STATE OF LOCAL ECONOMIC DEVELOPMENT [LED] OF SWAZILAND
This publication presents the state of art of Local Economic Development programs and projects. It is a national report on current Local Economic Development legislation and practices.

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<td>Capital Improvement Plan</td>
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<td>CLGF</td>
<td>Commonwealth Local Government Forum</td>
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<td>EDDS</td>
<td>Economic Diversification Development Strategy</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<tr>
<td>MCM</td>
<td>Manzini Municipal Council</td>
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<td>MHUD</td>
<td>Ministry of Housing and Urban Development</td>
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<td>MMC</td>
<td>Mbabane Municipal Council</td>
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<tr>
<td>MTC</td>
<td>Manzini Training Centre</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>PPP</td>
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<td>ULG</td>
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</table>
1. **Introduction, purpose and content outline**

   **1.1 Demographics and Unemployment**

Swaziland is a landlocked country with a population of about 1.2 million (2010). The country’s population is relatively youthful, with 54% of the population comprising of persons under the age of 20 years and 90% of the population comprising of persons under the age of 50 years. This is characteristic of demographics in developing countries, particularly in Sub-Saharan Africa. As a result of these economic and demographic dynamics, the country is experiencing high levels of unemployment. Although there are no concrete official statistics, it is estimated that the unemployment rate is in excess of 22%, rising up to 45% typically in urban centres. This has generated a great deal of informal trade in the economy. The informal sector has acted as a catchment for the excess labour that cannot be absorbed into the formal employment market. Informal trading activities tend to be dominated by women and are prevalent in densely populated settlements. Invariably this has tended to be in settlements with a strong urban bias.

   **1.2 The Macro Economic Context**

The country’s economy is still recovering from the economic downturn experienced worldwide in 2009. In 2012, the country’s economic growth recorded 1.7%, while in 2013 it was estimated at 3.5%. Economic growth is estimated to have slowed down in 2014 to 2.5% and inflationary pressures have increased with prospects in 2015 and 2016 remaining lacklustre. Short-term prospects remain subdued with growth expected to remain low at around 2.5% per annum through to 2016. There will be continued external pressure, depressing recovery of the domestic economy and limiting opportunities to reduce poverty. The country’s incoming Foreign Direct Investment (FDI) has declined drastically, while Government is struggling to retain existing FDI’s and also to support local investors. The country’s economic growth has not been performing at its potential for over a decade, which has prompted Government to respond with a number of strategies in an attempt to invigorate economic growth and development.

   **1.3 Long Term economic challenges:**

Swaziland is classified as low-middle income country according to the United Nations, based on its Gross Domestic Product (GDP). The country is faced with various long-term structural challenges including:

- Low rate of economic growth
- Low domestic taxes yields.
- Declining foreign direct investments,
- Rising unemployment
- High levels of poverty

According the International Monetary Fund’s (IMF) Swaziland country report in December 2015, “Swaziland’s growth outlook is projected to remain subdued over the medium term, in view of a prospective decline in SACU revenues, low private sector activities and the ongoing impacts of the loss of Swaziland’s African Growth Opportunity Act (AGOA) access”.


The persistent drought has negative effect on the agricultural activities, and the production is expected to significantly decline in 2016/17 season. The main risks of the country are associated with external factors, particularly the negative growth and development in South Africa. Swaziland is a member of the Common Monetary Area (CMA). Under the CMA, Swaziland local currency (Lilangeni) is pegged at par to the South African Rand. Therefore, the South Africa’s slow growth has an impact on the international capital flows, These spill overs would be channelled through lower SACU revenue, trade and financial flows. The decline in the SACU revenue shock would put pressure on Swaziland’s fiscal and external balances. The increased fiscal imbalances would necessitate increase in financing from both internal and external sources, and is likely to crowd out the private sector credit, which would have adversely affect the economic growth. The expected revision of the SACU sharing formula together with the weakening of the South African economy would have a negative impact on Swaziland economic growth as well.

The removal of the European Union (EU) sugar quota in 2017, would lead to lower European sugar imports including from Swaziland and would further weaken Swaziland’s growth outlook.

Various programmes have been established from 1988 onward to deal with the above challenges. These include the National Development Strategy (NDS,) and vision 2022, which seeks to improve the status of the country to a middle-income level by the year 2022. Furthermore, a poverty reduction strategy action plan (PRSAP) was developed to guide agencies in developing pro-poor projects. This is aimed amongst other things at reducing poverty by more than 50% by 2015 and eradicating it absolutely by 2022. These goals have been based on assumption that the local economy would grow by approximately 5% per annum. In the services sectors, weak privatisation strategies and the continued constrained growth of small and medium enterprises are contributory factors. Local economic development as pursued by this strategy represents a pragmatic approach in supporting the arrest of long-term economic decline.

Swaziland is experiencing a sluggish growth in the economy and decline in foreign direct investment over the last decade. The country’s growth has been on an average of 2.0 percent since the year 2000.

Swaziland has been affected by the global financial crisis and followed by the decline in the Southern African Customs Union (SACU) in 2010/11, which left the country with serious financial crisis. The country has developed a number of strategic economic development goals and plans in line with its 2022 Economic Vision of achieving a “First World Status by the year 2022” that is sustainable and equitable economic growth and development, eradicating poverty and improving the livelihoods of all Swaziland citizens within the National Development Plan and macroeconomic sustainability framework. The country is currently implementing the 5 year National Development Plan (2014-2018), Economic Diversification Development Strategy (EDDS, 2010).

