ANNEX 5

KINGDOM OF SWAZILAND

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I. ECONOMIC ENVIRONMENT

(1) MAIN FEATURES

1. The Kingdom of Swaziland, with an area of 17,364 km^2, is the smallest country in southern Africa. Its landlocked situation, bordering on South Africa and Mozambique, makes it heavily dependent on its neighbours for access to the sea and to world markets, and for supplies. Swaziland's population, estimated at around 1.1 million, is almost 80% rural and grew by 1.7% in 2006. About 53% of the population is between 15 and 64 years old, 44% are in the 0-14 age group, and only 3% are 65 years or over. Mbabane, the administrative capital[1], has a population of around 100,000.[2]

2. Swaziland is a lower middle-income country, with a GDP per capita of US$2,251 in 2008, up from US$1,311 in 2000. It has a diversified, but heavily dualistic, economy, based on its varied terrain and land tenure systems (Chapter IV(2)(i)), and on manufacturing and services development. Agriculture contributes 12.7% to GDP, employing 20% of the labour force. Manufacturing, which accounted for 31.7% of GDP in 2007 (Table I.1), mainly produces value-added goods based on sugar. Services (led by public administration, defence, and education services) is the most important sector in terms of contribution to GDP (50.4% in 2007); Swaziland is a net importer of services.

Table I.1
Sectoral breakdown of GDP, 2003-07

	2003	2004	2005	2006	2007
Agriculture, hunting, forestry, and fishing	13.9	13.1	13.4	12.8	12.7
Mining and quarrying	0.3	0.3	0.3	0.3	0.2
Manufacturing	33.3	32.7	32.1	31.9	31.7
Electricity, gas, and water supply	1.5	1.4	1.4	1.5	1.5
Construction	4.6	4.4	3.7	3.7	3.5
Services	46.4	48.1	48.4	49.8	50.4
Wholesale, retail, hotels, and restaurants	7.1	7.5	7.9	8.5	9.0
Transport, storage, and communications	8.5	9.8	10.5	10.4	10.3
Financial intermediation	4.2	4.2	4.2	4.3	4.3
Real estate, renting, and business activities	6.9	6.8	6.7	6.7	6.7
Public administration, defence, and education	18.2	18.3	18.1	18.4	18.6
Other services	1.6	1.6	1.5	1.5	1.5

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

3. A state of national disaster was declared in 2007 due to a severe drought, the worst in the last 15 years, which affected all regions, particularly the Highveld (traditionally the breadbasket of the country), and resulted in a decrease in food security (Chapter IV(2(ii)).[3] Moreover, Swaziland has the highest HIV/AIDS prevalence rate in the world, posing a threat to sustainable development.[4] In 2008, life expectancy was 45.8 years[5], the unemployment rate was 28.2%, and around half of the population

[1] Swaziland Government online information. Viewed at: http://www.gov.sz/home.asp?pid=2366.

[2] Lobamba, with a population of about 6,000 is the royal and legislative capital, seat of the Parliament.

[3] The government relief programme covered food aid and emergency water provision for a total of US$23.6 million; assistance was also requested from the international community (UNOCHA, 2007).

[4] About 26% of the population between 15-49 years are HIV-positive (WFP online information, "Swaziland." Viewed at: http://www.wfp.org/countries/swaziland).

[5] Swaziland Central Statistics Office (2008).

lived on less than US$2 per day.[6] Swaziland ranks 141 (out of 177 countries) in the UNDP Human Development Index.[7]

4. The Poverty Reduction Strategy and Action Plan (PRSAP), approved by the Cabinet in September 2007, is being implemented with the support of international institutions such as the World Bank, UNDP, and the IMF. It is aimed at, *inter alia*, reducing poverty by more than 50% by 2015 and eradicating it absolutely by 2022 on the basis of six pillars: macroeconomic stability and accelerated economic growth; empowering the poor to generate income and reduce inequalities; fair distribution of the benefits of growth through fiscal policy; human capital development; improving the quality of life for the poor; and improving governance and strengthening institutions.[8]

(2) RECENT ECONOMIC DEVELOPMENTS

5. Swaziland's economy has been growing at a slow pace over the last few years even as rising SACU revenue since 2004 has contributed to increase consumption and government spending. Real GDP grew at an annual average rate of 2.9% during 2003-08 (compared with an annual average of 3.7% over 1990-99) mainly because of: recurrent droughts; one of the lowest investment growth rates in the region[9]; and lower external demand for some of Swaziland's traditional exports (i.e. textiles and clothing) (Chapter IV(4)).

6. The annual average inflation rate in Swaziland, as measured by the consumer price index (CPI), was 5.2% during 2003-06 (down from 9.5% over 1990-99). However, inflation rose to 8.1% in 2007 and an estimated 12.7% in 2008 owing to rapidly increasing food and energy prices during most part of that period (Table I.2). As a member of the Common Monetary Area (CMA), Swaziland fixes its currency, the lilangeni (plural: emalangeni (E)), at parity with the South African rand. The Central Bank of Swaziland (CBS), established in 1974, falls under the Ministry of Finance and operates as a parastatal. The main goal of monetary policy is monetary stability and maintaining the peg of the lilangeni against the South African rand.[10] Interest rates in Swaziland closely track South African levels as set by the South African Reserve Bank (Main Report, Chapter I(2)). Swaziland accepted the obligations of Article IV of the IMF on 11 December 1989. It maintains two foreign exchange restrictions on advance payments for imports: an overall limit of E 250,000 and a 33.33% limit for the import of certain capital goods.[11]

7. Since 2004, Swaziland has achieved an important turnaround in its fiscal position mainly because of an increase in SACU receipts, which rose from 15% of GDP in 1997 to an estimated 25.6% in 2008 after peaking at 28.5% in 2006. Although spending has continued to grow[12], the overall public sector balance (including grants), improved as a percentage of GDP, from deficits up until 2005 to surpluses thereafter, reaching an estimated 6.5% in 2008 (Table I.2). The fiscal improvement was possible despite a decline in non-tax revenue from around 2% of GDP in 1998/99

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[6] In purchasing power parity terms (World Bank online information, "Country Brief". Viewed at: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/SWAZILANDEXTN/0,,menuPK:375118~pagePK:141132~piPK:141107~theSitePK:375023,00.html).

[7] UNDP (2008).

[8] IMF (2008c).

[9] Swaziland has experienced a substantial decline in foreign investment since the late 1990s, and since 2003 total investment has been below the sub-Saharan average (IMF, 2008b).

[10] The rand can circulate freely in Swaziland but this is not the case for the lilangeni in South Africa (CBZ online information. Viewed at: http://www.centralbank.org.sz/mission.php).

[11] IMF (2008a).

[12] Total expenditures went from 24% of GDP in 1996 to 33.3% in 2007 partly due to a rise in the wage bill from about 10% of GDP to 14% over the same period (IMF, 2008c).

to less than 1% in 2006/07. Moreover, current collection practices need to be improved, and the general sales tax is yet to be replaced by a VAT.[13]

8. Swaziland's debt sustainability indicators have improved significantly during the last few years, partly reflecting an exchange rate appreciation between 2002 and 2005 and limited new borrowing. Total public sector debt, as a percentage of GDP, declined from 19.9% in 2003 to an estimated 15.9% in 2008, while the ratio of external debt to GDP fell from 16.5% to 15.4% over the same period. Similarly, Swaziland's gross official reserves jumped from US$265 million (2.1 months of imports) in 2003 to an estimated US$681 million in 2008 (3.2 months of imports) (Table I.2).

Table I.2
Main economic indicators, 2003-08

	2003	2004	2005	2006	2007[a]	2008[a]
Miscellaneous						
GDP at current prices (E million)	14,422	15,353	16,050	18,078	20,386	22,856
Real GDP growth (% change)	3.9	2.5	2.2	2.9	3.5	2.5
Consumer price inflation (period average; % change)	7.4	3.4	4.8	5.3	8.1	12.7
Consumer price inflation (end of period; % change)	4.6	3.2	6.3	5.5	9.8	13.5
Monetary sector						
Broad money (% change)	14.1	10.4	5.9	25.1	21.4	..
Interest rate (end of period; %)[b]	4.2	4.1	3.5	8.5	10.0	..
Central government finance (% of GDP)						
Overall balance (including grants)	-2.7	-4.6	-1.5	10.5	6.4	6.5
Overall balance (excluding grants)	-3.7	-3.5	-2.5	9.6	6.1	..
Government debt	19.9	17.8	15.9	17.4	18.8	15.9
Domestic debt	3.4	2.8	2.5	2.7	2.1	0.5
External debt	16.5	15.0	13.4	14.7	16.7	15.4
National accounts (% 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 non-factor services	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	-84.7	-91.7	-91.0	-85.7	-87.2	..
External sector						
Real effective exchange rate[c]	13.0	3.0	-2.6	-8.0	3.3	..
Current account (% of GDP)	6.8	3.1	-4.1	-7.4	-1.4	-6.4
Gross official reserves (US$ million)	265	262	244	367	747	681
Gross official reserves (months of imports)	2.1	1.5	1.3	1.9	3.6	3.2

.. Not available.

a Estimates.
b Interest rate on 12-month time deposits.
c End of period; a minus sign indicates depreciation.

Source: IMF (2008), *Kingdom of Swaziland: 2008 Article IV Consultation – Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director*; and information provided by the Swazi authorities.

[13] The share of domestic taxes in GDP is low compared with neighbouring countries, and recent domestic revenue efforts (e.g. removal of tax exemptions on rental income, a sales tax amendment to close loopholes, and enforcement of tax collections) did not help to significantly increase government revenues (IMF, 2008c).

(3) TRADE PERFORMANCE AND INVESTMENT

(i) Trade in goods and services

9. Swaziland's external current account moved from surpluses up until 2004 to deficits thereafter, peaking at 7.4% of GDP in 2006; it is estimated at 6.4% of GDP for 2008.[14] This was mainly the result of the trade balance moving from surpluses of US$103.8 million in 2003 and US$91 million in 2004 to deficits that reached an estimated US$573.1 million in 2008. The capital and financial account has registered surpluses since 2006 (Table I.3).

Table I.3
Balance of payments, 2003-08
(US$ million)

	2003	2004	2005	2006	2007[a]	2008[b]
Current account balance	**124.2**	**51.7**	**-102.6**	**-196.7**	**-41.2**	**-158.4**
Trade balance	103.8	91.0	-258.1	-252.1	-246.1	-573.1
Exports, f.o.b	1,387.1	1,808.9	1,636.5	1,663.9	1,766.8	1681.1
Imports, f.o.b	-1,283.2	-1,717.9	-1,894.6	-1,916.1	-2,013.3	-2254.3
Services (net)	-66.7	-152.6	-120.4	-90.1	-52.1	-16.9
Exports of services	193.1	250.0	282.4	283.5	454.1	304.6
Imports of services	-259.9	-402.6	-402.8	-376.6	-506.2	-321.5
Goods and services balance	37.1	-61.6	-378.5	-342.3	-298.6	-590.0
Income (net)	40.8	7.4	178.3	14.0	63.7	39.0
Income (credits)	143.5	132.5	271.3	241.8	280.5	201.5
Income (dedits), of which:	-102.8	-125.1	-93.0	-227.8	-216.8	-162.5
Interest	-18.1	-21.2	-20.1	-21.9	-24.5	-26.5
Transfers (nets)	46.3	106.0	97.5	131.6	193.7	392.6
Official sector (mainly SACU receipts)	333.3	371.4	339.6	366.5	403.0	623.9
Private sector	-287.0	-265.4	-242.1	-234.9	-209.2	-231.3
Capital and financial account balance	**114.7**	**-206.6**	**-46.7**	**158.6**	**404.0**	**190.2**
Capital account balance	0.0	-0.6	-3.5	24.8	-30.1	23.8
Financial account balance (excluding reserve assets)	114.7	-206.0	-43.2	133.8	434.1	166.3
Direct investment	70.7	66.4	-23.8	121.7	14.3	33.4
Portfolio investment	-0.4	-11.3	4.5	-4.0	5.2	-3.0
Other investment	44.4	-261.2	-23.9	16.0	414.5	135.9
Errors and omissions	**-161.6**	**141.4**	**148.2**	**162.7**	**-4.5**	**0.0**
Overall balance	**77.3**	**-13.5**	**-1.1**	**124.6**	**358.3**	**31.8**

a Without corrective policy measures.
b Projections.

Source: IMF (2008), *Kingdom of Swaziland: Selected Issues and Statistical Appendix.*

10. Swaziland's economy is highly dependent on international trade: exports and imports of goods and services, as a percentage of GDP, averaged 171.1% during 2004-06. In 2007, Swaziland ranked 94th among world merchandise exporters (considering the EC Member States together and excluding intra-EC trade), and 109th among importers. In services trade, Swaziland ranked 119th among exporters and 127th among importers.[15]

11. The direction of Swaziland's trade remains highly concentrated both in terms of markets and products. According to the latest available figures, in 2007, 45.2% of total merchandise exports (including re-exports) were destined for South Africa (57.4% in 2002), and 14.4% for the EC (2.2% in 2002) (Table AI.1 and Chart I.1). Sugar exports (including sugar confectionary and other sugars)

[14] IMF (2009).
[15] WTO Statistics database, "Trade Profiles: Swaziland". Viewed at: http://stat.wto.org/CountryProfiles/SZ_e.htm.

represented 17.3% of total merchandise exports in 2007 (up from 8.8% in 2003), while manufacturing exports, mostly chemicals, went from 76% in 2003 to 69.8% in 2007 (Table AI.2). The share of textiles and clothing products in Swaziland's merchandise exports fell from 30.2% in 2003 to 4.8% in 2007 (Chapter IV(4)). Some 97% of Swaziland's imports originated in SACU in 2007 (up from 87.7% in 2003), of which 92.9% came from South Africa (Table AI.3). Food imports represented 21.2% of Swaziland's total merchandise imports in 2007 (up from 16.7% in 2003), followed by machinery and transport equipment (19.1%), and fuels (15.6%) (Table AI.4 and Chart I.2).

12. Balance-of-payments data indicate that Swaziland is, albeit decreasingly, a net importer of services, with a deficit that fell from a peak of US$152.6 million in 2004 to an estimated US$16.9 million for 2008 (Table I.3).

(ii) Investment

13. Swaziland's average annual inflow of foreign direct investment (FDI) decreased from US$67 million during 1990-00 to US$6.6 million over 2003-07, registering negative inflows in 2003 and 2005 (Table I.4). This poor FDI performance is mainly due to the sluggish economic activity during the last few years, structural constraints, and slow progress of the privatization programme (Chapter III(4)(ii)). As a percentage of GDP, the stock of inward FDI fell to 30.3% in 2007 from 40% in 2003.

Table I.4
Foreign direct investment, 2003-07
(US$ million)

	2003	2004	2005	2006	2007
FDI inflows	-61	71	-50	36	37
FDI inflows (% of gross fixed capital formation)	-13.8	16.1	-9.8	7.7	7.5
FDI inward stock	719	926	785	827	889
FDI inward stock (% of GDP)	40.0	39.2	30.3	30.4	30.3

Source: UNCTAD (2008), *World Investment Report 2008: Swaziland.*

14. Over the last few years, Swaziland has taken steps to improve the investment climate, notably through the centralization of business processes (e.g. registration, trading licences, work permits, and factory shells identification), under the Swaziland Investment Promotion Authority. Nonetheless, in general, FDI in Swaziland has been inhibited by structural constraints, such as labour-market rigidities; and the under-developed legal, judicial, and regulatory frameworks. In total, the cost of doing business is high: Swaziland ranks 108th (out of 178 economies) in the World Bank's *Ease of Doing Business 2009 Index*.[16]

15. Under Swaziland's PRSAP, a key aim is to attract more FDI inflows as well as to promote domestic investment. A number of measures are envisaged such as: reducing the cost of doing business; improving competitiveness; developing and implementing a new set of investment incentives that are budget neutral; and revising the FDI legislation to bring it into line with current/modern practices (Chapter II(3)).[17]

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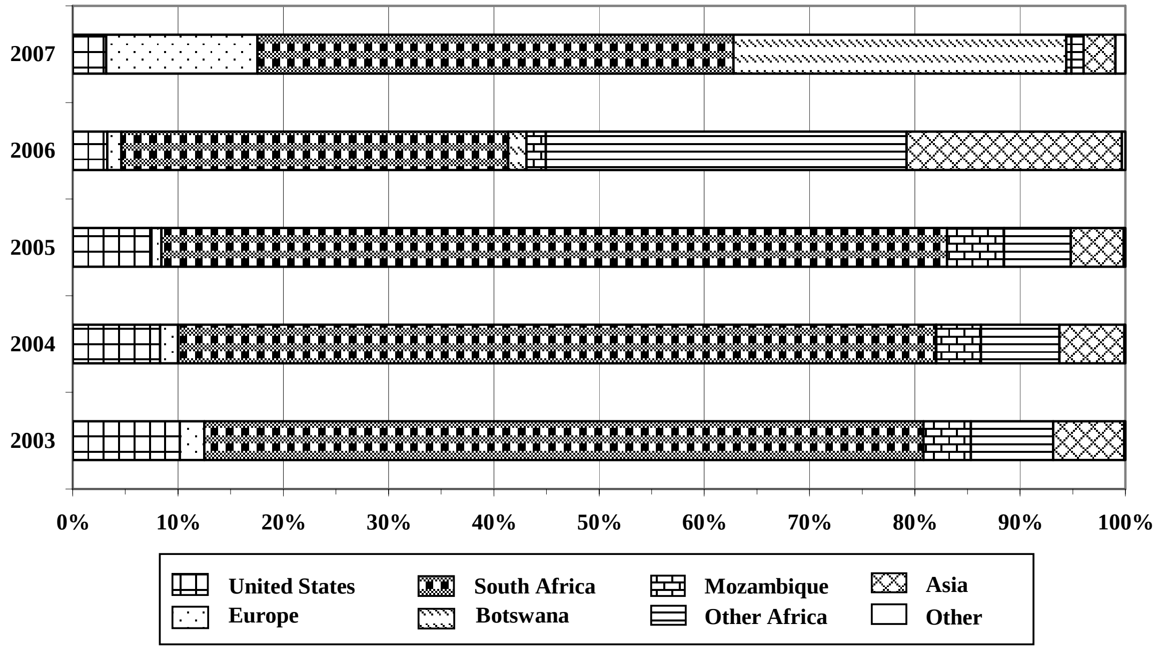
[16] The index is based on ten topics (Swaziland's ranking in parenthesis), i.e. starting a business (153); dealing with construction permits (21); employing workers (40); registering property (153); getting credit (43); protecting investors (178); paying taxes (52); trading across borders (154); enforcing contracts (129); and closing a business (65) (World Bank Group online information, "Explore Economies: Swaziland". Viewed at: http://www.doingbusiness.org/ExploreEconomies/?economyid=180).

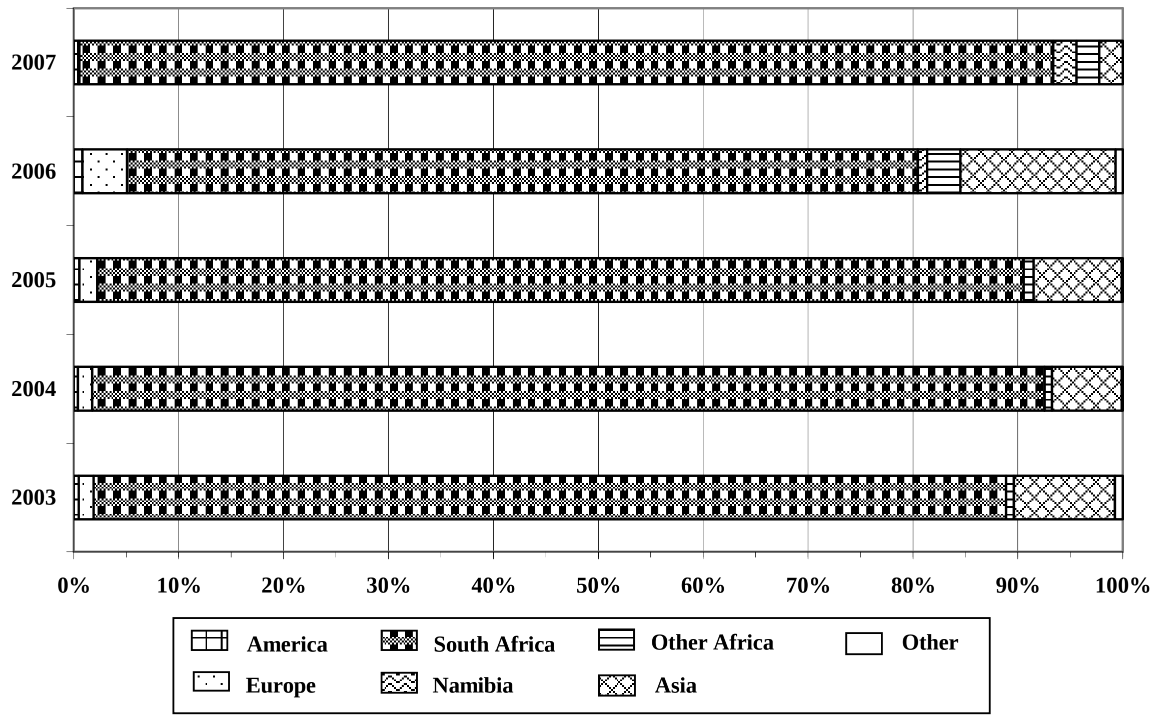
[17] UNCTAD (2008).

