INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/304

KINGDOM OF ESWATINI

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

September 2024

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Kingdom of Eswatini, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on July 24, 2024, with the officials of Kingdom of Eswatini on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on September 10, 2024.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 24/344

IMF Executive Board Concludes 2024 Article IV Consultation with the Kingdom of Eswatini

FOR IMMEDIATE RELEASE

Washington, DC – **September 30, 2024:** On September 25, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Kingdom of Eswatini and endorsed the staff appraisal without a meeting on a lapse-of-time basis.

Eswatini's growth is estimated to have reached 4.9 percent of GDP in 2023, driven by exports of sugar and soft drink concentrates, tourism, and the communication sector, and is poised to remain in the 4.5 to 5 percent range in 2024. Inflation was stable at 4.1 percent year on year in August and is expected to rise in the wake of electricity tariff increases, before easing in line with global trends. The external current account strengthened, posting a surplus of 2.2 percent of GDP in 2023, which is expected to persist in 2024 thanks to high receipts from the Southern African Customs Union (SACU). Despite the surplus, official reserves—equivalent to 2.2 months of imports at end-2023—were below adequacy metrics. The overall fiscal deficit narrowed to 1.5 percent of GDP in FY23/24 from 6.2 percent of GDP in FY22/23, reflecting high SACU transfers. However, public arrears persist, and financing challenges continue to weigh on fiscal sustainability. Public debt is below 40 percent of GDP, and debt vulnerabilities remain moderate.

Unemployment remains high at 35.4 percent in 2023 and 48.7 percent among the youth, with large skill gaps and mismatches being critical factors. While social indicators need to be updated, discussions indicated that poverty, food insecurity, inequality, and gender-based violence remain important social challenges.

Growth is expected to slow while inflation is projected to follow global developments and decline throughout the 5-year projection horizon. With SACU receipts projected to fall, the authorities are expected to exercise the expenditure restraint needed to keep debt around 40 percent of GDP. The current account is projected to remain in surplus but official reserves will likely remain low.

Executive Board Assessment[2]

In concluding the 2024 Article IV consultation with the Kingdom of Eswatini, Executive Directors endorsed staff's appraisal, as follows.

On the back of a post-pandemic rebound and favorable export prices, real GDP growth in Eswatini reached nearly 5 percent in 2023. Over the medium term, however, as these

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

temporary factors wane, growth is expected to revert gradually to a historical baseline of 2.5 percent. This subdued outlook raises concerns as it constrains the government's ability to respond to social needs, tackle unemployment, and address poverty; however, this outlook can improve considerably if reforms aiming to boost potential growth are implemented.

A weak economic outlook is compounded by inflationary and external risks. Inflation could increase as electricity tariffs and potentially other administered prices are raised. While foreign reserves have increased thanks to high SACU transfers, their import cover remains below adequacy benchmarks. Going forward, reserves will remain under pressure as SACU receipts normalize.

The fiscal position has strengthened considerably, reaching the objectives of the 2020 fiscal adjustment plan. This reflects both windfall SACU receipts, which increased by 3.6 percent of GDP between FY19/20 and FY23/24, and importantly, in equal measure, expenditure restraint of 3.7 percent of GDP during the same period. The primary fiscal balance in FY23/24 is estimated to have reached a surplus of 1.5 percent of GDP and the public debt-to-GDP ratio was brought under 40 percent of GDP. This demonstrates the authorities' commitment to fiscal prudence. Taking advantage of this consolidation, the authorities are encouraged to improve public service delivery while ensuring sustainability. Most notably, an end of the hiring freeze should pave the way to a comprehensive civil service reform.

A widening of the deficit in FY25/26—as envisaged under the baseline—is appropriate in light of the anticipated drop in SACU receipts. Staff estimate that this temporary widening of the overall fiscal deficit by 2 ppt of GDP should be adequate to avoid a disruptive compression of expenditure and support growth, while the underlying fiscal position would be tightened (through a 1.7 ppt reduction in the structural deficit) steering it toward a sustainable medium-term level. Setting aside savings in the stabilization ahead of the SACU revenue decline could help cushion the fiscal transition, though difficult to achieve given current tight financial conditions, which present challenges for budget financing. In this context, the authorities are encouraged to pursue other financing options, including from IFIs, to support the public sector reforms and public investment.

Arrears should be cleared as soon as feasible, and public financial management strengthened to reduce their occurrence going forward. Government arrears intensify the bank-sovereign nexus and increase fiscal-induced risks. To this effect, the budget process should reflect realistic assumptions, especially on financing, and include a year-by-year plan to clear arrears while detailing controls that will prevent their further accumulation.

Public financial management remains weak and should be an urgent priority for reform. The authorities are implementing the IFMIS system in the Ministry of Finance, moving to IPSAS in the Treasury, establishing an invoice register, and progressing on a medium-term fiscal framework.[3] However, shortfalls remain in expenditure controls (contributing to arrears), liquidity management, and debt management. The medium-term fiscal framework requires full integration of the fiscal operations, including the financing assumptions and tracking their interest cost implications, to enable the debt sustainability assessment.

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[3] IFMIS stands for the Integrated Financial Management and Information System, a platform for public financing accounting and reporting. IPSAS stands for the International Public Sector Accounting Standards.

The external position of Eswatini in 2023 was moderately stronger than implied by macroeconomic fundamentals and desirable policies. The current account balance is projected to strengthen further in 2024 and weaken thereafter but remain in a surplus. International reserves are projected to remain below 3 months of imports over the medium-term. Going forward, better management of SACU revenues and structural reforms to bolster external competitiveness can support the external position and strengthen international reserve buffers.

Given Eswatini's peg to the rand, the policy rate should be realigned to the South Africa Reserve Bank SARB. This would also obviate the need for potentially distortionary stopgap measures. In the absence of immediate inflationary pressures, this realignment can occur gradually. Staff stand ready to assist the authorities in modernizing the liquidity management framework and strengthening financial sector surveillance, including its AML/CFT aspects.

The package of financial law amendments paves the way to a comprehensive modernization of the financial system. Before their adoption by Parliament, the amendments should be reviewed to ensure that they conform to international standards. Staff stand ready to assist with this task.

Raising potential growth faces many structural challenges, including a poor business environment and weak governance. More efforts are needed to support entrepreneurship, financial literacy, and credit to MSMEs. Stepped up anti-corruption plans are well noted as governance remains high among challenges of doing business, and negative perceptions in this regard limit Eswatini's attractiveness for foreign investors.

The legacy of COVID-19 compounded the pre-existing social problems, and the authorities have rightly recognized unemployment as a national emergency. While tackling chronic unemployment will require a multipronged effort to support job creation and skill acquisition, introducing a limited and sustainable job loss insurance scheme (including on account of sickness and maternity) would strengthen the social safety net and enhance labor market efficiency. More importantly, it is urgent to expand social protection on a broader scale to alleviate poverty, prevent gender-based violence, and improve access to health and education services.

Serious data weaknesses undermine the authorities' ability to monitor economic and social developments and make informed policy decisions. They also hamper staff's ability to conduct surveillance. Resource constraints affecting data collection and management, especially at the CSO, but also at the Department of Labor, the Ministry of ICT, the budget team, and debt management unit, should be addressed with high priority. The data work of these agencies is critically important for informing policy making and improving government effectiveness.

Eswatini: Selected Economic Indicators, 2021–29

Population (2022, million):	1.2	Per-capita GDP (2022, USD):	4161.7
Quota (current, millions of SDR, percent of total):	11.7	Poverty (2016, percent of national poverty line):	58.9
Main exports:	Beverages, Sugar, and Textiles.		
Key export markets:	Republic of South Africa, Kenya, and Zimbabwe.		

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Est.			Proj.			
Output									
Real GDP growth	10.7	0.5	4.9	4.6	4.2	3.4	2.9	2.7	2.6
Nominal GDP growth	9.3	9.3	14.3	7.5	8.0	7.3	6.9	6.9	6.6
Nominal GDP (billions of USD)	4.9	4.8	4.9	5.1	5.4	5.7	5.9	6.2	6.4
Nominal GDP per capita (USD)	4,259	4,162	4,174	4,375	4,562	4,726	4,866	5,015	5,155
GDP Deflator	-1.2	8.8	9.0	2.8	3.6	3.8	3.9	4.1	4.0
Prices									
Consumer prices (average)	3.7	4.8	4.9	4.8	4.8	4.6	4.4	4.2	4.2
Consumer prices (end of period)	3.5	5.6	4.3	4.8	4.7	4.3	4.3	4.2	4.2
Consolidated Governance Finances 1/									
Revenues 2/	24.5	23.2	28.6	29.1	26.2	25.8	26.2	26.1	26.0
of which: SACU receipts	8.7	7.2	12.9	13.3	9.9	9.5	10.0	10.0	9.9
Expenditure 3/	29.0	29.4	30.1	30.8	29.9	29.3	28.8	28.5	28.1
Gross capital formation	13.3	11.4	14.7	14.9	14.2	13.7	13.6	13.7	13.8
Public	7.3	6.8	7.3	7.7	7.1	6.6	6.4	6.4	6.3
Private	6.0	4.6	7.4	7.2	7.1	7.1	7.1	7.3	7.5
Primary balance	-2.7	-4.1	1.5	1.2	-0.4	-0.1	0.6	0.8	0.7
Overall fiscal balance	-4.5	-6.2	-1.5	-1.7	-3.7	-3.5	-2.6	-2.3	-2.1
Public debt, gross 4/	37.0	40.7	38.5	40.1	41.6	41.6	41.4	41.0	40.7
Money and Credit									
Broad money	0.3	3.6	6.3	4.1	5.8	6.2	…	…	…
Credit to the private sector	3.7	12.0	9.6	8.0	8.8	8.6	…	…	…
12-month time deposit rate (percent)	3.8	6.5	7.5	…	…	…	…	…	…
Balance of Payments									
Current account balance	2.6	-2.7	2.2	3.8	1.7	0.3	1.5	1.1	1.0
of which: trade balance, goods	2.6	1.4	3.4	2.7	2.2	1.2	1.1	-0.2	-0.8
Exports	42.6	42.5	41.8	43.7	44.6	45.9	46.3	46.8	47.3
Imports	39.9	41.0	38.4	41.0	42.4	44.8	45.2	47.0	48.2
Financial account balance	3.1	-1.6	1.3	2.1	0.8	0.9	0.9	0.5	1.1
of which: FDI	-1.2	-0.7	-1.0	-0.8	-1.4	-1.2	-1.6	-1.6	-1.6
Reserves	12.7	9.8	9.8	11.0	11.4	10.2	10.4	10.5	10.1
Reserves (in months of imports)	3.0	2.1	2.2	2.4	2.4	2.1	2.1	2.1	2.1
Imports of goods and services 5/	2,174	2,285	2,354	2,615	2,812	3,069	3,189	3,407	3,595
External debt	21.6	24.7	25.0	25.1	24.8	24.5	23.8	23.3	23.1
Exchange Rate									
REER (percent, yoy)	4.0	-4.6	-5.8	…	…	…	…	…	…
Average exchange rate (emalangeni per USD)	14.8	16.4	18.5	…	…	…	…	…	…

Sources: Eswatini authorities; and IMF staff calculations.

