive their name. Under his leadership in the 1840's, the Swazi expanded their territory to the northwest and stabilized the southern frontier with the Zulu.

The first Swazi contact with the British came early in Mswati's reign when he asked Her Majesty's Agent General in South Africa for assistance against Zulu raids into Swaziland. Through the good offices of the Agent General, amicable relations were established between the two nations. It was also during Mswati's reign that the first whites settled in the country.

In the years following Mswati's death, the Swazi struggled to guarantee their independence. Agreements between the British and the Transvaal (South Africa) Governments in 1881 and 1884 provided that Swaziland should be independent. During this period, however, many concessions for farming, mining, and commerce were granted to whites by the Swazi ruler, Mbandzeni. A number of confusing claims stemming from these many concessions were pressed on the Swazi Government at that time. In an effort to bring some order to the chaotic situation a provisional administration for the territory was established in 1890, representative of Swazi, British, and South African (Transvaal) Government interests.

In 1894, under a convention between British and South African Governments, the South African Republic assumed the powers of protection and administration. Swaziland continued under this form of government until the conquest of the Transvaal during the Anglo-Boer War, when the rights and powers assumed by the South African Republic in the country passed to the British Government. In 1903, Britain formally took over the administration of Swaziland.

In 1907, the British Government made an effort to settle the land concession question by defining farm concession boundaries and returning about one-third of all contested land to the Swazi in return for the grant of freehold titles to the concessionaires. The boundaries of mineral concessions were also defined and all monopoly concessions were cancelled. The Swazi bitterly opposed the British settlement, and the land question remains controversial to this day.

In 1921, Swaziland's first legislative body, an advisory council of elected white representatives, was established. Its purpose was to advise the High Commissioner on purely non-Swazi affairs. In 1944, the High Commissioner recognized the council as having official status. At the same time the High Commissioner recognized the paramount chief as the Native Authority for the territory, empowering him to issue to the Swazi legally enforceable orders on various subjects.

The present King, Sobhuza II, became *Ngwenyama* (The Lion) or head of the Swazi Nation in 1921, after 20 years of rule by a regent, the Queen Mother, Lobatsibeni. Before coming to the throne, the King studied for several years at Lovedale in South Africa,

TRAVEL NOTES

Climate and Clothing—Swaziland's climate is moderate, similar to that of Washington, D.C., but with the seasons reversed.

Customs—U.S. citizens do not need visas to enter Swaziland. Immunizations against smallpox, yellow fever, and cholera are recommended.

Health—Adequate medical care is available in Swaziland; the water is potable; and the climate is basically healthy.

Telecommunications—International and local telephone and telegraph facilities are available.

Transportation—Regular air service to and from Matsapa Airport, near Mbabane and Manzini, links Swaziland with major international routes. Taxis and rental cars are available in Mbabane.

in addition to being given special education by royal tutors. Shortly after becoming *Ngwenyama*, he traveled to London with his advisors to argue unsuccessfully the Swazi side of the land concession question before the Privy Council.

In the early years of colonial rule, the British Government expected



Swazi traditional beehive hut.

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

- Grotper, John J. *Historical Dictionary of Swaziland*. Metuchen, N.J.: The Scarecrow Press, 1975.
- Kuper, Hilda. *Biography of King Sobhuza II*. 1977.
- Kuper, Hilda. *The Swazi, A South African Aristocracy*. New York: Holt, Rinehart and Winston, 1963.
- Potholm, Christian P. *Swaziland: The Dynamics of Political Modernization*. Berkeley: University of California Press, 1972.
- Wentzel, Volkmar. "Swaziland Tries Independence." *National Geographic*. August 1969.

Swaziland to eventually be incorporated into South Africa. After World War II, however, South Africa's intensification of racial discrimination induced Britian to prepare Swaziland for independence. Development of educational and medical facilities and investment in agricultural projects were markedly increased.

Political activity intensified in the early 1960's. Partially in response to events elsewhere in Africa, a number of modern-style political parties were formed. These parties, which agitated for independence and economic development, were largely urban-based however, and had few ties to the rural areas where 80 percent of the Swazi live. The traditional Swazi leaders, including the King and the Swazi National Council, formed the *Imbokodvo* National Movement, a political group which capitalized on its close identification with the traditional Swazi way of life. Responding to pressures for political reform, the colonial government scheduled an election in mid-1964 for the first Legislative Council in which the Swazi would participate. In the election, the *Imbokodvo* won all 24 elective seats.

Four other parties, most of them having more radical platforms, also contested the election. The largest of these the *Ngwane* National Liberatory

Congress (NNLC), received 9 percent of the vote but won no seats.

Having solidified its political base, the *Imbokodvo* then incorporated many of the demands of the more radical parties, especially that of immediate independence. In 1966, the British Government agreed to hold talks on a new Constitution. A number of conservative whites resident in the territory made an unsuccessful attempt to establish the principle of separate elections for white-reserved seats in the new national assembly. The constitutional committee, which consisted of representatives of the King and the Swazi National Council, other political parties, and the British Government rejected this suggestion, however. The committee agreed on a constitutional monarchy for Swaziland, with self-government to follow parliamentary elections in 1967. Swaziland became independent on September 6, 1968.

Although Dr. Ambrose Zwane's NNLC received 20 percent of the vote in the April 1967 elections, his party was weakened before then by the extensive defections of its younger and more dynamic leaders to the *Imbokodvo* Movement. The delimitation of electoral districts and the method adopted of electing three Members from each district enhanced the ability of the *Imbokodvo* to win all of the elective seats in Parliament.

Swaziland's first post-independence elections were held in May 1972. The *Imbokodvo* gained about 75 percent of the vote and carried 21 of the elective seats in Parliament. Dr. Zwane's NNLC received just over 20 percent of the vote and narrowly won a single constituency. His party thereby gained three seats in the House of Assembly.

On April 12, 1973, King Sobhuza repealed the 1968 Independence Constitution, suspended meetings of Parliament, and assumed all governmental powers. On March 22, 1977, he announced the expiration of terms of office on Members of Parliament.

GOVERNMENT AND POLITICAL CONDITIONS

Swaziland's Constitution, now abolished, had established the *Ngwenyama* as Chief of State. Executive authority

was exercised by the Cabinet presided over by a Prime Minister (Head of Government) who was appointed by the King from the Members of Parliament.

The judiciary consists of a Court of Appeal, a High Court, and various subordinate and traditional courts. Members of the Court of Appeal and the Chief Justice of the High Court are appointed by the King with the advice of the Judicial Service Commission.

For local administration, Swaziland is divided into four Districts, whose Commissioners are appointed by the central government. Manzini and Mbabane have municipal governments.

In September 1973 the King announced the formation of a Royal Constitutional Commission to travel throughout Swaziland and consult the Swazi preparatory to writing a new Constitution more in keeping with Swazi traditions. In the meantime, opposition political parties, meetings, and demonstrations are banned, and the 75-year-old monarch rules the country as King-in-Council, with advice from the former Cabinet and the traditional Swazi National Council.

Principal Government Officials

Chief of State—King Sobhuza II
 Prime Minister, Minister of Foreign Affairs, and Minister of Police—Col. Maphevu Dlamini
 Deputy Prime Minister; Minister of Immigration; Information and Broadcasting; Labor—A. Zonke Khumalo

Other Ministers

Agriculture—Abednigo K. Hlophe
 Commerce and Cooperatives—Prince Mfanasibili Dlamini
 Minister of Health and Education—Dr. P.S.P. Dlamini
 Finance—Robert P. Stephens
 Industry, Mines, Tourism—Dr. Simon Sishayi Nxumalo
 Justice—Polycarp L. Dlamini
 Local Administration—Prince Masitsela Dlamini
 Works, Power, and Communications—Dr. Allen Nxumalo
 Minister of State for Establishments and Training—H.K. Dlamini
 Minister of State for Foreign Affairs—Stephen M. Matsebula
 Minister of State for Health and Education—Elias D. Dladlah

Ambassador to the U.S.—S.M. Kunene
Ambassador to the U.N.—Norman M. Malinga

Swaziland maintains an Embassy in the U.S. at Suite 441, Van Ness Center, 4301 Connecticut Ave., NW., Washington, D.C. 20008 (202-362-6683). Swaziland's Mission to the U.N. is at 866 U.N. Plaza, New York, N.Y. 10017.

ECONOMY

Swaziland ranks among the more prosperous new countries in Africa. Most of the high-level economic activity, however, is in the hands of non-Africans. Although some 75 percent of the Swazi are supported by subsistence farming, the number working at skilled or unskilled jobs in the industrial sector is increasing steadily, and a growing percentage of the labor force is employed for wages.

About 57 percent of the land is held by the Ngwenyama in trust for the Swazi nation. The remaining 43 percent is privately owned, much of it by nonresidents. The question of land use and ownership is a political problem.

Cattle are the main evidence of Swazi wealth; although they have always been valued for their own sake, they increasingly are being used for milk, meat, and profit. Beef, hides, and skins are important export items. Dairying is increasing in importance.

The South African-owned Anglo-American Corporation's iron mine at Ngwenya necessitated the Swaziland railway, which crosses the country from east to west and is a vital transportation link to the rest of the world via the port of Maputo, Mozambique.

The sugar industry, centered on two mills, is the leading export earner. Based solely on irrigated cane, it has transformed large parts of the lowveld that were formerly bush. Other important agricultural activities are extensive pine plantations, which supply a pulp mill, and pineapple and citrus farms, which feed a processing and canning factory.

Formerly the leading export, asbestos mined at Havelock is now fourth in importance. There is some

coal, exported to Kenya and Mozambique, and used by Swaziland railroad locomotives. Tin, barites, diaspore, pyrophyllite, and kaolin are also mined in small quantities.

In recent years a number of small-scale secondary industries have been established, many of them in the two new industrial estates at Matsapa, near Manzini, and at Nhlngano, in the south. In addition to processed agricultural and forestry products, the fast-growing industrial sector also manufactures machinery and transport equipment, iron pipe fittings, structural steel parts, plastic containers, cardboard packaging, furniture, beer, liqueurs, soft drinks, candles, paint, resins, fertilizers, insecticides and other chemicals, and knitted and woven clothing.

The National Industrial Development Corporation of Swaziland has played an important role in bringing these industries to the country. The government has also encouraged Swazi entrepreneurship through the establishment of small-scale industries and businesses. The Small Enterprises Development Corporation (SEDCO), assisted by the U.N. Development Program, has aided in the creation of many new small firms owned and managed by local Swazi businessmen.

Tourism is a new and growing industry. The country's beautiful scenery and well-developed tourist facilities attract more than 250,000 visitors annually. New hotels and other facilities are planned.

Swaziland has consistently maintained a favorable balance of trade and is one of the few net earners of foreign exchange in southern Africa. The United States bought more than 40,000 metric tons of sugar from Swaziland in 1976, as well as small amounts of canned fruit, asbestos, and textile fabrics. Although official statistics show more than 90 percent of Swaziland's imports coming from South Africa, only about half actually originate there.

Swaziland, Lesotho, and Botswana are joined with the Republic of South Africa in a customs union. Import duties apply uniformly to the member countries. Swaziland, Lesotho, and South Africa are also joined in an informal currency union. A formal

agreement governing currency controls and monetary affairs among the three countries was signed by South Africa in December 1974. The South African *rand* remains legal tender in the three countries but Lesotho and Swaziland are permitted to issue their own currencies, provided that they are fully backed by *rand* deposits. Swaziland issued its own currency, the *lilangeni*, in September 1974.

FOREIGN RELATIONS

Swaziland continues to seek to expand its diplomatic relations with other states. Some 30 countries have accredited ambassadors to the kingdom, although only 4 have resident representatives. They are the Republic of China, Israel, the United Kingdom, and the United States. Swaziland maintains offices in Brussels, London, Maputo, Nairobi, New York (U.N.), and Washington.

Owing to its geographic position, Swaziland, like Botswana and Lesotho, has close economic links with South Africa. Over 29,000 Swazi laborers work in the mines, industries, and farms of that country. It continues to rely on South Africa as its largest supplier of essential goods and services and also as a customer for some export products. There is close contact between the governments at the working level, although there has been no exchange of diplomatic representatives.

U.S.-SWAZILAND RELATIONS

The United States seeks to maintain and strengthen the good relations that have existed between the United States and the Kingdom of Swaziland since independence in 1968. It admires and respects Swaziland's nonracial policy and wishes to encourage the continued economic and political development of Swaziland.

The United States has provided assistance in Swaziland's rural development areas program, a loan to make possible a credit system for small farmers, and personnel and equipment to improve the effectiveness of the country's small cooperatives. The United States has also assisted the

regional University of Botswana and Swaziland, as well as making contributions to Swazi educational curriculum development, health, and family planning programs. Some 125 Peace Corps volunteers work in Swaziland in a wide range of activities.

Principal U.S. Officials

Ambassador—Donald R. Norland (resident in Botswana)
 Charge d'Affaires ad interim—James R. Wachob
 Director, Office of Southern Africa

Regional Activities Coordination—
 John Kean

Director, Peace Corps—John L. Harrison, Jr.
 The U.S. Embassy in Swaziland is located in Embassy House, Allister Miller Street, P.O. Box 199, Mbabane.