Chart I.1
Direction of merchandise trade, 2003-07

(a) Exports



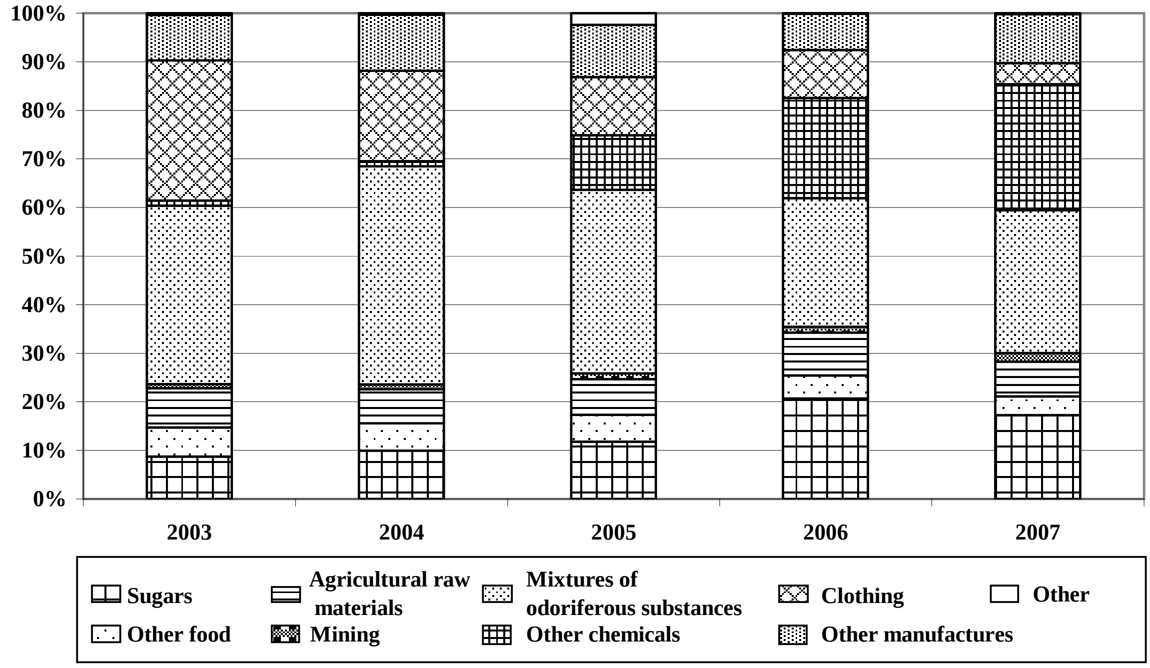
(b) Imports



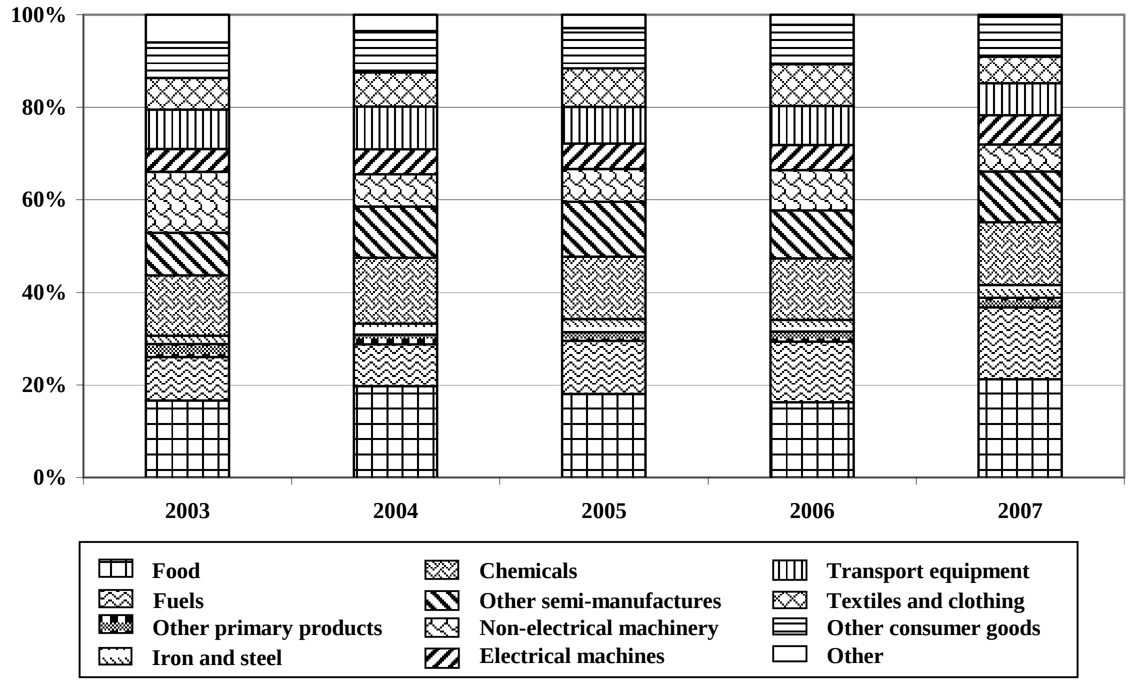
Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3).

Chart I.2
Structure of exports and imports, 2003-07

(a) Exports



(b) Imports



Source: WTO Secretariat calculations, based on UNSD, Comtrade database; and IMF Staff Reports.

(4) OUTLOOK

16. Swaziland's economic growth is expected to be around 2.5% during the next few years[18], i.e. insufficient to alleviate poverty. The Poverty Reduction Strategy and Action Plan estimates that, to meet the Millennium Development Goals by 2015, the economy needs annual average growth of 5%.[19] Although supported by moderate activity in the services sector and some improvement in manufacturing, growth prospects are seriously constrained by the effects of the recurrent drought on agriculture, the weak investment climate, and low demand for Swaziland's exports.

17. Swaziland's export sector relies on receipts from sugar (including sugar confectionary and soft-drink concentrates) and to a lesser extent on the textiles and clothing industry. Therefore, developments in the global regimes for trade in both subsectors, in particular the erosion of trade preferences in the United States and the EC markets, will greatly affect Swaziland's exports. Other major risks to Swaziland's economy include the uncertainty of SACU revenue, given that these receipts account for the bulk of government revenue.[20] Therefore, the authorities acknowledge the need to strengthen fiscal policy through, *inter alia*, the Revenue Authority Bill, which is expected to introduce VAT in the second half of 2009, and to increase revenue collection. The global economic slowdown further increases risks for the Swazi economy.

18. Over the coming years, Swaziland is to accelerate the pace of its structural reforms, including implementing the public finance management programme, the agricultural diversification strategy, and expanding the Matsapha industrial park, as stipulated in its PRSAP. Moreover, Swaziland's PRSAP is aimed at achieving rapid and broad-based growth to reduce widespread poverty and unemployment, and tackle the high incidence of HIV/AIDS.

[18] IMF (2009).
[19] IMF (2008c).
[20] South Africa has called for a review of SACU's revenue-sharing arrangement, which could lower SACU shares for Swaziland. In addition, the pending implementation of the Economic Partnership Agreements (EPAs) with the European Communities; the ongoing liberalization under the Trade, Development, and Cooperation Agreement (TDCA); the SADC customs union expected for 2010; and participation in COMESA, would also have revenue implications for Swaziland.

II. TRADE AND INVESTMENT REGIMES

(1) GENERAL

19. Swaziland has been a member of SACU from its inception; hence several of its trade policy measures are covered by the SACU framework. SACU is the major market for the Swaziland's exports and the major supplier of goods and services. South Africa is Swaziland's largest single trading partner. The Trade and Development Cooperation Agreement (TDCA) signed by South Africa and the European Communities (EC) in 2002, has had a direct impact on Swaziland's tariff reduction schedule. In addition, Swaziland has had to negotiate various bilateral trade agreements between SACU and third parties since the ratification of the 2002 SACU Agreement. This trend has placed Swaziland under immense pressure, in financial terms as well as in human and institutional capacity.

20. Overall responsibility for trade policy lies with the International Trade Department (ITD), within the Ministry of Commerce, Industry and Trade (MCIT). This configuration was established in 2002. The ITD has two roles: domestic and external trade promotion, and policy analysis. It has national oversight over SACU, COMESA, the Economic Partnership Agreements (EPAs) between the European Communities and ACP countries, AGOA, and the WTO. ITD also has national oversight on various bilateral trade negotiations between SACU, on the one hand and, on the other hand, the United States, MERCOSUR, EFTA, the EAC, and India. Negotiations with China are envisaged in the near future. The African Union, NEPAD, and SADC programmes are coordinated by the Ministry of Foreign Affairs and International Cooperation, although the ITD is active in the trade component of these programmes.

21. For a number of years, the effectiveness of the ITD in fulfilling its mandate was impeded by human capacity constraints in the areas of negotiation skills, technical analysis, and policy formulation. The shortcomings on trade policy coordination at the national level were noted in the 2003 TPR.[21] As a response, the Government approved a new structure at the beginning of 2008, which will eventually increase the ITD staff to 15. The Trade Policy Analysis Section is made up of nine of these new positions. The 2002 SACU Agreement also provides for a national body to be established in each SACU member country. Swaziland's national body will be a unit of the ITD and will require the recruitment of two additional staff members. This unit will be in charge of tariff investigations and changes, and the implementation of contingency trade remedies at the national level. The unit will also be responsible for making recommendations to the SACU Customs Union Commission and will work in collaboration with the SACU Tariff Board.

22. In addition to the ITD, a number of ministries have responsibilities for different aspects of Swaziland's trade policy. The Ministry of Finance (MOF) is in charge of SACU relations, because of the customs revenue implications of SACU. The Ministry of Agriculture and Cooperatives (MOAC) is responsible for sanitary and phytosanitary legislation, and agriculture marketing and import control. The Ministry of Commerce, Industry and Trade is also responsible for internal trade regulation, promotion of foreign and domestic investment, awarding licences to new businesses, registration of companies, and intellectual property rights. Swaziland Standards Authority (SWASA), under the auspices of the Ministry of Commerce, Industry and Trade, was formed through the Quality and Standards Act (10) 2003. SWASA has the mandate of promoting standards and quality in local industry, commerce, and the public sector, and is the sole custodian of all issues regarding standards, quality, accreditation, and metrology (SQAM) in Swaziland.

[21] WTO (2003), Annex 5, p. 314.

23. Other ministries involved in trade-related policy are: the Ministry of Economic Planning and Development (MEPD), which is responsible for overall economic policy planning; the Customs and Excise Department, responsible for the administration of border measures, sales tax, and collection of import and export statistics; the Ministry of Justice and Constitutional Affairs, which is the custodian of laws; and the Central Statistical Office (CSO), responsible for collecting and publishing all statistical information. The consultative approach adopted by MCIT in recent years has resulted in growing participation of the private sector and civil society through the Federation of Swaziland Employers (FSE) and the Chamber of Commerce (CC); Federation of Swaziland Business Community (FESBC); Coordinating Assembly of Non-Government Organisations (CANGO); Council of Churches; and labour unions. Consequently, trade negotiations, and trade policy formulation and implementation are spread across these institutions, and MCIT through ITD, is responsible for overall consultations through the National Trade Negotiating Forum (NTNF). However, the NTNF has challenges in meeting as expected, which affects the development of national positions that can adequately inform negotiations. The country established a Resident Mission to Geneva in 2005. Currently the Head of Mission, and one other official, regularly participate in the on-going DDA negotiations and other WTO issues.

24. Swaziland regards trade policy as an important aspect of its macroeconomic policy environment, as well as being in line with growth, investment, employment, balance of payments, and enhancement of government revenue through tariffs. Trade is also seen as a major pillar of poverty reduction, in that the facilitation of trade presents opportunities for increased production and participation of the poor in small and medium enterprises and other related sectors. Swaziland has traditionally derived over 50% of its revenue from tariffs on international trade, and thus an increase in trade necessarily results in higher government revenues, which could be used to address multiple government objectives.

25. Swaziland published a National Export Strategy (NES), approved by Cabinet in June 2006, with a vision to "achieve sustainable economic growth through enhanced competitiveness, value addition and export diversification in targeted sectors, and a strong Public Private Partnership (PPP) contributing to the prosperity of the people of the Kingdom of Swaziland". The NES embodies Swaziland's trade policy objectives, which are: (i) to expand the export base and ensure an increased mix of exports, thus reducing the burden on the sugar industry as the main foreign exchange earner; (ii) to strengthen the existing relationships with current markets to ensure that Swaziland takes full advantage of preferences offered by these markets; (iii) to enhance market access for exports from Swaziland through branding and improved product quality; (iv) to improve trade facilitation through the establishment of strong public-private partnerships; and (v) to pave the way for technological innovations that will enhance the competitiveness of Swaziland's exports by ensuring the use of low cost production methodologies that do not compromise the national objective of employment creation.

26. The trade policy objectives are consistent with the PRSAP but they need to form an integral part of the National Development Plan with rolling trade programmes within a sustainable macroeconomic framework.

27. Swaziland's main trade-related laws have remained largely unchanged since the previous TPR of SACU (Table II.1).

Table II.1
Main trade-related legislation, 2009

Area	Legislation
Customs and excise	Customs and Excise (Amendment) Act, 2001
Trade facilitation	Business and Trade Facilitation Bill, 2001
Import permits	Import Control Order, 1976; and Legal Notice No. 60, 2000
Agricultural import levies	National Agricultural Marketing Board Act, 1985; and Legal Notice No. 2, 2000
Government procurement	Regulations on Public Procurement, 2008
Standards and quality control	Standards and Quality Act, 2001
Health and sanitary controls	Seeds and Plants Varieties Act, 2000
Export financing	Small Scale Export Credit Guarantee Scheme (Central Bank of Swaziland (Amendment) Act No. 8, 1986)
Fair trading and competition policy	Fair Trading Act, 2001; and Competition Act, 2007
Intellectual property	Merchandise Act No. 24, 1937; Trade Marks Act No. 6, 1981; Trade Marks Regulations, 1989; Patents, Utility Models, and Industrial Designs Act No. 6, 1997; Seed and Plant Variety Act No. 7, 2000; Copyright Act No. 36, 1912; Copyright (Prohibited Importation) Act No. 35, 1918; and Copyright (Rome Convention) Act No. 1, 1933
Forestry	Flora Protection Act, 2001
Minerals	Mining Act, 1958; Mining Regulations, 1958; and Mineral and Environmental Authority Act, 1992
Financial services	Money Laundering Act, 2001; Central Bank of Swaziland (Amendment) Bill, 2002; Financial Institutions Bill, 2002; Securities Bill, 2002; Insurance Bill, 2002; and Retirement Funds Bill, 2002
Telecommunications	Posts and Telecommunications Act No. 11, 1983; Public Telecommunications Regulations ,1993; and Posts and Telecommunications Corporation (Staff) Regulations, 1990
Tourism	Tourism Authority Act, 2001

Source: Information provided by the Swazi authorities.

(2) TRADE AGREEMENTS

(i) General

28. Swaziland has a broad trade relations regime, mainly because of its membership in multiple regional trade configurations. This poses major challenges for the small administration.

29. Apart from being a WTO member, Swaziland is a member of SACU, the Southern African Development Community (SADC)[22], and the African Union (AU). In addition to these trade agreements, of which all SACU countries are members, Swaziland also participates in the Common Market for Eastern and Southern Africa (COMESA). Within SACU, Lesotho, Namibia, Swaziland, and South Africa (but not Botswana) form the Common Monetary Area (CMA), under which the Swazi lilangeni is maintained at par with the South African rand, which circulates freely in Swaziland (Main Report, Chapter II(2)).

30. Swaziland benefits from duty-free access to the U.S. market under the AGOA, including the special provisions on textiles and clothing, and from preferential access to the markets of most developed countries under the Generalized System of Preferences (GSP).

[22] The SADC Trade Protocol, concluded in 1996, also comprises the SADC Sugar Cooperation Agreement, concluded in July 2000. The agreement has two components: market access and cooperation. One of its long-term objectives which is particularly important for Swaziland, but also opens it to competition from other sources, is the reciprocal, full liberalization of trade in sugar within the SADC region from 2013.

31. Swaziland, like other smaller SACU members, has until now had to accept certain trade policy instruments determined by South Africa, which may not necessarily be the most appropriate for its economy. Swaziland has had to bear the impact of, *inter alia*, customs tariffs and extensive anti-dumping and safeguard duties imposed by South Africa (Main Report, Chapter II).

32. Swaziland has made a number of notifications to the WTO since its last TPR (Table II.2).

Table II.2
Notifications to WTO, 2003-09

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
Agreement on the Implementation of Article VII of the GATT 1994 (Customs Valuation)				
Article 22.2	Notification of laws and regulations on valuation for customs purposes	Once	G/VAL/N/1/SWZ/1 25 April 2007	Notification of laws on valuation
General Agreement on Tariffs and Trade 1994				
Article XXIV:7(a)	Territorial Application – Customs Unions	Once	WT/REG231/N/1 28 June 2007	SACU notified to WTO
Article XXIV:7(a)	Territorial Application – Free Trade Areas	Once	WT/REG256/N/1 3 November 2008	SACU-EFTA notified to WTO
Agreement on Subsidies and Countervailing Measures				
Article 25.1 Article XVI:1 of GATT 1994	Notification of subsidies	Once	G/SCM/N/123/SWZ 29 September 2006	No subsidies introduced before 2006
Article 25.11	Notification of countervailing actions	Semi-annual	G/SCM/N/153/Add.1/Rev.1	No actions taken
Agreement on Technical Barriers to Trade				
Annex 3C	Notification of acceptance	Once	G/TBT/CS/N/174 23 October 2008	Standardizing body
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)				
Article 63.2	Notification for review purposes	Once	IP/N/6/SWZ/1 20 July 2007	Checklist of Issues on Enforcement
Article 69	International cooperation	Once	IP/N/3/Rev.7/ Add.2 4 June 2004	Notification of contact points

Source: WTO documents.

(ii) Common Market for Eastern and Southern Africa (COMESA)

33. Swaziland is a founding member of COMESA[23], which aims to promote regional integration through the development of trade, and natural and human resources for the benefit of all its members. The main objectives of COMESA include the creation of a free-trade area; the establishment of a customs union; free movement of capital and investment, supported by the adoption of a common investment area; a gradual establishment of a payment union based on the COMESA Clearing House and the eventual establishment of a monetary union; and the adoption of common visa arrangements, leading eventually to the free movement of persons.[24] COMESA has been notified to the WTO under the Enabling Clause.[25]

[23] The other members of COMESA are: Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, and Zimbabwe.

[24] ACTRAV/ITCILO online information, "Common Market of Eastern and Southern Africa". Viewed at: http://www.actrav.itcilo.org/actrav-english/telearn/global/ilo/blokit/comesa.htm.

[25] WTO document WT/COMTD/N/3, 29 June 1995.

34. The COMESA FTA was launched in October 2000 with nine participating states, after 16 years of gradual reduction of tariffs on intra-COMESA trade.[26] In November 2007, 13 countries were participating in the FTA; other member states had carried out tariff reductions of between 10% and 80%.[27] The FTA was meant to be a step towards the establishment of the customs union. Initially, the common external tariff (CET) was to be in place by 2004. However, the launch of the customs union was once more deferred, to June 2009.

35. Since Swaziland is already a member of another customs union, namely SACU, Swaziland cannot participate in the COMESA Customs Union, as it would be technically impossible to belong to both. However, Article 4 of the Treaty establishing COMESA recognizes the unique position of Swaziland, and thereby grants it temporary exemption from full application of some of its provisions. Therefore, Swaziland is trading in COMESA under a derogation allowing COMESA member states who have acceded to the FTA, to grant Swaziland preferential trade treatment without any reciprocity. Swaziland can only participate in the COMESA FTA or grant reciprocal treatment to other FTA members, with concurrence from its SACU partners, under Article 31 of the 2002 SACU Agreement. In the absence of concurrence, Swaziland's derogation has been extended several times, most recently in December 2008, for two years.

36. One of the major principles of COMESA is variable-speed integration, which creates an opportunity for member states to move at a pace that suits their circumstances in the integration process. COMESA member states not ready to join the customs union, by the 13th Summit in June 2009, would continue to trade with members joining the customs union, on alternative preferential terms. Swaziland would, therefore, continue to enjoy market access preferences in the COMESA market. In addition, it would continue to participate actively in COMESA programmes, including cooperation in infrastructure, agriculture, transport, energy, government procurement, customs clearance automation, and other related capacity-building areas.

37. To benefit from preferential treatment, goods originating in COMESA must satisfy one of the following origin criteria. COMESA origin is granted to: goods wholly produced in the region using no outside materials; goods with a maximum imported content of 60% of the c.i.f. value of materials used in production; goods containing no less than 35% ex-factory value added[28], reduced to 25% if the final product is considered of "particular importance" to the economic development of a member state[29]; or goods that have been subject to a change in tariff heading (4-digit level) following transformation. In December 2007, the change in tariff heading criterion had been agreed for a certain number of tariff lines (HS chapters 1, 2, 3, 22, 24, and 27); agreement is yet to be reached on other items, notably wheat flour, cooking oil, plastics, textiles, machinery, and equipment.

