Swaziland: The garment industry in its economic, political and social context

Part of the 'Enclave Development: State, Markets and Society in Lesotho, South Africa And Swaziland's Garment Manufacturing Industries Book Project'

Søren Jeppesen, MSC, CBS and Andries Bezuidenhout, DDS, UFH

21/08/2019

Special CBDS Working Paper Series
Working Paper no. 4, 2019

This special CBDS Working Paper along two other special CBDS WPs no. 3 and 5 stems from three so-called Country Background Notes (CBNs) on Lesotho, Swaziland and South Africa drafted with the intension to provide an overview of key elements of the economic, political and social contexts, which form an important part of the foundation for the comparative analysis of the development in the garment industry, including the similarities and difference among the countries and settings. The forthcoming book is (preliminary) titled: ENCLAVE DEVELOPMENT: STATE, MARKET, AND SOCIETY IN LESOTHO, SOUTH AFRICA, AND SWAZILAND'S GARMENT MANUFACTURING INDUSTRIES.

Abbreviations

AGOA	Africa Growth and Opportunities Act
ATC	Agreement on Textile and Clothing
ATUSWA	Amalgamated Trade Union of Swaziland
CBS	Copenhagen Business School
COMESA	Common Market for East and Southern Africa
CSR	Corporate Social responsibility
DDS	Department of Development Studies
EU	European Union
FDI	Foreign Direct Investment
GoS	Government of Swaziland
GFCF	Gross fixed capital formation
GVC	Global Value Chain
ILO	International Labour Organization
ILFS	Integrated Labour Forces Survey
ITGLWF	International Textile, Garment, and Leather Workers' Federation
MDF	Millennium Development Goals
MFA	Multi Fiber Agreement
MSC	Management, Society and Communication
NDS	National Development Strategy
NGO	Non-Governmental Organization
PRSAP	Poverty Reduction Strategy Action Plan
RSA	Republic of South Africa
SACTWU	Southern African Clothing and Textile Workers Union
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDG	Sustainable Development Goals
SEZ	Special Economic Zones
SFTU	Swaziland Federation of Trade Unions
SIPA	Swaziland Investment Promotion Agency
SMAWU	Swaziland Manufacturing Allied Workers
SME/SMME	Small- and Medium-Sized Enterprises
SRA	Swaziland's Revenue Authority
STEA	Swaziland Textile Exporters Association
TUCOSWA	Trade Union Congress of Swaziland
UFH	University of Fort Hare
UPE	Universal Primary Education
VAT	Value Added Tax

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INTRODUCTION & ACKNOWLEDGEMENTS

This special CBDS Working Paper originates from a longer-term collaboration between Associate Professors Søren Jeppesen, CBS and Andries Bezuidenhout, UFH. The collaboration started more than 10 years ago and will have its main output with the forthcoming book (preliminary) titled: ENCLAVE DEVELOPMENT: STATE, MARKET, AND SOCIETY IN LESOTHO, SOUTH AFRICA AND SWAZILAND'S GARMENT MANUFACTURING INDUSTRIES. The collaboration has benefitted from primary and secondary data from two research projects and support from our institutions. The first project was part of a large research project, titled 'The Outsourcing for Development project', based at Copenhagen Business School (CBS) and Aalborg University, Denmark. The project was funded by the Danish Development Research Council and investigated different aspects of the contemporary situation among firms from developing countries in an era of globalisation and outsourcing of production from North to South. As part of a sub-study on 'CSR, Development and Outsourcing' we undertook a comparative investigation of the impact of codes of conduct on working conditions in garments in different countries in Southern Africa. The second project was part of a large comparative study on the role of Labour movements in Southern Africa, anchored at the Sociology at Work Unit, Witwatersrand University, South Africa. The project also supported the comparative study of the impact on codes of conduct, with funding from the Norwegian Development Agency (Norad). Over the years, our respective institutions (Department of Intercultural Communication and Management, later renamed Department of Management, Society and Communication (MSC) at CBS and Sociology of Work, Wits University, Department of Sociology, University of Pretoria and lastly Department of Development Studies (DDS), University of Fort Hare (UFH)) have supported us collegially and with funds for travel, student assistance and more. We highly appreciate this.

This special CBDS Working Paper (no. 4 on Swaziland) along two other special CBDS WPs (no. 3 on Lesotho and no. 5 (to come) on South Africa) stems from the three so-called Country Background Notes (CBNs) drafted (one on each of the three countries included in the study). The intension of the CBNs has been to provide an overview of key elements of the economic, political and social contexts, which form an important part of the foundation for the comparative analysis of the development in the garment industry, including the similarities and difference among the countries and settings (See Bezuidenhout & Jeppesen forthcoming). Based on an overview of the present - and to some extent the past - situation of the countries, we will argue that a better (more in-depth and dynamic) understanding of the situation and of the responses that we have obtained from the local stakeholders in the garment industry is provided. By framing key issues relating to the garment industry, including states and industrial policies, the nature of the Global garment industry in a Global Production Network/Global Value Chain, the role of firms, unions and workers, we are able to better understand the situation in the firms and in the industry and the impact (or lack of same) of Codes on working conditions.

During the project, we have benefitted from the work of numerous student and research assistants. They include; Lasse B. Jensen, Alvin P. Ljosa, Sameer Azizi, Amanda Haarman and Zartashia Ahmed (CBS), and Hamadziripi Tamukamoyo, Wits University (and other SA assistants). We would like to thank all for the great help.

1. LOCAL CONTEXT OF CASE STUDY - THE GARMENT INDUSTRY IN SWAZILAND

a. Short history of the industry

The history of Swaziland can be traced back to nomads migrating from what is now the Southern part of Mozambique to the Northern parts of the Zulu areas in KwaZulu-Natal in South Africa. The conflicts with the powerful Zulus influenced the early history of the nation. The first British contact was made in order to get assistance against the Zulu raids. The British took incomplete colonial power over the nation from 1894 to 1899. After the Anglo-Boer war, the British managed to take full colonial power over the nation in 1906. The country became independent in 1968.

Swaziland is a landlocked Southern African country of some 17 500 km². It is mostly surrounded by South Africa, but shares a border with Mozambique in the East (see the map below). It has a population of 1.3 million as of 2016, and is Africa's last remaining absolute monarchy, ruled by King Mswati III[1].

Figure 1: Map of Swaziland with main industrial areas indicated

Source: Mainfacts.com

[1] Swaziland's King, Mswati III, has recently changed the country's name to eSwatini. The King announced the change during the celebrations to mark 50 years of independence from British rule. The word "Swaziland" itself is an English translation of the Swazi people's own name for the nation, eSwatini, meaning "land of the Swazis".

The garment industry in Swaziland is younger and smaller compared to the neighbouring countries of South Africa and Lesotho. Until the 1990's, the garment industry was poorly developed and Swaziland was a (small) export market for South African retailers (Madonsela 2006). However, the opportunities that arose from access to the US market through the Africa Growth and Opportunities Act (AGOA) (De Haan & van der Stichele 2007: 31) were conducive to major change. In 1998 and through the passing of the Swaziland Investment Promotion Act, the Government of Swaziland (GoS) formed the Swaziland Investment Promotion Agency (SIPA) aiming to facilitate and promote foreign and local investment in Swaziland.

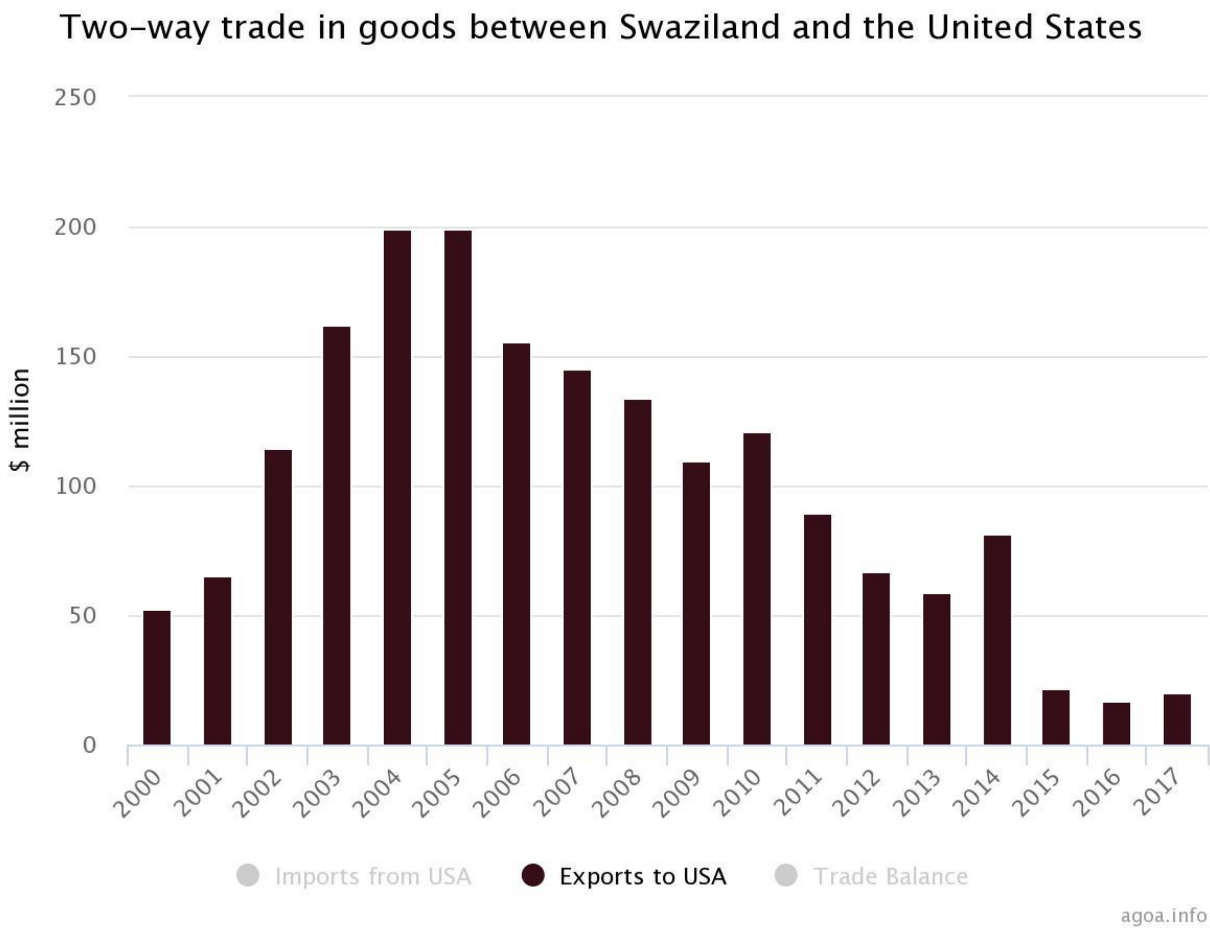
Swaziland's open-market approach attracted foreign direct investments (FDI) primarily by Taiwanese companies. Due to diplomatic difficulties, they directed their investments to Swaziland instead of South Africa (Tati 2005). In numbers, 95 percent of the FDI came from Taiwanese companies and the rest from South Africa and other Asian countries. They therefore played a major role in the early development of the industry (de Haan & van der Stichel 2007: 31), which peaked in 2004 with more than 40 garment firms in Swaziland and about 40,000 persons employed in the industry. Compared to high unemployment and poverty rates and a population of 1.3 million (World Bank Data – www.worldbank.org), 40,000 jobs in the garment industry were significant. Nevertheless, due to a number of factors the garment industry declined to an estimated 16 operations employing around 18,000 workers when we visited the country the first time in September 2008. This study found that, out of the 16 companies operating in the garment industry in 2008, 12 were Taiwanese owned, 2 were South African owned, 1 was Canadian and only 1 was half Taiwanese and half Swazi ownership. With an increase in the number of South African firms in the country, the industry has since regained some of the losses in employment. The jobs provided accounted for almost half of the employment opportunities in the country's manufacturing sector (see later in this section).

