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Swaziland Country report

For the SADC-DFRC 3P



Swaziland



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1 Overall evaluation of Swaziland's readiness for PPPs

1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely , Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

Unfortunately no country visit was undertaken although a number of attempts were made to communicate with the Swaziland Ministry of Finance, and in particular Ms Sizakhele Dlamini, Director of Corporate Services and Supply Chain.

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

1.2 Attractiveness of the member countries

Use the information in the table below and on the excel spreadsheet provided to conclude

Attractiveness of the member country	Source of information	Information
GDP % growth for last 3 years	World Bank	1.30%
Actual GDP in numbers (size of economy), current USD\$	World Bank	4 090 174 846
Lending Interest rates	World Bank	9
Inflation rate	www.trading economics.com/country-list/inflation-rate	9.00%
Credit Rating	Country visit	Not available
Political Stable and Absence of Violence	Governance indicator, World bank	30.7 out of 100
Macro-Economic Environment	The Global Competitiveness Report 2012-2013, World Economic Forum	3.6 out of 7

Attractiveness of Swaziland, overall result is a two ('2')

The kingdom of Swaziland has experienced very slow growth over the last three years (average 1.3% per annum) and even negative growth in the last year. The GDP is USD4.090million and there is no available credit rating for the country. GDP per capita is USD5,900. This analysis results in an overall value of two ('2'), Swaziland is thus considered "developing" in terms of this category.

1.3 Availability of domestic capital and debt funding

Availability of domestic capital and debt funding	Source of information	Information
Number of banks	Country visit	5
Number of equity investment funds	Country visit	3
Number of pension funds	Country visit	2
3 year history of bond issuance	Country visit	None. Last year the government sought to issue some medium term bonds but there was no appetite among investors for purchasing these securities.
Assessment of available capital (local) for investment	Country visit	There is local capital available for investment, primarily due to legislation which compels Swazi retirement funds to invest 30% of their funds in the kingdom

Availability of domestic capital and debt funding in Swaziland, overall result is a two ('2')

The debt and equity markets in the Kingdom are extremely limited in depth although the requirements for domestic retirement funds to invest 30% of their funds in the kingdom means that there is some availability for investments in projects that meet the prudential risk requirements of these entities. No bonds have been issued given the absence of a market for such instruments.

This analysis results in an overall value of two ('2'), Swaziland is thus considered "developing" in terms of this category

1.4 Judicial system

Judicial system that contributes to effective commercial dispute resolution	Source of information	Information
Enforcing Contracts	Doing Business 2013 – The World Bank and IFC	174 out of 183 countries
Rule of Law	Governance indicator, World bank	42.3 out of 100

We used the key indicator 'Enforcing Contracts' from Doing Business as they focuses on how public institutions function in the case of a commercial dispute¹. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit.

Judicial system of Swaziland, overall result is a two ('2')

Swaziland rates 174th in enforceability of contracts and scored 42.3 out of 100 in application of the Rule of Law. This analysis results in an overall value of two ('2'), Swaziland is thus considered “developing” in terms of this category

1.5 Governance and decision making

Governance and decision making in member country	Source of information	Information
Institutions	The Global Competitiveness Report 2012-2013, World Economic Forum	3.61 out of 7
Africa's Governance	Ibrahim Index of African Governance	52 out of 100
Voice and accountability	Governance indicator	12.7 out of 100
Government effectiveness	Governance indicator	28.4 out of 100
Regulatory Quality	Governance indicator	28.4 out of 100
Control of Corruption	Governance indicator	50.2 out of 100

Governance and decision making of Swaziland, overall result is a two ('2')

The Kingdom was given a rating of 52 out of 100 for governance by the Ibrahim Index of African Governance and a government effectiveness rating of 28.4. This analysis results in an overall value of two ('2'), Swaziland is thus considered “developing” in terms of this category

1.6 Ease of doing business in the member country

Ease of doing business in the member country	Source of information	Information
Starting a business	Doing Business 2013 – The World Bank and IFC	165 out of 183 countries
Dealing with Construction permits	Doing Business 2013 – The World Bank and IFC	41 out of 183 countries
Getting electricity	Doing Business 2013 – The World Bank and IFC	156 out of 183 countries
Register property	Doing Business 2013 – The World Bank and IFC	129 out of 183 countries
Getting credit	Doing Business 2013 – The World Bank and IFC	53 out of 183 countries

¹ Doing Business 2013, the World Bank and IFC

Protecting investors	Doing Business 2013 – The World Bank and IFC	128 out of 183 countries
Paying taxes	Doing Business 2013 – The World Bank and IFC	58 out of 183 countries
Trading across borders	Doing Business 2013 – The World Bank and IFC	141 out of 183 countries
Resolving insolvency	Doing Business 2013 – The World Bank and IFC	74 out of 183 countries

Ease of doing business in Swaziland, overall score is a two ('2')

The Kingdom of Swaziland is 165th out of 185 countries in the world in terms of ease with which to start a business and is ranked 128th for protecting investors. It is 53rd in terms of access to credit and 41st for the ease of dealing with construction permits. This analysis results in an overall value of two ('2'), Swaziland is thus considered “developing” in terms of this category

1.7 PPP environment in the member country

Enabling environment in the member country for PPPs	Source of information	Information
Legal system enabling PPPs in the member country	Country visit	
- Is there a presence/development of enabling legislation ie PPP Law/regulations etc?	Country visit	There is no existing enabling legislation in Swaziland on PPPs but also no legislation which prohibits PPPs.
- Does a policy for private participation in the member country exist?	Country visit	A privatisation policy has been drafted by the Public Enterprise Unit of the Ministry of Finance but the policy has not been made public.
- Public Sector appetite/capacity and experience relating to PPPs in the member country	Country visit	
Is there Political support for PPPs?	Country visit	Yes, but there are national elections scheduled for September 2013 and it's not possible to predict what the new government's position on PPPs will be.
- Is there a PPP focal point/ Unit in the member country?	Country visit	Yes, the Public Enterprise Unit within the Ministry of Finance.
- Does an existing PPP track record in the member country exist?	Country visit	No, there is no track record.
Private sector capacity, capability and appetite	Country visit	
- Are multiple firms active in the PPP market?	Country visit	No
- Does capacity exist in the private sector?	Country visit	Yes

PPP environment in the Swaziland, overall score is a two ('2')

Swaziland does not have specific PPP legislation or a framework for the implementation of PPP projects. This, combined with a very limited history of PPP-type projects has resulted in uncertainty as to the suitability of PPP in the country and the absence of any experience in implementation. This analysis results in an overall value of two ('2'), Swaziland is thus considered "developing" in terms of this category

1.8 Observations

Our results are based on the most recent verifiable information available at time of the report

Reputable external sources were used where appropriate and fact based observations were made.

It is quite clear that Swaziland needs to focus on supporting infrastructure development, creating an enabling financing and regulatory environment, whilst supporting human capacity development.

1.9 Conclusion

It is our interpretation that Swaziland is still in the Developing Stage of instituting and adopting suitable PPP framework for the implementation and promotion of infrastructure delivery through a PPP model. Enabling financial, regulatory climate, together with appropriate human capacity needs to be established. Overall Swaziland is thus considered "developing" in terms of this assessment.

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