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Washington, D.C.

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McNamara Papers

Contracts
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Contacts with member countries: Swaziland - Correspondence 01

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WBG Archives

SWAZILAND

SWAZILAND

1. 4/27/73 Simon Nxumala, Minister of Industry
Ambassador Smauel Thornton Msindazwe Sukati
2. 1/17/74 R. P. Stephens, Minister of Finance
Simon Mxumala, Minister of Industry, Mines and Tourism
Dr. Alan Nxumalo, Minister of Power, Works and Communications
E. Mayisela, Permanent Secretary for Finance
3. 7/19/77 Ambassador S. M. Kunene
First Secretary Elliot B. Gamedze
4. 1/23-25/80 RMcN Notes on Visit (*Filed in LMcN office*)
5. 1/23/80 His Majesty King Sobhuza II
Swaziland Mr. Madinga (ED)
6. 1/23/80 Mr. Fred Dlamini (Prince Mabandla) Prime Minister
Swaziland Senator Ben Nsibandze, Deputy Prime Minister
J.F.I. Simelane, Minister of Finance
Canon Siphetse Dlamini, Minister of Education
Chief of Protocol
Mr. Madinga (ED)

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 26, 1973

FROM: Robert M. Dean *RMD,*SUBJECT: Swaziland: Meeting with Mr. Simon Sishayi Nxumalo,
Minister of Industry, Mines & Tourism

Mr. Nxumalo and Ambassador Sukati called on Mr. McNamara at 5:50 on April 27. The Minister thanked Mr. McNamara for fitting the meeting into his tight schedule and said that he had had the opportunity to talk to Bank staff earlier about the details of Swaziland's ideas on how best to exploit their coal resources. He said that he wanted to follow up the King's letter to the President of April 4. The suggestion of a possible Bank loan to Swaziland for purchasing equity in the proposed mining company was only one of a number of possible ways in which the Bank might assist financially in the exploitation of these deposits. He hoped that the Bank would, by its technical assistance in reviewing the proposals, both of the government and the prospective mining company, Anglo-American Corporation, help the country to make the best possible arrangements. He stressed the advantage which he saw in Bank staff being involved from the beginning in meetings between the government and the mining company.

Mr. McNamara said that he understood the government's concern to ensure that it got the best possible deal with the mining company and said that Bank staff would do whatever they could to advise Swaziland on the basis of the information made available to the Bank. He understood that it would be possible for Mr. Dean to attend the next meetings with Anglo-American and he would be interested to hear the outcome of these discussions.

At the subsequent meetings in Swaziland between Anglo-American and Swaziland government the mining company was less optimistic than it had been, prior to the Minister's visit to Washington, about the export prospects for the coal in its concession area. It promised to pursue the interest of prospective French and Japanese buyers and expected to be able to make a revised proposal for mining to the government by the end of calendar 1973. They also promised to keep the Bank informed of the progress of their investigations.

RMDean:ls

cc: Messrs. Bell
Kirmani
Husain
Fuchs
Cash
Scott
Sassoon

President has seen

OFFICE MEMORANDUM

TO: Files

DATE: January 24, 1974

FROM: S. Shahid Husain, Director, EACPII *h*SUBJECT: Visit of Swaziland Delegation to Mr. McNamara
January 17, 1974

On January 17, a delegation from Swaziland, consisting of the following, called on Mr. McNamara:

| | |
|-------------|---|
| R. Stephens | Minister of Finance |
| S. Nxumalo | Minister of Industry, Mines & Tourism |
| A. Nxumalo | Minister of Power, Works & Communications |
| E. Mayisela | Permanent Secretary for Finance |

Messrs. Bell and Husain were also present.

The Swaziland delegation said that the purpose of their visit to Washington was to seek assistance for a thermal power project to cater to Swaziland's growing energy needs and to sell surplus power to South Africa. The project would generate 500 MW of electric power, based on Swaziland's coal; the power would be cheaper than that from a small project. Therefore, if Swaziland were to benefit from the lower cost of the power from this plant, it should find a market for the surplus power in South Africa. The delegation indicated that Swaziland would ultimately need Bank financing for the project, if South Africa agreed to purchase power at a suitable price and if it agreed to guarantee external loans amount. At this point an indication of Bank support would help Swaziland in its negotiations with South Africa.