The central government has also recognized that the urban Local government (ULGs) can play a major role in stimulating economic development through creation of business opportunities, supporting and nurturing micro, small and medium enterprises. However, the ULGs are faced with financial challenges as well which has resulted in most of the ULGs reducing their spending in order to achieve a balanced and well-funded budgets. In this regard, the current financial situation has an impact on the overall service delivery of the ULGS. In 2011, the central government through the Ministry of Housing and Urban Development (MHUD) provided some direction to the ULGs in dealing with the challenges.
This was done by introducing the Integrated Development Plan (IDP) which contains six specific strategic documents, that is:

- Town planning scheme
- Capital Investment Plan (CIP)
- Disaster Management Strategy
- Local Economic Development Plan
- Financial Viability
- Service Delivery Model

It is important to note that the ULGs are required to prepare a 3-5 year IDPs that set the development targets with detailed projects and/or programmes and resources (financially or otherwise) to support the execution of the IDPs. Currently, the IDP is not a legal instrument as there is no LED policy or legislation and policy guidelines to enforce the development and implementation of the IDP.

The ULGs have a constitutional mandate to undertake a development approach in implementing the policies and programmes. The ULGs are expected to promote social development by meeting the needs of the poor and ensuring growth of local economy. This is a local response to a national economic and social challenges.

Although, the LED plan has not been defined by government through the MHUD, the key policy thrusts of the LED includes:

1. To facilitate and grow micro, small and medium enterprises (MSMEs).
2. To provide capacity building and skills development programmes.
3. Link with promoters of MSMEs and support entrepreneurial institutions.
4. Support and promote the informal sector, and provide market stalls and shelter to the street vendors.

(Please note that the Swaziland Government has engaged a consultant to assist in the drafting of a comprehensive LED guidelines and the stakeholders (private, civil society and public sector) consultative meetings are underway (first meetings were held on 3-4 May 2016 and next meeting is scheduled on 15th May 2016))

Currently, the implementation of the Local Economic Development (LED) is through partnership between the Government of Swaziland (GoS) and the Commonwealth Local Government Forum (CLGF). The LED programme would be implemented in the urban local government authority (ULGA) of Swaziland with an initial focus on Matsapha Town Council (MTC), Municipal Council of Mbabane (MMC) and Municipality of Manzini (MCM). The aim of the LED programme is among others:

1. To facilitate economic growth in the local areas.
2. Elevate the development role of the municipalities to meet the economic development goal set in the National Development Plan (NDP) and Vision 2022.

The three ULGAs have drafted the LED strategy document and are now at a consultative stage. While the other ULGAs have made some statements in their integrated Development Plans (IDPs) regarding the LED, however, due to financial constraints and lack of capacity, have not commenced formulating the strategies.
The fact that the strategy is based on extensive consultation with the ULGs business communities is significant, and indicates that the local authorities recognises that the private sector is the engine of growth for the local economy and that the role of the ULGs, as implementing arm of government, are to create a business enabling environment to facilitate this growth.

- The rate at which new jobs are created is insufficient to absorb the increasing levels of unemployment
  - In adequate skills of Swazis to meet the demands of the new economy that is service and knowledge driven.
  - Poverty levels and unemployment remain high

2. National Enabling Perspective

2.1 National Government perspective on decentralization

The current Urban Government Act of 1969, gives the Minister of the Ministry of Housing and Urban Development the powers to delegate his functions to the Councillors at the municipality.

Section 3 (1) of The Tinkhundla and Regional Administration Bill, 2011 make the following provision regarding Decentralization:

“The Minister may subject to the Act, decentralize by devolution of power, resources, functions and responsibilities vesting in the Central Government to Regional, Inkundla and other sphere of government”.

Inkundla (plural: Tinkhundla) is an administrative subdivision (Rural Council), smaller than a district but larger than chiefdoms.

Section 79 of the constitution of Swaziland provides that “The system of government for Swaziland is a democratic, participatory, Tinkhundla-based system which emphasises devolution of state power from central government to Tinkhundla areas and individual merit as a basis for election to public office”. The implementation of this provision is however still at an early stage as the legislation that enables full implementation of this provision is at the draft stage in the form of the Tikhundla Administration Bill 2011. It is against this constitutional provision and mandate that the Ministry was established.

The local government institutions that will be the destinations of decentralised governance already exist in the form of regional, inkhundla, chiefdom and urban government levels. Currently, urban governments are under the Ministry of Housing and Urban Development (MHUD), while regional, inkhundla and chiefdom administration is under the Ministry of Tinkhundla Administration and Development.

The Ministry of Tinkhundla Administration and Development is a Government Ministry established in terms of Legal Notice Number 25 of 2009 to execute the following mandate areas:

- Regional administration
- Tinkhundla administration
- Regional development planning and coordination
- Rural resettlement
- Decentralization
- National physical planning
Swaziland is divided into four regions that is, Hhohho, Manzini, Lubombo and Shiseleweni and has fifty five (55) Tinkhundla and 385 Chiefdoms.

<table>
<thead>
<tr>
<th>Region</th>
<th>Tinkhundla</th>
<th>Chiefdoms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hhohho</td>
<td>14</td>
<td>97</td>
</tr>
<tr>
<td>Manzini</td>
<td>16</td>
<td>101</td>
</tr>
<tr>
<td>Lubombo</td>
<td>11</td>
<td>87</td>
</tr>
<tr>
<td>Shiselweni</td>
<td>14</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>385</td>
</tr>
</tbody>
</table>

2.2 Legislation

The Local government sphere is closest to the people. Municipalities have a constitutional mandate to undertake a developmental approach in implementing policies and programmes.