1/ Figures are for the fiscal year as a percent of GDP. The fiscal year runs from April 1 to March 31.
2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, and other items which are not classified as revenue according to the IMFs Government Finance Statistics Manual 2010.
3/ Expenditure includes Eskom's debt relief operation as a capital transfer in line with GFS.
4/ Central government.
5/ In millions of USD.

INTERNATIONAL MONETARY FUND

KINGDOM OF ESWATINI

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

September 10, 2024

KEY ISSUES

Context. Growth reached 4.9 percent in 2023, driven by services, manufacturing, and high transfers from the Southern African Customs Union (SACU). The latter helped move the external current account to a surplus of 2.2 percent of GDP. Inflation averaged 4.9 percent in 2023 and moderated to 4.2 percent in July 2024. The fiscal deficit is estimated to have narrowed to 1.5 percent of GDP in FY23/24; however, domestic payment arrears persisted. Public debt is moderate, at 38.5 percent of GDP. Widening of the policy rate differential between the Central Bank of Eswatini and the South African Reserve Bank to 75 bps in July 2023 has encouraged capital outflows, and official reserves at end-2023 covered only about 2.2 months of imports.

Outlook and Risks. Absent broad-based structural reforms, growth is projected to slow to 2.5 percent in the medium term. This is likely insufficient to reduce high unemployment, poverty, and food insecurity. As SACU transfers wane, the fiscal deficit is expected to widen to about 3.5 percent of GDP in FY25/26 and narrow down gradually from then on to about 2 percent of GDP in the medium term to keep public debt close to 40 percent of GDP. Official reserves are projected to stay below 3 months of imports. Risks are tilted to the downside, reflecting the anemic growth outlook for South Africa, regional conflicts, and global commodity price volatility. Structural reforms, including of public financial management, could set Eswatini on a higher growth path.

Key Policy Recommendations. Given the expected decline in SACU revenues, tax collection should be strengthened, and public spending prioritized better (including more for social protection). Modernizing the public financial management framework will help in this regard, including to improve public investment. Given the peg to the rand and to support building up foreign reserves, the policy rate should be realigned with that of the SARB. Actions to strengthen the business environment and overcome skill mismatches are needed to address structural unemployment, which weighs heavily on Eswatini's growth prospects. Continued efforts to tackle governance issues and address significant public data deficiencies are also vital.

Approved By
Andrea Richter Hume (AFR) and Anna Ivanova (SPR)

An IMF team consisting of Jaroslaw Wieczorek (head), Thomas Dowling, Ankita Goel, and Sanghamitra Warrier Mukherjee (all AFR) held discussions in Mbabane for the 2024 Article IV Consultation during July 11–24, 2024. Mr. Lema (OED) participated in the discussions. The team held discussions with the Minister of Finance Mr. Neal Rijkenberg, Central Bank Governor Mr. Phil Mnisi, and other senior government officials. The mission met with His Excellency the Prime Minister Russell Dlamini, representatives of civil society, development partners, and the private sector. Ms. Campestrin and Mr. Trejo Guevara (both AFR) aided in the preparation of this report.

CONTENTS

ANNEXES

Glossary

ACC	Anti-Corruption Commission
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFR	African Department of the IMF
AFRITAC	African Regional Technical Assistance Center
AGOA	African Growth and Opportunity Act
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ARA	Assessing Reserve Adequacy
BCA	Border Carbon Adjustment
CA	Current Account
CBE	Central Bank of Eswatini
CHRPA	Commission on Human Rights and Public Administration
CFM	Capital Flow Management
CIT	Corporate Income Tax
CMA	Common Monetary Area
COLA	Cost-of-living Adjustment
CPI	Consumer Price Index
CSO	Central Statistical Office of Eswatini
DSA	Debt Sustainability Assessment
EBA-lite	External Balance Assessment
EIF	Environmental Investment Fund of Namibia
EM-DAT	Emergency Events Database
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	Information, and Communications, & Technology
IDA	International Development Association
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
ILO	International Labor Organization
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MTFF	Medium-Term Fiscal Framework
NIIP	Net International Investment Position
PFM	Public Financial Management
FAO	Food and Agriculture Organization
FAP	Fiscal Adjustment Plan
FATF	Financial Action Task Force
FE	Fixed Effects
FIN	Finance Department of the IMF

FSSR	Financial Sector Stability Review
FY	Fiscal Year
GFN	Gross Financing Needs
LEG	Legal Department of the IMF
LHS	Left Hand Scale
LMIC	Low- and Middle-Income Countries
MCM	Monetary and Capital Markets Department of the IMF
MoF	Ministry of Finance
ML/TF	Money Laundering and Terrorist Financing
MSMEs	Micro, Small & Medium Enterprises
NBFI	Non-Bank Financial Institution
NDC	Nationally Determined Contributions
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NIIP	Net International Investment Position
NPL	Non-Performing Loan
NRA	National Risk Assessment
OED	Office of the Executive Directors of the IMF
PPP	Public-Private Partnership
REER	Real Effective Exchange Rate
RFI	Rapid Financing Instrument
RHS	Right Hand Scale
ROA	Return on Assets
ROE	Return on Equity
SA	Safeguards Assessment
SABOR	South Africa Benchmark Overnight Rate
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDR	Special Drawing Right
SOE	State Owned Enterprise
SPR	Strategy, Policy, and Review Department of the IMF
SSA	Sub-Saharan Africa
TA	Technical Assistance
TVET	Technical, Vocational Education and Training
UNCAC	The United Nations Convention against Corruption
USD	United States Dollar
VAT	Value Added Tax
WDI	World Bank Development Indicators
WEO	World Economic Outlook
WFP	World Food Programme
WGI	World Governance Indicators
y/y	Year-on-year
ZAR	South African rand

CONTEXT AND BACKGROUND

1. **A new government came into office in October 2023 with a strong mandate to revive growth and tackle unemployment.** Per-capita GDP, depressed by the depreciation of the rand, amounted to USD 4,162 in 2022. The unemployment rate is high (35.4 percent in 2023, 48.7 percent among the youth),[1] poverty widespread (58.9 percent), and income inequality elevated (GINI index of 0.55) as of 2016,[2] compounded by the country having experienced historically the highest HIV/AIDS incidence in the world.[3] Food insecurity now affects 20–30 percent of the population.

2. **The authorities have implemented some of the 2023 Article IV recommendations; the others remain valid, with several needing urgent action** (Annex I). The objectives set out in the 2020 Fiscal Adjustment Plan (FAP, FY21/22–FY23/24) were achieved, though efforts to reduce the wage bill and transfers to state-owned enterprises (SOEs) have stalled. A new FAP has also yet to be finalized. Public financial management improved somewhat, including through the implementation of invoice controls. The policy rate was kept below the SARB's rate, and official reserves fall short of the Common Monetary Area (CMA) target of 4 months of import cover. Some progress was made on structural reforms, including in tax administration and public debt management. In the area of governance, the Anti-Corruption Commission (ACC) has revived investigations, and a National Risk Assessment of ML/TF risks was completed.

RECENT DEVELOPMENTS

3. **Eswatini's strong growth in 2023 reflected new growth drivers, though climate change risks also materialized** (SIP). GDP growth rose to 4.9 percent in 2023 (Table 1), driven by services (especially communications) and manufacturing (with a new cereal factory registering its first full year in operation). Agriculture (which accounts for 6.3 percent of GDP) was affected by drought and increasingly erratic weather, with maize production (a staple, rain-fed crop) falling by 33 percent. Sugarcane production held up better thanks to irrigation. Exports remained constant in US dollar terms despite increases in beverage production and sugar prices. Credit growth slowed from 12.0 percent in 2022 to 9.6 percent in 2023.

4. **Inflation moderated in 2023 and remains within the central bank's target range of 3–6 percent.** Consumer Price Index (CPI) inflation averaged 4.9 percent in 2023 and dropped to 4.2 percent in July 2024. Housing, fuel, and power (1.9 percentage points) and food (0.9 percentage points) were the largest contributors. Core inflation ran at 3.2 percent. Inflation has been lower than in South Africa as some items continue to be subject to administered prices in Eswatini.[4]

[1] *World Development Indicators* (June 24th, 2024).

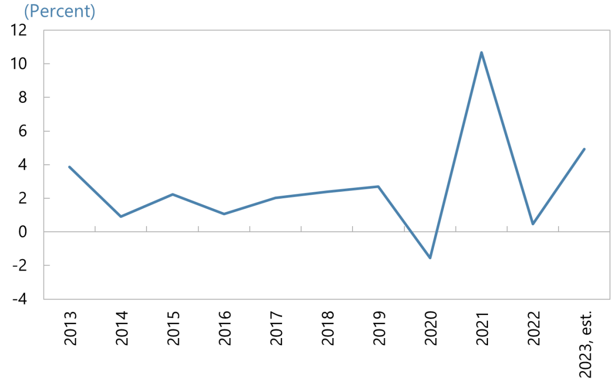
[2] The authorities are undertaking an exercise to update social indicators. See Annex VII.

[3] In 2022, about 26 percent of the population (between age 15 and 49).

[4] Items subject to administrative prices include food, utilities, and transportation and have a weight of around 30 percent of the CPI basket.

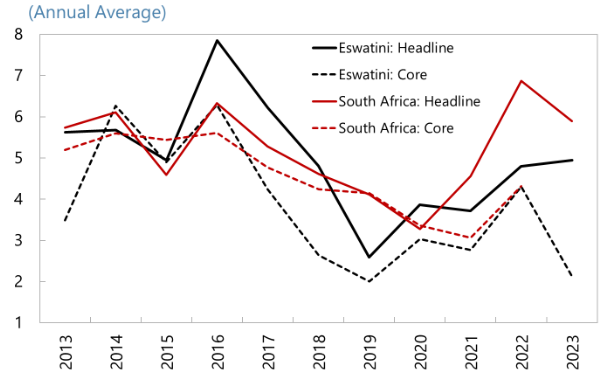
Text Figure 1. Real GDP Growth and Inflation

Real GDP Growth
(Percent)



Sources: Central Statistical Office; IMF, *World Economic Outlook*; and IMF staff calculations.

Inflation
(Annual Average)



Sources: Central Statistical Office; IMF, *World Economic Outlook*; and IMF staff calculations.

5. **The external position in 2023 was moderately stronger than implied by macroeconomic fundamentals and desirable policies** (Annex II and Table 2). The current account (CA) turned from a deficit of 2.7 percent in 2022 to a surplus of 2.2 percent of GDP in 2023 (compared with the norm of -0.7 percent of GDP). The SACU revenue windfall (around 3 percentage points of GDP) explains much of this improvement. Foreign reserves increased, but not commensurately with the CA improvement; they covered only 2.2 months of imports at end-2023, considerably lower than the ARA mid-point of 3.7 months (or 6.6 months if adjusted for SACU transfers). This is partly due to banks and nonbanks increasing their NFA positions by about 2.9 percent of GDP in 2023. Eswatini remains a net creditor, with an NIIP of 22.4 percent of GDP in 2023. The lilangeni depreciated by 13 percent (average) against the US dollar in 2023, in line with the South African rand, and by 5.8 percent in real effective terms.