38. COMESA cooperates with other regional organizations to liberalize trade. Under memoranda of understanding, the Indian Ocean Commission (IOC) (see below), East African Community, and Intergovernmental Authority on Development have agreed to adopt the COMESA trade liberalization

[26] The COMESA was formed in 1994 as a successor to the Preferential Trade Area (PTA). Tariff reduction had started in 1984 within the framework of the PTA, but was accelerated with the formation of COMESA.

[27] Preferential margins granted to COMESA partners not yet participating in the FTA are: Democratic Republic of Congo, zero (i.e. no preference granted); Eritrea, 80%; Ethiopia, 10%; and Uganda, 80%. Swaziland is not participating in the FTA and not extending any tariff reduction under derogation, due to its membership in SACU.

[28] Value added is defined as the difference between the ex-factory cost of the finished product and the c.i.f. value of material inputs imported from outside the COMESA sub-region. The minimum level of value added was reduced from 45% to 35% in 2000.

[29] A long list of approved products is specified in the COMESA Treaty as being of particular importance to the economic development of the members.

programme. A Joint Task Force of COMESA, EAC, and SADC (see below) has been set up to harmonize their programmes. The idea of a pan regional FTA encompassing the three regions (COMESA, SADC, and the EAC) was officially launched in a first tripartite Summit in October 2008. The Summit discussed a roadmap to guide the process and established institutions that will coordinate the activities.

39. The decision-making structure of COMESA includes the Authority of Heads of State and Government (the supreme policy-making organ); the Council of Ministers; the Sectoral Ministerial Meetings; the Committee of Governors of Central Banks; the Intergovernmental Committee; Technical Committees; and the Secretariat. A Consultative Committee of the Business Community and Other Interest Groups has also been established.

(iii) Other trade arrangements

40. Swaziland maintains no bilateral trade agreements with other countries.

41. Swaziland had preferential access to the EC market under the Cotonou Agreement, which expired at the end of 2007. Swaziland is now negotiating the EPAs with the EC as part of the SADC Group (Main Report, Chapter II(3)).

42. Swaziland's principal interest in the EC market has historically been in sugar and beef. Swaziland's sugar exports to the EC were under a special protocol attached to the Cotonou Agreement under which 17 African, Caribbean, and Pacific (ACP) sugar-producing countries received duty-free access and a supported price.[30] Approximately 36% of sugar is exported to the EC at agreed quantities and supported prices. However, since 2008, Swaziland has been subject to greater competition in the EC market for sugar, because of the extension of duty-free access for sugar exports from all LDCs under the EC's "Everything But Arms" Initiative: Swaziland is not an LDC. Diversification of Swaziland's markets for sugar, as well as further development of sugar-using industries, is therefore critical. Swaziland's beef exports to the EC benefit from a tariff quota under which the *ad valorem* element of the EC's common external tariff on beef is reduced by 92%.[31]

43. In June 2008, Swaziland, together with other SADC states, signed the Interim Economic Partnership Agreement (IEPA) with the EC, which extended the duty-free and quota-free market access for goods originating in the ACP group of countries, in light of the expiry of the Cotonou Agreement. Swaziland has to present the IEPA to Parliament for ratification and notify it to the WTO. The second-phase negotiations are focusing on the liberalization of trade in services and investment.

44. On 18 January 2001, Swaziland became the 35th country added to the list of U.S. AGOA beneficiaries (sub-Saharan African countries) as a lesser-developed beneficiary country (LDBC), following the passage of the revised Industrial Relations Act in November 2000.[32] As an LDBC, Swaziland gains access to the U.S. market for textiles and clothing. Countries with per capita GDP below US$1,500 in 1998 enjoy duty-free access for clothing made from fabric originating anywhere in the world; in contrast, the general AGOA rule provides unlimited access for clothing made from U.S. fabric, yarn, and thread, and permits up to 3.5% of overall U.S. imports of clothing originating in AGOA beneficiaries (in quantity terms, measured in square metre equivalents) to be made from African fabric and yarn until 2009. AGOA renews the GSP until 2015 and expands duty-free access to

[30] See *Swaziland Sugar Journal*, "Markets for Swazi Sugar: Patterns, Challenges, and Strategic Considerations", September 2001.

[31] Cotonou Agreement, Trade Regime Applicable during the Preparatory Period, Protocol 4, Articles 1 and 2.

[32] Act No.1 of 2000.

textiles and apparel products. The United States is the second largest destination for Swaziland's exports, by volume and value, although a large proportion of the exports are textiles and clothing. The domestic economy is yet to fully utilize the AGOA preferences fully in order to boost the manufacture of products other than sugar and textile and clothing.

45. Aside from the AGOA, Swaziland's sugar benefits from tariff-quota access to the United States under U.S. WTO commitments, either on the basis of MFN or eligibility for GSP treatment. Swaziland's guaranteed minimum access to the U.S. market is 16,000 tonnes. If the U.S. market is in deficit, Swaziland may also benefit from a variable amount of extra access, dependent on a stocks-to-use trigger ratio of 15%.[33]

(3) INVESTMENT FRAMEWORK

46. Swaziland is working with its development partners on comprehensive Investment Code. Consultations with stakeholders in both the public and private sectors were undertaken in early 2009, on an Investment Policy issues paper. The draft Investment Policy should be finalized before the end of 2009.

47. The Swaziland Investment Promotion Act provides for non-discriminatory treatment of investors and investments, thus affording them national treatment. Swaziland has a number of incentives available equally to local and foreign investors. These include: (i) provision of factory shells, with subsidized rental and a grace period for payment of the first rental; (ii) reduced corporate tax of 10% (instead of 30%) and exemption from withholding tax for ten years; (iii) deduction of the cost of training Swazi nationals from tax liability (training allowance)[34]; (iv) import duty and sales tax concessions; (v) accelerated depreciation at an initial 50% depreciation allowance in the first year; and many other incentives including duty-free importation of equipment.

48. There are no formal policies or practices that discriminate against foreign investment, and companies can be 100% foreign-owned. Foreign investment faces minimal screening, but is restricted in the essential utilities sectors, i.e. telephone, water, and electricity. Foreign investors are also required to use domestic labour whenever possible, and the process for obtaining residence and work permits can be burdensome, although the Investment Promotion Agency does its best to obtain these within 30 days. In general, the investment regime lacks important legislative underpinning and institutional capacity for implementation. Residents and non-residents may hold foreign exchange accounts. However, payments and transfers are subject to approval from the Central Bank; approval procedures are undertaken by the commercial banks on behalf of clients. The Central Bank must also approve most inward capital transfers. Most other capital transactions require detailed documentation.

49. The Constitution bars the foreign ownership of land, although a release is offered within the Constitution in projects where land is a factor in the investment. Thus, new investors may still acquire title to land for industrial, agricultural, and other economic activities. Another option is for foreign investor to enter into a partnership with a local entity or individual.

50. Swaziland is a member of the Multilateral Investment Guarantee Agency (MIGA).

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[33] Information supplied by the Swazi Sugar Association.

[34] Sections 14 and 18 of the Income Tax Order provide for 100% deduction from taxable income of the cost of training Swazi employees under approved schemes by the Commissioner of Taxes, such as agriculture and agricultural services, forestry, mining, manufacturing, construction, wholesale trade, retail trade, hotel and restaurant, transport and storage, financial institutions, real estate, and business services. Primarily, the training scheme must lead to the acquisition of knowledge and skills.

(4) TRADE-RELATED TECHNICAL ASSISTANCE

51. Swaziland faces many challenges and obstacles in the implementation of WTO Agreements, regional trade agreements, and in its overall trade policy objectives. Constraints include lack of awareness and understanding of the WTO, its Agreements and the benefits of implementing these Agreements; weak human and institutional capacity, lack of coordination on trade matters, although this has now been addressed to a large extent (section (1) above); and supply-side constraints. Trade-related technical assistance (TRTA) is, therefore, of utmost importance to Swaziland. While recognizing the challenges at national level, Swaziland has raised concern over the absence of a regional capacity-building programme to be managed by the SACU Secretariat. This could address the delay in the development and/or harmonization of the SACU common policies. It would also facilitate development of the common negotiating position, which will be pivotal to achieving equity from trade relations with third parties, as provided in Article 31 of the 2002 SACU Agreement.

52. Swaziland has received TRTA from the WTO since the last TPR of SACU in 2003, but the Government considers that it needs a more focused programme of activities in many areas at the national level. In its technical assistance request for 2008-09, Swaziland has included activities on general capacity building, trade in services, and sensitization of parliamentarians on the multilateral trading system.

53. Swaziland does not have an integrated trade policy; policies are scattered in various documents making it difficult to grasp the overall direction of the Government's trade strategies, and the linkages between trade policy and the broad economic development plans. The European Union has extended technical assistance towards the development of a Trade Strategy in 2009. Technical assistance may be required to help implement the activities that will be outlined in the document.

54. The country's trade-related technical assistance needs can be classified into three categories: the implementation of WTO Agreements; building institutional and human capacity to participate effectively in the multilateral trading system; and addressing supply-side constraints. To this end, Swaziland's TRTA needs are consolidated in the Trade Capacity Building Needs Assessment (2004), National Export Strategy (2006), and Needs Assessment on Trade Facilitation (2007).

(i) Implementation of WTO Agreements

55. There is need to align national laws, rules, and regulations to WTO requirements, e.g. notification requirements; and for training of Government officials and the private sector on WTO matters. Swaziland's implementation-related concerns are in the areas of TRIPS, sanitary and phytosanitary measures (SPS), rules of origin and procedures, standards and technical regulations, contingency trade remedies, and trade facilitation Lack of understanding of the relevant provisions especially during drafting of national laws in the Ministry of Justice and Constitutional Affairs (MOJCA), makes it difficult to address WTO obligations.

56. With the assistance of the World Property Organization (WIPO) policy guidelines, an institutional framework and draft legislation are in place within MOJCA. Capacity-building requirements include advice on implementing the (draft) legislation, and training for MOJCA staff as well as the personnel of enforcement agencies, customs, and the police, on intellectual property rights (IPRs). TRIPS training workshops over a period of two years, focusing on issues of compliance (enforcement of laws and regulations) should be part of the programme of trade-related technical assistance. Staff attachments to established IPR services in the region are also considered an essential training component. Swaziland is also seeking assistance for the creation of a specialized "information centre" in the form of a central IPR library, and an institute of inventors. This could serve as a vehicle for the transfer of technology.

57. The absence of a national policy on sanitary and phytosanitary measures, which could ensure technical compliance on imports and exports in Swaziland, is an impediment to trade. Technical assistance is needed to advise on an appropriate policy framework on which to base a review and update existing and the development of new legislation. Swaziland needs legislation on livestock development and food safety standards certification, based on the principle "from farm gate to consumption". Laboratory technicians need to be trained in microbiology and existing staff upgraded to graduate level. There is a need for an active national SPS committee to ensure that regular training on sanitary and phytosanitary measures, determining compliance with the measures, inspection monitoring, and approval of procedures and systems-enforcement translate into tangible results. Laboratories and other testing facilities are very poorly equipped to cope with the demands of the international/global market place and the domestic consumer market. Public health needs are becoming high priority because of the emergence of virus transmission from animals to humans. The few existing laboratories require urgent upgrading, particularly the virology laboratories, and new facilities are needed.

58. Rules of origin and customs procedures are a critical factor in Swaziland's ability to successfully access global markets and to attract foreign direct investment. Swaziland needs national workshops to train customs, investment, industry, and trade officials, together with the private sector, on the rules of origin, including under trade agreements, and on consultation and certification mechanisms. Customs and trade officials also need specialized training on criteria for determining origin, and on the preparation of negotiating proposals and analysis.

59. Swaziland needs national workshops on TBT, including notifications, with the aim of establishing a coordination mechanism for the activities that are currently spread across various institutions. There is need for technical assistance to identify standards that will address the needs of the Swazi economy, and with the development of the standards legislation. Capacity building will also be needed in terms of training inspectors and auditors to be responsible for enforcing compliance with the national standards. The Swaziland standards authority needs a testing laboratory and other equipment in order to carry out its mandate effectively, and training assistance in order to equip officers with the necessary skills. In addition, the existing legislation needs to be amended in order to eliminate duplication of roles and to address Swaziland's standards and technical regulations matters in a comprehensive manner. Swaziland also recognises that the establishment of an information reference on standards and technical regulations is needed.

60. The Swaziland authorities require intensive training on contingency trade remedies, especially at the implementation stage, even at SACU level. The National Tariff Body and Department of Industry could take a leading role in the implementation of the resulting trade policy. Assistance is needed for policy formulation or design, as well as the initiation of a legislative programme and the review of institutional requirements to implement measures on existing international safeguard regulations. Swaziland needs training for legal personnel, especially for legal drafting, as well as for statisticians on the compilation and analysis of data. Other interested or affected stakeholders, especially the private sector, should be included in any proposed training programme and their role and participation in trade policy clearly defined.

61. Swaziland is currently receiving technical assistance on trade facilitation. This involves training of government officials and representatives of the private sector, and financial assistance to participate in the Trade Facilitation negotiations at the WTO. The country has also conducted a Needs Assessment with assistance from the WTO. A National Working Group on Trade Facilitation has been established, and is expected to meet regularly to ensure compliance with WTO obligations. Swaziland believes that if the financial assistance towards participation in the negotiations could be extended to the private sector (as observers), and other sectors of government other than trade and customs; this would increase the level of commitment to implement reforms. Swaziland is also

expected to implement the EC trade facilitation standards for the implementation of the EPA, which will require technical assistance.

(ii) Human and institutional capacity building for trade negotiations

62. Swaziland is involved in trade negotiations with regional partners in the context of SADC; with the EC for an economic partnership agreement to replace the Cotonou Agreement; and within the WTO under the Doha Development Agenda (DDA). Swaziland's participation in the WTO's work programme, including the DDA negotiations, is affected by its lack of adequate representation in Geneva. It is also crucial to strengthen links between the Geneva-based staff and staff in Swaziland involved in trade policy formulation, especially considering the scope of the DDA, and the implementation requirements likely to follow from the conclusion of the negotiations. The country is also negotiating under SACU for trade agreements with third parties and participates in the SACU quarterly work programme aimed at implementing the 2002 Agreement, as well as the SADC and COMESA work programmes. The schedules of these negotiations often overlap, and constrain the development of national negotiating mandates that would secure sustainable benefits of economic development for Swaziland. Most of the staff in the ITD has not been trained in negotiation skills; therefore, a national workshop on negotiating techniques for other Government departments and the private sector would help address this deficiency. The officials also need training on the design of tariff policy, understanding modalities and preparation of offers, and export market development.

63. Officials in the ITD, Industry Department, and the Ministry of Finance, as well as the Swaziland Investment Promotion Authority and the private sector, would benefit from a national workshop targeting the state of play in the non-agriculture market access (NAMA) negotiations, and preparing for domestic policy reforms and the scheduling of concessions to WTO Members. In addition, further training on understanding on trade-related investment measures (TRIMs) is needed, to complement the proposed formulation of an investment code; this would help generate exports to markets that become accessible as a result of trade negotiations.

(iii) Addressing supply-side constraints

64. Trade competitiveness in Swaziland is affected by an array of supply-side constraints. These are contained in the National Export Strategy, Trade Facilitation Needs Assessment, Investor Roadmap and Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland.

65. The country has not been successful in diversifying the economy away from the products historically supported by preferential prices. While services are growing in value and coverage, investment growth is limited by the absence of independent regulators in key sectors.

66. In order to address these constraints systematically, Swaziland intends to formally begin introducing the Aid for Trade Initiative at national level in a formal manner. Consideration, therefore, should be given to including in the technical assistance programmes a national workshop on Aid for Trade that would lead to the establishment of a national committee involving all stakeholders. The ITD hopes that the national committee would facilitate the review, including costing and prioritization of the needs identified in the four documents.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) OVERVIEW

67. Swaziland continues to apply customs-related issues harmonized under SACU, including the Common External Tariff (Main Report, Chapter III(3)). Imports into and exports from Swaziland are governed by the Customs Act. Customs clearance is not yet fully computerized and there is no computerized management information system, but UNCTAD's Automated System for Customs Data (ASYCUDA) is being introduced. Swaziland imposes import levies on dairy products, other agricultural products, and petrol and diesel. It is in the process of introducing a VAT; currently, sales tax is applied to all imported and locally produced goods and services.

68. Trade prohibitions and restrictions are maintained for TBT and SPS reasons, or under international conventions to which Swaziland is a signatory. The Swaziland Standards Authority (SWASA) became operational in April 2007. Nonetheless, the demarcation of responsibilities between SWASA and the Quality Assurance Unit is yet to be clearly defined. With the aim of having a modern and efficient government procurement regime, new regulations were adopted in 2008 and the Procurement Bill 2008 is before the Parliament; a maximum 15% price preference is still granted to Swazi-owned and registered companies.

69. Swaziland has a number of incentives available equally to local and foreign investors. In 2006, as part of its privatization policy, the Government approved a five-lanes privatization roadmap, and identified some state-owned enterprises not eligible for privatization (section (4)(ii) below). In 2007, the Competition Act was adopted and the Competition Commission was established with the aim of encouraging competition in the economy. Swaziland's legislation on IPRs has not changed since its last Review, but the Copyright Bill is awaiting Parliament's approval.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Registration, documentation, import duties, and related measures

70. All businesses operating in Swaziland must be registered. Most trades and professions are covered by specific Acts of Parliament; if not registered under specific legislation, a trading firm must be licensed under the Trading Licence Order of 1975 by the Ministry of Commerce, Industry and Trade. Any person or organization engaged in the trade or business of importing into Swaziland and/or exporting out of Swaziland goods or commodities of any nature requires a licence, for which an annual fee of E 400 is payable. A Trade and Business Facilitation Bill, aimed at simplifying procedures for trade licensing, is currently going through the Parliament.

71. Importers and exporters must be registered with the Customs and Excise Department under the Ministry of Finance. Declaration is through the Single Administrative Document (SAD) introduced in 2006, which applies to all imports and exports regardless of their origin or destination . Almost all imports arrive in Durban, South Africa by sea, and from there are transported by road or rail to Swaziland. Under the SACU Agreement, customs clearance of imports into the customs union can take place at the first office of entry into the union or at their final destination. From Durban, imports must be declared for transit: a security bond is required for goods being moved by road, to cover the duty and taxes in case the goods are illicitly diverted for home use in South Africa.[35] Clearance for goods imported into Swaziland from within SACU (for VAT collection purposes) is

[35] No security is required for goods moving by rail because of the very low probability that they can be illicitly diverted for home use.

done at land borders, the international airport, the parcel post, or the railway station. Customs duties are not payable on these goods.

72. Swaziland has, from time to time, exercised its right under the SACU agreement to protect infant industries. Milk and dairy products, vegetables, flour, and wheat have been protected under this process.

73. Swaziland imposes import levies on dairy products, other agricultural products, and petrol and diesel. Under Dairy Act No. 28 of 1968 and Legal Notice No. 2 of 2000, dairy products are subject to fixed levies of between E 0.29 and E 4.10 per litre or per kg (Table III.1). Under National Agricultural Marketing Board Act No. 13 of 1985 (as amended), other agricultural products, such as maize, rice, wheat, and turkey are subject to levies ranging from 1% to 25% (Table III.2). The rates of the levies are "made known publicly in advance by the Board". Petrol and diesel are subject to a fuel levy, fuel oil levy, and fuel tax set at E 0.16, E 0.05, and E 0.40 per litre (a cumulative rate of E 0.61/litre).[36]

Table III.1
Levies on milk and dairy products, 2009

Product	**Import levy (E)**
Baby formulas	3.83 per kg
Butter	2.77 per kg
Cheese (Cheddar, Gouda or other)	4.10 per kg
Condensed milk	1.61 per litre
Dairy juice	0.29 per litre
Dessert or ice cream mixtures	1.28 per kg
Fermented milk/emasi/buttermilk	0.57 per litre
Fresh full cream, low fat or skimmed milk	0.40 per litre
Fresh/sour cream or UHT cream	1.97 per litre
Full cream milk powder	4.05 per kg
Full cream UHT milk and flavoured milk	0.44 per litre
Low fat UHT milk	0.43 per litre
Skim milk powder/dairy powder blends	1.61 per kg
Whey/buttermilk powder	0.59 per kg
Yoghourt	0.91 per litre or kg

Source: Legal Notice No. 80 of 2006.

Table III.2
Import levies on agricultural products[a], 2009

Products	**Import levy[b] (%)**
Apples, pears, peaches, and grapes	3.5
Bananas	10.0
Cabbages, tomatoes, potatoes, and sweet potatoes	7.5
Fresh fruits, excluding apples, pears, peaches, grapes, and bananas	7.5
Fresh vegetables, excluding cabbages, tomatoes, potatoes, and sweet potatoes	7.5
Maize products, excluding starch processed poultry feed and animal feed	7.5
Maize, including seed maize, yellow maize, and popcorn	1.0
Poultry and poultry products, excluding turkey	15.0
Processed poultry	7.5

Table III.2 (cont'd)

[36] The fuel levy includes a contribution to motor vehicle accident insurance.