The main reason for the dramatic changes in the mid-2000s was the expiration of the Multi Fibre Agreement (MFA)/WTO Agreement on Textile and Clothing (ATC) and the quota-limits in 2005. The phase out of the MFA meant that exports from China and other Asian countries gained importance compared to Swaziland. Contributing to this was a major change in the exchange rate - not only in Swaziland, but in the whole South African region. The Swaziland's currency – the Lilangeni – is closely tied to the Republic of South Africa (RSA) Rand. When the Rand appreciated to 30 percent against the US dollar, this led to an increase in export-prices from the region. Meanwhile, Asian currencies were tied to the US dollar and followed the currency fluctuation of the US dollar, eventually giving them a better competitive position. Besides these macro-economic and political factors, Swaziland has had a poor track record on labour rights, which has led to the country being expelled from AGOA in January 2015 - and then admitted back into AGOA in 2018. Finally, the somewhat disadvantaged location of the country gives relatively high costs of transport and long lead times compared to numerous other countries.

A number of the Taiwanese companies present in the industry at an earlier stage were part of big Asian conglomerates operating based on a global production network strategy. The AGOA benefits combined with the MFA regulations and incentives provided by the Swazi government (see below) led to their focus on Swaziland. However, when the MFA/ATC benefits diminished, in most cases, the Taiwanese closed their operations almost overnight, without paying the workers their wages (de Haan & van der Stichel 2007: 25, 39). The mechanisms behind the Taiwanese "footloose investments" are multiple in a global industry where both US retailers and foreign investors are requiring lower prices, shorter delivery times, and (sometimes) higher quality. Such competition eventually results in a "race to the bottom".

Over the years, the importance of the US market has shifted as an increasing number of South African investors have entered the industry. Traditionally, the US market has been Swaziland's major export market for this industry. Supported by AGOA, exports to the US accounted for US$ 65 million in 2001 and peaked to US$ 199 million in 2004. However, since then, export from Swaziland to the US market decreased significantly to US$ 156 million in 2006, US$ 145 million in 2007, and a stagnation to about US$ 21 million in 2017 (AGOA.info – www.agoa.info.dk). As the numbers show, Swaziland's ultimate exclusion from AGOA in 2015 hit the industry hard. Losing access to the US market caused a dramatic drop in export earnings (textiles and textile products) by 6.5 percent to E 2.303 billion in 2015 alone. In that year, South Africa became Swaziland's main export market for textile products (Central Bank of Swaziland 2016/17). It resulted in massive unemployment and a sharp decline in volume of traded goods to the US (see also figure 2 below). However, the Central Bank of Swaziland (2017/18) has high expectations for the re-instatement of AGOA.

Figure 2: Swaziland-US trade in goods (2000-2017)



Source: agoa.info

Today, the South African market is the second biggest export market with the main advantage of proximity. South African firms now represent a significant part of the garment industry in a number of operations, though on average it is smaller in scale and hence still minor in volume output and employment compared to the Taiwanese firms.

Geographically, most of the garment firms are located in the Matsapha industrial area near Manzini – the main industrial area in Swaziland (De Haan & van der Stihele 2007: 31) (see the map in Figure 1 above). In our study (in 2008) of 16 garment operations, 12 were located in the Matsapha Industrial estate. Apart from Matsampha area, there is a cluster of four factories at Nhlangano in the South of the country. This area became a hub for garment operations mainly due to a Taiwanese investor from South Africa who, in 1999, relocated some of his operations to Swaziland due to crime and labour unrest in South Africa.

He established another operation in 2000, and in 2001 his brother in law followed suit. A total number of 4 of the 16 operations in our research were located in this area. Before the industry setback in 2004, the government's strategy was to move its industrial operations to rural areas such as Nhlangano and Siphofaneni, but the move was not successful as the infrastructure in these areas are limited and the operational costs are too high (Madonsela 2006: 249).

More recent counts state that there are 13 garment operations (9 Taiwanese-owned, 3 South African-owned and 1 locally-owned) and 3 textile mills in Swaziland. Apart from these operations, there are several very small-scale operations across the country (individual tailors or workshops). These small tailors/workshops are very different from the larger foreign-owned exporting operations in terms of inputs and production and there is no interaction between them (Staritz & Frederick 2016).

b. Current situation, incentives and facilitation

The garment industry in Swaziland continues to be driven by the AGOA opportunities, in spite of the long-dragged threats of being expelled from the AGOA (and the country's eventual exclusion in 2015), the currency fluctuations, location cost issues, and the growing importance of RSA firms. The uncertainty regarding the status of the AGOA (being part or not) has led to a weak competitive position of the industry vis-à-vis the "footloose" investors and firms (in particular the ones coming from Taiwan as outlined above).

The primary focus of the government in Swaziland has been on provision of incentives to attract FDI to the industry, and thus not prioritizing local investors (Tati 2008). These incentives range from easing trade agreements with partner countries, smoothening bureaucratic procedures with the government, to financial incentives such as tax reduction, duty-free import of manufacturing technology and raw material (De Haan & van der Stihele 2007: 33). SIPA, a parastatal, was established in 1998 to attract FDI to the country, facilitate growth of domestic companies and support the enabling of a sound business environment. SIPA's focus on creating incentives to attract FDI without considering the long-term and sustainable consequences has led to the attraction of Taiwanese companies that can be characterized as "footloose investors". Their company closures were rapid and without any consideration of the consequences that it has for the workers. In most cases operations were closed on a day-to-day basis and workers were not paid their wages (De Haan & van der Stichele 2007: 25, 39).

The mechanisms behind these “footloose investments” are multiple and emblematic of a global industry where both US retailers and foreign investors are requiring lower costs, eventually resulting in a “race to the bottom”.

The vulnerability and footloose character of the garment industry also relates to the inability of SIPA and the Swazi government to create incentives to attract FDI of a longer-term and more sustainable nature. It has prevented Swaziland to reap the benefits from any significant spillovers of the incoming Taiwanese FDI. Apart from the output from the textile mills, all other fabrics needed for the industry are for instance imported from Asian countries, without efforts on developing a (strong) local market to source fabrics within the country. The garment industry shows limited signs of embeddedness with only little fabrication of cloth and inputs taking place within the country. Moreover, SIPA has neither attempted to build local skills, nor pushed the foreign investors to prioritize this. The transfer of skills from the foreign companies has been low as most of the operations were run by expatriates (De Haan & van der Stichele 2007: 31). This has fuelled dependence on FDI and on managerial skills from outside the country. A recent study confirms that expatriates take up most technical, production, and management positions (79 percent), but more local line supervisors are found today. They are typically in charge of human resources, machine maintenance, and communication issues (Staritz & Frederick 2016).

The main spill-over effect of the garment investments has been on the transportation sector; the government has invested a good amount to improve the infrastructure, such as road networks, around Matsapha’s industrial area and the large number of employees living around the site meant an increase in clients. Moreover, investments in the garment industry have an impulse to local street vendors and small retail outlets in the informal economy (Madonsela 2006: 252).

SIPA markets the country as a “safe, secure ...’ and with a ‘competitively priced work force” (SIPA 2019). The word “safe” refers to a much lower crime rate than its South African neighbour. The South African managers we interviewed were proud to point out that they had experienced very little crime. Nevertheless, some of the houses in Ezulwini, where members of the expatriate managerial class prefer to reside, have high walls and electric fences. This settlement is conveniently located halfway in between the major centres of Mbabane and Manzini, and is also the heartland of Swazi tourism industry with its hotels, casinos and golf courses. The settlement also sports a shopping centre (“Gables”), with a Pam

Golding (an elite South African estate agent) office, a Pick 'n Pay supermarket, a homely coffee shop, a bottle store with upmarket wines from the Western Cape, as well as a number of restaurants.

The word "secure" refers to the business-friendly approach of the Swazi government. The political elite has never been "contaminated" by the socialist rhetoric of many post-colonial African governments. Rather than expropriating land from settlers, King Sobhuza II used a trust fund called Tibiyo TakaNgwane to buy back land on behalf of the Swazi nation, which the monarch holds "in trust". There is a thriving sugar cane farming business on much of this land, of which Tibiyo is the majority shareholder. Finally, investments are secure because they are protected from "undue expropriation" according to the Swaziland Investment Promotion Act of 1998 (SIPA 2007: 12-13). This is particularly important given the experiences of private capital in countries such as Zimbabwe. Despite low threats of expropriation, the US Bureau of Economic and Business Affairs' Investment Climate Statements of 2017 however does regard Swaziland's investment climate as, "less welcoming of U.S. investment due to increased government bureaucracy, corruption, and the higher costs associated with doing business in Swaziland" (U.S. Bureau of Economic and Business Affairs 2017). In terms of the overall ease of doing business in Swaziland, the World Bank has ranked the country at 58.95, where 100 represents the best performance. Moreover, the international community has cast Swaziland as an "unfriendly investor" destination in the past, where capital is subject to the whims of the government and may expropriate private property to advance the living conditions of the local population (U.S. Bureau of Economic and Business Affairs 2018).

The words "competitively priced work forces" refer to the incentives described above, but also, more controversially, to Swaziland's low wages and several measures used to keep unions in line. Since much of the opposition against the tinkundla regime (see below) of King Mswati III comes from the labour movement, industrial relations are characterized to be highly politicized (see e.g. Solidarity Center 2006).

c. Laws and regulations governing the garment industry

The garment industry is regulated by a number of laws, including the ones mentioned above. These include the 'Wages act of 1964' and 'Regulation of Wages in the Textile and Apparel industry from 2004', which states a minimum wage of E139 per week, but have since 2004 not always been complied due to the cost-reducing pressure from retailers (Madonsela 2006: 254).

Furthermore, the Employment Act, 1980 is important with regards to working conditions (see also below). The Employment Act, 1980 lives up to all the international aspects of the international labour organization's (ILO) core conventions, including no child labour, no discrimination, and allowing freedom of association. Nevertheless, the labour law only specifies the maximum working hours for domestic workers to be 48 normal hours and 11 hours of overtime pr. week. Despite having labour laws in place that are in line with international standards, their enforcement is generally weak. This means that the actual number of inspections are lower than the supposed number, and foreign observers rather than Government inspectors have identified often poor standards.

The Wages act of 1964 and Regulation of Wages in the Textile and Apparel industry from 2004 dictate a minimum wage of E139 per week (the equivalent of US$ 10.28 per 2018), but garment companies have since 2004 not always complied due to the cost-reducing pressure from retailers (Madonsela 2006: 254). Given the challenging environment, the unions and workers face severe obstacles in enhancing working conditions in relation to; minimum wages compliance; legal sick leave and maternity leave compliance; job security and instable income; health and safety of workers; recognition of unions among companies requiring 50 percent plus one membership; and finally, for HIV/AIDS issues (De Haan & van der Stichele 2007: 37).

In regards to HIV/AIDS, an estimated 27.4 percent of adults are affected by HIV as of 2017 (UNAIDS – https://www.unaids.org). However, the government has no specific laws to protect the HIV/AIDS affected workers from discrimination. In the worst case, this means dismissal from work and thereby life-threatening circumstances for these workers (Solidarity Center 2006: 47). The prospect of changes required by the unions seems limited. Frequent surveillance of security officers and victimisation of union leaders make it impossible for unions to protect workers' rights (Ibid.). Finally, simple issues like language seems to be problematic, as the Taiwanese employers and trade union members (and workers in general) have difficulties communicating in English (Madonsela 2006: 256).

Supported by the Trade Union Congress of Swaziland (TUCOSWA) and the Amalgamated Trade Union of Swaziland (ATUSWA), workers in the garment industry have been campaigning for minimum wages in 2018, which in practice would mean doubling their income (most earn E 1 300 and E 1 500 per month, which is the equivalent of about US$ 90 – US$ 100). They are demanding a minimum wage of at least

E 3 000 (about US$250) per month (Zwane 2018 – see below too). The trade unions are engaged in an uphill struggle, as they not only are in opposition to the king, but are dealing with tough demands (50% representation in the factories in order to take up negotiations with the employers) while at the same time having internal competition among the unions in terms of organizing members (see Section 2.c below).

It was the Industrial Relations Act of 2000 that was decisive to losing its AGOA status in 2015 (along with the Suppression of Terrorism Act and the Public Order Act). Swaziland had been under watch of the ILO for a general lack of legal recognition for labour and employer federations, in particular concerning freedom of association, assembly, and speech. Some of the concerns that were raised by the ILO were attended to through amendments of the Industrial Relations Act of 2000 resulting in the Industrial Relations (Amendment) Act of 2014. The government – passing the bill just before the deadline of the next AGOA evaluation cycle – hoped these amendments would save AGOA status, but was unsuccessful. Swaziland lost its AGOA status on January 1st 2015, as not enough progress had been made. Swaziland was not reinstated as AGOA beneficiary until 2018 (Ndlangamandla 2017).