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 Office of Media Services, Bureau of Public Affairs

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SWAZILAND - LIST OF CABINET MINISTERS AND OTHER OFFICIALS

*His Majesty King Sobhuza II

*Hon. Fred Dlamini (Prince Mabamdla)	-	Prime Minister and Foreign Minister
*Hon. B.M. Nsibandze	-	Deputy Prime Minister
*Hon. P.L. Dlamini	-	Minister for Justice
*Hon. A.K. Hlophe	-	Minister for Agriculture
*Hon. Prince Nqaba	-	Minister for Commerce, Industry, Mines and Tourism
*Hon. J.L.F. Simelane	-	Minister for Finance
*Hon. John Masson	-	Deputy Minister for Finance
*Hon. Archdeacon S.D.P. Dlamini	-	Minister for Education
*Hon. Prince Gabheni Dlamini	-	Minister for Home Affairs
Hon. Dr. S. Hynd	-	Minister for Health
Hon. Dr. V.G. Leibrandt	-	Minister for Works, Power, and Communications
*Hon. R.V. Dlamini	-	Minister without Portfolio
*Hon. L. Mncina	-	Minister of State

Permanent Secretaries

*Mr. E.V. Sikhondze	-	Permanent Secretary for Finance
*Mr. T.M.J. Zwane	-	Permanent Secretary for Economic Planning and Statistics
Dr. E.V. Dlamini	-	Acting Secretary to Cabinet
Mr. S.J.S. Sibanyoni	-	Director of Personnel and Head of the Civil Service

*Biographical data available

Mr. A.R. Shabangu	-	Permanent Secretary D.P.M.'s Office
Mr. A.R.V. Khoza	-	Permanent Secretary for Agriculture
Mr. G.M. Mabila	-	Permanent Secretary for Education
Mr. S.Z.S. Dhlamini	-	Permanent Secretary for Foreign Affairs
Mr. M.N. Dlamini	-	Permanent Secretary for Health
Mr. J.S.F. Magagula	-	Permanent Secretary for Justice
Mr. N.D. Ntiwane	-	Permanent Secretary for Commerce, Industry, Mines and Tourism
Mr. O.Z. Dlamini	-	Permanent Secretary for Works, Power and Communications
Mr. J.D. Mngomezulu	-	Permanent Secretary for Home Affairs
 <u>Other Officials</u>		
Lieutenant Colonel G. Dube	-	Chairman of the Civil Service Board
Hon. C.J. Nathan	-	Chief Justice
Hon. Mr. D. Cohen	-	Justice

His Majesty King Sobhuza II

79
King Sobhuza II, son of King Ngwane V, was born on July 22, 1899. Installed as Igwenyama ('Lion') of the Swazi in 1921, he is the longest-reigning living African monarch. In 1968, he became head of state of the independent Kingdom of Swaziland, and it is largely due to him that his country caught in the political cross-fire between the reactionary apartheid regime of South Africa and the new Marxist socialist Republic of Mozambique -- remains, however precariously, a sovereign democratic state.

King Sobhuza II attended Lovedale High School in the Cape United Free Church of Scotland Missionary School -- from 1916 to 1918. His other education, prior to and after this, was received mostly from private tutors. King Sobhuza's paternal grandmother (whose regency extended from 1889 to 1921) transferred authority to Sobhuza on December 22, 1921. Sobhuza was confronted with the task of regaining the rights of his people to their land. This was a long, hard, and at times bitter struggle with the British and South African Governments and their white settlers. Violence was however excluded and Sobhuza conducted peaceful negotiations. He is reputed to be an effective negotiator and brought to his negotiations a wide range of traditional strategies on new channels of appeal and pressure. Sobhuza on many occasions complained to the British that he and his people were being kept outside the structure of power and that the British held the master key and the Swazi Nation received only a pauper's share.

Sobhuza campaigned to preserve royal power. He challenged without success, the legality of British reduction of his governmental powers and whenever possible, resisted his subjection to a "native authority" system. Sobhuza, trained from the childhood, for the role of King, acquired a knowledge of the government and learned to deal with the complexities of competing interests in a racist colonial system. Sobhuza has lived a simple life and at a level basically no different from that of the ordinary peasants. He develops his own routine, regulating his daily activities more by the passage of the sun than the hands of the clock. He hears the complaints of the people and does what he can to alleviate them. He has a unique quality of dignity.

He has visited England twice in his lifetime. First in 1922, to petition for the return to the Swazi of land lost under the Partition Proclamation of 1907. He argued, unsuccessfully, the Swazi side of the land concession issue. His second trip to England, in 1953, was to attend the Coronation of Queen Elizabeth II. He was awarded the Order of Knight of the British Empire in 1945.

He believes in the principle that any issue, including development issues, should be resolved through consensus before any commitment is made. King Sobhuza holds a unique position in modern African history. He is a hereditary King who developed traditional institutions. In winning independence from colonial rule by peaceful means he gained recognition for the Swazi by selectively retaining their own ideals and concepts of humanity. He has built a modern nation with a political system in which leadership was not sought after, self-promotion was not admired, individual

competition and rivalry were considered destructive, consultation at different levels was essential and national interests were considered more important than the freedom of the King himself. Power and privilege are inherent in the Kingship; but for Sobhuza, his inherited position spelt responsibility, self-restraint respect for others, and also the courage to express unpopular opinions for unselfish reasons. He has filled his position with humility and dignity, and stands out in modern history as a good King, a wise statesman and a gracious man.

No successor^{1/} has been named and the issue of a successor is not openly discussed. No queen has been taken in such a way as to indicate publicly that she will be the Queen Mother, and none of his numerous sons has the right to claim that he is the Crown Prince.

1/ The Swazi King inherits his position in the male line and is chosen from among the younger sons of the King. The King is chosen indirectly and no one knows who the heir will be during the lifetime of the father. After the death of the King, the Royal family council meets and decides who among the queens will be the Queen Mother. She then assumes the office of "Ndlovukazi", i.e., Queen Mother. She then designates one of her younger sons as King. If she has no sons she is asked to have one of the King's sons adopted. During his minority she acts as Regent until he attains majority at 21 years of age.

Honorable Fred M. Dlamini

(Prime Minister)

Mr. Fred M. Dlamini was born in Piggs Peak, Swaziland. He attended the agricultural college and obtained a diploma in agriculture. He worked in the sugar estate in the Swazi Nation Land and became a manager of one of the major sugar estates. He is a member of Parliament for the Piggs Peak constituency. On November 21, 1979 he was appointed Prime Minister of Swaziland, Minister for Foreign, Planning, Establishment and Training, and Home Affairs.

Honorable Ben Nsibandze

(Deputy Prime Minister)

Mr. Ben Nsibandze was born in the Elwandle area near Manzini on June 17, 1931. After his education at the Manzini Nazarene High School, he was awarded a government scholarship and earned a diploma in agriculture at the Fort Cox Agricultural College in the Cape Province. In 1953, Mr. Nsibandze joined the Civil Service as a land utilization officer and in 1962 he was awarded another scholarship to study agriculture at the Bedfordshire College of Agriculture in the United Kingdom. In 1964 he was promoted to the post of Extension Officer (the first Swazi to hold that position) and again promoted in 1968 to Senior Extension Officer in the Ministry of Agriculture, Mbabane. Mr. Nsibandze then became Senior Agricultural Officer in 1970 in charge of all extension Services. He also received a fellowship to study Public Administration at the Royal Institute of Public Administration in London and Melbourne, Australia. In June, 1972 he became the Permanent Secretary to the Cabinet and Head of Civil Service until February 1979 when he became the Deputy Prime Minister. In late October 1979, after the Prime Minister's death, Mr. Nsibandze assumed the position as Acting Prime Minister until November 21, 1979 when he reverted to his position as Deputy Prime Minister.

Honorable Polycarp Dlamini

(Minister for Justice)

Mr. Polycarp Dlamini was born at Enginamadolo Royal House near Piggs Peak on July 1, 1918, and educated at the Matsapha National School. He worked as a clerk-interpreter in the Magistrate's Court in Barberton, South Africa and then joined a mail order firm in Durban from 1944 to 1946. In 1947 he joined the South African Department of Social Welfare, serving as a social welfare and probation officer until 1951. During the same time period, he enrolled with the Natal University College and read for a B.A. degree in social science, which he did concurrently with his training as a social worker. In 1952, King Sobhuza II recalled him home to take up the post of Secretary to the Swazi Nation which he filled until 1964 when he was elected to the Legislative Council and appointed Member of the Executive Council in charge of Education and Health. After the 1967 elections, he was made first Minister for Works, Power and Communications. He was made Minister for Justice in 1972.

Honorable Abednigo Hlophe

(Minister of Agriculture)

Mr. Abednigo Hlophe was born at Lozitha on January 13, 1922. He graduated from St. Chad's College in Natal, taught for some time at Zombodze and was subsequently employed by the Malaria Control Union of the Swaziland Medical Department. From 1961 to 1963, he was a Swazi National Representative on the Swaziland Constitutional Committee and also a delegate to the Constitutional Conference in London in 1963. After the Legislative elections he was appointed to the Executive Council as a member of Local Administration and Social Development. In 1967 he became the country's first Minister of Agriculture.

Prince Nqaba

(Minister for Commerce, Industry, Mines and Tourism)

Prince Nqaba, Minister for Commerce, Industry and Mines, was born at Lozitha Royal Residence in 1939. He worked at the King's Office at Lozitha until 1967 when he left for the United States to complete his education. He obtained a B.Sc. degree in Scientific Management at a university in California. Prince Nqaba joined the Department of Economic Affairs of the United Nations Secretariat. In 1976 he returned to the university to obtain a M.Sc. degree in Business Administration. He also became a member of the Swazi delegation to the 1976 United Nations General Assembly serving on the Economic Committee. In 1977 he returned home to join the Swaziland Railways as Acting Chief of Administrative Services. During that year he was appointed as a member of the Governing Council of the University College of Swaziland and the Planning and Financing Committee.

Honorable J.L.F. Simelane

(Minister of Finance)

Mr. J.L.F. Simelane was born at Hlatikulu on April 17, 1917. He trained as a teacher at Kilnerton Training Institution in Pretoria and obtained a B.A. degree from the South African Native College (Fort Hare). He taught in a number of schools in Swaziland and South Africa. Mr. Simelane joined the Civil Service in 1958 as a registry clerk in the District Commissioner's Office at Hlatikulu and was appointed Vice Principal of the Swazi National High School at Matsapha in 1960. He was appointed Senior Assistant Secretary and Permanent Secretary for Education in 1967 and 1968 respectively and retired from the Civil Service in April 1972. In June of that year he joined the Usutu Pulp Company and the following year was appointed Swaziland's Ambassador to the United States of America and High Commissioner to Canada. Returning to Swaziland in 1977, he rejoined the Usutu Pulp Company until his present appointment as Minister of Finance.

Honorable John Masson

(Deputy Minister for Finance)

Mr. John Masson, Deputy Minister for Finance, is a Swazi of Scottish origin. He was formally in the colonial service in Swaziland before it gained its independence, rising to become Permanent Secretary, Ministry of Finance. He is known for his close ties with His Majesty the King. He is a Member of the Parliament who has filled one of the 10 seats reserved for nomination by the King.

Honorable Archdeacon S.D.P. Dlamini

(Minister of Education)

Archdeacon Siphethe Dlamini, born on September 13, 1933 at Enginamadvollo in the Pig's Peak area, trained as an Anglican Priest at St. Bede's Theological College, Imtata in the Transkei and as a journalist in Johannesburg. He was appointed Assistant Curate at the Usutu Mission in 1958; Assistant Priest from 1959 to 1963; and Priest in Charge at Nkandla in Sululand for two years. Back in Swaziland he was appointed Priest in charge at Lomahasha, then Rector of Lubombo at Siteki and from 1972 to 1979 Rector of Usutu Mission. Appointed Canon in 1969, he was made Archdeacon of Western Swaziland from 1973 to 1975 and in 1975 Archdeacon of Swaziland and Senior Priest. His studies include a leadership course in Uganda in 1970, research on Biblical Studies in Jerusalem in 1970-71, and Ecumenical Studies in Geneva, Switzerland between 1976 and 1977.

Honorable Prince Gabheni Dlamini

(Minister for Home Affairs)

Born on July 17, 1942 at Lobamba Royal Residence, Prince Gabheni Dlamini is regared as one of the more intelligent of the King's sons, although he was only educated through high school in Swaziland. Elected in 1967 to Parliament, he has served on many committees of the Swazi National Council.

Honorable R.V. Dlamini

(Minister without Portfolio)

Mr. R.V. Dlamini, an agriculturalist, was born at Mbabane on September 22, 1932. He received his education at Matsapha Swazi National School and then attended the Mdtshane Agricultural Training Centre from 1957 to 1958. From 1959 to the middle of 1964, he was employed as a field officer by the then Department of Agriculture. In August 1964, he joined the Swaziland Milling Company in Manzini as a field representative engaged on extension work. He visited Kenya on an agricultural study tour in 1963 and 1965. Mr. Dlamini attended an agricultural course in the United Kingdom at Hertfordshire between 1962 and 1963; and in 1966 he attended a public administration course at Sussex University in the United Kingdom. He was also a member of the Electoral College during the last Tinkhundla elections.

Honorable L. Mncina

(Minister of State)

Mr. L. Mncina was born in 1936 at Pigg's Peak and was raised by American missionaries. He was appointed Minister of State in February 1979 (his first ministerial appointment) and conducts affairs of the Foreign Ministry on a day-to-day basis.

Mr. V.E. Sikhondze

(P.S. Ministry of Finance)

Mr. Sikhondze, a Swazi citizen, became Alternate Governor for the African Development Bank in 1974. Since 1974, he has served as Chairman of the Board of Directors of Barclays Bank of Swaziland. He has been Assistant Permanent Secretary, Ministry of Finance and Economic Planning in 1977. In 1978, the Department of Economic Planning was separated from the Ministry of Finance, and Mr. Sikhondze was appointed Permanent Secretary of the Ministry of Finance. He was appointed as Governor of the Bank for Swaziland in March 1979.

Mr. Timothy Zwane

(P.S. Department of Planning and Statistics)

A Swazi citizen, Mr. Zwane was appointed in February 1977 as Swaziland's Permanent Secretary, Department of Planning and Statistics. In addition, he is also Swaziland's Ambassador to the EEC in Brussels (a position he has held since early 1970). He was formerly the Permanent Secretary for the Ministry of Industries, Mines and Tourism from 1976-79. Mr. Zwane received his Master's Degree at Howard University in Washington, D.C.

SWAZILAND - POLITICAL SITUATION

History of the Swazi Nation

The outstanding feature of Swaziland's political system is the long-lasting dichotomy between a traditional government, the Swazi Nation represented by the Swazi National Council and a modern type administration modelled after British patterns. While the former dates back to the early settlements of the country by the Swazi tribe in the early 19th century, the latter was first established in 1902 when, after the end of the Anglo Boer War, a British Special Commissioner was sent to Swaziland to establish a provisional administration. Since, both administrations have operated side by side. The major change occurred, however, in September 1968, when Swaziland became independent and the British administration was replaced by a Swazi parliamentary cabinet system. The King then became the ultimate authority of both governments.