6. **The fiscal position is estimated also to have improved in FY23/24; however, domestic payment arrears persisted.**[5] The overall fiscal deficit (including SACU receipts) narrowed from 6.2 percent of GDP in FY22/23 to 1.5 percent of GDP; however, the structural fiscal deficit (excluding excess SACU receipts) widened from 3.5 to 4.5 percent of GDP (Tables 3 and 4).[6] SACU transfers rose from 7.2 percent of GDP in FY22/23 to 12.9 percent of GDP in FY23/24, mostly reflecting an adjustment for past underpayments. Domestic tax revenue (excluding SACU receipts) was 14.3 percent of GDP. Expenditure was 0.8 ppt of GDP lower than a year before. Current expenditure contracted by 0.7 ppt, reflecting tight controls over the wage bill and spending on goods and services. Wage bill growth was contained through the hiring freeze and keeping the cost-of-living adjustment (COLA) below inflation. Interest payments rose from 2.2 to 3.0 percent of GDP, reflecting rising rates. Capital spending rose 1.5 ppt, to 5.9 percent of GDP.

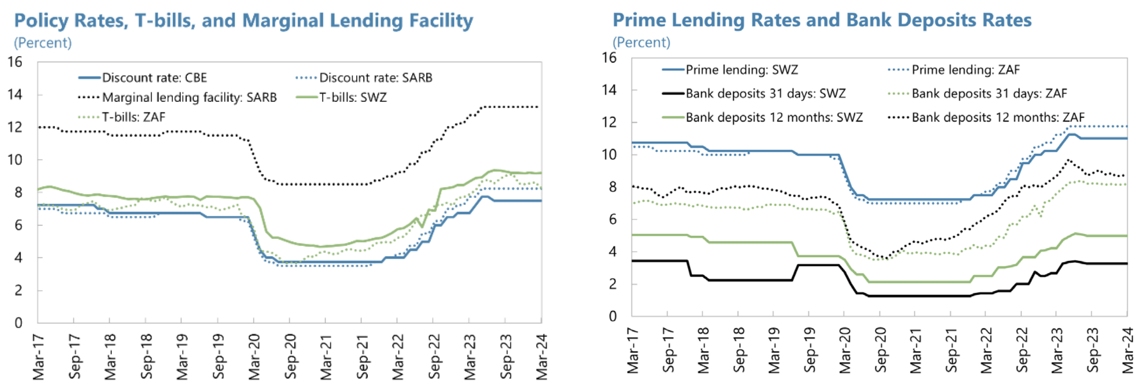
[5] The FY23/24 fiscal accounts are still being finalized.

[6] Excess SACU receipts are calculated as a difference between the actual/projected receipts in any given year and the average projected SACU receipts for FY25/26–FY29/30 (equal to 9.9 percent of GDP). So-defined excess SACU receipts amounted to 3.0 percent of GDP in FY23/24 and 3.4 percent of GDP in FY24/25 (while in FY21/22 and in FY22/23, SACU receipts fell short of this average by 1.2 percent of GDP and 2.7 percent of GDP, respectively).

7. Arrears increased during the fiscal year, reflecting weak public financial management and liquidity constraints. Spending on health and education and pension fund contributions were also affected. From 5.2 percent of GDP at end-FY22/23, arrears fell below 2 percent of GDP in July 2023 following settlement and reconciliation efforts. They then rebounded and reached 4.7 percent of GDP at end-FY23/24; settlement and reconciliation efforts should reduce this stock again. Close to a half of reported arrears relates to stalled investment outlays (which do not require payment).

8. Given constrained domestic demand for government securities, the treasury utilized other financing options. The volume of debt issued via Treasury auctions was limited to curb the yields, which have risen by nearly 350 bps since end-FY21/22 (Text Figure 2). A three-year bond of ZAR 400 million (0.4 percent of GDP) was issued on the Johannesburg Stock Exchange (JSE) in May 2024, at a coupon of 11.875 percent. The treasury has also used private debt placements to supplement its financing. Public debt has more than doubled since mid-2016, to 38.5 percent of GDP at end-FY23/24 (half of which is foreign).

Text Figure 2. Eswatini and South Africa—Selected Interest Rates



Sources: Central Bank of Eswatini; and SARB.

Sources: Central Bank of Eswatini; and SARB.

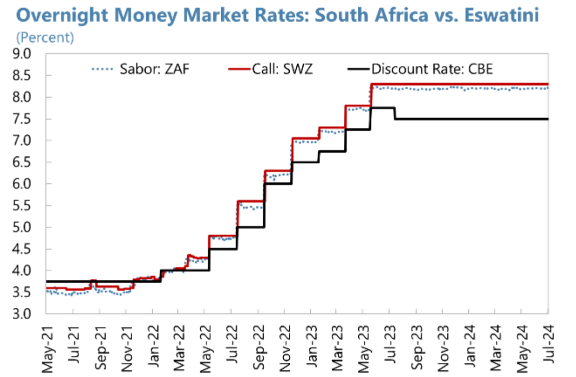
9. The authorities have taken steps to better manage SACU windfall revenues. A stabilization fund (established in 2023) aims to moderate the impact of SACU revenue volatility. During FY23/24, resources equivalent to 0.8 percent of GDP were placed in the fund.[7]

10. While the CBE has sought to ease monetary conditions by increasing the rate gap with the SARB, financial conditions remain tight. Interest rates in Eswatini are set in relation to the policy rate (for example, the prime rate is set at 350 bps over the policy rate). Since July 2023, the CBE policy rate has been 7.5 percent, or 75 bps below the SARB policy rate—a large differential by historical standards, given that the CBE has generally maintained rate parity to support the peg (Text Figure 3). For liquidity management purposes, the CBE operates an overnight call window at a rate (8.3 percent in August 2024) that is aligned to the rand's overnight market rate, to prevent

[7] SACU transfers are primarily based on *projected* SACU-wide customs revenue and are subject to potentially large ex-post adjustments based on actual customs receipts. This exacerbates their volatility.

arbitrage and support official reserves. Banks have maintained large excess liquidity positions in this window (Table 5).[8] High excess reserves reflect structural factors, including the 6 percent daily minimum reserve requirement and banks needing to be ready to meet potentially sizeable withdrawals by large corporate clients.

Text Figure 3. Money Market Rates



Sources: Central Bank of Eswatini; and SARB.

11. Buffers in the financial system are being rebuilt after the pandemic, but asset quality remains a concern. The banking sector is comprised of four commercial banks (three of which are subsidiaries of South African holding companies), a newly licensed bank that has not yet commenced operations, and two building societies. A large NBFI sector (assets exceeding 110 percent of GDP, or 70 percent of financial sector assets) is highly concentrated, with a public pension fund at its center. Banking sector stability indicators at end-Q1 2024 were strong, with regulatory capital to risk-weighted assets at 25.1 percent and return on assets at 3.2 percent. NPLs have increased marginally, to 7.2 percent in Q1 2024 (Table 6). NPLs are concentrated in household mortgages, construction, distribution, and tourism. NBFI's assets under management and profitability have been growing, though deposit-taking NBFIs are weaker than banks in terms of NPLs, provisions, and capital.

12. Macro-financial stability risks are on the rise, as budget financing challenges are exacerbating economy-wide arrears. To stay within the budgeted interest bill, the treasury limited debt issuance. This led to recurrent government cash shortfalls and arrears to suppliers, increasing the latter's risk of default. Banks' (gross) exposure to central government (comprising securities and loans) declined from 10.2 percent of GDP in 2022 to 8.6 percent of GDP in 2023.

OUTLOOK AND RISKS

13. Staff project growth to slow to 4.6 percent in 2024 and 4.2 percent in 2025, and to about 2.5 percent in the medium term. Near-term growth will be supported by public investment and strength in mining and agriculture. This momentum is expected to wane, notably, reflecting fiscal consolidation. Inflation (12-mo average) is projected at 4.8 percent in 2024 and ease below 4.5 percent y/y in the medium term in line with inflation projections for South Africa.[9]

14. The external position is expected to weaken as SACU transfers decline. SACU transfers are projected to drop from 12.9 percent of GDP in FY23/24 and 13.3 percent of GDP in FY24/25 to around 10 percent of GDP from FY25/26 onward. The current account is expected to weaken but

[8] At end-2023, excess reserves amounted to 137 percent of required reserves and 38 percent of base money.

[9] Staff have developed a nowcasting model, which shows improved accuracy with South African data included (SIP).

remain in surplus; with persistent financial outflows, official reserves are projected to remain below 3 months of imports. Exports of the soft drink concentrates are expected to grow due to planned investment in citric acid production. Furthermore, new mining licenses have been granted for coal and green chert (a sedimentary rock). The recent reaffirmation of Eswatini's eligibility for trade preferences under the African Growth and Opportunities Act should also support exports by strengthening economic ties with the United States. Rising imports for capital projects could be partially offset by lower imports of energy as new solar and biomass projects come on stream.

15. The fiscal position is also forecast to weaken from the decline of SACU transfers. From around 1.5 percent of GDP in FY23/24 and FY24/25, staff project the overall fiscal deficit to widen to about 3.5 percent of GDP in FY25/26–FY26/27 and ease gradually to 2.1 percent of GDP in the medium term. Excluding excess SACU receipts, staff project the structural fiscal deficit to increase from 4.5 percent of GDP in FY23/24 to 5.1 percent of GDP in FY24/25, and then decline to 3.7 percent of GDP in FY25/26 and further to 3.2 percent of GDP in FY26/27. The projected consolidation reflects the authorities' commitment to fiscal prudence, particularly on the wage bill and spending on goods and services. The debt ratio would rise to just above 41 percent in FY25/26 (excluding arrears) and decline gradually thereafter toward 40 percent.

16. Risks are tilted to the downside (Annex III). Risks from regional conflicts, commodity price volatility, and social discontent remain high. Potential changes in the SACU arrangement are a tail risk.[10] Eswatini is highly vulnerable to climate change, ranking 129th out of 185 countries in the ND-GAIN Index. Robust measures to support inclusive growth represent an upside risk. Eswatini could also continue to attract foreign-owned businesses choosing to relocate their operations from South Africa to Eswatini because of disruptions caused by load shedding.

Authorities' Views

17. The authorities broadly agreed with staff on the growth path but expect somewhat higher inflation. They see upside growth potential in the mining of anthracite coal, iron ore, and green chert; expanding the value chain in cotton production to include yarn processing; and increasing capital spending in construction, information technology, and green energy. They agree though that financing constraints and export demand present challenges. The authorities expect inflation to be more persistent due to a longer passthrough of energy price increases. They broadly agreed with staff on current account projections, and shared staff's concern over the impact of lower SACU revenue transfers on the fiscal position and official reserves.

[10] Staff estimate that the SACU arrangement provided a net revenue benefit to Eswatini of 9.2 percent of GDP in FY23/24.

POLICY DISCUSSIONS

A. Ensure Long-Term Fiscal Sustainability While Supporting Growth

18. Some progress has been made in entrenching fiscal sustainability, though declining SACU receipts, spending pressures, and slowing growth present fiscal risks. The 2020 FAP aimed to achieve a primary surplus of 0.5–1.0 percent of GDP by FY23/24 and stabilize public debt (including arrears) at just above 50 percent of GDP. Thanks in large part to SACU revenue windfall these objectives were largely achieved; however, the bulk of the windfall was used to finance a widening of the structural deficit from 3.3 percent in FY21/22 to 4.5 percent of GDP in FY23/24. In addition, arrears were reduced significantly (to 5.2 percent of GDP at end-FY22/23 compared with 9 percent of GDP projected in FAP). With SACU receipts set to decline in coming years, the authorities recognize that fiscal prudence will be needed to keep public debt (excluding arrears) below 40 percent of GDP—their policy goal—and reduce domestic payment arrears.

