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May 2, 2023

**Joint Statement by Mr. Anwar, Mr. Naka, Mr. Parkyn, Ms. Wongwaisiriwat, Mr. Arubilake, and Ms. Kikuchi on Kingdom of Eswatini
(Preliminary)
Executive Board Meeting 23/34
May 3, 2023**

We thank staff for their comprehensive report and Mr. Nakunyada, Ms. Vumendlini, and Mr. Mengistu for their informative Buff statement. **As we broadly concur with the thrust of the staff's appraisal, we would like to offer the following comments for emphasis.**

Medium-term fiscal consolidation is essential to address macroeconomic imbalances and reduce public debt as well as to rebuild fiscal and external buffers. As staff noted, we encourage the authorities to revise the medium-term Fiscal Adjustment Plan to achieve a primary budget surplus by FY26/27 and to steadily implement key reforms on both revenue and expenditure sides. Accelerating public enterprise (PE) reform is also crucial given their increasing fiscal risks. We note the slow progress of reducing the number of PEs and transfers due to political resistance and limited capacity in the Public Enterprises Unit. *We would like to know more about the authorities' plan to advance PE reforms including the expected timeline under the challenging circumstances.* Strengthening the social safety net is also critical to protect the most vulnerable considering less social spending compared to Southern African Customs Union (SACU) peers despite the high levels of poverty and inequality.

We stress the importance of maintaining an adequate and stable level of international reserves to boost the credibility of the peg and, in turn, enhance the effectiveness of monetary policy in the long term. We note that large fluctuations in the transfers from the SACU are key contributors to the volatility of the current account and consequently foreign exchange reserves. Given the important role of SACU revenue, we welcome the establishment of a SACU Revenue Stabilization Fund as a necessary step in mitigating such

volatility. In this regard, we also encourage close engagement between staff and authorities to ensure that its implementation is timely and effective, in terms of sufficient capitalization, transparent rules and strong governance. We note from the Medium-Term Adjustment Scenario table on page 9 that reserves are projected to reach four months of import cover in 2026. *Could staff comment on whether such projection has already taken into account the SACU's capitalization plan and staff projections of SACU transfers, and what assumptions were made in terms of the contributions from other sources of inflows?*

Advancing macro structural reforms will improve the business environment and is vital for inclusive economic growth. We support the staff call to adopt policies to promote private sector and export-led economic growth and welcome the authorities' stated commitment in this regard. This will be vital for long term growth and help address poverty and income inequality. We welcome that the authorities are considering the IMF's governance diagnostic tools to help identify weaknesses and corrective measures and encourage staff to work closely with the authorities on this reform. We also urge the authorities to implement all governance commitments under the RFI including publication of beneficial ownership information on COVID-19 spending related procurement contracts.

As a small developing state, it is vital that the reform agenda takes account of capacity constraints and issues of scale. Reforms need to be appropriately sequenced and focused on the most binding constraints to inclusive, sustainable growth. It is also important the Fund's approach to country engagement is consistent, tailored and strategic to ensure advice and capacity development support can be absorbed and attains traction. In this regard, we welcome the discussion of prioritization and sequencing of macro-structural reforms (Annex VII) and discussion of the CD strategy (Annex X). We would welcome further strategic discussion of the Fund's approach to country engagement in a future Article IV report.