It is difficult to trace through the origin of the Swazi Royal Dynasty, but no doubt exists that the ruling royal family, the Dlamini clan, has been in power since the end of the 18th century. Under their rule, the Swazi Nation emerged. Since, the Swazi political system is strongly rooted in tradition, the King (Ngenyama in Swazi language) is the constitutional ruler. He cannot initiate action without the approval of two formally constituted councils. The smaller of these, the 'Ligogo', comprises the more important of the King's relatives and a number of chosen advisers. It meets once a week to deal with national matters, which are usually channelled to it by a standing committee of the large council, the 'Libandla'. The 'Libandla' embraces every adult male in the Swazi Nation. It usually meets once a year and it is recognized as the final body from which approval for any contemplated act of legislation should be obtained. Day to day contact between the Central Government and the main council (Libandla) is maintained through the standing committee commonly called the Swazi National Council. To this traditional ruling system has been appended the Swazi National Treasury (which has become the Tibiyo Fund in 1968), which receives revenues from mineral and land concessions. The central system is mirrored in the local administration, where some 170 chiefs govern with the assistance of their own advisory and legislative councils. The power of the King, the National Council and the local chiefs encompasses a wide range of activities of both social and economic consequences.

This traditional system has survived colonial rule and the distribution of power and responsibilities have remained unchanged until today. When the first post-independence constitution made the King head of both governments, the Swazi Nation and the Central Parliamentary Government, the Nation gained additional control over Swaziland's economic and social development, for which from the outset the Government carries primary responsibility. In cases of disagreement on policy and investment issues the King has tended to favor the Nation's interests. Consequently, the

chief's power over tribal land and the Swazi Nation's investment policy initiated through the Tibiyo Fund have provoked serious conflicts between both governments. To avoid those, the Government needs the King's strong support.

Although there are signs that the relationship between the Government and the Swazi Nation has recently improved (there is talk about integrating Tibiyo into the Central budget; chiefs under pressure of the King and the Government moved faster on land allocation issues), there is always the risk of political instability especially if the King should pass away. There is little doubt that he, who enjoys great authority and respect by all Swazis, holds the system together (see para. 4 of CPP).

Present Political Situation

Swaziland, a landlocked country, surrounded by the Republic of South Africa and Mozambique, has become a buffer state between two extremely opposed states. Mozambique's independence in 1975 gave rise to considerable unease about the short- and long-term future within Swaziland and has to some extent strengthened Swaziland's already close ties with the Republic. Given that Swaziland is governed by a conservative leadership, this was, probably, a realistic and pragmatic step. Although it is an often stated objective to work towards economic independence from South Africa, dependence on South Africa is accepted to the extent that it is beneficiary to Swaziland's development. While this policy excludes diplomatic relations with the Republic, it includes South African investment in Swaziland, strong transportation ties with South Africa to diversify Swaziland's access to the sea to secure exports of the country's main products, and a strong bias for imports from South Africa (almost 90 percent of total imports). Swaziland's attempts, however, to mitigate dependence from South Africa should not be under-estimated. They encompass the establishment of a national currency, the participation in international trade agreements (Lome Convention, International Sugar Agreement) and bilateral trade agreements with other black African States (e.g., Tanzania, Kenya, Zambia, Gabon), and the pursuit of an import substitution policy to the extent possible through NIDCS and SEDCO (see special brief on Industry, Annex IV).

Relations with Mozambique have, over time, improved and a trade agreement was signed in 1978. The risk exists, however, that possible political and military developments in the area in the next decade may make it even more difficult for Swaziland to pursue a policy of strategic non-alignment and autonomy.

ECONOMIC SITUATION

(The following section updates the CPP, which was reviewed in July 1979.) Although data for 1978 and 1979 on the economic situation are not yet complete, recent discussions with the Government revealed that the growth target of seven percent in real terms, set in the Third Development Plan (1978/79 - 1982/83) now under implementation, will not be achieved in the first two years of the Plan. Swaziland has been hit more than other countries by the recent price increase for petroleum. In 1979, the price Swaziland had to pay rose by 65 percent compared to the OPEC increase of 50 percent during the first eight months of the year. The reason is Swaziland's complete dependence on South Africa, which itself buys the bulk of its oil imports on the Rotterdam spot market following the Iranian boycott in early 1979. In addition, a drought, at present affecting Southern Africa, accounts for shortfalls in Swaziland's 1979 agricultural harvest leading to an increase in food imports. Imports, lead by petroleum, have risen particularly fast during 1979 and the current account deficit in 1979 is expected to be some 15 percent higher than projected. This has, however, been more than offset by larger capital inflows, stemming mainly from the Government's heavy reliance on foreign borrowing during 1978. At the end of November 1979, international reserves stood at E 120 million equal to about five months of imports.

FOREIGN ASSISTANCE AND DEBT

1. Until 1977, Swaziland has relied on foreign public loans to a lesser extent than other African countries at a similar level of per capita income (e.g. Botswana, Ivory Coast, Zambia). However, during 1978, Swaziland's outstanding disbursed debt increased by 90 percent and reached US\$103.3 million at the end of December 1978, reflecting the Government's heavy borrowing during 1977 and 1978 to finance the fast expanding public investment program. However, the relatively low level of indebtedness prior to 1978 coupled with soft terms and the size of exports relative to GNP have kept debt service in 1978 below two percent of total export receipts.

2. Until 1972/73 the UK and Bank Group were the only sources of public external financing, but since then the Government was successful in diversifying its sources of foreign finance, including borrowing on commercial terms. Swaziland's major creditors at the end of 1978 were private financial institutions (27 percent), the UK (23 percent) and the Bank Group (20 percent). The group of multilateral donors comprises the IBRD, IDA and IFC, the African Development Bank, the European Development Fund, the European Investment Bank and the Special Arab Fund for Africa. Bilateral aid comes from Canada, Denmark, the Federal Republic of Germany, Sweden, the United States and the United Kingdom. All aid from Sweden, and most of the aid from the UK and from the US are grants. With the exception of West Germany, bilateral donors are predominantly financing projects in agriculture, education, health and community services. The Germans, together with IFC, have participated in financing of the Third Sugar Mill complex.

3. Swaziland's first sizable commercial loan was negotiated for financing of the Third Sugar Mill and the southern railway link. With some reliance on commercial sources, average loan terms have become harder (in 1978, the grant element in total commitments was about 25 percent, considerably lower than those of the past). Future loan terms are likely to be similar (or, if anything, harder) as Swaziland attempts to mobilize a large increase in foreign resources to finance its Third Plan. On this basis, the projected seven percent per annum growth in GNP projected for 1979-85 would lead to required foreign capital inflows averaging US\$100 million per annum and an increase in the debt service ratio to about six percent in 1980 and 10 percent in 1985.

Population: 520,000 (1977); 2.8%
 GNP Per Capita: \$520 (1977)
 Area: 17,366 sq. km.
 Literacy Rate: 30% (1970)

SWAZILAND - ACTUAL AND PROPOSED LENDING PROGRAM THROUGH FY84

(US\$ Million)

		Through FY74	FY75	FY76	FY77	FY78	Current FY79	Program				FY69-73	FY74-78	FY79-83	FY80-84	Reserve Projects
								FY80	FY81	FY82	FY83						FY84
RDA I	IBRD				4.0											
RDA II	IBRD										10.0					
Livestock I	IBRD															10.0 (FY83)
DEC I	IBRD				5.0											
DEC II	IBRD															5.0 (FY82)
Education I	IBRD		5.0													
Education II	IBRD					4.0										
Education III	IBRD							8.0								
Education IV	IBRD										10.0					
Power I & II	IBRD	7.0														
Power III	IBRD															10.0 (FY82)
Roads I	IDA	2.8														
Roads II	IBRD		7.0													
Roads III	IBRD						11.0									
Roads IV	IBRD										16.0*					
Water Supply & Sewerage I	IBRD															
Water Supply & Sewerage II	IBRD		3.5													
Urban I	IBRD								7.0	6.0						
Technical Assistance	IBRD															3.0 (FY82)
LENDING PROGRAM	IBRD	7.0	10.5		9.0	4.0	11.0	8.0	7.0	6.0	16.0	20.0				
	IDA	2.8	5.0		-	-	-	-	-	-	-	-				
	Total	9.8	15.5		9.0	4.0	11.0	8.0	7.0	6.0	16.0	20.0				
	No.	3	3		2	1	1	1	1	1	1	2				
													23.5	48.0	57.0	
													5.0	-	-	
													28.5	48.0	57.0	
													6	5	6	

Eastern Africa Region
 Country Programs I
 June 29, 1979

FUTURE OPERATIONS IN SWAZILAND

FY80

Education III

The objectives of the proposed project are to assist the Government in improving access to, and efficiency and relevance of, primary and junior secondary education and in improving the management capacity of civil servants. Its major components are the construction and equipment of about 40 primary schools, 4 junior secondary schools, and an in-service teacher training center, and the expansion and improvement of teaching facilities at 13 junior secondary schools, the Primary and Secondary curriculum units, and the Swaziland Institute of Management and Public Administration (SIMPA). The project also provides for the free distribution of 750,000 textbooks and 33,000 teachers guides to primary school students and their teachers.

FY81

Urban I

The proposed project would assist the Government to develop and implement a long-term sector plan which takes into consideration issues of standards, affordability and cost recovery. The project would probably finance part of the low-cost housing program planned for the Third Plan period. Other components would be institutional support to implement the housing program, employment creation for the urban poor and basic health clinics and family planning services. The latter would strengthen our dialogue with the Government on health and population issues.

FY82

Water Supply and Sewerage II

The proposed project for FY82 would help to improve water supply and sanitation facilities in the semi-urban and urban areas of Mbabane, Manzini, Siteki, Lobamba, Ezulwini Valley and Piggs Peak, and to strengthen the water supply and sewerage board.

FY82R

DFC II

We are currently reviewing with the Government the staffing situation, portfolios, lending rates, investment strategy, pace of commitment, and the need for and timing of a second DFC project. Pending the outcome of this review, we have included a second DFC project as an FY82 reserve project. This project would include assistance for strengthening NIDCS' and SEDCO's management, would provide a further line of credit to finance part of NIDCS/SEDCO's foreign exchange resource needs, and might also incorporate technical assistance to the local construction industry.

Power III

Almost all major power generating and distributing facilities in the country were financed by the two previous Bank loans (1963 and 1967). The Swaziland Electricity Board (SEB), a parastatal organization established in 1963, is the only authorized public supplier of power. During the last decade, sales have more than tripled, increasing from 64 GWh to 223 GWh per year. Domestic generating capacity cannot supply the entire domestic demand and the gap has been covered by importing power from South Africa. However, the Government intends to construct a new local plant to reduce dependence on South Africa. A feasibility study, carried out by British consultants, recommends construction of a hydro plant of 28 MW, estimated to cost US\$40 million. Swaziland recently submitted the study to the Bank. Although SEB's consultants show the project to be justified on economic grounds, some additional sensitivity studies are necessary for better economic evaluation. Pending the outcome of these studies we have included a third power project as an FY82 reserve project.

Technical Assistance

Bank staff recently started discussions with Government officials on a possible technical assistance project to strengthen the Department of Planning. The project probably would include: (i) assistance in macro-planning, (ii) short- and medium-term consultant services for project preparation and evaluation, and (iii) training of local staff. Recognizing the urgent need to improve its planning capabilities, Government has reacted positively to our proposal. We intend advising the Government that in drawing up the project it identifies the needed external assistance and we would explore possible financing from UNDP or bilateral sources. Against the possibility that other financing might not be available we have included a technical assistance loan as a reserve project in FY82.

FY83R

Livestock I

We have included a livestock project in the reserve program for FY83. Given the serious problems of overstocking, overgrazing and low offtake rates, a livestock project should have high priority for Swaziland. However, it would be unrealistic to include such a project in our lending program before the results of the livestock study have been discussed with the Government. The project could be activated and brought forward if there is strong evidence of Government interest.

FY83S

Roads IV

The proposed project for FY83 would further upgrade and improve Swaziland's road network, thereby reducing transport costs and improving rural access to markets and to economic and social services.

FY84

RDA II

The proposed project for FY84 would help finance new rural development areas in Swaziland and through our sector work we hope to improve our understanding of the problems associated with the transforming traditional agriculture in Swaziland so that we can help the Government address the problems of rural development more vigorously.

Education IV

The proposed project for FY84 will possibly continue the focus of previous Bank-financed education projects with emphasis on expanding and improving vocational training.

STATUS OF BANK GROUP OPERATIONS IN SWAZILAND

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as of May 31, 1979)

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (less cancellations)</u> (US\$ million)		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
Two loans and one credit fully disbursed				7.0	2.8	-
1058-SW	1975	Kingdom of Swaziland	Water Supply and Sewerage Facilities	3.5	-	1.4
518-SW	1975	Kingdom of Swaziland	Education	-	5.0	1.2
1108-SW	1975	Kingdom of Swaziland	Highways II	7.0	-	0.2
1375-SW	1977	Kingdom of Swaziland	Rural Development	4.0	-	3.5
1409-SW	1977	Kingdom of Swaziland	NIDCS	5.0	-	3.3
1478-SW	1978	Kingdom of Swaziland	Education II	4.0	-	2.7
1619-SW	1978	Kingdom of Swaziland	Highways III	<u>11.0</u>	<u>-</u>	<u>11.0</u>
Total				41.5	7.8	23.3
of which has been repaid				<u>4.2</u>	<u>0.2</u>	
Total now outstanding				37.3	7.6	
Amount sold						
of which has been repaid				<u>1.1</u>		
Total now held by Bank & IDA ^{1/}				<u>36.2</u>	<u>7.6</u>	
of which is undisbursed				<u>22.1</u>	<u>1.2</u>	<u>23.3</u>

^{1/} Prior to exchange adjustments.

B. STATEMENT OF IFC INVESTMENTS (as of May 31, 1979)

<u>Investment No.</u>	<u>Year</u>	<u>Type of Business</u>	<u>(US\$ Million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
388-SW	1978	The Royal Swaziland Sugar Corporation Ltd.	<u>8.0</u>	<u>0.5</u>	<u>8.5</u>
		Total gross commitments	8.0	0.5	8.5
		Less: Cancellations, terminations, repayment and sales	<u>-</u>	<u>-</u>	<u>-</u>
		Total now held by IFCA	8.0	0.5	8.5
		Total undisbursed	8.0	-	8.0

C. BANK PROJECTS IN EXECUTION

Loan No. 1058-SW Water Supply and Sewerage Project; US\$3.5 Million Loan of December 8, 1974; Effectiveness Date: March 12, 1975; Closing Date: December 12, 1979

After earlier delays, project construction is complete with the exception of additional sewerage works in Mbabane which are expected to be completed soon. However, the Water and Sewerage Board (WSB) continues to be plagued with problems of recruitment and retention of expatriate staff. Disbursements have also been slow because of construction delays and some contracts being implemented by force account. The Project's Closing Date has been extended from December 31, 1978 to December 31, 1979. Due to devaluation of the rand there will be a loan surplus of about US\$0.9 million and this will be cancelled upon project completion.