Text Table 1. Comparison of Budget for FY2023/24 and FY2024/25
(Staff Estimates and Actual Outturns)
Percent of GDP

	FY2023/24			FY2024/25		
	SR 2023 AIV	Budget	Estimated Outturn	SR 2023 AIV	Budget	Staff Projection
Total Revenue and Grants	28.6	28.6	28.6	25.5	29.6	29.1
Revenue less SACU and grants	15.1	18.3	15.1	15.7	15.8	15.3
SACU receipts	12.9	9.6	12.9	9.3	13.3	13.3
of which: contributions to stabilization fund	1.6	1.6	0.8	0.0	1.5	1.5
Grants	0.6	0.7	0.6	0.6	0.5	0.5
Total Expenditure	29.0	27.4	30.1	28.5	29.9	30.8
Current	15.7	15.6	17.1	16.0	16.5	17.3
Compensation of employees	10.0	10.0	9.9	10.7	10.0	10.3
Use of goods and services	4.0	3.9	4.2	3.9	4.2	4.1
Interest	1.7	1.7	3.0	1.4	2.3	2.9
Capital expenditure	6.4	5.7	5.9	6.3	6.4	6.4
Overall Balance	-0.3	1.2	-1.5	-3.0	-0.3	-1.7
Primary balance	1.4	2.9	1.5	-1.6	2.0	1.2
Overall balance, less SACU	-13.2	-8.4	-14.3	-12.2	-13.6	-15.0

Sources: Eswatini authorities; and IMF staff calculations.

19. Staff's projected fiscal position for FY24/25—featuring an overall deficit of 1.7 percent of GDP—entails a small loosening. In contrast, the budget forecast a tightening of 1.2 percentage points of GDP (Text Table 1). The difference arises because staff's projection includes the 0.5 ppt of GDP impact on tax revenue of a reduction in the CIT rates and an increase in the VAT threshold, which were implemented in July 2024 and were not included in budget projections. In addition, the budget makes no provision for salary increases (which could result from the upcoming salary review) and may underestimate interest payments (staff estimate a joint impact of 0.7 ppt of GDP).

20. Staff consider the baseline fiscal stance for FY24/25 to be broadly appropriate. The structural deficit is projected to increase by 0.6 ppt of GDP to 5.1 percent of GDP. While growth is projected above potential and external buffers are small, a mildly supportive fiscal stance is appropriate to fund pressing social and development needs (reflected in higher capital spending).

As financial conditions remain tight, staff recommend: (i) pressing on with the rationalization of civil service (to enable hiring in critical areas without expanding the wage bill) and strengthening the financial oversight of SOEs, to create space for higher priority spending; (ii) seeking IFI financing (including concessional) as a lower-cost option for public investment; and (iii) using SACU windfalls to reduce arrears and adopting a detailed strategy to avoid their past pattern of recurrence.

Text Table 2. Staff Projections and Authorities' MTFF
(Percent of Staff's Estimated FY GDP)

	FY2024/25		FY2025/26		FY2026/27	
	Authorities	IMF	Authorities	IMF	Authorities	IMF
Total revenues including SACU	29.6	29.1	26.9	26.2	26.3	25.8
Current primary expenditures	21.1	21.5	19.6	21.3	18.9	21.0
Interest expenditures	2.3	2.9	2.5	3.2	2.3	3.3
Capital expenditures	6.4	6.4	5.5	5.3	4.9	4.9
Primary Balance 1/	2.0	1.2	1.8	-0.4	2.6	-0.1
Overall Balance 1/	-0.3	-1.7	-0.7	-3.6	0.2	-3.4
Financing Gap 2/	-2.3	0.0	-2.6	0.0	1.5	0.0
Public Debt 2/	36.3	40.0	32.8	41.4	31.8	41.3
Arrears 2/	4.0	4.0	5.3	5.3	2.7	5.0

Sources: Eswatini authorities; and IMF staff calculations.

1/ Authorities treat contributions to the stabilization fund as negative revenue while the IMF convention is to take them as a financing item. These are consistent with the IMF convention.

2/ On the financing side, staff projections differ from the authorities' MTFF in that they (i) include the financing gap in gross financing needs; (ii) assume that maturing domestic debt is rolled over at prevailing interest rates; and (iii) assume arrears being rolled over staring in FY26/27 for the lack of fiscal space.

21. For the medium term, staff's baseline fiscal projections are anchored on a public debt-to-GDP target of 40 percent. With a sharp drop in SACU revenues from FY25/26 onwards, the overall deficit is expected to widen to 3.5 percent of GDP and public debt-to-GDP ratio to rise above 41 percent of GDP in FY25/26 and FY26/27. The deficit gradually narrows thereafter to 2 percent of GDP by FY29/30 to ensure that the debt ratio drops close to 40 percent. This gradual tightening will also result in an alignment between the headline and structural deficit, consistent with SACU revenues reverting to the projected medium-term baseline of about 10 percent of GDP. The projected consolidation would occur by keeping wage bill growth below nominal GDP growth, while restraining spending on goods and services. The baseline also features a moderate increase in capital spending (relative to its low level in recent years). Raising its quality will be key to ensure its effectiveness and maximize their growth impact. In transition, part of heightened financing needs could be covered from the stabilization fund while the expected gradual easing of financial conditions should facilitate domestic debt issuance and settlement of arrears.

22. Debt is sustainable in the medium term in the baseline scenario, with the risk of debt distress assessed as moderate (Annex IV). In addition to regular debt (bearing interest and subject to an amortization schedule) stabilizing at 40 percent of GDP, staff assume that arrears will be rolled over indefinitely starting in FY26/27 (their cost is included in the debt service for the purpose of debt sustainability analysis). Debt composition shifts to longer maturities and from domestic to external. In staff projections, gross financing needs (GFN) include the financing gaps projected in the authorities' MTFF through FY26/27.

23. While tax revenue (ex-SACU transfers), at about 14.3 percent of GDP in FY23/24, appears fairly high, tax administration efficiency could be improved. The reduction of the CIT rate from 27.5 percent to 25 percent is expected to reduce revenue by around 0.5 percent of GDP in the near term but could improve compliance in subsequent years. An increase in the VAT turnover threshold from 500,000 to 900,000 emalangeni is expected to have a similar impact. Tax gap analysis has indicated that reducing tax exemptions could yield further revenue gains; staff recommend that Eswatini Revenue Service determine a strategy for their eventual rationalization. Overall, while in the baseline staff assume that domestic tax revenue remains sustained as a share of GDP, there appears to be a scope to increase it, also drawing on the recent advances in digitalization.

24. Careful prioritization of expenditure is central to achieving the authorities' public debt target. Continued wage bill restraint, as part of broader civil service reform (including reducing the public wage premium), is needed, though the end of the hiring freeze should enable filling key positions. Such measures should be complemented by productivity-enhancing public sector reforms such as rationalizing public services (tapping into digitalization) and reinvigorating stalled SOE reform. At the same time, spending should be redirected to health, education, and expansion of the social safety net.

25. Increasing the quality of public investment is essential for raising potential growth. Public investment has been fairly low (averaging 5 percent of GDP) in recent years. More importantly though, its multiplier is estimated to have been low or even negative. Increasing the capacity and function of the Public Investment Unit, ensuring projects are aligned with national priorities, and requiring projects are backed by feasibility studies and complete appraisal documents could improve the return on public investment (World Bank Public Finance Review, 2024). Project financing from IFIs (including under IDA's Small State Exception) could be helpful.

26. Modernizing and streamlining the public financial management framework could deliver significant operational efficiencies, including better arrears monitoring and management. The benefits of IFMIS and IPSAS, which are being implemented, will be maximized by aligning them with international standards. The treasury and cash management functions need immediate updating, particularly the treasury single account. The current systems are inadequate to track expenditure and identify arrears, which are subject to large and frequent revisions. The newly implemented invoice register has enhanced spending controls and reduced the need for extrabudgetary spending bills; however, efforts to further improve controls and procurement are needed. Publicly available, annual audited reports for SOEs will increase transparency and strengthen governance.

27. Fiscal policy needs to be anchored on an integrated medium-term fiscal framework (MTFF). A new MTFF, which is being developed with support from AFRITAC South, should help strengthen budget realism and liquidity forecasting, as well as cash and debt management. Next steps should include full integration of the fiscal accounts with a minimum lag, extending the forecast horizon from three to five years, and bringing in the debt and financing side to enhance debt sustainability assessments. A robust MTFF should feature a formal fiscal anchor. A structural balance target, for example, would help fiscal policy be better calibrated to cyclical conditions given the variability in SACU revenues. Once a credible fiscal anchor is in place, the authorities could consider adopting a fiscal rule.

Authorities' Views

28. The authorities are in broad agreement on the fiscal policy and PFM recommendations. They reiterated their commitment to debt sustainability and to keeping public debt around 40 percent of GDP. They consider public investment in the energy, agriculture, mining, and textile sectors as urgent and catalytic for private sector development and long-term growth. Faced with the anticipated fall in SACU revenues, they consider expenditure restraint, primarily on the wage bill and transfers to governmental units, as vital for fiscal sustainability. The cost of budget financing is a major concern. They welcomed TA to align IFMIS and IPSAS with international standards.

B. Set Monetary Policy to Safeguard Foreign Reserves and Support the Peg

29. The policy rate differential with the SARB is encouraging capital outflows and putting pressure on official reserves. Capital outflows reached about 3 percent of GDP in 2022 and 2023.[11] In the meantime, the treasury's weak position, including an overdue credit to the CBE emanating from the regularization of a past overdraft, continues to weigh on the CBE's own NFA position. Windfall SACU receipts have helped shore up official reserves. In anticipation of monetary easing by the SARB later in 2024 (reflecting an improved inflation outlook in South Africa) and weak credit growth in Eswatini, the CBE has held rates steady since July 2023.

30. Meanwhile, the CBE is considering stopgap measures to bolster its foreign reserves. These include a possible asset swap with the public pension fund and capital flow measures (CFMs) on outflows.

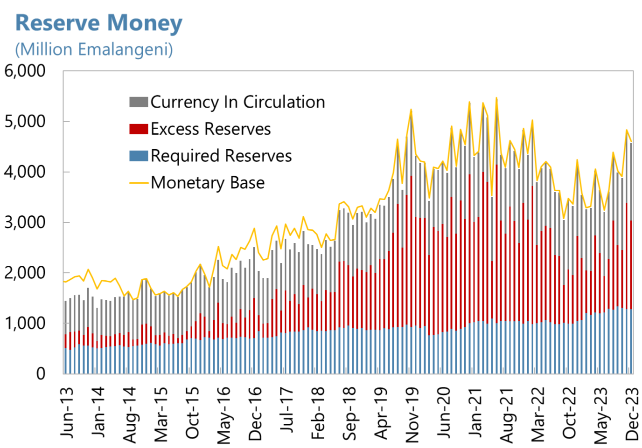
31. Given concerns about foreign reserve adequacy, staff recommended aligning the CBE policy rate with the SARB. The alignment with the SARB can be achieved gradually by CBE keeping its policy rate on hold for longer until the policy rate in South Africa is eased sufficiently to close the policy gap. However, a prolonged deviation from the SARB policy rate could become destabilizing due to increased uncertainty regarding the central bank's ability to defend the peg, especially as the current account is expected to weaken, in which case the CBE should stand ready to respond appropriately.

