Regaining Lost Ground: Prospects and Challenges

PRESENTATION TO THE SEMINAR TO SUPPORT THE ECONOMIC RECOVERY STRATEGY
Structure of Presentation

- Swaziland today - outcome of long process
  - Growth
  - Macro-Fiscal

- What next - Opportunities to make up for lost ground

- Structure of the Economy and strengths to draw on

- Commitment and credibility of policy reforms will be the key
Low Growth of GDP per Capita

Losing Ground on Growth of GDP per Capita

The Macro: Increasing Vulnerability

Government Grows – Much Consumption

Revenues and expenditures (as % of GDP)


SACU transfers  Current expenditures
Revenues                                      Capital expenditures

1990-1999: 13 (SACU) 6 (Revenues) 19 (Capital)
2000-2006: 14 (SACU) 7 (Revenues) 25 (Capital)
2007: 16 (SACU) 9 (Revenues) 25 (Capital)
2008: 15 (SACU) 10 (Revenues) 31 (Capital)
2009: 16 (SACU) 9 (Revenues) 34 (Capital)
2010: 16 (SACU) 8 (Revenues) 31 (Capital)
Days required to start a business

Access to Services for Growth

Internet users per 100 persons

Losing Ground on FDI

Foreign direct investment index

......Limited Export Growth

![Graph showing limited export growth from 2003 to 2009. The graph compares exports (solid line) and imports (dashed line). The export line remains relatively stable, while the import line shows a slight increase then a drop.]
World Bank has been in the process of rethinking economic development

Export Orientation and Market Friendly Government

No one-size fits all

(i) Openness;
(ii) Macro stability;
(iii) High rates of saving & investment;
(iv) Market mechanism;
(v) Committed, credible & capable government
Where to Focus: Latent Comparative Advantage

- South Africa – what could be done in Swaziland?
  
  - If firms exist - what would require upgrade of quality and facilitate expansion or additional entry
  - If firms do not exist - how to attract FDI

- The transformation of China (and others)
  
  - Unprecedented scale of manufacturing jobs will migrate – how to attract FDI
Industrial Development and Flying Geese Pattern

Source: http://www.grips.ac.jp/module/prsp/FGeese.htm
Building on Strengths: A Diversified Economy

Swaziland: Composition of GDP by sector (as % of GDP)

- **1980-1989**
  - Agriculture and mining: 22%
  - Manufacturing: 37%
  - Tertiary-private services: 24%
  - Tertiary-public services: 17%

- **1990-1999**
  - Agriculture and mining: 13%
  - Manufacturing: 32%
  - Tertiary-private services: 38%
  - Tertiary-public services: 17%

- **2000-2005**
  - Agriculture and mining: 11%
  - Manufacturing: 32%
  - Tertiary-private services: 40%
  - Tertiary-public services: 17%

- **2006-2010**
  - Agriculture and mining: 8%
  - Manufacturing: 28%
  - Tertiary-private services: 44%
  - Tertiary-public services: 20%

Regionally Competitive Wages

Hourly wages in apparel assembly (US cents)
Market Access and Geography

- Favorable market access
  - AGOA
  - EPA
  - SACU – SADC - COMESA

- Geography
  - South Africa
  - Mozambique
  - South Africa connectivity to reach global markets
Closing Remarks

- The rise of Africa and the transformation of China and other MICs will present new and growing opportunities for countries in Africa.

- For Swaziland a chance to regain the lost ground.

- Many strengths to build upon but history shows that these do not guarantee success.
What it may take for Swaziland

Macro Stability
- Fiscal Sustainability

Openness
- Dismantling barriers and facilitating

Markets
- Transparency and competition to attract FDI

Commitment and Credibility
- Implementation
THANK YOU

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