Credit No. 518 Education; US\$5 Million Credit of December 9, 1974; Effectiveness Date: March 11, 1975; Closing Date: December 31, 1980

Project implementation continues satisfactorily and is proceeding ahead of schedule due to, inter alia, an early selection of architectural consultants, as well as consultants for procurement of furniture and equipment. As a result, the finalization of the project is anticipated 12 months ahead of schedule. All civil works contracts have been awarded and nearly completed; all furniture and equipment have been procured and almost delivered. Savings of US\$59,000 realized on the credit, mainly due to rapid execution, have at the request of borrower partly been used for selected project items. Commitments, as of March 31, 1979, represent about 92 percent of total project cost. Most of the educational objectives are being achieved. However, the industrial areas program at the junior secondary level is not suitable for students at this level; and the Government is currently revising the curriculum in this area. Additional studies and plans are expected to improve the functioning and scope of various non-formal education programs.

Loan No. 1108-SW Second Highway; US\$7.0 Million Loan of December 9, 1974; Effectiveness Date: October 13, 1975; Closing Date: December 31, 1979

During execution of the project works, a devaluation of the Emalangni in December 1975 enabled Government with Bank approval, to expand the size of the project to include the Pluzumoya-Big Bend Road (24KM). All three roads were completed on schedule. The last one in June 1978. The total project cost, including the additional road section, are US\$10.1 million, compared to appraisal estimate of US\$9.9 million. Upon Government's request, Bank approved extension of closing date from December 31, 1979 to allow utilization of retention monies to contractors and supervisory consultant.

Loan No. 1375-SW Rural Development; US\$4.0 Million Loan of April 6, 1977;
Effectiveness Date: January 27, 1978; Closing Date:
November 30, 1982

The Project became effective on January 27, 1978. Limited releases of capital by Government caused delays in early project execution, especially in construction. Additional delays are due to the failure of the Central Rural Development Board (CRDB) to approve development plans for the IBRD financial Rural Development Areas (RDAs) and the delayed arrival of the USAID financed heavy equipment. The project is approximately 20 months behind schedule. Certain steps are being taken towards mitigating the main constraints and the rate of project implementation is expected to improve.

Loan No. 1409-SW National Industrial Development Corporation of Swaziland (NIDCS);
US\$5.0 Million Loan of May 12, 1977; Effectiveness Date:
July 18, 1977; Closing Date: December 31, 1980

Commitments under this project are lagging behind expectations because NIDC's operations have been slowed down by departure of key staff members and by its relatively high onlending rate of interest. While commitments are expected to pick up again it is unlikely that disbursements will be completed before December 31, 1981.

Loan No. 1478-SW Education II; US\$4.0 Million Loan of August 8, 1977;
Effectiveness Date: November 7, 1977; Closing Date:
June 30, 1980

Implementation of the projects began before the Loan became effective. The project implementation unit continues to operate satisfactorily and no problems are envisaged.

Loan No. 1619-SW Third Highway; US\$11.0 Million Loan of September 27, 1978;
Effectiveness Date: December 29, 1978; Closing Date:
December 31, 1982

The contracts for construction supervision of the Big Bend Nggwavuma River, and Manzini Mhakondvo River roads were recently awarded. Pre-qualifications of contractors for construction is expected to be completed soon.

D. IFC PROJECTS IN EXECUTION

The Royal Swaziland Sugar Corporation Limited, 388-SW, Sugar Milling

In 1978, IFC invested in the Royal Swaziland Sugar Corporation Limited for developing a new sugar complex in northeastern Swaziland. The Project, which will produce about 120,000 metric tons of cane sugar per annum, virtually all for export, is proceeding satisfactorily and on schedule. IFC also is exploring possible investments in an edible oil mill using locally produced cotton seed, now exported to South Africa, and is keeping close contact with the National Industrial Development Corporation of Swaziland regarding other investment opportunities.

SWAZILAND - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	SWAZILAND			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) ^{1/1}						
	TOTAL	17.4		1960 ^{1/2}	1970 ^{1/2}	MOST RECENT ESTIMATE ^{1/2}	SAME GEOGRAPHIC REGION ^{1/3}	SAME INCOME GROUP ^{1/4}	NEXT HIGHER INCOME GROUP ^{1/5}	
	AGRICULTURAL	12.7								
GNP PER CAPITA (US\$)		80.0	240.0	550.0	306.1	467.5	1097.7			
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)		80.6	262.1	730.7			
POPULATION AND VITAL STATISTICS										
POPULATION, MID-YEAR (MILLIONS)		0.35	0.43	0.51	..	..	..	..	..
URBAN POPULATION (PERCENT OF TOTAL)		3.8	10.3	14.3	17.1	24.6	49.0			
POPULATION PROJECTIONS										
POPULATION IN YEAR 2000 (MILLIONS)		
STATIONARY POPULATION (MILLIONS)		
YEAR STATIONARY POPULATION IS REACHED		
POPULATION DENSITY										
PER SQ. KM.		20.0	25.0	27.0	18.4	45.3	44.6			
PER SQ. KM. AGRICULTURAL LAND		24.0	29.0	40.0	50.8	149.0	140.7			
POPULATION AGE STRUCTURE (PERCENT)										
0-14 YRS.		46.9	46.7	45.0	44.1	45.2	41.3			
15-64 YRS.		50.3	49.2	52.0	52.9	51.9	55.3			
65 YRS. AND ABOVE		2.8	4.1	3.0	2.8	2.8	3.5			
POPULATION GROWTH RATE (PERCENT)										
TOTAL		2.0	2.2	2.5	2.7	2.7	2.4			
URBAN		11.3	12.8	9.3	5.7	4.3	4.5			
CRUDE BIRTH RATE (PER THOUSAND)										
CRUDE BIRTH RATE (PER THOUSAND)		51.7	49.0	48.0	46.3	39.4	31.1			
CRUDE DEATH RATE (PER THOUSAND)		28.2	22.0	19.0	17.2	11.7	9.2			
GROSS REPRODUCTION RATE		..	3.5	3.1	3.1	2.7	2.2			
FAMILY PLANNING										
ACCEPTORS, ANNUAL (THOUSANDS)				
USERS (PERCENT OF MARRIED WOMEN)		13.2	34.7			
FOOD AND NUTRITION										
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)										
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)		63.2	102.0	107.0	94.3	99.6	104.4			
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)										
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)		..	90.0	89.0	89.5	94.7	105.0			
PROTEINS (GRAMS PER DAY)		..	55.4	57.0	55.8	54.3	64.4			
OF WHICH ANIMAL AND PULSE		17.9	17.4	23.5			
CHILD (AGES 1-4) MORTALITY RATE										
CHILD (AGES 1-4) MORTALITY RATE		41.0	32.0	27.0	22.3	11.4	8.6			
HEALTH										
LIFE EXPECTANCY AT BIRTH (YEARS)		35.9	42.0	46.0	47.0	54.7	60.2			
INFANT MORTALITY RATE (PER THOUSAND)		..	168.0/£	156.0	..	68.1	46.7			
ACCESS TO SAFE WATER (PERCENT OF POPULATION)										
TOTAL		37.0	20.3	34.4	60.2			
URBAN		83.0	53.9	57.9	75.7			
RURAL		29.0	10.1	21.2	40.0			
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)										
TOTAL		36.0	22.5	40.8	46.0			
URBAN		99.0	62.5	71.3	46.0			
RURAL		25.0	13.9	27.7	22.5			
POPULATION PER PHYSICIAN										
POPULATION PER PHYSICIAN		10000.0/g	8270.0	9200.0	17424.7	6799.4	2262.4			
POPULATION PER NURSING PERSON										
POPULATION PER NURSING PERSON		3670.0/g	1430.0	940.0	2506.6	1522.1	1195.4			
POPULATION PER HOSPITAL BED										
TOTAL		490.0/g	300.0	290.0	502.3	726.5	453.4			
URBAN		..	40.0	60.0	201.4	272.7	253.1			
RURAL		..	1910.0	680.0	1403.6	1404.4	2732.4			
ADMISSIONS PER HOSPITAL BED										
ADMISSIONS PER HOSPITAL BED		21.7	23.4	27.5	22.1			
HOUSING										
AVERAGE SIZE OF HOUSEHOLD										
TOTAL		4.9	5.4	5.3			
URBAN		4.9	5.1	5.2			
RURAL		5.5	5.5	5.4			
AVERAGE NUMBER OF PERSONS PER ROOM										
TOTAL		1.9			
URBAN		1.6			
RURAL		2.5			
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)										
TOTAL		5.0	9.0	..	..	28.1	50.0		
URBAN		45.1	71.7			
RURAL		9.9	17.3			

SWAZILAND - SOCIAL INDICATORS DATA SHEET

	SWAZILAND			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) ^{1/a}		
	1960 ^{1/b}	MOST RECENT		SAME GEOGRAPHIC REGION ^{1/c}	SAME INCOME GROUP ^{1/d}	NEXT HIGHER INCOME GROUP ^{1/e}
		1970 ^{1/b}	ESTIMATE ^{1/b}			
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	58.0	90.0	103.0	59.0	82.7	102.5
MALE	58.0	93.0	105.0	64.2	87.3	108.6
FEMALE	58.0	87.0	101.0	44.2	75.8	97.1
SECONDARY: TOTAL	5.0	19.0	36.0	9.0	21.4	33.5
MALE	5.0	21.0	37.0	12.0	33.0	38.4
FEMALE	4.0	16.0	32.0	4.4	15.5	30.7
VOCATIONAL ENROL. (% OF SECONDARY)	5.0	2.3	3.3	7.0	9.8	11.5
PUPIL-TEACHER RATIO						
PRIMARY	37.0	40.0	38.0	42.2	34.1	35.8
SECONDARY	13.0	19.0	18.0	22.9	23.4	22.9
ADULT LITERACY RATE (PERCENT)	..	30.0	50.0	20.8	54.0	64.0
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION	10.0	10.0	15.5	4.0	9.3	13.5
RADIO RECEIVERS PER THOUSAND POPULATION	7.0	74.0	111.0	44.3	76.9	122.7
TV RECEIVERS PER THOUSAND POPULATION	..	..	..	2.9	13.5	38.3
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	..	..	..	5.6	18.3	40.0
CINEMA ANNUAL ATTENDANCE PER CAPITA	0.2	0.2	0.2	0.4	2.5	3.7
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)	160.0	198.0	221.0	..	..	..
FEMALE (PERCENT)	46.3	46.0	45.7	31.9	29.2	25.0
AGRICULTURE (PERCENT)	89.1	81.1	75.4	77.6	62.7	43.5
INDUSTRY (PERCENT)	3.8	6.3	..	7.9	11.9	21.5
PARTICIPATION RATE (PERCENT)						
TOTAL	50.1	48.5	47.0	40.8	37.1	33.5
MALE	54.5	53.1	51.7	53.9	48.8	48.0
FEMALE	45.7	44.0	42.3	25.6	20.4	16.8
ECONOMIC DEPENDENCY RATIO	1.1	1.1	1.0	1.2	1.4	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	15.2	20.8
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	48.2	52.1
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	6.3	3.9
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	16.3	12.6
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	..	187.6	241.3	270.0
RURAL	..	..	..	96.8	136.6	183.3
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	..	138.4	179.7	282.5
RURAL	..	..	193.0	71.0	103.7	248.9
ESTIMATED POPULATION BELOW ADEQUATE POVERTY INCOME LEVEL (PERCENT)						
URBAN	..	..	..	34.5	24.8	20.5
RURAL	..	..	..	48.7	37.5	35.3

- .. Not available
 . Not applicable.

NOTES

^{1/a} The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

^{1/b} Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

^{1/c} Africa South of Sahara; ^{1/d} Lower Middle Income (\$281-350 per capita, 1976); ^{1/e} Intermediate Middle Income (\$551-1135 per capita, 1976); ^{1/f} 1966; ^{1/g} 1962.

Most Recent Estimate of GNP per capita is for 1978.

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1976/77^{1/}

	US\$ Mln.	%
GNP at Market Prices	271.3	100.0
Gross Domestic Investment	48.7	17.9
Gross National Saving	17.7	6.5
Current Account Balance	-31.0	-11.4
Exports of Goods, NFS	227.2	83.7
Imports of Goods, NFS	286.4	105.6

ANNUAL RATE OF GROWTH (% constant prices)

	1971/72-76/77	1976/77 ^{2/}
	7.7	4.9
	5.7	-19.0
	-	-
	-	-
	11.6	-9.2
	14.7	6.2

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976/77

	Value Added		Labor Force ^{3/}		V. A. Per Worker	
	US\$ Mln.	%	Mln.	%	US \$	%
Agriculture	68.7	29.9	.215	85	320	360
Industry	57.4	25.0	.016	6	3,586	402
Services	103.6	45.1	.023	9	4,504	504
Unallocated	.	.	.	.	.	.
Total/Average	229.7	100.0	.254	100.0	893	100.0

GOVERNMENT FINANCE

	General Government			Central Government		
	(Mln.)	% of GDP		(Emal. Mln.)	% of GDP	
	197	197	196-7	1976/77	1976/77	1974/75-76/77
Current Receipts				54.5	21.5	25.6
Current Expenditure				41.7	16.4	14.4
Current Surplus				12.8	5.0	11.3
Capital Expenditures				22.4	8.8	8.1
External Assistance (net)				10.4	4.1	2.8

MONEY, CREDIT and PRICES

	1970	1971	1972	1973	1974	1975	1976	1977
	(Million Emal. outstanding end period)							
Money and Quasi Money ^{4/}	..	..	39.5	43.6	56.3	61.5	77.1	89.5
Bank credit to Public Sector	-1.2	-1.5	-2.0	-2.8	-6.3	-34.3	-32.6	-38.5
Bank Credit to Private Sector	17.1	18.2	17.4	22.6	29.3	43.6	46.6	47.7

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	..	..	35.0	28.6	29.4	26.7	37.1	37.7
General Price Index (1972 = 100) ^{5/}	95.8	97.7	100.0	111.6	133.1	149.2	158.9	185.1
Annual percentage changes in:								
General Price Index	2.2	2.0	2.4	11.6	19.3	12.1	6.5	16.5
Bank credit to Public Sector	..	6.4	-4.4	29.9	29.6	48.8	6.9	2.4
Bank credit to Private Sector	..	6.4	-4.4	29.9	29.6	48.8	6.9	2.4

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

1/ Estimates.