Mr. McNamara said that while the Bank would support the project if South Africa agreed to buy power at a suitable price and if it agreed to guarantee the Bank loan, he expected the impending negotiations between Swaziland and South Africa to be difficult. The Bank's readiness to consider financing the project was contingent on the outcome of these negotiations. Mr. McNamara said that one of the factors which might render the negotiations between South Africa and Swaziland difficult was that, contrary to the initial plan, the plant would not now be built exclusively to cater for South Africa's power needs, with Swaziland earning a surplus because of its coal resources and a price for power which would yield an adequate return on investments.

President Jans 33211

Mr. Husain indicated that during the delegation's stay in Washington, the staff would work with them to spell out the financial and economic objectives which the Swazis should seek in designing the project and in negotiating the power sales contract. Later, Bank representatives would participate as observers in technical discussions between Swaziland and South Africa.

cc: Mr. McNamara's office (2)
Mr. Knapp
Mr. Bell
Mr. Kirmani
Mr. Moini

SSHusain:pe

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 14, 1974

FROM: J. Burke Knapp *JBK*SUBJECT: Brief for Visit of Swaziland Ministers on January 17, 1974

1. Just two comments on the attached paper from Mr. Husain regarding the forthcoming visit of Swaziland Ministers.

(1) We must certainly look to the South African Government to put up most of the money for the Thermal Power Project in Swaziland, and to provide us with effective assurance of repayment. However I am not sure that we shall have to have an outright "guarantee of the South African Government" as suggested in the paragraph on page 3 of the Husain memorandum; we might be able to rely upon a properly designed take-or-pay power purchase agreement.

(2) Within such a framework I would suggest that we might go from \$20 million to, say, \$30 million for the amount of the Bank loan; the \$20 million figure is a hangover from earlier cost estimates on the project. I do not think it would be necessary or desirable for you to mention any specific figure to the Swaziland Ministers as long as you make it clear that our contribution would have to be small in relation to the presently estimated total cost (\$143 million).

2. I have discussed these comments with Messrs. Bell and Husain, who agree.

require effect of exchange & interest

JBK:lji

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 10, 1974

FROM: S. Shahid Husain (through Mr. Bernard R. Bell) *BRB*SUBJECT: Brief for Visit of Swaziland Ministers on January 17, 1974

Three Swaziland Ministers, accompanied by four officials, will visit Washington from January 16 to 18. They have asked to discuss a proposal to construct a 500 MW thermal power plant costing approximately \$150 million. They may also wish to discuss generally our IDA lending program (Attachment 1). They are likely to express Swaziland Government's great disappointment at the Bank's decision not to finance the Maphobeni irrigation scheme. Basic country data are set out in Attachment 2.

I. The Delegation - Biographical Details1. Mr. R.P. Stephens

Minister of Finance, is the retired Managing Director of Piggs-Peak Timber Company and Swaziland Iron Ore Company; he was nominated as a Member of Parliament in 1968 and was appointed Minister of Finance in 1972.

2. Mr. Simon Nxumalo

met before
Minister of Industry, Mines & Tourism, appointed in 1968, probably the most able and certainly the most energetic Swazi Minister, is close to the King and a key member of the Swazi National Council. He has special responsibility to advise the King on the exploitation of Swaziland's mineral resources which are held personally by the King in trust for the Nation.

3. Dr. Alan Nxumalo

Minister of Power, Works & Communications, educated at Fort Hare and Witwatersrand Universities, worked for many years as a doctor for the Swaziland Government. He was appointed Minister of Health in 1968, and recently assumed his present portfolio.

4. Mr. E. Mayisela

Permanent Secretary for Finance since May 1972, possibly the most influential and ambitious civil servant; he is married to a daughter of the King. A graduate in economics, he worked for several years in Tanzania.

II. Recent Political and Economic Developments

In April 1973, King Sobhuza II, the traditional ruler of Swaziland for 50 years, suspended the 1968 constitution and dissolved Parliament. The constitution, inherited from the U.K. at Independence, was cited as unworkable and in conflict with Swazi customs, and thus a source of disharmony and disorder. The King assumed supreme legislative, executive and judicial powers. He rules as "King in Council", the Council consisting of the original Cabinet Ministers. Political parties were prohibited and political meetings banned. The King has appointed a Commission to draft a new constitution more in accordance with Swazi custom.

