

**FOR  
AGENDA**

SM/08/314

October 3, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Kingdom of Swaziland—Selected Issues and Statistical Appendix**

This paper provides background information to the staff report on the 2008 Article IV consultation discussions with the Kingdom of Swaziland (SM/08/313, 10/2/08), which is tentatively scheduled for discussion on **Friday, October 17, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of the Kingdom of Swaziland indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Ms. Soonthornsima (ext. 37967), Mr. Davoodi (ext. 36942), Mr. Fontaine (ext. 37937), and Mr. Torrez (ext. 38382) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Monday, October 13, 2008; and to the African Development Bank, the European Commission, the European Investment Bank, the Food and Agriculture Organization, and the United Nations Development Programme, following its consideration by the Executive Board.

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INTERNATIONAL MONETARY FUND

KINGDOM OF SWAZILAND

**Selected Issues and Statistical Appendix**

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Approved by the African Department

October 2, 2008

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## SWAZILAND: BASIC DATA

Area (square kilometers )	17,364
Population (2006)	1,018,449
Population growth rate (2006) in percent	0.38
Formal employment (2005)	92,102
IMF Position (January 3, 2008)	
Quota	SDR 50.70 million
Fund holdings of emalangeni	SDR 44.15 million
Holdings of SDRs	SDR 2.55 million
Exchange rate as of August 31, 2008	US\$1 = E 7.69

	2002	2003	2004	2005	2006	2007
(Annual percentage change, unless stated otherwise)						
National income and prices						
GDP at constant prices	1.8	3.9	2.5	2.2	2.9	3.5
GDP per capita at constant prices	1.4	3.5	2.1	1.8	2.5	3.1
GDP deflator	8.6	5.9	4.4	6.6	6.5	9.0
CPI (period average)	11.7	7.4	3.4	4.8	5.3	8.2
CPI (end of period)	11.5	4.6	3.2	6.3	5.5	9.8
External sector						
Current account balance (millions of U.S. dollars)	57.6	124.2	71.4	-102.6	-196.7	-41.2
Export volume, f.o.b.	19.4	0.7	33.2	-15.5	-2.6	-3.7
Import volume, f.o.b.	-5.9	-15.3	-1.6	-2.0	-2.4	4.0
Real effective exchange rate <sup>1</sup>	6.0	13.0	11.8	-2.6	-8.0	3.3
Money and credit <sup>2</sup>						
Broad money	13.1	14.1	10.4	5.9	25.1	21.4
Domestic Credit	58.3	34.4	30.9	10.6	-4.9	-28.7
Central government (net) <sup>3</sup>	42.1	13.1	4.8	-5.6	-26.7	-50.0
Private sector	16.2	21.3	26.1	16.2	21.8	21.4
Prime lending rate (percent; end of period)	16.5	11.5	11.0	10.5	12.5	14.5
Interest rate on 12-month time deposits (percent; end of pe	9.5	4.2	4.1	3.5	8.5	10.0
Discount rate (end of period)	13.5	8.0	7.5	7.5	9.0	11.0
(Percent of GDP)						
Gross national savings	24.7	25.6	22.3	14.5	9.3	14.8
Of which : government	3.0	3.4	3.7	6.7	12.8	15.3
Gross domestic investment	19.9	18.8	19.2	18.6	16.7	16.2
Of which : government	7.5	5.9	8.5	8.8	7.9	8.5
Central government finances (fiscal year) <sup>4</sup>						
Total revenue and grants	26.7	27.9	32.1	33.2	43.0	39.7
Of which : South African Customs Union (SACU) receipts	12.6	13.4	18.4	18.7	28.5	23.8
Total expenditure and net lending	31.3	30.8	36.9	34.8	32.5	33.3
Current expenditure and net lending	23.7	24.5	28.5	26.7	25.1	24.8
Central government balance (including grants)	-4.6	-2.9	-4.7	-1.6	10.5	6.4
Primary balance (including grants)	-3.3	-1.7	-3.6	-0.4	11.4	7.4
Government debt	21.8	22.5	18.5	16.5	17.4	18.8
Non-SACU fiscal balance			-23.2	-20.3	-18.0	-17.3
External sector						
Current account balance	4.8	6.8	3.1	-4.1	-7.4	-1.4
Trade balance (merchandise goods)	7.6	5.7	4.0	-10.2	-9.4	-8.5
Capital and financial account balance	-12.5	2.8	-8.7	-1.4	11.5	26.4
Overall balance	-8.0	-3.5	0.3	0.4	5.6	12.4
External debt	29.5	22.7	18.2	17.2	16.6	16.7
Memorandum items :						
GDP in current prices (millions of emalangeni) <sup>5</sup>	12,519	13,775	14,739	16,050	18,078	20,386
Balance of payments (millions of U.S. dollars)	-100	-64	7	11	150	358
Gross official reserves (millions of U.S. dollars)	260	265	262	244	367	747
(months of imports of goods and nonfactor services)	2.7	2.1	1.5	1.3	1.9	3.6
Net official international reserves (millions of U.S. dollars)	217	212	258	240	363	743
(months of imports of goods and nonfactor services)	2.3	1.6	1.5	1.3	1.9	3.5
Total external debt (millions of U.S. dollars)	351	413	485	435	441	507

Sources: Swazi authorities; and IMF staff projections.

<sup>1</sup> IMF Information Notice System trade-weighted; end of period.

<sup>2</sup> Data for 2007 pertain to the latest available actual information-September 2007.

<sup>3</sup> Includes government holdings abroad.

<sup>4</sup> The fiscal year runs from April 1 to March 31.

<sup>5</sup> The official GDP numbers from 1994 to 2006 were significantly revised.

## I. SWAZILAND: THE ROLE OF NON-BANK FINANCIAL INSTITUTIONS IN BOTSWANA, LESOTHO, NAMIBIA AND SWAZILAND<sup>1</sup>

### A. Introduction

1. **A country's financial structure plays a crucial role in helping to generate growth and in contributing to overall macroeconomic stability.** Non-bank financial institutions (NBFIs) contribute by providing an alternative to banks to translating household savings into enterprise investment while spreading associated risks and allocating funds for investment purposes. NBFIs mainly include leasing and venture capital companies as well as various types of contractual savings and institutional investors such as pension funds, insurance companies, and mutual funds. In Botswana, Lesotho, Namibia and Swaziland, the contractual savings sector dominates the NBFIs. Other NBFIs in these countries comprise credit cooperatives, unit trusts, brokers of various vocations, asset and fund managers, and various types of micro lenders.<sup>2</sup>

2. **With the exception of South Africa, the financial systems of Southern African Customs Union (SACU) countries-- Botswana, Lesotho, Namibia and Swaziland --are in the nascent stages and thus leave ample opportunity for the widespread development of NBFIs.** Several factors have aided in the promotion of NBFIs in SACU countries, key among which is stable economies, a pool of available savings, domestic investment requirements, and a banking system that serves the needs of too few players in the economy. In Swaziland during 2008 the number of NBFIs is growing significantly as they attempt to take advantage of the liquidity surge from the requirement that insurance and retirement funds must increase their holdings of domestic assets from 10 to 30 percent of total assets by 2009. However, the lack of adequate legal and regulatory supervision may have influenced negatively the activities of this sector and limited its potential contribution to economic growth.

3. **NBFIs can be seen as either complementing the role of commercial banks or acting in direct competition** with banks by forcing them to be more efficient and responsive to the needs of their customers. The degree to which NBFIs succeed in filling the gaps in services left by the commercial banks depend greatly on the sophistication of a country's financial system. It also depends on the ease of access to formal financial services, the level of financial sophistication, and average income levels. In many sub-Saharan African (SSA) countries, pervasive rural poverty, and widespread unemployment have facilitated an unprecedented growth in NBFIs that have stepped in to meet the needs of those underserved by the relatively small formal financial sector.

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<sup>1</sup> Prepared by Alfredo Torrez and Thomson Fontaine.

<sup>2</sup> Stock Exchange can also be included as part of the non-bank financial institutions.

4. **In all the SACU countries, the total assets of NBFIs are far larger than that of the commercial banks.** Table 1 presents information on NBFi assets.

Table 1: Total Assets of Banks and Non Bank Institutions

	Banks	Non-Banking	Insurance	Pension Funds	Investment Funds	Building societies	Savings / credit unions	Other
Total Assets in Percent of GDP as of end-2006								
Botswana	60	81	21	48	-	2	4	6
Lesotho	42	23	18	5	-	-	-	0.2
Namibia	85	90	36	54	-	-	-	1
Swaziland	31	54	2	41	-	3	2	6
South Africa	120	208	79	95	35	-	-	-

Source: Various IMF reports and country authorities.

5. **The Common Monetary Area (CMA) agreement among members-- Lesotho, Namibia, South Africa, and Swaziland--has allowed and facilitated the entrance of shareholders from South Africa** in the banking and NBFi sectors. The CMA agreement eliminates currency risk and facilitates foreign portfolio investments among their members. Furthermore, it has imposed a limit on non-CMA investments that have motivated the entrance of South African companies in most financial institutions within the CMA.

6. **This paper attempts to take a closer look at NBFIs operating in Botswana, Lesotho, Namibia and Swaziland.** Section II reviews the literature on the role of NBFIs in low income countries and the factors influencing their development. The particular characteristics of the NBFIs in the four countries are the focus in section III. Section IV assesses the interaction of the NBFIs within the financial system and the real economy, and Section V provides some conclusions on the lessons and policy implications of the growing role of NBFIs in the four countries.

## II. OVERVIEW OF THE ROLE OF NBFIS IN DEVELOPING COUNTRIES

7. **McKinnon along with Edward Shaw are often credited with fundamentally changing the way that development economists thought about the contributions of money and finance to economic development.** However, it was the earlier work of Raymond Goldsmith that had identified the key processes involved in financial development and the conditions under which financial systems deepen over time. In Goldsmith's view increased economic activity and the consequent rise in income levels contributed to expanded financial intermediation and a build up of financial assets and liabilities. The increased intermediation is due to an expansion of traditional commercial banking activities and an extended role for NBFIs.

8. **King and Levine (1993a) and King and Levine (1993b), developed cross country analysis that appear to provide support for the view that finance promotes growth.**

Other studies including that of Deidda and Fattah (2002) and Harris (1997) however, indicates that, while being strongly positive at relatively high levels of per-capita income, the relation between financial development and growth is generally weak or insignificant at relatively low levels of per-capita income. Evidence has even been found of a negative relationship as is the case in Nu (2000). Historical country-studies such as Cameron (1967) and McKinnon (1989) suggest that whether financial development effectively drives subsequent economic growth or not depends ultimately on the efficiency of the financial institutions.

9. **Gurley and Shaw (1955) in noting the increasing importance of NBFIs argued that their activities posed potentially serious problems for monetary management and policy.**

There is recognition that NBFIs assumed significantly larger roles even as monetary authorities placed specific restriction on banks thus enabling them to provide services in the newly created space. Additionally, they argued that economic growth stimulates financial market development, and financial market development is a strong contributing factor in enhancing real growth.

10. **The growth of the NBFIs in Botswana, Lesotho, Namibia and Swaziland has been facilitated by a combination of relatively small financial sector, and the high costs associated with using formal banking services.**

Further, access to banking services is generally not available to certain segments of the population such as those living in rural areas or without steady incomes. It is among these groups that the NBFIs such as savings and credit cooperatives (SCCOs) and microfinance institutions have found the most resonance. More importantly insufficient regulatory support and coordination among supervisory agencies further weaken effective supervision and prevent regulatory arbitrage.

11. **Earlier IMF studies on the financial sector indicated that the sector needed reforms to support more efficiently economic development and improve the quality of services available to the poor.**<sup>3</sup> The studies found that there was insufficient financing for the economies in most SSA and LICs. Most sectors of the economy suffered from financing constraints, but agriculture faced the greatest challenges in accessing formal finance. Reasons for low levels of funding include high costs of financing, weak legal and institutional environments, and the relative attractiveness to banks of providing financing. Faced with stagnating private sector credit from the banking sector, several countries in SSA experienced a rapid growth of non bank financial institutions that could provide credit to those without bank access—usually the poor, as well as local small businesses. However, the

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<sup>3</sup> IMF, *Sub-Saharan Africa Financial Sector Challenges*, Anne-Marie Gulde, Catherine Patillo, and Jacob Christensen, 2006.



expansion of these institutions was not accompanied by adequate regulatory and supervisory frameworks, which has resulted in some threat to financial stability.

Table 2: Number of Banks and Non-Bank Financial Institutions

	Botswana	Lesotho	Namibia	Swaziland	Deposit Taking Institution?
<b>Banks</b>	11	3	7	5	
Commercial banks	6	3	4	4	
Foreign controlled bank	6	3	3	3	Yes
Domestic owned bank	0	0	1	1	Yes
Investment bank	1				No
Development banks	2		2		No
Savings bank	1				Yes
Building Society	1		1	1	Yes
<b>Non Bank Financial Institutions</b>	827	186	953	265	
Development financial institutions	1		2	1	No
Pension Funds	115		550	200	No
<i>Of which</i> : Government Pension Fund	1	1	1	2	
Insurance Cias	54	4	32	5	No
<i>Of which</i> : Foreign controlled	4		28		
Insurance brokers	14	8			No
Credit Cooperatives	36	160	52	56	Yes
Term lenders	4	13			Yes
Cash Lenders	600				No
Government scheme	1				No
Post Office savings bank		1	1		Yes
Microfinance			256	100+	Yes
Asset management Cias.			35		No
Stock brokers			4		No
Mortgage and House Cias.	2		1		Yes
Credit reference bureaus			2		No
Others			9	1	No
Unit trust			9	2	No
<b>Total financial institutions</b>	<b>839</b>	<b>189</b>	<b>961</b>	<b>271</b>	

Source: Various IMF reports and country authorities.

### III. CHARACTERISTICS OF THE NON-BANK FINANCIAL INSTITUTIONS IN BOTSWANA, LESOTHO, NAMIBIA, AND SWAZILAND.

12. **NBFIs are diverse ranging from private money lenders in Lesotho to sophisticated capital markets in Namibia.** Pension funds, insurance companies, stock exchanges, and SCCOs are by far the most important players within the NBFIs. Other financial intermediaries include fund administrators, unit trusts, assets managers, investment consultants, insurance brokers, dealers, exchange houses; burial societies, special investment vehicles, finance and leasing companies, unit trusts, friendly societies, savings clubs, and others provide myriad financial services. This section focuses on the type of financial instruments issued by NBFIs and their ownership, as well as the regulatory and institutional

elements under which NBFIs operate. Particular focus will be placed on pension funds, insurance companies, stock exchanges, and SCCOs.

13. **Although having different features, NBFIs have some common characteristics that can be used to classify them** into deposit taking institutions (e.g., credit unions, credit cooperatives, savings and loans, building and loans, and money lenders) and non-deposit taking institutions (e.g., insurance companies, finance companies, securities dealers, pension funds, etc.). This distinction is important particularly with regards to designing a proper supervision strategy for that sector. For instance, overseeing non-bank deposit taking institutions is closer to banking supervision while regulation and supervision of contractual savings institutions is typically far different.

14. **Credit cooperatives, building societies, and mutual funds, issue liabilities that can be comparable to liabilities included in the broad measures of money,**<sup>4</sup> while other NBFIs such as leasing, asset management companies, venture capital and private equity firms raise capital not only by direct contribution of shareholders but also by issuing shares and equities, which can be exchanged in capital markets. Some NBFIs have also had limited exposure to the derivatives markets. Financial instruments provided by most SCCOs in Botswana, Lesotho, Namibia and Swaziland include savings accounts, investment deposits, cooperatives shares of certificates, and car and housing loans. Although these accounts could be easily included in national definitions of broad money and credit they are not since they are not reported regularly to the central bank. Shares in mutual funds, life insurance premiums, reserve pension funds and equity options are also offered in all four countries; and some offer financial consultancy services.

15. **Pension funds main liabilities are members' contribution to retirement** (employers and employees), as well as returns on their investments. Pension funds do not issue liabilities that are transacted in financial markets (technical reserves of pension funds). Insurance companies that issue insurance policies and annuities are quite different. This is because these liabilities are actuarially based (payments to insurance company policyholders are scheduled based upon expectations of insured events). The assets of pension funds and insurers are typically longer-term and may take the form of equity investment, which are mostly held to maturity. However, the secondary market for these instruments practically does not exist. There is not a substantive market for equities in any of these countries, except for Botswana, where corporations could find opportunities to raise capital.<sup>5</sup>

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<sup>4</sup> In Swaziland, the building society is supervised by the Bank of Swaziland, and its liabilities are included in broad money supply.

<sup>5</sup> Type of assets carrying by the NBFI include: cash; fixed-income securities and loans; property; participation in real state agencies; shares, share-type securities, cooperative share of certificates; securities of foreign firms quoted on the national stock exchange; investments securities and mutual fund certificates; foreign currency denominated investment.

16. **Ownership of NBFIs is mixed, involving both local and foreign.** For instance, pension and national provident funds in Botswana, Lesotho, Namibia, and Swaziland are domestically owned. Public government pension funds are the largest, covering on average more than 70 percent of the sector's assets. However, insurance companies in Botswana, Lesotho and Namibia are mostly foreign-owned companies, while in Namibia the reinsurance business is in the hands of the state-owned company. In Swaziland, the oldest and also the largest insurance company --the Royal Insurance Company-- is 40 percent government owned, while recently inaugurated insurance companies have both foreign and domestic shareholders. Meanwhile, SCCOs in each of the countries are domestically owned institutions. Micro lending institutions on the other hand are attached to some NGOs or commercial banks. Similar to the formal banking system, other NBFIs are generally dominated by South African firms.