At the policy level, economic development is the responsibility of the Ministry for Economic Development and Planning (MEDP) while a mandate for implementing economic development lies with the Ministry of Commerce, Industry and Trade and other line Ministries. There is no specific framework to guide a Municipality in the implementation of LED, although as pointed out below, there does seem to be a constitutional obligation for the municipality to develop the local economy. Increasingly, central Governments have realised that they cannot deliver the development agenda alone and need the support of local Government. In the final analysis, all economic development takes place at the local level. Recognition of this is evidenced by a constitutional requirement in Swaziland that the local authority ensure sufficient management and development of the local area. The constitution of Swaziland states:

2.2.1 Sec 221 Duties of a local Government authority “to ensure, in accordance with the efficient management and development of the area”

2.2.2 Sec 224 “The development programmes of a local Government shall where appropriate be integrated into the national development plan to be mainly funded by the Government”.

There is an opportunity under the auspices of this strategy for the Municipality to work with other municipalities, the MHUD and other ministries to formulate from these constitutional requirements a framework to guide and give clarity to local economic development.

2.3 Departmental responsibilities

The LED emphasizes that the ULGs have a major role to play in creating an enabling and conducive investment climate for the businesses to thrive through the provision of excellent infrastructure and quality services. The ULGs should also assist in mobilizing funding to capacitate the entrepreneurs.

As highlighted above, the LED is not yet entrenched in a number of the ULGs businesses due to limited financial resources and lack of comprehensive strategies and plans. The lack of competencies and capacity to some of the officials or personnel within the ULGs to drive the LED process is also a major issue which hinders progress in the implementation of the LED process in those ULGs which received support from CLGF.

ULGs are also expected to provide appropriate infrastructure, such as working places such as mini factories and business parks, to the business community under the LED programme.
Again, this is a major constraint as the ULGs have limited funds received from the government as grant to undertake infrastructure programmes, and the ULGS have competing demands and priorities. Normally, the road and related infrastructure is given a high priority thus no funds are allocated for the LED infrastructure.

2.4 Government engagement in LED/ commitment to LED

Government’s role is at macro level, instead of playing a direct intervention function, the Government’s role is enshrined in the Constitution and National Development Plan including the Investor Road Map and other related investment and trade policies. The NDP provides an approach that brings about synergy and complementarities of the ULGs and other agencies or institutions involved with the implementation of the LED programmes.

However, the issue of LED policy and guidelines and funding for LED are matters to be addressed by government and the ULGs.

3. Local Enabling Perspective

3.1 Local Government powers

Local Government powers are enshrined in the Urban Government Act 1969, and the Constitution of Swaziland, Sec 221 Duties of a local Government authority “to ensure, in accordance with the efficient management and development of the area”

3.2 Local Government finance

The Local Government Finance is also guided by the Financial Regulations of 1969. The ULGs raise its revenue for both operational and capital expenditures on from property rates and user fees/charges. They have to apply the rates in accordance with the laid down procedures that is, the Rating Act of 1995 and Bye Laws.

Therefore, there is a need to ensure that the increase of the rates is done fairly (not to balance the “deficit in the budget”). Unfairness in itself is an obstacle to revenue collection, inequality increases resistance, if the ratepayers are being asked to pay more in taxes or charges than they can afford or feel that they are bearing an undue proportion of the burden.

The user charges are not computed on a cost recovery basis. Again there is a need to formulate a cost recovery model for the ULGs.

The average collection rate of annual rates for the ULGs is about 60 percent. The long outstanding debts date back to 3 to 5 years in some ULGs. The low or poor collection is due to a number of factors, including, socio-economic challenges, child-headed households, old or pensioned people, unemployment, etc.

The ULGs receive annual capital grants and subventions from the central government. These fiscal transfers represent an average of 55 percent of the total income of the ULGs. It is worth noting that the government also owns properties in the ULGs and is also a ratepayer. For some of the towns, the government is the major ratepayer, owning over 75 percent of the properties. Therefore, by nature, government has other key national commitments and thus rates payment is not a high priority.
The consolidated sources of ULGs income is summarised as follows:

<table>
<thead>
<tr>
<th>Sources of Funding</th>
<th>2014/15 FY Percentage of Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government property rates</td>
<td>24%*</td>
</tr>
<tr>
<td>Residential and commercial</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Total property rates</strong></td>
<td>67%</td>
</tr>
<tr>
<td>Other income (user fees, etc)</td>
<td>5%</td>
</tr>
<tr>
<td>Fiscal transfers (capital grants &amp; subventions)</td>
<td>28%*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

* the total government fiscal transfers and property rates is estimated at 52% of the total income.

ULGs are under immense pressure to extend municipal services to rapidly growing populations. The scale of finance for new infrastructure and major upgrade or rehabilitation, means that, “business as usual” is not enough. The “unconditional” capital grants from the Central Government are insufficient and ULGs rates collection are very low and not enough to fund new assets.

In light of the above, the ULGs need to borrow funds from the financial institutions (Commercial Banks and NBFIs) in order to meet their financial needs, fulfil their mandates and deliver improved services to the community. However, most of the ULGs with an exception of the Municipal Councils and some town councils, their credit rating is low and therefore cannot borrow or borrow at best interest rate to reduce the cost of borrowing.

