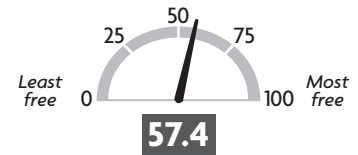


SWAZILAND

Economic Freedom Score



World Rank: **102**

Regional Rank: **14**

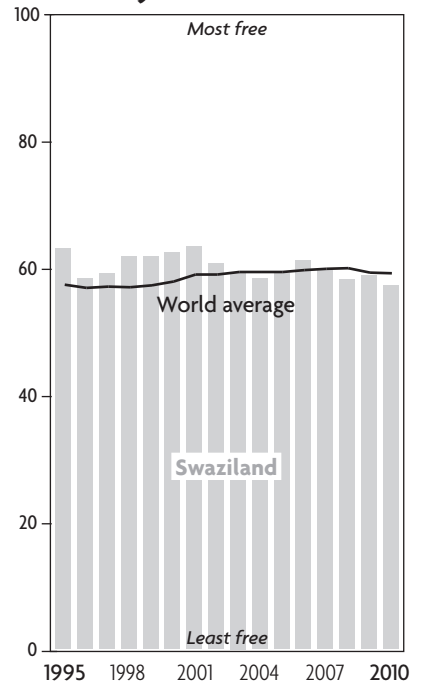
Swaziland's economic freedom score is 57.4, making its economy the 102nd freest in the 2010 *Index*. Its score is 1.7 points lower than last year, reflecting reduced scores in six of the 10 economic freedoms. Swaziland is ranked 14th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average.

Swaziland has lagged behind other economies in the region, averaging annual growth of only 2.8 percent over the past five years. Despite a fairly diversified economic base, inefficient regulatory and legal frameworks have held back investment and increases in productivity. Privatization is part of the government's reform agenda, but progress has been marginal.

There are many lingering constraints on the development of a more vibrant private sector. The most visible problems are related to poor public finance, administrative complexities, and the lack of respect for contracts. Bureaucratic inefficiency and corruption affect many aspects of the economy. Court enforcement of property rights is vulnerable to political interference.

BACKGROUND: Under the constitution, King Mswati III holds supreme executive, legislative, and judicial powers; in practice, authority is delegated to the prime minister, his cabinet, and traditional government structures. Swaziland is surrounded by South Africa to the west and Mozambique to the east. Its economy is closely linked to South Africa, the source of most imports and destination for most exports. Swaziland is part of the Southern African Customs Union (with Botswana, Lesotho, Namibia, and South Africa) and the Common Monetary Area (with Lesotho, Namibia, and South Africa). Much of the population depends on subsistence agriculture or herding. The soft-drink concentrate, textile, and cane sugar industries are the leading export earners and private-sector employers. Coal and diamonds are mined for export. Swaziland has one of the world's highest HIV/AIDS rates.

Country's Score Over Time



Quick Facts

Population: 1.2 million

GDP (PPP): \$5.8 billion

2.5% growth in 2008

2.8% 5-year compound annual growth

\$4,928 per capita

Unemployment: estimated to be over 10%

Inflation (CPI): 13.1%

FDI Inflow: \$10 million

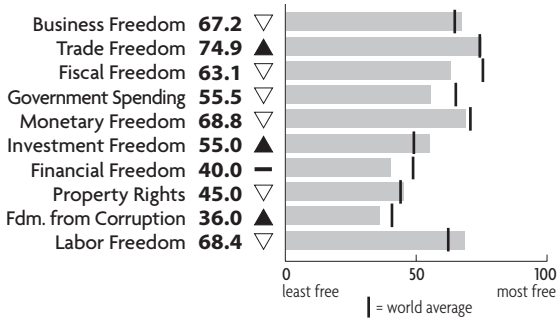
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

SWAZILAND'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 67.2

The overall freedom to start, operate, and close a business is constrained under Swaziland's regulatory environment. Starting a business takes an average of 61 days, compared to the world average of 35 days. Obtaining a business license takes less than the world average of 18 procedures and 218 days. Closing a business is fairly straightforward but costly.

TRADE FREEDOM — 74.9

Swaziland's weighted average tariff rate was 7.6 percent in 2008. Services market access barriers, select import permit requirements, import taxes, and weak enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Swaziland's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 63.1

Swaziland has moderately high tax rates. The top income tax rate is 33 percent, and the top corporate tax rate is 30 percent. Other taxes include a real estate tax and a fuel tax. In the most recent year, the overall tax burden was 41.2 percent of GDP.

GOVERNMENT SPENDING — 55.5

Total government expenditures, including consumption and transfer payments, are relatively high. In the most recent year, government spending equaled 38.5 percent of GDP. Implementation of the privatization agenda and meaningful reform of the inefficient civil service are undermined by a lack of political will. Better budget execution is a key goal.

MONETARY FREEDOM — 68.8

Inflation has been high, averaging 11.2 percent between 2006 and 2008. The government influences prices through regulations and numerous state-owned enterprises and utilities, and government-administered prices account for approximately 16 percent of the consumer price index. Ten points were deducted from Swaziland's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 55

There are no formal policies or practices that discriminate against foreign investment, and companies can be 100

percent foreign-owned. Foreign investment faces minimal screening but is restricted in the telephone, water, and electricity sectors. Bureaucratic procedures are cumbersome, implementation of regulations is non-transparent and unpredictable, and obtaining work permits for foreign workers can be burdensome. With some restrictions, residents and non-residents may hold foreign exchange accounts. Payments and transfers are subject to quantitative limits and government approval in some cases. The central bank must approve inward capital transfers. Approximately 60 percent of land is held by the monarchy in trust for the people of Swaziland. Foreign investors may lease but not own land in most cases.

FINANCIAL FREEDOM — 40

Swaziland's financial sector is small but has been growing in recent years, driven mainly by the increasing number of non-bank financial institutions. Bank supervision is weak, and the sector remains subject to government influence. There are four commercial banks, three of which are foreign-controlled. The financial system is dominated by the non-bank financial sector, total assets of which are equivalent to around 55 percent of GDP. The sector has been expanding due to the liquidity surge triggered by the 2005 Retirement Fund Act, as well as insurance sector liberalization through the Insurance Act in 2005. Capital markets are small and centered on the Swaziland Stock Exchange, which remains largely inactive.

PROPERTY RIGHTS — 45

The judiciary suffers from inadequate training, low salaries, and a small budget. Delays are common, and the executive branch significantly influences decisions. Protection of patents, trademarks, and copyrights is inadequate. The government has acceded to the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement but has not signed the World Intellectual Property Organization's Internet agreement.

FREEDOM FROM CORRUPTION — 36

Corruption is perceived as widespread. Swaziland ranks 72nd out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, an improvement over 2007. Corruption is seen as significant in the executive and legislative branches of government, and efforts to combat it are viewed as insufficient. The Prevention of Corruption law came into effect in 2007 and there is an Anti-Corruption Unit, but the unit lacks sufficient financing, transport, and manpower. Credible reports indicate that unqualified businesses have won contracts because of their owners' relationships with government officials.

LABOR FREEDOM — 68.4

Swaziland's labor regulations are relatively flexible. The non-salary cost of employing a worker is low, but the cost of laying off a worker is high. The formal labor market is not fully developed.