Swaziland offers a generous framework of incentives to foreign investors, designed and implemented by SIPA. To name a few: it takes under a month and only USD 500 to establish a company and obtain the necessary licences, there are no import duties on capital goods and raw materials for productive investments, and foreign investors enjoy a reduced tax rate at 10 percent (instead of 27.5 percent) for the first 10 years. On top of these incentives, all profits, expatriate salaries and dividends can be repatriated, and human resource training costs can be written off against tax. Finally, by lowering trade barriers to export markets in the US, AGOA - although not a Swazi government-granted incentive - has been an important reason for Taiwanese investors to set up operations in Swaziland (Tati 2005). Most recently, with the passing of the disputed Special Economic Zones (SEZ)[2] Bill of 2017, Swaziland now offers a tax holiday to operations that set up in the Special Economic Zones around King Mswati III International Airport and at the Royal Science and Technology Parks. Investors (both foreign and domestic) are given an initial 20-year corporate tax holiday, after which they pay 5 percent tax only.

[2] Although Swaziland did not create any official Special Economic Zones (SEZ) or Special Exporting Zones before (in contrary to Lesotho that has hosted special Export Processing Zones), the enclave-state of the industry was already apparent at the time of our field study and interviews field in 2008. The planned special zones following the passing of the Special Economic Zones Bill 2017 therefore seem more of a strategy to legitimize the renegotiation of FDI conditions, rather than a economic development strategy.

While AGOA and the government-granted FDI-incentives are, in theory, aimed at giving a positive impulse to the Swazi economy, practice shows how the Taiwanese investors are the largest beneficiaries, owing AGOA its nick-name "Asian Growth and Opportunity Act". Taiwanese investment is argued to be opportunistically aimed at gaining lucrative market access to the US (rather than concerned with upgrading the local economy) (Tati 2008). The local press expresses strong disappointment and blame the government for missing a "cohesive strategy for taking advantage of AGOA". Garment workers have benefitted very little from foreign investments in the industry other than their meagre salaries argued to be "keeping workers just busy enough to reduce the potential for civil unrest" (Zwane 2018). Moreover, local investors are excluded from AGOA-related benefits as no efforts have been made to create linkages between foreign investors and locally owned micro-enterprises (Tati 2008).

The Ministry of Commerce Industry & Trade hosts a Small and Medium sized Enterprise (SMME) Unit that is charged with promoting and stimulating development of the SME sector. Although small enterprises are seen as vital to economic growth and important to create employment, the number of SMEs in Swaziland is very low compared to South Africa and Lesotho. In his budget speech of 2018, the Minister of Finance Martin G. Dlamini specifically mentioned SME development by referring to a recent survey on SMEs in Swaziland: "The Swaziland MSME National Survey 2017" by FinScope[3]. The survey, aimed at determining the performance of the sector, showed that (according to the Minister) "only 10 percent of the adult population owns a business", which he ascribes to limited "entrepreneurial spirit". The government, therefore, devises incentives to encourage new businesses creation with special attention to a loan scheme for graduates (aligned with the Graduate Enterprise Programme) (Dlamini 2018). Earlier surveys (e.g. from the Global Entrepreneurship Monitor) had already established the relatively low number. However, the primary explanation is lack of (access to) finance, followed by lack of fundamental business skills and competitiveness (Makhubu 2016 2017).

The current National Policy on the Development of Small and Medium Enterprises drafted by the Ministry of Commerce Industry & Trade dates back to 2004. The policy does not mention the garment industry in particular, most probably because the industry is dominated by large and largely foreign operations. It does, however, express the need to create linkages between large and small businesses and promises to establish a business linkage centre to "encourage stronger integration between large and

[3] The FinScope survey is conducted by a South-African based donor-funded independent trust called FinMark (https://finmark.org.za/)

small sectors of the economy" to benefit indigenous businesses (local capacity and skills transfer). It does specify foreign operations apart from South African companies (Ministry of Commerce Industry & Trade 2004). Currently (mid 2018), the Ministry is revising the 2004 SMME policy, but the content is yet unknown apart from a continued focus on youth through access to special funds and programmes (the Junior Achievement, ENACTUS, and KickStart programmes) (Nkonyana 2018).

d. Corporate Social Responsibility (CSR) and Codes of Conduct

The above-mentioned situation in the country has led to limited attention to the working conditions in the garment industry in Swaziland. While state regulations have not been strongly enforced, neither have voluntary initiatives like CSR and codes of conduct. Though the firms exporting to the US are supposed to have codes of conduct in place, we found limited signs of implementation at the time of our field studies. Similarly, we did not come across many signs of inspections of such codes in the country. We did find some differences between the Asian/Taiwanese firms and the RSA firms on this account. As part of the activities of the Swazi Textiles Exporters Association (STEA), the Asian firms did at some point lobby for less stringent labour laws and standards. In contrast, the RSA firms seemed less concerned about this and found that regulations and wages were adequate, one reason was that the influence of unions was more limited compared to RSA.

The "footloose investments" in the industry have further pressured workers' bargaining power towards companies. The question seems to be whether codes of conduct and other CSR initiatives from large export-retailers can provide opportunities for improving working conditions in the industry in Swaziland (Bezuidenhout & Jeppesen forthcoming).[4] However, many of them (both managers and workers) have for years feared that the companies will close down if certain requirements for working conditions are demanded (De Haan & van der Stichele 2007: 37). Working conditions, especially in the Asian-owned companies, are noted to be severely problematic.

e. Current challenges

If the industry is to grow and create more employment, the main challenges for the Swazi garment industry are to overcome different internal and external issues. Some of the factors are general in nature and affect all parties in the industry, while other factors relate to the position of the operations in the

[4] To date, the companies operating in Swaziland have not introduced codes of conduct directly. Some of them do nevertheless offer garments made out of sustainable products such as bamboo and organic cotton (e.g. Tex-Ray).

global value chains (GVCs) of the garment industry and their main market (whether US or RSA). The challenges that Swaziland currently faces (as of 2018) can be broken down into several aspects that are strongly interlinked:

First of all, AGOA is of critical importance to the Swazi garment industry. AGOA contributed (along with other factors) as mentioned above to the huge growth in industry up to 2005, but it has also created a heavy dependence on the preferential trade agreement and made the industry subject to the will and power of the US (the country has one-sided power to revoke preferences of any of the beneficiaries). The industry's vulnerability became clear when Swaziland was (temporarily) suspended from AGOA benefits in 2015 - after a failure to address concerns about worker rights - and exports plumped and unemployment soared as a consequence.

Secondly, ever since Swaziland's admission to AGOA in 2000, the industry has lacked local ownership creating a second vulnerability: overdependence on FDI - or more specifically on Taiwanese investments. Taiwanese investors are attracted to Swaziland for little else than preferential market access to the US through AGOA (and Swaziland's ill reputed low wages, see the third point below). The opportunistic presence of the numerous Taiwanese-owned operations in Swaziland became evident in the aftermath of the 2015 suspension. When the AGOA benefits ceased, trade volume declined and massive layoffs followed, causing a "near-collapse" of the garment industry (Zwane 2018). This highlights the vulnerability of the industry similar to the fluctuations in the industry around 2004-2005 (see above).

A third issue that stands out is the industry's labour conditions (in specific: low wages) that are used by the government as a way to attract FDI, but evidently proved an unsustainable strategy. The industry has a history of exploitation where Taiwanese factory owners pay salaries that workers describe as "slave wages" (Swazi Media Commentary 2014). Swaziland has a particular bad reputation when it comes to industrial relations and in particular the lack of freedom to unionize and protest (which cost the country their AGOA membership, which was only reinstated after parliament passed certain amendments to the Industrial Relations Act). Unions (TUCOSWA and ATUSWA) have organized numerous campaigns and strikes to attain decent working conditions and wages; however, workers are demotivated to join unions as their Taiwanese employers are threating not to pay their wages (Swazi Media Commentary 2018).

Finally - and where all comes together – the local economy including workers and local firms have not profited from foreign investments in the garment industry. There are no implemented programs in place to reap the benefits from FDI, which leaves Swaziland with very limited lasting effects on the economy after nearly two decades of AGOA. Despite the government's discourse on the importance of creating linkages between large and smaller firms in the economy, foreign firms and the SME sector operate in parallel. The garment industry has developed into an enclave (Bezuidenhout & Jeppesen forthcoming). The recent plans of the government to create SEZs near King Mswati III International Airport and at the Royal Science and Technology Parks will most likely further isolate the industry from the wider Swazi economy. Since the main share of the industry's operations is Taiwanese owned, and FDI conditions allow operations to repatriate profits, and send dividends and salaries back home, Swaziland is left 'empty handed' (Zwane 2018).

f. Summary remarks

In spite of some South African companies having established production in Swaziland, this had not happened nearly to the extent found in Lesotho (see e.g. Jeppesen & Bezuidenhout forthcoming). Accordingly, the industry continues to be reliant on the Taiwanese companies, which notwithstanding some diversification of sales into South Africa and the European Union still remain focused on the US market through AGOA. As the employment level is lower and much more modest compared to the peak in 2004, the benefits to Swaziland and the population are significantly lower than earlier.

These changes in the industry are affecting vulnerable population groups such as low-skilled women and men in Swaziland. The "race to the bottom" has, despite governmental incentives to attract FDI to the country, led to a harsh working environment for Swazi workers, where legal worker rights are not complied, and where unions' positions are purposely weakened. Although Swaziland has ratified United Nation's human and worker rights, international labour organization's (ILO) fundamental conventions, and adopted regional instruments to improve workers' rights, compliance to these has been problematic over the years (Solidarity Centre 2006: 17; The Economist 2016). The current constitution in Swaziland is formulated purposely without the influence of the unions, and consists of elements that neglects freedom of association (The Economist 2016). Unions tend to be discriminated and harassed, and blacklisting of union members are legally possible (Solidary Center 2006: 31). In general, the workers in Swaziland are suffering from fragility that is created as a consequence of ruling monarch governance and its cultural discourse, which can frame any activist reaction from the unions as “unSwazi” (Simelane 2008: 463).

The Swazi economy urgently needs to be restructured in order to address the key challenges found in terms of widespread poverty, high levels of unemployment and a limited manufacturing industry and in particular a weak locally owned industry in garments. Some of the main areas to deal with include: a) the currency volatilities to the South African Rand, b) the taxation system, and in particular a potential increase in the level of corporate tax (at the risk of losing FDI), c) upgrading of infrastructure such as the electricity grid, and the improvement of the transport networks such as roads, and d) diversification of the economy.

Finally, the government could also play an important role in the enforcement of labour rights and civil liberties, which could go a long way in fostering an increased level of unity and patriotism. The latter is very important given the large number of Swazis who choose to invest their wealth outside the country. It does, however, seem unlikely that the government will play a role in improving labour conditions and industrial relations in favour of workers, when it would harm the Taiwanese investors’ interests. During the most recent state visit of Taiwanese president Tsai Ing-wen to Swaziland, she signed an agreement with King Mswati III for improved cooperation and the expansion of investments beyond the garment industry (mentioned are: biotechnology, tourism). Underlying their good relationship is Swaziland’s “long-term support [of Taiwan] in the international arena” (Hsu 2018: 1).

2. ECONOMIC SITUATION, INDUSTRIAL SECTOR & LABOUR ISSUES

a. Economic system

Historically, Swaziland’s economy has been closely tied to that of neighbouring South Africa in terms of trade and currency. Its currency, the Lilangeni (plural: Emelangeni), is linked to the Rand and is exchanged on a 1:1 basis, as in the case of Namibia and Lesotho. This makes the economy and the currency “vulnerable to Rand exchange volatility” (Madonsela 2006: 247). The country is a member of the Southern African Customs Union (SACU), the Southern African Development Community (SADC), as well as the Common Market for East and Southern Africa (COMESA), which allows producers in the country to access major African trading blocs. The Swazi economy is very vulnerable to external shocks and has been suffering from prolonged droughts, high oil prices and loss of specific beneficial conditions for garment exports to the US (Bezuidenhout & Jeppesen forthcoming).