Products	**Import levy[b] (%)**
Rice	3.5
Turkey	25.0
Wheat	3.5
Wheaten products	5.5

a Import levies under Section 6 of the National Agricultural Marketing Board Act, 1985, as defined in the Import and Export of Scheduled Products (Amendment) Notice, 2006.
b On all items except rice, the actual rate of levy to be applied on any particular date will be made known publicly in advance by the Board.

Source: Information provided by the Swazi authorities.

74. Swaziland is in the process of introducing the VAT. Currently, sales tax is applied to goods and services, under the Sales Tax Act of 1983. The tax is applied either at the point of entry into Swaziland or at the point of sale from the local producer. The sales tax rates are 25% for luxury goods (e.g. alcohol and tobacco), and 14% for other goods and services. Sales tax is not applied to: goods that form part of a final product for resale; agricultural inputs (fertilizers, seeds, etc.); plant and machinery used for manufacturing; basic foodstuffs, such as dairy products, maize, bread, meat, vegetables, sugar, and salt; other foodstuffs imported by hotels and restaurants (who charge sales tax at the point of final sale); scholastic materials; medical and surgical supplies; and electricity and water.

75. There are also general exemptions to sales tax for the diplomatic corps and for goods and services provided under technical assistance agreements; other exemptions may be provided as part of bilateral or multilateral agreements. Tax on purchases of new and used clothes up to a value of E 1,250, and wines and spirits between E 1,250 and E 10,000 is reduced by 20% (a flat rate of 20% is applicable on wines and spirits). Goods provided in the context of foreign aid to the Swaziland Government, or as part of technical assistance programmes, are exempted from duties. There are also provisions for duty rebates on goods imported for use by the Government.

76. Most companies either use a customs clearing agent for customs clearance or have an in-house import-export section: the process is complex, and can be slow and costly if not done professionally.[37] Goods arriving in Swaziland may be entered for home use or for processing as raw materials or inputs; they may also be entered for warehousing where they will be stored in bond until the importer enters them for home use or for re-export. The key customs-clearance documents are the bill of entry (form SAD 500) and supporting documents, such as invoices, bill of lading, road manifest, and packing list. Other documents, e.g. import permits, SPS certificates, and certificates of origin, may also be required.

77. Customs clearance is not yet fully computerized in Swaziland and there is no computerized management information system; the ASYCUDA is being introduced. According to the authorities, on average, clearance takes 20 minutes, provided that all documents are in order, but can take up to 3 days when there are issues to settle (e.g. value and customs tariff classification of the goods). All goods are physically examined by customs before being released. Appeals against customs decisions are made to the Minister of Finance and appeals against the Minister's decisions may be heard in the courts.[38]

[37] Another advantage of using an agent is that the importer need not be concerned with formalities in South Africa.
[38] USAID (2005).

78. According to the authorities, Swaziland is implementing the WTO Customs Valuation Agreement (CVA), on the basis of Part IX of Customs and Excise Act No. 21 of 1971.[39] Customs concludes that the invoice price is too low, the importer must justify the low price. Swaziland needs additional personnel and further technical assistance in order to implement the CVA (Chapter II(4)(i)).

79. The Revenue Authority Bill is being considered by the Parliament. The major and immediate change expected once the revenue authority is established is the merging of the revenue services (Customs and Inland Revenue) and an effective organizational structure.[40]

80. Applied customs tariffs, excise duties, valuation methods, origin rules, and contingency trade remedies are, to date, the only trade policy measures harmonized throughout SACU (Main Report, Chapter III).

(ii) Import prohibitions, restrictions, and licensing

81. Import prohibitions are maintained for various reasons, including international conventions, security, and health and safety considerations. They cover, *inter alia*, drugs and narcotics; pornographic or objectionable materials; plants, seeds, bulbs, and raw cotton; uncooked meat/poultry; honey, beeswax, bees and their larvae or eggs, and used beehive appliances; uncut diamonds; unwrought gold; and ammunition.

82. Under the Import Control Order of 1976 and Legal Notice No. 60 of 2000, 15 broad categories of products are subject to import permits issued by the Ministry of Finance: arms; automotive parts; drugs; electrical appliances; gold and other precious metals; mineral fuels; mineral oils; specified agricultural products (i.e. wheat, flour, dairy products, maize, and rice); used clothing; used earthmoving equipment; used footwear; used motor vehicles; used textiles; used tyres and tyres casings; and wild animal products. Import licensing is used to monitor the flow of licensed goods mainly for health, safety, and environmental reasons.

83. Permits, including to import specified agricultural products, are issued by the Ministry of Finance. Any individual, firm or institution may apply for an import permit, which is valid for one year (renewable for another year). All applications for import permits must pass through the Import Permit Committee.[41] First-time applicants must present a certificate of incorporation, memorandum and articles of association, trading licence, tax clearance certificate, original proforma invoice for the articles to be imported, and most recent bank statement, and must agree to inspection of their premises. Subsequent applications need to be accompanied only by the current trading licence, tax clearance, and proforma invoices. On importation of the goods, the importer must produce an invoice, bill of entry, bill of lading, and any other relevant documents. An administrative charge is levied on import permit goods at the rate of E 1.00 per E 2,000 of value (0.05%).

84. The National Agricultural Marketing Board (NAMBOARD) may limit imports of agricultural products by defining quantities that may be imported and by raising import levies. Levies and quotas are set on the basis of the balance of local production, or of seasonal production (e.g. of bananas); in

[39] WTO document G/VAL/N/1/SWZ/1, 25 April 2007.

[40] USAID (2005).

[41] The Committee is chaired by the Director of Import Permit within the Ministry of Finance, and comprises representatives of the Ministries of Finance, Foreign Affairs and Trade, Enterprise and Employment, Income Tax, and Customs and Excise, as well as the Central Bank of Swaziland. The Committee meets weekly on Wednesdays. Applications may be filed until 3.30 p.m on Tuesdays.

relation to national disasters; or in relation to infant industry protection under which the quantity or quality of imports is monitored.

(iii) Government procurement

85. Central and local governments, and parastatal organizations are not restricted under Swaziland's laws as to sources of goods and services. Such restrictions may be imposed, however, by the terms of donor or technical assistance agreements. In the 2008/09 Budget, 65.9% of government expenditure was on procurement of goods, services, and capital works.[42] Swaziland is neither a signatory nor an observer to the Plurilateral Agreement on Government Procurement.

86. With the aim of enacting a modern and efficient government procurement regime, a reform programme led by the Ministry of Finance began in 2003. The main objectives of the reform are to: ensure transparency and accountability in public procurement while maintaining appropriate confidentiality of information; achieve economy, efficiency, and maximum competition to ensure value for money in the use of public funds; promote more diverse private-sector participation, through fair and non-discriminatory treatment of tenderers; develop economic capacity in Swaziland, through the provision of opportunities for Swazi suppliers to participate in public procurement; and promote regional trade.

87. One of the main outcomes of the reform has been the adoption of the Regulations on Public Procurement 2008, which replaced the Swaziland Government Stores Regulation of 1975. The new regulations specify five procurement methods: (i) open tendering for goods, works, and non-consultant services as the preferred method[43]; (ii) limited tendering for goods, works and non-consultant services[44]; (iii) request for proposals for consultant services[45]; (iv) request for quotations for minor works and goods[46]; and (v) single source for all types of requirements.[47] Procuring entities may divide a procurement requirement only when it is anticipated that the award of several separate contracts may result in the best overall value for the procuring entity.[48]

88. A maximum 15% price preference is granted in favour of Swazi-owned and registered companies. In addition, other measures are envisaged to promote Swazi companies in public procurement, such as: encouraging foreign companies to subcontract with Swazi companies; where

[42] Swazi Observer online information. Viewed at: http://www.observer.org.sz/index.php?news=2384.

[43] Tendering should be international where the goods, works or services are not available under competitive price and other conditions from at least three suppliers in Swaziland; or regional or international participation is required in accordance with an agreement entered into by the Government of Swaziland. Open tendering may be conducted with or without pre-qualification (Article 40 of the Regulations on Public Procurement 2008).

[44] Limited tendering may be used where: the goods, works or services are only available from a limited number of suppliers; there is insufficient time for use of open tendering in an emergency situation; or the estimated value does not exceed the specified threshold (Article 41 of the Regulations on Public Procurement 2008).

[45] Proposals are obtained from a shortlist of tenderers, with or without advertisement. No advertisement is necessary if the value of the good or service is less than E 15,000 (Article 42 of the Regulations on Public Procurement 2008).

[46] This method compares quotations from three tenderers. It may be used where the estimated value does not exceed the threshold (Article 43 of the Regulations on Public Procurement 2008).

[47] This method may be used, *inter alia*, where: the goods, works or services are only available from a single source; in an emergency situation; and when additional goods, works or services must be procured from the same source due to compatibility, standardization or continuity (Article 44 of the Regulations on Public Procurement 2008).

[48] Article 45 of the Regulations on Public Procurement 2008.

feasible and appropriate, dividing procurement requirements into lots, of a size for which small Swazi companies are qualified and able to tender; and provide training in tendering requirements for Swazi companies.[49]

89. The new regulations also established a single tender board, the Swaziland National Tender Board (SNTB), to replace the Central and Treasury Tender Boards.[50] The SNTB, chaired by the Ministry of Finance as its Principal Secretary[51], now manages all tendering processes: it aims to ensure compliance with the regulations by ministries and departments, and approves all high value awards. A recommendation to award a contract is to be for the best evaluated tenderer, as determined by the evaluation methodology and criteria specified in the invitation document. The procuring entity should prepare a notice indicating the name of the best evaluated tenderer, the value of the proposed contract, and any evaluation scores. The notice should be sent directly to all tenderers who submitted tenders by letter, published on the Government's public procurement website and, where appropriate, by fax or email. The procuring entity should allow at least ten working days between the date of despatch and publication of the notice, and the contract being awarded.

90. The Procurement Bill 2008 is before Parliament. The Bill envisages, *inter alia*, establishing the Swaziland Public Procurement Regulatory Authority (SPPRA) to serve as an independent regulatory body, with responsibility for policy, regulation, oversight, professional development, and management and dissemination of information on public procurement. Its main functions would be to advise the Government and procuring entities on procurement policy, report on the performance and functioning of the public procurement system, and recommend changes. SPPRA would be governed by a Board of Directors composed of a non-executive chairperson and four non-executive members, amongst whom at least two from the private sector, civil society or professional bodies, to be appointed by the Minister of Finance.

(iv) Standards and other technical requirements

(a) Standardization, testing, and certification

91. Swaziland accepted the TBT Code of Good Practice on 9 October 2008.[52] The Quality Assurance Unit (under the Ministry of Commerce, Industry and Trade) is the enquiry point.

92. Swaziland continues to apply South African standards procedures and relies on the South African Bureau of Standards (SABS) and the South African National Accreditation System (SANAS) for all questions relating to standard-setting, testing, certification. Nonetheless, under Standards and Quality Assurance Act No. 10 of 2003, the Swaziland Standards Authority (SWASA) was established as a parastatal under the Ministry of Commerce, Industry, and Trade.[53] It became operational in April 2007. The Act gives SWASA the mandate of promoting standards and quality in the local industry,

[49] Articles 21and 22 of the Regulations on Public Procurement 2008.

[50] The Central Tender Board was responsible for the sale or purchase of government immovable property and other capital projects, while the Treasury Tender Board was responsible for all sales or purchases of government moveable property, and contracts for annual supply arrangements and individual purchases (WTO, 2003).

[51] Other members of the Board are: the Accountant General, Undersecretary of the Ministry of Public Works and Transport, representative of the Attorney General's Office, Undersecretary of the Ministry of Enterprise and Employment; the head of the technical secretariat is the secretary.

[52] WTO document G/TBT/CS/2/Rev.15, 2 March 2009.

[53] The Act provides that SWASA should be independent and be governed by a Council. It consists of representatives from various ministries (Agriculture; Natural Resources and Energy; Commerce, Industry, and Trade; and Finance) and private-sector representatives from the Federation of Swaziland Employers, Chamber of Commerce, and the University of Swaziland.

commerce, and the public sector, while being the sole custodian of all issues regarding standards and quality in Swaziland.[54] However, the demarcation of responsibilities between SWASA and the Quality Assurance Unit is yet to be clearly defined.[55]

93. There are currently no Swazi standards. SWASA does not yet have laboratories, therefore it uses credible local and international laboratories. For TBT purposes, Swaziland recognizes certification by reputable international bodies. SWASA is in the process of acquiring membership to the International Organisation for Standardisation (ISO), African Standardisation Organisation (ARSO), International Electrotechnical Commission (IEC), and the International Laboratory Accreditation Forum (IAF). SWASA is also participating in the SADC programme on Standardisation, Quality Assurance and Metrology (SQAM).

94. Swaziland requires technical assistance on TBT matters (Chapter II(4)(i)).

(b) Sanitary and phytosanitary measures

95. The national enquiry points under the WTO SPS Agreement are the Directorate of Veterinary Services (for sanitary measures), under the Ministry of Agriculture, and the Directorate of Research (for phytosanitary measures), also under the Ministry of Agriculture.[56]

96. Veterinary and animal health conditions are laid down in Animal Disease Act No. 7 of 1965, as amended. Under the Act, the Minister of Agriculture may restrict imports or exports of animals, animal products, live virus and other pathogens or biological or chemical products for the treatment of animals or the use of the latter. He may also fix maximum and minimum wholesale and retail prices for any animal or animal product sold in Swaziland.

97. Swaziland has a fairly open border with respect to the movement of animals, vegetables, and their products, provided that the point of origin is an approved establishment. Nonetheless, the Animal Disease Act specifies various import requirements in terms of veterinary certification, and a quarantine period of 30 days; the Customs and Excise Act regulates the import of hides and skins, meat, and eggs. Enforcement issues are now the responsibility of both the Department of Customs and Excise and the Ministry of Agriculture. Animals brought in for slaughter are not subject to quarantine, but must be slaughtered within 48 hours of arrival. Livestock from approved regional suppliers (on condition that they are tested prior to export) may be imported without restriction. Swaziland is free of foot-and-mouth disease and has a protective cordon down the eastern side of the country to prevent the movement of cattle from east to west.

98. Phytosanitary conditions, including for the import of plants and seeds, are basically regulated by Plant Control Act No. 7 of 1981 and the Seeds and Plants Varieties Act of 2000. Phytosanitary certificates are required from the Ministry of Agriculture to import citrus fruit or trees, under the Plant Control Act; in respect of cotton, the Cotton Board is empowered to issue certificates, and works through agricultural research stations to prevent the spread of pests and diseases. The Sugar Act of 1967 empowers the sugar industry itself to determine the varieties of sugar cane that may be imported, and the conditions for import and for testing varieties of sugar.

[54] SWASA online information. Viewed at: http://www.swasa.co.sz/index.php?option=com_content&task=view&id=23&Itemid=38.

[55] Swaziland Standards Authority (2008).

[56] WTO document G/SPS/ENQ/24, 1 October 2008.

99. Swaziland has no specific policy in respect of genetically modified varieties of plants or animals, or materials made therefrom. Nonetheless, draft legislation on genetically modified organisms is currently awaiting Parliament approval.

100. In general, all plants and materials require an import permit, although some are not normally restricted if they bear proof that they are from SACU; these goods include fruit and vegetables other than citrus, flowers, and other materials regularly sold by florists and greengrocers; seed potatoes; and a range of other plants or vegetables including certain subtropical fruit and crops, vegetables, legumes, ornamentals, and others. Purchases by individuals of plants from state-registered nurseries, fruit and vegetables (including not more than 20 kg of citrus per person), and cut flowers, wreaths, and herbaceous pot plants bought in South Africa, for immediate use or consumption and not for sale, may be imported without a permit.

101. The importation of seeds produced under certification by the International Seed Test Association is not restricted; however, there are no Association members in Swaziland. Otherwise, under the Seeds and Plants Varieties Act, all imports must be tested by a phytopathologist based in Swaziland, and/or issued with a clearance certificate. Phytosanitary standards are set by notice in the *Government Gazette* and are updated as new diseases are identified.

102. Swaziland has a closed list of seed and plant varieties. Items to be added to the list must be distinct, uniform and stable, and must be certified for value, cultivation use, and merit. The list applies to important, certified crops and includes maize, beans, sorghum, groundnuts, tobacco, cotton, and cowpeas. Other seeds are not controlled in this way. For a variety to be added to the list it must be tested, usually over a two-year period, by the Agricultural Research Station and then considered by the Variety Committee of the Ministry of Agriculture.

103. Seeds produced by regional producers of good repute are allowed entry without certification: some companies in South Africa and in Zimbabwe fall into this category. Indigenous plants imported from the region require a permit issued by the National Trust Commission on the basis of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). This body also protects local plant species and maintains a list of protected and specially protected species for which an export permit would be required.

(c) Marking, labelling, and packaging

104. The Agriculture Act of 1967 (Part XII) deals with marking in the dairy industry, including using approved containers for carrying milk and cream. It also indicates that, *inter alia*, the grade and registration numbers of producers should appear on the labelling or the wrapper. Requirements on wrapping and packaging of dairy products is addressed in Section 78.[57] The use of any bottle, jar, tin or other container or any paper, cardboard or other material that is not clean and free from contaminants is not allowed (Section 28). It also states that food shall not be transported without packaging unless such food is sealed in grease-proof vegetable parchment or other non-absorbing material.

(v) Other measures

105. Swaziland has no countertrade or offset arrangements, or agreements with foreign governments or enterprises designed to influence the quantity or value of goods and services exported

[57] On margarine, for example, every wrapper must be distinctively printed in plain capital letters one-third of an inch-square, with the trade name of its contents, and no other printed matter except the registered number of the premises on which it was manufactured and the net weight of the contents.

to Swaziland, nor does it maintain any surveillance measures on imports. Trade sanctions have not been imposed unless required by resolution of the United Nations.

106. Swaziland has no requirement for local content other than the preferences given under government procurement. It generally does not maintain strategic stocks of food or other commodities but maintains financial reserves to allow it to purchase stocks when needed.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Registration, documentation, and taxes

107. The same registration procedures apply to exporters as to importers (section (2)(i) above). Most exports go through the Port of Durban, although sugar is usually exported through the port of Mozambique. Most exporters use clearing agents or freight forwarders to handle the export logistics in South Africa, which include provision of a security bond to cover the goods in transit to Durban. The main export documents required are: the export bill of entry (Form SAD 500); exchange control form (Form 178), provided by the companies' bankers indicating the value of goods to be exported; and supporting documents, such as the invoice and certificate of origin. Consignment may be examined, especially if a refund or discharge of a security will be claimed after their exportation. After documents have been processed and the goods examined, the unit of transport is sealed by Customs and released for exportation.[58]

108. The only tax or fee collected on exports is the Sugar Levy (Chapter IV(2)(iii)(a)), which is charged at 5.75% of the proceeds from the net ex-mill export protocol sales to the EC, and applies two years in arrears.[59]

(ii) Export prohibitions, controls, and licensing

109. Export prohibitions apply to products controlled under, *inter alia*, the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora. Export prohibitions may also be imposed in case of food shortages resulting from drought or other natural disasters.

(iii) Export subsidies and assistance

110. The authorities have in the past considered the creation of export processing zones but this was not considered viable. Items incorporated into an export product may be imported free of all duties or a duty refund may be obtained. The Department of Customs and Excise is responsible for monitoring this concession and determining any refund due. Refunds are normally issued as duty credits.

111. The Export Credit Guarantee Scheme (ECGS), financed through the Ministry of Commerce, Industry and Trade[60], aims to enable: exporters to meet their working capital requirements; exporters who do not have enough collateral security to obtain financial assistance; small exporters operating from Swaziland to obtain finance from commercial banks at concessionary interest rates; banks that have lent under the scheme to borrow by discounting their promissory notes within the Refinance

[58] When a unit of transport is sealed, customs offices en route, even in South Africa, are supposed only to check the integrity of the seal (USAID, 2005).

[59] Rate of Sugar Levy Notice, 1997 (Act No. 4 of 1997).

[60] The ECGS funds are vested in treasury bills and term deposits monitored by the Central Bank of Swaziland (CBS). The role of the CBS is to provide the guarantee to the commercial banks lending to exporters.

Facility provided by the scheme; exporters to keep reasonable stock levels so they can respond promptly to incoming queries or export orders; Swazi exporters to extend easier credit terms, of up to 180 days, to importers without adversely affecting the exporter's cash flow position.

112. Prospective exporters must submit complete viable project proposals to their commercial bank to access ECGS funds. Businesses must be registered in Swaziland and present a business plan containing budgets and cash flow projections, audited accounts for the previous period (if already in operation), and the owners' contribution (security or collateral) to financing the project; export orders contracts or letters of credit indicating the list of customers and volume of export trade anticipated, and any other information considered material or relevant by the bank.

113. The ECGS covers 75% of the loan in the case of pre-shipment applications, and 85% in the case of post-shipment applications. The maximum guarantee to any one exporter is E 2.5 million. Interest is charged at the prime interest rate per annum; the CBS also charges a premium currently set at 0.53-2.33%, depending on the length and type of credit, and a filing fee of E 25 for a new guarantee or an extension of an old one. According to the authorities, the scheme is not widely used, partly because very few SMEs are involved in the export trade, and partly because the conditions of the scheme are quite rigorous.

