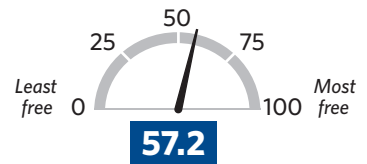


SWAZILAND

World Rank: **106**

Regional Rank: **14**

Economic Freedom Score



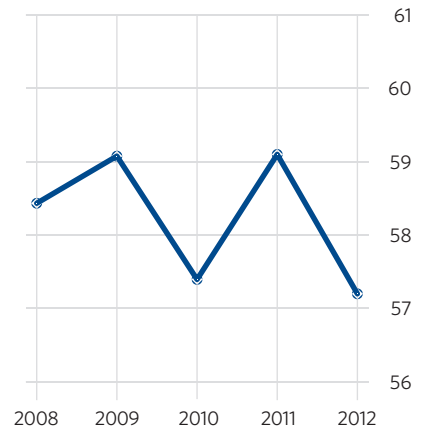
Swaziland's economic freedom score is 57.2, making its economy the 106th freest in the 2012 *Index*. Its score is 1.9 points worse than last year, reflecting lower trade freedom, freedom from corruption, and government spending scores. Swaziland is ranked 14th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average.

Swaziland's progress toward greater economic freedom has been uneven. With annual growth averaging only 2.4 percent over the past five years, development has lagged behind other economies in the region. Although the economic base is fairly diversified, inefficient regulatory and legal frameworks have deterred the dynamic development of private investment and production. Privatization has been part of the government's reform agenda, but overall progress has been marginal.

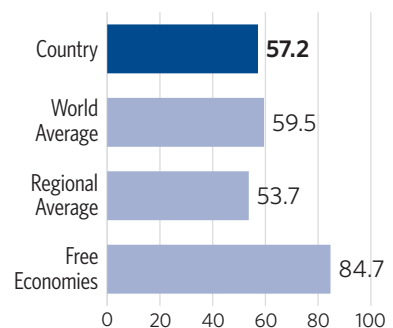
Bureaucratic inefficiency and corruption affect many aspects of the economy, slowing growth and discouraging private-sector development. The most visible constraints on economic dynamism are poor public finance management, administrative complexities, and the lack of respect for contracts. Court enforcement of property rights is vulnerable to political interference.

BACKGROUND: Swaziland is bordered 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. 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. Swaziland qualified for the African Growth and Opportunity Act's apparel provision in 2001, and this has been responsible for creating over 30,000 jobs in its apparel industry.

Freedom Trend



Country Comparisons



Quick Facts

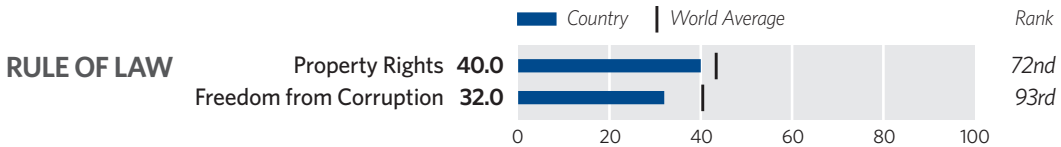
Population: 1.2 million
GDP (PPP): \$6.1 billion
 2.0% growth in 2010
 5-year compound annual growth 2.4%
 \$5,227 per capita
Unemployment: 40.0%
Inflation (CPI): 4.5%
FDI Inflow: \$92.7 million
Public Debt: 17.5% of GDP

How Do We Measure Economic Freedom?

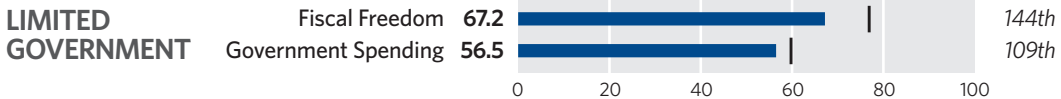
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

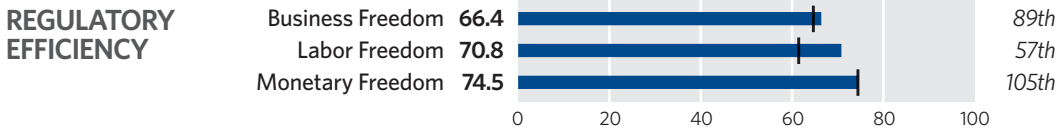
THE TEN ECONOMIC FREEDOMS



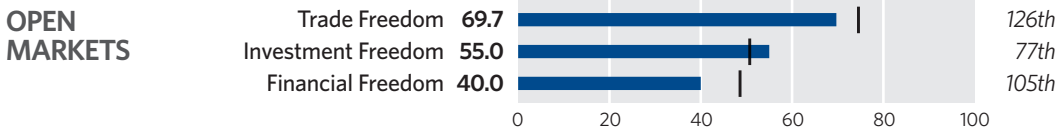
The judicial system is weak and vulnerable to corruption. The commercial court system is inefficient, and investors often pursue out-of-court settlements. Delays are common, and the executive branch significantly influences decisions. Protection of patents, trademarks, and copyrights is inadequate. Mistrust of government is considerable due to widespread public-sector corruption.



The top income tax rate is 33 percent, and the top corporate tax rate is 30 percent. Other taxes include a fuel tax and a sales tax, with the overall tax burden amounting to 35.9 percent of total domestic income. Government spending has risen to a level equivalent to 38.1 percent of GDP, and the budget balance has fallen into deficit. Public debt remains below 20 percent of total domestic output.



Swaziland has an inefficient regulatory environment with many requirements that increase the overall cost of entrepreneurial activity. It takes more than the world average of seven procedures and 30 days to establish a business. A formal labor market is not fully developed, and informal labor activity remains substantial. The state influences prices through numerous state-owned enterprises and utilities. Inflation has been significant.



The trade weighted average tariff rate is prohibitively high at 10.2 percent, with layers of non-tariff barriers further constraining freedom to trade. Although foreign investment is officially welcome, deficiencies in the investment regime such as heavy bureaucracy and inconsistency inhibit growth in much-needed long-term investment. The financial sector remains underdeveloped, but non-bank financial institutions are active.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	0	Trade Freedom	-10.1
Freedom from Corruption	-4.0	Government Spending	-9.4	Labor Freedom	+1.4	Investment Freedom	0
				Monetary Freedom	+3.5	Financial Freedom	0