In June 1973, Swaziland published its Second National Development Plan 1973-77. This contained a summary of Government policies and described briefly Government's three year \$63 million public investment program 1973-76. Swaziland is likely to be able to contribute about \$15 million from its own domestic resources.

Due to the constitutional changes and a very rapid and poorly planned localization program, the Swaziland Government appears relatively inefficient and indecisive. Nevertheless, due to an active private sector, Swaziland has experienced a steady rate of economic growth of about 8% per annum in recent years. The economy is mainly dependent on expatriate owned commercial agricultural enterprises, mining and tourism. The main exports are sugar, wood pulp, citrus, asbestos and iron ore. There is a marked dualism in the economy with the mass of Swazis obtaining subsistence living from traditional agriculture. Owing to the strength of Swazi customs, the modernization of Swazi traditional agriculture has been very slow.

The current embargo on oil supplies to South Africa and Portugal may have serious repercussions on Swaziland. The Government is attempting to negotiate with the Arab countries to supply Swaziland directly, but whatever the solution adopted it is likely to involve heavy expenditures.

III. Proposed Thermal Power Project

Swaziland has substantial coal reserves. This includes about fifty million tons of proven reserves of good quality coal, which is considered suitable for export for metalurgical purposes. In addition there are large quantities of lower quality coal suitable for thermal power generation. The Government has engaged consultants who, in a draft report just issued, recommend the construction of a 500 MW power station, costing an estimated \$143 million (including a coal mine). Current demand for power in Swaziland is about 25 MW; the consultants project that this demand will grow to over 400 MW by the year 2000. The proposed power station would be linked to South Africa's Electric Supply Commission (ESCOM) grid and the bulk of the power would be exported. The plant would be operated as an integral part of the ESCOM system.

No agreement has yet been negotiated with ESCOM for the purchase of electricity. However, there have been indications that the South African Government is interested in the project. It is considered unlikely that Swaziland can produce power more cheaply than South Africa, but it is possible that for political and other considerations South Africa may be willing to enter into a long-term power purchase agreement on terms which make the investment worthwhile from the point of view of Swaziland. Since we have not had an opportunity to study the consultants' final report, we are unable to make any firm recommendations. However, given the very large capital investment envisaged, the considerable technical and political risks and the uncertain economic benefits, we view the project with caution.

We have indicated to the Government that we are interested in assisting them in whatever is the most appropriate and economic scheme for developing their coal reserves, the potential value of which must have increased markedly as a result of the present energy crisis. We are willing to review in detail the report recently prepared by the consultants and we have provided the Government with a coal consultant (Mr. K. Wardell) who is now reviewing the export possibilities.

We have told the Swaziland Government that we would be prepared to consider financing detailed feasibility studies and the engineering design work for a large thermal power station, provided South Africa (a) accepted a long-term take-or-pay power purchase agreement which would ensure an adequate return on the investment, (b) indicated its willingness to participate significantly in financing the project, and (c) guaranteed the repayment of the engineering design loan should the project fail to materialise. We have also indicated to the Government that the Bank will be willing to contribute to the financing of the construction of the power station on an enclave project basis with the guarantee of the South African Government. We have been thinking of a \$20 million Bank loan, with the remainder of the finance coming from South African and other sources. You may wish to reiterate this position to the Swaziland delegation and stress our willingness to work with the Swazi authorities in bringing this project to fruition.

IV. Bank/IDA Lending Program

With UK guarantee So far Swaziland has received only one IDA credit (\$2.8 million for roads in 1964) and two IBRD loans (for power - \$4.2 million in 1963 and \$2.8 million in 1967). Thus Swaziland has received no assistance from the Bank/IDA since achieving Independence in 1968.

For several years the Bank had assisted Swaziland in preparing an irrigation project at Maphobeni. After appraisal in mid-1973, it was concluded that the project was not viable. This decision caused great disappointment in Swaziland. The project envisaged settling 560 families in small farms producing sugar and vegetables. In addition, assistance would be provided for about 600 families ranching cattle within the project area.

The rate of return was estimated at only 7%, the actual costs amounting to \$3,000 per hectare and \$7,500 per family settled. The project involved high risk, expensive expatriate management, political difficulties associated with resettlement and land tenure reform. It was concluded that Swaziland could gain far more from an alternative agricultural scheme involving livestock with a much lower cost per farm family. We have offered to send to Swaziland an agricultural project identification mission as soon as the Government is ready to receive it. This mission had been originally scheduled for December 1973, but was postponed at the request of the Government. We hope to be able to identify a large agricultural project for funding in FY77 for which a \$4 million IDA credit has been tentatively earmarked.