Table 1: Major Economic Indicators (2000-2016)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP per capita, current prices (USD per capita)	1872	1651	1511	2308	2894	3255	3321	3456	3254	3498	4267	4572	4404	4046	3890	3511	3343,14
Real GDP growth (Annual % change)	2,6	1,5	3,6	4,4	3,7	5,5	5,2	3,9	2,8	4,5	3,5	2	3,5	4,8	3,6	1,1	0
Inflation rate, average consumer prices (Annual % change)	12,2	5,9	12	7,3	3,4	1,8	5,2	8,1	12,7	7,4	4,5	6,1	8,9	5,6	5,7	5	8
Sectors share of GDP (%)																	
Agriculture	12,8	12,7	13,2	13,0	10,1	11,4	11,6	11,2	10,4	9,7	10,6	10,2	11,0	11,0	10,1	10,2	10,0
Industry	41,1	41,4	41,4	40,3	41,6	41,4	41,4	42,0	41,3	41,7	39,5	38,6	39,6	38,2	38,2	38,1	37,5
Services	46,1	45,9	45,5	46,7	48,4	47,2	47,0	46,9	48,2	48,6	49,9	51,2	49,3	50,8	51,7	51,6	52,4
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Employment to population ratio (%)	37,8	37,3	38,4	38,2	38,1	37,3	36,5	35,6	36	36,1	36,5	37	37	37,8	38,3	39	39

Source: The World Factbook (2017)

Table 1 above shows a range of economic indicators for the period 2000-2016. Although, the GDP per capita at current prices shows a significant increase of 78.5 percent from 2000 to 2016, the development is uneven with years of decline too. While GDP growth in real terms ranges from 3.5 up to 5.5 percent per year in most years, the fluctuations means that considerable lower levels of growth are found in between.

The shares of GDP measured by sector in Swaziland reveals that the primary sector contributed with 10 percent of the total GDP, the secondary sector contributed with 37.5 percent and the tertiary sector contributed with 52.4 percent in 2016 (The World Factbook). The secondary sectors' contribution has been relatively stable in the first part of the period (2000 to 2007) before it then shows a decline from 2008 onwards. The primary sector has also showed a decline of 2.8 percent in the period 2000 to 2016 and again with some fluctuations over time. Finally, the tertiary sector has shown a modest increase, in particular from 2007 onwards (IMF Country Report No. 08/355 2018).

Since 2005, Swaziland has received relative low levels of FDI compared to the period until 2005. In 2007, Swaziland received 37 million dollars in FDI equivalent to 7.5 percent of the total GFCF, while in 2016, FDI was equivalent to around 27 million dollars (The World Factbook). This decrease in FDI is mainly due to limited new investments in the garment sector. The FDI stock is of 889 million dollars equivalent to 30.3 percent of the GDP (UNCTAD 2008). The 2016 sectoral analysis of FDI shows that the manufacturing sector is the leading contributor to the total stock of FDI, accounting for 70.5 percent of the total FDI stock (Central Bank of Swaziland 2015/2016). Table 2 below shows the total FDI into Swaziland by sector in million emalangeni.

Table 2: Total FDI into Swaziland by sector, 2011-2015, (E'million)

Sector	2011	2012		2013		2014*		2015#	
	Change	Stock	Change (%)	Stock	Change (%)	Stock	Change (%)	Stock	Change (%)
Manufacturing	15.0	4,298,8	-3.4	4,977.6	15.8	4,633.4	-6.9	5,687.9	22.8
Services	28.0	916.1	-8.7	903.8	-1.3	1,111.3	23.0	753.3	-32.2
Investment	-10.9	196.3	9.2	215.0	9.5	293.9	36.7	465.4	58.4
Agriculture	63.9	1,792.7	70.1	1,247.8	-30.4	98.6	-92.1	56.2	-43.0
Finance	17.5	720.8	6.3	705.1	-2.2	539.5	-23.5	993.1	84.1
Mining	-8.5	220.4	249.6	183.1	-16.9	457.2	149.6	110.3	-75.9

Source: Central Bank of Swaziland: Annual Report 2015/16

However, the total inflow of FDI has been decreasing since the financial crisis. In 2008 the total inflows of FDI was measured at no less than US$ 105 million. This has however fallen to US$ 27 million in 2016 (IMF, supplemented by data from the United Nations Conference on Trade and Development and official national sources). The slowdown in inflow of FDI also demonstrates the fierce competition in the region in attracting foreign direct investment to individual countries. Also noteworthy is that at time more than half of the total FDI has taken place through reinvested earning, e.g. showing an increase of 14 percent in 2007. The increase was largely because of expansions, upgrading and new projects undertaken by companies in various sectors (Central Bank of Swaziland 2007/2008). This indicated a commitment from the companies already operating in Swaziland. In 2010, the reinvested earnings accounted for 42.4 percent of the total stock of FDI in 2012 (Trading Economics – www.tradingeconomics.com).

To attract more companies, the Swazi government exempts newly established foreign owned companies from taxes on the profits made in Swaziland. Before the passing of the SEZ Act of 2018, the exemption was granted for a period of 10 years. Today, companies are except from paying any taxes in Swaziland for the first 20 years if settled at the Royal Science and Technology Park and the King Mswati III International Airport, which have been declared SEZs. After the 20-year period, foreign companies pay after a mere 5 percent (Dhladhla 2018). There is no data available on the total profits made by foreign companies and the amount repatriated. But it shows in the figures for FDI that the amount of reinvested earnings is increasing. In 2015, Swaziland's FDI stock increased to E 8.098 billion (a 12.2 percent increase from 2014), mainly due to the reinvested earnings component (20.9 percent increase to E 6.403 billion) (Central Bank of Swaziland 2015/2016). Though, Madonsela (2006) states that this is not the case of the Swazi garment industry, the figures show that, despite tax holidays, not all of the profits are repatriated.

The Swazi economy has at times been marked by a high level of inflation. The inflation rate was measured at 13.3 percent in 2008 (until July), going up from 12.6 percent in 2007. In the period from 2003 to 2006 the average inflation rate was of 4.9 percent all while the inflation rate in South Africa during the same period was only 3.3 percent (IMF Country Report No. 08/355 2008). In the period 2017-2018, the inflation rate has decreased from 6 percent (until March) and down to 4 percent in February 2018 (see table 3 below).

Table 3: Swaziland's inflation rate March 2017- February 2018

Period	Inflation rate in %
March 2017	6
April 2017	7
May 2017	7,1
June 2017	6.9
July 2017	6.7
August 2017	5.9
September 2017	5.4
October 2017	5.4
November 2017	4.9
December 2017	4.7
January 2018	4.6
February 2018	4

Source: Trading Economics (2018a)

Swaziland receives remittances from workers employed in foreign countries. In 2011 the official amount of remittances received was US$ 38 equivalent to 0.79 percent of the total GDP (US$ 4.82 billion (World Bank Group 2016). This has however decreased to US$ 25 (0.62 percent of the GDP, i.e. US$ 4.02 billion (World Bank Group 2016) in 2015. The real level of remittances may however be higher than the official figure given that several informal channels have been found to send remittances. The percentage of the population that has emigrated is 9.3 percent. Many of the people emigrate to South Africa or Mozambique. Studies show that 5.8 percent of the people receiving tertiary education emigrate from Swaziland (World Bank Group 2016).

Swaziland has a foreign population of 25.500, equivalent to 2 percent of the total population (measurement from 2013). Immigrants mainly come from South Africa and Mozambique. The total immigrant population sends out US$ 9 to their home country. The outflow of remittances has seen a huge decline between 2002 and 2016 from 39 to 10.4 million dollars (World Bank Group 2016).

Economic and industrial policies

The present economic policy is still centred on achieving growth through openness toward foreign investments in the country and on building export-oriented industries. The Ministry of Economic Planning and Development developed the 'National Development Strategy (NDS): Vision 2022' in 1997 to set the frame for the development of the country for the next 25 years. The plan should act as an overall guideline for all other sub-policies and as a managerial tool for fostering development. The strategy paper is focused around key macro-economic issues and specific sectoral strategies, such as public-sector management, infrastructure, agricultural, rural development, economic services, education, health and social welfare. However, as a Swazi Observer article from 2017 asked, the question is how much the country really has developed in the 20 years that have passed. The present economic policy is still centred on achieving growth through openness toward foreign investments in the country and on building export oriented industries. The lack of Swazi participation in economic growth and development is blamed on the Privatisation Policy and empowerment laws and Bills are mentioned, which are allegedly "piece meal" and unable to engage local businesses (unknown author 2017 – *Swazi Observer*).

The economic goal of the Swazi government has been to achieve the Millennium Development Goals (MDGs) and later the Sustainable Development Goals (SDG) through economic growth. Thus far, economic growth has been pursued through local industries partaking in multinational companies' global value or supply chains. These strategies focused particularly on the improvement of the garment sector and the benefit from the special export conditions under the AGOA agreements. In line with the discussions above in the working paper, this however has led to a focus on a single sector which again hassled to further fragility of the country's economy as witnessed with the changes in the conditions of the garment industry before and in particular after 2005 (Madonsela 2006, Staritz & Frederick 2016).

Ownership structures

The land ownership structure in Swaziland is built around two types of land. The Swazi nation land is administered in such a way that the king formally owns the land of the nation. The management of the land is allocated to the chiefs who give out usufruct rights to Swazi families for agricultural purposes for instance. The other form of land is the title deed land where commercial farms and industries can operate (Swazi Government – www.gov.sz).

Foreign ownership of almost all of the garment factories has meant that strong relations with the home country are maintained, and that most of the inputs used in production are sourced from abroad. Though, some fabric is produces locally and some other types of input are sourced locally. The sourcing takes place through either RSA or Mozambique by the foreign owned companies. Both the Taiwanese and the RSA companies source most of their inputs from Asia (China or Taiwan), which means that there is limited spill over to the domestic industry (Madonsela 2006).

b. Industrial sectors

Apart from garments, the key economic sectors in Swaziland include the sugar production sector, the beverage industry, the wood production sector and the tourism sector. The first three industrial sectors are mainly producing products for exports, though more secure options for income are being developed (i.e. the tourism sector).

The major export markets for the garment industry are South Africa and the USA. Exports to the US is carried out under the conditions of the AGOA-SP. Swaziland's definition as a less-developed beneficiary allows exporters access to the US market under the conditions in the AGOA Special provision (SP). This allows Swaziland to source goods manufactured in third countries, use them in the garment industry and export them quota and toll free to the US market. As mentioned above, AGOA was set to end in 2004, but was extended to 2008. Several of the least developed countries have had their SP permission renewed until 2012 under the AGOA conditions. This expired in 2015. Swaziland however lost AGOA eligibility in 2015 with the US because of failure to respect human rights issues but was reinstated in 2018. The SP permission is however under pressure from AGOA countries not benefitting from the SP, such as Mauritius and South Africa and from African producers of apparel otherwise sourced from third countries under the SP.

Although there is a general lack of spillover effects from foreign investments in the garment industry, several small-scale spill-over effects have been identified. Due to the focus on export markets and the government's desire to spread the activities out to the rural areas, substantial infrastructural projects have been undertaken to provide the sector with access to roads and trains. Several transport operators have also benefited of the increased transport of both goods and personnel to the factories. (Madonsela 2006: 252).