The central government also imposes restrictions when it comes to ULGs borrowing in order to maintain an acceptable debt ratio. The central government plays a supportive role, intervening only when well-established rules of borrowing are flouted or ULGs mismanagement threatens national fiscal crisis.

3.3 Stakeholder engagement/business liaison

The Government of Swaziland has developed and adopted a Public Private Partnership Policy. This is an attempt by government to encourage the private sector to participate in the local government business through partnerships. The objective is to attract substantial private investment and delivering excellent services. Therefore, the government and ULGs are expected to create an enabling environment for the private sector investment. Currently, the ULGs are encouraged to identify potential projects which can be undertaken under the PPP model and also identify functions which can be outsourced to the private sector.

Some of the ULGs are already negotiating with potential private investors to undertake some of the activities under the PPPs. The PPPs projects under negotiations include the development of shopping malls, market place, etc. as outlined below in section 4.3.

Some of the ULGs are also meeting the business community on a regular basis to discuss business opportunities. However, these forums are currently utilized on an ad-hoc basis and there is a need to establish dedicated business units and employment competent people with business development and entrepreneurship background in the ULGs.
4. **LED in practice**

It is important to note that a comprehensive LED framework and guidelines are being formulated by the government through the Ministry of Housing and Urban Development and the Ministry of Tinkhundla Administration and Development in collaboration with the Commonwealth Local Government Forum (CLGF). Therefore, the implementation of the LED in the absence of an the framework and enabling legislation is a challenge. However, notable progress has been made in some areas as some ULGs and Tinkhundla have taken some initiatives to implement the LED programme.

4.1 **Thematic Areas and Interventions**

- **Business development and support**
  - Lobby for user-friendly laws and legislation
  - Improve the business climate and address impediments and red tapes
  - Provide capacity building and coaching
  - Establish business networks and forums (Business to Business)

- **Investment destination**
  - Promote locations as investment destinations
  - Improve municipal infrastructure
  - Develop business or industrial parks

- **Town planning and infrastructure development**
  - Incentivise and encourage private sector investment in infrastructure
  - Identify projects for PPP
  - Provide excellent services through the utility providers (network, water, energy, etc)

- **Informal Sector development**
  - Promote and support informal sector (women in handicraft, youth enterprises)
  - Provide capacity and coaching on youth and women business
  - Provide shelter and market stalls
  - Construct markets for street vendors
  - Provide cold room facilities to store perishable items
  - Outsource non-core activities such as waste recycling and processing, street cleaning, refuse collection, etc.
4.2 Funding LED activities:

The country’s development partners have provided both technical and financial support in the formulation of the LED framework. The CLGF programme is funded by the United Kingdom (UK) department for International Development (UK aid) and is focusing on the pilot LED related initiatives in three local authorities, that is Municipal Council of Mbabane (the capital city and administrative centre), Municipal Council of Manzini (the commercial hub and geographically central) and Matsapha Town Council (the economic hub of the country - main industrial area).

<table>
<thead>
<tr>
<th>Funding</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLGF – <em>(size of funding not disclosed)</em></td>
<td>Development of the LED Framework for 3 ULGs and provision of technical support</td>
</tr>
<tr>
<td></td>
<td>Provision of training to the informal sector in Manzini</td>
</tr>
<tr>
<td></td>
<td>Conduct a study on youth entrepreneurship in Manzini</td>
</tr>
<tr>
<td>LED Funding <em>(incorporated in the capital grant)</em></td>
<td>Government subvention supported the formulation of the ULGs Integrated Development Plans including the LEDs</td>
</tr>
<tr>
<td>ULGs <em>(from own sources of income)</em></td>
<td>ULGs are using own resources to fund the LED programs.</td>
</tr>
</tbody>
</table>

4.3 LED activities in the local government

The current possible projects are summarized in the following table:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Project</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal of Mbabane</td>
<td>Mbabane Parking</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Municipal of Mbabane</td>
<td>Township Development</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Municipal of Mbabane</td>
<td>Civic Centre development</td>
<td>PPP</td>
</tr>
<tr>
<td>Municipal of Mbabane</td>
<td>Street vendors Shelters</td>
<td></td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Street vendors (informal Sector) stalls</td>
<td></td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Flea Markets Initiative</td>
<td></td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Handicraft (women) training</td>
<td></td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Moneni Youth Business</td>
<td>Outsourcing</td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Manzini shopping mall</td>
<td>Outsourcing</td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Streets cleaning</td>
<td>Outsourcing</td>
</tr>
<tr>
<td>Municipal of Manzini</td>
<td>Youth enterprises development study</td>
<td></td>
</tr>
<tr>
<td>Matsapha Town Council</td>
<td>Market shelters at strategic places</td>
<td></td>
</tr>
<tr>
<td>Matsapha Town Council</td>
<td>Shopping mall, market place and parking area</td>
<td>PPP</td>
</tr>
<tr>
<td>Matsapha Town Council</td>
<td>Waste management and recycling</td>
<td></td>
</tr>
<tr>
<td>Ngwenya Town Board</td>
<td>Waste management and recycling</td>
<td></td>
</tr>
</tbody>
</table>