At the end of January the Bank will appraise a \$3 million IDA water supply and sewerage project. In mid-February a \$3 million education project will be appraised and in mid-1974 a \$2 million roads project. All these projects are proceeding well.

V. Previous Visit

Mr. Simon Nxumalo visited you on April 27 to discuss the exploitation of Swaziland's coal resources, as a follow-up to a letter to you from the King dated April 4. He requested Bank assistance in evaluating any detailed proposals which might be formulated. He was particularly concerned to obtain advice on a coal export scheme which he anticipated Anglo-American Corporation (AAC) would propose. In the event AAC have stated that they do not wish to mine coal for export.

^{PLM}
Landell-Mills:ls

Attachments

SWAZILAND - Actual and Proposed Lending through FY78
(US\$ million)

| | FY: | <u>Through</u> 1968 | <u>Actual</u> 1969-73 | <u>Current</u> 1974 | <u>Program</u> | | | | <u>Total</u> 1975-78 |
|-------------------------|------|------------------------|--------------------------|------------------------|----------------|------|------|------|-------------------------|
| | | | | | 1975 | 1976 | 1977 | 1978 | |
| Agriculture | IDA | | | | | | 4.0 | | |
| Education | IDA | | | | 3.0 | | | | |
| Roads I | IDA | 2.8 | | | | | | | |
| Roads II | IDA | | | | | 2.0 | | | |
| Water Supply & Sewerage | IDA | | | | 3.0 | | | | |
| Power I | IBRD | 4.2 | | | | | | | |
| Power II | IBRD | 2.8 | | | | | | | |
| <hr/> | | | | | | | | | |
| <u>Total Lending</u> | | | | | | | | | |
| No. of Operations | | 3 | - | - | 2 | 1 | 1 | - | 4 |
| Amount: IDA | | 2.8 | - | - | 6.0 | 2.0 | 4.0 | - | 12.0 |
| Amount: IBRD | | 7.0 | - | - | - | - | - | - | a/ |
| <hr/> | | | | | | | | | |
| Total Amount | | 9.8 | - | - | 6.0 | 2.0 | 4.0 | - | 12.0 |

a/ Provision for loans concerning Thermal Power Station (about US\$20.0 million) and for design and preliminary works (about US\$3.0 million) is not shown; these projects will be reinstated in the lending program as soon as more definite plans are made. Meanwhile the projects are retained in our reserve program.

KINGDOM OF SWAZILAND

BASIC DATA

| | |
|---|-------------------------------------|
| Area | 17,366 sq. kms. |
| Population | 450,000 (1972) |
| Population growth | 3% (1966-72) |
| GDP | US\$109 (1971:factor cost) |
| GNP | US\$106 (1971:market prices) |
| GNP growth | 8% (1969-71) |
| Per Capita Income | US\$185 (1971) |
| Exports | US\$98 (1972) |
| Imports | US\$79 (1972) |
| Employment | 54,000 (1972-modern sector) |
| School enrolment (primary and secondary) | 62% of school-age population (1971) |
| Literacy | 29% of adult population (1966) |

January 1974

sw-8117

OFFICE MEMORANDUM

TO: Files

DATE: July 20, 1977

FROM: Michael H. Wiehen, Director EACPII

SUBJECT: Visit of Swaziland Ambassador with Mr. McNamara

On Tuesday, July 19, 1977, His Excellency Simon N. Kunene, the newly appointed Ambassador of Swaziland to the United States, paid a courtesy call to Mr. McNamara. He was accompanied by Mr. E.B. Gamedze, First Secretary at the Swaziland Embassy, and Mr. Madinga.

The Ambassador thanked Mr. McNamara for the very active and large program of the Bank in Swaziland and expressed his deep appreciation for the great interest the Bank has taken in the development of his country.

Mr. McNamara stated that, on a per capita basis, the Bank's program in Swaziland was perhaps the highest in the world, but that this was possible because the relations between Swaziland and the Bank were so good and constructive, because Swaziland was very receptive to Bank suggestions and advice and carried out development projects with efficiency.