17. **Several different agencies are responsible for regulating and overseeing the activities of NBFIs.** Pension funds and insurance companies are supervised by the Registrar of pension funds and insurance companies in most countries, while credit cooperatives are under the authority of some government ministries. Central banks are also entrusted to overseeing unit trusts, mutual funds, and financial companies. In the case of Lesotho and Swaziland, the oversight of SCCOs has been in general inadequate, due to lack of comprehensive analysis of the growth of these institutions and the quality of the loan portfolio.

Regulatory Authority (as of end-2007)

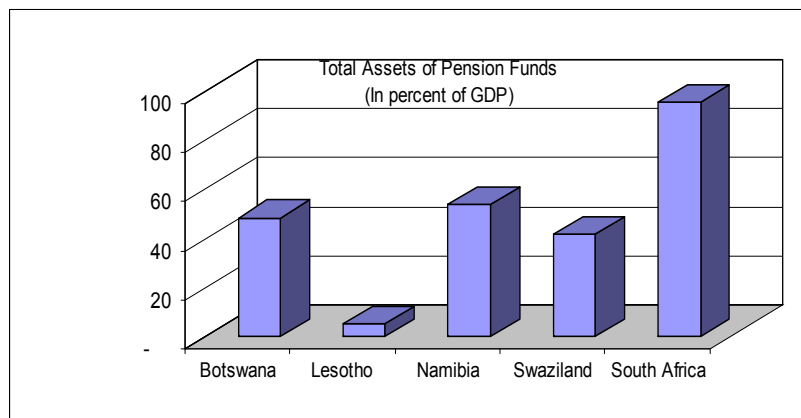
Financial Institutions	Botswana	Lesotho	Namibia	Swaziland
Banks	Bank of Botswana (BOB)	Central Bank of Lesotho	Bank of Namibia (BON)	Central Bank of Swaziland (CBS)
Insurance Companies	Registrar of Insurance, Ministry of Finance and Development Planning (MFDP)	Central Banks- Supervision Department (CBL-SD)	Namibia Financial Institutions Supervisory Authority (NAMFISA)	Registrar of Pension Funds and Insurance Companies, Ministry of Finance (MF).
Pension funds	Registrar of Insurance, MFDP.	CBL-SD	NAMFISA	Registrar of Pension Funds and Insurance Companies, MF.
Investment funds 1/	BOB	CBL-SD	NAMFISA	CBS/Ministry of Finance
Building societies	MFDP	CBL-SD	BON	CBS
Credit Cooperatives	Ministry of Trade and Industry	CBL-SD	NAMFISA	Ministry of Agriculture and Credit Cooperatives
Microfinance Institutions	Ministry of Trade and Industry	CBL-SD	NAMFISA	Ministry of Finance
Development Banks	BOB	CBL-SD	BON	CBS
Discount Houses	BOB	CBL-SD	NAMFISA	CBS

1/ Finance companies and Mutual Funds, Investment banks

## Pension Funds and Insurance Companies

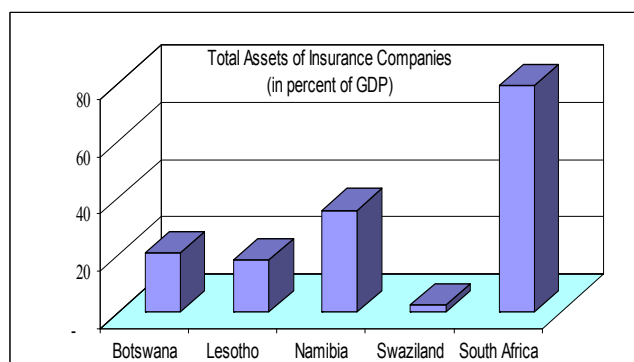
18. **Pension funds and insurance companies are by far the most important institutions within the NBFIs sector based on their asset holdings.** In Botswana, there are

over 100 private and fully funded pension funds, with total assets at end-2006 amounting to 48 percent of GDP.<sup>6</sup> Namibia has more than 500 pension funds, with assets estimated at 57 percent of GDP; in Swaziland it is equal to 46 percent of GDP (85 percent of total assets of the NBF); and in Lesotho just about 10 percent of GDP. The government institutions pension fund in Namibia accounts for about 73 percent of the total assets. Botswana also operates a social pension system that reached 49 percent of GDP at end 2006. The social funds include in kind support for the Aids orphans.



19. **The development of the insurance sector in Botswana, Lesotho, Namibia and Swaziland varies considerably across countries.** Income and wealth, macroeconomic stability, and the regulatory framework are the main determinants of insurance business. As in many developing countries, the main line of insurance business in the four countries is compulsory motor insurance, which is often subject to regulation and attracts low premiums. However, in Botswana and Namibia, the markets are much more mature and insurance companies are not only engaged in the insurance of property, life, motor vehicles and health, but also in the business of re-insurance.

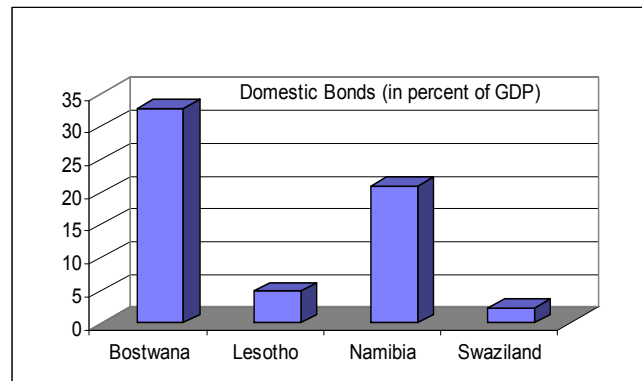
20. **In the four countries, the largest pension funds have defined benefit plans.** In the case of Swaziland, the Public Service Pension Fund (PSPF) and the Swaziland National Provident Fund's (SNPF) are defined benefit plans and they hope to move to defined contribution plans. While the SNPF covers all public and private employees, the PSPF covers government, prostates, and other public servants. In Lesotho the government is undertaking pension reform that will entail switching from the current unfunded defined benefit plan to a pre-funded defined



<sup>6</sup> A substantial increase in the assets managed by pension funds followed the conversion of public officers' pension entitlements from defined benefit obligations to defined contribution with the creation of the Botswana Public Officer's Pension Fund (BPOPF) in 2001.

contribution plan.<sup>7</sup> Namibia and Botswana also have defined benefit plans. In Swaziland and Lesotho, there are substantial annual flows into the pension system and the covered population is relatively young. However, the inflows of the system have been offset by large payments to the HIV/AIDS sufferers.

21. **The pension funds and insurance companies invest extensively in overseas assets while also meeting the domestic asset requirements.** They also invest a small fraction of their assets in the domestic market, including government bonds and bank deposits. Reasons for investing off-shore include the absence of local investment opportunities and the close financial corporate integration with South African companies. In the case of Namibia, the local investment requirement can be satisfied by investing in domestic government bonds, bank deposits, and securities of domestic companies and in shares of foreign companies with dual listing on the Namibia Stock Exchange. However, Namibia is considering tightening the criteria on domestic investment. Pension and insurance funds have benefited from the relatively strong performance of the South African economy, during the last four years, with good rates of return on investment. In the case of Swaziland, for example, the government pension fund increased its funding position to 95 percent of actuarial liabilities thanks to relatively high returns in South Africa.<sup>8</sup> In Namibia, returns during 2003-2007 averaged between 3 and 4 percent. In Botswana, the lack of long-term local assets has led pension funds to invest a large share of their domestic assets in commercial bank deposits, at interest rates linked to the Bank of Botswana certificate (Bob) rate, issued by the central bank to absorb excess domestic liquidity. The government has increased its local currency bond issuance in 2008 in order to provide alternative domestic investment vehicles for pension funds and allow the central bank to scale bank Bob issuance.



22. **As with pension funds, the insurance sector accumulates large amounts of financial assets on average around 43 percent of GDP.** In Namibia, the insurance sector is well developed but highly concentrated; there are 16 long-term insurers and 12 short-term insurers, but the top three in each segment account for more 85 percent of total premiums. The insurance market in Botswana, in spite of its small size, is considered to be a competitive one, highly exposed to the influence of the prevailing trends in the South African industry.

<sup>7</sup> Employees contribute 5 percent of their annual salary, while Government contributes 11.2 percent to the fund.

<sup>8</sup> Total income to the SNPF in the last four years are mainly from return on investment (70 percent) and the remainder from contributions.

The total assets of Botswana's insurance companies amount to around 26 percent of GDP, with insurance contributions that are significantly higher than those for most other African countries. Lesotho has just one private insurance company, whose assets are about 15 percent of GDP; in Swaziland, there are five. Nonetheless, the market remains relatively small with a level of assets of no more than 4 percent as of end- 2007. Insurance companies in Botswana and Namibia have large foreign participation (above 90 percent), mostly, from South Africa. In addition, the market share is highly concentrated; the largest four to five companies comprise 82 percent of the assets.

### **Saving and credit cooperatives and other deposit-taking institutions**

23. **There has been a rapid growth of SCCOs in all four countries to help provide financial services to those without access to the banking sector.** They primarily serve the financial services needs of their membership through savings and loan products. Indeed, the imposition of prohibitive fees on using bank services and the high cost of borrowing from the banking system have contributed in no small measure to the explosive growth of these saving societies. However, insufficient supervisory oversight and prudential regulation of the sector have resulted in governance issues and increasing member and client complaints, to include among others, lack of funds available at the SCCOs upon request.

24. **The importance of SCCOs in the financial system within the four countries varies significantly.** Total assets of Lesotho's credit cooperatives are about 7 percent of the total assets of the NBFIs, while Namibia's credit cooperatives share is negligible. In Botswana and Swaziland, the cooperatives have 5 and 3 percent of the total assets of the NBFIs respectively. For Swaziland that share is equivalent to about 4 percent of the banking system deposits. All credit cooperatives issue savings deposits that could be included in the definition of money aggregates. They mainly provide mortgage and construction loans to their members thus contributing to a social objective of providing housing. However, balance sheet information is not compiled and reported on a timely and periodic basis, and their activities are not overseen by the monetary authorities, but rather by government agencies.

25. **Other NBFIs also play a role in providing financial services.** The informal suppliers of funds in Botswana, Lesotho, Namibia and Swaziland are able to capitalize on the difficulties that people have in accessing the banking system. Among the many obstacles are high bank financial fees, lack of bank branches, unfamiliarity with the banking procedures, and difficulties in understanding the benefits of doing business with banks. Thus, traditional lenders and a whole range of microfinance institutions are important suppliers of funding for small businesses and individuals in rural and urban areas. However, they also tend to generally charge high up-front fees. Currently, supervision of these entities are lacking and are under non-financial entities (e.g. Ministry of Enterprise), hence data reporting is a major issue for assessing its significance.

## Stock Exchanges

26. **The stock exchanges in Botswana, Namibia and Swaziland are still relatively under developed and in some instance lack sufficient regulatory support.**<sup>9</sup> As such, its contribution to

the development of the domestic private sector is considerably

limited. Most companies listed in the

stock exchange of those countries are linked to major mining companies, and financial institutions headquartered in South Africa. The market capitalization of domestic companies is much smaller than the dual-listing. For example, in Botswana the domestic component is 5.4 percent of the foreign listing, while in Namibia the domestic market capitalization barely reaches 0.5 percent. The low level of the free-float<sup>10</sup> in the stock exchanges of these countries also prevents potential participants to intervene in the market. Moreover, many institutional investors decide to buy and hold to maturity; thus, reducing even more the level of transactions and liquidity in the market.

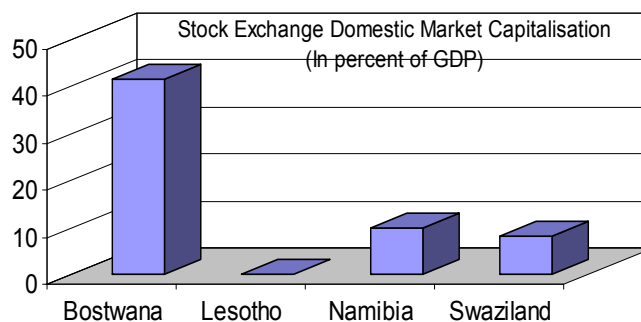
Text Table 2

	Botswana	Namibia	Swaziland	S.Africa
Number of companies				
Dual listing	12	21	5	33
Domestic listing	19	9	1	389
Total	31	30	6	422

Text Table 3.

	Stock Market		T-bills	T-bonds	C.Bank Certificate	Total Securities	Corporate bond
	Domestic	Dual-listing	In percent of GDP				
Botswana	41.4	710	9.0	0.75	23.0	32.7	...
Lesotho	-	0	4.8	...	...	4.8	...
Namibia	9.7	2,400	6.1	13.6	1.3	20.9	4.4
Swaziland	8.1	n/a	1.8	0.2	0.3	2.3	...
South Africa	37.3	n/a	...	...	...	...	...

27. **Pension funds and insurance companies have the potential to contribute to the development of the securities market.** This in turn requires the development of efficient trading and settlement systems, the adoption of modern accounting and auditing standards, and the promotion of information disclosure. Pension funds in particular can



<sup>9</sup> Lesotho does not have a stock exchange.

<sup>10</sup> The free float is considered the portion of the total shares that are ready to be exchanged on a public stock exchange through an initial public offering (or "flotation").

mobilize large, long-term and stable financial resources, and have the potential to completely transform the functioning of financial markets. However, the impact of pension funds and insurance companies on capital market efficiency depends on their size, their investment policies and their management practices.

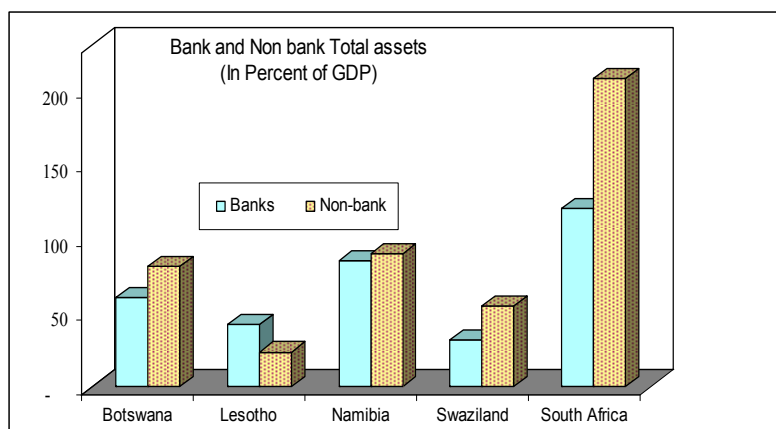
28. **All countries in the region have similar requirements for the pension funds and insurance companies to invest up to 35 percent of their assets in local markets; however, the effect on the measure differs across countries.** Botswana sets a minimum of 30 percent domestic assets holding. These regulations are not likely to be effective since individuals remain free to invest directly in other CMA countries. In mature markets (Namibia and Botswana), there appears to be better investment opportunities (e.g. investing in cross listing, which allow local pension funds to invest in domestic branches of regional corporations, which are counted as domestic investments.<sup>11</sup> In addition, their equity markets have a number of listed companies. In Swaziland, the situation is more precarious, since there are only 5 listed companies engaged in very little trading if any.

#### IV. NON BANK FINANCIAL INSTITUTIONS THE FINANCIAL SYSTEM AND THE REAL ECONOMY

29. **Similar to South Africa, the asset holdings of the NBFIs in Botswana, Lesotho, Namibia and Swaziland are much higher than that of the formal banking institutions.**

This relatively large holding of NBFIs motivates the need to analyze the link between the level of these assets and their role in the economic development of these countries. However, a shortage of data prevents a complete analysis of the role of these institutions. It is important to point out that although pension funds and insurance companies are the backbone of the NBFIs;

their financial transactions are mostly linked to investment abroad, with some residual impact on domestic economies, mainly because of a lack of domestic opportunities. In the case of



<sup>11</sup> Pension funds and insurance companies are required to invest in domestic market at least 35 percent of their total assets (government bonds, bank deposits, securities of domestic companies well as shares of foreign companies that are dual-listed on the Namibia Stock Exchange (NSX)).



SCCOs, with membership in the thousands, and given their level of assets they potentially can play a meaningful role in contributing to economic growth.

**30. In at least one of the four countries, Swaziland, pension funds and other institutional investors compete directly with the financial sector with regards to lending.**

Faced with the domestic investment requirement of 30 percent, pension funds and insurance companies are lending directly to some industry participants, particularly the sugar and electricity sectors, at market rates. In all the four countries, investment opportunities also include investing in low-yielding government paper, in low-interest housing loans, and even in building low-rent housing units. The NBFIs inject liquidity into the local banking sector by keeping some assets invested in term-deposits (average return of 10 percent), rather than investment abroad. The benchmark rate of return is 5 percent in real terms. The large share of investments, however, continues to be in South Africa, where, over the last three years returns averaged about 9 percent. More recently, these returns have started to decline because of the slowdown of the South African economy.