4.4 LED in the Rural Areas

Over 70 percent of the population in Swaziland live in the rural areas and survive by substantive farming. However, the majority of people living in the rural areas suffer from poverty and food insecurity. The rampant poverty is mainly attributed to drought which occurred in 2004, 2005 and 2007. Therefore, subsistence farming on the Swazi Nation Land is deemed unsustainable due to the rain-fed irrigation and water shortage in the rural areas.
The strategy to convert subsistence farming into commercial is attractive as it increases the economic activity and provide a sustainable household income. The commercialization of agricultural activities in the rural areas requires huge investments on the irrigation systems and construction of water reservoirs (dams). The Komati Downstream Development Project (KDDP) and the Lower Usuthu Smallholder Irrigation Project (LUSIP) schemes are tasked with the water harvesting and supplying water in the rural areas earmarked for commercial farming. This strategy has been supported financially and otherwise by a number of development agencies such as European Union, United Nations (UN), Food and Agricultural Organization (FAO) and others. This programme has been successfully and created a number of out-grower schemes in rural communities located in the Swazi Nation Land. However, a number of the people still require non-farming income generating activities. Government is addressing the rural unemployment through empowerment programmes such as implementing some revolving funds (Youth Enterprise Fund and Regional Development Fund).

Swaziland Youth Enterprise Revolving Fund

The Youth Enterprise Revolving Fund was established in 2010. This was conceived as a new strategic move towards addressing the youth unemployment in Swaziland. The target of the fund is young people within the age bracket of 18 to 35 years. The Fund was started with a government grant of E10 million, that was, approximately US$1 million, to provide start-up capital to the youth. The individual loans were capped at E20,000, groups loans at E50,000 and companies at E100,000. The interest rate as fixed at 10% with a repayment period of 24 months and no collateral was required. A total of approximately E9.5 million was disbursed to about 700 young people between 2010 and end of January 2014, of which about E3 million was paid back. Due to the high default rate, the fund has since been suspended, while investigation and study is being conducted to design a more robust system and implement controls to minimise the high default risk in the future.

The Regional Development Fund (RDF)

The RDF was established in 1999, and is an innovative fund designed to eradicate poverty in the rural areas (at the Tikhundla) through creation of economic activities, by establishing micro enterprises and creating employment. Since its inception government has pumped over E1 billion. The fund has supported the rural development, however, due to lack of business knowledge and financial management, some projects have since failed.

The government has also introduced entrepreneurship education in the secondary and high schools. A number of non-governmental organisations (NGOs) such as Junior achievement Swaziland, Techno serve Swaziland and other, have partnered with government in fostering the entrepreneurship culture among the youth and capacitate the people living in the rural areas on business development and financial management. A number of business activities have emerged from this empowerment programmes. However, the sustainability of the revolving funds is in doubt as the people are failing to meet their obligations and do not repay the loans due to a number of reasons such as failure of businesses, interference of politicians. Once again, these programmes are hopeful but, they have not been implemented across all regions of the country.

The Swaziland Enterprise Development Corporation (SEDCO) a government funded institution (public enterprise) is working tirelessly to promote small enterprises both in the urban and rural areas. SEDCO has introduced a “One Household - One Product” campaign, encouraging the people to produce products for both domestic and regional markets. SEDCO is also playing a major role in training the people on best business practices and also linking them to markets, by facilitating trade shows and Business to Business (Networking) forums.

It is worth noting that a number of foreign missions or embassies in Swaziland such as the US and Republic of China (Taiwan) have supported the government in its rural empowerment and promoting micro and small enterprises. The following businesses have been developed:
• Commercial farming - vegetables, cotton, honey, maize, dairy, sugar-cane, etc.
• Small scale manufacturing - fencing, welding, brick-making
• Craft and handicrafts

The LED activities in the rural areas have been growing and require both technical and financial support, especially product development and linkage to high value markets.

4.5 LED supporting organizations and institutions in Swaziland

<table>
<thead>
<tr>
<th>Organization</th>
<th>Objectives</th>
<th>Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government Institutions (Parastatals)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swaziland Enterprise Development Corporation (SED-CO)</td>
<td>To develop small-scale enterprises</td>
<td>- Incubation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Training</td>
</tr>
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<td></td>
<td></td>
<td>- Business planning</td>
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<tr>
<td></td>
<td></td>
<td>- Provide factory space</td>
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<tr>
<td>Swaziland Investment (Trade) Promotion Authority (SIPA)</td>
<td>Facilitate and promote both foreign and domestic investments</td>
<td>- Investment Facilitation and aftercare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provision of factory space</td>
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<tr>
<td></td>
<td></td>
<td>- Linkage of domestic and foreign investors</td>
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<tr>
<td></td>
<td></td>
<td>- Trade facilitation</td>
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<tr>
<td></td>
<td></td>
<td>- Trade shows (Local and International)</td>
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<tr>
<td></td>
<td></td>
<td>- Investment policy and roadmap</td>
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<tr>
<td>Small and Medium Enterprises Unit (SME Unit)</td>
<td>To develop SME policies and guidelines</td>
<td>- Policy advocacy</td>
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<tr>
<td></td>
<td></td>
<td>- Conducts Research on SMES</td>
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<tr>
<td></td>
<td></td>
<td>- SMEs database</td>
</tr>
<tr>
<td>National Agricultural Marketing Board</td>
<td>To promote local vegetable farming and provide market to local produce</td>
<td>- Provides storage facility (cold room) and market for local produce.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Registers distributors for import and export of the produce.</td>
</tr>
<tr>
<td>National Maize Corporation (NMC)</td>
<td>To encourage farmers to grow maize for both domestic consumption and export</td>
<td>- Encourages and support maize farmers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provides a market and offer competitive prices</td>
</tr>
<tr>
<td>Organization</td>
<td>Objectives</td>
<td>Tasks</td>
</tr>
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<td>----------------------------------------------------------------------------</td>
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</tbody>
</table>
| Swaziland Water and Agricultural Development Enterprise (SWADE)            | To facilitate the planning and management of Komati Downstream Development Project (KDDP) and Lower Usuthu Smallholder Irrigation Project (LUSIP) | - Constructs dams and irrigation systems  
- Provides technical support to smallholder farmers |
| Swaziland Commercial Amadoda                                               | Licensing small business in the rural areas                                | - Encourages micro and small-scale enterprises in the rural areas.  
- Provides financial and manpower support in construction of business facilities. |
| Tibiyo Taka Ngwane                                                        | Complements government business development efforts                       | - Encourages business linkages  
- Invests in foreign-owned and strategic investments |