The Ambassador stressed the need for education and training in his country and for technical assistance in the early years. Mr. McNamara said the Bank agreed with this judgement and was in fact planning a substantial portion of its future lending program for the education sector.

cc: Messrs. Burmester
Wapenhans
Reese

MHWiehen/msg

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
 (through Mr. Willi A. Wapenhans)
 FROM: Michael H. Wiehen, Director, EA2DR *HW*
 SUBJECT: SWAZILAND - Visit of Ambassador Simon Kunene

DATE: July 18, 1977

1. The Ambassador of the Kingdom of Swaziland to the United States, Mr. Simon M. Kunene, will pay you a courtesy call at 5:30 p.m. on July 19, 1977. Mr. Kunene has been in Washington about six months; before that he served as Swaziland's High Commissioner to Kenya. The attached memorandum and updated Attachment I provide an overview of our strategy and proposed lending program in Swaziland for FY78-82.

2. Bank Group Operations. The Bank Group has approved nine projects for a total of \$38.3 million (\$30.5 million Bank, \$7.8 million IDA); about \$76 per capita based on the current population (500,000). Of these, three were before independence in 1968 and six have been in FY75-78 (there were no operations during FY68-74 due mainly to low absorptive capacity, though an agricultural project was found unjustified after appraisal). The last IDA credit was approved in FY75; since then Swaziland has been a Bank country and our assessment of its current strong economic position (1976 per capita GNP - \$470) and future potential has led us to recommend that it be considered as a "Bank-only" country. Implementation of all projects proceeds well; of the two projects approved in the second half of FY77, the DFC loan was made effective today, while the rural development project will be made effective once the African Development Bank has approved its participation. The Board approved a \$4.0 million loan for a second education project on July 5, 1977; we expect shortly to receive authorization for the Ambassador to sign the loan. An appraisal mission is in the field to consider a \$3.5 million emergency assistance loan for the Swaziland Railway (previously operated by the Mozambique Railway). The need for this project arose suddenly following Mozambique's independence when many Portuguese technicians fled the country. The Bank is coordinating a multilateral effort (EDF, CIDA, ODM) to provide equipment, technical assistance, training and maintenance facilities.

3. IFC. The IFC currently is considering its first investment in Swaziland, a \$8.0 million loan and \$0.46 million equity participation in a third sugar mill project estimated to cost \$162 million. The project (100,000 mt/per annum) would be financed by a number of external agencies and private companies. Appraisal estimates give a preliminary economic rate of return of 14 percent. IFC expects to participate in an August 10 meeting in London of all participants; Board presentation is scheduled for the second quarter of FY78.

4. In addition to project lending, the Bank Group is currently assisting the Government's economic work by executing two UNDP-funded technical assistance projects, providing the Chief Economic Planning Adviser to the Ministry of Finance (a seconded staff member) and the Economic Adviser to the Ministry of Works, Power and Communications. Overall, our relations with Swaziland are excellent and our advice and assistance provide a major impact in the country's development program.

Attachment

cc: Messrs. Knapp, Qureshi

RSullivan/si

OFFICE MEMORANDUM

R. Reese

DATE: June 3, 1977.

*Ps advise
all concerned
MJD*

TO: Mr. J. Burke Knapp
 (through Mr. Wapenhans) *RRH*
 FROM: Michael H. Wiehen, Director, EA2DR *MJD*

SUBJECT: SWAZILAND - Country Program Paper
Updated Attachment I

1. You last reviewed the Swaziland CPP on October 23, 1975. The current CPP cycle is scheduled to begin in September 1977, with the final review set for December. In the interim, I enclose an Updated Attachment I for your approval.

2. In the last CPP, you approved a FY77-81 program of \$40.0 million (all IBRD) for 6 projects, or \$16.2 per capita per annum.^{1/} The program we propose for FY78-82 amounts to 7 projects, totaling \$45.0 million, about \$18.2 per capita per annum; in terms of total lending, this represents a modest 12.5 percent increase in current prices over the last program.