Swaziland (as part of SACU) entered a trade agreement[5] with MERCOSUR on April 1st 2016, providing SACU members access to Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay. Both parties offered concessions on more than 1.000 tariff lines with preference margins ranging between 100 – 10 percent (The Department of Trade and Industry 2016). After its exclusion from AGOA in 2016 the MERCOSUR-SACU agreement offered the industry a "lifeline". (The Department of Trade and Industry 2016). Swaziland further aims at gaining preferential access to the markets of the EU and is currently in the process of ratifying the EU's trade and development agreements, i.e. Economic Partnership Agreement (Swaziland Revenue Authority 2018 –

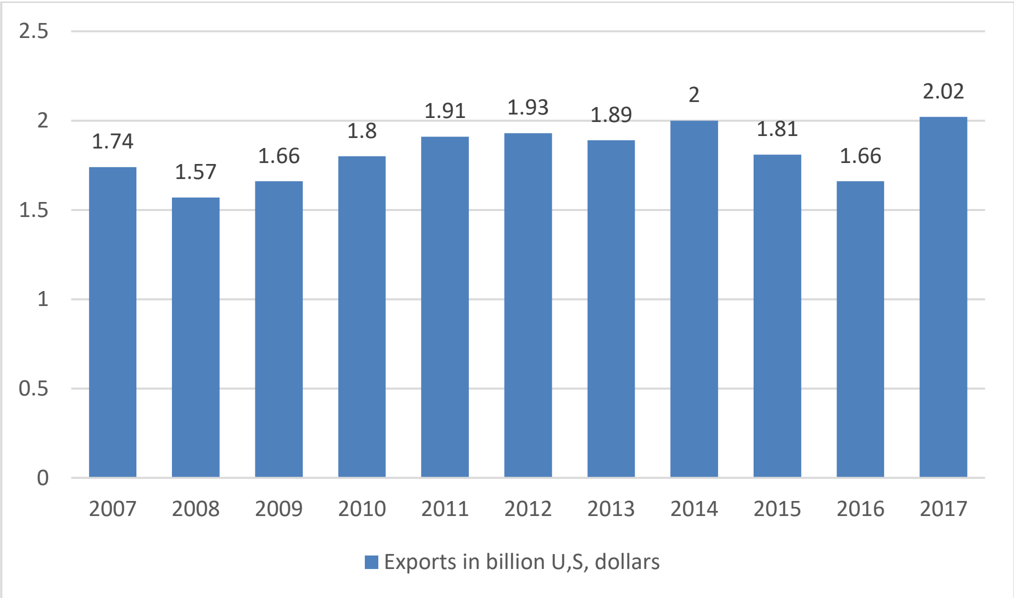
[5] Please refer to the Swaziland Revenue Authority's (SRA) website for full details on the SACU-MERCOSUR trade agreement as well as the SADC - EU Economic Partnership Agreement: http://www.sra.org.sz/customs/free-trade-and-preferential-agreements.php

www.sra.org.sz). Under this agreement, the EU guarantees SADC members Botswana, Lesotho, Mozambique, Namibia, and Swaziland free access to its market and will remove duties on 98.7 percent of imports from South Africa. The SACU, in turn, removes duties for 86 percent of imports from the EU (EU accepts asymmetric trade conditions, i.e. asymmetric liberalization) (European Commission n.d.).

Trade and Production:

Although Swaziland has had a deficit on its trade balance since 1978, in 2013 Swaziland recorded a trade surplus of 0.05 billion USD. Since then, the country has recorded a trade surplus up to 0.37 billion USD in 2015. This however fell to 0.19 billion USD the following year (see figure 3 below).

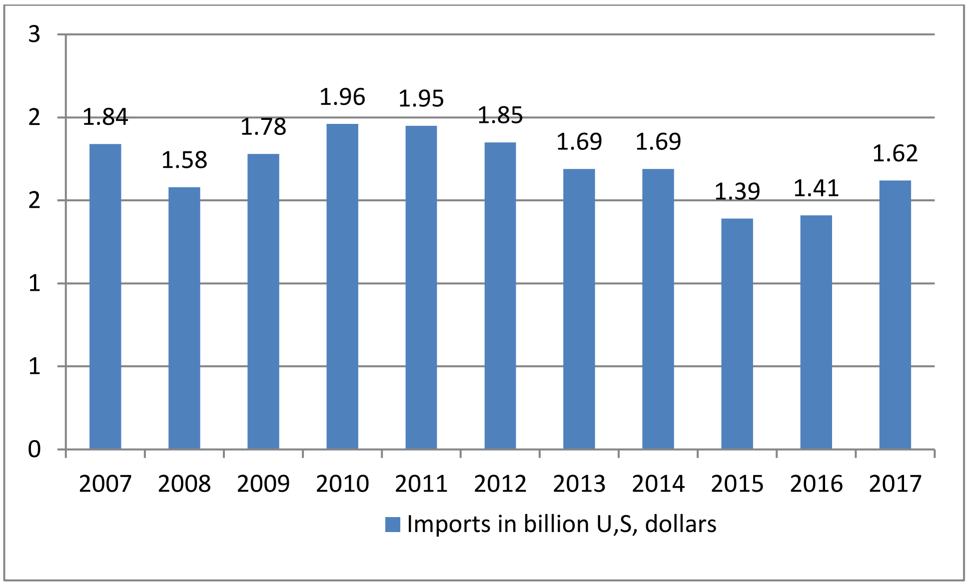
Figure 3: Export of goods from 2007 to 2017 (in billion U.S. dollars)



Source: WTO (2018) In Statista - The Statistics Portal.

In 2017, Swaziland exported USD 2.02 billion, making it the 147nd largest exporter in the world (The World Factbook). The main products exported are essential oils, perfumes, cosmetics, toiletries (30 percent), sugar and sugar confectionery (21 percent), miscellaneous chemical products (17 percent), garments (6 percent) and wood products (4 percent) (Zimtrade 2016).

Figure 4. Import of goods from 2007 to 2017 (in billion U.S. dollars)

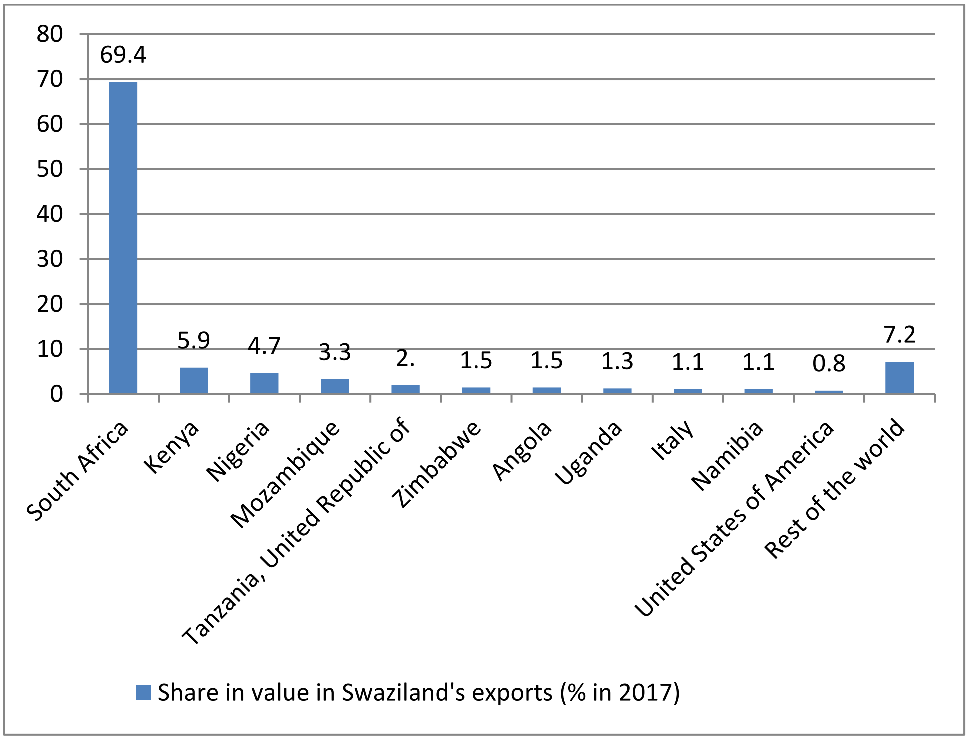


Source: WTO (2018) In Statista - The Statistics Portal.

The imports into Swaziland are a bit lower compared to the exports. In 2017 Swaziland imported US$ 1,62 billion worth of goods (WTO 2018). The main goods that were imported in 2017 were mineral fuels (11 percent), Vehicles and parts thereof (7 percent), and Machinery and parts thereof (6 percent) (ITC 2018). In the case of imports, the depreciations of the domestic currency have on several accounts meant that the imported products have become more expensive. This e.g. contributed to the increase in value of imported goods measured in the domestic currency in the mid 2000s (Central Bank of Swaziland 2007/2008).

Swaziland's main trading partners are South Africa, China and Mozambique. Swaziland imports 60.3 percent of all its goods from South Africa, 5.3 percent from China and 5.1 percent from Mozambique. The main export destination of Swazi products is South Africa, receiving 69.4 percent of all exports (see figure 5 below), which makes Swaziland very dependent on the economic situation and development of the South African economy. Kenya receives 5.9 percent and Mozambique accounts for 6.2 percent of exports coming from Swaziland. The US accounts for 0.8 percent of all exports in terms of value (ITC 2018).

Figure 5. Country shares in value of Swaziland's exports (% in 2017)



Source: ITC (2018) In Trade Map – International Trade Statistics.

The total debt to GDP ratio in March 2016 was recorded to be 16.2 percent. Although this number is below the international threshold, it is nevertheless higher than the ratio of 12.9 percent it was in March 2015. The increase mainly reflected an increase in external debt with the ratio standing at no less than 9.9 percent, all while the domestic debt was found to be 6.3 percent. Foreign debt has also continued to increase, and constituted about 61 percent of the total debt (Kariuki & Kannan 2017).

c. Labour market

Manufacturing accounts for 19.5 percent of all employment. Other sectors are wholesale and retail (15.4 percent), agriculture, forestry and fishing (10 percent), real estate, renting, and business activities (7.5 percent), education (7.4 percent), what is classified as other community, social and personal service activities (11.3 percent) and all other industries (28.9 percent). The survey also revealed that 21.3 percent of all workers in the manufacturing sector could be classified as part of the informal sector.

As mentioned in section 1, the garment industry is one of the key sources of employment in the formal sector. Due to the fluctuations in the industry, the level of employment has shifted, e.g. from the peak in 2004 with around 40.000 employed, to approximately 18.000 workers in 2008 (at the time when we conducted our first interviews (September 2008), to present an estimated 12-13.000 employed.

Swaziland's official unemployment rate in 2017 was 26.4 percent. Unemployment has been fairly stable since 2007 where 28.2 percent of the population was unemployed (World Bank 2018). However, unemployment figures are said to be problematic for a number of reasons. According to the country's first labour force survey, the Integrated Labour Forces Survey (ILFS), which was conducted in 2013, concluded that the country had a total working age population of 585,872 individuals. The survey shows that the total labour force is 295,237 individuals (or 50.4 percent)[6]. Of those in the labour force, 71.9 percent are employed, and 28.1 percent are unemployed – accounting for 212,131 and 83,105 individuals respectively. Of those who are out of the labour force, approximately 290,637 individuals (or 49.6 percent), 23.7 percent are classified as discouraged workers, and 76.3 percent are classified as "others out of labour force" (see appendix 1). However, as previous reports indicate, many workers in a country with a relatively small formal sector such as Swaziland do not actively seek employment because they do not believe that jobs are available (ILFS 2007). As such, they are classified as discouraged workers.

The (ILFS) report works with official and relaxed definitions of employment. This means that for the relaxed definition, those who are classified as discouraged workers, are added to the unemployment rate. It is also important to note that the definition of employment is somewhat liberal – a person is classified as employed when he or she "[d]id at least 1 hour of work during the reference week [the week before the interview] for pay, profit, barter, or home use in a wage and salary job, in his/her own enterprise or farm, or as an unpaid family worker in a family-owned enterprise or farm" or "[t]hose persons who were temporarily absent from their jobs to which they will return due to illness, bad weather, vacation, labour-management dispute or personal reasons." However, "unpaid family workers temporarily absent from work" were "considered *economically inactive*" by the report (ILFS 2007: 17-18). If one adds discouraged work-seekers to those classified as unemployed, the "relaxed" unemployment rate adds up to 38 percent of the economically active adult population (in 2013).

Wages

The basic minimum wages in Swaziland are set and controlled by the Ministry of Enterprise and Employment. The ministry sets down wage councils to decide the minimum wage in the 11 different categories of industry or trade. The council is made up by representatives from the employers, the employees and the government.

[6] Defined as those aged 15 and over.