114. The Trade Promotion Unit (TPU), within the Ministry of Commerce, Industry and Trade, is the national focal point for trade promotion; its main objective is "to promote the growth of exports by acting as a catalyst to motivate exporters by providing directly, or in cooperation with other institutions, the services that they require".[61] The unit supports private-sector enterprises by promoting their goods on world markets, identifies new export products and market opportunities, and helps enterprises to participate in regional and overseas trade fairs and exhibitions by paying for the shipment costs of the exhibits and for the exhibition space. The TPU is also responsible for issuing certificates of origin under SADC, COMESA and GSP, while the Department of Customs and Excise does the same under AGOA.

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Incentives

115. Swaziland has a number of incentives available for both local and foreign investors on an equal basis (see section (3) above).

116. The incentives relating to factory premises are granted by the Ministry of Commerce, Industry and Trade on the recommendation of the Swaziland Investment Promotion Agency (SIPA). The period of grace before the first rent is paid depends on the nature of the business and on negotiations with SIPA; generally rent is not paid until the business starts operations. The rent payable depends on the location of the factory, and the extent of subsidy can range from 25-40% of the market rate depending on the negotiations with SIPA and its perception of the importance of the investment.[62]

(ii) State trading, state-owned enterprises, and privatization

117. A large number of state-owned enterprises (SOEs) operate in Swaziland. Under Public Enterprises (Control and Monitoring) Act No. 8 of 1989, SOEs are classified as "Category A or B"

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[61] WTO (2003).

[62] For example, an investor proposing to employ 1,000 people would be able to negotiate a better package than one employing 500 people (USAID, 2005).

depending on the extent of government ownership.[63] Some "Category A" enterprises are monopolies and/or have exclusive rights, such as the Swaziland Water Service Corporation (SWSC), the Swaziland Electricity Company (SEC), and the Swaziland Posts and Telecommunications Corporations (SPTC) (Chapter IV(5)((ii)). "Category B" enterprises include the Central Bank of Swaziland (CBS) and the Swaziland Industrial Development Company (SIDC).[64]

118. Under the Public Enterprises Act, the Public Enterprises Unit (PEU), within the Ministry of Finance, is to monitor and report on the performance of all "Category A" SOEs, to ensure their efficient operation, to provide technical assistance when necessary, and to advise the Cabinet Standing Committee on Public Enterprises on relevant issues. In 2006, as part of its privatization policy, the Government approved a privatization roadmap, which entails the transformation of the PEU into a Public Enterprises Agency. The sum of E 3 million has been set aside for the implementation of the privatization policy.

119. The roadmap specifies five lanes for privatization (names of SOEs in parentheses): (i) priority cases for regulation and/or restructuring before privatization (SWSC, SEB, and SPTC, and Central Transport Administration); (ii) fast track for immediate privatization or sale of shares since little restructuring is required (Swaziland Railway, Swaziland Development and Savings Bank, Swaziland Development Finance Corporation, Swaziland Water and Agricultural Development Corporation, Royal Swazi National Airways Corporation, Piggs Peak Hotel and Casino[65], and 60% of South African Airlink shares); (iii) parallel track to review "Category B" enterprises and other government shareholdings with a view to immediate privatization or sale of shares, business or assets (First National Bank, Havelock Mine Corporation, Ion Swaziland, Lulote-BMEP, MNSP Pty Limited, Nedbank, Old Mutual, Parmalat Swaziland, Royal Swazi Sugar Company, SIDC, Standard Bank Swaziland, Swaziland Building Society, Swaziland Fruit Canners, Swaziland Royal Insurance, Swazi MTN, and Shiselweni Hotels and Nhlangano Casino Hotel); (iv) second priority for restructuring with a view to partial or full privatization (Small Enterprises Development Company, Motor Vehicle Accident Fund, Swaziland National Housing Board, Swaziland Television Authority, Swaziland National Trust Commission, and Commercial Board); and (v) not appropriate for privatization except possible outsourcing of services (National Emergency Response Council on HIV/AIDS, National Agricultural Marketing Board, National Maize Corporation, Swaziland Cotton Board, Swaziland Dairy Board, Sebenta, University of Swaziland, Commission for Mediation, Arbitration and Conciliation, Swaziland Investment Promotion Authority, Swaziland Provident Fund, and Swaziland Tourism Authority). In addition, the following SOEs have been classified as not eligible for privatization: CBS, Manzini City Council, Mbabane City Council, Public Service Pensions Fund, Raleigh Fitkin Memorial Hospital, and SIDC.[66]

120. Swaziland has not made any notifications to the WTO regarding state-trading enterprises. Nonetheless, some SOEs such as the National Agricultural Marketing Board, National Maize

[63] "Category A" public enterprises are either wholly owned by the Government, majority owned by the Government or dependant upon Government subvention for financial support. "Category B" are enterprises in which the Government has a minority interest or that monitor other financial institutions or that are local Government authorities.

[64] SIDC, a joint-venture between the Government and major international and local financial institutions, offers potential or actual investors: assistance in project appraisal and identification of local or foreign joint-venture partners; financial services including equity finance and medium- and long-term loans "at competitive interest rates"; and leasing of factory buildings, particularly in the Matsapha Industrial Estate (WTO, 2003).

[65] Leased to Orion Hotels until 2017.

[66] Ministry of Finance (2006).

Corporation, Swaziland Sugar Association, Swaziland Citrus Board, Swaziland Cotton Board, and Swaziland Dairy Board are still operating under monopoly or hold exclusive rights.

(iii) Competition policy and price controls

121. Swaziland enacted the Competition Act No. 8 of 2007 with the aim of encouraging competition in the economy by, *inter alia*, controlling anti-competitive trade practices, including prohibition of abuse of dominance, and monitoring mergers and acquisitions, and monopolies and concentration of economic power. An independent Competition Commission was established under the Act[67]; the Competition Authority is in the process of being set up.

122. The Commission, *inter alia*: carries out, on its own initiative or upon request, investigations in relation to the conduct of business, such as the abuse of a dominant position and mergers; takes action to regulate the creation of a merger or to prevent or redress the abuse of a dominant position by any enterprise; provides information for the guidance of consumers regarding their rights under the Act; and undertakes studies and makes available to the public reports regarding the operation of the Act.[68]

123. Price controls in Swaziland are imposed under the Price Control Order of 1973.[69] This provides for the fixing of maximum prices for both goods and services. The Minister of Agriculture may fix maximum and minimum wholesale and retail prices for any animal or animal product sold in Swaziland (section (2)(iv)(b)). Currently, price controls are applied top bread, sugar, dairy products, gasoline, and postal and telecommunication services.

(iv) Intellectual property protection

(a) Overview

124. Swaziland's legislation on intellectual property rights (IPRs) has not changed since its last Review. It consists of: Merchandise Act No. 24 of 1937; Trade Marks Act No. 6 of 1981 and Trade Marks Regulations of 1989; Patents, Utility Models, and Industrial Designs Act No. 6 of 1997; and Seed and Plant Variety Act No. 7 of 2000. Copyright is protected under Copyright Act No. 36 of 1912, Copyright (Prohibited Importation) Act No. 35 of 1918, and Copyright (Rome Convention) Act No. 1 of 1933; however, the Copyright Bill is awaiting Parliament's approval. There is no legislation relating to geographical indications, layout-designs (topographies) of integrated circuits or the protection of undisclosed information in Swaziland.[70]

125. General responsibility for IPR issues is under the Registrar-General's Department in the Ministry of Justice. This is also the contact point under Article 69 of the WTO TRIPS Agreement.[71] Other institutions responsible for intellectual property matters are: the Customs and Excise

[67] The Competition Commission comprises representatives of the Ministry responsible for enterprise, the Ministry responsible for finance, the Ministry responsible for economic planning and development, a member nominated by the Swaziland Chamber of Commerce and Industry, the Economics Association of Swaziland, the Swaziland Consumers Association, the Swaziland Institute of Accountants, the Law Society of Swaziland, and a member appointed by the Minister of Enterprise and Employment. Each member holds office for up to three years, and may be reappointed for another term (Articles 8 and 9 of the Competition Act 2007).

[68] Article 11 of the Competition Act 2007.

[69] Order-In-Council No. 25 of 1973.

[70] WTO document IP/N/SWZ/1, 5 May 2004.

[71] WTO document IP/N/3/Rev.10, 16 May 2008.

Department (Ministry of Finance), for matters related to border measures; and courts of law, for enforcement issues.

126. Swaziland is a member of the World Intellectual Property Organization (WIPO) and the African Regional Industrial Property Organization (ARIPO). It is a signatory to the: ARIPO Protocol on Patents and Industrial Designs; Paris Convention for the Protection of Industrial Property; Patent Cooperation Treaty; Berne Convention for the Protection of Literary and Artistic Works; Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations; and Madrid Agreement Concerning the International Registration of Marks. Swaziland is also in the process of accession to the WIPO Internet treaties. Its intellectual property legislation was reviewed by the WTO TRIPS Council in November 2001.[72]

(b) Industrial property

127. The Patents, Utility Models and Industrial Designs Act of 1997, establishes a Registrar of Patents, in the Registrar-General's Office of the Ministry of Justice. Patents are valid for 20 years from the time of application, subject to working of the invention. Utility model certificates are valid for seven years from the application date, without possibility of renewal. Registrations of industrial designs are valid for five years from the date of application, renewable for two subsequent periods of five years. There is no provision in the patent legislation for the protection of new varieties of plants[73], nor for pharmaceutical or chemical products.

128. The Trade Marks Act of 1981 establishes a Registrar of Trade Marks (in the Registrar-General's Office). Trade marks may be registered for a period of ten years, and renewed for subsequent periods of ten years, indefinitely. The registered owner of a trade mark in Swaziland has the exclusive right to use the mark, and any assignment or transmission of the mark must be registered by the assignee. Appeals against the Registrar's decisions regarding trade marks may be made to the High Court. The Fair Trading Act, 2001 also provides for pursuit and penalties in the case of violation of trade marks.

129. Under Patents, Utility Models and Industrial Designs Act No. 6 of 1997, the term of protection for industrial designs is 15 years. An application for protection of an industrial design is be filed with the Registrar and must contain a request, drawing, or other adequate graphic representations of the article and an indication of the kind of products for which the design will be used.[74] There is no provision in the legislation for compulsory licencing in respect of industrial designs. Textile designs are not provided for.

(c) Copyright and related rights

130. Copyright legislation (the Copyright Act 1912) covers literary, dramatic, and artistic works, performances, and sound recordings first published in any part of the Commonwealth. The term of copyright protection is the life of the author plus 50 years. The legislation does not comply with Article 9 of the TRIPS Agreement (protection of the exclusive rights of authors in relation to their

[72] WTO document IP/Q-Q4/SWZ/1, 18 October 2007, contains the questions posed and answers given during the review.

[73] The protection of new plant varieties is the responsibility of the Ministry of Agriculture (WTO document IP/Q-Q4/SWZ/1, 18 October 2007).

[74] The application may be accompanied by a specimen of the article; and must be accompanied by the application fee. Where the applicant is not the creator, he/she must provide the statement justifying his/her right to registration of the design (WTO document IP/Q-Q4/SWZ/1, 18 October 2007).

literary and artistic works), nor with the Berne and Rome Conventions.[75] There are no provisions exist for royalties to be paid to musicians, authors or performers.

131. A new Copyright Bill, based on the WIPO model, addresses the administration of copyright and neighbouring rights, audiovisual works, expression of folklore, and computer programs. It will establish a Copyright Society, which will be responsible for the promotion of the interests of authors, artists, and performers, and a Copyright Administrator's office in the Registrar-General's office.

(d) Enforcement

132. Penalties for infringement of IPR legislation vary between a maximum fine of E 2,000 and/or imprisonment for six months under the Trade Marks Act to a maximum fine of E 10,000 and/or five years' imprisonment under the Patents, Utility Models and Designs Act. Civil suits for damages may also be brought. The legislation allows for appeal procedures at the High Court. Swaziland faces a severe problem of piracy in audio and audiovisual cassettes, CDs, and DVDs.

133. Swaziland requires technical assistance on IPR issues, including for training of officials and for amendment of its legal framework (Chapter II(4)).

[75] WTO document IP/Q-Q4/SWZ/1, 18 October 2007.

IV. TRADE POLICIES BY SECTOR

(1) OVERVIEW

134. Agriculture in Swaziland is highly dualistic, with large-scale, commercial, irrigated, export-oriented production on "title deed land", and small-scale, rain-fed, production for local markets (often informal or subsistence level) on "Swazi nation land". Under its Comprehensive Agriculture Sector Policy, Swaziland's key objectives are to promote food security and increase productivity through the diversification and commercialization of activities, while ensuring community participation and sustainable development of its natural resources. Agriculture is threatened by a number of factors, notably droughts.

135. Manufacturing remains largely based on value-added in sugar (confectionery and soft drinks), which benefits from preferential access to the EC and to the United States. Some sugar-using and wheat-using industries have expressed concerns about the structure of SACU tariffs, as they would wish to benefit from lower cost sources for their raw materials. Swaziland is eligible for the African Growth and Opportunity Act (AGOA) preferences, since January 2001, including on textiles and clothing, and is counted as a less developed beneficiary country. Nonetheless, exports of garments and apparel to the United States have fallen over the last few years.

136. Services, notably tourism, form a crucial component of Swaziland's overall policy of economic diversification, and private-sector participation is to be encouraged through privatization. Since its previous Review, Swaziland has been modernizing its financial services legislation, implementing its National Transport Policy, which sets out a strategy for the integrated development of all transport modes, and opened the mobile telecoms market to competition (in 2008). However, the state-owned Swaziland Post and Telecommunications Corporation (SPTC) continues to dominate telecoms and postal services.

(2) AGRICULTURE AND RELATED ACTIVITIES

(i) Main features

137. Around 80% of the Swazi population is rural-based with livelihood predominantly dependent on subsistence farming and/or livestock herding.[76] Agriculture also plays an important role in providing raw materials for the largely agri-based manufacturing industries. Some 11% of the land is arable; the average land area per family is about 1.3 ha.[77] The sector has been affected by severe droughts, notably in 2007. Despite the worst drought in 15 years, the sector is estimated to have registered an annual growth rate of 2% in 2007 (-2% in 2006, 5.5% in 2005, -3.7% in 2004, and 6.1% in 2003).[78]

138. Agriculture in Swaziland is divided between "title deed land" (TDL)[79] and "Swazi nation land" (SNL).[80] Large-scale agriculture focuses on production of sugar (Swaziland's largest single

[76] UNOCHA (2007).

[77] FAO online information, "Swaziland". Viewed at: http://www.fao.org/fileadmin/templates/tc/tce/pdf/Swaziland_factsheet.pdf.

[78] Central Bank of Swaziland (2008).

[79] TDL is privately owned, covers about 40% of the cultivated land, and accounts for about 80% of total agricultural output. Access to TDL and its resources is regulated by the owner. It is used mainly for ranching, forestry or estate production of crops such as sugar cane and citrus fruits.

[80] SNL makes up almost 60% of the cultivated land and accounts for about 20% of total agricultural output. It is held in trust by the king and allocated by tribal chiefs according to traditional arrangements.

crop), meat, dairy products, citrus, and other fruit, while the small-scale sector is devoted mainly to production of maize[81], cotton[82], vegetables, and other foodstuffs, as well as cattle and other livestock.[83] Raw and refined sugar, sugar products, and ethanol constitute Swaziland's main agricultural exports (over 20% of total merchandise exports), followed by citrus fruits (Table IV.1).[84] Main imports include maize, wheat, eggs, chickens, prepared food, beef and veal, and sunflower seed oil. Swaziland is a net food importer, in particular of wheat, maize, chickens, beef and veal, sunflower seed oil, eggs, and milk and milk products.[85]

Table IV.1
Agricultural production and exports, 2002-08

Commodity	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Maize ('000 tonnes)	62.5	71.0	74.5	67.1	69.2	..
Sugarcane ('000 tonnes)	4,609	5,046	4,8884	5,144	4,931	5,076
Sugar production ('000 tonnes)	583.0	628.2	597.6	652.7	623.4	631.2
Citrus ('000 tonnes)	74.4	70.9	67.1	70.5	70.8	..
Citrus export ('000 tonnes)	35.7	28.2	32.3	32.6	..	..
Canned fruit export ('000 tonnes)	26.6	27.7	22.4	17.8	..	..
Export value (€ million)	209.1	197.9	191.2	260.5	..	..
Cotton ('000 tonnes)	3.5	2.8	5.0	0.9	..	..
Wood pulp (tonnes)	186,649	167,734	180,590	172,495	..	..
Export volume (tonnes)	197,681	156,340	182,852	181,925	..	..
Export value (€ million)	676.8	424.6	446.4	410.0	..	..
Meat (tonnes)	5,383	9,023	4,116	7,464	..	..
Export volume (tonnes)	742	780	223	28	..	..
Export value (€ million)	15.4	29.9	7.6	0.8	..	..

.. Not available.

Source: IMF (2008), *Kingdom of Swaziland: 2008 Article IV Consultation – Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director*, Washington D.C.; Central Bank of Swaziland (2007), *Annual Report 2006-2007*; and information provided by the Swazi authorities.

139. Livestock's contribution to Swaziland's GDP declined from 1.2% in 2000 to 0.4% in 2007, but it plays an important role in the livelihoods of smallholder farmers as key sources of income, food, and draught power. Cattle comprise the second largest component of the country's livestock after poultry. A large proportion of households own goats and other back-yard stock such as chicken and ducks. Small farmers own about 77% of the total cattle population. In spite of a relatively large cattle population (639,718 in 2007), Swaziland continues to be a net importer of beef and beef products, largely because of low productivity due to the undernourished and overgrazed herds.[86]

140. Forestry contributed 0.4% to Swaziland's GDP in 2007, and accounted for 17% of formal employment. It also provides raw materials for value-added products. The Highveld of Swaziland

[81] Maize is the dominant crop and remains the staple food grown by the majority of rural households. In 2006, Swaziland was 56.5% self-sufficient in maize.

[82] A Cotton Strategic Plan is being finalized in a bid to revive production.

[83] Efforts have been made to bring SNL farmers up to the commercial or semi-commercial level through, *inter alia*, the use of yield-increasing inputs and extension advice. However, these have failed to increase production mainly because the incentives were inadequate for the risk and labour involved (FAO/WFP, 2008).

[84] Citrus production (i.e. oranges, grapefruit, and lime) rose from 70,955 tonnes in 2004 to 85,263 tonnes in 2007. The Swaziland Citrus Board exports the fruit primarily to the EC (Central Bank of Swaziland, 2008).

[85] FAO online information. Viewed at: http://www.fao.org.

[86] Ministry of Economic Planning and Development (2008).

contains 166,000 ha of commercial forests, one of the largest commercial tree plantations in the world. Swaziland has a comparative advantage in pine-growing, given that it takes about 16 years for this tree to mature (ready for unbleached kraft pulp production), compared with 40 years in the northern hemisphere. Commercial forests are located in both TDL and SNL. Swaziland's major forest product is wood-pulp, and its exports amounted to €410 million in 2005/06 (€676.8 million in 2002/03), i.e. about 11% of total merchandise exports.[87] Other forest products include saw timber, eucalyptus mining timber, and treated poles for transmission lines and fencing.

(ii) Policy developments

141. The Ministry of Agriculture is responsible for the overall administration of the sector, such as formulating policies and providing advisory services to farmers. Under its Comprehensive Agriculture Sector Policy, Swaziland's key objectives are to promote food security and increase productivity through the diversification and commercialization of activities, while ensuring community participation and sustainable development of its natural resources.[88] The National Programme for Food Security is being implemented. In addition, the National Agricultural Summit Programme of Action is being implemented over an eight-year period with the aim of improving access to finance for agricultural production, stabilizing agricultural markets, strengthening early-warning systems and disaster-preparedness mechanisms, increasing agricultural productivity, enhancing water management and smallholder irrigation, strengthening agricultural research, and diversification of crops and livestock production.[89]

142. Food security is threatened by a number of factors, notably low rainfall and limited irrigable land. As a result, the Irrigation Policy was formulated in 2006/07. The Maguga dam project, completed in 2006/07, allowed for the irrigation of over 6,000 ha and benefited more than 30,000 households.[90] Moreover, the Lower Usuthu smallholder irrigation project became operational at the end of 2008, creating about 6,500 ha of irrigable land.[91] Problems emanating from soil erosion, haphazard location of non-agricultural activities, overgrazing, and expanding population also pose a tremendous challenge to food security. The Resettlement Policy, developed since 2003, seeks to address these issues.

143. Swaziland's main agricultural exports, sugar in particular, remain heavily dependent on the maintenance of existing preferential access to the EC, U.S., and SACU markets. Withdrawal of these preferences in a short period would probably cause the collapse of the sector (section (iii)(a) below).

144. The Ministry of Agriculture intends to incorporate idle state farms into large-scale agriculture projects when funding becomes available. In 2006, the Central Cooperative Union was liquidated

[87] FAO/WFP (2008).