3. Our proposed program pursues the same strategy we have set forth in previous CPPs. By focusing our limited assistance on selected sectors, we are supporting Swaziland's efforts to overcome the severe dualism in the economy. Our proposed lending for agriculture (16 percent) and education (27 percent) will directly lead to higher incomes for traditional farmers and expanded educational opportunities for the rural poor. Infrastructure projects (42 percent) will stimulate both the traditional and modern economies by lowering the costs of imports and improving access to markets. We have added for the first time in the CPP a new project for FY78, Railways I, in response to a specific request from the Government for assistance to reverse the sharp deterioration in the railway's operations. The railway is critically important to Swaziland's economy, currently carrying about 80 percent of the country's export traffic. While iron ore traffic (presently the largest revenue earner) is expected to end in 1979, the movement of other goods (imported petrol, wood pulp, sugar and fruit exports) is projected to increase substantially. In addition to badly needed maintenance facilities, the proposed project would provide technical assistance and training. Within the modern sector, which presently is largely foreign owned, our proposed DFC lending (16 percent) will support the expansion of medium- and small-scale enterprises, and accelerate the development of Swazi entrepreneurship.

4. Based on diversified mineral and agro-industrial production, real growth in the economy has been rapid since the beginning of the decade and prospects remain favorable for continued economic expansion. While neither creditworthiness nor absorptive capacity pose problems, the small size of the population remains a major constraint on our lending program. As regards external debt, the amount (disbursed and

^{1/} Based on a 1975 population of 494,000 (1976 Bank Atlas).

Mr. J. Burke Knapp
(through Mr. Wapenhans)

- 2 -

June 3, 1977

outstanding) at December 31, 1976, was \$46.0 million (of which Bank Group's share was 21 percent and estimated to be about 30 percent in 1985). Although the current debt service ratio of 3 percent is expected to increase to about 6 percent by 1985, this would not represent an unmanageable burden on the Government's projected finances. Swaziland has demonstrated a responsiveness to our economic advice and shown a willingness to take initiatives to correct the skewed pattern of income distribution. These developments plus consideration of Swaziland's land-locked nature and the "small-country effect" support the proposed program.

Attachment

Cleared w/ and cc: Messrs. Bickers, Erkmen, Nouvel, Pennisi,
Reid, Strombom, Walden, Walton

cc: Messrs. Adler, Barry, Chornick, Hablutzel, Maane (2),
Haq, van der Tak, Zaidan, RMEA
Ms. Bracher, Ms. Jocson, Ms. de Leva

RCSullivan/DGReese/DBBoucher:iaj

Population: 494,000 (1975): 3.2% p.a.
 GNP Per Capita: \$470 (1975)
 Area: 17,366 sq. km.
 Literacy Rate: 30% (1970)

Attachment 1

SWAZILAND - ACTUAL AND PROPOSED LENDING PROGRAM THROUGH FY82

(US\$ Million)

| | | Through FY72 | FY73 | FY74 | FY75 | FY76 | Current FY77 | Program | | | | | Total | | | Reserve Projects | |
|--|-------|-----------------|------|------|------|------|-----------------|---------|-------|-------|-------|-------|---------|---------|---------|---------------------|-------------|
| | | | | | | | | FY78 | FY79 | FY80 | FY81 | FY82 | FY69-73 | FY74-78 | FY77-81 | | FY78-82 |
| Agriculture I | IBRD | | | | | | 4.0 | | | 7.0 | | | | | | | |
| Agriculture II | IBRD | | | | | | | | | | | | | | | | |
| DFC I | IBRD | | | | | | 5.0 | | | | | | | | | | |
| DFC II | IBRD | | | | | | | | | 7.0 | | | | | | | |
| Education I | IDA | | | | 5.0 | | | | | | | | | | | | |
| Education II | IBRD | | | | | | | 4.0* | | | | | | | | | |
| Education III | IBRD | | | | | | | | | | 8.0* | | | | | | |
| Power I & II | IBRD | 7.0 | | | | | | | | | | | | | | | |
| Power III | IBRD | | | | | | | | | | | | | | | | 10.0 (FY80) |
| Roads I | IDA | 2.8 | | | | | | | | | | | | | | | |
| Roads II | IBRD | | | | 7.0 | | | | | | | | | | | | |
| Roads III | IBRD | | | | | | | | | 10.5 | | | | | | | |
| Roads IV | IBRD | | | | | | | | | | | | | | | | 12.0 (FY82) |
| Railways I | IBRD | | | | | | | | 3.5 | | | | | | | | |
| Water Supply & Sewerage | IBRD | | | | 3.5 | | | | | | | | | | | | |
| Rural Water | IBRD | | | | | | | | | | | | | | | | |
| Urban I | IBRD | | | | | | | | | | | | | | | | 8.0 (FY80) |
| LENDING PROGRAM | IBRD | 7.0 | | | 10.5 | | 9.0 | 7.5 | 10.5 | 14.0 | 8.0 | 5.0 | | | | | |
| | IDA | 2.8 | | | 5.0 | | | | | | | | 26.0 | 49.0 | 45.0 | | |
| | Total | 9.8 | | | 15.5 | | 9.0 | 7.5 | 10.5 | 14.0 | 8.0 | 5.0 | 5.0 | 31.0 | 49.0 | 45.0 | |
| | No. | 3 | | | 3 | | 2 | 2 | 1 | 2 | 1 | 1 | 7 | 8 | 7 | | |
| Standby Projects | IBRD | | | | | | 4.0 | | | | | | | | | | |
| | No. | | | | | | 1 | | | | | | | | | | |
| Lending Program in Constant FY77 \$ Million | | | | | 17.8 | | 9.0 | 7.0 | 9.1 | 11.4 | 6.1 | 3.6 | | 32.9 | 42.6 | 37.2 | |
| Commitment Deflator | | | | | 87.0 | | 100.0 | 107.3 | 114.9 | 123.0 | 131.6 | 140.8 | | | | | |