**31. Banks and other specialist institutions like leasing and venture capital companies could enhance NBFIs in the expansion of their financing role.** Particularly with regards to the financing of smaller firms, pension funds and insurance companies rely on the formal banking system in channeling those resources, usually by increasing liquidity in the markets. As NBFIs reach critical mass, they are likely to help promote competition, stimulate financial innovation, improve financial information, strengthen corporate governance and encourage more robust regulation. The low level of personal wealth and the absence of a financial culture, including a dearth of financially skilled people, further limit the deepening and contribution of the financial sector towards economic development. It is therefore important to strike a balance between having a good record of financial performance and contributing towards deepening of the financial markets.

**32. NBFIs could play a more meaningful role in contributing to reducing poverty through deepening of the financial sector, increasing access to finance, and lowering transaction costs.** For a number of the rural poor, their only form of financing is only through microfinance institutions that may be organized at the local level. To the extent that financing from micro lenders assist in enabling the rural poor to engage in productive activities, this would have some impact on reducing poverty. Throughout Botswana, Lesotho, Namibia and Swaziland, small loans from micro lenders and in some instances SCCOs have been channeled into productive uses, particularly in support of subsistence agriculture.

## V. CONCLUSION

**33. Despite the proliferation of NBFIs in Botswana, Lesotho, Namibia and Swaziland, financing is still very limited.** The rapid growth of NBFIs in these countries reflects as much on the restrictive financial system as it does on the pervasive rural poverty and widespread unemployment. The challenge however remains to find a way to channel

these resources to productive uses. Anecdotal evidence points to a very negligible impact on real growth within the countries under review, despite the high level of capitalization. Further development and proper regulation of NBFIs could however translate to tangible gains for these countries, since it has been shown that when financial development is sustainable, the credit market becomes more competitive and more efficient over time, and this could eventually contribute to economic growth.

34. **Pension funds and insurance companies with substantial financial resources could help develop capital markets.** However, these entities usually demand securities, which are normally in short supply. Limited liquidity is a major obstacle to the development of the stock market in Botswana, Namibia and Swaziland. In addition, the lack of attractive domestic investment opportunities has led to outflows of savings from these countries into the liquid and relatively well developed markets in neighboring South Africa. Access to such markets has benefited financial institution and individuals who are able to invest in a diversified range of products. Understanding the type of flows will help in designing policies to better manage these capital flows, allow higher interest rate and more attractive domestic investment opportunities could reduce such outflows.

35. **Effective supervision of the non-bank financial institutions in the countries under review need further strengthening to allow an orderly expansion that could better serve the real sector needs.** Failure to properly regulate the NBFIs sector could result in serious consequences for participants. Already, in all the countries, complaints from clients are increasing as the under supervised SCCOs take advantage of the lax regulations. This worrisome trend also raises the distinct possibility that government may be forced to intervene to bail out these institutions, putting further pressure on the government budget.

36. **The current global financial crisis provides useful lessons on the importance of an efficient regulatory and supervisory framework.** However, regulation should be in line with economic structures and the stage of economic development. It should be designed to strike a balance between facilitating the long-term sustainability of the financial institutions and avoiding placing an undue burden on the regulatory body. At the same time, government must provide a sound economic environment, accompanied by structural reforms (improving the business climate, legal establishment, and governance) to provide stability to all players in the financial market, along with transparency and accountable institutions.

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# STATISTICAL APPENDIX TABLES

Table 1. Swaziland: Gross Domestic Product by Sector of Origin at 2000 Constant Prices, 2003-07

	2003	2004	2005	2006	2007
(In millions of emalangeni)					
Primary production	1,169.2	1,146.3	1,197.8	1,173.9	1,197.9
Agriculture and livestock	1,072.7	1,042.1	1,098.1	1,073.8	1,102.6
SNL crops 1/	65.1	76.1	75.7	64.7	70.4
TDL crops 2/	909.2	890.4	930.7	916.7	867.6
Livestock and other	98.4	75.6	91.7	93.0	84.3
Forestry	67.3	72.5	74.9	71.3	80.4
Mining	29.1	31.8	24.9	28.8	14.9
Secondary production	4,146.6	4,170.4	4,145.6	4,243.8	4,353.4
Manufacturing	3,526.7	3,566.1	3,600.0	3,677.0	3,787.8
Electricity and water	133.0	129.6	134.3	141.1	154.3
Construction	487.0	474.7	411.3	425.7	411.3
Services	3,960.2	4,193.1	4,382.1	4,589.4	4,796.3
Wholesale and retail	579.9	638.6	689.2	766.4	843.5
Hotels and restaurants	174.4	180.1	196.9	212.5	228.2
Transport	354.0	374.0	389.6	372.0	378.9
Communications	395.2	493.6	561.4	589.8	602.3
Banking, finance, and insurance	390.7	394.3	399.1	423.2	430.1
Real estate	434.7	446.3	456.7	470.9	490.3
Government services	1,382.1	1,426.8	1,446.8	1,512.5	1,578.8
Other services	166.1	169.4	173.3	177.5	184.0
Owner-occupied dwellings	297.7	291.7	297.4	302.6	309.8
Imputed bank service charge	-214.5	-221.7	-228.3	-238.0	-249.6
GDP at factor cost	9,276.0	9,509.9	9,725.5	10,007.2	10,347.6
Indirect taxes less subsidies	1,935.3	1,976.8	2,008.1	2,066.7	2,146.0
GDP at market prices 3/	11,211.3	11,486.6	11,733.7	12,073.9	12,493.6
(Annual percentage change)					
Agriculture and livestock	4.9	-2.9	5.4	-2.2	2.7
Forestry	2.8	7.7	3.3	-4.8	12.8
Mining	-20.1	9.0	-21.6	15.8	-48.3
Manufacturing	1.9	1.1	0.9	2.1	3.0
Electricity and water	2.5	-2.5	3.6	5.1	9.3
Construction	35.4	-2.5	-13.3	3.5	-3.4
Services	2.7	5.9	4.5	4.7	4.5
GDP at market prices	3.9	2.5	2.2	2.9	3.5
(In percent of GDP at factor cost)					
Agriculture and livestock	11.6	11.0	11.3	10.7	10.7
Forestry	0.7	0.8	0.8	0.7	0.8
Mining	0.3	0.3	0.3	0.3	0.1
Manufacturing	38.0	37.5	37.0	36.7	36.6
Electricity and water	1.4	1.4	1.4	1.4	1.5
Construction	5.2	5.0	4.2	4.3	4.0
Services	42.7	44.1	45.1	45.9	46.4

Source: Central Statistical Office.

1/ Swazi Nation Land (SNL).

2/ Title Deed Land (TDL).

3/ Under review by the CSO; data on indirect taxes used for estimation of GDP may contain errors and are subject to downward revisions based on

Table 2. Swaziland: Gross Domestic Product by Sector of Origin at Current Prices, 2003–07  
(In millions of emalangeneni, unless otherwise indicated)

	2003	2004	2005	2006	2007
Primary production	1,123.9	1,140.7	1,184.8	1,209.9	1,337.7
Agriculture and livestock	993.1	997.2	1,038.7	1,041.2	1,155.8
SNL crops 1/	74.1	101.6	102.3	87.8	108.0
TDL crops 2/	838.6	813.5	859.0	865.4	951.9
Livestock and other	80.4	82.1	77.4	88.0	95.9
Forestry	80.4	86.5	101.9	112.1	121.5
Mining	50.4	57.0	44.2	56.6	60.4
Secondary production	5,325.1	5,600.6	6,058.6	7,359.4	8,532.2
Manufacturing	4,577.6	4,820.2	5,349.4	6,623.7	7,717.1
Electricity and water	108.0	124.6	132.1	138.9	148.8
Construction	639.6	655.8	577.1	596.8	666.3
Services	4,851.2	5,375.0	6,130.5	6,710.2	7,530.2
Wholesale and retail	669.2	813.5	934.1	1,064.0	1,153.5
Hotels and restaurants	205.5	206.9	214.7	268.1	330.2
Transport	374.8	396.8	430.6	401.7	431.6
Communications	532.6	607.6	662.7	736.0	812.0
Banking, finance, and insurance	314.2	382.4	443.6	491.6	540.8
Real estate	523.9	559.3	606.9	646.7	707.3
Government services	2,003.0	2,207.8	2,648.8	2,926.8	3,395.0
Other services	214.9	226.5	245.7	255.1	266.5
Owner-occupied dwellings	225.4	232.7	243.1	252.3	258.6
Imputed bank service charge	-212.3	-258.4	-299.7	-332.1	-365.3
GDP at factor cost	11,300.2	12,116.4	13,373.9	15,279.4	17,400.1
Indirect taxes less subsidies	2,474.4	2,622.3	2,676.1	2,798.4	2,986.3
GDP at market prices 3/	13,774.6	14,738.7	16,050.0	18,077.8	20,386.4
Memorandum items:					
GDP deflator (index, 2000 =100)	122.9	128.3	136.8	149.7	163.2
(percent change)	5.9	4.4	6.6	9.5	9.0

Source: Central Statistical Office.

1/ Swazi Nation Land (SNL).

2/ Title Deed Land (TDL).

3/ Under review by the CSO; data on indirect taxes used for estimation of GDP may contain errors and are subject to downward revisions based on the review.

Table 3. Swaziland: Gross Domestic Product by Expenditure Category at Current Prices, 2003–07

	2003	2004	2005	2006	2007
(In millions of emalangeni)					
Final consumption expenditure	10,903.5	12,146.8	15,473.0	17,381.9	19,182.4
Private	8,222.4	8,724.1	12,024.0	13,604.6	15,042.6
Government	2,681.0	3,422.6	3,449.1	3,777.3	4,139.8
Capital formation	2,590.4	2,831.6	2,983.3	3,012.2	3,310.3
Gross fixed capital formation	2,590.4	2,831.6	2,983.3	3,011.2	3,308.3
Private	1,772.6	1,572.6	1,573.6	1,574.6	1,575.6
Public	817.8	1,259.0	1,409.7	1,436.6	1,732.7
Increases in stocks	0.0	0.0	0.0	1.0	2.0
Balance of trade for goods and nonfactor serv	280.8	-239.7	-2,406.4	-2,316.3	-2,106.3
Exports	11,953.9	13,279.8	12,204.1	13,178.5	15,667.3
Imports, f.o.b. <sup>1</sup>	-11,673.1	-13,519.5	-14,610.5	-15,494.8	-17,773.6
GDP at market prices <sup>2</sup>	13,774.6	14,738.7	16,050.0	18,077.8	20,386.4
(In percent of GDP)					
Final consumption expenditure	79.2	82.4	96.4	96.2	94.1
Private	59.7	59.2	74.9	75.3	73.8
Government	19.5	23.2	21.5	20.9	20.3
Capital formation	18.8	19.2	18.6	16.7	16.2
Gross fixed capital formation	18.8	19.2	18.6	16.7	16.2
Public	12.9	10.7	9.8	8.7	7.7
Private	5.9	8.5	8.8	7.9	8.5
Increases in stocks	0.0	0.0	0.0	0.0	0.0
Balance of trade for goods and nonfactor serv	2.0	-1.6	-15.0	-12.8	-10.3
Exports of goods and services	86.8	90.1	76.0	72.9	76.9
Imports of goods and services, f.o.b.	-84.7	-91.7	-91.0	-85.7	-87.2
GDP at market prices	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office.

<sup>1</sup> All Southern African Customs Union receipts are treated as indirect taxes (and therefore deducted from imports, c.i.f. to get imports, f.o.b.), accounting for the significant difference between the trade figures in the national income accounts reported in this table and those in the balance of payments.

<sup>2</sup> Under review by the CSO; data on indirect taxes used for estimation of GDP may contain errors and are subject to downward revisions based on the review.

Table 4. Swaziland: Population and Labor Force Estimates, 2002–07

	2002	2003	2004	2005	2006	2007
Annual population growth <sup>1</sup>	0.37	0.36	0.36	0.37	0.37	0.37
Population (in thousands) <sup>1</sup>	999.4	1,003.2	1006.9	1010.8	1014.6	1018.4
Population density (per sq.km.)	57.5	57.8	58.0	58.2	58.4	58.6
Labor force <sup>2</sup>	314.9	319.1	322.3	331.8	337.2	...
Total employment <sup>3</sup>	113.0	114.0	114.8	115.9	115.4	...
Formal employment	92.2	92.6	93.1	93.4	92.1	...
Public sector	29.3	27.4	27.8	28.0	27.5	...
Private sector	62.9	65.2	65.3	65.4	64.6	...
Informal employment	20.8	21.4	21.7	22.5	23.3	...
Unemployment rate (in percent)	30.0	29.0	30.0	30.0	30.0	...

Sources: Sources: World Bank's World Development Indicators; and staff estimates.

<sup>1</sup> National authorities, World Bank and staff estimates

<sup>2</sup> World Bank estimates.

<sup>3</sup> Ministry of Enterprise and Employment.



Table 5. Swaziland: Developments in Crop Production, 2002/03–2006/07 <sup>1</sup>

	2002/03	2003/04	2004/05	2005/06	2006/07
(In thousands of metric tons)					
Volume					
Sugarcane	4,609	5,046	4,884	5,144	4,931
Cotton	3.5	2.8	5.0	0.9	...
Maize	62.5	71	75	67.1	69.2
SNL <sup>2</sup>	57.5	65.3	69.0	61.7	63.7
TDL <sup>3</sup>	5.0	5.7	6.0	5.4	5.5
Citrus fruit	74.4	70.9	67.1	70.5	70.8
Tobacco	...	...	...	...	...
(In metric tons per hectare)					
Yield					
Sugarcane	102.0	105.0	98.0	101.9	97.8
Cotton	348.9	....		...	
Maize				...	
SNL <sup>2</sup>	...	...	...	...	...
TDL <sup>3</sup>	...	...	...	...	...
Citrus fruit	...	...	...	...	...
(In millions of emalangeni)					
Value					
Sugarcane	...	...		...	...
Cotton	8.6	6.9	12.3	2.2	...
Maize	47.6	54.1	57.2	51.1	52.8
SNL <sup>2</sup>	42.9	48.7	51.4	46.0	47.5
TDL <sup>3</sup>	4.8	5.4	5.7	5.1	5.3
Citrus fruit	122.2	99.8	97.8	95.8	116.6

Source: Central Statistical Office and Swaziland Sugar Association.

<sup>1</sup> Variable crop years.<sup>2</sup> Swazi Nation Land (SNL).<sup>3</sup> Title Deed Land (TDL).

Table 6. Developments in Sugar Production, Processing, and Consumption, 2002/03–2006/07

	2002/03	2003/04	2004/05	2005/06	2006/07
	(In thousands of hectares)				
Crop area <sup>1</sup>					
Area under cultivation	48.0	49.9	50.9	52.2	52.2
Area harvested	45.0	48.0	49.7	50.7	50.4
	(In thousands of metric tons) <sup>2</sup>				
Production and processing					
Cane	4,609	5,046	4,884	5,165	4,931
Sucrose	666	719	686	745	711
Sugar	583	628	598	653	623
	(In metric tons per hectare harvested)				
Sugarcane yield	102.0	105.0	98.0	102.8	97.84
	(In thousands of metric tons)				
Domestic consumption and local sales <sup>3</sup>	281.0	332.0	311.0	314.5	318.2

Source: Swaziland Sugar Association.

<sup>1</sup> Sugarcane is grown mainly on Title Deed Land.

<sup>2</sup> Crop year beginning in April, unless otherwise indicated.

<sup>3</sup> Calendar year. "Domestic" covers Swaziland, as well as the other members of the Southern African Customs Union.

Table 7. Swaziland: Mineral Production and Exports, 2001–06

	2001	2002	2003	2004	2005	2006
(In thousands of metric tons)						
Production						
Quarried stone (M <sup>3</sup> )	...	...	...	230.1	566.8	534.7
Coal	313.0	553.4	448.7	488.3	221.7	310.6
(In thousands of Emalangeni)						
Exports						
Quarried stone	...	...	...	12.4	15.3	18.4
Coal	54.9	97.1	78.7	85.7	47.5	90.4

Sources: Central Bank of Swaziland; and Geological Survey and Mines Department.

Table 8. Swaziland: Electrical Power Generation and Demand, 2001–05

	2001	2002	2003	2004	2005
Total local production and imports <sup>1</sup>	846.9	893.0	994.1	1,020.3	828.2
Local production <sup>2</sup>	205.6	203.7	123.0	103.5	159.5
Hydroelectric	243.9	202.2	121.6	...	159.5
Diesel	1.7	1.5	1.4	...	...
Imports (from ESKOM + STEM & EDM) <sup>3</sup>	601.3	689.3	871.1	916.8	668.7
Total sales <sup>1</sup>	719.5	764.6	831.8	836.4	868
Household	170.8	177.8	189.1	190.6	207.9
Commercial	74.9	80.7	87.4	91.5	92.9
Irrigation power and bulk	473.8	506.1	555.3	558.7	543.1

Source: Swaziland Electricity Board.

<sup>1</sup> The difference between production and sales is accounted for by transmission and distribution losses.

<sup>2</sup> Excludes self-generated power of several industrial concerns.

<sup>3</sup> South African Electricity Supply Commission (ESKOM), Short Market Energy Market (STEM), EDM is a Mozambique National Utility.