**Non-Government Organizations**

| Techno serve Swaziland                                                    | To provide training and coaching to micro and small enterprises in Swaziland. | - Provides training to entrepreneurs and smallholder farmers  
- Mobilizes funding on behalf of these enterprises and farmers  
- Provides a linkage to export markets |
| United Nations                                                             | Provides financial and technical support in agribusinesses                  | - Supports and provides funding to smallholder farmers in the rural areas |
| European Union                                                             | Provides financial and technical support in agribusinesses                  | - Provides financial support to major agricultural projects and  
- Provides technical support to both small and large scale farmers |
| International Fund For Agricultural Development (IFAD)                    | Provides both financial and technical support.                              | - Provides funding and technical support to small scale farmers including irrigation systems to improve the yields. |

**Financial Institutions supporting LED through innovative financing products**
<table>
<thead>
<tr>
<th>Organization</th>
<th>Objectives</th>
<th>Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swaziland development Finance Corporation (FIN-CORP)</td>
<td>Micro lender (Government funded institution)</td>
<td>- Focusing on smallholder farmers</td>
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<tr>
<td></td>
<td></td>
<td>- SMEs financing</td>
</tr>
<tr>
<td>Swaziland Industrial Development Company (SIDC)</td>
<td>Development Finance Institution (joint venture between government and several financial institutions)</td>
<td>- SMEs financing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provide factory shells and shelters to businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Take private equity in companies</td>
</tr>
<tr>
<td>Swazi Bank</td>
<td>State-owned bank</td>
<td>- SMEs financing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provides Agric-fund</td>
</tr>
<tr>
<td>Old Mutual Swaziland</td>
<td>Insurance company</td>
<td>- Provides Agric-fund</td>
</tr>
<tr>
<td>Inhlanyelo Fund</td>
<td>Private funding</td>
<td>- Promotes and provides financial support to rural enterprises and farmers.</td>
</tr>
<tr>
<td>Imbita Yabo Make (Women Funding)</td>
<td>Donor funded</td>
<td>- Supports women empowerment</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>Private banks</td>
<td>- Established dedicated SMEs divisions to support and provide wide range of financial advisory services.</td>
</tr>
</tbody>
</table>

5. **LED Practitioners, Competency Centres, skills availability**

5.1 **LED competency centres and practitioners**

There are a number of organisations which are involved in the Local economic Development. These include NGOs such as:

5.0.1 **Techno-Serve Swaziland**

This is a non-profit organization that develops business solutions to alleviate poverty by linking people to information, capital and markets. Its work is rooted in the idea that hardworking people can generate income, jobs and wealth for their families and communities. With more than four decades of proven results there is belief in the power of private enterprise to transform lives.

Techno Serve works with enterprising people in the developing world to build competitive farms, businesses and industries. They have worked in more than 40 countries across Africa, Latin America and Asia, assisting thousands of businesses and improving the incomes of millions of people.

In order to achieve its mission, the organization operate as a catalyst and partner to strengthen market systems. It focuses on market systems that have:
1. A clear opportunity - an unmet demand for a product or service

2. The potential for inclusive growth that benefits poor people in their roles as producers, entrepreneurs, employees or consumers

3. The potential for scale - impacting significant numbers of families

Techno-Serve aims to be a catalyst and partner at all points in competitive markets. The Organization works with individuals and businesses to address market failures - the constraints that prevent a market system from operating efficiently.

These constraints may include skills, technologies, availability of information, market linkages, access to finance, infrastructure, governance or policies. The organization addresses market failures in three ways:

1. The organization helps in developing capacity by helping individuals and communities acquire skills, share knowledge and apply the technologies needed to build successful farms and businesses.

2. The organization also helps to strengthen market connections by coordinating among industry players and connect emerging businesses and farms to capital, networks and suppliers.

3. The organization helps to improve the business environment by encouraging self-sustaining economic activity by addressing the policies, information and incentives that help markets function better.

5.0.2 Industrial Training Centres (Manzini, Nhlangano and Siteki)

Swaziland Skills Centres (SSC) were registered as a Company not for profit in 1982 under the Companies Act (1912) number 1994/685. The aim of the Company is to train young people between the ages of eighteen (18) and twenty-five (25) in a skill of their choice which will enable them to start their own business or work for a company. Training is conducted through production, whereby we rely on local people and businesses for support.

The Manzini Industrial Training Centre (MITC) was founded in 1979 by Fr. L. McDonnell on the Salesian Community in Manzini. MITC began operations in a small disused store room behind the Salesian High School. During 1983, the Order of the Holy Paraclete became involved in the project, which saw Sr. Judith beginning to work fulltime on the project in 1984.