2/ Provisional.

3/ The labor force is defined as persons employed in the modern sector plus those whose main occupation is in the traditional sector; excludes 25,000 absentees mainly in South Africa.

4/ After 1974 omits Rand in circulation in Swaziland for which there are no reliable estimates

5/ No general Price Index is available; index relates to the main cities of Mbabane and Manzini only.

.. not available
 . not applicable

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1975	1976	1977 ^{1/}
	(Millions US \$)		
Exports of Goods, NFS	198.1	193.7	184.0
Imports of Goods, NPS	179.0	200.2	231.4
Trade Balance	+19.1	-6.5	-47.4
Non-factor Services (net)	-7.4	-8.7	-10.9
Interest Payments (net)	-10.5	-6.0	-7.4
Workers' Remittances	3.6	3.6	4.4
Other Factor Payments (net)	-6.4	-7.3	0.9
Net Transfers	13.3	10.4	12.4
Balance on Current Account	11.7	-14.5	-48.0
Direct Foreign Investment			
Net MLT Borrowing			
Disbursements	3.5	11.0	11.8
Amortization	2.5	1.1	.9
Subtotal	1.0	9.9	10.9
Capital Grants	0.7	0.8	..
Long-term Capital (net)	7.8	12.6	25.3
Other items n.e.i	19.5	18.4	33.0
Increase in Reserves (+)	-40.7	-27.2	-21.2
Net Reserves (end year)	103.0	102.9	128.4
Fuel and Related Materials			
Imports	179.0	200.2	231.4
of which: Petroleum	18.2	20.7	27.3
Exports	198.1	193.7	184.0
of which: Petroleum	-	-	-

RATE OF EXCHANGE

Through - 1971	1973	1974	1975	1976-78	1979
US \$ 1.00 = F	0.69	0.68	0.73	0.87	0.85
1.00 = US \$	1.44	1.47	1.37	1.15	1.18

MERCHANDISE EXPORTS (AVERAGE 1975-77)

	US \$ Miln	%
Sugar	77.3	40.0
Wood Products	32.3	17.0
Fruits (mainly citrus)	7.8	4.0
Iron Ore	16.2	8.0
Asbestos	15.2	8.0
Meat & Meat Products	4.7	2.0
All other commodities	40.9	21.0
Total	184.9	100.0

EXTERNAL DEBT, DECEMBER 31, 1978

	US \$ MI
Public Debt, incl. guaranteed	103.3
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..
<u>DEBT SERVICE RATIO for 1978^{2/}</u>	<u>2</u>
Public Debt, incl. guaranteed	1.6
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

IBRD/IDA LENDING, (July 1979) (Million US \$):

	IBRD	IDA
Outstanding & Disbursed	16.6	6.6
Undisbursed	20.5	1.0
Outstanding incl. Undisbursed	37.1	7.6

^{1/} Provisional^{2/} Ratio of Debt Service to exports of goods and non-factor services.

.. not available

.. not applicable

December, 1979

EALDE

SUBJECT BRIEF ON SPECIAL ISSUES

Wednesday, January 23, 1980

STOP 1. 1400, Arrival at Manzini, Swaziland

Arrival Statement

STOP 2. 1530, One hour meeting with Prime Minister and Ministers of Finance, Agriculture and Education

(See biographical data for particulars on country officials.) Although your meeting is fairly short, we recommend you take opportunity to touch upon following issues: (a) our excellent relations, composition of our lending program (hesitation to borrow for agricultural projects) and need to balance revenue earning investments with those which will benefit the poorer population directly; (b) the importance of the Government's focusing on its growing unemployment problem and seriously considering the consequences of its high rate of population growth and undertaking a more focused population program (beyond extension of FD/MCH services); (c) the views of the ministers on efforts to increase the productivity, income and employment in the traditional agricultural and livestock economy; and (d) the need to strengthen the planning and management capabilities of the Central Government and to improve the country's statistical basis (most importantly, the need to produce national accounts on a regular basis). (See List of Topics for Discussion for particulars.) The Bank, through its forthcoming Country Economic Memorandum, is addressing most of these problems and proposing recommendations. A technical assistance loan is proposed for FY83R to improve planning and management capabilities.

STOP 3. 1630, Drive to Swaziland College of Technology (SCOT) and Trades Testing Center

Generally, we are satisfied with the progress of the two Bank-financed education projects and the record of the Government in addressing the major issues facing the educational sector. Swaziland has one of the highest adult literacy rates and enrollment rates of school age population in Africa. The major problem is the employment of school leavers and the quality of education. During your visit you may want to draw attention to the need for: (a) more qualitative modifications in the curricula of primary, junior secondary and higher secondary schools to make them more vocation-oriented and appropriate to Swaziland's needs; (b) improving the training of primary and secondary school teachers; (c) absorbing the high output of secondary graduates and creating meaningful employment opportunities; and (d) coordinating SCOT's training capacities with industrial demand for professionals and utilizing fully SCOT's training capacities. Annex I provides a project-specific brief on the first, second and proposed third education projects.

STOP 4. 1730, Drive to Lobamba, Meet with King

The King is the head of the Swazi Nation as well as the political head of state. Consequently, he exercises significant control over all major decisions and is actively involved in day-to-day operations. You will be the first Bank official who will have a meeting with the King. We recommend that during your visit you: (a) ascertain the King's views on the dual economic system and how it is operating; (b) acquaint the King with Bank operations and policies; and (c) discuss the need to accelerate the Government's National Rural Development Program and obtain his views on how to best deal with the problem of overstocking of livestock.

Thursday, January 24, 1980

STOP 1. 0730, Visit to Northern Rural Development Area Program

The Swaziland Rural Development Area (RDA) Program constitutes the core of the Government's plans to promote comprehensive development to generate improved productivity and incomes of the traditional farmer on the Swazi Nation Land. This program was initiated in 1970 to redress the imbalance between the modern rural subsector (which is predominantly owned by foreigners) and the subsistence-oriented farms of the traditional subsector. The rural development project that you will visit is part of the RDA program and financed with support from ODA. Project implementation started in the early 1970s and has made considerable progress since. By 1982, the RDA program was designed to cover around 60 percent of traditionally farmed Swazi Nation Land which provides employment for about 70 percent of the population. Held in trust by the King, Swazi Nation Land represents 55 percent of the total land area and is governed by a local chief and the Central Rural Development Board (CRDB) which oversees all developments on the land. The CRDB reports, through its chairman, directly to the King. Members of the CRDB consist mainly of chiefs and traditional elders appointed by the King with the Secretary of the Cabinet and seven Rural Development Officers serving as ex-officio members.

The Bank's Rural Development Project forms part of the ongoing RDA Program and provides for the expansion from 4 RDAs to 14 RDAs. The project is being undertaken in three discrete phases: a land use and investment planning phase, a preliminary development phase, and an intensive development phase involving land development, resettlement, livestock development, and provision of agricultural and social services. To date the Bank funded project and the RDA's program have had mixed results. Implementation of the Bank's project is two years behind schedule. As explained in the project specific brief in Annex II, delays have been incurred because of difficulties in obtaining CRDB approval of area development plans. This approval has been delayed because of the procedures followed by the CRDB and the need to resolve any issues raised by homestead relocations, etc. The CRDB follows traditional custom and sees its role as protecting local values. The Ministry of Agriculture, on the other hand, is responsible for coordinating

and administering the technical inputs of the NRDA. It suffers from coordination problems, particularly at higher levels of organization, a scarcity of trained local manpower and a need to streamline and improve its implementation capability. Consequently, there have been understandable delays associated with mobilizing the rural communities to participate effectively in the RDA program. During your visit, we recommend that you stress the importance of accelerating the RDA program while touching on the delicate land tenure issue which is discussed in the Topics for Discussion (para. 8).

STOP 2. 1015, Drive to Piggs Peak
Visit the Small Enterprises Development Company (SEDCO)
Industrial Estate; Meet Workers

On your way to Piggs Peak you will pass through some forests. A Bank forestry reconnaissance mission visited Swaziland in early January to gain some preliminary first-hand knowledge of this subsector, but has not yet returned to Washington. Thereafter we will consider whether there are any possibilities for Bank involvement in view of external assistance readily available. However, the long-term prospects for forestry appear promising.

Regarding Industry, which is one of the most important sector in the Swazi economy, you will be visiting SEDCO which provides financial and technical assistance to small-scale Swazi-owned enterprises. The Bank's loan to the National Industrial Development Corporation of Swaziland (NIDCS) provides foreign exchange for the investment programs of NIDCS and SEDCO, thereby supporting the development of medium- and small-scale industries. Annex IV provides the project particulars. The major issue to be raised is the need for Swaziland to overcome the severe shortage of Swazi entrepreneurs and managers.

OFFICE MEMORANDUM

TO: Files

DATE: November 5, 1979

FROM: Joost Polak, Loan Officer, EA1DB

SUBJECT: Regional Meeting with the Swaziland Delegation

1. A meeting with the Swaziland delegation to the Annual Meetings in Belgrade was held October 2, 1979. Present were Messrs. J. L. F. Simelane, Minister of Finance, V. E. Sikhondze, Permanent Secretary, Ministry of Finance, and T. M. J. Zwane, Permanent Secretary, Economic Planning. Messrs. Wapenhans, Kraske, Polak and Nxumalo, advisor to Mr. Madinga, were present from the Bank.
2. Mr. Kraske noted that Swaziland had been discussing technical assistance in economic planning with the UNDP, and said that the Bank would be happy to be of assistance in this field; should UNDP assistance (for which the Bank might act as executing agency) not be available, we would be prepared to consider direct assistance. Mr. Simelane said such assistance would be welcomed, particularly for Swaziland's Planning and Statistics Department. The department was being restructured and strengthened, and a number of new posts created. Preliminary discussions were being held with other donors, particularly for funding to support an expert in the national accounts field to operate the department, and it would be some time before Swaziland was in a position to make a formal proposition.
3. Mr. Kraske said the Bank would be willing to assist Swaziland in identifying suitable projects and programs in the agriculture sector, noting that a sector mission was planned for early calendar 1980. Mr. Simelane said such a mission would be welcomed, and the proposed timing seemed convenient.
4. Mr. Wapenhans congratulated Mr. Simelane on assuming the finance portfolio and said he hoped the agricultural sector mission would result in a healthy pipeline of projects as agriculture was the backbone of Swaziland's economy and only one project was scheduled. Mr. Simelane replied that rural development held priority in the Third National Development Plan (1978-82).
5. In response to a question by Mr. Kraske as to whether the live-stock marketing and meat production study under the 1978 Rural Development Project was likely to lead to a project, Mr. Simelane noted that the Government was still new, but said the question would be taken up. Mr. Kraske said it would be helpful if the Government's views on this could be made available to the February mission, to which Mr. Simelane agreed.

6. Responding to a question by Mr. Kraske, Mr. Simelane said oil price and supply problems were seriously affecting Swaziland, particularly as the RSA had imposed its cutback regulations (a 30 percent reduction) and opening and closing hours on Swaziland. Mr. Zwane added that the 65 percent price hike for petroleum had seriously affected the construction industry, a major employer in Swaziland. Mr. Simelane added that Swaziland was searching for new sources of oil supply, and contemplating increasing its storage capacity, presently only enough for three weeks' supply. He said the Government had been told that facilities to store enough oil for 60 to 90 days would cost about \$2 million, and was considering seeking financial support to build such facilities.
7. In response to another question by Mr. Kraske, Mr. Simelane said RSA had taken no action to curtail its use of Swazi miners, but that the migrant labor force was declining as an increasing number of workers was absorbed by domestic small industries.
8. Mr. Simelane said the Swazi Government was quite disturbed that the country had lost its United Nations "least developed" designation, and was now considered capable of financing a larger share of project costs. He said that the Bank's decision to finance only about half of project costs -- as in the Third Education loan -- had put Swaziland in a difficult position: the burden of bearing the high recurrent costs in such sectors would mean that other self-financed projects would have to suffer because of a shortage of local funds.
9. Mr. Kraske noted that the United Nations, not the Bank, decided which countries were least developed, on the basis of per capita incomes; Swaziland was lucky in having a relatively high per capita income of \$550. As to the Third Education project, the Bank's financing of about two-thirds of its \$15 million cost would include all foreign exchange costs. While recognizing that education bore heavy recurrent costs, this problem should be assessed before investment decisions were taken as the Bank generally limited its financing to capital investment costs.
10. The Bank's general principle was to attempt to share costs in a reasonable manner so as to assure that its own limited resources were stretched to cover as many projects as possible rather than being substituted for domestic savings mobilization. The budgetary positions of member governments were another factor, and Swaziland's past good performance had placed it in a strong position as a net creditor of the banking system. He noted that India typically contributed 50 percent of the costs of Bank projects.

11. Mr. Sikhondze asked whether this policy on cost-sharing would become general for Bank projects in all sectors in Swaziland. Mr. Kraske said that when the Bank was asked to assist projects with significant foreign exchange components our share was determined by the foreign exchange component; in some cases where the foreign exchange component was relatively small, our share would be determined with a view to the financial position of Swaziland.

Cleared with and cc: Mr. J. Kraske (EALDR)

cc: Messrs. Wapenhans, Adler, Gulhati, Reese

JPolak/ab

OFFICE MEMORANDUM

TO: Files

FROM: Roger Q. Sullivan, Loan Officer, EAIDB

SUBJECT: SWAZILAND - Visit of Mr. W.A. Wapenhans, RVP, EAN
March 25-29, 1978

DATE: April 24, 1978

1. Mr. Wapenhans visited Swaziland from March 25-29, accompanied by Mr. Y.S. Abdulai, Executive Director's Office, and myself. He met the Swazi Cabinet and held separate discussions with officials in the Ministries of Finance, Agriculture, Education, Works, Industry and Local Administration. Field trips included visits to the Northern Rural Development Area, the Third Sugar Mill Dam Site, the Mpaka coal mine, the Mbabane low-cost housing site, several education centers and road improvement schemes. A copy of the itinerary is attached. This note summarizes the major issues discussed.