[11] This corresponds to portfolio outflows and changes in the currency and deposits as reflected in the balance of payments. In 2023, portfolio outflows dominated, while in 2022, outflows showed mainly in currency and deposits.

32. Staff advised against using special measures to shore up reserves. An asset swap could be potentially detrimental to the pension fund's actuarial situation; also foreign assets that would be held by CBE as a counterpart of any such swap would be counted as reserve assets only if they were readily available for use by the CBE.[12] Staff also advised that CFMs would only be appropriate in crisis or near crisis circumstances and as part of a broader macroeconomic package, or in the case of premature liberalization; they should not be used as a substitute for macroeconomic adjustment.

33. Enhancing the liquidity management framework could support credit extension and lower sterilization costs. Lengthening the maintenance period for required reserves from one to minimum two weeks, and allowing averaging, would alleviate banks' need to hold large excess reserves. This would support the development of an overnight interbank money market and lower the cost of liquidity management while freeing liquidity to support credit (Text Figure 4).[13] Publication of the call rate and rates on other open-market operations would increase transparency and price discovery and should encourage banks to increase their activity in Eswatini. In this context, the introduction of the national payment switch, currently underway, is also expected to generate efficiency gains and reduce reliance on rand settlements.

Text Figure 4. Monetary Base Components



Sources: Country authorities; and IMF staff calculations.

Authorities' Views

34. The authorities consider the monetary policy stance to be striking the right balance between supporting the economy and safeguarding the peg. The CBE sees benefit from a lower policy rate that is transmitted proportionally to lower lending rates. In addition, they do not consider the rate gap to be causing alarming capital outflows. While the CBE agreed that policy rate realignment should take place, they noted that this should occur at a measured pace. They also emphasized that the structural fiscal issues (e.g., the size of the government wage bill) had a bigger impact on government net asset position and official reserves. To this effect, the CBE also expects the government to regularize its overdue liabilities to the central bank emanating from the restructuring of a large overdraft in 2018 (Text Figure 5). The authorities agreed that the asset swap under discussion with the pension fund, if it comes to pass, should be carefully designed to ensure that foreign assets held on swap count toward foreign reserves. They confirmed that no new

[12] As per Balance of Payments and International Investment Manual, Sixth Edition (BPM6): Underlying the concept of reserve assets are the notions of "control," and "availability for use," by the monetary authorities.

[13] When setting the call rate, currently at about 8.3 percent, CBE offers a small (10 bps) premium over the SA money market rate, to lock in excess liquidity and contain pressure on foreign reserves.

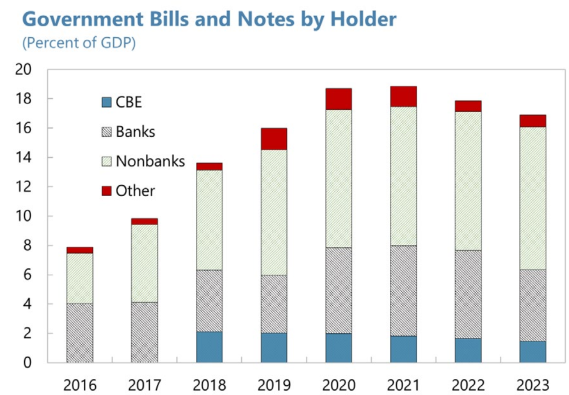
exchange controls have been put in place and reiterated their interest in TA support from the Fund for the reform of the CFM framework. The CBE also remains open to modifying its liquidity management framework, with an aim to lower its cost, while facilitating credit extension.

C. The Financial Sector Stability Review (FSSR) Sets the Roadmap

35. The recently completed FSSR provides a roadmap for financial sector reforms. The key Fund-supported workstreams include financial sector statistics; systemic risk monitoring; safety nets and crisis preparedness; and insurance regulation and supervision. AFRITAC South is providing TA on bank regulation and supervision; central bank operations; and payments system oversight. NBFIs are a source of financial vulnerabilities and require improvements in oversight, in particular risks associated with concentration in retirement funds (over 80 percent of retirement fund assets are held by the two state-owned pension funds). Retirement funds are also strongly interlinked with capital market intermediaries (CMIs) as about 70 percent of their assets are managed by CMIs. Improvements in the framework should include better coordination and exchange of data between the CBE and the FSRA, as well as enhancing NBFI surveillance and forward-looking risk assessments.

36. Financial supervisors should closely monitor asset quality developments and liquidity. The recent pickup in NPLs appears to be linked to arrears on government contracts and banks, increasingly wary about their direct and indirect exposure to government, show a reduced appetite for government debt. Nonbanks, which are taking on a larger part of government debt, face their own statutory limits. In this context, supervisors of banks and nonbanks should monitor asset quality closely, especially as growth is expected to slow in the medium term. The liquidity positions of NBFIs, including pension funds, which strive to strengthen their net actuarial values, also must be scrutinized given the government's cash constraints. The authorities also need to be watchful of transitional issues that may arise in the rollout of the national payment switch system.

Text Figure 5. Government Securities by Holder



Sources: Central Bank of Eswatini; and IMF staff calculations.

37. A major financial sector reform package is expected to be presented to Parliament later this year. The package includes measures in the areas of AML/CFT, updates to the Central Bank Act, legislation for the nonbank regulator, and legislation for the anti-corruption commission.

Authorities' Views

38. The authorities welcomed the FSSR recommendations and subsequent plan for technical assistance to improve the financial architecture. Capacity enhancements based on previous TA recommendations include Basel II implementation and supervision of NBFIs. They acknowledged that further improvements are needed on strengthening corporate governance and risk management practices, strengthening supervision of deposit taking NBFIs, and statistics.

D. Raising Potential Growth Through Structural Reforms

39. Boosting potential growth requires deep structural reforms and investment in climate change adaptation. According to a recent IFC study, Eswatini has a comparative advantage in sugar, beef, forestry value chains, and textiles and apparel, along with leveraging access to regional markets. Reforms to address bottlenecks in the power sector and reform SOEs (for example, by implementing a World Bank and AfDB-supported reform plan) could facilitate private sector development. Green financing should be explored to address climate change vulnerabilities.

40. The authorities are preparing a new growth strategy, with an emphasis on industrial policy and an increased role of the state in stimulating growth, including through public-private partnerships and strategic investments (e.g., in energy). Staff highlighted the potential pitfalls of industrial policies and recommended instead that a "horizontal" approach to improve cross-cutting economic capacity, such as investment in health and education, could be more successful in generating positive spillovers and raising productivity.[14]

41. Boosting long-term growth will depend critically on entrepreneurship, business facilitation, and education policies. Entrepreneurship could be supported with training, reducing the requirements to start a business, and streamlining bankruptcy procedures. Business facilitation includes making registration and tax filing easier, while supporting scaling up through technical education geared toward addressing skill mismatches and access to affordable credit. Education policy should be aligned with current and future business needs.[15]

42. Digitalization underpins many structural reforms. These include streamlining business processes, registering and paying taxes, establishing an online business and ultimate beneficiary ownership registry, and creating a national identity system to improve targeting of social spending, assessment of social programs, and help move people into the formal sector. Digitalization could also improve education outcomes.

43. Given its high unemployment, Eswatini could benefit from job loss insurance (SIP). Staff examined the potential benefits of introducing a flex-security model that combines: (i) policies to invigorate the private sector, increase dynamism of the labor market and reduce skills mismatches with: (ii) affordable social protection, including an unemployment insurance scheme for those who are currently employed. Such a contributory scheme could be started with government seed funding

[14] "Economic Diversification in Developing Countries: Lessons from Country Experiences with Broad-Based and Industrial Policies" (IMF, July 2024).

[15] About 17 percent of Eswatini's public expenditure is on education (2022), compared to the average of 13 percent for lower middle-income countries; however, the evidence of brain-drain and weak growth performance point to disconnectedness between education policy and market needs.

and become sustainable, especially if contingent liabilities are avoided. The scheme could help alleviate involuntary frictional unemployment, including due to sickness and maternity.

44. In parallel, greater attention is needed to address structural unemployment and poverty, which weigh heavily on Eswatini's growth prospects. Discussions with civil society highlighted deep-rooted social discontent caused by persistently high unemployment. The recent National Skills Audit identified chronic skills mismatch and skills gap as its key drivers. Brain drain is an additional issue. While policies to strengthen the business environment and well-targeted public investments, would be key to job creation, appropriate training (especially Technical and Vocational Education and Training (TVET)) should be promoted to strengthen employability. Meanwhile, greater support should be offered to vulnerable households, many sliding below the poverty line because of COVID-19 isolation, business closures, and rising costs of living.

45. Special attention should be given to closing the gender gap in education and labor force participation. Given higher unemployment rates for women, prioritizing closing the gender gap in education (including in STEM fields) and encouraging higher labor force participation by women through job shadowing programs and developing inclusive curriculums, while expanding childcare programs is key. There has also been an alarming rise in gender-based violence, which should be addressed through more active government policies, for example, through better resourcing, and implementing the 2023–27 National Strategy to End Violence in Eswatini. Across many areas, there is an urgent need to update social indicators and poverty tracking to improve the targeting of social interventions, with special attention to upholding women's and children's rights.

Authorities' Views

46. The authorities argued that the private sector has underperformed over decades, despite being given a fair chance to succeed. This is why they are considering industrial policies. There was emphatic agreement on high unemployment being a priority area. The authorities noted the lack of cohesion between training institutions and firms and the perception that TVET programs were not appropriate for highest caliber talent, as key impediments for increasing the supply of qualified labor. Regarding poverty, the authorities agreed with the need to improve its measurement and strengthen the programs to support the poor, such as the school food programs. At the same time, they highlighted the relatively good access of the poor to quality housing, and benefits of holding livestock, as mitigating factors, understated in the consumption-based poverty surveys.