* Standby projects.

Eastern Africa Region
 Country Programs II
 May 24, 1977

4

5

OFFICE MEMORANDUM

TO: Files

DATE: February 21, 1980

FROM: G. Reese, Division Chief, EALDB

SUBJECT: Mr. McNamara's Visit to Swaziland, January 23-24, 1980
Meeting with His Majesty King Sobhuza II

2/25

Mr. McNamara, accompanied by Messrs. Madinga, Wapenhans, Clark, Koch-Weser and Reese, called on His Majesty King Sobhuza II on January 23. In the audience, the King expressed particular appreciation for the World Bank's emphasis on rural development, saying everyone now wanted to have a Rural Development Area (RDA). Mr. McNamara responded that the Bank's assistance to rural development in Swaziland was modest. Moreover, the Bank could only help those who helped themselves. He then asked the King whether or not it was possible for more land to be made available to smallholders in the future. King Sobhuza replied that he hoped so, and went on to say that marketing and transport facilities were also important. He stressed that the Swazi Government was trying, and hoped with the World Bank's cooperation, to be able to increase smallholders' incomes. The King, in responding to Mr. McNamara's concern about livestock and overgrazing, said that proper management of the country's livestock must accompany any agriculture development program. The Government, he continued, was trying to educate farmers to emphasize quality rather than quantity in their livestock. Mr. McNamara said that the Bank was willing to help Swaziland develop its livestock.

Cleared w/ and cc: Mr. Wapenhans

cc: Mr. McNamara's Office (2)

Messrs. Madinga

Gulhati (EANVP)
Takahashi (EANVP)
Adler (EAPDR)
Bronfman (EAPDR)
Hendry (EAPDR)
Bickers (EAP)
Eccles (EAP)
Erkmen (EAP)
Gyamfi (EAP)
Nouvel (EAP)
Scearce (EAP)
Ofosu-Amaah (LEG)
Poncia (LEG)
van Opstal (LEG)

Ms. Arpels (LEG)

Ms. Morin (LEG)

Staff EALDB

Baum

Boskey (IRD)
Clark
Chenery
Stern
Koch-Weser (EXC)
Churchill (URB)
Evans (PHN)
Fuchs (IPD)
Cash (IPD)
Habte (EDC)
Rovani (EGY)
Tolbert (IDF)
Willoughby (TWT)
Yudelman (AGR)
Madavo (URB)

DGReese:plh

OFFICE MEMORANDUM

TO: Files

DATE: February 21, 1980

FROM: G. Reese, Division Chief, EALDB

SUBJECT: Mr. McNamara's Visit to Swaziland, January 23-24, 1980
Meeting with Prime Minister and Other Government Officials