Between 1984 and 1991 MITC was built and fully operational on the land leased by the Anglican Church as their contribution towards the efforts made to train young Swazi people for gainful employment. The buildings were financed by donor agencies from a number of countries. Notably, the Centre was built by trainees under the supervision and guidance of instructors, many of whom were volunteers from abroad. MITC was officially opened on April 12th, 1992 by His Majesty the King Mswati III, giving it a Swazi name “Emakhonweni”, which is loosely translated “a place of skills”.

From these early beginnings, MITC has increased in size and in the number of skills offered. Between 1992 and 1994 a second centre was built in Nhlangano given the name Nhlangano Agricultural Skills Training Centre (NASTC). It is built on Government land, and the buildings were also financed by overseas donors and built by trainees under the supervision and guidance of their instructors.
NASTC was officially opened by His Majesty the King Mswati III on June 1994, while giving it a Swazi name “Ndungunye”. Thereafter, a project to build a third centre began in Siteki on land belonging to the Government. There were many problems initially, which resulted in work progressing slowly. However, it is now fully operational, offering seven (7) courses. The centre was given the name: Siteki Industrial Training Centre (SITC).

The establishment of the two centres after MITC gave birth to the collective name: Swaziland Skills Centres (SSC), which is a brand name for all three centres.

Since establishment, SSC has depended on donor funds for operational costs. Minimal tuition and fees are charged to enable trainees of diverse economic backgrounds access. These contributions are channelled towards maintaining the equipment and facilities. SSC also offers its services to the business community and the general public in an attempt to expose the trainees to real business environment, as they acquire skills in their various areas of trade. Proceeds from these services are used as incentives to motivate both the instructors and the trainees.

5.0.3 Vocational and Commercial Training Institute (VOCTIM)

Gwamile - Voctim Institute was founded in 1987 and was officially opened in 1988 under the auspices of the German Technical Cooperation Agency (GTZ) in collaboration with the Swaziland Government.

The mission of the organisation is to produce qualified and skilled individuals:

- To cope with changes in technology and be able to cope effectively with the demand of work;
- To understand the impact of industry on the environment; and to develop the skills of self-employment

Central to this mission are the following goals or objectives:

- To enable Swaziland’s public and private sector establishments to recruit skilled craftsmen and clerical workers for the labour market.
- To provide school leavers and other young unemployed people with a systematic training at craft level with a view towards self-employment.

Gwamile VOCTIM presents you with the perfect opportunity to pursue a career or vocation in any of the following:

- Commercial Studies (including Business Practice and Secretarial);
- Electrical Engineering;
- Mechanical Engineering (new course - Diploma in Mechanical Manufacturing Engineering starts in Aug 2011);
- Automotive (Motor Vehicle) Engineering; (a new course in Panel Beating may run starting Jan 2012)
- Wood Work (all aspects of carpentry)
- Building (a new course in plumbing started in Aug 2010)
5.0.4 Lulote Business Training Centres

LULOTE BMEP is a local NGO based in Manzini, Swaziland. It was established in 1986 for the promotion of an entrepreneurial culture to both existing and aspiring entrepreneurs in Swaziland. LULOTE BMEP has the expertise to train on ILO Accredited courses that can assist empower local communities in the following areas:

1. generating business ideas
2. starting new businesses or improving on existing ones
3. developing business plans
4. market research
5. client profiling
6. financial statements

The purpose of LULOTE BMEP is to provide business training and consultancy services in the Kingdom, to both emerging and established entrepreneurs, institutions and businesses. To prepare entrepreneurs by raising their awareness of economic issues, teaching them entrepreneurial and life skills, providing them with an understanding of the business world and enhancing their sense of personal responsibility through practical business experience.

Lulote focuses on Entrepreneurship Development

LULOTE has identified the need to build the capacity of communities in the area of life skills and entrepreneurship to ensure their independent survival in the face of poverty and survival. Presently, there is an ad hoc approach towards dealing with the plight of communities in Swaziland. The tendency is to provide once-off relief interventions that are not sustainable in the long term.

Lulote Accreditation

- Accredited by the Small and Medium Enterprise unit (Joint venture between the Ministry of Commerce and EU in capacity building of SME service providers.)
- Accredited by the Swazi Bank as its trainer and advisor to referral clients who are in or interested in venturing into business.
- ILO Accredited LULOTE trainers making us eligible to use ILO training materials.
- Member of FSE (Federation of Swaziland Employers) and CC (Chamber of Commerce) of Swaziland
- Accredited also by Small Scale Enterprise Loan Guarantee Scheme (SSELGS) of Swaziland.
- Service provider for business management skills training and mentorship for Small Scale Enterprise Loan Guarantee Scheme (SSELGS) applicants

5.1.5 Small Enterprise Development Company (SEDCO)

SEDCO is a category “A” public enterprise under the Ministry of Commerce, Industry and Trade established in 1970 to awaken, promote and support entrepreneurial talent with a vision and prime focus to create jobs and sustainable employment within the Small, Micro and Medium Sized Enterprises (SMME’s) and thus make meaningful contribution in the larger socio-economic development of the country.
Since establishment, a nationwide demand for SEDCO’s business education, training and consultancy services has been observed from active and potential entrepreneurs. Through the services, a substantial number of the clients have received financial support from local financial institutions. This is an indication that SEDCO is aggressively taking its rightful role in facilitating and guiding entrepreneurial activities in the country’s critical economic driver, the SMME sector.