Regulation of wages in the garment industry is set by the Manufacturing and Processing Industry Legal Notice no 149 of 2002. As per 2017, there are seven categories. The basic wage for a learner (category 1 rate) in the sector is 262.7 Emalangeni (US$ 22.5) per week. For category 2, such as a packer and a sorter, the minimum wage is set at 351.35 (US$ 30) Emalangeni. For the mid-categories, the wage ranges from 387.2 to 476.9 Emalangeni (or US$ 33 to US$ 40.7). For the very skilled person, the wage is between 543.35 to 562.35 Emalangeni (US$ 46.3 to US$ 48) per week. The supervisors are set to earn minimum 25 percent above the highest paid worker (Ministry of enterprise and employment 2002. As seen on http://www.gov.sz/home.asp?pid=2675 the 7. April 2009; Simelane 2017).

Although the minimum wage has been adjusted in the last couple of year, the average inflation rate of 9.42 percent from 1967 to 2019 has made it very difficult to live in the country (Trading Economics 2019). Furthermore, several of the textile and clothing companies have over the years expressed that they expect to be exempted from the minimum wages regulations in order to keep their investments in Swaziland. This put heavy pressure on the minimum wages as e.g. reported by Madonsela (2006). In 2017 the Swazi government approved a salary increase for workers in the garment industry of 18 percent, bringing the minimum wages up to US$ 18.7 to US$ 40.1 (depending on the category of the worker) (APA News 2017*)*. However, workers (through trade union TUCOSWA) were demanding up to a 100 percent increase. Unions were encouraged to bring this demand to the table by the words of the US Ambassador to Swaziland Lisa Peterson's after Swaziland was reinstated as AGOA beneficiary. Peterson said that "the country should strive to ensure fair labour conditions and safe workplaces" (Zwane 2018). The Swazi Labour Law includes the eight ILO core conventions. The problem is, however, - as had been outlined earlier on - that the execution of the labour law is not enforced adequately due to the fear of losing foreign investors. Another important element to remember is that the minimum wage laws do not apply to the informal sector, where many workers are employed (AllAfrica 2018).

Unions

Unions in Swaziland are highly politically involved. As political parties are banned in Swaziland, and unions were too until 2006, the unions have been engaged in political activities striving for democratic reforms. As an example of the broader demands politically, the trade unions' agenda has also included advocating the government to supply the population with free transport and affordable housing, mainly because the minimum wages are not high enough to maintain reasonable living conditions. In

2011 for instance, Swaziland only had 26 registered trade unions (Ulandssekretariatet 2013). As the unions are the main opposition to the rule of the king, this has led to harassments and disturbance of unions' work. In contrast, foreign garment companies have been viewed as 'friends of the king'. Hence, the unions have faced a number of challenges.

At the national level, a recent attempt to strengthen the unions by forming one main body TUCOSWA (Trade Union Congress of Swaziland) was ruled to be illegal by the Swazi courts. Until then, most of the Swazi trade unions were cooperating in the Swaziland Federation of Trade Unions (SFTU), headed by Jan Sithole. The organisation was officially established in 1983, and was at that time illegal. The organisation approximately has 83,000 members. However, other unions were affiliated with SFU. While one of Swaziland's biggest and most powerful unions under the SFTU were the Swaziland Manufacturing Allied Workers Union (SMAWU). The union represented the highest amount of garment workers and is headed by Justice Thintitha Mthethwa, then also SPRAWU organised garment workers. Both unions had their main priorities on topics like wages, working conditions and unfair dismissals. Furthermore, a system of seniority is wanted where workers, who have been employed for a longer time, should receive a higher payment compared to newly hired workers.

One challenge is that the unions need to represent 50 percent of the workforce in a workplace to ensure recognition by the factory management. This is almost impossible to achieve, and recognition is therefore in many cases up to the goodwill of the individual factory owner. In addition, different unions have attempted to organize workers in the garment industry leading to internal competition further weakening the chances of reaching 50%'s representation.

Another challenge has been the policies and initiatives from government and parastatals (SIPA). In our communication, SIPA representatives argued against the trade union's demands for a higher minimum wage as this was viewed to diminish the competitive advantage on a global level of the companies operating in the country. Furthermore, no unions were allowed in the SEZs when these zones were established. As Vincent Dlamini, the union representative, stated: "our main objective is to ensure, as workers, that we are properly governed because we are citizens first before we are workers (Clottey 2009).

Various international non-governmental organizations (NGOs) and unions from Europe and the US have over the years engaged in the situation in Swaziland. One example is the American Unions centre AFL-CIO, which has helped to pressurize the government to improve labour legislation. International cooperation has helped the Swazi unions in several occasions, including solving problems with factory owners and by helping the local unions with education and training. The main international unions helping the Swazi unions are Southern African Clothing and Textile Workers Union (SACTWU), International Textile, Garment, and Leather Workers' Federation (ITGLWF).

Finally, the factory management – the employers' side – has shown limited forthcomingness in terms of taking up communication, consultation and negotiation. The Taiwanese companies have been most confrontational while the RSA firms have been less so. Furthermore, the language barriers with the Taiwanese owners have caused problems for the unions. After legalizing the unions in 2006, some attempts were taken to learn from experiences and bring the relationship between unions, companies and government forward. During 2008, a delegation of people with relation to SMAWU, STEA and the labour department of the Swazi government, went to visit its counterparts in Lesotho. The trip was prepared to gain hands-on experience in how the tripartite system of resolving industrial disputes has worked for The Basotho counterparts, as it was evident that the Swazi garment industry suffered from more severe industrial unrest than the Basotho industry (Zwane 2008). However, no concrete steps were taken to implement such procedures in Swaziland.

Another example of the challenges of the unions was the heavy disputes between the management of garment factories and its workers which resulted in the mass firing of all the employees after an illegal strike in the factory of Juries factory in Nhlangano. The workers had a number of complaints to the management's treatment of the workers and went on an illegal strike. It is in fact almost impossible to strike legally as the limit for announcing a strike is no less than 74 days. Some of the workers complained that there was lack of permanent employment contracts and leave pay. Others complained that they wanted to be examined by doctors of their own choice and that they wanted to be able to eat food inside factory premises. When the management failed to react to these demands the workers decided to start illegal strikes. Finally, the management saw no other way than to fire all the employees who had participated in the strike. The SMAWU Union complained that the management had not used the normal procedure for handling industrial disputes, but had instead acted in an unreasonable way (Dlamini 2008).

Moreover, as mentioned by most observers, there has been severe limitations in the commitment from factory owners to live up to the labour standards and minimum wages of the country. There have been some attempts to use contracts e.g. between SMAWU and STEA to settle on improved working conditions for the workers. These contracts were set to last until June 30, 2009. But due to disagreements inside STEA between the Taiwanese and the RSA companies, in particular about the way the contracts should be used and the importance of cooperation with the trade unions, STEA could not come to a joint position and eventually split up in two fractions. Consequently, no agreement was reached and no improvement of the working conditions achieved.

The current situation in the industry is also still very challenging. In March 2012, TUCOSWA was established as a merger between Swaziland's main trade unions, SFTU, SFL and SNAT. The union represents around 34,904 members, and is led by Secretary General Vincent Ncongwane. However, although the merger was a way to strengthen the country's trade union movement, so as to better meet workers' expectations, only a month later the government, and later the Industrial Court, de-registered TUCOSWA, making it illegal. The official reason behind the deregistration is that the labour law cannot accommodate the merger. But given that the new trade union is taking a resolution to call for free and fair elections in Swaziland - including unbanning of political parties - it is more likely that the deregistration is associated with the union's strong political involvement. Only after significant international pressure, TUCOSWA has received its registration again. This proves that the industry is still facing some of the same challenges as it was years ago.

All in all, the unions have experienced major obstacles in their work and registered limited progress with regard to their demands.

3. POLITICAL & SOCIAL SYSTEMS AND POVERTY

a. Brief history

The country regained its independence from Britain in 1968 after being under colonial rule for more than 60 years. At that time, a constitutional monarchy was in place and the political party, Imbokodvo National Movement, was in control of all the electable seats. In the nation's second election, the opposition party Ngwane National Liberatory Congress won 20 percent of the votes. The presence of the opposition party made the king dissolve parliament and take full government control over the nation, forbidding all political and trade union activities in the country. The political system was restored in 1979, with a parliament formed by representatives who were partly elected indirectly, and partly appointed by the king himself. This system was changed in 1993 after demands for democratic reforms to a system of both direct and indirect representatives in the parliament.

b. Description of the political system and administration

The political system is a monarchy with the executive power resting with king Mswati III. He functions as the head of the state, while the Prime Minister Barnabas Sibusiso Dlamini acts as the head of government and a cabinet appointed by the king at the recommendation of the prime minister. The legislative power rests with the parliament formed by the House of Assembly and the Senate. Although the two chambers sit separately, all Bills must be passed by both chambers and receive the Royal Assent. The House of Assembly consists of 65 members. The 55 members of the House of Assembly are elected, and 10 are appointed by the king. The 55 elected representatives are elected as local representatives in the local tinkhundla centers, and not as political party representatives since political parties are illegal. The tinkundla system means that government representatives are elected on the basis of the system of traditional rules, which runs alongside hereditary traditional leaders (indvunas) who are in reality appointed by the king. The representatives are elected for a 5 year period. The last election was held on August 18 and 21 September 2018. The Senate consists of 30 members, with 10 members appointed by the House of Assembly and the remaining 20 by the king. The king appoints the executive authority (European External Action Service 2013)[7].

Administratively, the country is divided into 4 regions, 9 municipal governments and mentioned 55 tinkhundla centers. Under the Local Government Act, responsibility for urban local government rests with the Ministry of Housing and Urban Development, which has power to define urban areas; while responsibility for rural local government rests with the Ministry of Tinkhundla Administration and Development. As a consequence of the national decentralization policy in 2016, the municipalities now hold revenue-raising and budget-seeking powers – all while the tinkhundla centres operate with direct funding from the government. The responsibilities of the local government is widespread, including town planning, waste management, environmental protection and, water and sanitation (CLGF 2017-18).

Taxes

Income taxation was first introduced in Swaziland in 1921. The personal income tax system is progressive with tax rates from 0 percent up to 33 percent depending on the income. Since 2014, Swaziland has decreased its corporate tax rate to 27.5 percent. However, the government can classify certain operations as "essential for the development of the country", which means that such corporations pay a tax rate of 10 percent for a ten-year period. In addition, corporations involved in

[7] See also http://www.gov.sz/index.php/component/content/article/93-parliament/parlimanet/370-parliment

exports have duty free access to capital goods, raw materials and can repatriate their profits without having to deal with exchange controls. Furthermore, there are no taxes on dividends from companies paid to residents of Swaziland and no estate taxes are paid. Swaziland has operated with a standard rate of sales tax of 14 percent since 2012, which is an increase of 2 percent since 2003 (Trading Economics 2018b). The sales tax was replaced by Value Added Sales Tax (VAT) in April 2012. It is administered by the VAT Act No. 12 of 2011 as well as the VAT Regulations of 2012. VAT is tax that is charged on the consumption of goods and services in Swaziland and on the importation of goods and services into Swaziland and continues to be 14 percent. Alcohol and tobacco have higher sales taxes, and various necessity goods like fresh food, drugs, medicines, furniture, and building supplies are exempted from the sales tax.

In 2006/2007 the tax income was E 2,195,492 million Lilangeni (the equivalent of US$ 154,418 million) (see appendix 2). This is a significant increase from E 425.518 million in 2000 (the equivalent of US$ 29,934 million) (OECD Stat 2018 – www. stats.oecd.org). The income from customs, excise and trade was E 6,112 million (the equivalent of US$ 430 million), which is an increase of 57 percent from the year before. This is mainly due to an increase in the receipts from the custom union (SACU). Swaziland forms part of the SACU, and there is a custom union of free trade between the member states where common duty tariffs and rules are applied. The introduction of a similar regime of duties and tariffs was introduced to facilitate easier sourcing from member countries of those raw materials used in the manufacture of goods that are meant for the export market. The customs and excise duties are pooled and afterwards shared among member states.

Imports originating from outside the SACU are subject to an import duty. The tariff varies on different product categories. VAT is also payable on imports both from SACU and elsewhere[8]. All imports sourced for use in the manufacturing of goods for export are duty free. An attempted specification of revenue from custom duties can be seen in appendix 2.

The total income from customs duties is much higher than the income from personal and corporate taxes as well as VAT. The total revenue of the government, including grants was in 2015/16 of 14.452 million emalangeni. As public expenditures have not followed the same increases over the last years (see appendix 3), Swaziland has managed to change yearlong deficit to a surplus of E4.3 billion in 2015.