E. Governance, RFI Commitments, Capacity Development, and Data Issues

47. Greater efforts are needed to address long-standing governance issues that are undermining economic outcomes.[16] Eswatini scores low on perception-based measures of control of corruption and rule of law, and performance appears to have deteriorated in recent years (Text Figure 6). The new government has recognized the importance of addressing the causes of these

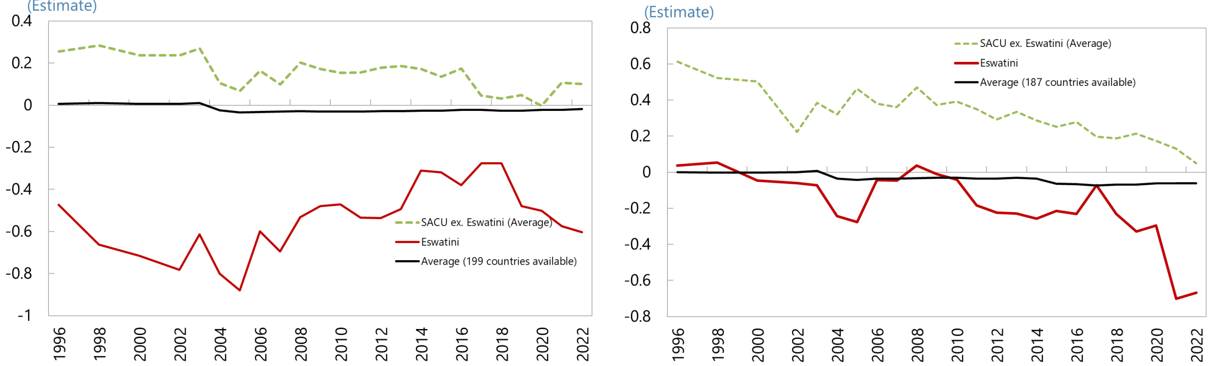
[16] For an analysis of the relationship between weak governance and economic outcomes in Eswatini, see IMF Country Report No. 2020/41, Annex VIII. "Supply-Side and Governance Reforms to Reignite Growth."

negative perceptions and corruption vulnerabilities. Efforts are underway to strengthen the Anti-Corruption Commission (ACC), by clarifying its legal mandate (as separate from that of the Commission on Human Rights and Public Administration (CHRPA), which is tasked to deal with administrative corruption) and empowering it for investigation of high-profile corruption and fraud cases. However, the ACC continues to face resource constraints and limited prosecution powers, while the CHRPA is underfunded and largely inactive. On AML/CFT, a review by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is underway, and the authorities recently completed a National Risk Assessment for money laundering and terrorist financing. Legislation to update the AML/CFT framework is awaiting Parliamentary approval. Staff recommend developing a new national anti-corruption strategy to show commitment to resolutely addressing areas of concern. More specific recommendations include providing adequate resources for the anti-corruption agencies (including the judiciary) and ensuring their independence, enhancing transparency through publishing asset declarations, strengthening the AML/CFT prevention regime (including for enhanced due diligence measures applicable to politically exposed persons), managing conflicts of interest for public officials (obligation to report conflicts remains insufficient, which hinders the implementation of relevant disclosure requirements), and establishing whistleblower protections.

Text Figure 6. Control of Corruption and Rule of Law Indicators

Rule of Law,1996–2022
(Estimate)

Control of Corruption, 1996–2022
(Estimate)



Sources: Worldwide Governance Indicators (WGI); D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank); and IMF staff calculations.

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Note: Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance).

48. The CBE has made progress in addressing the 2022 safeguards assessment recommendations. That said, strengthening the legal framework remains work in progress. Staff will continue to engage with the authorities to align the central bank bill with leading practices before it is submitted to parliament for enactment.

49. Some of the RFI commitments have been met (Annex V). The fiscal adjustment plan was implemented. The CBE has largely fulfilled the items within its mandate. Many of the legislative requirements are part of the upcoming Omnibus Bill. Other commitments have been partially met. Remaining shortfalls are mostly related to transparency and reporting.

50. Eswatini's capacity to repay the Fund is adequate (Table 7). Credit outstanding to the IMF (RFI) is projected to drop to 37.5 percent of quota by end-2024, equivalent to 1.2 percent of exports and 5.2 percent of gross official reserves. Repayment will be completed in 2025.

51. Eswatini continues to be an intensive user of IMF technical assistance (Annex VI). Key areas have included the strengthening of revenue administration and modernization of public financial management, strengthening the capacity to manage macro-financial risks (through a follow-up to the FSSR), bolstering transparency and governance, and improving the quality of macroeconomic data.

52. Data reveal shortcomings that somewhat hamper surveillance (Annex VII). Deficiencies (reflected in C rating) persist in fiscal reporting, budgeting, national accounts, balance of payments, labor force surveys, and social statistics. Also, public debt and foreign exchange data lack sufficient granularity. Increasing the resources for data producing office, as the hiring freeze is being relaxed, will be key to improving the quality of official statistics. The government should explicitly budget for the upcoming economic census. Resource constraints in the Ministry of ICT prevents public dissemination of the national data. Digitalization would also help improve data collection.

Authorities' Views

53. The authorities concurred with staff's assessment of the need to step up efforts to combat corruption and strengthen governance. Several high-profile cases of corruption have been prosecuted and efforts are underway to prosecute the widely publicized offenses in healthcare procurement. The mandate of the ACC has been clarified and its priorities will be articulated in the upcoming review of the 2007 National Anti-Corruption Strategy as part of the new five-year National Development Plan 2024–29. The Prevention of Corruption Act is being amended to align it with the provisions of UNCAC. The authorities remain committed to meeting the requirements stated in the RFI letter of intent, which are integral to the authorities' own reform agenda. The authorities expressed their appreciation for capacity development assistance from the Fund. They look forward to engagement on CFMs, and the continuation of the ongoing work programs, especially in the PFM area. Regarding data shortcomings, authorities remain open to working with staff on providing more granular data and ensuring timeliness of data provision, where possible. They highlighted resource needs to rebase national accounts and indices, to analyze the survey data from Household Income and Expenditure Survey and to collect data on social indicators and the labor force more frequently.

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54. On the back of a post-pandemic rebound and favorable export prices, real GDP growth in Eswatini reached nearly 5 percent in 2023. Over the medium term, however, as these temporary factors wane, growth is expected to revert gradually to a historical baseline of 2.5 percent. This subdued outlook raises concerns as it constrains the government's ability to respond to social needs, tackle unemployment, and address poverty; however, this outlook can improve considerably if reforms aiming to boost potential growth are implemented.

55. A weak economic outlook is compounded by inflationary and external risks. Inflation could increase as electricity tariffs and potentially other administered prices are raised. While foreign reserves have increased thanks to high SACU transfers, their import cover remains below adequacy benchmarks. Going forward, reserves will remain under pressure as SACU receipts normalize.

56. The fiscal position has strengthened considerably, reaching the objectives of the 2020 fiscal adjustment plan. This reflects both windfall SACU receipts, which increased by 3.6 percent of GDP between FY19/20 and FY23/24, and importantly, in equal measure, expenditure restraint of 3.7 percent of GDP during the same period. The primary fiscal balance in FY23/24 is estimated to have reached a surplus of 1.5 percent of GDP and the public debt-to-GDP ratio was brought under 40 percent of GDP. This demonstrates the authorities' commitment to fiscal prudence. Taking advantage of this consolidation, the authorities are encouraged to improve public service delivery while ensuring sustainability. Most notably, an end of the hiring freeze should pave the way to a comprehensive civil service reform.

57. A widening of the deficit in FY25/26—as envisaged under the baseline—is appropriate in light of the anticipated drop in SACU receipts. Staff estimate that this temporary widening of the overall fiscal deficit by 2 ppt of GDP should be adequate to avoid a disruptive compression of expenditure and support growth, while the underlying fiscal position would be tightened (through a 1.7 ppt reduction in the structural deficit) steering it toward a sustainable medium-term level. Setting aside savings in the stabilization ahead of the SACU revenue decline could help cushion the fiscal transition, though difficult to achieve given current tight financial conditions, which present challenges for budget financing. In this context, the authorities are encouraged to pursue other financing options, including from IFIs, to support the public sector reforms and public investment.

58. Arrears should be cleared as soon as feasible, and public financial management strengthened to reduce their occurrence going forward. Government arrears intensify the bank-sovereign nexus and increase fiscal-induced risks. To this effect, the budget process should reflect realistic assumptions, especially on financing, and include a year-by-year plan to clear arrears while detailing controls that will prevent their further accumulation.

59. Public financial management remains weak and should be an urgent priority for reform. The authorities are implementing the IFMIS system in the Ministry of Finance, moving to IPSAS in the Treasury, establishing an invoice register, and progressing on a medium-term fiscal framework. However, shortfalls remain in expenditure controls (contributing to arrears), liquidity management, and debt management. The MTFF requires full integration of the fiscal operations, including the financing assumptions and tracking their interest cost implications, to enable the debt sustainability assessment.

60. The external position of Eswatini in 2023 was moderately stronger than implied by macroeconomic fundamentals and desirable policies. The current account balance is projected to strengthen further in 2024 and weaken thereafter but remain in a surplus. International reserves are projected to remain below 3 months of imports over the medium-term. Going forward, better management of SACU revenues and structural reforms to bolster external competitiveness can support the external position and strengthen international reserve buffers.

61. Given Eswatini's peg to the rand, the policy rate should be realigned to the SARB. This would also obviate the need for potentially distortionary stopgap measures. In the absence of immediate inflationary pressures, this realignment can occur gradually. Staff stand ready to assist the authorities in modernizing the liquidity management framework and strengthening financial sector surveillance, including its AML/CFT aspects.

62. The package of financial law amendments paves the way to a comprehensive modernization of the financial system. Before their adoption by Parliament, the amendments should be reviewed to ensure that they conform to international standards. Staff stand ready to assist with this task.

63. Raising potential growth faces many structural challenges, including a poor business environment and weak governance. More efforts are needed to support entrepreneurship, financial literacy, and credit to MSMEs. Stepped up anti-corruption plans are well noted as governance remains high among challenges of doing business, and negative perceptions in this regard limit Eswatini's attractiveness for foreign investors.

64. The legacy of COVID-19 compounded the pre-existing social problems, and the authorities have rightly recognized unemployment as a national emergency. While tackling chronic unemployment will require a multipronged effort to support job creation and skill acquisition, introducing a limited and sustainable job loss insurance scheme (including on account of sickness and maternity) would strengthen the social safety net and enhance labor market efficiency. More importantly, it is urgent to expand social protection on a broader scale to alleviate poverty, prevent gender-based violence, and improve access to health and education services.

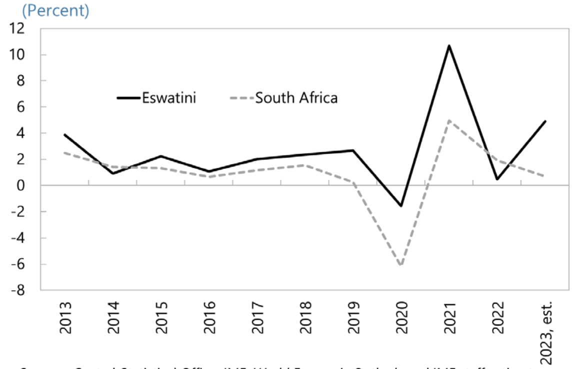
65. Serious data weaknesses undermine the authorities' ability to monitor economic and social developments and make informed policy decisions. They also hamper staff's ability to conduct surveillance**.** Resource constraints affecting data collection and management, especially at the CSO, but also at the Department of Labor, the Ministry of ICT, the budget team, and debt management unit, should be addressed with high priority. The data work of these agencies is critically important for informing policy making and improving government effectiveness.

66. It is proposed that the next Article IV consultation with Eswatini takes place on the standard 12-month cycle.

Figure 1. Real Sector Developments

Eswatini has recently outperformed South Africa…

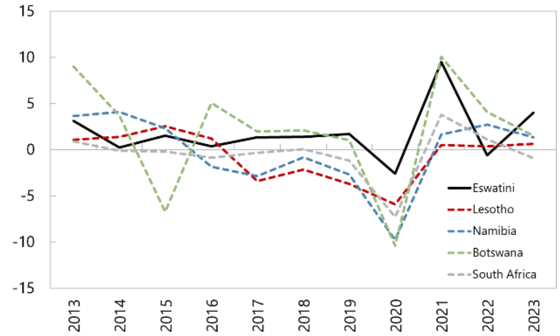
Real GDP Growth
(Percent)



Sources: Central Statistical Office; IMF, *World Economic Outlook*; and IMF staff estimates.

…and all SACU peers in per capita terms.