Meeting with Cabinet

2. The Prime Minister, Colonel Maphevu Dlamini, invited Mr. Wapenhans to a special cabinet meeting on Tuesday, March 28, 1978, to introduce him to the ministers and to enable Mr. Wapenhans and the cabinet to exchange views on Swaziland's economic development. All ministers except for the Ministers of Agriculture and Industry were present. The Prime Minister welcomed Mr. Wapenhans to Swaziland and noted the importance and usefulness of having a Bank Vice President visit while work on the Third National Development Plan was being finalized. The Minister of Finance agreed; he knew Mr. Wapenhans had some knowledge of the draft Plan, which he admitted might be too large with some sectoral distortions, and asked for his views.

3. Mr. Wapenhans began by stating he had not seen the Third Plan but had some idea of its broad outlines. The Plan was ambitious, as plans should be; it called for investment levels exceeding \$100 million per annum, which equalled about 40 percent of GNP, or \$200 per capita per annum. These were very high ratios, among the highest in Africa. If 50 percent of the Plan was financed externally, inflows totalling \$200 million -- about \$40 million annually or \$80 per capita per annum -- would be required. Mobilizing these resources would be a tremendous task; it would mean quadrupling the average levels of borrowing and investment in the Second Plan period, and doubling the levels reached in the most recent financial year. Swaziland might be successful in attracting such flows due to the significant role of the external sector, the relative stability of the political situation and the solid record of economic growth. But this success will lead to a rapid accumulation of debt which in effect will act as a mortgage on the economy's future. Thus it is important to examine the Plan's composition and its expected impact on production as a way of measuring the benefits accruing from the proposed large amounts of public borrowing. Our preliminary reaction is that the Plan may lead to growth of income in the modern sector,

but will not substantially benefit the traditional, rural economy where most Swazis live. It is difficult to measure how serious the situation is in the traditional sector because there is no ongoing evaluation of the impact programs like the Rural Development Area scheme may have had on increases in production and incomes. The Bank hopes steps are being taken to improve project evaluation and also to re-establish collection and maintenance of national accounts data. Accurate, timely national accounts are essential in monitoring and analyzing overall economic development. The World Bank is prepared to do its part and perhaps can increase its level of assistance if we can be satisfied that this is justified in terms of the directives and policies of the Plan and is otherwise consistent with other financial arrangements Swaziland may enter into. In the past, part of the Bank's lending has heavily favored infrastructure; but, in view of the impending school-leaver problem and limited employment opportunities, the future needs of the economy are for productive investments based on indigenous resources and designed to absorb local labor. The Bank would expect to be able to channel more of its resources into agriculture and industry.

4. The Ministers took turns responding to Mr. Wapenhans' remarks.
- Several objected to the use of per capita measurements; this was a misnomer in the case of Swaziland where three-quarters of the wealth belongs to expatriates. Swaziland is a country of laborers with most of the wealth skimmed off the top and exported. The regional political situation required the application of a different set of standards for determining aid flows and their terms.
 - The Minister of Works felt the Bank had shown its recognition of Swaziland's problems by stepping up its lending after 1974. But he recalled an earlier mission he led to Washington to discuss the thermal power project and the Bank's decision not to support the project because it would subsidize power sales to South Africa which was not politically acceptable. The Bank didn't realize South Africa was Swaziland's only market; the project would have meant jobs and an independent source of power. Now the world community contemplates imposing economic sanctions on South Africa without considering the negative impact these will have on Swaziland.
 - The Deputy Prime Minister spoke of the gap between the "haves" and "have nots". Despite the concentration of wealth in foreigners' hands, the Government did not intend to go the nationalization route to increase the Swazis' share in these enterprises. What the country needed now was more tarred roads to attract foreign investors.

- The Minister of Education indicated that the secondary school curriculum had been revised to make it more relevant to the job market and to address the problem of school leavers. Government would put most of its future educational emphasis on achieving universal primary education; Swaziland was only one of 12 countries in Africa without it.
- The Minister of Local Administration referred to the increasing urban problems. Slums were increasing and housing shortages existed at all income levels. He asked if the Bank would assist their slum clearance and low-cost housing efforts.

5. Mr. Wapenhans responded to the various points raised by the Ministers. He agreed per capita measurements were imprecise tools, but nevertheless they were important for quantifying relationships necessary for decisions on allocation and rationing of resources. The per capita income figure demonstrates both the possibilities and limits of Bank assistance. For instance, IDA has only about \$2.5 billion per annum available for lending, while the Bank can lend a much larger amount, about \$6 billion this year, much of which the Bank has borrowed. Mr. Wapenhans highlighted the Bank's borrowing operations, and explained the importance of creditworthy analysis in enabling the Bank to borrow at low interest rates. Referring to the thermal power project, Mr. Wapenhans said that the Bank staff had to base its recommendations for project financing on economic and financial criteria and could not take account of political needs. Naturally in looking at the future prospects for given markets, e.g., the demand for power in South Africa, it was necessary to factor in likely political developments, and hence such judgments were important in projecting an economic scenario. Nevertheless, a positive recommendation to proceed with a project needed to be based on a high probability that the project in question would be economically beneficial for the borrower and consistent with his long-term development prospects. This was different than proceeding to analyze a project with a preconceived political bias. The Bank had based its analysis of the thermal power project solely on economic interrelationships and a determination of the project's benefits to Swaziland. On the concept of Swaziland as a nation of laborers, Mr. Wapenhans commented that the proposed Plan, with its emphasis on infrastructure and capital-intensive investments, would intensify the structural imbalance in the economy. Only 14 percent of estimated Third Plan capital expenditures were earmarked for agriculture; not much emphasis was placed on small-scale or medium-sized industry. Infrastructure investments will improve the lives of those already productive, but they will not be as beneficial to people without employment or subsisting in the traditional sector. Finally, turning to urban issues, Mr. Wapenhans indicated the Bank would consider supporting the Government's attempts to solve its slum-clearance and low-cost housing problems as long as the approach was affordable, followed sound economic and financial practices, and stimulated production in the assisted areas. In the past the Bank was content to confine its assistance to squatter upgrading and site and service projects. Rarely was assistance provided to enhance the productive potential of people living in these areas. The Bank was now examining this problem and developing experience in adding productive components to urban assistance projects.

Ministry of Agriculture

6. Mr. Wapenhans opened the meeting with the Permanent Secretary by noting the lack of evaluation currently in progress in agricultural projects. He wanted to know how the Ministry proposed to improve productivity and break out of the subsistence environment if farm families' responses to various input packages weren't monitored or improvements in production and income not measured. The livestock environment was also somewhat peculiar, with more cattle than people but, at least in the Northern RDA, only half of the families listed as cattle owners. The Permanent Secretary indicated the Ministry would be undertaking more evaluation under the expanded RDA program. He knew of areas where yields had responded to improved inputs, others where they haven't. Livestock presented more problems; there were cultural forces at work which didn't respond readily to market theories. The Government had introduced SISA and fattening ranches without getting any destocking. There were anomalies in the distribution of cattle; in the traditional setting families sometimes tended cattle belonging to others, sharing in the benefits though they don't own the cattle. Others have substituted tractors for cattle, a trade-off the Ministry would like to encourage.

7. Mr. Wapenhans enquired if the Bank could do more to increase agricultural production. The small share of agriculture in the proposed Third Plan seemed a distortion considering the proportion of the population dependent on the sector. The Permanent Secretary felt there were problems in moving too fast. It was better to try and implement the projects in the pipeline rather than expand in too many directions at once.

Ministry of Education

8. Mr. Wapenhans met with the Permanent Secretary, Senior Educational Planner and Director of the Bank-assisted Swaziland Project for Educational Development. In his opening comments, he noted the challenges ahead for education in face of an expanding population and limited employment opportunities. Manpower forecasts called for a substantial surplus of school leavers in the early 1980's; the high population growth rate meant unemployment problems would persist through the end of the century. What should happen in other sectors to absorb people, to fully integrate them in productive work? The Permanent Secretary and Senior Educational Planner agreed about the dimensions of the problem. The Ministry had undertaken to revise secondary school curriculum to provide more basic skills to students; new educational expenditures would stress vocational training and consolidation of primary education into a ten year basic cycle. Basically, though, the Government had not thought through the problem of future school leavers and the need for a multi-sectoral solution.

Ministry of Works

9. Mr. Wapenhans noted that a significant amount of the Bank's assistance has been channeled into infrastructure projects. He asked the Undersecretary (who chaired the meeting in the absence of the Permanent Secretary), ministry department heads and related parastatal representatives (water, power, railways, Central Transport Organization) about their experiences

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in implementing Bank projects. The Managing Director of the electricity company suggested that the Bank should help smaller countries develop projects, not cause them to devote scarce resources to preparing projects just to be turned down (he was apparently referring to the thermal power project discussed above in para. 5). He also complained that the foreign exchange risk was hard on smaller countries. Mr. Wapenhans indicated the Bank was trying to work with Governments from the earliest stages of project identification to minimize false starts. He also reviewed the Bank's policy on exchange rate risks, how it related to the Bank's Articles and described the Bank's role as a borrower on the capital markets. Mr. Russell of the CTO referred to the recent Bank appraisal of the third highway project; he wondered if the project was properly conceived in view of CTO's state of administrative collapse and questioned ability to supply required maintenance equipment. Mr. Wapenhans thought this was a situation requiring the Ministry of Works' assessment. Mr. Hromic, Senior Planning Officer, outlined the steps taken recently to strengthen CTO, including provision of a 7-man British-financed management team, and felt adequate measures were in progress to improve CTO's operations.

Ministry of Industry

10. Mr. Wapenhans met with the Undersecretary, the Managing Director of the Small Enterprises Development Company and several assistants. He asked them if the industrial strategy in the Third Plan contained ideas or proposals for labor-intensive, productive enterprises. Did any program exist in the industrial sector like the RDA approach in agriculture -- a multi-sector approach to increase production, stimulate employment? The officials responded by listing the constraints such as housing, training, land, recurrent funds, product ideas and development. Some growth was expected in small-scale industry; SEDCO hopes to double the number of entrepreneurs it assists from 112 to 250, though this was small in comparison to the need.

Ministry of Local Administration

11. Mr. Wapenhans discussed housing policies with the Undersecretary and the Director of the Housing Unit. The Bank's assistance for housing would have to be in context of the broader needs of the sector; namely, to create employment and expand production. The Bank was only now evolving a comprehensive policy in the sector; it was likely that future projects would include credit mechanisms for small-scale entrepreneurs, technical assistance, marketing, and cooperative development. He informed the officials that Mr. Singh of our urban projects division would visit in the next few months to work out a timetable for project preparation.

Ministry of Finance

12. The Minister, Permanent Secretary and most of the planning staff attended the wrap-up meeting. Mr. Wapenhans began by commenting on the Third Plan. He reviewed its size in comparison to the last one and asked

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for their views on two issues; (i) assumptions about the Plan's financing, (ii) the Government's ability to implement it. He also stressed the importance of establishing the proper mechanism for collecting national accounts, pointing out that problems could arise from different estimates made by various agencies interested in reviewing Swaziland's economic performance. When the Bank's draft economic report is sent for comments later this year, the Government should examine it carefully in light of the data contained in the Third Plan, and make sure the Government agrees for the most part with the Bank's assumptions and analysis.

13. The Minister and his staff replied that the Third Plan expenditures of E 413 million assumed an 85 percent implementation rate. Recurrent expenditures were projected to grow at 6 percent in real terms, revenues (which were at a much higher level) at 3 - 4 percent, permitting Government to contribute about 50 percent of the capital budget. Domestic borrowing would increase and Government balances run down. Sizeable Customs Union revenues were expected in 1980 and 1981 -- following the record level of imports in 1978 and 1979. Most of the projects in the Third Plan's first two years (53 percent of total expenditure) were developed and financing had been arranged.

14. In summary, Mr. Wapenhans hoped the Third Plan would contain a sound strategy for developing the productive sectors. The Bank's program would probably provide resources on the average of \$10 million per annum through the Third Plan period; where possible, the Bank would assist productive projects in agriculture and industry, particularly those which were employment-intensive, utilized local resources, and had an appropriate distributive effect.

Attachment

Cleared with and cc: Mr. Wapenhans

cc: Messrs. Adler, Boucher, Bronfman, Eccles, Erkmen, Gulhati,
Hendry, Nkojo, Nouvel, O'Brien, Reese, Reid, H. Singh,
Strombom, Wiehen
RMEA

RSullivan/WAWapenhans/s1

TOPICS FOR DISCUSSION

SWAZILAND

I. POPULATION AND EMPLOYMENT

1. Population growth is becoming a serious problem in Swaziland and you may raise the issue with Government. We are concerned about a fast growing number of Swazis who will be unable to find jobs in Swaziland's economy or outside, who will remain poor. You may therefore want to stress in your discussions with Government officials the necessity of measures to control population growth and of programs and policies to increase the capacity of agriculture and industry to provide productive employment.
2. Swaziland's population growth rate was 2.8 percent a year between two census years 1966 and 1976. Crude birth and crude death rates in the 1976 census, however, reveal that the rate of natural increase is considerably higher, amounting to 3.4 percent. Population projections indicate that Swaziland's population of about 520,000 will have doubled before the turn of the century, if the present level of fertility is maintained (over the past decade the fertility rate has been constant at 6.9 births per woman) and if mortality continues to fall, albeit slowly. Our discussions with Swazi officials have shown that they are concerned about rapid population growth and aware of the types of efforts necessary to reduce fertility. Nonetheless, the Government's approach has largely been passive, relying on the premise that development will eventually lower the birth rate.
3. Because of the Government's passive approach, the implications of the rapid increase in Swaziland's population have not been fully traced through and quantified. However, its dimensions are becoming clear--increasing population pressure on arable land leading to stagnating agricultural incomes, growing claims on public resources for education, health, etc., and rising unemployment. Until 1975, the expansion of wage employment plus work opportunities in South Africa was large enough to absorb the annual increments to the labor force. In recent years, the expansion of the modern sector was sufficient only to absorb one-sixth of the annual increment to the labor force. South Africa has begun to restrict the quotas for migrant black labor from neighboring countries. In the future, the employment problem is likely to become more severe. Because of the relatively young age distribution (47 percent of Swazis are less than 15 years old), the labor force is projected to grow at 3.6 percent p.a. during the 1980s. With the formal sector creating about 4,000 jobs p.a., almost one-half of the projected increase in the labor force will have to find employment in the traditional sector or the urban informal sector. Moreover, the problem will be very severe at the middle manpower level: a recent Government survey of the work force (and a 1977 ILO employment study) projected a growing oversupply of skilled labor at all levels of education except for university degree level.
4. A coherent strategy to deal with the emerging employment problem would include the following (in addition to longer-run population control policies): a program to raise productivity in traditional agriculture (see the following section on Agriculture), the development of small-scale labor-intensive industries, a reorientation of the education system, and wage policy. The growth of Swazi industry has been constrained by severe shortages of local capital and entrepreneurship. The Government has attempted to fill these gaps through the activities of two parastatal DFCs, the National

Industrial Development Corporation and the Small Enterprise Development Company, which have provided loans and equity investments, created industrial and service estates, and trained Swazi entrepreneurs. The Third Plan (1978/79-1982/83) projects that the investment activities of these two organizations will create about 1,200 jobs a year. The Third Plan also states that the Government is investigating the use of tax incentives to encourage labor-intensive investment; we do not know how far these investigations have proceeded. With respect to work force training, the Government has begun to alter the focus of the educational curricula away from literary and academic studies toward more technical subjects (math, science, agriculture and the social sciences) all focused towards the Swazi environment; its objective is to produce graduates more suitably trained for employment in the rural sector and in industry.