[8] See also http://www.sra.org.sz/customs/swaziland-customs.php

Infrastructure (roads, electricity supply, water supply and waste management)

The infrastructure in Swaziland is far from as developed as the neighbouring South Africa. Only 3000 kilometres of the road network, representing 28 percent of the entire network, is paved. The rail service in the country is used to transport goods solely. The rail system is connected to Mozambique's rail system and provides access to international harbours. A heavy duty rail line that goes directly from Mpaka to South Africa was established in 1986.

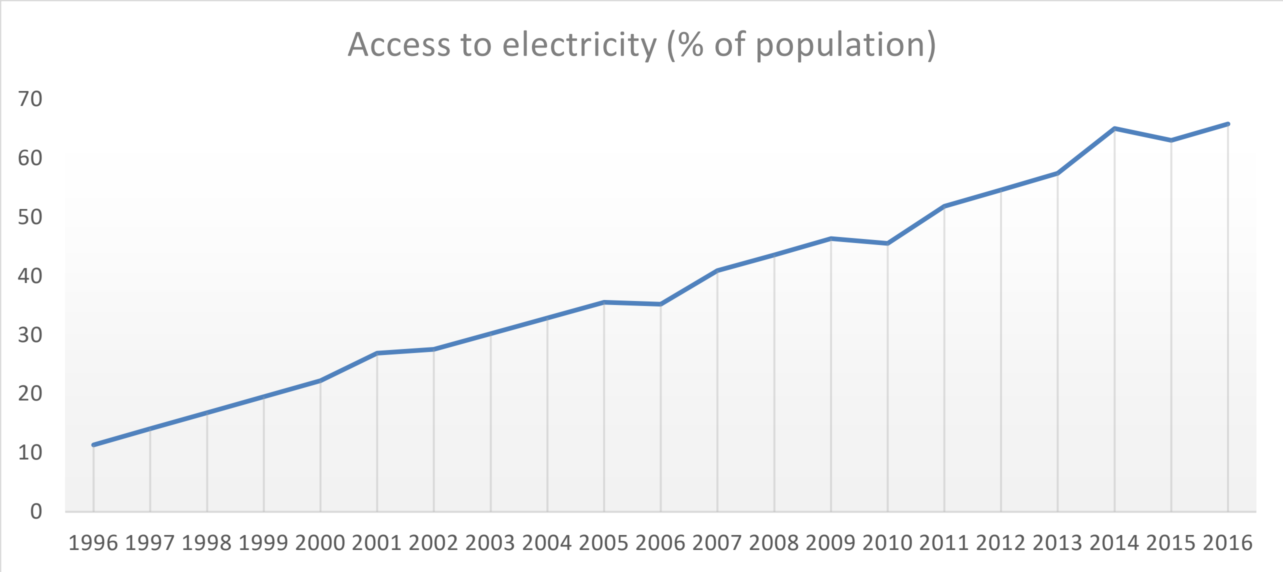
Swaziland's financial infrastructure has various deficiencies. The level of savings (public and private) has been insufficient in order to finance new investments. The government has provided very limited funds for investments. The cost of capital is too high due, given very high interest rates and the access is limited which restricts private household and smaller firms from borrowing funds. The formal banking sector is characterized by the 'usual' developing country one-sided focus, only prioritizing larger business, including the ones in export industries. The situation has led to increased investment of domestic savings in neighbouring South Africa. The limited scope and depth of the banking system has also resulted in an increase in the number of informal non-bank financial institutions such as savings and credit cooperatives (so-called termed micro-finance institutions). This sector fills the needs of the many Swazis abandoned by the formal bank sector (IMF Survey Magazine 2008).

Electricity Supply

From a policy and regulatory point of view, the electricity supply industry in Swaziland has undergone major changes, including changing global trends towards liberalized energy markets, affordability, energy efficiency and the security of supplying it. While the electrification rate of 65.79 percent (61.2 percent in urban areas, and 82.8 percent in rural areas)(see figure 6 below) in Swaziland is higher compared to some of its neighbouring countries, it is nevertheless still very reliant on importing its electricity (Electricity Sector, n.d.). Swaziland imports close to 80 percent of its electricity from South Africa. The rest of the energy is produced by diesel and hydropower. Both diesel and coal for energy production is imported from South Africa. At rural levels, most of the energy is produced from wood (and charcoal). Even though a relatively small number of the population has access to electricity (see figure 6 below), the demand is exceeding the supply: the consumption in 2016 was 1.432 billion kWh, whereas the production was only around 381 million kWh – a shortfall of 1051 million kWh (The World Factbook 2018).

The country is also currently inviting companies all over the world to develop renewable energy, particularly power from solar, wind and biomass.

Figure 6: Access to electricity (% of population)



Source: The World Bank

Water supply

Swaziland has a lot of rivers flowing through the country, but droughts and poor rainfalls are compromising water and food supplies, crop production, and thus the livelihoods of the Swazi population. A recent report on the Humanitarian Needs in Swaziland states that 25 percent of the population were facing acute food and water shortage due to poor rainfall in the 2014-15 and 2015-16 cropping season. These individuals were classified in the “people who need humanitarian assistance”-category. The government is actively working with private sector actors to supply water particularly to communities around farms. Yet, still more communities need the same support to survive from droughts, poor agricultural seasons, unforeseen weather conditions etc. (Humanitarian Needs Overview 2016).

Water scarcity also put enormous pressure on the garment industry, as the industry is heavily depended on water. In fact, it takes up to 2.700 litres of water to produce only one T-shirt. It is therefore essential that the government has a good infrastructure for supplying water to both the industrial areas as to the population.

Waste Management

The increasing population, rapid urbanization, uncontrolled settlements, and high unemployment rates underscores the need for better urban basic services including solid waste management systems in Swaziland. The company Envirowise Waste Management reports exporting around 30 tons weekly to South Africa to process the waste, which is about 10 percent of the total waste created in Swaziland each week (Simelane 2014).

c. Social Systems and Poverty

The social system, the level of poverty and the HIV/AIDS epidemic all have an impact on the conditions for the population and the options for the industry in the country. In Swaziland 35.1 percent of the population is under the age of 15. Moreover, the country has a very low life expectancy of 51.1 years. The very high proportion of the population who are young puts considerable pressure on the educational system which is already under severe stress. Educational expenditures for instance constitutes 7.1 percent of GDP (The World Factbook 2018). Officially, 25.28 percent of the total population are unemployed. The rural population constitutes 78.68 percent of the total population, which means that both educational and healthcare systems need to be widespread in order to reach the population.

Education:

The educational system in Swaziland is managed centrally with all power and authority being held in the Ministry of Education and Training. However, each district has a Ministry of Education office that is headed by a District Education Officer who takes care of local issues and implements the central government's policies. The literacy rate in Swaziland was reported to be 87.5 percent in 2015 (The World Factbook 2018). In line with the former MDG goal 2 and present SDG goal 4, the government has attempted to maintain a system of universal primary education (UPE) for all citizens, despite the financial constraints, the HIV/AIDS epidemic and the high levels of poverty in the country. Although the government has achieved some goals, such as increasing the participation at primary schools with 95.6 percent, strengthened the quality of primary education etc., the country has also encountered numerous challenges. In a report published by the Ministry of Education and Training, it was outlined that progress still has to be made, "as much as there has been progress towards the achievement of EFA [Education for All] goals, most of the goals have not been fully achieved. There are still gaps that need to be filled thus the country's priorities and prospects beyond EFA 2015 centres around the unfinished business" (Education for All 2015: p. x).

The state pays the teacher's salary, but pupils and local communities pay for the maintenance of the buildings and students' fees. The state has recently introduced systems of free textbooks for primary school pupils, and a system of bursaries for orphaned children. 20 percent of the national budget is spent on the education sector (Ministry of Education – www.gov.sz/home.asp?pid=57). The student fee can be too high for many families, and, as a consequence, children are being kept out of the school system due to financial issues. The state is providing a 10-year system of 7 years primary education followed by 3 years of lower secondary education. Approximately 500 primary schools are spread out over the country.

The secondary educational system is characterised by lack of funds. Moreover, most pupils have difficulties in passing from the low level of secondary school to upper secondary schools. Many parents also do not see the need for their children to continue with upper secondary school as only 15 graduates are allowed to access into tertiary schools. The so-called "equal access policy" is therefore non-existent, and a mere elite class access is functioning at these levels. It is mentioned that an increased emphasis needs to be put on providing vocational training (Shabalala 2006). In terms of numbers, there are approximately 830 public schools in Swaziland, including primary, secondary and high schools.

Apart from the official governmental educational system, many missionary schools are operating in Swaziland, mostly at primary school levels. Several projects by NGO also exist in the country, providing mainly adult education for illiterate or innumerate people.

Regarding the Swazi textile and garment industry, there are no specific training centres in Swaziland, which large operations in the country consider an impediment to growth. Machinists are, therefore, trained on-the-job. Although the University of Swaziland does offer a B.S degree in Textiles, Apparel Design, and Management since 2013, the number of graduates has been limited so far (only 11 to date: 2016) (Staritz & Frederick 2016). In some instance, the GoS has requested assistance from other countries to provide training to students in areas such as sewing, mechanics, plumbing and electrical work, and computing. This is seen as essential to raise the quality of the country's labour force. However, the lack of training records and evaluation is limited which makes it difficult to obtain the real outcome of such activities (ICDF n.d.).

Health:

The healthcare system consists of both a formal and informal provisioning. The healthcare sector builds on decentralisation and is formed by 7 government hospitals. The local healthcare system consists of 8 public health units, 12 health centres, 76 clinics and 187 outreach sites, all of these are governmentally operated. Swaziland spends around 3.8 percent of its GDP on health care of which 60 percent comes from the Government, and the rest from funding, individuals, private sector and development partners (Ministry of Health and Social Welfare, n.d.). All governmental healthcare activities are managed under the ministry of health and social welfare.

The non-governmental healthcare system consists of 2 mission hospitals and one industry supported hospital. At the local level, it consists of 73 mission health facilities, 62 private clinics and 22 industry supported health centres and clinics. This system is operated and paid partly by external organisations or companies, and partly by the individual users of the healthcare system. A higher degree of coordination between the different levels of healthcare, and the different sectors, are needed in order to achieve higher efficiency. Furthermore, the division of the healthcare system in public, private and missionary has caused a shortage of staff in the public sector and in rural areas (Ministry of Health and Social Welfare 2008). The informal provisioning of health depends on the use of traditional health practises and traditional practitioners, while the formal sector uses the Western medicine and conception of healthcare.

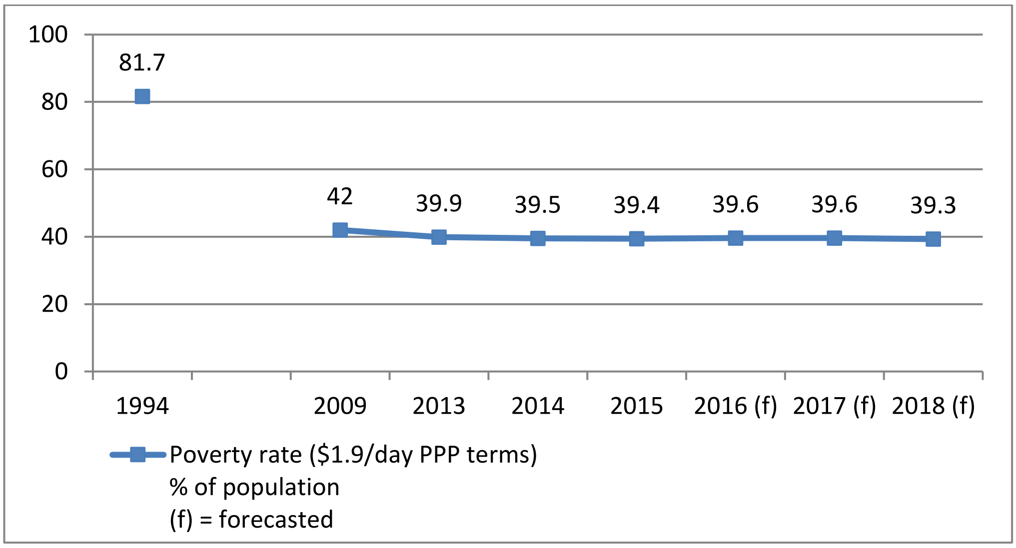
As mentioned earlier, Swaziland is suffering heavily under the HIV/AIDS epidemic and has one of the highest amounts of people in the population carrying the disease in the world. Official estimations show that 27.4 percent of the adult population was living with aids in 2017 (UNAIDS Data – www.unaids.org). In the context of the gendered distribution, 35.1 percent of all women are living with HIV, compared to 19.3 percent men. The high number of AIDS/HIV infections bear the main reason for the low life expectancy level of the population, but also tuberculosis and malnutrition affects the live expectancy level. The estimated life expectancy is currently 52.1 years. In 2017, 3,500 people alone died from AIDS (Ibid.). The tendency is however that the life expectancy is increasing as more people get access to ART treatment. It was estimated that only 8,373 people out of the 36,500 people needing ART treatment was receiving it. This means that an increased effort to provide the needed ART treatments could be beneficial to improve the general level of health in Swaziland (WTO 2006). The recommended spending in order to fight the HIV/AIDS epidemic is 15 percent of the national budget, which the present figures fall short of.