Table 9. Swaziland: Retail Price Indices of Urban Families, 2003–08<sup>1</sup>

	2003	2004	2005	2006	2007	2008 July
(April 2007 = 100)						
All-groups index <sup>2</sup>	82.0	84.6	90.0	94.9	106.9	116.9
Food & Non Alcoholic beverages	63.8	67.5	77.1	89.7	112.2	125.9
Alcoholic beverages & Tobacco	75.7	80.3	87.1	96.5	101.5	110.0
Clothing and Footwear	102.9	103.6	104.4	101.7	100.0	102.4
Housing <sup>3</sup>	92.8	97.6	98.8	100.0		
Housing, water, electricity, gas & other fuels	91.1	95.3	98.9	100.1	99.6	113.9
Furnishings, household equipment and maintenance	101.4	100.7	99.5	98.2	103.5	109.8
Household operations <sup>3</sup>	93.1	95.9	96.6	99.2	100.0	100.0
Health	99.0	98.4	99.2	100.3	106.3	106.3
Transport	85.5	87.3	95.9	97.0	115.5	134.2
Communications					93.4	105.2
Recreation and Culture	103.4	102.5	98.0	98.2	102.2	104.1
Education	74.9	76.7	86.2	88.7	100.7	101.2
Personal Care <sup>3</sup>	99.4	100.1	99.7	100.4	100.0	100.0
Restaurants and hotels					107.3	118.2
Miscellaneous of goods and services	99.2	99.5	99.2	99.3	103.8	108.3
Low-income index <sup>4</sup>	193.3	201.3	...	237.22	...	...
Middle- and high-income index <sup>5</sup>	179.2	185.0	...	206.79	...	...
(Percentage change over previous year)						
All-groups index <sup>2</sup>	4.6	3.2	6.3	5.5	12.6	13.3
Low-income index <sup>4</sup>	4.8	4.1	...	...	...	...
Middle- and high-income index <sup>5</sup>	4.7	3.2	...	...	...	...
Memorandum item:						
Consumer price index in South Africa (e-o-p)	0.3	3.5	3.6	5.8	9.0	12.2

Source: Central Statistical Office.

<sup>1</sup> CPI figures based on a new base year (April 2007=100); revised basket of food and services, and weights.<sup>2</sup> End of period; derived by splicing and applying the monthly changes to the old series.<sup>3</sup> These items were merged into different categories beginning in May 2007.<sup>4</sup> End of period; families with incomes of E 2,399 per annum and below.<sup>5</sup> End of period; families with incomes between E 2,400 and E 8,760 per annum.

Table 10. Swaziland: Minimum Wages for General Workers in Selected Industries, 2002–06<sup>1</sup>

	2002	2003	2004	2005	2006
Retail and wholesale					
Mbabane and Manzini	833.0	833.0	833.0	833.0	833.0
Elsewhere	726.6	726.6	726.6	726.6	726.6
Manufacturing and processing	131.1	131.1	131.1	131.1	131.1
Agriculture	12.8	12.8	12.8	12.8	12.8
Building and construction	4.1	4.1	4.1	4.1	4.1
Motor and engineering trades	3.3	3.3	3.3	3.3	3.3
Retail and wholesale					
Mbabane and Manzini	0.0	0.0	0.0	0.0	0.0
Elsewhere	0.0	0.0	0.0	0.0	0.0
Manufacturing and processing	9.0	0.0	0.0	0.0	0.0
Agriculture	0.0	0.0	0.0	0.0	0.0
Building and construction	0.0	0.0	0.0	0.0	0.0
Motor and engineering trades	0.0	0.0	0.0	0.0	0.0

Source: Department of Labor.

<sup>1</sup> As of December of each year.

Table 11. Swaziland: Paid Employment in the Private and Public Sectors by Industry, 2002–05 <sup>1</sup>

	2002		2003		2004		2005	
	Private	Public	Private	Public	Private	Public	Private	Public
Agriculture/forestry	18,072	1,261	19,979	1,512	19,042	1,762	18,345	1,610
Mining and quarrying	953	0	1,153	0	1,407	0	1,283	0
Manufacturing	19,485	0	19,485	0	19,874	0	20,272	0
Electricity and water	0	1,447	0	1,418	0	1,389		859
Construction	3,667	689	3,740	1,084	3,815	1,478	3,891	1,224
Distribution	10,453	0	9,021	0	9,988	0	11,454	0
Transportation	1,031	1,685	1,312	1,179	1,593	672	1,680	1,327
Finance	6,546	1,095	5,508	914	4,470	732	5,583	847
Social services	5,010	21,258	5,098	21,660	5,185	22,062	5,613	21,615
Total	65,217	27,435	65,296	27,767	65,374	28,095	68,121	27,482

Source: Ministry of Enterprise and Employment.

<sup>1</sup>Paid employment (including part-time) as of June of each year.

Table 12. Swaziland: Summary of Central Government Operations, 2003/04–2007/08<sup>1</sup>

	2003/04	2004/05	2005/06	2006/07	2007/08
(In millions of emalangeni)					
Total revenue and grants	3,908.4	4,841.8	5,499.1	8,020.6	8,341.1
Tax revenue	3,660.5	4,627.8	5,189.5	7,682.8	7,564.9
SACU receipts	1,878.1	2,772.8	3,101.1	5,321.8	4,989.9
Non-SACU revenue	1,782.4	1,855.0	2,088.4	2,361.0	2,575.0
Nontax revenue	110.2	98.0	137.3	172.1	713.5
Total expenditure and net lending	4,314.0	5,557.0	5,757.7	6,062.7	6,992.9
Current expenditure	3,437.2	4,295.0	4,416.3	4,681.3	5,217.3
Wages and salaries	1,668.9	1,964.0	2,443.0	2,588.7	2,750.2
Goods and services	1,003.0	1,421.0	995.8	1,202.8	1,343.0
Interest payments	173.8	168.0	194.4	163.4	211.3
Subsidies and transfers	591.5	742.0	783.1	726.4	912.8
Capital expenditure	817.8	1,259.0	1,409.7	1,436.6	1,732.7
Net lending	59.0	3.0	-68.3	-55.2	43.0
Primary balance	-231.8	-547.2	-64.2	2,121.3	1,559.5
Overall balance (including grants)	-405.6	-715.2	-258.7	1,957.9	1,348.2
Overall balance (excluding grants)	-543.3	-831.2	-430.9	1,792.2	1,285.4
Financing	405.6	715.2	258.7	-1,957.9	-1,348.2
Foreign (net)	77.0	255.0	211.5	-1,090.0	-756.9
Domestic (net) 2/	328.6	460.3	47.1	-867.9	-1,446.2
Government debt	2,852.1	2,800.7	2,729.9	3,251.7	3,940.1
Foreign	2,488.7	2,293.3	2,303.0	2,742.3	3,500.1
Domestic	363.5	507.4	426.9	509.4	440.0
(In percent of GDP, unless otherwise specified)					
Total revenue and grants	27.6	30.9	32.0	43.0	39.7
Tax revenue	25.8	29.5	30.2	41.2	36.0
SACU receipts	13.3	17.7	18.1	28.5	23.8
Non-SACU revenue	12.6	11.8	12.2	12.7	12.3
Nontax revenue	0.8	0.6	0.8	0.9	3.4
Grants	1.0	0.7	1.0	0.9	0.3
Total expenditure and net lending	30.4	35.5	33.5	32.5	33.3
Current expenditure	24.3	27.4	25.7	25.1	24.8
Of which:					
Wages and salaries	11.8	12.5	14.2	13.9	13.1
Goods and services	7.1	9.1	5.8	6.4	6.4
Interest payments	1.2	1.1	1.1	0.9	1.0
Subsidies and transfers	4.2	4.7	4.6	3.9	4.3
Capital expenditure	5.8	8.0	8.2	7.7	8.2
Primary balance	-1.6	-3.5	-0.4	11.4	7.4
Overall balance (including grants)	-2.9	-4.6	-1.5	10.5	6.4
Overall balance (excluding grants)	-3.8	-5.3	-2.5	9.6	6.1
Financing	2.9	4.6	1.5	-10.5	-6.4
Foreign (net)	0.5	1.6	1.2	-5.8	-3.6
Domestic (net)	2.3	2.9	0.3	-4.7	-6.9
Government debt	20.1	17.9	15.9	17.4	18.8
Foreign	17.6	14.6	13.4	14.7	16.7
Domestic	2.6	3.2	2.5	2.7	2.1
<i>Memorandum items:</i>					
Payment arrears	0.8	2.0			
GDP at current prices (in millions of emalangeni)	14,169	15,669	17,176	18,655	21,004
Wages and salaries (in percent of current ex	48.6	45.7	55.3	55.3	52.7

Sources: Ministry of Finance; and Fund staff projections.

<sup>1</sup> The fiscal year runs from April 1 to March 31.



Table 13. Swaziland: Central Government Revenue and Grants, 2003/04–2007/08<sup>1</sup>

	2003/04	2004/05	2005/06	2006/07	2007/08
(In millions of emalangeni)					
Tax revenue	3,660.5	4,627.8	5,189.5	7,682.8	7,564.9
Taxes on net income and profits	1,105.4	1,164.0	1,267.4	1,534.3	1,644.4
Companies	322.4	324.0	472.5	560.9	522.1
Individuals	698.7	742.0	761.7	892.4	1,058.4
Nonresident dividends and interest	84.3	98.0	33.3	81.0	63.9
Taxes on property	9.0	12.0	13.3	10.3	18.1
Taxes on goods, services, and international trade	2,540.8	3,445.8	3,894.4	6,102.2	5,886.0
Southern African Customs Union (SACU) receipts	1,878.1	2,772.8	3,101.1	5,321.8	4,989.9
Sugar export levy	12.1	22.0	21.1	33.1	32.1
Hotel and gaming taxes	4.4	5.0	7.8	9.6	13.5
Licenses and other taxes	98.5	97.0	29.4	27.2	30.3
Sales tax	547.7	549.0	734.9	620.1	725.0
Road levy and oil tax	0.0	0.0	0.0	90.3	95.2
Other taxes	5.3	6.0	14.4	36.0	16.4
Nontax revenue	104.9	98.0	137.3	172.0	713.5
Property income	52.0	46.0	53.4	89.6	596.6
Fees, fines, and nonindustrial sales	52.9	52.0	83.9	82.3	116.9
Total revenue	3,765.4	4,725.8	5,326.8	7,854.8	8,278.4
Grants	137.7	116.0	172.2	165.6	62.8
Total revenue and grants	3,903.1	4,841.8	5,499.1	8,020.4	8,341.1
(in percent of GDP)					
Tax revenue	25.8	29.5	30.2	41.2	36.0
Taxes on net income and profits	7.8	7.4	7.4	8.2	7.8
Of which					
Companies	2.3	2.1	2.8	3.0	2.5
Individuals	4.9	4.7	4.4	4.8	5.0
Taxes on property	0.1	0.1	0.1	0.1	0.1
Taxes on goods, services, and international trade	17.9	22.0	22.7	32.7	28.0
Of which					
SACU receipts	13.3	17.7	18.1	28.5	23.8
Sales tax	3.9	3.5	4.3	3.3	3.5
Other taxes	0.0	0.0	0.1	0.2	0.1
Nontax revenue	0.7	0.6	0.8	0.9	3.4
Grants	1.0	0.7	1.0	0.9	0.3
Total revenue and grants	27.5	30.9	32.0	43.0	39.7
(In percent of total revenue and grants)					
Tax revenue	93.8	95.6	94.4	95.8	90.7
Taxes on net income and profits	28.3	24.0	23.0	19.1	19.7
Of which					
Companies	8.3	6.7	8.6	7.0	6.3
Individuals	17.9	15.3	13.9	11.1	12.7
Taxes on property	0.2	0.2	0.2	0.1	0.2
Taxes on goods, services, and international trade	65.1	71.2	70.8	76.1	70.6
Of which: SACU receipts	48.1	57.3	56.4	66.4	59.8
Other taxes	0.1	0.1	0.3	0.4	0.2
Nontax revenue	2.7	2.0	2.5	2.1	8.6
Grants	3.5	2.4	3.1	2.1	0.8
Memorandum item:					
GDP at current market prices (in millions of emalangeni)	14,169	15,669	17,176	18,655	21,004

Source: Ministry of Finance.

<sup>1</sup> Fiscal year runs from April 1 to March 31.

Table 14. Swaziland: Functional Classification of Central Government Expenditure and Net Lending, 2003/04–2007/08 <sup>1</sup>

	2003/04	2004/05	2005/06	2006/07	2007/08
(In millions of emalangeni)					
				0.0	
Current expenditure	3,437.2	4,295.0	4,416.3	4,681.3	5,217.3
Wages and salaries	1,668.9	1,964.0	2,443.0	2,588.7	2,750.2
Of which: Health	131.0	165.2	185.5	283.9	235.1
Education	575.0	715.4	675.8	1,020.8	1,157.0
Other purchases of goods and services	1,003.0	1,421.0	995.8	1,202.8	1,343.0
Of which: Health	119.0	142.8	152.9	166.3	176.4
Education	64.0	69.1	75.4	80.8	105.6
Interest payments	173.8	168.0	194.4	163.4	211.3
Domestic	37.0	49.0	31.6	35.3	84.9
Foreign	136.8	119.0	162.9	128.1	126.4
Subsidies and other current transfers	591.5	742.0	783.1	726.4	912.8
Of which: subsidies to NFPEs <sup>2</sup>	200.7	213.2	287.2	289.0	364.7
Capital expenditure	817.8	1,259.0	1,409.7	1,436.6	1,732.7
Of which: Health	60.0	82.6	47.8	48.5	69.8
Education	13.0	27.9	18.9	42.6	82.2
Agriculture	48.0	104.5	171.6	321.4	587.7
Transport and communications	125.0	347.6	387.0	632.3	745.6
Other	571.8	696.4	784.4	391.9	247.4
Net lending	59.0	3.0	-68.3	-55.2	43.0
Gross lending	68.3	10.0	0.0	0.0	58.0
Repayments	-9.3	-7.0	-68.3	-55.2	-15.0
Total expenditure and net lending	4,314.0	5,557.0	5,757.7	6,062.7	6,992.9
(In percent of GDP)					
Current expenditure	24.3	27.4	25.7	25.1	24.8
Capital expenditure	5.8	8.0	8.2	7.7	8.2
Net lending	0.4	0.0	-0.4	-0.3	0.2
Total expenditure and net lending	30.4	35.5	33.5	32.5	33.3
Current expenditure	79.7	77.3	76.7	77.2	74.6
Wages and salaries	38.7	35.3	42.4	42.7	39.3
Other purchases of goods and services	23.2	25.6	17.3	19.8	19.2
Interest payments	4.0	3.0	3.4	2.7	3.0
Subsidies and other current transfers	13.7	13.4	13.6	12.0	13.1
Capital expenditure	19.0	22.7	24.5	23.7	24.8
Net lending	1.4	0.1	-1.2	-0.9	0.6
Memorandum item:					
GDP at current market prices (in millions of emalangeni)	14,169.3	15,669.2	17,176.0	18,655.0	21,003.8

Source: Ministry of Finance.

<sup>1</sup> Fiscal year runs from April 1 to March 31.<sup>2</sup> NFPEs (nonfinancial public enterprises).

Table 15. Swaziland: Economic Classification of Government Current Expenditure, 2003/04–2007/08 <sup>1</sup>

	2003/04	2004/05	2005/06	2006/07	2007/08
(In millions of emalangeni)					
General public service	1,183.0	1,448.4	1,379.9	1,433.7	1,486.8
General administration	495.0	962.9	789.0	830.31	776.8
Public order and safety	688.0	485.4	590.9	603.4	710.0
Defense	255.0	282.8	410.0	391.7	450.7
Social services	1,389.0	1,689.0	1,909.9	2,143.4	2,535.0
Education	911.0	1,130.3	1,178.5	1,308.9	1,605.4
Health	291.0	348.0	492.8	521.67	571.6
Other	156.0	174.7	182.3	259.1	289.8
Water and sewerage	31.0	36.0	56.3	53.7	68.1
Economic services	476.2	706.7	522.1	549.1	533.5
Agriculture	147.0	203.0	159.5	153.4	207.9
Manufacturing, mining, and construction	58.0	69.0	13.3	13.1	15.4
Transport and communications	187.0	231.0	205.4	163.3	223.1
Other	84.2	203.7	143.9	219.3	87.2
Interest payments	134.0	168.0	194.4	163.4	211.3
Total	3,437.2	4,294.9	4,416.3	4,681.3	5,217.3
(In percent of GDP)					
General public service	8.3	9.2	8.0	7.7	7.1
General administration	3.5	6.1	4.6	4.5	3.7
Public safety and defense	4.9	3.1	3.4	3.2	3.4
Defense	1.8	1.8	2.4	2.1	2.1
Social services	9.8	10.8			
Education	6.4	7.2	6.9	7.0	7.6
Health	2.1	2.2	2.9	2.8	2.7
Other	1.1	1.1	1.1	1.4	1.4
Economic services	3.4	4.5	3.0	2.9	2.5
Interest payments	0.9	1.1	1.1	0.9	1.0
General public service	34.4	33.7	31.2	30.6	28.5
General administration	14.4	22.4	17.9	17.7	14.9
Public safety and defense	20.0	11.3	13.4	12.9	13.6
Defense	7.4	6.6	9.3	8.4	8.6
Social services	40.4	39.3	43.2	45.8	48.6
Education	26.5	26.3	26.7	28.0	30.8
Health	8.5	8.1	11.2	11.1	11.0
Other	4.5	4.1	4.1	5.5	5.6
Economic services	13.9	16.5	11.8	11.7	10.2
Interest payments	3.9	3.9	4.4	3.5	4.1
Memorandum item:					
GDP at current market prices (in millions of emalangeni)	14,169.3	15,669.2	17,176.0	18,655.0	21,003.8

Source: Ministry of Finance.

<sup>1</sup> Fiscal year runs from April 1 to March 31.