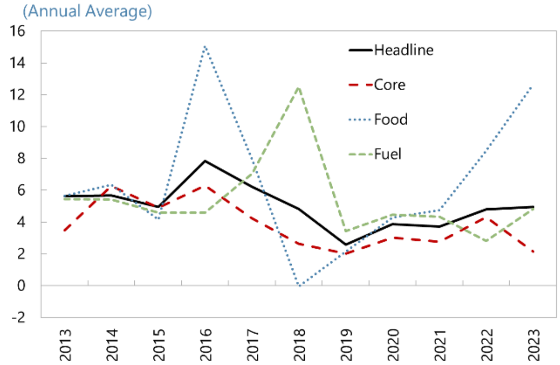
GDP Per Capita
(Percent)



Source: IMF, *World Economic Outlook*.

Inflation peaked in 2023 and is coming back down.

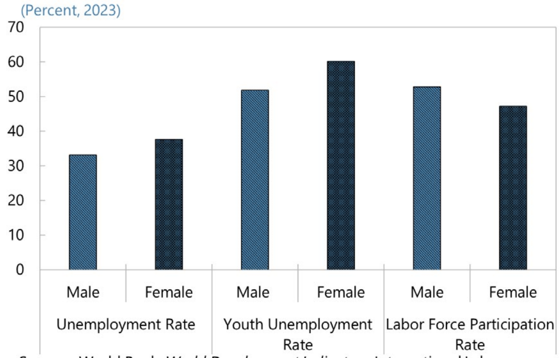
Inflation
(Annual Average)



Sources: Central Statistical Office; and IMF staff calculations.

Unemployment remains a central problem; women fare worse than men, particularly on labor force participation.

Unemployment and Labor Force Participation
(Percent, 2023)

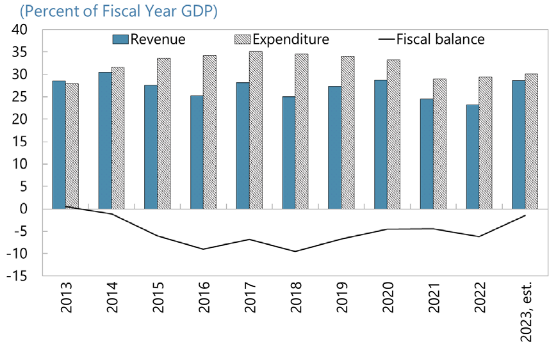


Sources: World Bank, *World Development Indicators*; International Labor Organization.

Figure 2. Fiscal Developments

The fiscal prudence has paid off: the deficit narrowed…

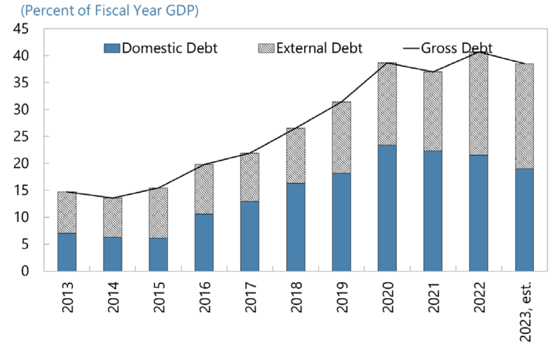
Fiscal Balance
(Percent of Fiscal Year GDP)



Sources: Ministry of Finance; and IMF staff calculations.

…and public debt remains well contained.

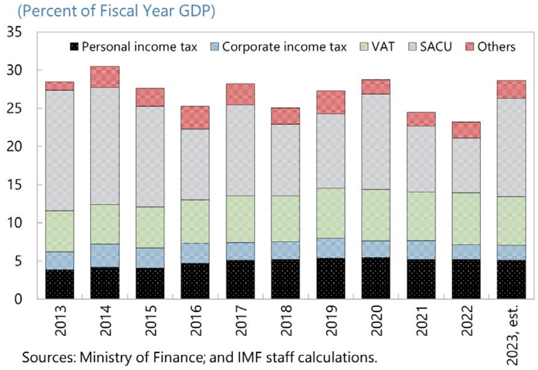
General Government Debt
(Percent of Fiscal Year GDP)



Sources: Ministry of Finance; and IMF staff calculations.

The revenue increase reflected augmented SACU receipts to compensate for under-disbursements in 2021–22 …

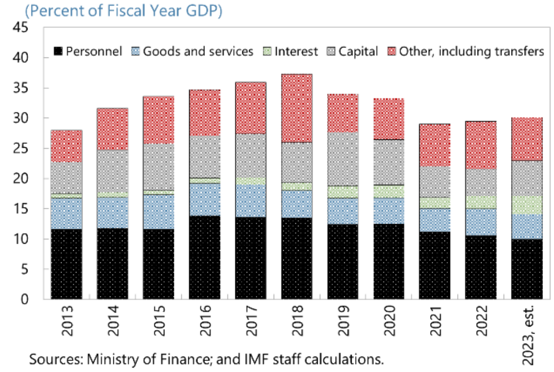
Revenue Sources
(Percent of Fiscal Year GDP)



Sources: Ministry of Finance; and IMF staff calculations.

…and was accompanied by expenditure restraint.

Expenditure Composition
(Percent of Fiscal Year GDP)

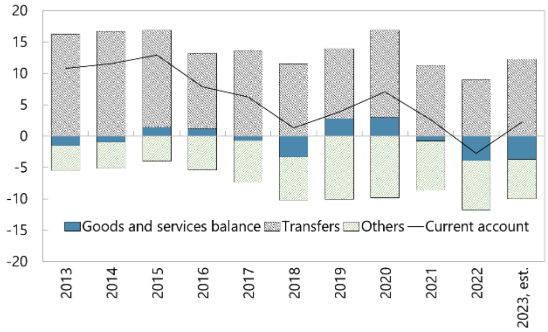


Sources: Ministry of Finance; and IMF staff calculations.

Figure 3. External Sector Developments

The current account returned to a surplus…

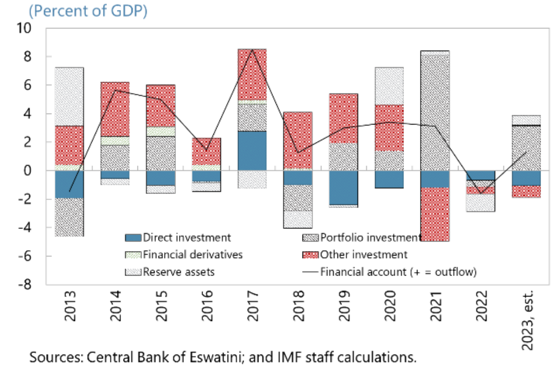
Current Account Balance
(Percent of GDP)



Sources: Central Bank of Eswatini; and IMF staff calculations.

…which was largely offset by portfolio outflows.

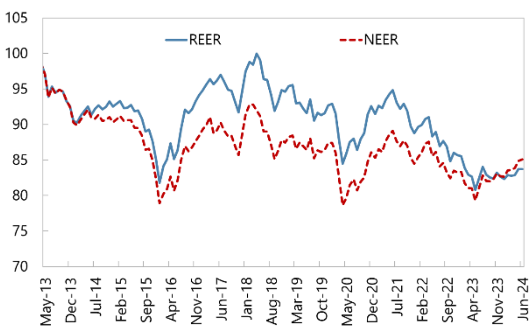
Financial Account
(Percent of GDP)



Sources: Central Bank of Eswatini; and IMF staff calculations.

Lilangeni appreciated slightly in real effective terms since early 2023, driven by inflation differentials.

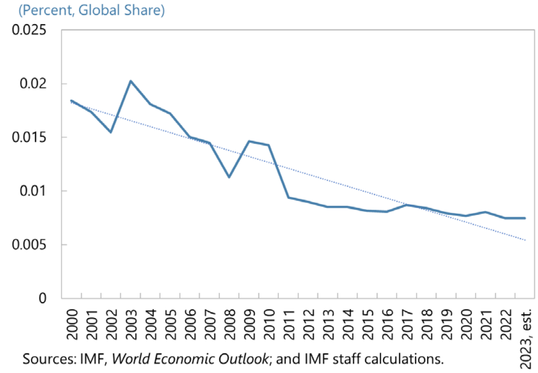
Effective Exchange Rates
(Index, January 2013 = 100)



Sources: IMF, *Information Notice System*; and IMF staff calculations.

Imports continued to follow the downward trend as a share of global imports.

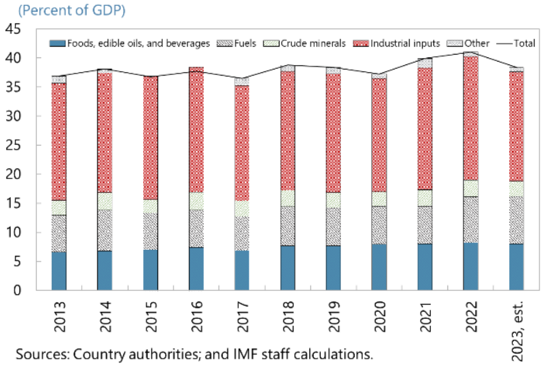
Value of Import of Goods and Services
(Percent, Global Share)



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

Goods' imports-to-GDP ratio dropped relative to 2022 …

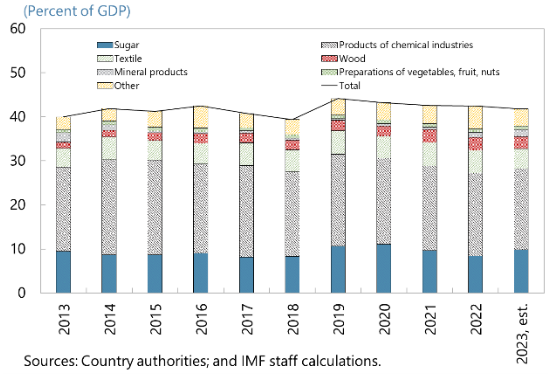
Import of Goods
(Percent of GDP)



Sources: Country authorities; and IMF staff calculations.

…while exports' share of GDP stagnated despite a strong rise in exports of sugar and beverages.

Exports of Goods
(Percent of GDP)



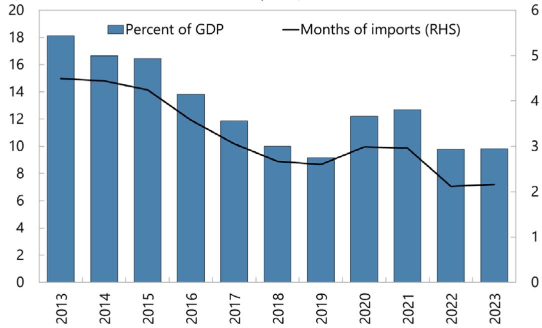
Sources: Country authorities; and IMF staff calculations.

Figure 4. Monetary and Financial Sector Developments

International reserves stagnated despite higher SACU transfers…

International Reserves

(Percent of GDP and Months of Imports)

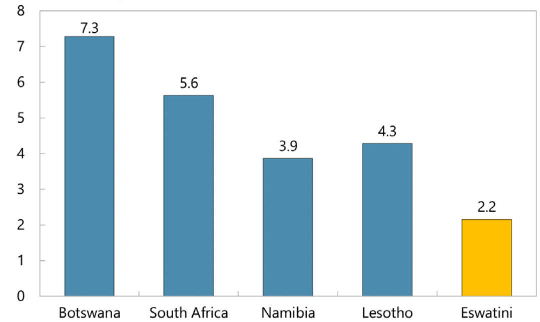


Source: Central Bank of Eswatini.