The key objectives of the government's health policy can be seen in appendix 4. One goal of the national health policy was to implement the MDGs, which Swaziland was not able to do. Now, the SDGs constitute targets to meet. The main challenge for Swaziland is the burden of the HIV/AIDS epidemic combined with the lack of resources to effectively operate the healthcare system and provide the needed treatment and preventive measures. However, as mentioned earlier the government is taken serious measures to reach the SDGs. In a recent statement by Prince Hlangusemphi Dlamini, the Prince stated that the country is particularly working to reach SDG goal 3 – ensuring healthy lives and promoting well-being for all at all ages – by ensuring that access to health care services is reachable for the population within a 8 km radius, by scaling up of the Prevention of Mother to Child Transmission of HIV virus, and by establishment of waiting rooms for pregnant women at delivery (HRH Prince Hlangusemphi Dlamini 2017).

Poverty:

In 2015, 39.4 percent of the population of Swaziland lived under the international extreme poverty line of US$ 1.9 per day. This is an improvement from 2011 where the extreme poverty rate was 42.0 percent. There has been no improvement compared to 39.5 percent extreme poverty in 2014 and in 2018, extreme poverty is projected to remain at 39.3 percent (see figure 7 below). The World Bank report expects poverty to grow in Swaziland due to the persistence of drought. Since the vast share of the population lives from agriculture, drought compromises water and food supplies, crop production, and thus their livelihoods (World Bank 2016).

Figure 7 - Extreme poverty rates, Swaziland (1994-2018)



Source: World Bank (2016) - *Macro poverty outlook for Swaziland*

The Ministry of Economic Planning and Development has developed a Poverty Reduction Strategy Action Plan (PRSAP) in order to eradicate poverty in the nation by the year 2022. The objective of the program is to reduce the prevalence of poverty to 30 percent by 2015 and to eliminate it completely by 2022 (Kunene 2015). The PRSAP is an operationalisation of the NDS, and includes specific actions to be carried out in order to foster economic growth and eradicate poverty (Government of the Kingdom of Swaziland 2007). A recent report by the United Nations Development Assistance Framework, writes a number of reasons for the persistence of poverty in

Swaziland, among others, the impact of HIV/AIDS, the global economic crisis, over-reliance on SACE revenues, and unfavourable social policies (UNDAF 2016-2020).

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APPENDIXES

Appendix 1: Labour market indicator
Appendix 2: Central Governments Revenue
Appendix 3: Governments Operations
Appendix 4: Key objectives of Ministry of health and welfare's policy

Appendix 1: Labour market indicators

1a: Population and workforce

Total population	1.3m (+/)	
Total working age population	585,872	100%
Labour force (15 years and older)	295,236	50.4%
Employed	212,131	71.9%
Unemployed	83,105	28.1%
Out of labour force	290,067	49.6%
Discouraged workers	69,010	23.7%
Others out of labour force	221,627	76.3%

Source: ILFS 2013

1b: Relaxed unemployment rates by region, 2007, 2010 and 2013

Region	2007	2010	2013
Hhohho	36.3	42.30	43.81
Manzini	34.5	37.60	39.26
Shiselweini	43.1	45.60	47.46
Lubombo	45.2	40.90	39.08
All regions	38	40.60	41.76

Source: ILFS 2013

1c: Official unemployment rates by region, 2007, 2010 and 2013

Region	2007	2010	2013
Hhohho	27.2	23.2	29.0
Manzini	27.1	22.9	25.3
Shiselweini	30	25.4	37.5
Lubombo	31.8	24.3	24.8
All regions	28.2	28.5	28.1

Source: ILFS 2013

1c: Official and relaxed unemployment rates by ecological zone, 2007

	Official unemployment rate	Relaxed unemployment rate
Highveld	24.1	32.7
Middleveld	28.3	37.1
Lowveld	34.4	48.0
Lubombo plateau	33.7	43.5

Source: Brixiová et al. (2012)

1d: Unemployment Rates in 2010 (% of labour force)

	Regular definition	Relaxed definition
15-24	52.4	64.0
25-34	30.5	40.7

35+	16.0	28.6
Total	28.5	40.6

Source: Brixiová et al. (2012)

1e: Official and relaxed unemployment rates by education level, 2007

	Official unemployment rate
Primary and below	34
Secondary and high school	32
University	10
All levels	28

Source: ILFS 2013

1f: Employment by sector in 2014:

Manufacturing	35%
Wholesale and retail:	14%
Agriculture, forestry and fishing	7%
Real estate, renting, and business activities	6%
Education	6%
All other industries	32%

Source: Central Statistical Office

1g: Employment by occupation

Elementary	26.2%
Craft and related trades	18.7%
Service, shop and market sales	12.1%
Plant and machine operators and assemblers	10%
Clerks	9.6%
Professions	7.6%
All other occupations	15.8%

Source: Central Statistical Office

1g: Occupational Distribution (%) of employed persons

Occupation Group	**Percentage**
Management	4.8
Professions	12.6
Technicians and associate professionals	3.8
Clerical support workers	7.6
Service and sales workers	22.1
Skilled agricultural forestry fishery workers	6.5
Craft and related trades workers	14
Plant and machine operators and assemblers	8.7
Elementary occupations	19.9
Not stated	0.1
All Occupations	**100**

Source: ILFS 2013

Employment status (%)

	Male	Female	Both sexes
Employee	79.7	77.9	78.9

Own account worker (self-employed)	15.6	16.6	16.1
Employer	3.7	4.4	4.0
Member of producers' cooperative	0.1	0.1	0.1
Contributing family worker	0.9	1.1	1.0
All employed	100.0	100.0	100.0
	155,505	96,626	212,131

Source: ILFS 2013

Employment by sector (2007)

Public: 19.6%
Private formal: 53.9%
Private informal: 17.7%
Domestic households: 2.1%

Informal sector by industry (2007):

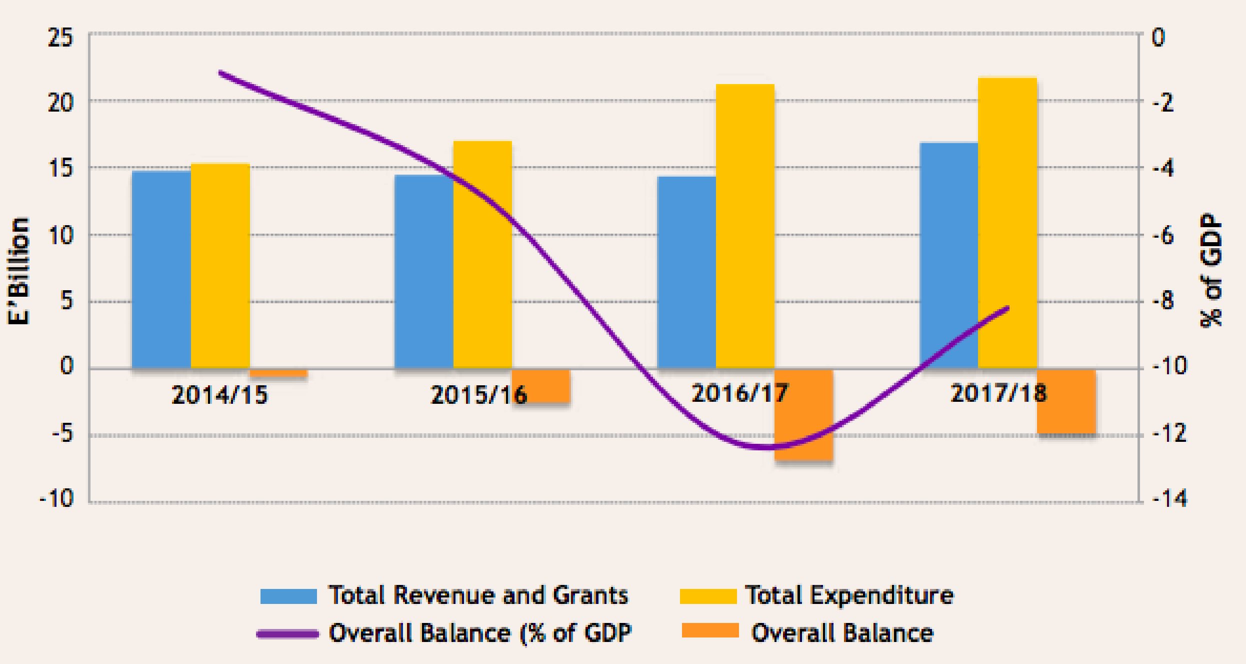
Wholesale and retail: 34.2%
Manufacturing: 21.3%
Construction: 12.1%
Real estate, renting and business activities: 8.6%
Other community, social and personal service activities: 8.8%
All other industries: 14.2%

Appendix 2: Central Governments Revenue (E'million); 2014/15 to 2017/18

Item	2014/15	2015/16	2016/17*	2017/18**	% Share
Taxes on Net Income and Profit	**3,551**	**3,825**	**4,510**	**4,661**	**27.6**
Company Tax	1,483	1,372	1,495	1,600	9.5
Individuals	1,880	2,176	2,654	2,687	15.9
Other	187	278	361	374	2.2
Taxes on Property	33	30	43	43	0.3
Taxes on Goods & Services	**10,078**	**9,819**	**8,474**	**11,195**	**66.3**
Customs Union Receipts	**7,500**	**6,931**	**5,252**	**7,109**	**42.1**
VAT	1,895	2,107	2,352	2,530	15.0
Fuel Tax	573	667	754	1,023	6.1
Mobile Tel. Licenses	-	-	-	300	1.8
Other	109	115	116	233	1.4
Total Taxes	**13,662**	**13,675**	**13,026**	**15,900**	**94.1**
Non-Tax Revenue	**291**	**448**	**512**	**569**	**3.4**
Fees, Services and Fines	82	95	95	107	0.6
Property Income	198	340	395	438	2.6
Other	11	13	21	24	0.1
Total Revenue	**13,953**	**14,123**	**13,538**	**16,468**	**97.5**
Grants	778	329	813	426	2.52
TOTAL REVENUE & GRANTS	**14,731**	**14,452**	**14,352**	**16,894**	**100.**

Source: 2017/18 Estimates Book, Ministry of Finance
*Revised Estimate
**Budget Estimate

Appendix 3: Governments Operations



Source: Central Bank of Swaziland (http://www.centralbank.org.sz/about/annual/2016-2017.pdf)

Appendix 4: Key objectives of Ministry of health and welfare's policy (from the National Health Policy. Ministry of Health and Social welfare. 2008)

A. Health service delivery and interventions

- Managerial performance
- Balance between curative, preventive and health promotive services
- Quality of services
- Equitable distribution of services
- Coordination of sectoral activities
- HIV and AIDS
- Environmental health issues
- Decentralization of authority and decision making
- The referral system
- Supervision, monitoring and evaluation

B. Resources for Health

- Broadening the financing base for health services
- Coordinating donor activities and resource tracking
- Health and development
- Utilization of available resources
- Access to safe medicine and diagnostic technology
- Transparency and fairness in training, appointments and promotions
- Human resources for health