[88] The Government is promoting diversification of agricultural exports into various cash crops (e.g. mushrooms), as well as additional forms of livestock other than cattle (e.g. goats and pigs), and dairy produce (Ministry of Agriculture online information. Viewed at: http://www.gov.sz/home.asp?pid=1789).

[89] In 2007, the Government hosted an Agricultural Summit, which brought together the various stakeholders. The Summit's outcome was the National Agricultural Summit Programme of Action (Ministry of Economic Planning and Development, 2008).

[90] The completion of the Maguga dam project marked the end of phase one of the Komati river basin development project, an initiative between Swaziland and South Africa (Komati Basin Water Authority online information. Viewed at: http://www.kobwa.co.za/index.cfm?objectid=5033B524-E0C4-BB9D-7CE0C98A4387D3CC).

[91] The project, supervised by the Swaziland Water and Development Enterprise, is to build three dams by 2012. It aims to impound, store, and distribute 155 million cubic metres of water per year (African Agriculture online information, "Dam construction project in Swaziland to increase irrigable land", 30 August 2008. Viewed at: http://africanagriculture.blogspot.com/search/label/Swaziland).

because of poor financial and stock management; it worked for over 30 years to raise agricultural output and the incomes of small-holder farmers. Nonetheless, credit has expanded especially among rural dwellers with little or no access to formal banking system.[92]

145. In 2007, the Ministry of Agriculture allocated 10,000 ha of land in drought-affected Lavumisa to a private company for a US$5 million project to draw biofuel from cassava, which is drought-tolerant and productive in poor soils. The project is expected to generate an estimated 16,000 jobs. Another project will use aloe plants that grow naturally in various communities. In 2008, both biodiesel oil projects were endorsed by the Ministry of Agriculture and are expected to have great export potential.[93]

146. Swaziland requires import permits for a number of farm and processed products (wheat flour, dairy products, maize, and rice) and maintains import levies on a range of dairy products under Legal Notice No. 80 of 2006, and on a number of other products under the National Agricultural Marketing Board Act of 1985 (Chapter III(2)(ii)). Price controls under the Price Control Order of 1973 apply to, *inter alia*, bread, sugar, and dairy products (Chapter III(4)(iii)).

147. The simple average MFN tariff in agriculture (ISIC Rev.2 definition) is 3.7%, with rates ranging from zero to 44% (Main Report, Table AIII.2). Specific, mixed, and variable (formula) duties apply mainly to agricultural products (Main Report, Chapter III(3)(i)).

(iii) Selected activities

(a) Sugar

148. Sugar accounts for about 60% of agricultural output, 35% of agricultural employment, and around 20% of Swaziland's GDP.[94] Land allocated to sugarcane rose from 48,307 ha in 2002/03 to 52,068 ha in 2008/09 (Table IV.2).[95] Most sugar production is on large estates on irrigated TDL; a small volume is produced by small farmers on SNL. Swaziland has three sugar mills, at Big Bend, Simunye, and Mhlume.[96] Sugar production was 626,984 tonnes in 2008/09 (up from 583,014 tonnes in 2002/03). However, recent price declines may have altered the profitability of sugar production and the balance of crops being produced in sugar-cane growing areas.[97]

149. The Swaziland Sugar Association (SSA), regulated under the 1967 Sugar Act, is a statutory body representing all millers and growers and is responsible for sales and marketing of all sugar produced. It controls some two thirds of the industry and is among the largest sugar exporters in Africa. Under the Swazi Economic Empowerment Initiative, a portion of the sugar sold to the regional market is reserved for local traders; the process is meant to assist traders develop the skills and sophistication required for the export market. As an alternative outlet the SSA commissioned an

[92] IMF (2008c).

[93] African Agriculture online information. Viewed at: http://africanagriculture.blogspot.com/search/label/Swaziland.

[94] *Afrol News*, "Good times over for sugar farmers". Viewed at: http://www.afrol.com/printable_article/20525.

[95] Farmers continue shifting from maize to sugarcane mainly due to the difference in profitability (FAO online information, "Aquastat: Swaziland". Viewed at: http://www.fao.org/nr/water/aquastat/countries/swaziland/index.stm.

[96] Production includes raw, refined, and brown sugar, and molasses as by-product used for the production of alcohol or sold to small local and foreign customers for food and feed production (USDA, 2007).

[97] According to the Swaziland Sugar Association, the price cut translates into an income loss of US$30 million a year, i.e. more than four times the annual amount of EC aid to Swaziland (*Afrol News*, "Good times over for sugar farmers online information". Viewed at: http://www.afrol.com/printable_article/20525).

ethanol project in September 2005, with the aim of expanding the production capacity of the distillery from 13 million litres per year to 32 million litres.[98]

Table IV.2
Sugar, 2002-09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Area under cultivation (ha)	48,307	49,932	50,932	52,196	52,233	52,020	52,068
Production (tonnes)	583,014	628,191	597,563	652,735	623,357	631,236	626,984
Domestic sales (tonnes)	280,925	331,920	311,310	314,537	318,201	307,232	319,716
Exports (tonnes)	279,700	279,613	295,364	320,212	319,834	319,603	298,574
Exports (US$ million)	197.5	157.9	204.4	259.4	298.6	285.2	286.7
EC	85.0	56.7	76.1	86.7	93.2	118.7	107.3
SACU	86.4	83.1	105.9	130.5	144.4	131.3	129.9
Other	26.2	18.2	22.3	42.2	61.0	35.1	39.4

Source: IMF (2008), *Kingdom of Swaziland: Selected Issues and Statistical Appendix*; and information provided by the Swazi authorities.

150. In 2008/09, sugar exports amounted to US$286.7 million (against US$197.5 million in 2002/03). About 45% of the exports were sold within SACU and 37.3% to the EC (Table IV.2). Swaziland's sugar benefits from preferential access; from agreed supply quantities at agreed prices in the EC and United States, and from supported prices. Without this protection, Swaziland would receive prices based on competition from world market sugar, including from lower cost producers like Brazil, India, and Thailand.

151. Swaziland's access to the EC market is principally governed by the Sugar Protocol, annexed to the Cotonou Agreement. The Sugar Protocol ends on 30 September 2009; as from 1 October 2009, all exports of beet sugar or sugar cane from ACP states will enter the EC duty free and quota free.[99] Under the Sugar Protocol, the EC agrees to purchase and import "agreed quantities" at a "guaranteed price" well above market prices, free of duty. In July 2004, the EC announced a phased reduction in the price paid for sugar imports. For the marketing years 2006/07 and 2007/08, the price per tonne of sugar was reduced to €496.8 (from €523.7 until 2005/06).[100] During 2007, several small (subsistence) farmers faced with falling yields due to the drought and escalating costs were unable to meet their loan obligations as the price fell.[101] Swaziland's annual sugar exports to the EC have amounted to more than 160,000 tonnes, on average, since 2001. Moreover, under the Special Preferential Sugar Agreement (SPSA) of 1995, Swaziland benefits from an additional EC tariff quota, at a reduced rate of duty, of some 62,000 tonnes (one-fifth of a global tariff quota of 300,000 tonnes) at a price of €427/tonne. However, the recent loss of 15,000 tonnes of Swaziland's share under the SPSA has further worsened the sugar situation in Swaziland.[102] As a result, Swaziland, in collaboration with the European Commission, has put in place the National Adaptation Strategy. This will be implemented through a Restructuring and Diversification Management Unit

[98] USDA (2006).
[99] EC Council Decision 2007/627/EC, 28 September 2007. To mitigate the effects of EC price cuts on ACP countries with preferential access to the EC sugar market, a fund of €1,244 billion was set aside by the EC during 2007-13.
[100] In 2008/09 and 2009/10, the price will be further reduced to €434.1 and €335, respectively (IMF, 2008b).
[101] A few lending agencies also refused to extend further credit to these farmers (IMF, 2008b).
[102] FAO/WFP (2008).

with the aim of ensuring that Swaziland adapts to the challenges resulting from EC sugar reforms, through a number of projects funded by the EC.[103]

152. Swaziland also benefits from a preferential tariff quota, currently around 18,700 tonnes of sugar, into the United States (against 16,000 tonnes in 2002/2003). The SADC Sugar Cooperation Agreement, annexed to the SADC Trade Protocol, has the long-term objective of full liberalization in the sugar subsector in the region after 2012 (Main Report, Chapter II(3)); in the meantime it provides for temporary measures "to insulate member States' sugar producing industries from the destabilizing effects of the distorted global market".[104]

153. Imports of sugar products are duty-free (Main Report, Table AIII.2). A sugar export levy is charged on all sugar exported from Swaziland, except to Botswana, Lesotho, Namibia, and South Africa. According to the authorities, the sugar export levy is meant to provide a mechanism for the further distributing the economic rent arising out of the (supernormal) benefits provided by the Sugar Protocol. The levy, collected from the SSA, is on net ex-mill sales to the EC under the quota arrangements of the Cotonou Agreements.[105]

(b) Livestock

154. According to the latest livestock census, there were 639,718 registered cattle in December 2007 (600,252 in 2003). The deterioration of grazing lands has resulted in a gradual shift towards the rearing of goats and sheep, which can be maintained within smaller rangelands. In 2007, the goat population reached 480,208, while the sheep population amounted to 19,433 head. Total cattle slaughters fell from 48,038 in 2003 to 39,339 in 2007, as both Swaziland Meat Industries (SMI) and other commercial slaughters declined.[106] The mortality rate fell from 5.9% in 2003 to 3.7% in 2007 as no major disease outbreak was reported during the period (Table IV.3). Imports of live animals and some products of animal origin are duty free, while the tariff rate is 17.4% for meat products and 23% for dairy products (Main Report, Tables AIII.1 and AIII.2).

Table IV.3
Livestock indicators, 2003-07

	2003	2004	2005	2006	2007
Total population	600,252	623,712	648,250	657,860	639,718
Slaughtered by Swaziland Meat Industries	20,697	11,433	10,723	8,162	7,312
Other commercial slaughters	10,680	4,370	31,169	34,581	32,027
Total slaughters	48,038	15,803	41,892	42,743	39,339
Deaths	35,698	21,575	24,869	25,560	23,882
Mortality rate	5.9	3.5	3.8	3.9	3.7

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

155. Over the last few years, the Ministry of Agriculture has encouraged good animal husbandry and proper health and feeding practices to develop the livestock subsector and produce high-quality

[103] These projects include social services and infrastructure development supporting small-holder sugarcane growers (Ministry of Economic Planning and Development, 2008).

[104] WTO (2003).

[105] Net ex-mill export sales proceeds are equivalent to the gross amount received by the SAA for sugar exported, less expenses as prescribed in the Act, and is payable quarterly (USAID, 2005).

[106] Swaziland Meat Industries, a state-owned company, operates the main abattoir and is the only meat exporter. It has set up demonstration ranches in order to promote better animal husbandry practices, and to encourage farmers to sell cattle at the optimum age of two or three years. It is also attempting to boost pork production through a smallholder pig production training scheme (Agriculturist online information, "Country Profile: Swaziland". Viewed at: http://www.new-ag.info/02-6/countryp.html).

meat for both domestic consumption and export. Marketing activities and programmes by both the Ministry of Agriculture and SMI aim to encourage commercialization of cattle. Meat production fell from 9,023 tonnes in 2003 to 8,116 tonnes in 2007 (Table IV.4), while meat exports increased from 780 tonnes to 834 tonnes, helped by the lifting of the ban on Swaziland's beef exports to the EC in July 2007.[107] A National Livestock Identification Project is under way in an effort to ensure acceptable standards are adhered to. Full exploitation of the EC market is, however, limited by supply constraints due to increasing production costs, such as increasing prices of cereal, a major input in animal feed.

Table IV.4
Meat production and sales, 2003-07

	2003	**2004**	**2005**	**2006**	**2007**
Production (tonnes)	9,023	4,116	7,464	7,955	8,116
Domestic sales (tonnes)	8,249	6,023	7,017	7,142	7,288
Exports (tonnes)	780	223	837	803	834
Exports (E '000)	29,914	7,612	17,580	19,130	26,412

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

156. Most of Swaziland's pork requirements are supplied by the abattoir and processing operation at Simunye and a number of other producers. There are some 800 poultry operations in Swaziland ranging from large commercial producers to smallholders. Swazi Poultry Processors increased the supply of broiler from 2.1 million in 2006 to 2.3 million in 2007. Production of pigs is also popular amongst small-scale farmers, the major constraints to the pig industry are the unavailability of breeding stock and high feed costs. Egg production is established in areas with potential for growth and, as a result, many local farmers offer good quality eggs at competitive prices. Ostrich farming is a growing entity; the birds are raised primarily for their skins, with meat and feathers as secondary products. Smallholder dairy production is constrained by the unavailability of locally bred dairy cows and high production costs. In 2007, milk production on SNL was 2.4 million litres, from 2,011 dairy cows owned by 357 farmers.[108]

(c) Forestry

157. Swaziland's total planted forest area is estimated at 107,000 ha. There is cultivated plantation forest – largely for commercial purposes – and "natural" woodlands and scrublands largely on communal lands, where there is little formal economic development, and degradation has been increasing due to, conversion to agriculture, uncontrolled extraction of forest products, and large livestock populations.[109] MFN tariffs on forestry products average 4.3%, with rates ranging up to 25% (Main Report, Table AIII.2).

158. Swaziland is endowed with a wide range of forest resources: there are more than 3,400 species of higher plants (i.e. about 14% of Southern Africa's species), and 39 plant species have a global conservation status. Protected areas make up about 4% of the country's total land area. There are 123 national parks, mainly in the north-western and north-eastern parts of the country. Forest fires, due to drought have a large impact on the forestry subsector.[110]

[107] In 2005, the EC banned beef imports from Swaziland due to its failure to show the provenance of slaughtered cattle and incomplete vaccination records.
[108] Ministry of Economic Planning and Development (2008).
[109] FAO (2002).
[110] FAO (2002).

159. Unbleached kraft pulp (UKP) production fell from 180,590 tonnes in 2004 to 170,400 tonnes in 2007, due to the impact of forest fires on the availability of timber.[111] Exports of UKP also decreased over the period (Table IV.5); the main markets are the Far East, the United States, the EC, and South Africa. Other forest exports include mining and construction timber, doors and pallets, wooden furniture and shelving units, as well as eucalyptus oil.

Table IV.5
Unbleached craft pulp production and exports, 2004-07

	2004	2005	2006	2007
Production (tonnes)	180,590	172,495	160,654	170,400
Exports (tonnes)	182,852	156,340	159,344	173,573
Exports (E' 000)	446.4	410.0	423.6	684.1

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

160. The Forest Policy and National Forestry Action Programme, implemented following the Forest Policy and Legislation Project 1998-2001, is designed to achieve sustainable forest management, and aims to promote awareness of forestry issues and provide training and education.[112] The Forest Policy covers a wide variety of issues, including economic and social sustainability, biodiversity, pollution control, relations between commercial forestry and community development, taxation questions, certification of forestry activities under Forest Stewardship Council (FSC) or ISO 14001, and relation of forestry management to such Swazi laws as the 2001 Standards and Quality Assurance Act (Chapter III(2)(iv)) and the 2000 Industrial Relations Act. In relation to trade policy measures, it focuses on creating an enabling environment for downstream, value-adding industries, by enhancing existing tax incentives. It suggests investigating whether this could better be achieved through offering pioneer status with tax exemption and industry protection for a given period, or whether export taxes on unprocessed or semi-processed products could have the desired effect. A new forest policy and legislation are under preparation.[113]

161. The existing legislation on forestry in Swaziland consists of the Natural Resources Act 1951, the Flora Protection Act, 2001, aimed at protecting indigenous flora, including environmental impact assessment in respect of any activity impacting on such flora, and the Control of Tree Planting Act, 1972.

(3) MINING, QUARRYING, AND ENERGY

162. The mining and quarrying sector accounted for 0.2% of Swaziland's GDP in 2007 (down from 0.3% in 2003), while water and electricity contributed 1.5% (the same as in 2003). The Ministry of Natural Resources and Energy is responsible for coordinating development and operational activities in mining, quarrying, energy, water, and land.[114] The average MFN tariff in mining and quarrying (ISIC Rev.2 definition) is 0.8%, with rates ranging from zero to 10%. Imports of electricity are duty free (Main Report, Table AIII.2).

[111] The largest pine growing area is Usutu Forest, one of the biggest man-made forests in the world covering 66,000 ha and accounting for two thirds of Swaziland's forested land. These trees are used to produce UKP when they are just 16 years old, compared with 40 years in the northern hemisphere (SADC online information. Viewed at: http://www.sadcreview.com/country_profiles/Swaziland/swa_agriculture.htm).

[112] SADC online information. Viewed at: http://www.sadcreview.com/country_profiles/Swaziland/swa_agriculture.htm.

[113] FAO (2002).

[114] Ministry of Natural Resources and Energy online information. Viewed at: http://www.gov.sz/home.asp?pid=63.

(i) Mining and quarrying

163. Value-added in mining and quarrying contracted by 47.3% in 2007 (after having grown by 15.8% in 2006), due to a significant decline in the production of both coal and quarried stone, Swaziland's main mining products. Maloma Colliery is the only active coal mine; it produces anthracite coal. Production of coal rose from 221,701 tonnes in 2005 to 241,283 tonnes in 2007, peaking at 310,570 tonnes in 2006 (Table IV.6). This was the result of a reduction in mining area as well as a lower yield of coal. Despite the decline in production, revenue from coal reached E 102.5 million in 2007, supported by a 32% increase in the price of anthracite coal.[115] Little export-related activity takes place; some anthracite is exported to South Africa for use in the metallurgical industries.

Table IV.6
Production and sales of coal and quarried stone, 2005-07

	2005	2006	2007
Production of coal (tonnes)	221,701	310,570	241,283
Sales of coal (E '000)	47.5	102.4	102.5
Production of quarried stone (m^3)	566,771	534,688	207,535
Sales of quarried stone (E '000)	15.3	17.6	12.8

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

164. Quarried stone is generally used for local road construction and repair. Production decreased from 566,777 cubic meters in 2005 to 207,535 cubic meters in 2007 (Table IV.6), mainly because of the lack of major construction work and because private contractors for main civil projects operated their own quarries. Public-funded projects are licensed to quarry stone within the project site, while private construction projects buy from commercial quarries (i.e. the Kwalini and Mbabane Quarries). Swaziland also has deposits of asbestos[116], sand and soapstone, and kaolin, gold, talc, and silica on a limited scale. Excavation of sand and soapstone is strictly controlled under the Mineral and Environmental Authority Act of 1992, which provides for substantial penalties for illegal extraction.

165. Under the Constitution, all mining rights are vested in the King, and held in trust for the Swazi nation; royalties are assigned to the royal fund Tisuka Taka Ngwane. Under the Mining Act of 1958 and the Mining Regulations of 1958, the Ministry of Natural Resources and Energy's Department of Geological Surveys and Mines processes prospecting and mining lease licences. The application steps for each licence are the same, though application information differs: (i) the investor sends a letter to the Commissioner of Mines indicating his desire to apply for a prospecting or mining licence, including a brief description of the proposed project[117]; (ii) the investor presents the prospecting or mining project to the Minerals Management Board (MMB)[118], including information on the financial, technical, and marketing aspects of the project; (iii) if the MMB approves the application, the investor appears before the Negotiating Committee to negotiate the terms of the prospecting licence or mining lease, including state royalties and the financial role of the government

[115] Central Bank of Swaziland (2008).

[116] Asbestos production has closed down as a result of the declining use of asbestos for insulation and international anti-asbestos campaigns related to health concerns.

[117] For a mining licence, the investor attaches an area plan indicating the mine coordinates. For a prospecting licence the investor attaches a physical description of the area to be prospected, including all geological information (USAID, 2005).

[118] The MMB consists of the Commissioner of Mines, mine engineer, economist, legal practitioner, and three other persons, including the Chairperson, appointed by the King on the advice of the Minister of Natural Resources and Energy.

in the company's project[119]; (iv) the Negotiating Committee communicates approval to the MMB; (v) the MMB makes a recommendation to the King, who then makes the final decision; and (vi) the Geological Surveys and Minerals Department draws up the prospecting or mining licence. There is no fee for the application process.

166. Swaziland is reviewing its mining legislation with the aim of aligning it, *inter alia*, with the SADC Mining Protocol. In the first phase of the review, a National Mining Policy was approved in October 2003. The second phase involved the Draft Mines and Minerals Bill of 2007, which meant reviewing the Mines Health and Safety legislation, the Explosives Control legislation, and the Diamond legislation. The authorities expect to finish reviewing the mining legislation at the end of 2009.

167. Holders of mining rights are subject to taxes on properties able to produce precious and non-precious metals to which they hold rights. Three taxes are grouped together: tax on the transfer of mining rights; ground tax on mineral rights; and capital gains tax. Transfer of mining rights is taxed at 27.5% on the first E 20,000 value and 37.5% above E 20,000. The tax on unexploited rights is E 10 per ha in each of the first five years, and E 50 per ha thereafter. The tax on gains from shares in mineral rights is 37.5% of the gain.[120]

168. The mining and quarrying subsector does not receive special incentives. However, it benefits from the general incentives available in Swaziland, such as import duty and sales tax concessions (Chapter III(4)(i)).