5. Modern sector wages have been increasing rapidly (about 12 percent p.a. over the past 5 years). Moreover, some Government officials have stated that the Wages Councils (the tripartite boards which are responsible for setting wages for various skill classes in 11 industrial sectors) should be encouraged to raise Swazi wages to the levels received by black workers in South Africa. Such wage increases not only reduce Swaziland's competitiveness in international markets but also raise the gap between modern and rural sector income increasing the incentives to migrate to urban areas (Mbabane and Manzini, Swaziland's two main cities, have been growing at 6 percent p.a. over the past decade, leaving many people with inadequate housing, water, and health services). In our discussions with Government officials, we have stressed the importance of tailoring wage increases to gains in labor productivity plus some allowance for inflation while generating employment opportunities through the expansion of industry and traditional agriculture.

II. AGRICULTURE

6. Swaziland's dualistic economy is marked by a steadily growing gap between a flourishing, but comparatively small modern agricultural sector comprising sugar and fruit plantations, forestry enterprises and ranches, and a stagnating, but large traditional sector where some 70 percent of the population live mainly from subsistence agriculture. Declining productivity because of population pressure on land, inadequate access to farm inputs and agricultural services, and overstocking on communal grazing land are the outstanding features of the traditional sector (see CPP, paras. 15-21), which barely contributes 12 percent to GDP. Efforts to increase productivity, income and employment in the traditional agricultural and livestock economy are most urgently required to sustain a population that is growing at a rapid pace and to make agriculture a viable alternative to limited employment opportunities in either Swaziland's modern sector or in South Africa.

7. To move gradually from subsistence into market production is one of the Government's stated objectives. We are, however, not convinced, that the Government is sufficiently committed to vigorously attack the issues which hinder the development of the traditional sector. Since independence, Government has pursued an extremely liberal policy under which a private agricultural and industrial sector, largely foreign-owned and foreign-managed,

has prospered. But, the bulk of Swazis have remained poor. Convinced that the "trickle down effect" would work, the Government has not made sufficient efforts to increase the living standard of the rural population. Since 1976, the Government has gradually modified its laissez-faire attitude and has itself made investments in industry (e.g., it has set up two DFCs, invested in a large sugar mill and is considering investments in coal and wood pulp). The investments undertaken by Government are largely in support of the modern sector with priority for transportation, mining and industry. Traditional agriculture still gets too little attention.

8. Moreover, while the Government carries primary responsibility for the country's development, the Swazi National Council, supported by the King, has increasingly become a constraint for Government to act independently on social and economic matters. This has become most obvious when the Government in 1978 and 1979 had to provide guarantees for expensive, unviable projects initiated by the Swazi Nation (namely the purchase of a modern jet for the Royal Swazi Airline and the creation of a steamship company, both now operating at high losses). In 1979 alone, some R 10 million had to come out of the Central Budget for these two projects, thus cutting the capital and recurrent allowances for ongoing and new projects in the more important sectors of agriculture and rural services. Perhaps even more important is the Swazi Nation's power to decide on all matters affecting ownership and use of land. Land tenure issues have, indeed, been one of the major problems which have slowed development on Swazi Nation land, where chiefs administer land use by individual households. While it has been estimated that the arable land allocated to each household could be doubled, it has been the policy of the Swazi National Council to limit the allocation to the amount required to sustain the family (2-3 ha.), reserving the bulk of the land for communal grazing. Pasture land is communally owned and there is not systematic management in herding or grazing. At the same time traditional husbandry has led to a fast growing cattle population and over-grazing, overstocking and subsequent soil erosion. Land ownership is a delicate issue, especially, since it is intertwined with efforts to maintain a perceived Swazi way of life. Nevertheless, we believe that the extension of cultivated land together with soil protection and improvement is a viable option that can be pursued without upsetting traditional custom of decisionmaking.

9. To alleviate the current constraints limiting development in the traditional sector, a number of steps must be taken by Government and the Swazi Nation. The Government, in the early 1970s, started to implement its Rural Development Area Program (see special project brief), but the success of the program has still been limited, partly due to the complex dual decisionmaking process. An additional bottleneck is the severe shortage of agricultural work force at senior, intermediate and field staff levels. Vacant posts and insufficient staff at intermediate levels curtail the effectiveness of extension supervision, while lack of field extension work is perhaps the most fundamental obstacle to improving services, as well as farming and husbandry techniques. Another shortcoming is the availability of agricultural credit for smallholders. Although institutional agricultural credit is well developed and provided by several sources, it is geared primarily towards the commercial sector. Credit to small farmers is still small in amount mainly because of institutional blockages.

10. In the Third Development Plan (1978-83), now under implementation, the Government proposes a series of programs designed to build up the sector's absorptive capacity. These programs encompass soil conservation works, upgrading of extension services, improvements in production techniques, strengthening of institutions and expansion of rural infrastructure. Some US\$63 million (in constant prices) or 13.2 percent of total Plan investments are budgeted for agriculture. We are, however, concerned that agriculture may not attain its proposed share. The composition of the Plan indicates strongly that Government's development priorities are not in the agriculture sector, with capital-intensive modern sector investments accounting for 50 percent of the proposed Plan program. It is, moreover, likely that other capital-intensive projects not included in the Plan (e.g., a northern rail link with South Africa, which would join the 1978 completed southern link, a hydroelectric power plant, Government participation in the wood pulp industry and construction of a large airport) would also be implemented during the current planning period. We agree with Government's strategy that Swaziland must harness its diversified resource base for the generation of surpluses required for the country's development. However, these surpluses often find projects of low priority or of doubtful economic viability (e.g., the airline, the steamship company, the proposed new international airport). We will continue to raise with Government our concerns about the consequences of Government's approach which will increase rather than narrow existing inequalities. There is an urgent need to balance revenue earning investments with those from which the poorer population benefits directly.

III. ECONOMIC PLANNING AND MANAGEMENT

11. Weak planning and management performance within the Central Government have made it difficult to establish and implement a consistent development strategy. Although a planning department has been built up since the mid-1970s with the assistance of UNDP, UNESCO and bilateral donors, the system is still extremely ineffective. The formal organizational set up is well laid out, but, it is, as of now, an empty framework. There are two main reasons for this: the acute shortage of qualified staff and the fact that essential institutions are left out of the process. All units participating in the planning process -- the Department of Planning, planning units in operational ministries and the Central Statistical Office -- are seriously understaffed and the qualifications of the existing staff, in many cases, are poor. Manpower constraints account for a serious lag in the production of statistics. National accounts, for example, are available until 1972/73 only, a situation which has made it impossible to set up a macroeconomic framework on which the current Plan should have been premised. In addition, because of lack of staff, the Central Planning Department finds it difficult to direct, coordinate and monitor the development process and to exercise sufficient control over project selection and implementation by operational ministries. Consequently, in the absence of a functional planning institution, the planning mechanism is of limited use as a management tool and as a guide for the preparation of annual budgets and medium-term plans.

12. The other weakness of the present system is that public financing agencies (mainly parastatal financial intermediaries), which have a crucial impact on the economic development of the country, take no part in the planning process nor receive guidelines for the conduct of their operations. By far the most critical of these agencies is the Tibiyo Fund, the financial arm of the Swazi National Council. For all practical purposes the Tibiyo Fund is a development bank with its own resources (some E 7 million a year) and still more influence on the allocation of resources by Government (see para. 8). The Tibiyo Fund's projects are not subject to the same scrutiny as other public sector projects; on the other hand, through its requirements for government guarantees and (as has happened twice recently) through its claims on government budgetary resources to support loss-making projects, the Tibiyo Fund can distort the government expenditures from its objectives. Finally, a multiplicity of sectoral or general public finance institutions all of them Government owned and funded, also operate outside the framework for economic planning. There is a great need for streamlining in this sector as well as for bringing these institutions in line with the general development policy.

13. The main consequence of the organization and operation of the planning process is that the Plan is not an operational document. It is essentially a list of public sector projects open to major alterations. It does not reflect a consistent strategy from which priorities emerge. As it stands now, there is little evidence that the Plan guides the long-term economic development of the country or governs the actions of departments or the cabinet in the management of the public sector. There are indications, however tenuous, that a growing number of officials are trying to develop more effective planning mechanisms, but it is still too early, particularly in the light of past experience, to say whether the new government will unambiguously support them.

IV. ISSUES POSSIBLY RAISED BY GOVERNMENT

14. In the past (and, most recently, at the 1979 Annual Meetings) the Swazi Government objected to the fact that the country has lost its UN designation of a 'least developed country'. The Government has also shown concern about the Bank's estimates of per capita income, saying that the estimates are too high, that they do not reflect the low income levels of the bulk of the population and that they hinder its efforts to mobilize external aid on concessional terms to assist the poor. The Government would like to receive IDA funds which have not been provided to Swaziland since the first education project in 1975; it would also like us to increase the proportion of total project costs financed by the Bank.

15. Despite the fact that Swaziland's per capita income lies below the IDA threshold, we have been reluctant to recommend the use of IDA funds for Swaziland or to increase the proportion of project costs financed by the Bank. While Swaziland has had no official national accounts since 1972/73, two Bank missions (in 1977 and 1978) have made updated estimates for GNP

based on output figures for key sectors of the economy and put the 1978 GNP per capita figure at \$550. While this ranks Swaziland as one of the richest countries in Africa, it falls below the 1978 IDA threshold of \$625. Nevertheless, we find it difficult to justify IDA funds for Swaziland. The economy has the potential to achieve growth rates which would quickly lift per capita incomes above the IDA threshold. The country's balance of payments and budgetary position is strong: external reserves are the equivalent of 5-6 months of imports; the debt service ratio was less than two percent in 1978 and is not projected to exceed 10 percent by the end of 1985; and the Government is a net creditor of the banking system. Our judgment not to recommend IDA funds may have operational significance since the Government has expressed reluctance to use Bank money for agricultural and livestock projects (this has been the position of the Ministries of Agriculture and Finance, although the latter has recently expressed greater flexibility on this issue). We have stressed the importance of the Bank's technical assistance in project preparation, appraisal, and supervision and that we would be helpful in searching for cofinancing to lower the average costs of borrowing. With respect to the Bank's share in project costs, we have argued that the Bank's principle was to assure that its resources were put to the best uses and were not used as a substitute for domestic savings mobilization. In Swaziland, we would finance the entire foreign exchange component and where this component was relatively small our share would be influenced by the country's financial position.

SWAZILAND FIRST, SECOND AND PROPOSED THIRD EDUCATION PROJECTSI. GENERAL

1. Swaziland has among the highest adult literacy rates and enrollment rates of school age population in Africa. The adult literacy rates is 65% and primary school enrollment 92% of the school age population. Her educational system has expanded rapidly since 1973, and the government has initiated an ambitious program of qualitative improvement. The Third National Development Plan, 1978-1982, has reaffirmed the long-term goals for education formulated by the National Education Commission in 1973. These goals center on firstly, providing universal primary education by 1985; secondly, on expanding junior secondary education; and thirdly, on expanding upper secondary education, university education and technical and vocational training, on the basis of manpower needs. In addition, the Government has initiated an ambitious curriculum reform program designed to reorganize the primary school curriculum.

2. The formal education system in Swaziland consists of seven years of primary education, three years of junior secondary education, two years of senior secondary education and two to five years of higher education. Enrollment in primary education stands high at 97,000, equivalent to 92% of the school age population. Primary school quantitative efficiency has improved significantly, mainly on account of an official policy restricting repetition. Since 1973, a Primary Curriculum Unit (PCU) assisted by USAID has undertaken revision of the curriculum in line with social and economic development needs. In view of the future increase in enrollment in primary education, expected to go up to 122,500 in 1985, MOE has completed a school mapping exercise to determine the physical quality of existing schools and to serve as a guide for a national school construction program. As primary school output expands, demand for junior secondary education is expected to rise. Enrollment in junior secondary education is now equivalent to 40% of children aged 13 to 15 and is expected to go up to 22,800 in 1985. Accordingly, the Ministry of Education is proposing construction of new schools, expanding existing ones and is considering double shifting in urban schools. Quantitative efficiency in junior secondary education as well as the quality of instruction could be improved and training in practical subjects strengthened. A Secondary Curriculum Unit (SCU) set up in 1975 has prepared a curriculum outline as a step towards reforming the excessively academic junior/secondary curriculum. As a result of recent expansions and of proposed new construction of new training centers, the production of new teachers over the next ten years would be sufficient to meet the needs for both primary and secondary schools based on enrollment growth.

3. According to the Third National Development Plan, enrollments and programs above the junior secondary level should be based on manpower needs. The three main institutions supplying middle and high level manpower are the senior secondary schools, the University of Botswana and Swaziland (UBS) and SCOT. Due to difficulties in finding employment for those completing senior secondary education, Government's policy is to control enrollment growth at this level. In 1977, 3,400 students were enrolled in senior secondary schools equivalent to 15% of the population aged 16 to 17. SCOT, on the other hand, is committed to strengthening technical teacher training and expanding output of skilled and semi-skilled workers. Improvements in SCOT's vocational and

technical training system as well as in its management and efficiency, are also expected to be undertaken. Finally, UBS is trying to concentrate on increasing the output of scientific and business management specialists since that of agricultural specialists seems adequate for manpower needs. Enrollment at the Swaziland campuses of UBS has expanded rapidly from 270 in 1973 to 704 in 1977. By 1982-83, UBS enrollment expects to touch 1,000.