Table 16. Swaziland: Capital Expenditure by Sector, 2003/04–2007/08 <sup>1</sup>  
(In millions of emalangeni)

	2003/04	2004/05	2005/06	2006/07	2007/08
General public services	67.0	408.1	492.5	484.4	520.3
General administration	28.0	365.6	398.2	415.4	406.2
Public safety and defense	39.0	42.5	94.3	69.0	114.0
Social services	282.0	360.0	291.4	245.0	369.7
Education	13.0	28.0	18.9	32.9	78.6
Health	60.0	83.0	47.8	48.5	52.7
Housing	193.0	247.0	179.3	123.8	132.1
Recreation and culture	7.0	1.1	13.2	18.1	75.7
Other	9.0	0.9	32.2	21.7	30.6
Economic services	468.8	490.9	625.7	707.3	842.7
Agriculture	48.0	105.0	171.6	122.7	226.4
Industry and mining	4.0	23.0	6.0	27.1	27.0
Water and sewage	13.0	9.0	56.5	162.4	114.6
Transport and communications	125.0	348.0	387.0	381.1	451.5
Other	278.8	5.9	4.6	14.1	23.2
Total capital expenditure	817.8	1,259.0	1409.6	1436.6	1732.7

Source: Ministry of Finance.

<sup>1</sup> Fiscal year runs from April 1 to March 31.

Table 17. Swaziland: Government Transfer Payments, 2003/04–2007/08 <sup>1</sup>  
(In millions of emalangeni, unless otherwise indicated)

	2003/04	2004/05	2005/06	2006/07	2007/08
Grants to students	109.0	139.9	147.8	128.0	147.5
Grants to mission hospital	42.1	41.9	39.0	41.6	47.9
Public assistance	2.2	5.5	6.3	46.4	13.1
Grants to town councils	38.7	39.7	47.8	56.9	65.6
Grants to youth and sports	5.0	5.0	0.0	2.1	3.0
External transfers 2/	29.4	29.0	21.3	19.4	28.3
Swaziland National Treasury	54.4	51.9	83.7	141.0	170.6
Cattle-dipping chemicals	5.5	7.6	8.4	0	0.0
Swaziland Komati Project Enterprise	9.2	9.2	8.3	13.2	20.2
Education Fund for Orphaned & Disadvantaged Children				47.1	50.4
Manzini Industrial Training Centre				3.4	1.7
Other <sup>3/</sup>	125.9	412.6	420.5	289.0	364.7
Total	421.4	742.1	783.1	726.4	912.8
Memorandum item:					
Transfers (in percent of GDP)	3.0	4.7	4.6	3.9	4.3
Nominal GDP (in millions of emalangeni)	14,169	15,669	17,176	18,655	21,004

Source: Ministry of Finance.

1/ Fiscal year runs from April 1 to March 31.

2/ Subscriptions to international organizations.

3/ Includes transfers and subsidies to nonfinancial public enterprises

14,882 16,538 17,134 19,635

Table 18. Swaziland: Flow of Funds From the Government to Public Enterprises 2003/04–2007/08<sup>1</sup>  
(In millions of emalangeni, unless otherwise indicated)

	2003/04	2004/05	2005/06	2006/07	2007/08
Total subsidies to public enterprises	200.7	213.2	287.2	289.0	364.7
Operating/Transport subsidy	169.5	172.5	187.4		51.7
Capital subsidy (flow)	31.2	40.7	99.8		313.0
Total subsidies to public enterprises	200.7	213.2	287.2	289.0	364.7
Swaziland Development & Savings Bank	0.0	0.0	0.0	0.0	0.0
Subsidies to nonfinancial public enterprises	200.7	213.2	287.2	289.0	364.7
Joint Venture Capital Fund	0.0	0.0	0.0	0.0	0.0
Swaziland Water Services Corporation	0.0	0.0	36.5	13.2	38.5
Swaziland Investment Promotion Authority	3.9	4.7	7.8	25.2	5.6
Swaziland Television Authority	10.1	10.1	32.6	29.3	36.0
Sebenta National Institute	2.7	2.7	2.9	2.9	3.0
Swaziland National Trust Commission	7.3	8.3	25.3	11.9	12.9
University of Swaziland	109.3	109.3	109.3	130.8	142.2
Motor Vehicle Accident Fund	0.0	0.0	0.0	0.0	9.0
Swaziland Water & Agricultural Development Enterprise (wa)	38.6	38.6	28.7	22.0	45.6
Commission for Mediation etc.	2.6	5.4	7.2	5.8	9.2
National Emergency Response Committee	20.0	20.0	20.0	30.3	45.0
Swailand Environment Authority	0.0	0.0	0.0	1.5	3.0
Swaziland Tourism Authority	0.0	0.0	3.8	7.8	6.8
Swaziland Cotton Board (Revolving Fund)	0.0	0.0	0.0	1.0	1.0
Swaziland Standards Authority	0.0	0.0	0.0	1.0	2.9
Small Enterprises Development Company			3.7	3.7	4.0
Other	6.2	14.1	16.9	2.7	
Memorandum item:					
Total Subsidies (in percent of GDP)	1.4	1.4	1.7	1.5	1.7
Nominal GDP (in millions of emalangeni)	14,169	15,669	17,176	18,655	21,004

Source: Ministry of Finance.

1/ Fiscal year runs from April 1 to March 31.

Table 19. Swaziland: Outstanding Domestic Government Debt by Type of Instrument, 2003–08  
(In millions of emalangeni; end of period)

	2003	2004	2005	2006	2007	Mar-08
Government bonds and stocks	260.0	180.0	99.0	50.0	50.0	50.0
Central Bank of Swaziland	0.0	0.0	19.0	0.0	0.0	0.0
Banks	176.7	146.3	59.3	39.0	39.0	39.0
Other financial institutions	53.9	14.5	6.5	5.0	5.0	5.0
Other	29.4	19.2	14.2	6.0	6.0	6.0
Treasury bills 1/	217.7	374.0	427.3	422.0	365.1	390.0
Central Bank of Swaziland	40.0	73.0	50.0	55.7	22.7	0.1
Banks	160.0	280.0	234.4	337.2	318.3	374.8
Other	17.7	21.0	143.0	29.1	24.1	15.1
Total domestic government debt	477.7	554.0	507.3	472.0	415.1	440.0
By original maturity						
Less than one year	217.7	374.0	427.3	422.0	365.1	390.0
From one to five years	210.0	130.0	0.0	0.0	0.0	0.0
From five to ten years	50.0	50.0	80.0	50.0	50.0	50.0
Over ten years	0.0	0.0	0.0	0.0	0.0	0.0

Source: Central Bank of Swaziland.

1/ The maturity of treasury bills is three months.

Table 20. Swaziland: Monetary Survey, 2003–08 <sup>1</sup>

	2003	2004	2005	2006	2007	2008 June
(In millions of Emalangeni)						
<b>Monetary authorities</b>						
Net foreign assets	1,404.7	1,450.2	1,518.4	2,584.6	5,059.6	5,817.8
Central Bank of Swaziland (CBS)	1,378.2	1,243.3	1,518.4	2,549.2	3,780.0	5,817.8
Of which : Capital Investment Fund (CIF), managed by CBS.	712.9	666.7	0.0	0.0	0.0	0.0
Government 2/	26.5	206.9	0.0	35.4	1,279.6	0.0
Net domestic assets	-974.8	-973.2	-1,028.5	-2,018.5	-4,353.9	-5,047.0
Central government (net)	-1,030.8	-933.2	-1,082.5	-1,960.0	-4,048.6	-4,487.9
CBS claims on government	82.6	251.8	100.6	55.1	14.7	10.9
Government deposits	-1,113.4	-1,185.0	-1,183.0	-2,015.1	-4,063.4	-4,498.8
Domestic	-374.0	-311.3	-1,183.0	-1,976.1	-2,780.2	-4,494.9
Foreign 2/	-739.4	-873.6	0.0	-38.9	-1,283.2	-3.9
Private sector	12.0	10.0	8.9	20.5	7.5	9.4
Commercial banks (net)	0.0	0.0	2.3	21.9	1.9	1.9
Other items (net)	44.0	-50.0	42.7	-100.8	-314.7	-570.5
Reserve money	430.3	477.1	489.9	566.1	705.7	770.7
<b>Commercial banks</b>						
Net foreign assets	469.4	490.4	374.5	761.9	697.5	1,145.4
Reserves	194.0	211.0	210.5	353.6	499.0	525.0
Domestic credit	2,614.1	3,344.2	3,832.3	4,581.2	5,385.3	5,506.8
Central government (net)	286.4	331.0	301.7	305.5	169.1	80.1
Claims on Government	286.7	332.5	315.0	369.4	343.7	378.7
Government deposits	0.3	1.5	13.3	63.8	174.6	298.6
Private sector	2,327.7	3,013.2	3,530.6	4,275.7	5,216.3	5,426.7
Other items (net)	-613.0	-1,100.0	-1,196.1	-1,588.6	-1,559.3	-1,696.9
Private sector deposits	2,663.7	2,945.9	3,221.2	4,088.2	5,022.5	5,480.3
<b>Monetary survey</b>						
Net foreign assets	1,874.1	1,940.6	1,892.9	3,346.5	5,757.1	6,963.2
Domestic credit	1,595.3	2,421.0	2,758.7	2,641.7	1,344.2	1,028.3
Central government (net)	-744.4	-602.2	-780.8	-1,654.4	-3,879.6	-4,407.8
Private sector	2,339.7	3,023.2	3,539.5	4,296.2	5,223.8	5,436.1
Other items (net)	-500.4	-1,083.6	-1,180.5	-1,646.3	-1,828.5	-2,235.2
Broad money	2,969.0	3,278.0	3,471.0	4,342.0	5,272.8	5,756.4
Currency in circulation 3/	213.5	235.8	242.1	250.5	248.6	274.6
Deposits	2,755.5	3,042.2	3,228.9	4,091.4	5,024.2	5,481.8
(Annual change in percent of beginning-of-period broad money)						
Broad money	14.1	10.4	5.9	25.1	21.4	14.1
Net foreign assets	-27.5	2.2	-1.5	41.9	55.5	37.8
Domestic credit	34.5	27.8	10.3	-3.4	-29.9	26.7
Central government (net)	13.1	4.8	-5.4	-25.2	-51.2	14.7
Private sector	21.4	23.0	15.7	21.8	21.4	12.0
Other items (net)	7.1	-19.6	-3.0	-13.4	-4.2	-50.4
Memorandum items:						
Currency/broad money (percent)	7.2	7.2	7.0	5.8	4.7	4.8
Reserve money/deposits (percent)	15.6	15.7	15.2	13.8	14.0	14.1
Money multiplier (broad money/reserve money)	6.9	6.9	7.1	7.7	7.5	7.5
Velocity (GDP/period average broad money)	4.9	4.9	4.5	4.4	4.2	4.1

Sources: Central Bank of Swaziland (CBS); and Fund staff estimates.

1/ End-of-year data.

2/ Beginning in end-2006, includes government holdings abroad.

3/ Excludes rand in circulation.



Table 21. Swaziland: Assets and Liabilities of the Central Bank of Swaziland, 2003–07  
(In millions of emalangeneni, end of period)

	2003	2004	2005	2006	2007
Foreign assets	1,758	1,474	1,536	2,697	5,166
CBS managed 1/	1,732	1,267	1,536	2,662	3,886
Government	27	207	0	35	1,280
Claims on government	83	252	101	55	15
Claims on private sector	12	10	9	20	8
Claims on commercial banks	0	0	2	22	2
 Assets = liabilities	 1,853	 1,736	 1,648	 2,795	 5,190
Foreign liabilities	355	25	18	113	106
Government deposits 2/	1,087	978	1,183	2,015	4,063
<i>Of which:</i> holdings abroad	713	667	0	39	1,283
Private sector deposits	92	96	8	3	2
Commercial banks	0	0	0	0	1
Reserve money	430	477	490	566	706
Currency in circulation 3/	286	302	341	379	408
Commercial bank deposits	145	175	149	188	298
 Other items (net) 4/	 -111	 159	 -50	 98	 313

Source: Central Bank of Swaziland (CBS).

1/ Includes Capital Investment Fund, until 2005

2/ Includes counterpart of government foreign assets.

3/ Excludes rand in circulation.

4/ Includes balances held with other banks in Swaziland, bills payable, unclassified assets, and unclassified liabilities.

Table 22. Swaziland: Assets and Liabilities of Commercial Banks, 2003–07 <sup>1</sup>  
(In millions of emalangeneni, end of period)

	2003	2004	2005	2006	2007
Foreign assets	521	531	443	419	766
Claims on government	287	332	315	309	344
Claims on private sector	2,328	3,013	3,531	3,635	5,216
Reserves	236	256	211	211	499
Balances with CBS	121	146	111	111	284
Cash in tills 2/	72	66	99	99	159
CBS bills	0	0	0	0	56
Other items (net) 3/	-168	-103	587	1,109	4
Assets = liabilities	3,204	4,030	5,087	5,683	6,828
Foreign liabilities	52	41	69	124	68
Government deposits	0	2	13	64	175
Private sector deposits	2,664	2,946	3,898	4,088	5,023
Demand	834	844	1,046	1,106	1,417
Time	1,353	1,517	2,175	2,982	3,605
Savings	476	585	677	0	0
Balances due to CBS	0	34	0	20	0
Capital accounts	488	1,007	1,106	1,387	1,563

Source: Central Bank of Swaziland (CBS).

1/ Includes the Swaziland Development and Savings Bank.

2/ Excludes rand in circulation.

3/ Includes balances held with other banks in Swaziland, bills payable, unclassified assets, and unclassified liabilities.

Table 23. Swaziland: Commercial Banks' Deposits by Sector, 2003–07<sup>1</sup>  
(In millions of emalangeneni, end of period)

	2003	2004	2005	2006	2007
Demand deposits	834	845	1055	1110	1430
Central government	3	1	6	1	9
Other public bodies 2/	49	23	63	37	57
Personal	264	201	235	172	265
Business	517	620	751	900	1099
Savings deposits	477	586	679	699	1038
Central government	0	0	0	0	1
Other public bodies 2/	2	0	0	0	29
Personal	436	492	646	447	811
Business	38	94	33	252	197
Time deposits	1,353	1,517	1,498	1,783	2,740
Central government	0	0	7	9	165
Other public bodies 2/	291	106	351	237	281
Personal	264	230	250	193	478
Business	798	1182	890	1345	1815
Total deposits	2,663	2,948	3,233	3,593	5,207
Central government	0	2	13	10	175
Other public bodies 2/	342	129	415	274	367
Personal	964	922	1,131	813	1,554
Business	1,353	1,896	1,674	2,496	3,112

Source: Central Bank of Swaziland (CBS).

1/ Excluding bank checks outstanding.

2/ Comprises local government, city councils, and statutory corporations.

Table 24. Swaziland: Commercial Banks' Liquidity Position, 2002–07  
(In millions of emalangeneni, end of period)

	2003	2004	2005	2006	2007
Total liquid assets 1/	508	561	549	741	857
<i>Of which:</i> balance with CBS	121	146	111	225	282
Required liquid assets	371	415	446	529	609
Domestic liquidity surplus	137	146	102	212	248
Net due from foreign banks	397	394	291	715	663
Total liquidity surplus	533	540	393	927	911
Memorandum items:					
Liquidity ratios (in percent)					
Required liquidity to deposits	13	13	13	13	13
Actual liquidity to deposits	17	17	15	17.7	17.8

Source: Central Bank of Swaziland (CBS).

1/ Comprises cash in tills, treasury bills and eligible stock issued by the Swazi government, balances with the CBS and other banks, and other approved liquid assets. Also including rand notes and coins held by banks.

Table 25. Swaziland: Commercial Bank Loans and Advances by Category of Borrower, 2003–07  
(In millions of emalangeni, end of period)

	2003	2004	2005	2006	2007
Industry	1,578	1,877	2,465	2,367	2,967
Agriculture and forestry	365	403	598.4	273	399
Mining and quarrying	7	0	1	0	1
Manufacturing	486	428	393.2	291	317
Construction	118	136	201.3	252	140
Distribution and tourism	178	307	379.6	457	628
Transport and communications	115	196	205.2	177	247
Social and personal services	138	137	140.1	140	144
Other	171	269	546.7	777	1092
Personal loans 1/	530	874	1,030	1,294	1583
Statutory bodies	38	70	70.1	50	71
Other 2/	91	10	17	23	25
Total	2,237	2,830	3,582	3,733	4,646

Source: Central Bank of Swaziland (CBS).

1/ Includes small amounts lent to nonresidents.

2/ Local authorities and private financial institutions.

Table 26. Interest Rates in Swaziland and South Africa, 2003–08  
(In percent)

	2003	2004	2005	2006	2007 Dec	2008 March	2008 June
Discount rates							
Central Bank of Swaziland	8.0	7.5	7.00	9.00	11.00	11.00	11.50
South African Reserve Bank	8.0	7.5	7.00	9.00	11.00	11.00	12.00
Treasury bills							
Swaziland	7.9	7.6	6.90	8.50	9.96	9.88	10.30
South Africa	7.5	7.5	9.80	8.50	10.00	10.04	10.51
Prime lending rate							
Swaziland	11.5	11.0	10.50	12.50	14.50	14.50	15.00
South Africa	11.5	11.0	10.50	12.50	14.50	14.50	15.50
Bank time deposits							
Swaziland–31 days	4.4	3.9	3.40	5.41	7.30	7.30	7.66
South Africa–31 days	7.4	7.2	6.80	8.90	10.94	11.05	11.46
Swaziland–12 months	4.2	4.1	3.50	8.50	10.00	10.00	10.68
South Africa–12 months	7.9	7.3	7.30	9.60	11.81	11.97	12.83
Bank savings deposits, Swaziland 1/	1.0-6.5	0.0-6.5	0.0-6.5	0.0-6.9	0.0-9.91		

Source: Central Bank of Swaziland (CBS).