(ii) Energy

169. Swaziland has no known oil or gas deposits, and has no refinery; all fuel consumed is imported. Most households in rural areas use firewood as the main form of energy, while paraffin (kerosene) meets the majority of peri-urban energy needs. Liquefied petroleum gas (LPG) and, to a limited extent, electricity are also used by rural consumers. The use of renewable energy is minimal. It is estimated that 55% of households use firewood, 30% paraffin, and 10% LPG. Of the 95% without electricity, 80% use wax candles for domestic lighting.[121] Natural gas is not consumed in Swaziland. All the coal Swaziland produces is exported to South Africa, and the coal consumed is imported from South Africa.[122]

170. The Ministry of Natural Resources and Energy has drawn a National Energy Policy to, *inter alia*, restructure the electricity supply industry and to provide a framework for a comprehensive reform of the subsector. As part of the National Energy Policy, the Electricity Act, the Swaziland Electricity Company Act, and the Energy Regulatory Authority Act were promulgated on 1 March 2007. The Electricity Act of 2007, which repealed the Electricity Act of 1963, regulates the generation, transmission, distribution, and supply of electricity in Swaziland. The Energy Regulatory Act of 2007 established an independent Energy Regulatory Authority (ERA) to: process applications for licences; modify/vary licences; approve tariffs, prices, charges, and terms and conditions of operating a licence; and monitor the performance and the efficiency of licensed operators.

171. A licence is required from ERA for: generation, transmission, distribution, and supply of electricity; performing the functions of integrated power system operator; off-grid and mini-grid

[119] Mining policy in Swaziland gives the Government the right to a 51% share in all mining projects (USAID, 2005).
[120] USAID (2005).
[121] Ministry of Economic Planning and Development (2006).
[122] The reason is mainly the non-compatibility of local coal to most of the industrial equipment/boiler.

supplies of electricity; and importing and exporting electricity into or outside Swaziland. A licence is not needed by a person who generates, transmits or distributes electricity for his own use; a person who sells less than 1GWh of electricity per annum to customers; and off-grid and mini-grid schemes specifically exempted by the Minister.

172. The Swaziland Electricity Company Act of 2007 converted the Swaziland Electricity Board (SEB) into the Swaziland Electricity Company (SEC). The SEC is a state-owned company subject to regulation by ERA, and has the *de facto* monopoly on power generation, transmission/transportation, distribution, and import/export. It has a load capacity of 172 megawatts (MW), a system transmission capacity of 700 MW, and is currently upgrading systems to improve power quality and reliability.[123] A newly constructed Maguga power station, with a capacity of 20 MW, started functioning in June 2007. The SEC faces some particular challenges in providing reliable power services: Swaziland's mountainous geography and climatic conditions generate frequent electrical storms that can knock out power services.

173. The Ministry of Natural Resources and Energy regulates the prices of petrol, diesel, and paraffin, while prices of other petroleum products, such as LPG and lubricants, are determined by the Fuel Pricing Committee based on market forces.[124] The Ministry has a fuel pricing system that keeps track of the fuel costs on a daily basis, and this information is used by the Committee when reviewing fuel prices. The country's economic condition is also taken into consideration when adjusting fuel prices. The electricity tariff structure applies different rates to the various categories.[125] Before the establishment of ERA, prices were calculated by the SEB and submitted to Parliament for approval. Now, electricity prices are approved by ERA.

174. In 2007, domestic electricity generation was 134.2 gigawatt hour (gWh) (down from 159.5 gWh in 2005), covering only 12% of total demand. Imports of electricity increased from 868 gWh in 2005 to 1,152 gWh in 2007 (Table IV.7). About 80% of electricity imports come from South Africa's ESKOM, some 10% originate in Mozambique[126], and the remaining 10% is locally produced using mainly hydro sources. One of the main policies of the Ministry of Natural Resources and Energy is diversification of fuel supply sources to ensure their reliability/security. Currently, storage for petroleum products is commercially based and owned by the various oil companies operating in Swaziland. They are located at the Matsapha Industrial Site. However, a feasibility study by the Ministry of Natural Resources and Energy has looked at establishing a 90-day storage facility for petrol and diesel. Funding is being sought to start the construction of the facility so as to ensure security of supply in Swaziland in the event of supply disruptions.

[123] SEC's generation capacity is 50 MW consisting of hydropower and diesel generators. SEC uses its own power generation during peak periods when imported power is most expensive (USAID, 2005).

[124] The Fuel Pricing Committee meets regularly to monitor the fuel price situation and advise the Ministry on appropriate price changes based on market conditions. The Committee comprises representatives from: the Government (Ministry of Finance, Ministry of Economic Planning and Development, Department of Customs and Excise, Ministry of Public Works and Transport, Ministry of Enterprise and Employment, Swaziland Environment Authority); oil industry (oil companies and retailers association); consumers associations; and the private sector (Chamber of Commerce).

[125] The categories are: domestic, general purposes, small commercial, off-peak water heating, small-holder irrigation, large commercial and industrial, and large irrigation.

[126] Mozambique has agreed to allow Swaziland to use the petroleum facilities at Maputo's port to store oil imports, which would then be transported to Swaziland by rail and road. Swaziland has traditionally obtained most of its supplies from Durban, which is much further away than Maputo. Such an arrangement could help reduce transport costs for oil imports (Economist Intelligence Unit, 2009).

Table IV.7
Electricity generation, sales, and imports, 2005-07
(gWh)

	2005	2006	2007
Domestic generation	159.5	125.8	134.2
SEB sales	868.0	912.0	1,151.9
Imports	668.7	774.2	1,017.7

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008.*

175. Swaziland is an operating member of the Southern Africa Power Pool. It is also a signatory to the SADC Energy Protocol.[127]

176. Under the Poverty Reduction Strategy and Action Plan (PRSAP), a key goal is for all people to have access to affordable, safe, sustainable, secure and environmentally friendly sources of energy by 2010. The strategies contained in the PRSAP are to: establish community woodlots and encourage forestation and reforestation on available land; diversify energy sources in a cost effective manner, moving towards sustainable energy sources; ensure the supply of energy services in rural and peri-urban areas; provide electricity to rural areas; encourage efficient use of energy and promote the adoption of the pre-paid electricity system in order to minimize costs; and legislate against the indiscriminate harvesting of wood resources for commercial gain.[128]

(4) MANUFACTURING

177. Manufacturing accounted for 31.7% of GDP in 2007 (33.3% in 2003), and contributed almost 70% to export revenues (Chapter I(3)(i)). The sector remains based on value-added in sugar (confectionery, and soft drinks – Swaziland hosts the principal Coca-Cola concentrate plant for southern and eastern Africa), canned fruit, forestry products, and textiles and clothing. Sugar and edible concentrates together accounted for 56.3% of merchandise exports in 2007 (34.5% in 2003). Wood-based products are also significant value-added exports. Tissue and kraft wrapping paper, exported to South Africa, are based on recycled waste paper mainly imported from South Africa.

178. Most food and fodder exports (soft drink concentrates, confectionery, canned fruits, wheat and maize-based animal feeds) are to the SACU region, principally South Africa, although Swaziland also exports throughout the SADC and COMESA regions, principally to Mozambique, Angola, Tanzania, and Zimbabwe. COMESA is considered by the authorities as an important region for the development of trade. Some sugar-using and wheat-using industries have expressed concerns about the structure of SACU's tariffs; they wish to benefit from lower cost sources than SACU for their raw materials.

179. Swaziland has been eligible for AGOA benefits in the United States since January 2001, including on textiles and clothing, and is considered a less developed beneficiary country (Chapter II(2)(iii)). Nonetheless, exports of garments and apparel to the United States have fallen over the last few years as some firms have been operating below capacity and failed to supply on time, resulting in the withdrawal of orders.[129] In addition, competition from China and India has intensified.

[127] Central Bank of Swaziland (2008).
[128] Ministry of Economic Planning and Development (2006).
[129] Firms were reported to have lost 50% of their orders in 2008, especially from stores in the United States (Economist Intelligence Unit, 2009).

180. Another important manufacturing industry for Swaziland is fruit-canning. Production at Swaziland Fruit Canners (SFC), the main grower and only processor of fruits in Swaziland, comprises canned fruit, juice concentrate, fruit cups, and jars. Production is dominated by canned fruit (72% of total production in 2007). Pineapple grown by SFC is supplemented by contracted growers and local farmers. Production of canned fruit decreased from 25,379 tonnes in 2004 to 24,089 tonnes in 2007, mainly due to the reduced availability of land for cultivation. Exports, on the other hand, increased during the period (Table IV.8). Major market for Swaziland's cannery products are South Africa, the EC, and the United States.

Table IV.8
Canned fruit production and exports, 2004-07

	2004	2005	2006	2007
Production (tonnes)	25,379	25,379	24,189	24,089
Exports (tonnes)	22,389	23,875	24,008	23,980
Exports (E million)	110.2	150.2	137.1	150.8

Source: Central Bank of Swaziland (2008), *Annual Report April 2007-March 2008*.

181. The Ministry of Commerce, Industry and Trade (MCIT) is responsible for the sector, including formulating, implementing, and monitoring the industrial development policy, conducting industrial studies and surveys, establishing industrial estates, as well as development/expansion and sale of industrial land. The MCIT also aims to create employment opportunities for the rural population, by decentralizing industrial activities to rural areas, and help reduce poverty. The private sector is seen as the main engine of growth, with the Government facilitating the process by creating an enabling environment. The decentralization programme also seeks to promote business linkages for small and medium-sized enterprises (SMEs).[130]

182. Based on its Industrial Estate Strategy and Masterplan, the MCIT develops industrial estates by providing basic infrastructure, i.e. access to water, sewer, road, electricity, and telephone services. The industrial estates are designated according to the character of the industrial area (e.g. light, heavy, dry, wet, high-tech or mixed) which is then zoned according to the nature of the activities of the companies, such as pollutive, non-pollutive, and support services (e.g. transport and banks). The MCIT also provides serviced land to prospective investors in designated industrial estate/areas.

183. Tariffs on manufactured imports average 8.5%, with rates ranging up to 96% on some food products (Main Report, Table AIII.2).

(5) SERVICES

184. The services sector accounted for 50.4% of GDP in 2007 (up from 46.4% in 2003). Public administration, defence, education, health and other social services comprise the main segment (18.6% of total GDP); followed by transport, storage and communication (10.3%); wholesale, retail, hotels and restaurants (9%); real estate, renting and business activities (6.7%); financial intermediation (4.3%); and other services (1.5%). Swaziland remains a net importer of services, although the deficit fell from a peak of US$152.6 million in 2004 to an estimated US$16.9 million in 2008 (Chapter I(3)(i)).

[130] The Ministry of Commerce, Industry, and Trade online information. Viewed at: http://www.gov.sz/home.asp?pid=2102.

185. Services, particularly tourism, are a crucial component of Swaziland's overall policy of economic diversification. The Government is promoting the development of the sector, and private-sector participation is being encouraged.

186. Under the General Agreement on Trade in Services (GATS), Swaziland scheduled sector-specific commitments only in some business services, hospital services, and hotels and restaurant services.[131] Under its horizontal commitments on market access, it included nine sectors or subsectors (engineering services, integrated engineering services, medical and dental services, consultancy services related to the installation of computer hardware, research and experimental services on natural sciences and engineering, management consulting services, technical testing and analysis services, hospital services, and hotel and restaurant services).[132]

187. Swaziland's MFN exemptions in services relate to financial services, where an exemption is made for the preferential access for CMA members to Swaziland's capital and money markets, and the maintenance of exchange controls by the CMA; and to any existing or future bilateral agreements relating to international road transport (including road/rail transport) reserving or limiting the provision of a transport service "into, in, across or out of Swaziland" to members of such agreements (e.g. the SADC Protocol on Road Transport).

188. Swaziland has not yet tabled its initial conditional offer in the ongoing services negotiations.

(i) Financial services

189. Swaziland's financial services subsector basically comprises 5 banks and 265 non-banking institutions (NBIs), including 200 pension funds, 56 savings and credit cooperatives (SCCOs), and 5 insurance companies. There are no insurance brokers. As a percentage of GDP, banks' assets represented 31% at the end of 2006, while those of NBIs' assets accounted for 54% (of which 85% from pension funds).[133]

190. Four commercial banks (three are South African subsidiaries) and one building society are in operation in Swaziland. The commercial banks are (ownership in parentheses): First National Bank Swaziland (100% foreign); Nedbank Swaziland (67% foreign, 23% government, and 10% public); Standard Bank Swaziland (65% foreign, 25% government, and 10% public); and Swazibank (100% government).[134] The authorities have begun the process of privatizing Swazi Bank (Chapter III(4)(ii)). Commercial bank lending is dominated by short-term loans to the agri-processing sector, principally the sugar industry. The Swaziland Building Society (100% public) is the country's major provider of long-term mortgage lending on TDL properties, and it recently started lending on SNL properties.

191. The Central Bank of Swaziland (CBS) is responsible for banking supervision. Under the Financial Institutions Act 2005, which repealed the Financial Institutions (Consolidated) Order 1975, banks are required to obtain a licence from the CBS before they start operations. Conditions for

[131] WTO document S/DCS/W/SWZ, 24 January 2003.

[132] In all cases, Swaziland has left measures affecting cross-border supply unbound, and allows market access without limitation on consumption abroad and commercial presence. Under movement of natural persons, Swaziland has bound measures affecting supply, by a limited range of senior professional staff, in engineering, medical, computer, management consulting, hospital, and hotel and catering services (WTO, 2003).

[133] IMF (2008a).

[134] Swazibank, previously Swaziland Development and Savings Bank, is licensed to provide the full range of banking services but is also required under its statutes to promote rural development, infrastructure development, and local empowerment.

obtaining a licence include: the applicant must be a company registered in Swaziland; the applicant must explain what activities the proposed bank will engage in, how they will be conducted and the resources available to the group. The CBS must be satisfied as to the financial integrity and history of the applicant; character and experience of management; capital adequacy; how it would benefit the community; and its effect on existing banks. Licence fees are E 1,000 for a head office and E 500 for a regional branch.

192. Under the Financial Institutions Act 2005, a bank incorporated in Swaziland must have an initial capital in the form of paid-up shares of not less than E 15 million, or paid-up shares and reserves amounting to the greater of E 15 million or 5% of its liabilities to the public in Swaziland in terms of the most recent balance sheet.[135] The CBS requires each bank to maintain a minimum capital ratio of not less than 8% of total risk-weighted assets. In addition, banks should not lend more than 25% of their capital resources (both on and off the balance sheet) to any one client or what is considered by the central bank to be a connected group of clients.[136] Liquidity requirements are 13% of total liabilities to the public for commercial banks, and 10% for building societies. The CBS has not yet set a date for the implementation of Basel II.[137]

193. The main risk to the financial subsector seems to be the weakly supervised NBIs, notably SCCOs, and the emergence of pyramid schemes.[138] The number of SCCOs grew significantly during 2008 as they attempted 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% of total assets by 2009.[139] SCCOs have also been able to capitalize on the difficulties people have in accessing the banking system, because of high fees and high cost of borrowing.[140] Total assets by SCCOs represented about 3% of total NBI assets at the end of 2006, i.e. about 4% of the banking system deposits.[141] The legislation on NBIs is being reviewed by the CBS (which currently has no jurisdiction in this area) with the intention of putting in place a sound regulatory framework. To better supervise and regulate SCCOs, the Ministry of Agriculture and the CBS have begun a technical collaboration plan.[142]

194. Responsibility for regulating and overseeing the activities of NBIs lies with several agencies. Insurance and pension funds are supervised and regulated by the Office of the Registrar of Insurances and Pensions, established under the Insurance Act and the Retirement Funds Act 2005; the Ministry of Agriculture is responsible for cooperative unions; and the Ministry of Finance is responsible for all other NBIs. A bill that would establish a new, independent regulatory agency to supervise NBIs, the Financial Services Regulatory Authority, is still in Parliament awaiting promulgation.

195. The Insurance Act and the Retirement Funds Act 2005 repealed the Swaziland Royal Insurance Corporation Order 1973 and brought to an end the monopoly status of the Swaziland Royal

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[135] The CBS on its discretion, and upon approval by Parliament to amend the Financial Institutions Act 2005, may require a larger sum than the sum stipulated in the legislation.

[136] Banks are required to seek the explicit approval of the CBS to exceed this limit.

[137] Central Bank of Swaziland (2008).

[138] IMF (2008a).

[139] 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.

[140] In recent years, there has been a public outcry with regard to bank overcharges; the CBS is analysing the situation (Central Bank of Swaziland, 2008).

[141] IMF (2008a).

[142] The plan sets prudential standards for SCCOs and provides for training of Ministry of Agriculture staff to better monitor financial soundness, enforce compliance, and compile information relevant to monitoring SCCOs.

Insurance Company[143]; four new companies started operations in 2008. The main line of insurance business is compulsory motor insurance. The Act opened the insurance market to foreign investors under certain conditions: only public companies with paid-up share capital of at least E 2 million may apply for registration as insurers; at least 15% of the shares of the company must be held either by natural persons who are citizens of Swaziland or by juridical persons. At least 51% of the shares or interest of juridical persons (or, in the case of a retirement fund, of its membership) must be held by citizens of Swaziland; at least 10% of the directors of the company must be citizens of Swaziland; and any insurer registered in Swaziland must maintain a principal office and appoint a principal representative in Swaziland.

196. The Retirement Funds Act 2005 provides for the use of retirement funds policies as collateral when obtaining loans for building on Swazi nation land. The Act also mandates pension funds to withdraw 30% of their assets from external financial markets and invest them in Swaziland; the compliance date is set between November 2007 and 2009. The Ministry of Finance is currently developing a strategy for creating investment instruments within Swaziland where the money will be invested.

197. The Swaziland Stock Exchange (SSX), inaugurated in July 1999, is still underdeveloped, with a domestic market capitalization of 8.1% of GDP at the end of 2006. It has six companies listed: only one is domestic; the rest are linked to their headquarters in South Africa. The SSX is regulated by the Capital Markets Development Unit of the CBS.[144]

198. Swaziland made no commitments in financial services under the GATS.

(ii) Telecommunications and postal services

199. Swaziland's telecommunications network, particularly for mobile phone services, has grown during the last few years. Subscribers in the mobile market increased from about 85,000 in 2003 to some 457,000 in 2008, while the number of internet subscribers rose from around 14,000 to 21,000 (Table IV.9). At the end of 2008, there were about 294,000 fixed telephone subscribers, i.e. a teledensity of 28.56 per 100 inhabitants. The fixed network is 100% digital.

Table IV.9
Selected telecommunication indicators, 2003-08

	2003	2004	2005	2006	2007	2008
Telephone subscribers ('000)	131.2	189.5	235.0	294.0	294.0	294.0
Telephone subscribers per 100 inhabitants	12.68	18.32	22.77	28.56	28.56	28.56
Main fixed telephone lines ('000)	46.2	44.5	35.0	44.0	44.0	44.0
Main fixed lines per 100 inhabitants	4.46	4.30	3.39	4.27	4.27	4.27
Cellular mobile subscribers ('000)	85.0	145.0	200.0	250.0	380.0	457.0
Cellular subscribers per 100 inhabitants	8.21	14.02	19.37	24.29	33.29	39.80
Internet subscribers ('000)	14.0	18.0	20.5	21.0	21.0	21.0
Internet subscribers per 100 inhabitants	1.35	1.74	1.99	2.04	2.04	2.04
Internet users ('000)	27.0	36.0	41.6	42.0	42.0	48.2
Internet users per 100 inhabitants	2.61	3.48	4.03	4.08	4.08	4.20

Source: ITU online information, "ICT Statistics Database". Viewed at: http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx# [24 June 2009].

[143] The Royal Insurance Company is 40% government-owned.
[144] IMF (2008a).

200. Telecommunications and postal services are mainly governed by the Posts and Telecommunications Act No. 11 of 1983; the Public Telecommunications Regulations of 1993; and the Posts and Telecommunications Corporation (Staff) Regulations of 1990. The Ministry of Tourism, Environment and Telecommunications (MTET) is the policy maker for the subsector; there is no regulatory authority.

201. The state-owned Swaziland Posts and Telecommunications Corporation (SPTC), established under the Posts and Telecommunications Act, continues to dominate telecommunications and postal services. Swazi Telecom, under the SPTC, has the monopoly over fixed line services, while Swazi MTN is the only mobile operator. Swazi MTN is owned by SPTC (51% of the shares), MTN of South Africa (30%), and Swaziland Empowerment Limited (19%). Nonetheless, in 2008, the mobile market was opened to competition. Prices on telecom services are set by the companies, although consumers are consulted through a market research mechanism where they present their price proposals to the company management, which will decide on the price to be charged. SPTC has been identified as a priority case for regulation and/or restructuring before privatization (Chapter III(4)(ii)).

202. Postal services in Swaziland are run by Swazi Post, also under the SPTC.

203. Swaziland made no commitments on telecommunications and postal services under the GATS.

(iii) Transport

(a) Overview

204. Transport infrastructure development accounted for 32% of the 2008/09 Budget, mainly for road infrastructure improvement and the construction of the Sikhuphe international airport. A key challenge for Swaziland is that maintenance of roads, railways, and airports has been inadequate.[145] Most of Swaziland's trade is transported by road: however, the rail network, some of which has become dilapidated, is being overhauled and new lines are being constructed to link more effectively with Maputo, the main port for Swaziland's exports. Air services exist only for passenger flights; cargo flights will be introduced upon completion of the Sikhuphe airport.