II. PROJECT SPECIFICS

A. First Education Project. Credit 518; \$5.0 million; December 1974

4. The First Education Project sought to (a) strengthen technical, commercial and teacher training education; (b) expand and strengthen secondary and non-formal education and training; and (c) improve curriculum development and student guidance. More specifically, it provided for (a) the construction and equipping of (i) seven rural education centers (RECs), one new curriculum development center and four new in-service training centers; (ii) expansion of the Swaziland College of Technology (SCOT); and (iii) expansion of the William Pitcher Teacher Training College (WPTTC); (b) provision of equipment to the National Employment Service; and (c) related technical assistance.

5. Project implementation has been satisfactory. Most of the educational objectives are being achieved positively with regard to curriculum development and expanded junior secondary education. All the RECs are functioning and non-formal education programs at the RECs are now receiving sufficient support from MOE. The junior secondary program is functioning adequately and the Government is now revising the present industrial arts curriculum in these schools. After some early problems, SCOT is expecting to recruit a sufficient number of technical teacher-trainees and to expand vocational training as previously planned.

B. Second Education Project. Loan 1478; \$4.0 million; August 1977

6. The overall objectives of the Second Education Project are to (a) improve science and practical subjects teaching in junior secondary education; (b) provide additional opportunities for junior secondary education in rural areas; and (c) improve agriculture teacher training. Specifically, it provides for (a) construction and equipping of (i) four new junior secondary schools; (ii) expansion of thirteen existing junior secondary schools through provision of practical subjects, science and other facilities; and (iii) additional facilities for agricultural teacher training at the University of Botswana and Swaziland (UBS); and (b) project administration and pre-investment studies.

7. Project implementation is satisfactory. Most schools will begin functioning in February 1980. A sufficient number of practical subjects teachers should be available from SCOT and UBS to initiate instruction in these schools. A delay of approximately one year in project completion is expected on account of construction of one school and additional staff housing.

C. Proposed Third Education Project

The main objectives of the proposed Third Education Project are to (a) improve and expand primary education; (b) improve and expand junior secondary education; and (c)

improve the management capacity of civil servants. Its major components provide for (i) construction and equipping of (a) 31 new primary schools and expansion of 12 existing primary schools; (b) six new junior secondary schools and expansion of 10 existing secondary schools; (c) extensions to the Primary and Secondary Curriculum Units and establishment of an in-service training center in Manzini; and (d) expansion of the Swaziland Institute for Management and Public Administration (SIMPA); (ii) provision of about 1.1 million primary school textbooks and 78,000 teachers guides; and (iii) pre-investment studies and evaluation.

9. The project was negotiated in October 1979 and will be presented to the Board on January 15, 1980.

III. ISSUES

10. After some early problems SCOT is now expecting to recruit a sufficient number of technical teacher trainees and to expand vocational training as previously planned. SCOT's work centers on training for employment, it thus has a crucial role to play in the national context. Accordingly, it is of primary importance that the courses it provides, and its enrollment figures, bear a close relationship to the country's needs. The First Education Project was directed towards diversification of SCOT's programs and facilities used mainly for administration and general purposes. Given its crucial role in the country's employment situation, it is important that SCOT utilizes its facilities and teachers adequately, produce a sufficient number of skilled and semi-skilled workers and train teachers in technical subjects. It is also necessary for it to improve its top management and its coordination with both industry and MOE. There has been much discussion on a transfer of SCOT to the MOE (at present it is under the Prime Minister's office). But for the time being no change is planned.

SWAZILAND NATIONAL RURAL DEVELOPMENT PROGRAM PROJECTI. GENERAL

1. Swaziland's population is predominantly rural with over 80 percent of the population of about 500,000 living in rural areas. As highlighted in the Topics for Discussion and in the description of the political situation (Swazi Nation), the agriculture sector reflects the duality of the economy between the modern, largely foreign owned and managed farming sector, which accounts for an estimated 80 percent of GDP, and the traditional subsistence sector, employing 70 percent of the Swazi population and contributing 12 percent of GDP. To date, Swazi Nation Land farmers have not shared in recent economic growth which has been fueled largely by agricultural development in the modern sector.

2. About 65 percent of the total land area is presently used for grazing and about 10 percent is under cultivation (including fallow) while a further 10 percent is considered suitable for intensive cultivation. Most subsistence farmers are concentrated on Swazi Nation land, where traditional authority and land tenure systems prevail. This land represents about 55 percent of the total area of Swaziland; it is held in trust for the Swazi Nation by the King and is governed by a local chief. An estimated 40,000 families farm holdings averaging less than 3 ha on Swazi Nation Land. Production is primarily for subsistence and less than 10 percent of total production is offered for sale on the commercial market. Maize is the primary staple crop, while cattle and other livestock play a central role in the rural economy. In recent years, however, Swazi Nation Land farmers have rapidly increased production of cash crops, notably cotton, tobacco and vegetables, but this still represents a small portion of production, which has increased at only 3 percent a year over the past decade, barely keeping pace with the rate of population growth. Women are the principal farmers by tradition, with men predominantly concerned with livestock. Cultivable land is allocated by chiefs to families who have security of tenure including the right to pass land on to their children. Land, however, may not be sold and the chief can reallocate land, although this seldom occurs. Fragmentation of farming plots is common and is becoming a serious problem in some areas with increasing pressure of new families seeking arable land.

3. Since before Independence in 1968, the Swazi Government has engaged in rural development programs aimed to improve agriculture and upgrade essential social services on Swazi Nation land. These programs to date have had mixed results. Prior to Independence the overriding emphasis was on infrastructure (roads, fences, dams, etc.) with little attention given to increasing farmer incomes through crop and livestock farming. This program

was regarded as a failure since development activities were largely imposed from above by the colonial administration. After Independence, the Government initiated a new Rural Development Program in 1970 designed to improve agricultural production and living standards with the traditional framework. No attempt was made to "transform" traditional agriculture through changes in land tenure or in altering the authority vested in the chiefs. The objectives of the Rural Development Area (RDA) Program were to: (a) raise levels of crop and livestock production and consumption of rural families by increasing the volume and nutritional quality of agricultural production and by assisting rural communities to adopt a more commercially oriented approach to agriculture; (b) conservation of natural resources; and (c) improvement of the quality of rural life through provision of essential social services. To date development programs have been concentrated in RDA's where, with assistance from ODM, UNDP, and USAID in particular, the Swazi Government has begun detailed land use planning, intensified agriculture and social services, undertaken soil conservation works, and provided agricultural inputs and credit. By early 1977, Rural Development Areas covered about 60 percent of traditionally farmed Swazi Nation Land, and development programs had been associated with an ODM financed land purchase scheme aimed at recovering for the Swazi Nation land owned by individual expatriate farmers. While it is difficult to quantify the results of ongoing rural development programs, because data is poor, and because of their diverse nature, use of inputs and production of crops have increased significantly in RDA's.

II. PROJECT SPECIFICS

Rural Development Project of Swaziland Loan 1375; \$4.0 million;
April 1977.

4. The Bank's project forms part of the ongoing rural development program and provides for the expansion from four RDA's to fourteen RDA's, thereby covering about 60 percent of traditionally farmed Swazi Nation Land. Over five years development is being undertaken in three phases: a land use and investment planning phase, a preliminary development phase entailing the development of centers, services and provision of inputs, and an intensive development phase involving soil conservation and land development, land consolidation and resettlement, livestock development, and provision of agriculture and social services. The project provides assistance to ten RDA's two of which are being developed intensively. Project components include: (a) strengthening and developing extension services and infrastructure; (b) livestock development; (c) land development and construction works; (d) incremental agricultural inputs; (e) credit services; (f) access and feeder roads; (g) social infrastructure development; (h) central management services; and (i) studies and training. An estimated 125,000 people are expected to benefit from the project, both from increased cash income and subsistence production, and from improved social services. The population affected represent the lowest income group of Swaziland. The project is co-financed by the African Development

Bank (Nigerian Trust Fund Loan of \$5.4 million), the European Development Fund (\$2.9 million) and ODA (\$3 million). The Ministry of Agriculture is primarily responsible for implementing the RDA program and coordinating the activities of all other ministries and institutions involved (commerce and cooperatives, local administration, education, health, etc.).

5. Project implementation is around two years behind schedule. Effectiveness was delayed until January 1978 (eight months behind schedule) because of the late ratification of the African Development Bank Loan by the Swazi Government. Additional delays have resulted from initial problems in securing adequate budgetary support, the failure of the Central Rural Development Board (CRDB) to approve the development plans for the RDA, and a continued lack of heavy equipment which has restricted earthworks activities (fencing, etc.). The November 1979 supervision mission reports some prospects for improved performance in 1980, since action has been taken to alleviate constraints. USAID has recently signed an agreement with the Government to provide the necessary heavy equipment and back-up services and the CRDB are now approving development plans and preliminary work and planning is continuing due in part to the appointment of a more dynamic chairman of the Board. Despite these delays, progress has been made in appointing key staff, in establishing a monitoring and evaluation system and in training activities.

III. ISSUES

6. A review of the implementation problems of the NRDA Program has demonstrated the difficulties in obtaining CRDB approval of area development plans. The CRDB is responsible to the King and the Swaziland traditional Government (Swazi National Council) and has a function to protect traditional values. The approval procedure requires the manager of the RDA to submit a program for the development of a particular land area to the local CRDB District Officer which then approves the plan followed by a CRDB Board meeting. The procedure, although desirable, has led to significant delays since traditional custom requires that individual agreement be obtained with regard to homestead relocations and other land use issues.

SWAZILAND - NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILANDI. GENERAL

1. Industry is the most important sector of the Swazi economy after agriculture, accounting for 25 percent of GDP; agriculture's contribution to GDP is hardly 30 percent. The industrial sector provides 17 percent of wage employment in the modern sector and 70 percent of merchandise exports. It consists mainly of large and modern mining enterprises and large manufacturing enterprises processing agricultural and forestry products. Manufacturing contributes most of the value added in the industrial sector, accounting for about 15 percent of GDP and about 12 percent of total wage employment in Swaziland. This sector is dominated by a number of large scale agro-industries which account for 90 percent of value added in total manufacturing.

2. A severe shortage of Swazi entrepreneurs and managers has constrained the balanced development of manufacturing. The modern sector influenced to a large extent by foreign controlled enterprises coexists with the traditional rural sector which provides livelihood for about 50 percent of the population and accounts for about 14 percent of GDP. Dualism in the economy is aggravated by the fact that new enterprises have had to be established and operated mainly by foreigners. Accordingly, the Government's industrial policy is to promote the development of local enterprise and management, in addition to its objective of attaining industrial growth. It upholds the free enterprise system both for attracting foreign investment and for the development of Swazi enterprises. In an effort to diversify the industrial sector and increase the participation of Swazis in it, the Government established the two corporations, the National Industrial Development Corporation of Swaziland (NIDCS) and its subsidiary, the Small Enterprises Development Company (SEDCO). While the former promotes the development of industry and tourism through the provision of long-term loans and equity investments to medium-size enterprises, the latter provides financial and technical assistance to small-scale Swazi-owned enterprises.

3. Given the resource base and the Government's supportive industrial policy, the industrial sector in Swaziland has good prospects for development. This expected growth will, however, be largely export oriented on account of the small size of the domestic market. Accordingly, the majority of the projects identified by NIDCS are export-oriented and represent a diversification from the past pattern of manufacturing. Its long-term strategy largely centers on the preparation of feasibility studies for presentation to potential investment partners. For its part, SEDCO will continue to assist small Swazi manufacturers through provision of factory shells on its industrial estates, provision of training and technical assistance and provision of credit.

II. PROJECT SPECIFICS

National Industrial Development Corporation of Swaziland; Loan 1409;
\$5.0 million; May 1977.

4. The loan to NIDCS will provide part of the foreign exchange requirements of the investment programs of NIDCS and SEDCO, thus supporting the development of medium and small scale industries. These investment programs, if well implemented and supervised, can greatly enhance the development of the industrial sector, thereby contributing to Swaziland's overall development. In addition, the Bank will, through its review of some of NIDCS' projects, assist in improving the latter's capacity to select, evaluate and implement economically justified projects. It will also contribute to improved management of SEDCO's credit scheme.

5. NIDCS would use \$4.7 million of the loan directly to finance the cost of imported goods, the foreign exchange cost of ancillary services and the foreign component of imported goods purchased locally and of civil works. The remaining \$0.3 million would be onlent by NIDCS to SEDCO for lending to small scale enterprises. Such onlending is expected to generate domestic employment and reduce economic dualism.

6. On account of serious staffing problems and its relatively high on-lending rate, commitments of NIDCS' portion of the loan have recently slowed down. Progress towards recruiting local professional staff has been impaired by countrywide shortages and because of NIDCS' inability to compete with the private sector. Disbursements are unlikely to be completed before December 31, 1981. A shortage of space on their industrial estates has been partly responsible for the failure of development of new entrepreneurs by SEDCO. This has resulted in a slower commitment of the IBRD funds.

III. ISSUES

7. (a) In view of the financial environment in Swaziland, the interest rate set out in Section 3.02 of the Loan Agreement should be reviewed periodically to (i) ensure its competitiveness, against other lending rates; (ii) prevent any adverse effect on the financial performance of NIDCS, and (iii) enable it to be a positive real interest rate in view of expected inflation in Swaziland.
- (b) The pursuit of an import substitution strategy as regards the development of medium and small scale industries is hampered by the small size of the Swazi market.
- (c) On account of the customs union arrangement with South Africa, the few projects which attempt to produce for the local market are faced with stiff competition from the larger and more experienced firms in the RSA.

SWAZILAND

MEDIA BACKGROUND

Press

The Times of Swaziland (circulation 6,000; Editor: N.J.D. Spicer) is a tabloid-sized English daily newspaper published in Mbabane. Another publication, Umbiki (circulation 5,500) is produced every fortnight in siSwati by the Swaziland Government Information Office.

Radio and TV

The government-controlled Swaziland Broadcasting Service is the major source of radio programs; it broadcasts programs in English and in siSwati. About 5-1/2 hours are devoted to school programs every school day, and another 18 hours each week to other educational programs. In addition, music and religious programs are aired by the privately owned Swazi Music Radio and Trans World Radio, respectively. BBC news program is broadcast three times a day.

Early in 1978, the Swaziland Television Broadcasting Corporation, a wholly owned subsidiary of the UK-based Electronic Rentals Group, began television service.

About 70,000 radio receivers and 10,000 TV sets are estimated to be in use in the country at present.