1/ Simple average of end-of-period minimum and maximum rates across banks: rates on large-scale interbank deposits, as well as other money rates, often diverge widely from the deposit rates offered to the general public in Swaziland.

Table 27. Swaziland: Balance of Payments, 2003–07<sup>1</sup>

(Millions of U.S. dollars, unless otherwise specified)

	2003	2004	2005	2006	2007
Current account balance	124.2	51.7	-102.6	-196.7	-41.2
Trade balance	103.8	91.0	-258.1	-252.1	-246.5
Exports, f.o.b.	1,387.1	1,808.9	1,636.5	1,663.9	1766.8
Imports, f.o.b.	-1,283.2	-1,717.9	-1,894.6	-1,916.1	-2013.3
Services (net)	-66.7	-152.6	-120.4	-90.1	-52.1
Exports of services	193.1	250.0	282.4	283.5	454.1
Imports of services	-259.9	-402.6	-402.8	-373.6	-506.2
Goods and services balance	37.1	-61.6	-378.5	-342.3	-298.6
Income (net)	40.8	7.4	178.3	14.0	63.7
Income (credits)	143.5	132.5	271.3	241.8	280.5
Income (debits)	-102.8	-125.1	-93.0	-227.8	-216.8
Of which : interest	-18.1	-21.2	-20.1	-21.9	-24.5
Transfers (net)	46.3	106.0	97.5	131.6	193.7
Official sector (mainly SACU receipts) <sup>2</sup>	333.3	371.4	339.6	366.5	403.0
Private sector	-287.0	-265.4	-242.1	-234.9	-209.2
Capital and financial account balance	114.7	-206.6	-46.7	158.6	404.0
Capital account balance	0.0	-0.6	-3.5	24.8	-30.1
Financial account balance (excluding reserve assets)	114.7	-206.0	-43.2	133.8	434.1
Direct investment	70.7	66.4	-23.8	121.7	14.3
Portfolio investment	-0.4	-11.3	4.5	-4.0	5.2
Other investment	44.4	-261.2	-23.9	16.0	414.5
Errors and omissions	-161.6	141.4	148.2	162.7	-4.5
Overall balance	77.3	-13.5	-1.1	124.6	358.3
<i>Memorandum items:</i>					
Current account/GDP (percent)	6.8	2.2	-4.1	-7.4	-1.4
Goods and services balance/GDP (percent)	2.0	-2.6	-15.0	-12.8	-10.3
Gross official reserves (end of period)	264.8	261.8	244.4	367.4	747.2
In months of imports of goods and services	2.1	1.5	1.3	1.9	3.6
Lilangeni per U.S. dollar (end of period)	6.64	5.63	6.33	6.97	6.8
Lilangeni per U.S. dollar (period average)	7.56	6.45	6.36	6.77	7.1
Exports fob, volume growth	0.6	34.4	-15.5	-2.6	-3.7
Imports fob, volume growth	-15.4	-1.9	-2.0	-2.4	4.0

Sources: Central Bank of Swaziland; and IMF staff projections.

<sup>1</sup> Without corrective policy measures.<sup>2</sup> SACU: Southern African Customs Union. SACU transfers in the current account does not reflect the true level of SACU revenue because of the particular treatment of those transfers in the accounts where the authorities make an estimate based on the level of imports and adjust in 'other investment' to reflect the total SACU revenues.

Table 28. Swaziland: Balance of Payments, 2003–07 <sup>1</sup>  
(Millions of emalageni, unless otherwise specified)

	2003	2004	2005	2006	2007
Current account balance	939.7	333.7	-652.8	-1,331.3	-290.2
Trade balance	785.4	587.0	-1,642.2	-1,706.3	-1,737.7
Exports, f.o.b.	10,492.8	11,667.3	10,412.2	11,260.2	12,456.1
Imports, f.o.b.	-9,707.4	-11,080.3	-12,054.3	-12,966.5	-14,193.8
Services (net)	-504.6	-984.3	-766.2	-610.0	-367.3
Exports of services	1,461.1	1,612.5	1,796.8	1,918.3	3,201.4
Imports of services	-1,965.7	-2,596.8	-2,563.0	-2,528.3	-3,568.7
Goods and services balance	280.8	-397.3	-2,408.4	-2,316.3	-2,105.0
Income (net)	308.3	47.5	1,134.3	94.7	449.0
Income (credits)	1,085.7	854.5	1,725.9	1,636.5	1,977.3
Income (debits)	-777.4	-807.0	-591.6	-1,541.8	-1,528.2
Of which : interest	-137.1	-136.6	-128.0	-148.4	-172.6
Transfers (net)	350.6	683.5	620.1	890.3	1,365.7
Official sector (mainly SACU receipts) <sup>2</sup>	2,521.4	2,395.6	2,160.7	2,480.2	2,840.8
Private sector	-2,170.8	-1,712.1	-1,540.6	-1,589.9	-1,475.1
Capital and financial account balance	867.3	-1,332.5	-297.2	1,073.3	2,848.2
Capital account balance	0.0	-3.7	-22.2	167.8	-212.2
Financial account balance (excluding reserve assets)	867.3	-1,328.8	-275.0	905.5	3,060.2
Direct investment	534.5	428.2	-151.6	823.8	100.8
Portfolio investment	-3.1	-72.6	28.5	-26.9	36.7
Other investment	335.9	-1,684.4	-152.0	108.6	2,922.6
Errors and omissions	-1,222.5	911.7	943.2	1,101.0	-31.7
Overall balance	584.5	-87.1	-6.8	843.0	2,525.8
<i>Memorandum items:</i>					
Current account/GDP (percent)	6.8	2.2	-4.1	-7.4	-1.4
Goods and services balance/GDP (percent)	2.0	-2.6	-15.0	-12.8	-10.3
Gross official reserves (end of period)	2,003.2	1,688.9	1,555.2	2,486.4	5,267.7
In months of imports of goods and services	2.1	1.5	1.3	1.9	3.6
Lilangeni per U.S. dollar (end of period)	6.64	5.63	6.33	6.97	6.81
Lilangeni per U.S. dollar (period average)	7.56	6.45	6.36	6.77	7.05
Exports fob, volume growth	0.6	34.4	-15.5	-2.6	-3.7
Imports fob, volume growth	-15.4	-1.9	-2.0	-2.4	4.0

Sources: Central Bank of Swaziland; and IMF staff projections.

<sup>1</sup> Without corrective policy measures.

<sup>2</sup> SACU: Southern African Customs Union. SACU transfers in the current account does not reflect the true level of SACU revenue because of the particular treatment of those transfers in the accounts where the authorities make an estimate based on the level of imports and adjust in 'other investment' to reflect the total SACU revenues.



Table 29. Swaziland: Merchandise Exports, 2003–07

(In millions of U.S. dollars)

	2003	2004	2005	2006	2007 Est.
Sugar	202	221	244	229	250
Wood pulp	69	178	81	94	99
Asbestos	0	0	0	0	0
Meat and meat products	3	0	4	4	5
Canned fruit	15	11	29	36	29
Citrus	6	28	3	3	3
Coal	6	25	7	8	13
Diamond	0	0	0	0	0
Zippers	10	20	25	28	31
Edible concentrates	276	762	639	677	745
Wood and wood products	17	0	14	18	21
Cottonseed and lint	0	220	0	0	0
Chemicals	0	0	0	0	0
Fruit squash	6	20	11	18	15
Brake linings	0	1	0	0	0
Cotton yarn	14	0	19	26	21
Face bricks	0	0	1	1	1
Footwear	0	1	0	0	0
Other textiles	149	0	249	261	251
Paper products	8	26	6	9	11
Plastic products	0	37	2	3	5
Refrigerators	1	5	18	26	30
Ethanol	9	0	6	8	8
Eucalyptus	3	0	2	2	2
Television sets	0	10	0	0	0
Windscreens	0	1	0	0	0
Other food products	37	0	51	63	70
Other/errors and omissions	339	143	170	25	71
Total domestic exports	1,170	1,709	1,580	1,539	1,678
Reexports	217	100	56	125	90
Total exports, f.o.b.	1,387	1,809	1,637	1,664	1,767

Sources: Central Statistical Office; and Central Bank of Swaziland.

Table 30. Swaziland: Sugar Exports by Volume, Value, and Unit Price, 2003–07

	2003	2004	2005	2006	2007
(In thousands of metric tons)					
Volume					
Non-SACU	279	296	320	320	319
European Union (EU)	147	158	152	153	188
United States	16	16	28	20	16
Other	116	122	140	147	115
SACU <sup>1</sup>	332	311	316	318	307
Total production <sup>2</sup>	628	598	653	623	631
(In millions of emalangeni)					
Value					
Non-SACU	787	745	835	981	1,126
EU	596	576	559	593	869
United States	44	34	64	46	37
Other	147	135	211	341	220
SACU <sup>1</sup>	874	801	842	919	962
(In U.S. dollars per metric ton)					
Average unit price					
Non-SACU	373	390	400	462	504
EU	536	567	564	583	631
United States	364	329	357	355	313
Other	168	172	337	350	251
SACU <sup>1</sup>	348	399	409	435	427
(In emalangeni per metric ton)					
Average unit price					
Non-SACU	2,821	2,517	2,606	3,066	3,524
EU	4,054	3,657	3,672	3,870	4,616
United States	2,750	2,125	2,323	2,353	2,294
Other	1,267	1,107	1,505	2,324	1,912
SACU <sup>1</sup>	2,633	2,576	2,662	2,888	3,130

Source: Swaziland Sugar Association.

<sup>1</sup>The Southern African Customs Union (SACU) accounts for all sales to SACU countries and includes sales of sugar within Swaziland (normally about 10-15 percent of SACU sales).

<sup>2</sup>The difference between total production and total exports represents a change in stock.

Table 31. Swaziland: Other Principal Exports by Volume, Value, and Unit Price, 2003–07

	2003	2004	2005	2006	2007
(In thousands of metric tons)					
Volume					
Wood pulp	168	181	197	230	246
Citrus fruits	75	71	16	17	16
Canned fruits	26	25	37	53	41
(In millions of emalangeni)					
Value					
Wood pulp	425	446	518	633	697
Citrus fruits	81	81	19	21	20
Canned fruits	117	110	181	246	204
(In U.S. dollars per metric ton)					
Average unit price					
Wood pulp	335	382	413.7105	407	402
Citrus fruits	102	136	190.6543	181	178
Canned fruits	604	682	760.7312	690	712
(In emalangeni per metric ton)					
Average unit price					
Wood pulp	2,534	2,464	2,632	2,754	2,833
Citrus fruits	768	877	1,213	1,225	1,255
Canned fruits	4,564	4,400	4,840	4,670	5,020

Source: Central Bank of Swaziland.

Table 32. Swaziland: Merchandise Imports, 2003–07  
(In millions of U.S. dollars, unless otherwise indicated)

	2003	2004	2005	2006	2007
Food and live animals	176	280	244	295	280
Beverages and tobacco	41	46	37	40	65
Inedible crude materials	43	58	60	60	68
Minerals, fuels, and lubricants	133	235	288	252	212
Animal and vegetable oils and fat	19	17	19	20	30
Chemicals and chemical products	171	209	350	232	273
Manufactures classified by material	249	302	273	326	396
Machinery and transport equipment	316	509	364	451	502
Miscellaneous manufactures	128	183	249	203	204
Commodities not classified by kind	111	24	194	221	177
Total imports, c.i.f.	1,387	1,865	2,077	2,101	2,208
Total imports, f.o.b.	1,283	1,718	1,895	1,916	2,013

Source: Central Bank of Swaziland.

Table 33: Swaziland: Services and Income Account, 2003–07  
(In millions of U.S. dollars)

	2003	2004	2005	2006	2007
Nonfactor services: credit	193.1	250.0	282.4	283.5	454.1
Swaziland Railways	15.5	6.6	6.3	7.2	8.9
Other shipment and transportation	26.6	13.5	12.8	15.9	21.5
Travel	124.7	64.0	78.3	85.4	102.6
Other official	8.6	6.6	7.5	8.6	9.8
Other Private	17.8	159.3	177.5	166.4	311.3
Nonfactor services: debit	-259.9	-402.6	-402.8	-373.6	-506.2
Shipment and tansp.	-97.3	-66.9	-75.6	-86.3	-102.5
Travel	-7.3	-16.2	-17.3	-18.1	-20.3
Other official	-15.2	-9.5	-8.2	-7.6	-10.1
Other Private	-140.1	-320.4	-301.7	-261.6	-373.3
Factor income: credit	143.5	132.5	271.3	241.8	280.5
Investment income	59.5	44.2	78.6	98.4	112.6
Official	57.3	41.1	75.8	95.3	109.1
Private (incl. Property income)	2.2	3.1	2.8	3.1	3.5
Labour income	84.0	88.3	192.7	143.4	167.9
Factor income: debit	-102.8	-125.1	-93.0	-227.8	-216.8
Investment income	-58.4	-61.8	-56.1	-148.8	-128.2
Official & Govnt. guaranteed	-18.1	-21.2	-7.2	-94.5	-67.0
Private	-40.3	-40.6	-48.9	-54.3	-61.2
Property income	-41.9	-59.9	-28.4	-70.1	-78.6
Labour income	-4.4	-7.0	-8.5	-8.9	-10
Services and income: credit	336.7	382.5	553.7	525.3	734.6
Services and income: debit	-362.6	-527.7	-495.8	-601.4	-723.0
Services (net)	-66.7	-152.6	-120.4	-90.1	-52.1
Factor income (net)	40.8	7.4	178.3	14.0	63.7
Total (net)	-25.9	-145.2	57.9	-76.1	11.6

Source: Central Bank of Swaziland

Table 34. Swaziland: Financial Account, 2003–07

(In millions of U.S. dollars)

	2003	2004	2005	2006	2007
Direct investment (net)	70.7	66.4	-23.8	121.7	14.3
Direct investment in Swaziland	60.9	64.9	-24.4	116.2	12.8
Equity capital	-3.8	-4.8	-53.4	-6.0	-59.1
Reinvestment of earnings	11.2	34.5	16.4	68.4	48.2
Other long-term capital	15.9	19.4	8.1	28.5	12.3
Other short-term capital	37.6	15.8	4.5	25.3	11.4
Direct investment abroad	9.8	1.4	0.6	5.5	1.5
Equity capital	0.4	0.0	0.0	0.0	0.0
Reinvestment of earnings	0.0	0.0	0.0	0.0	0.0
Other long-term capital	0.3	0.0	0.2	1.5	0.4
Other short-term capital	9.8	1.4	0.4	4.0	1.1
Long-term capital (net)	-45.0	-68.5	-80.0	-108.6	-118.3
Public sector (net)	-2.2	6.9	6.9	4.0	7.1
Loan drawings (liability)	15.2	28.3	29.2	30.3	34.2
Loan repayments (liability)	-17.4	-21.4	-22.3	-26.3	-27.1
Sasol Funds (assets)	0.0	0.0	0.0	0.0	0.0
Private sector (net)	-42.8	-75.4	-86.9	-112.6	-125.4
Private sector (liability)	-1.1	0.3	0.2	0.5	0.6
Corporate equity securities	-0.1	-0.3	-0.2	-0.1	0.3
Loans (drawings and repayments)	-1.0	0.6	0.8	1.0	1.2
Private sector (assets)	-41.8	-75.7	-87.1	-113.1	-126.0
Corporate equity securities	0.0	0.2	0.1	0.0	0.0
Debt securities (money markets)	-0.3	-10.9	-12.2	-14.1	0.2
Loans (drawings and repayments)	-5.3	3.6	3.5	3.1	4.5
Other assets including pension funds	-36.1	-68.6	-78.5	-102.1	-130.6
Short-term capital (net)	86.9	-229.5	58.6	125.7	472.9
Public sector (net)	97.1	-203.0	86.9	141.0	493
Received under Southern African Customs Union (SACU) (lia	280.4	272.9	474.5	704.4	719.2
Monetary authority currency/deposits (liability)	-2.7	-50.3	-62.0	-50.6	-25.6
Other liabilities	0.0	0.0			
Receivable under SACU	-180.6	-425.6	-325.6	-512.8	-200.6
Private sector (net)	-10.2	-26.5	-28.3	-15.3	-20.1
Banks (net)	32.5	-3.2	-6.8	11.1	9.2
Currency and deposits (assets)	35.7	-1.6	-5.6	12.5	11.2
Other liabilities (liability)	-3.3	-1.7	-1.2	-1.4	-2.0
Other (net)	-42.7	-23.3	-21.5	-26.4	-29.3
Trade credit (liability)	2.0	-1.3	1.1	0.2	-1.2
Other liabilities (liability)	-12.8	-0.9	-1.1	-1.5	-1.0
Trade credit (assets)	-50.2	-2.2	-1.2	-1.5	-2.0
Currency holdings	18.3	-18.9	-20.3	-23.6	-25.1
Other (unrecorded)	2.1	25	2.0	0.0	65.1
Financial and capital account balance	114.6	-206.6	-43.2	133.8	434.1

Source: Central Bank of Swaziland.