The vision of the organisation is to be the centre of excellence for entrepreneurship in the kingdom of Swaziland. The Small Enterprises Development Company Limited (SEDCO) is committed to the Development and Promotion of Swazi owned Small, Micro and medium sized Enterprises (SMME’s) throughout Swaziland. It has been doing that since inception through the provision of a package of services that suit the needs of the market. The organisation also seeks to contribute to the country’s economic development through facilitative interventions in entrepreneurial activities to ensure a vibrant SMME sector and meaningful support to Swaziland’s poverty reduction programmes.

The main goal of SEDCO is to help stimulate the Micro, Small and Medium Scale enterprise sector, which contributes to increased employment opportunities and the creation of wealth through turning job seekers to job makers.

6. Ideas for LED Thematic Studies

The LED concept is still new in Swaziland and there are a number of issues to be addressed in order to make it successful and meet the intended objectives of alleviating poverty, inequality and improving the livelihoods of the citizens of the country. The following are the key issues we have identified which any studies should focus on:

6.1 Development of common understanding of the LED concept, objectives and processes.

Currently, there is no common definition and understanding of the LED concept. A review of the urban local government’s IDPs revealed the fact that there is no clear understanding and approach towards the development of the LED strategy. The lack of a policy, law and guidelines is creating this problem and confusion as the ULGs do not have a clue on how to formulate the strategy and its implementation. The small towns (Town Boards) have insufficient financial resources to develop comprehensive LEDs and do not have the capacity to implement the LED.

There is also no dedicated department within the central government which provides an oversight role of the IDPs and LEDs from both financial and technical support. Most of the ULGs do not have dedicated personnel assigned for the LED due to tight budgets.

In essence, the progress in formulating and implementing an effective LED strategy has been very slow in the local authorities. Therefore, this development of a comprehensive LED strategy should be given a high priority.

6.2 The formulation of a National LED Policy and guidelines.

The lack of a regulatory framework (Act, Policy and Guideline) for LED has resulted in delay or failure of LED to achieve its intended objectives. Therefore, there is an urgent need to develop a framework to create a more coherent approach towards LED, provide clear policies and guidelines for the local authorities.
The policy framework should also cover the key issues on the funding and capacity building of the local authorities in order to implement the LED strategy in an effective way.

Therefore, necessary amendments in the Urban Government Act of 1969 are necessary to incorporate the IDP and LED strategy.

6.3 To identify the LED urban and rural LED processes and practices

The urban local authorities are at different development stages in terms of economic activities and financial “muscle”. The Municipals have clear development and implementation of the LED strategies, attract competent employees, have strong business partnerships and networks. They are also financially sound and well-resourced planning departments. On the other hand the small towns are financially challenged and do not have dedicated town planning personnel and units.

The rural areas have no effective structures and personnel who fully understand the LED processes and practices. As a result there is divergence between the level of developments in the urban and rural areas, which makes it difficult to develop a common National LED policy framework.

Therefore, there is a need to conduct an in-depth study focusing on the urban and rural areas LED processes and practices and crafting a more practical policy and guideline which will appreciate the structural differences in the development and implementation of the LED strategy.

6.4 Development of comprehensive LEDs strategy for the local authorities

- To assist the local government and authorities to develop a comprehensive LED strategy within the Integrated Development Plan (IDP).
- Identify the potential LED activities with high impact and develop an implementation programme.

6.5 Alignment of the LED strategy to the National Development Policy

To assist in the linkage or aligning of the IDP to the National Development Plan (NDP) and poverty alleviation programs.

6.6 Capacity building of local authority’s personnel

Most of the local authorities do not have the personnel with the skills and competencies required to develop and implement effective LED strategies and programs.

The training of local authority’s personnel responsible for the LED planning and processes should be given a high priority.

6.7 Financial and technical support

To assist in the designing of innovative funding models for LEDs, there is a need for technical support in the formulation of the LEDs strategies and implementation plans or programs.
## Conclusion

<table>
<thead>
<tr>
<th>Issue</th>
<th>Concerns</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>National LED Policy and guidelines</td>
<td>Lack of National policy results in poor alignment of the LED strategies to the NDP. It is difficult to assess the impact or effectiveness of the current LED strategies</td>
<td>The National LED Policy should be formulated with clear guidelines, programs and expected output. The central government should establish a department or centre which will provide an oversight of the LED.</td>
</tr>
<tr>
<td>LED at urban local governments</td>
<td>No standard approach to the institutional arrangements for LED. No dedicated units or personnel directing LED in most of the ULGs. LED strategies are included in the IDPs with no clear implementation programs or plans and time frames.</td>
<td>The ULGs should review and include the LED function in their structures with clear objectives. The current LEDs should be reviewed to make them more clearer; the implementation matrixes (Plan or programs with time frames should be developed).</td>
</tr>
<tr>
<td>Lack of skills and capacity</td>
<td>Experienced and competent personnel should be engaged to execute the LED function.</td>
<td>The LED should be given a high priority in the ULGs and relevant and competent personnel should be recruited to be responsible for this function.</td>
</tr>
<tr>
<td>Budgets</td>
<td>Financial constraints and allocation of adequate budget towards the LED. Currently, government is supporting infrastructure development in the ULGs but not economic development and growth through the LED.</td>
<td>Government to allocate financial support to the ULGs towards the LED</td>
</tr>
</tbody>
</table>
8. References Appendices.

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