1. Mr. McNamara on January 23 met with Mr. Fred Dlamini (Prince Mabandla), Prime Minister; Senator Ben Nsibandze, Deputy Prime Minister; Mr. J.F.I. Simelane, Minister of Finance; Canon Siphetshe Dlamini, Minister of Education; and the Chief of Protocol from the Swazi Government. Besides Mr. McNamara, Messrs. Madinga, Wapenhans, Clark, Koch-Weser and Reese also attended. The discussion mainly concerned (i) IDA and Bank lending to Swaziland, (ii) population and employment, and (iii) agriculture.
2. The Prime Minister opened the meeting by saying that Swaziland, as a small country next to a large power, could not run away from its problems. In that context, he made the point that Swazis actually were poorer than GNP per capita figures suggested because of large South African investments and went on to say it was unfortunate that Swaziland no longer received lending on IDA terms. The Finance Minister underlined the Prime Minister's remarks, but expressed appreciation for the Bank's work in Swaziland, particularly in financing infrastructure. In response to Mr. McNamara's request to hear how the Government would like the Bank to assist Swaziland, the Finance Minister suggested that the Bank continue to finance large projects such as in electric power and mentioned specifically hydroelectric and thermal power projects (which the Government had proposed for Bank assistance). Turning to population growth, which Mr. McNamara had pointed to as a serious problem confronting Swaziland, the Minister opined that agriculture would have to absorb the increases and for that reason the country must focus on small rather than big commercial farming.
3. Mr. McNamara responded to the remarks about IDA lending to Swaziland by explaining that the first criterion for IDA credit was the borrower's inability to service regular loans. On that basis, of course, Swaziland did not qualify. Furthermore, since there was more IBRD than IDA money available, it was to Swaziland's advantage to obtain IBRD loans and thus secure more capital than would be possible with IDA. Although Bank loans carried interest, at the present time the annual rate was only 8.05 percent. The Bank lent both for infrastructure, as well as "soft" projects such as rural development, and would be willing to consider any power project in Swaziland which was justified.
4. The Deputy Prime Minister, after expressing his appreciation for Mr. McNamara's visit and Swaziland's gratitude for the Bank's assistance, suggested that further argument about IDA lending to Swaziland should be dropped. On population growth, he explained that family planning in Swaziland really began only five years ago. Since the Government recognized that finding sufficient employment would be a serious problem, it was particularly anxious to pursue a vigorous family planning program. In response to Mr. McNamara's question about Swaziland's being able to double the present cultivated

area, the Deputy Prime Minister said the cultivated area probably could be expanded, but irrigation was required for any significant expansion. The Rural Development Area (RDA) Program which the Bank was assisting, had a good potential for agriculture development, particularly since such a program enabled resources to be concentrated on developing specific rural areas. On the matter of overgrazing, which Mr. McNamara also had raised, the Deputy Prime Minister agreed that overstocking was a serious threat. The Government was initiating a rigorous campaign, as part of the RDA program, to combat the problem, mainly by emphasizing livestock quality versus quantity.

5. The Prime Minister emphasized that the problems of agriculture, population and employment, which Mr. McNamara had raised, also were very much the Government's concerns. Mr. McNamara inquired as to what the Government's development plans and priorities were. He brought this up particularly in the context of Third Plan projects, e.g., the national airline and shipping line, which he considered to be low priority.

6. The Finance Minister said that after independence, education had been the country's first priority. In the Third Plan (1978/79-1982/83) rural development was first priority, and education, particularly technical and vocational, second. As far as the shipping line was concerned, he agreed that it was an "unfortunate" project. Although the Government did not finance either the airline or the shipping line, it did guarantee loans to them. The Prime Minister added that, in any case, the Government was trying to put things right and to look carefully at the country's needs, which included housing, communications (especially in the lowveld region) and health facilities. In the lowveld, where there was the greatest potential for expanding cultivation, irrigation was needed.

7. Mr. McNamara and Mr. Wapenhans indicated that the World Bank would be very interested in smallholder irrigated settlement projects, including water resource development for cropping. Mr. McNamara asked whether or not the Government had projects already prepared for smallholder irrigation and repeated that the Bank was very interested in possible smallholder irrigated settlement schemes. In answer to Mr. McNamara's query, the Prime Minister and Deputy Prime Minister stressed that fuller utilization of water resources in Swaziland was a pressing need and referred back to the Mabobene project which had been prepared for World Bank financing several years ago.

8. In answering questions raised about agreements on the use of water from international rivers, the Prime Minister said that there were some agreements, but not all were firm. Swaziland had assurances from South Africa that 85 percent of flows during the dry season would be released in the rivers originating there and was still negotiating further with the South African Government. For the Bawanzi River, Swaziland had an agreement with Mozambique to release 40 percent of the flow.

Cleared with and cc: Mr. Wapenhans

cc: Mr. McNamara's Office (2)

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