Table 35. Swaziland: Public Sector External Debt, 2003–07  
(In millions of U.S. dollars)

	2003	2004	2005	2006	2007
TOTAL DEBT OUTSTANDING	414.5	484.1	435.2	441.6	498.4
PRIVATE DEBT (Unguaranteed)	61.0	69.9	62.0	65.5	64.6
PUBLIC DEBT	353.6	414.2	373.2	376.1	433.8
of which : Central Government	300.4	356.3	323.6	341.0	405.7
Parastatal/Guaranteed	53.2	57.9	49.6	35.1	28.0
Multilateral Org.	169.5	214.8	223.5	230.7	252.0
IBRD	10.8	22.4	21.0	21.0	19.4
IDA	4.0	3.8	3.6	3.4	3.2
Arab League	0.0	0.0	0.0	0.0	0.0
UN	0.0	0.0	0.0	0.0	0.0
ADB	59.3	84.3	108.8	115.9	126.7
ADF	60.3	68.2	50.2	48.1	49.2
NTF	0.6	0.5	0.5	0.3	0.3
EDF/EIB	30.7	32.8	36.2	36.1	45.6
IMF	0.0	0.0	0.0	0.0	0.0
IFAD	3.7	2.6	3.3	5.9	7.6
EDESA	0.0	0.0	0.0	0.0	0.0
Bilateral	150.4	158.4	92.1	89.1	119.2
U.K.	1.3	1.4	0.6	0.3	0.0
Germany	29.8	30.2	19.8	20.1	19.7
Denmark	6.7	6.9	5.0	5.2	5.4
U.S.A.	6.5	6.1	5.8	5.5	5.2
Canada	0.0	0.0	0.0	0.0	0.0
Japan	41.8	43.9	19.1	20.3	39.4
Italy	1.1	1.0	0.0	0.0	0.0
South Africa	44.4	50.6	23.8	20.4	20.9
Badea	6.6	6.6	6.1	5.6	12.4
Kuwait	8.1	7.9	8.4	8.2	8.4
Rep. of China	4.0	3.8	3.6	3.3	7.7
Private Creditors	33.7	41.1	57.6	56.3	62.6

Source: Ministry of Finance and CBS.

Table 36. Swaziland: Public Sector External Debt Service, 2002/03–2007/08  
(In millions of U.S. dollars)

	2003	2004	2005	2006	2007
TOTAL DEBT SERVICE	42.6	46.8	37.6	41.2	42.1
Principal	19.3	22.7	16.2	20.4	23.3
Interest	23.2	24.0	21.2	20.7	18.8
Commitment fees	0.1	0.2	0.2	0.1	0.1
DISBURSEMENTS	17.4	32.3	44.3	50.5	41.8

Source: Ministry of Finance and CBS.



Table 37. Swaziland: Commercial Banks' Performance Ratios, Dec. 2003–08

	2003 Dec.	2004 Dec.	2005 Dec	2006 Dec	2007 June	2007 Dec	2008 June
	(Percent)						
<b>Performance Ratios</b>							
Basle capital ratio (Tier 1)	14	14	15	20	23	21	18
Basle capital ratio (Tier 2)	20	16	17	26	23	24	20
<b>Asset Quality</b>							
Loans to deposit ratio <sup>1</sup>	75	73	83	86	88	105	86
Earning assets to total assets	90	87	92	65	67	69	73
Nonperforming loans to total loans <sup>1</sup>	2	3	2	4	4	6	8
Reserve for losses to total loans	9	8	7	10	9	8	6
<b>Liquidity Ratios</b>							
Liquid assets to total deposits	19	18	17	20	20	19	16
Available reserves to total deposits	18	19	20	10	12	12	5
Liquid assets to total assets	14	14	13	15	14	13	13
<b>Profitability Ratios</b>							
Net income to average total assets (return on assets)	4	3	3	6	3	3	4
Net income to average total equity (return on equity)	29	20	20	52	26	15	14
Total expenses to total income	60	64	68	71	74	63	68

Source: Central Bank of Swaziland.

<sup>1</sup> Excluding the Swaziland Development and Savings Bank, which is owned by the government and offers both development finance and commercial banking services since its recapitalization and relaunch by the government in 2001.

Table 38. Swaziland: Summary of the Tax System as of July 31, 2008  
(All amounts in emalangen)

Tax	Nature of Tax	Exemptions and Deductions	Rates
<i>A. Central government</i>			
<i>1. Taxes on net income and profits</i>			
<i>1.1 Taxes on companies</i>			
1.11 Company income tax (normal tax). Income Tax Order, 1975, as amended.	Annual income tax is levied on taxable income derived from sources in Swaziland, or deemed to be in Swaziland, by all companies, foreign or domestic, public or private. Agricultural cooperatives, insurance societies, and public utility companies are also considered companies for taxation purposes. Taxable income is defined as gross income (excluding capital receipts, and foreign and exempt income) less allowable deductions (including loss offsets) incurred in the process of production in Swaziland. The assessment year ends June 30 and tax (less provisional tax payments detailed below) is payable annually. Company tax legislation is integrated with personal income tax legislation. Consequently, where exemptions, deductions, and allowances normally appropriate for persons are appropriate for a particular company, these may be claimed (see 1.21 below). For farming companies, net change in livestock and produce held is deemed income (except for companies that opted otherwise under previous tax laws) and will be valued at purchase price or current market prices, whichever is lower.	Exemptions include, inter alia, dividend receipts of companies, receipts and accruals (including those from investments) of life insurance companies, pension benefits or provident funds. Also excluded are the noninvestment profits of societies and associations that are derived solely through transactions with individual members.	<p>(a) Companies: 30 percent of taxable income.</p> <p>(b) Companies granted development approval order: 10 percent of taxable income.</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company income tax (normal tax). Income Tax Order, 1975, as amended. <i>(continued)</i>	<p>Provisional tax: a system of provisional taxation is in operation in respect of all companies, directors of private companies, and any person whose income, other than remuneration under the PAYE (pay-as-you-earn) scheme, exceeds E 1,000 per annum. Provisional taxpayers pay provisional tax on account of their final liability for normal tax for the year. The advance payments are to be made as follows: (a) on or before the last day of the six months of the year of assessment, one-half of the tax payable on the estimated income for the year; and (b) on or before the last day of the year of assessment, the total taxes payable on the estimated income for the year less the amount of the previous provisional tax payment. The estimated income for the year will normally not be less than the taxable income in the preceding year of assessment. In the case of a company, the year of assessment will be the year in respect of which its financial accounts are drawn up. Farmers are required to make one payment of provisional tax on or before the end of the year of assessment on the estimated income for the year. As an introductory measure, a "phasing-in" period of five years is provided for payment of provisional tax. One-fifth of the provisional tax due for 1985/86 would be payable in that year and so on until full provisional tax payments are due in 1990/91. In terms of the provisions of the Income Tax (Amendment) Act of 1994, all companies that are provisional taxpayers are required, in addition to the two existing provisional tax payments mentioned above, to make a third payment for year of assessment. This final payment is due six months after the close of the year of assessment, by which time the company will be in a position to accurately estimate its taxable income.</p>	<p>A new business engaged in a manufacturing industry that is not already in existence in Swaziland or, with effect from July 1, 1987, any business that is predominantly engaged in exporting goods from Swaziland is exempt from normal tax for the first five years unless the cumulative taxable income less cumulative local wage bill exceeds 150 percent of the value of the assets, in which case the excess shall be taxed. The Minister of Finance makes the final decision on whether a business is new, engaged in a manufacturing industry, is not already in existence in Swaziland, or is predominantly engaged in exporting goods from Swaziland.</p> <p>Where the Minister of Finance is satisfied that a new business is beneficial to the development of the economy, he may, with prior approval of cabinet, declare that business a development enterprise, and he may issue a "development approval order" in respect of that business's granting additional tax concessions to it.</p> <p>Deductions allowed include expenditures and losses incurred in the production of income (excluding capital expenditures and dividend payments), interest charges, "reasonable" depreciation allowances for plants, and 4 percent for buildings used in production, along with actual expenditures on repairs and maintenance. Any grant made to the University of Swaziland for the purpose of the university's undertaking capital projects in the form of buildings, fittings, and furniture, as well as other items associated with capital assets needed for the development of the university is exempt. An amount spent by a company as direct "listing" fees on the Swaziland Stock Exchange, subject to the proviso that only one-third of the expense is claimable in the year of expense; the balance is spread equally in the next two years.</p>	

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company income tax (normal tax). Income Tax Order, 1975, as amended. ( <i>continued</i> )		<p>Contributions to pension schemes are limited to 20 percent of employee remuneration and annuities (less employees' contribution) up to E 1,750 per employee. The total contribution by a taxpayer to retirement annuity funds is limited to the greatest of (a) 15 percent of taxable income accruing to the taxpayer in respect of trade carried on by him, provided such amount shall not exceed E 5,000 per annum; or (b) E 3,500 less contributions made by the taxpayer to a pension fund; or (c) E 1,750. All expenses relating to the training of Swazi employees are also deductible (in effect 200 percent) for taxpayers engaged in an industry gazetted by the Ministry of Finance with approval of the scheme by the Commissioner. Expenditures, direct and indirect, for research related to production are also deductible at the rate of annual cost or 4 percent of the total contract value, whichever is greater.</p> <p>Initial allowances are available for machinery or plants, infrastructural machinery, or facilities, including transmission equipment, and lines and pipes qualifying for wear-and-tear allowances as well as for buildings housing such machinery or plants and used by the taxpayer for the first time in a manufacturing business at the rate of 50 percent granted in the first year of assessment during which the machinery or plant or building was first used.</p> <p>Companies that are considered approved companies in the handicraft and cottage industry sector and companies considered to be engaged in the export of products from the handicraft and cottage industry sector ("export trading houses") are permitted to deduct from income (i.e., in addition to the normal amounts permitted under the General Deduction Formula) additional</p>	

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company income tax (normal tax). Income Tax Order, 1975, as amended. <i>(concluded)</i>		<p>amounts of 133 percent (for the cottage industry) and 150 percent ("approved export trading houses") in respect of "approved export promotion expenditure," as defined. The additional expenditure allowance is subject to the company's achieving an increase in volume of exports in the subsequent year.</p> <p>Contributions, whether in cash or in kind, made during the year of assessment toward any national disaster scheme established by the government.</p> <p>Farming: special (100 percent) deductions (not exceeding 30 percent of gross income) are allowable for a variety of on-farm expenditures (e.g., irrigation and fencing). Where these deductions are made, initial and depreciation allowances are not allowable.</p>	
1.12 Casino tax. Casino Tax Act, 1963, (Act No. 56, 1963, as amended).	With effect from July 1, 1985, it is composed of an annual license fee and of a levy based on a percentage of the gross gaming room takings of the licensee less any amount paid out as winnings to casino patrons and is payable on an annual basis. A licensee is liable to normal tax.		<p>(a) The annual license fee is E 2,000.</p> <p>(b) A levy payable on the gross gaming room takings of the licensee less any amount paid out as winnings to casino patrons, as follows:</p> <ul style="list-style-type: none"> <li>• In respect of the first year of operation of the casino, no levy shall be paid.</li> <li>• In respect of the second, third, fourth, fifth, and sixth years of operation of the casino, a levy of 2.0 percent shall be paid.</li> <li>• In respect of the seventh year and subsequent years of operation, a levy of 4.5 percent shall be paid.</li> </ul>

Tax	Nature of Tax	Exemptions and Deductions	Rates																						
1.21 Individual income tax (normal tax). Income Tax Order, 1975, as amended.	<p>This is payable, subject to the deductions and exemptions noted, on income received by or accruing to all persons from sources within Swaziland or deemed to be within Swaziland. Tax is payable on assessed "taxable income," which is equal to gross income (excluding capital receipts and exempt income) less losses and allowable deductions. Taxable income includes, inter alia, annuities, wages and salaries, rent investment income, and benefits in kind (e.g., free housing). After the calculation of taxable income and, hence, tax payable, certain "tax abatements" may be deducted where applicable. With effect from July 1, 1991, both men and women are subject to a uniform system of taxation. (See below under "rates.")</p> <p>Employees are subject to a monthly withholding at source; other taxpayers are assessed annually. Nonresidents are liable for income tax on income earned in Swaziland (including benefits in kind received for services rendered); however, dividends and interest payments are subject to special taxes (see 1.31 and 1.32). Personal income tax legislation is integrated with company tax legislation. Consequently, where exemptions, deductions, and allowances normally appropriate for companies are applicable to persons (e.g., owner-occupied farms), these may be claimed. For farmers, net change in produce and livestock held is deemed income (except for those farmers who opted otherwise under previous tax laws) and will be valued at the lesser of the purchase price or current market price (if purchased), and at standard book valuation otherwise.</p> <p>A system of provisional tax is in operation in respect of self-employed persons and other individuals whose income, other than remuneration subject to PAYE, exceeds</p>	<p>Exemptions include, inter alia, every person who is ordinarily resident in Swaziland whose taxable income in one year of assessment does not exceed E 14,000 per annum. Other exemptions include the following: salaries of U.K. and South African civil servants; consular personnel not permanent residents of Swaziland; war pensions and gratuities; the first E 1,000 of interest income received by or accrued to an individual from a deposit in a financial institution; interest received by nonresidents from Swaziland government securities and bonds; and capital sums due from a provident fund or benefit fund (pension one third of the total value of the annuity to which any employee becomes entitled may be commuted for a single payment); capital sums in commutation of a retirement annuity; gratuities to a maximum of 25 percent of total remuneration in respect of services rendered prior to 1 July, 2001. Severance allowance or notice pay payable under the Employment Act to an employee on the termination of his services is exempt from normal tax. The first E 30,000 received by or accrued to an individual on retrenchment or retirement.</p>	<p><i>*see attached Income Tax Amendment Bill of 2004 proposing adjustments for fiscal drag.</i></p> <table><tr><th><i>Taxable income</i> (in Emalangeni)</th><th><i>Marginal tax rate</i> (In percent)</th></tr><tr><td>0 – 14,000</td><td>0</td></tr><tr><td>14,001 – 20,000</td><td>12</td></tr><tr><td>20,001 - 30,000</td><td>19</td></tr><tr><td>30,001 - 36,000</td><td>26</td></tr><tr><td>36,000</td><td>33</td></tr></table> <p>Trust income</p> <p>33 percent of taxable income</p> <p><i>Rates of normal tax in the case of a retiring or redundant individual</i></p> <table><tr><th><i>Taxable income</i> (in Emalangeni)</th><th><i>Marginal tax rate</i> (In percent)</th></tr><tr><td>*3 0 000 - 60 000</td><td>12</td></tr><tr><td>60,001 – 90,000</td><td>19</td></tr><tr><td>90,001 – 120,000</td><td>26</td></tr><tr><td>120,001</td><td>33</td></tr></table> <p><i>*Income Tax (Amendment) Order 2003</i></p>	<i>Taxable income</i> (in Emalangeni)	<i>Marginal tax rate</i> (In percent)	0 – 14,000	0	14,001 – 20,000	12	20,001 - 30,000	19	30,001 - 36,000	26	36,000	33	<i>Taxable income</i> (in Emalangeni)	<i>Marginal tax rate</i> (In percent)	*3 0 000 - 60 000	12	60,001 – 90,000	19	90,001 – 120,000	26	120,001	33
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Tax	Nature of Tax	Exemptions and Deductions	Rates										
1.21 Individual income tax (normal tax). Income Tax Order, 1975, as amended. <i>(concluded)</i>	E 1,000 per annum (see 1.11 above). One of the important amendments introduced in the Income Tax (Amendment) Act No. 6 of 1994 was the introduction of the Final Deduction System (FDS) for employees, which came into operation on July 1, 1993. FDS constitutes a final liability to tax and is related to a full year of assessment. All employees, no matter how much they earn, are subject to the FDS, provided they have not derived any other taxable income during the year of assessment. Such employees are not required to furnish an income tax return if the income consists solely of employment income that is subject to FDS.	Dividends received by nonresidents (see 1.32 below).  Deductions include, in addition to those for companies (1.11 above) where appropriate, employee contributions to pension funds (maximum E 1,750 where the pension fund is not established by law).  Death, accident, sickness, or unemployment insurance and contributions to provident and benefit funds (other than a medical aid fund) are also deductible at a rate of 10 percent to a maximum of E 180. To receive this deduction on death, accident, and sickness insurance premiums on policies entered after July 1, 1974, the policy must be with the Swaziland Royal Insurance Corporation.											
1.22 Graded tax. Graded Tax Act of 1968, as amended.	This tax is payable by all persons (apart from the exemptions noted) resident or domiciled in Swaziland, and is thus akin to a head tax. Tax is determined on the basis of gross income and is payable annually for all except for employees whose deductions are made monthly at source.	Exemptions include all persons under the apparent age of 18, women earning less than E 15 per month, visitors, students, and the chronically ill.	Tax due is determined on the basis of gross income as shown below:  <table><tr><td><i>Gross income</i></td><td><i>Tax payable</i></td></tr><tr><td>E 0 - E 299</td><td>E 4.20</td></tr><tr><td>E 300 - E 449</td><td>E 6.00</td></tr><tr><td>E 450 - E 600</td><td>E 12.00</td></tr><tr><td>Over E 600</td><td>E 18.00</td></tr></table>	<i>Gross income</i>	<i>Tax payable</i>	E 0 - E 299	E 4.20	E 300 - E 449	E 6.00	E 450 - E 600	E 12.00	Over E 600	E 18.00
<i>Gross income</i>	<i>Tax payable</i>												
E 0 - E 299	E 4.20												
E 300 - E 449	E 6.00												
E 450 - E 600	E 12.00												
Over E 600	E 18.00												
1.31 Tax on nonresidents' interest receipts. Income Tax Order, 1975, as amended.	This tax is payable by persons or the estate of a deceased person not resident in Swaziland or a company not registered in Swaziland on accrued interest where the debtor (person or company) is domiciled in Swaziland. The recipient is legally liable for the payment of this tax within 14 days of the accrual of interest, but it is normally paid by the debtor and deducted from interest remitted.	Exemptions: interest on loans specifically exempt by government (usually government and other public body loans); building society shares; interest from loans to agricultural cooperatives and public utilities established by parliament; interest received by church, charitable, or educational organizations; and interest amounting to E 20 or less in a full tax year. Also, interest on importers' bills or notes is exempt where these have been handled through the banking system.	Tax is payable at 10 percent of the interest accrued.										

