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Statement at the Conclusion of the IMF's 2014 Article IV Consultation Mission to Swaziland

A mission of the International Monetary Fund (IMF) led by Mr. Jiro Honda visited the Kingdom of Swaziland during April 28–May 12, 2014 to conduct the 2014 Article IV consultation with Swaziland. The mission met with the Prime Minister, Hon. Sibusiso Dlamini; Minister of Finance, Hon. Martin Dlamini; the Governor of the Central Bank of Swaziland, Mr. Majozi Sithole; other senior government officials, as well representatives of the private sector and development partners. The mission would like to express its gratitude to the authorities and their staffs for the highly professional, productive, and open discussions.

At the end of the mission, Mr. Honda issued the following statement:

"Swaziland's economic growth has recovered since 2011 when it experienced a fiscal crisis following a significant reduction in revenues from the Southern African Customs Union (SACU). In 2013, economic activity is estimated to have grown by 2¾ percent. The recent surge in the SACU revenue helped to improve international reserve coverage to about four months of imports by March 2014. With a return of confidence in the economic outlook, commercial bank credit to the private sector has been growing, while the recent government bond auctions were oversubscribed. Inflation remained modest at 5.1 percent in March 2014.

"Swaziland's challenges, however, remain significant. The recent fiscal crisis points the need to strengthen Swaziland's resilience to shocks, while the economy has suffered from weak growth performance, which adversely affects social developments. Furthermore, there are risks to Swaziland's economic prospects, in particular the uncertain global and regional economic outlook that could lower SACU revenues. Swaziland's key economic policy challenges are to strengthen its resilience to exogenous shocks and achieve high, inclusive growth, while meeting critical social and development needs.

"In light of these challenges and the need to safeguard the exchange rate peg, the mission encourages the authorities to maintain prudent fiscal policy (with a fiscal deficit less than 2 percent of GDP) over the medium-term, while protecting spending for critical social and development needs. Such a prudent fiscal policy stance would help build a sufficient international reserve buffer (five to seven months of imports) and maintain modest debt distress, and provide Swaziland with better protection for possible shocks. To help implement the prudent fiscal policy, the mission also encourages the authorities to enhance efforts for public sector reforms and public financial management reforms, while welcoming further efforts to enhance tax administration.

"The mission echoes the authorities' concerns about weak growth performance. This weak performance has been largely associated with low private sector development (depressed private investment in particular). In this light, the mission encourages the authorities to proceed with wide-ranging structural reforms, including further improving business climate, facilitating financial intermediation, and pursuing land management reforms. To this end, the mission commends the Central Bank of Swaziland's plan to formulate a Financial Sector Strategy, with technical assistance from the IMF and the World Bank."