205. The Ministry of Public Works and Transport (MPWT) is responsible for the overall running of the subsector, including formulating policies, monitoring their implementation, and administering the institutional and legal framework. In 2000, the MPWT published its National Transport Policy, setting out a strategy for the integrated development of all transport modes. The following areas have been considered for commercialization: provision and maintenance of the road network and the rail infrastructure; railway operations; and the Department of Civil Aviation restructured into a Civil Aviation Authority and Airport Authority. Some of the proposed policies are to: achieve coordination and synergy between public and private sectors activities; and promote and ensure safety in the sector.[146]

206. Swaziland made no commitments on transport services under the GATS.

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[145] The Ministry of Public Works and Transport's 2001/2002 "*Transport Bulletin*", shows that transport infrastructure spending absorbed more than 35% of the government's annual capital budget in FY 2001/02 and 5.4% of the recurrent budget.

[146] Ministry of Public Works and Transport (2000).

(b) Road transport

207. The transport system in Swaziland is based principally on road transport: nearly all passengers are conveyed by road on public transport[147], as are a major portion of the goods transported within Swaziland. The bulk of road freight operations continue to be carried out by multinational companies based in Swaziland, with only a few Swazi companies. There are 12 border posts used by freight operators, of which 11 are with South Africa and 1 with Mozambique. Over 90% of goods transported by road in cross-border movements go to South Africa.

208. The road network is about 4,000 km in length, with an additional 1,500 km of feeder roads. All roads connecting towns, industrial areas, and border posts are paved to facilitate trade. The maintenance and upgrading of main roads is the responsibility of the MPWT, while feeder roads in rural areas are under the Ministry of Tinkhundla Administration and Develpment.[148] The Roads Department (RD), under the MPWT, is responsible for planning, design, construction, rehabilitation, and maintenance of the road network. The Road Transportation Department, also under the MPWT, is in charge of the coordination and control of road transport.[149]

209. One of the key problems in the subsector is overloading of vehicles. As a result, a nationwide axle-load survey was carried out and a fixed weighbridge was commissioned at Matsapha as a first step towards overload control. Under the National Transport Policy, an autonomous and accountable Roads Authority is to be established, and steps are being taken to develop a road funding policy, partly based on user charges on one major highway.

210. The National Transport Policy also includes a rural access policy, under which the MPWT has been mandated to take over responsibility for maintenance of the feeder-road network, using labour-intensive methods.[150] The policy also seeks to improve the regulatory structure for road transport and to this end a new Road Transport Bill and Road Traffic Act are before Parliament.

211. Swaziland's road transport system is regulated by the Road Transportation Act No. 5 of 2007, while the Road Traffic Act No 6. of 2007 regulates general traffic. The basic charge per passenger is E 4 for a distance of up to 8 km; thereafter every extra km is charged at E 0.40. Meter taxis' basic charge is E 28 for any journey up to 3 km; thereafter every extra km is charged at E 4. Cabotage by foreigners is allowed but it is restricted to non-availability of local services and only to specially adapted vehicles that cannot be sourced locally.

(c) Rail transport

212. Swaziland's rail network is about 300 km long.[151] The Railways Act of 1962 established the parastatal Swaziland Railway to provide transport services for import and export of goods as well as transit cargo. Swaziland Railway owns and maintains the railway network, which is directly competitive with Mozambique's ports and transport links to and from Zimbabwe and northern parts of

[147] The majority of the population uses public transport.

[148] Swaziland government online information. Viewed at: http://www.gov.sz/tools/Printbody.asp?pid=406&ItemID=5627&ToolID=2.

[149] Ministry of Public Works and Transport (2000).

[150] Ministry of Public Works and Transport (2000).

[151] Rail transport in Swaziland began in 1964 with the opening of the line linking the Nqwenya iron ore mine at KaDake on the border with Mozambique. Operations continued until the mine ceased activities in 1980. As a result, some 70 km between Matsapha and KaDake were abandoned and the rail line removed (Ministry of Public Works and Transport, 2000).

South Africa. There is very little rail passenger service, although tourist trains have been increasing over the last few years.

213. An aim of the National Transport Policy is to provide, maintain, and improve a safe, cost-effective, reliable, and environmentally friendly rail network. To achieve this, it is envisaged to restructure the subsector with the involvement of the private sector; the Government is to develop supportive regulatory and investor-friendly legislation. It is also contemplated to standardize practices and procedures at the SADC level.[152]

(d) Air transport

214. Airlink Swaziland, a joint venture between the Government and South African Airways, is the only airline currently operating after the wholly state-owned Swazi Express Airways (SEA) was placed in liquidation on 2 May 2008. SEA cited unfair competition as the reason for its closure, although high fuel prices also played a part. Nonetheless, the liquidators have reportedly identified a company interested in reviving the airline and operating its routes.[153] Over 50 aircraft are on the Swaziland Aircraft Register; most are light aircraft. There is no significant air freight operation. Swaziland has one international airport, at Matsapha, and there are two other state-owned and nine privately-owned airstrips. There are plans to upgrade Matsapha airport and to construct a new international airport at Sikuphe. Airport-related fees include airport passenger tax (E 50 per passenger), airport landing, and parking fees.

215. The Department of Civil Aviation is responsible for the regulation of civil aviation and the establishment and maintenance of aerodromes and air navigation facilities. This includes licensing of air transport operations and maintenance of International Civil Aviation Organization Standards and Recommended Practices. The Department of Civil Aviation also negotiates bilateral agreements with other countries. Nonetheless, scheduled air services continue to be operated in terms of memoranda of understanding and diplomatic notes between governments.

(iv) Tourism

216. Tourism contributed 9.7% to Swaziland's GDP in 2007 (up from 2% in 2001) following a remarkable performance during the last few years. There were over 1.2 million international visitors in 2008 (341,000 in 2001), and almost 400,000 overnight guests; the length of stay averaged 2.2 nights in 2007.[154] Tourists are mostly from South Africa (65% of total visitors in 2007), followed by Mozambique (18.4%), Europe (9.6%), the United States (1.6%), and Asia (1.5%).

217. Swaziland's rich cultural heritage, and a diverse panorama and scenic landscape form the basis for the development of tourism activities, a key policy objective for the Government. Attractions include the upgraded Royal Swazi Sun Hotel Golf Course and Orion Casino, the first online casino in southern Africa. The parastatal Swaziland Tourism Authority (STA), established in 2001 under the Tourism Authority Act, has recently expanded its activities on promoting community-based tourism. In this regard, a number of projects have been completed, including opening the Mahamba Gorge in 2006.[155] STA is also tasked marketing Swaziland as an ideal tourist destination in the southern African region, and coordinating the activities of the sector. A number of

[152] Ministry of Public Works and Transport (2000).

[153] SEA blamed the Government for allowing it only two daily flight frequencies on the profitable Johannesburg route as against five for Airlink Swaziland (Economist Intelligence Unit, 2009).

[154] While European and South African visitors averaged two nights, United States residents stayed five nights (Ministry of Economic Planning and Development, 2008).

[155] This will allow rural communities to develop tourism attractions on Swazi nation land.

strategies have been initiated, such as water sport, ecotourism, recreational and conferring services, and the development of the Jozini Dam area into a major tourism resort by 2010.

218. Swaziland is a member of the Regional Tourism Organization of Southern Africa (RETOSA), which promotes tourism throughout the southern African region and has a well-developed website.[156] Some of the main regional initiatives include the Lubombo Tourism Route together with South Africa and Mozambique, and the Trans Frontier Conservation Area, which allows resource sharing, free game movement between countries, and joint-marketing ventures. In addition, Swaziland expects to profit from the 2010 FIFA World Cup to be held in South Africa, and the Swaziland Facilitatory Committee has been established. Possible benefits include, supplying accommodation, providing the visiting teams with training facilities before the tournament, participating in provision of transportation services, and entertainment, food, and beverages.

219. STA has enhanced its marketing strategy in order to shift the attention of tourists away from some of the problems in the subsector, such as stray cattle along roads, and the limited operation of foreign exchange bureaus. In an effort to strengthen the regulatory measures and the quality of service, the Ministry of Tourism, Environment and Communications is to table in Parliament regulations that will establish minimum standards for tourist accommodation establishments, and a grading scheme for hotels and restaurants.

220. According to the authorities, there are no barriers to foreign entry in tourism. Although there is no official taxation system for the subsector, all hotel bills include a service fee.

[156] RETOSA online information. Viewed at: http://www.retosa.co.za. RETOSA covers Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

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APPENDIX TABLES

Table AI.1
Exports and re-exports by destination, 2003-07
(US$ million and per cent)

Description	2003	2004	2005	2006	2007
Total re-exports	**1,731.6**	**2,200.0**	**1,569.8**	**1,569.8**	**1,569.8**
			(Per cent)		
America	10.3	8.4	7.6	3.6	3.2
United States	10.2	8.3	7.5	3.3	3.2
Other America	0.1	0.1	0.1	0.3	0.0
Europe	2.3	1.7	0.9	1.4	14.4
EC(25)	2.2	1.5	0.8	1.4	14.4
United Kingdom	1.1	0.8	0.3	0.0	14.2
Italy	0.2	0.2	0.1	0.0	0.2
Netherlands	0.1	0.1	0.1	1.0	0.0
EFTA	0.0	0.0	0.0	0.0	0.0
Other Europe	0.1	0.1	0.1	0.0	0.0
Africa	80.7	83.7	86.4	74.6	78.5
South Africa	68.3	72.0	74.6	36.7	45.2
Botswana	0.0	0.0	0.0	1.7	31.6
Mauritius	0.5	0.3	0.3	0.5	0.5
Mozambique	4.5	4.3	5.4	1.8	0.5
Madagascar	0.3	0.4	0.5	0.6	0.2
Zambia	0.3	0.7	0.2	1.6	0.1
Zimbabwe	3.2	0.5	0.3	0.3	0.1
Namibia	0.0	0.0	0.1	1.6	0.1
Lesotho	0.0	0.0	0.1	0.0	0.0
Morocco	0.0	0.0	0.0	0.0	0.0
Kenya	1.4	2.5	1.8	0.2	0.0
Malawi	0.3	0.4	0.2	28.9	0.0
Congo	0.0	0.0	0.0	0.0	0.0
Middle East	0.0	0.0	0.1	0.0	0.9
Iran Islamic Rep.	0.0	0.0	0.0	0.0	0.9
United Arab Emirates	0.0	0.0	0.0	0.0	0.0
Asia	6.8	6.2	5.0	20.5	3.0
China	3.4	1.5	0.4	0.0	0.0
Japan	0.0	0.3	0.1	0.0	2.6
Six East Asian traders	0.1	0.0	0.4	5.9	0.0
Other Asia	3.2	4.4	4.0	14.6	0.4
Australia	1.7	1.9	1.9	14.3	0.3
New Zealand	1.6	2.5	2.0	0.3	0.1
Other	0.0	0.0	0.0	0.0	0.0

Source: UNSD, Comtrade database (SITC Rev.3 data).

Table AI.2
Commodity exports and re-exports, 2003-07
(US$ million and per cent)

Description	2003	2004	2005	2006	2007
Total exports and re-exports	**1,731.6**	**2,200.0**	**1,569.8**	**1,569.8**	**1,569.8**
			(Per cent)		
Total primary products	23.6	23.6	25.8	35.4	30.1
Agriculture	22.8	22.6	24.7	34.3	28.3
Food	14.7	15.6	17.3	25.5	21.1
0611 Sugars, beet/cane, raw, solid, no added flavour	6.1	7.3	8.8	17.6	14.1
0612 Other beet, cane, and chemically pure sucrose	0.4	0.6	1.1	1.0	1.1
0622 Sugar confectionery, not containing cocoa	1.7	1.5	0.7	0.7	1.1
0619 Other sugars	0.6	0.7	1.1	1.4	1.0
0739 Food preparations containing cocoa, n.e.s.	0.3	0.2	0.4	0.4	0.8
Agricultural raw material	8.1	7.0	7.3	8.8	7.2
2514 Chemical wood pulp, soda, unbleached	6.4	5.2	4.0	5.9	2.6
2484 Wood of non-coniferous, sawn of a thickness > 6 mm	0.3	0.4	0.8	0.8	1.7
2450 Fuel wood (excluding wood waste) wood charcoal	0.5	0.4	0.6	0.8	1.1
Mining	0.8	1.0	1.2	1.2	1.8
Ores and other minerals	0.2	0.2	0.4	0.2	0.5
Non-ferrous metals	0.0	0.0	0.1	0.0	0.0
Fuels	0.6	0.7	0.7	0.9	1.2
3211 Anthracite, not agglomerated	0.5	0.6	0.3	0.7	1.2
Manufactures	76.0	76.1	71.7	64.5	69.8
Iron and steel	0.3	0.3	0.2	0.0	0.0
Chemicals	37.8	45.9	49.0	47.2	55.3
5514 Mixtures of odoriferous substances, industrial	36.8	44.9	37.8	26.5	29.4
5989 Chemical products and preparations, n.e.s.	0.0	0.0	6.8	14.1	19.9
5137 Monocarboxylic acids and their anhydrides	0.0	0.0	1.0	2.1	2.3
5139 Carboxylic acids, etc.	0.0	0.0	0.3	0.7	1.0
5237 Carbonates, percarbonates	0.0	0.0	0.3	1.3	0.8
Other semi-manufactures	1.4	1.4	1.5	1.7	2.3
6416 Paper and paperboard, currugated/creped, etc.	0.0	0.0	0.0	0.3	1.0
Machinery and transport equipment	3.5	5.4	5.1	2.0	2.8
Power generating machines	0.1	0.0	0.1	0.0	0.0
Other non-electrical machinery	1.3	2.5	2.0	0.5	0.4
Agricultural machinery and tractors	0.1	0.1	0.1	0.0	0.0
Office machines and telecommunication equipment	0.4	0.3	0.3	0.0	0.0
Other electrical machines	0.6	1.3	1.3	1.4	2.2
7752 Household fridges and freezers	0.5	1.2	1.2	1.4	2.2
Automotive products	1.0	1.1	1.2	0.1	0.2
Other transport equipment	0.1	0.2	0.3	0.0	0.0
Textiles	1.3	1.2	0.6	0.3	0.4
Clothing	28.9	18.6	12.0	9.9	4.4
8454 T-shirts, singlets and other vests, knitted	6.9	6.4	4.1	3.1	1.4
8426 Trousers, breeches, etc., women's/girls', not	1.7	2.8	2.2	2.1	1.0
Other consumer goods	2.9	3.2	3.4	3.4	4.6
8928 Printed matter, n.e.s.	0.8	1.2	1.5	1.6	2.2
8931 Plastics containers, stoppers, lids, etc.	0.0	0.0	0.0	0.2	1.1
Other	0.4	0.3	2.4	0.1	0.2
Gold	0.0	0.0	0.0	0.0	0.0

Source: UNSD, Comtrade database (SITC Rev.3 data).

Table AI.3
Origin of imports, 2003-07
(US$ million and per cent)

	2003	2004	2005	2006	2007
Total (US$ million)	**1,432.3**	**1,799.8**	**1,654.0**	**1,321.8**	**1,164.2**
			(per cent)		
America	0.5	0.4	0.5	0.8	0.4
United States	0.3	0.3	0.4	0.6	0.4
Other America	0.2	0.1	0.1	0.2	0.0
Europe	1.4	1.4	1.7	4.3	0.1
EC(25)	1.4	1.4	1.7	2.7	0.1
Italy	0.4	0.3	0.5	0.4	0.0
United Kingdom	0.3	0.2	0.2	1.3	0.0
Spain	0.0	0.1	0.2	0.1	0.0
Denmark	0.0	0.1	0.0	0.0	0.0
Portugal	0.0	0.0	0.0	0.2	0.0
Ireland	0.0	0.0	0.0	0.2	0.0
Netherlands	0.1	0.1	0.3	0.0	0.0
Poland	0.0	0.0	0.0	0.0	0.0
Malta	0.0	0.0	0.0	0.0	0.0
EFTA	0.0	0.0	0.0	1.6	0.0
Other Europe	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	0.0	0.0	0.0	0.0	0.0
Africa	87.7	91.5	89.2	79.4	97.2
South Africa	87.0	90.8	88.3	75.4	92.9
Namibia	0.0	0.0	0.0	0.9	2.2
Lesotho	0.0	0.0	0.0	0.0	1.4
Botswana	0.0	0.0	0.0	0.4	0.5
Mozambique	0.5	0.6	0.8	1.0	0.2
Ghana	0.0	0.0	0.0	0.0	0.0
Nigeria	0.0	0.0	0.0	0.1	0.0
Middle East	0.1	0.1	0.1	0.7	0.0
Asia	9.6	6.7	8.4	14.8	2.2
China	1.8	1.1	2.3	4.2	0.4
Japan	0.6	0.5	0.8	1.7	0.0
Six East Asian traders	6.5	4.6	4.6	8.4	1.8
Hong Kong, China	1.8	1.2	1.0	2.0	0.9
Singapore	0.4	0.2	0.4	2.4	0.5
Chinese Taipei	4.1	3.0	2.8	2.6	0.4
Other Asia	0.7	0.6	0.7	0.5	0.0
India	0.1	0.2	0.2	0.3	0.0
Other	0.6	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).

Table AI.4
Structure of imports, 2003-07
(US$ million and per cent)

	2003	2004	2005	2006	2007
Total (US$ million)	**1,432.3**	**1,799.8**	**1,654.0**	**1,321.8**	**1,164.2**
			(per cent)		
Total primary products	28.8	30.9	31.4	31.5	38.8
Agriculture	18.7	21.1	19.1	17.2	22.2
Food	16.7	19.8	18.0	16.2	21.2
0449 Other maize, unmilled	1.3	1.1	1.0	1.1	3.9
0819 Food waste, animal feeds n.e.s.	0.8	0.7	0.7	0.9	1.1
0412 Other wheat (including spelt) and meslin, unmilled	0.4	0.5	0.7	0.5	1.0
1110 Non-alcoholic beverage, n.e.s.	0.5	0.7	0.7	0.6	0.7
0423 Rice, milled, semi-milled	0.4	0.6	0.5	0.6	0.7
Agricultural raw material	2.0	1.4	1.1	1.0	1.0
Mining	10.2	9.8	12.3	14.4	16.6
Ores and other minerals	0.3	0.4	0.3	0.5	0.7
Non-ferrous metals	0.5	0.4	0.4	0.7	0.4
Fuels	9.4	9.0	11.5	13.1	15.6
3212 Other coal, whether or pulverized, not agglomerated	0.4	0.5	0.4	0.5	0.9
Manufactures	65.2	65.6	65.7	66.3	60.9
Iron and steel	1.8	2.3	2.8	2.5	2.8
Chemicals	13.0	14.2	13.5	13.3	13.6
5429 Medicaments, n.e.s.	1.0	1.3	1.6	1.4	1.4
5514 Mixtures of odoriferous substances, industrial use	3.0	1.3	1.2	2.1	1.2
5139 Carboxylic acids, etc.	0.3	0.4	0.4	0.7	1.0
5629 Fertilizers, nes	0.5	1.0	0.9	0.7	0.7
5541 Soap	0.6	0.8	0.7	0.5	0.7
Other semi-manufactures	9.3	11.1	11.8	10.4	10.9
6612 Portland cement and similar hydraulic cements	0.7	1.1	1.8	1.2	1.2
6911 Iron or steel structures, tubes and the like, for use in structures	0.4	0.7	0.7	0.7	0.8
6414 Kraft paper, etc., uncoated, n.e.s., rolls/sheets	0.4	0.5	0.5	0.5	0.8
Machinery and transport equipment	26.6	21.6	20.5	22.6	19.1
Power generating machines	0.4	0.3	0.5	0.4	0.3
Other non-electrical machinery	12.7	6.7	6.6	8.3	5.5
Agricultural machinery and tractors	0.8	0.9	0.8	0.9	0.6
Office machines and telecommunication equipment	2.6	2.9	2.7	2.6	3.2
7641 Electrical apparatus for line telephony/telegraphy	0.4	0.3	0.4	0.6	1.1
Other electrical machines	2.4	2.5	2.8	2.8	3.1
Automotive products	7.9	8.7	7.4	7.7	6.4
7812 Motor vehicles for the transport of persons, n.e.s.	2.8	3.2	3.3	2.9	2.4
7821 Goods vehicles	3.0	2.7	1.8	2.1	2.1
7843 Other motor vehicle parts and accessories of 722, 781 to 783	1.3	1.5	1.4	1.4	1.4
Other transport equipment	0.6	0.5	0.5	0.7	0.4
Textiles	3.9	4.3	5.2	6.4	3.1
Clothing	2.9	3.0	3.2	2.7	2.7
Other consumer goods	7.7	9.0	8.7	8.5	8.8
8931 Plastics containers, stoppers, lids, etc.	0.9	1.2	0.9	1.1	1.5
Other	6.0	3.5	2.9	2.2	0.3
9310 Special transactions and commodities not classified by type	5.9	3.5	2.9	2.2	0.3

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).