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.32 Tax on nonresident shareholders. Income Tax Order, 1975, as amended.	This tax is payable by persons or the estate of a deceased person not resident in Swaziland or any company not registered in Swaziland on dividends received from a company domiciled in Swaziland. This tax is payable on both interim and final dividends and is due within 30 days. Legal liability for payment resides with the recipient, but is normally paid by the payer and deducted from remitted dividends.	Exemptions include dividends paid by agricultural cooperatives and dividends received by church, charitable, or educational institutions, as well as dividends accruing to a nonresident shareholder, which the government has, in terms of a written undertaking, exempted from tax.	Tax is payable at the rate of 12½ percent where dividends are payable to a company incorporated (but not a branch of company headquartered in a third country) in Botswana, Lesotho, Namibia, and South Africa.  For all other destinations, tax is payable at the rate of 15 percent.
1.33 Tax on branch profits.	Tax is payable on the deemed repatriated income of a branch of a nonresident company.	No exemptions	Tax is payable at the rate of 15 percent.  A rate of 12½ percent where repatriated profits are payable to a company incorporated (but not a branch of company headquartered in a third country) in Botswana, Lesotho, Mozambique, Namibia, and South Africa
1.34 Tax on nonresident contractors. Income Tax Order, 1975, as amended.	This tax is payable by every person who makes payment to a nonresident person under an agreement relating to construction operations. The tax is deducted from each payment made to the nonresident. The nonresident is not relieved from any obligations to furnish returns for income tax and any assessment raised on the nonresident for income tax will be credited with the nonresident contractors' tax that has been paid on his behalf.	No exemptions.	Tax is payable at the rate of 15 percent.
1.35 Tax on nonresident. for Swaziland source services contract. Income Tax Order, 1975, as amended.	Tax is payable by all nonresident persons on amounts derived by the nonresident from performance of services that gives rise to Swaziland source income. The tax is payable on gross amount at source by withholding. The tax is a final tax.	No exemptions.	Tax is payable at the rate of 15 percent.
1.36 Tax on nonresident entertainers and sportsmen. Income Tax Order, 1975, as amended.	This tax is payable by all nonresident entertainers and sportsmen who perform in Swaziland. The tax is payable on remuneration or gross receipts of any theatrical, musical, or sports performance where these receipts are received directly by the performers concerned. Legal liability for payment resides with the recipients. However, the payer is legally required to withhold the tax due from any remuneration payable.	There are no exemptions	Tax is payable at the rate of 15 percent



Tax	Nature of Tax	Exemptions and Deductions	Rates
1.37 Tax on royalties and management charge paid to nonresident persons. Income Tax Order, 1975, as amended.	This tax is payable by nonresident persons on gross amount of any royalty and management charge derived from a source in Swaziland. The tax is withheld at source and it is a final tax.	There are no exemptions.	Tax is payable at the rate of 15 percent.
1.38 Tax on interest paid to residents. Income Tax Order, 1975, as amended.	This tax is payable by residents on the gross amount of interest derived from every financial institution. The tax is withheld at source. It is a final tax.	There are no exemptions.	Tax is payable at the rate of 10 percent.
1.39 Withholding tax on dividends paid to resident persons	Tax is payable by a person (other than a company) resident or carrying on business in Swaziland.	There are no exemptions.	Tax is payable at the rate of 10 percent.
1.40 Tax clearance certificates.	A system of tax clearance is in operation. In terms of a gazette regulation published recently, tax clearance is presently needed for the issue, renewal, or transfer of any license, other than renewal of motor vehicle licenses, or similar document relating to any trade, business, profession, or vocation; the transfer of immovable property or any endorsement to any title deed having the effect of transferring property; the registration or deregistration of a company; first registration of motor vehicles in Swaziland; and the tendering for the provision of goods or services to the government or a parastatal body, in excess of E 5,000.		
2. <i>Social security contributions</i>	None.		
3. <i>Taxes on property</i>			
3.1 <i>Real estate taxes</i>	See 3.42.		The rate of tax varies with the size, or dutiable value, of the estate. The formula for determining the rate is as follows: for every E 200 (or part thereof) in dutiable value, the tax rate rises by 0.015 percent. This is subject to a maximum tax rate of 33 <sup>1</sup> / <sub>3</sub> percent (reached at a dutiable estate value of E 445,667).

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 <i>Tax on unutilized land</i> Land Tax Order, 1974, King's Order-In-Council No. 35, 1974.	This tax, which came into force on June 1, 1975, is levied by a Land Taxation Board on land deemed underdeveloped after a hearing initiated by the Minister of Agriculture (for agricultural land) or the Minister of Local Administration (for urban land). Tax may be levied on all or part of a property owner's land.		
3.3 <i>Death and succession duties</i> All death and succession duties under the Death Duties Act, 1942, were abolished by the Death Duties (Repeal) Act, 1985.			
3.4 <i>Property transfer tax</i>			
3.41 Transfer duty, Chapter 107 of the Laws, Revised Edition, 1959.	Duty is levied on the sale or long-term lease of fixed property situated in Swaziland. The person liable for payment of the tax is the party acquiring title to the property, or entering into a lease of 25 years duration (or longer), or entering into the lease of a claim for mineral rights for any period. The base for this tax is the value of the property being acquired or leased.	Exemptions include, inter alia, transfers of property by gift for public, municipal, religious, or charitable uses. Also, government purchases and purchases by public hospitals (for the sole use of the hospital) are exempt. Additionally, settlement of jointly owned property between married persons upon divorce, or on the death of one party, is exempt.	The rate of this duty is 2 percent on the first E 40,000 of transferred property value and 4 percent of any amount exceeding E 40,000, but only E 60,000 and 6 percent on any amount exceeding E 60,000.
3.42 Mineral rights tax. Mineral Rights Tax, Order No. 34, 1973.	Holders of mining rights are subject to taxes with respect to properties able to produce precious and nonprecious metals to which they hold rights. There are three distinct taxes that are grouped together: (a) a tax on the transfer of mining rights; (b) a ground tax on mineral rights; and (c) a capital gains tax.	None.	(a) Transfer of mining rights is taxed at the rate of 27 ½ percent on the first E 20,000 of transferred value and 37 ½ percent above E 20,000.  (b) The tax on unexploited rights is E 10 per ha. in each of the first five years, rising to E 50 per ha. thereafter, if there has been no exploitation.  (c) The tax on gains from shares in mineral rights is 37 ½ percent of that gain.
4. <i>Taxes on goods and services</i>			

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>4.1 <i>Sales tax</i></p> <p>Sales Tax Act (Act. No. 12 of 1983).</p>	<p>A tax levied at the import and manufacturing levels. To be collected on certain services and all goods other than those specifically exempted. Where payable on goods imported from outside the customs union area, valuation is 110 percent of customs value plus customs duties payable. Proceeds received are directly paid to the Swazi government, and are not paid into the SACU pool.</p>	<p>Many exemptions: necessities and intermediate goods for manufacturing are all mostly exempt along with certain medical supplies, temporary imports, certain personal imports, electricity, etc.</p>	<p>14 percent on imported and locally manufactured or produced goods.</p> <p>25 percent on all kinds of alcoholic beverages (imported or locally brewed), except traditional beer.</p> <p>14 percent on traditional beer.</p> <p>14 percent on accommodation let &amp; food supplied by hotels or restaurants.</p> <p>20 percent on locally manufactured tobacco products.</p> <p>25 percent on imported tobacco products.</p>
<p>4.2 <i>Selective excises</i></p> <p>Customs and Excise Act (Act No. 21 of 1971).</p>	<p>Specific duties are payable by the importer or manufacturer of beer, tobacco, and cigarettes. Rates are those set by South Africa, with proceeds pooled under the Customs Union Agreement.</p>	<p>Exemptions are extended to exported goods.</p>	<p>Rates of excise duty are mostly specific. Examples of these rates include the following:</p> <ol style="list-style-type: none"> <li>(1) malt beer 340 ml E 43.57;</li> <li>(2) Sorghum beer 1 liter E 7.82;</li> <li>(3) Spirits (average) 750 ml E 1,184.00;</li> <li>(4) Sparkling wine 1 liter E 227.60;</li> <li>(5) Fortified wine 1 liter E 182.50;</li> <li>(6) Unfortified wine 1 liter E 80.70;</li> <li>(7) Cigarettes 20 E 350.80;</li> <li>(8) Pipe tobacco 25 grams E 131.30.</li> </ol>

Tax	Nature of Tax	Exemptions and Deductions	Rates																				
4.3 <i>Business and professional licenses</i> Trading Licence Act, 1975.	Annual license fees are charged for betting shops, companies with a place of business in Swaziland, persons or companies trading in Swaziland, and establishments licensed to sell or serve liquor.	None.	Annual fees areas follows: <ul style="list-style-type: none"><li>Betting licenses are charged on the basis of annual turnover.</li><li>Company license fees vary from E 20 per annum for companies with a share capital of less than E 10,000 to E 200 per annum for companies with a share capital above E 50,000.</li><li>Trading licenses are subject to a wide variety of rates, depending on the trade carried out, but are generally between E 50 and E 500 per annum*.</li></ul> <p><i>*The Trading Licences( Amendment of Schedule B) Regulations 2003</i></p> <ul style="list-style-type: none"><li>Liquor licenses vary in cost between rural and nonrural areas, with the type of establishment, and the type of beverage sold; they are between E 25 and E 750 per annum.</li></ul>																				
4.4 <i>Motor vehicle taxes</i>  Motor vehicle license fees. Road Traffic Act, 1965.	License fees are levied on an annual basis. Rates vary with both the type and weight of the vehicle.	None.	<p>*Annual fees for motor vehicles are:</p> <p>Motorcycles E60.00; Motorcycles (with sidecar) E 60.00; Tractors E 60.00; Tractors (with trailer) E60.00; Earthmover E 150.00.</p> <p>Other vehicles (by weight):</p> <table><thead><tr><th>Kilograms</th><th>Emalangen</th></tr></thead><tbody><tr><td>1-1,000</td><td>70-100</td></tr><tr><td>1,001-2,000</td><td>110-145</td></tr><tr><td>2,001-3,000</td><td>170-220</td></tr><tr><td>3,001-4,000</td><td>235-290</td></tr><tr><td>4,001-5,000</td><td>300-345</td></tr><tr><td>5,001-6,000</td><td>360-405</td></tr><tr><td>6,001-7,000</td><td>420-465</td></tr><tr><td>7,001-8,000</td><td>480-525</td></tr><tr><td>8,001-9,000</td><td>555-585</td></tr></tbody></table> <p><i>*The Road Traffic (Amendment of Schedule) Notice, 2004</i></p>	Kilograms	Emalangen	1-1,000	70-100	1,001-2,000	110-145	2,001-3,000	170-220	3,001-4,000	235-290	4,001-5,000	300-345	5,001-6,000	360-405	6,001-7,000	420-465	7,001-8,000	480-525	8,001-9,000	555-585
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Tax	Nature of Tax	Exemptions and Deductions	Rates
4.5 <i>Fuel oil levy</i>	Levy on petroleum products.	Exemptions for projects initiated at regional level like Southern African Development Community (SADC).	
Fuel tax		Exemption on fuel used by rail and diplomats and His Majesty and the <i>Indlovukazi</i> (Queen Mother)	40 cents per liter.
Fuel oil levy		As above.	10 cents per liter
Motor Vehicle Accident (MVA) Fund		As above.	18 cents per liter
Sales tax		As above.	Customs & excise 4 cents per liter; Sales tax 14 percent of import parity (changes are usually undertaken anytime deemed necessary).
<i>5. Taxes on international trade and transactions</i>			
5.1 <i>Duties on imports</i> Customs Union Agreement, 1969 Legal Notice (No. 71 of 1969) and Customs, Fiscal, Excise, and Sales Duties Act, 1971 (Act No. 21 of 1971).	A common taxation system is levied on imports in conjunction with Botswana, Lesotho, Namibia, and South Africa. Import duties are levied at the point of entry into the common customs area and thereafter the imports are free to move within the entire area. The importer is legally liable for the payment of these duties, the proceeds of which are pooled and divided among the countries according to a formula. Duty rates are set by South Africa on the basis of the six-digit Harmonized Commodity Description and Coding System. The rate structure includes general and most-favored-nation clauses. Most duties are ad valorem with specific duties on some items.	Rebates, remissions, and refunds of import duties are allowed in some cases (mostly for raw materials and semimanufactures). As with duty rates, such rebates must conform to South African rebates.	There are 45 ad valorem rates, ranging from 0 to over 70 percent.
<i>5.2 Taxes on exports</i>			
5.21 Sugar levy. Sugar Export Levy Act No. 4 of 1997.	The sugar export levy is a tax on all sugar exported from Swaziland to the EU. The levy is collected from the millers and growers by the Swaziland Sugar Association (SSA), which then remits it on a quarterly basis to the government.	None.	The levy is on the net ex-mill protocol sales to the European Union to be applied two years in arrears. Net ex-mill export protocol sales proceeds are the Swazi currency equivalent of the gross amount received by the association in respect of all sales of sugar exported, less expenses as prescribed in the act and is payable on a quarterly basis.
5.22 Cattle export slaughter tax. Details not available.		No longer enforced, but not yet repealed.	
<i>6. Other taxes</i>			

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>6.1 <i>Stamp taxes</i> Chapter 100 of the Laws, 1959. The Stamp Duties Act, 1970 (Act No. 37) and 1974 (Act No. 13), as amended by the Finance Act of 1985.</p>	<p>These taxes, which are mostly ad valorem with some specific taxes, are payable on a wide range of legal documents (affidavits, bills of exchange, checks, bonds, contract notes, receipts, property transfers, etc.).</p>	<p>Government and specified public enterprises.</p>	<p>Stamp duties vary considerably. For example, checks carry a 6 percent stamp duty, receipts for payments of E 2 or more carry an E 0.10 duty, customs bills of entry an E 0.40 duty, and affidavits, agreements, and contracts an E 1 stamp duty.</p>
<p>6.2 <i>Miscellaneous licenses</i> The Registration of Dogs Act, 1953, as amended by the Finance Act, 1985.</p>	<p>These are charged for dog licenses.</p>	<p>None, but the law is not enforced; however, it has not been repealed.</p>	<p>Dog license tax is E 1 per annum in rural areas and E 3 per annum in urban areas.</p>
<p>B. <i>Local taxes</i> Property tax. Legal reference not available.</p>	<p>Taxation in the form of rates is collected in the two principal towns (Mbabane and Manzini). Land and improvements are taxed at different rates with quinquennial valuation assessments. If changes in tax rates are desired by the town councils, approval is required by the central government before such changes can be enforced.</p>	<p>Exemptions include government-owned property.</p>	<p>Rates are assessed at 4 percent of the land value and 0.5 percent of the value of improvements in both towns.</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
Urban Government Act 1969 & City Council of Mbabane (Service Charges) By-Laws 2002/03.	Various user fees – (Mbabane used as an indicative town council).	See Rating Act 1995 for exemptions from trading license inspection.	<p>Various rates are as follows:  clearance certificates E37.00;  admin. fees (residential)  E47.00 – E326.00;  admin. fees (commercial)  E93.00 – E1,026.00;  copies of valuation roll  E6.50 – E875.00;  animal pound E40.00–E75.00;  parking permit fees E0.16–E 0.27;</p> <p>Trading license inspection fees:  Category 1 E0.00 - E85.00;  Category 2 E200.00;  Category 3 E600.00; and  Category 4 E600.00.</p> <p>Other fees are as follows:  abattoir fees E14.00 – E70.00;</p> <p>environment monitoring  E50.00 – E70.00</p> <p>markets (selected examples):  Vegetables A &amp; B E180.00 <i>p.a.</i>;  Handicraft C E520.00 <i>p.a.</i>;  Handicraft D E720.00 <i>p.a.</i>;</p> <p>hire rates for council  equipment/plant  E80.00 – E250.00;</p> <p>recreational facilities fees  E3.00 – E200,00;</p> <p>cemetery fees  E50.00 – E2,500.00;</p> <p>refuse removal E10.00 – E210.00;  septic tanker fees  E15.00 – E732.00;</p> <p>building fees E0.50 – E1,500.00;  and advertising  E440.00 – E3,300.00.</p>

Sources: United Kingdom Board of Internal Revenue, *Income Taxes Outside the United Kingdom*, Vol. 7 (1972); International Bureau of Fiscal Documentation, *Tax System*; International Monetary Fund, *Surveys of African Economies*, Vol. 5; and Swaziland, Government Information Services, *A Handbook to the Kingdom of Swaziland*, various years, updated by the Swazi authorities.