…and remain lowest in the region in terms of months of imports.

International Reserves, 2023

(Months of Imports)

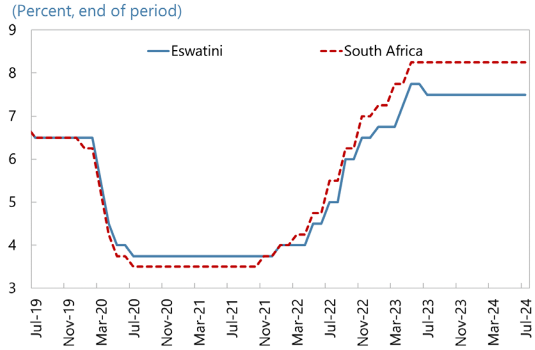


Sources: Countries' Central Bank; and IMF staff calculations.

The policy rate differential puts pressure on reserves…

Policy Rate

(Percent, end of period)

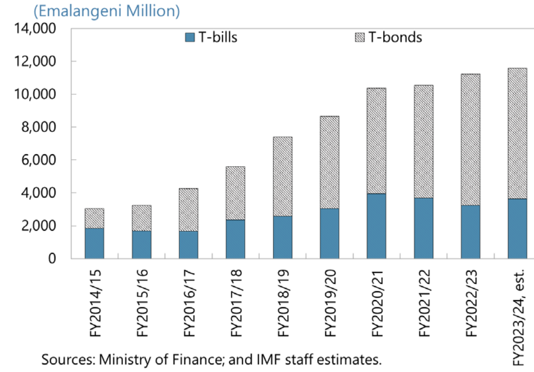


Sources: Central Bank of Eswatini; SARB; and Haver Analytics.

…while the government moves debt from shorter to longer term as T-bills are being shunned by the market.

Treasury Bills and Bonds Issuance

(Emalangeni Million)

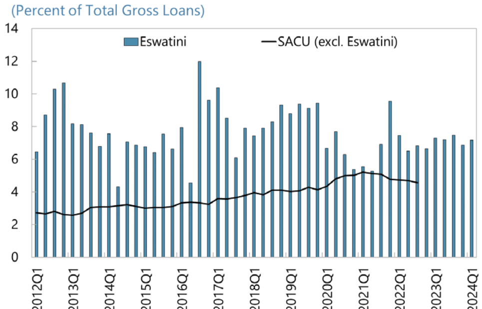


Sources: Ministry of Finance; and IMF staff estimates.

Asset quality in banks has deteriorated…

Non-performing Loans

(Percent of Total Gross Loans)

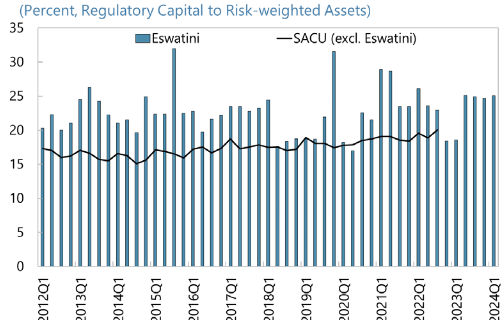


Source: IMF, *Financial Soundness Indicators*.

…but capital buffers have risen.

Bank Capital Adequacy

(Percent, Regulatory Capital to Risk-weighted Assets)



Source: IMF, *Financial Soundness Indicators*.

Table 1. Eswatini: Selected Economic Indicators, 2021–29

Population (2022, millions):	1.2	Per-capita GDP (2022, USD):	4161.7
Quota (current, millions of SDR, percent of total):	11.7	Poverty (2016, percent, below national poverty line):	58.9
Main exports:	Beverages, Sugar, and Textiles.		
Key export markets:	Republic of South Africa, Kenya, and Zimbabwe.		

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Est.			Proj.			
Output									
Real GDP growth	10.7	0.5	4.9	4.6	4.2	3.4	2.9	2.7	2.6
Nominal GDP growth	9.3	9.3	14.3	7.5	8.0	7.3	6.9	6.9	6.6
Nominal GDP (billions of USD)	4.9	4.8	4.9	5.1	5.4	5.7	5.9	6.2	6.4
Nominal GDP per capita (USD)	4,259	4,162	4,174	4,375	4,562	4,726	4,866	5,015	5,155
GDP Deflator	-1.2	8.8	9.0	2.8	3.6	3.8	3.9	4.1	4.0
Prices									
CPI Inflation, average	3.7	4.8	4.9	4.8	4.8	4.6	4.4	4.2	4.2
CPI Inflation, end of period	3.5	5.6	4.3	4.8	4.7	4.3	4.3	4.2	4.2
Consolidated Government Finances 1/									
Revenue 2/	24.5	23.2	28.6	29.1	26.2	25.8	26.2	26.1	26.0
of which: SACU receipts	8.7	7.2	12.9	13.3	9.9	9.5	10.0	10.0	9.9
Expenditure 3/	29.0	29.4	30.1	30.8	29.9	29.3	28.8	28.5	28.1
Gross capital formation	13.3	11.4	14.7	14.9	14.2	13.7	13.6	13.7	13.8
Public	7.3	6.8	7.3	7.7	7.1	6.6	6.4	6.4	6.3
Private	6.0	4.6	7.4	7.2	7.1	7.1	7.1	7.3	7.5
Primary balance	-2.7	-4.1	1.5	1.2	-0.4	-0.1	0.6	0.8	0.7
Overall fiscal balance	-4.5	-6.2	-1.5	-1.7	-3.7	-3.5	-2.6	-2.3	-2.1
Public debt, gross 4/	37.0	40.7	38.5	40.1	41.6	41.6	41.4	41.0	40.7
Money and Credit									
Broad money	0.3	3.6	6.3	4.1	5.8	6.2	...	...	...
Credit to the private sector	3.7	12.0	9.6	8.0	8.8	8.6	...	...	...
12-month time deposit rate (percent)	3.8	6.5	7.5	...	...	...	...	...	...
Balance of Payments									
Current account balance	2.6	-2.7	2.2	3.8	1.7	0.3	1.5	1.1	1.0
of which: trade balance, goods	2.6	1.4	3.4	2.7	2.2	1.2	1.1	-0.2	-0.8
Exports	42.6	42.5	41.8	43.7	44.6	45.9	46.3	46.8	47.3
Imports	39.9	41.0	38.4	41.0	42.4	44.8	45.2	47.0	48.2
Financial account balance	3.1	-1.6	1.3	2.1	0.8	0.9	0.9	0.5	1.1
of which: FDI	-1.2	-0.7	-1.0	-0.8	-1.4	-1.2	-1.6	-1.6	-1.6
Reserves	12.7	9.8	9.8	11.0	11.4	10.2	10.4	10.5	10.1
Reserves (in months of imports)	3.0	2.1	2.2	2.4	2.4	2.1	2.1	2.1	2.1
Imports of goods and services 5/	2,174	2,285	2,354	2,615	2,812	3,069	3,189	3,407	3,595
External debt	21.6	24.7	25.0	25.1	24.8	24.5	23.8	23.3	23.1
Exchange Rate									
REER (percent, yoy)	4.0	-4.6	-5.8	...	...	...	...	...	...
Average exchange rate (emalangeni per USD)	14.8	16.4	18.5	...	...	...	...	...	...

Sources: Eswatini authorities; and IMF staff calculations.

1/ Figures are for the fiscal year as a percent of GDP. The fiscal year runs from April 1 to March 31.

2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, and other items which are not classified as revenue according to the IMFs Government Finance Statistics Manual 2010.

3/ Expenditure includes Eskom's debt relief operation as a capital transfer in line with GFS.

4/ Central government.

5/ In millions of USD.

Table 2. Eswatini: Balance of Payments, 2021–29

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Est.	Proj.					
	Millions of USD, unless otherwise specified								
Current Account									
Current account balance	127	-129	109	197	90	15	87	68	66
Goods trade balance	128	68	167	140	121	66	64	-14	-54
Exports, f.o.b.	2,064	2,035	2,029	2,250	2,421	2,607	2,733	2,880	3,025
Imports, f.o.b.	1,936	1,967	1,863	2,110	2,299	2,541	2,668	2,895	3,079
Services trade, net	-166	-253	-345	-355	-359	-372	-361	-348	-348
Primary income, net	-381	-377	-308	-293	-287	-267	-251	-241	-222
of which: interest on public debt	-15	-22	-43	-57	-73	-78	-71	-65	-57
Secondary income, net	546	432	596	705	614	588	635	671	690
of which: SACU revenue transfers	465	364	556	680	581	547	586	615	633
Capital and Financial Account									
Capital account	-3	-3	0	0	0	2	2	2	2
Financial account	152	-78	64	106	41	49	55	31	71
Foreign direct investment, net	-57	-32	-51	-41	-76	-68	-95	-98	-102
Portfolio investment, net	391	-23	152	62	38	28	41	55	58
Other investment, net	-183	-23	-41	81	75	85	105	70	112
Public, net	-20	-53	-84	-78	-67	-64	-51	-70	-91
Disbursements	56	70	135	156	156	144	125	131	138
Amortization	-36	-17	-51	-79	-89	-80	-73	-61	-47
Currency and deposits of non-bank private sector, net	0	176	-11	180	163	170	177	185	224
Other investment, other	-162	-146	54	-21	-21	-21	-21	-45	-20
Errors and omissions	43	-4	4	0	0	0	0	0	0
Overall balance	15	-59	50	91	49	-32	34	40	-3
Financing									
Change in international reserves (- = increase)	-15	59	-33	-91	-49	32	-34	-40	3
Multilateral	0	40	40	0	4	4	12	10	12
	Percent of GDP, unless otherwise specified								
Current Account									
Current account balance	2.6	-2.7	2.2	3.8	1.7	0.3	1.5	1.1	1.0
Goods trade balance	2.6	1.4	3.4	2.7	2.2	1.2	1.1	-0.2	-0.8
Exports, f.o.b.	42.6	42.5	41.8	43.7	44.6	45.9	46.3	46.8	47.3
Imports, f.o.b.	39.9	41.0	38.4	41.0	42.4	44.8	45.2	47.0	48.2
Services trade, net	-3.4	-5.3	-7.1	-6.9	-6.6	-6.6	-6.1	-5.7	-5.4
Primary income, net	-7.9	-7.9	-6.4	-5.7	-5.3	-4.7	-4.2	-3.9	-3.5
of which: interest on public debt	-0.3	-0.5	-0.9	-1.1	-1.3	-1.4	-1.2	-1.0	-0.9
Secondary income, net	11.3	9.0	12.3	13.7	11.3	10.4	10.7	10.9	10.8
of which: SACU revenue transfers	9.6	7.6	11.5	13.2	10.7	9.6	9.9	10.0	9.9
Capital and Financial Account									
Capital account	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	3.1	-1.6	1.3	2.1	0.8	0.9	0.9	0.5	1.1
Foreign direct investment, net	-1.2	-0.7	-1.0	-0.8	-1.4	-1.2	-1.6	-1.6	-1.6
Portfolio investment, net	8.1	-0.5	3.1	1.2	0.7	0.5	0.7	0.9	0.9
Other investment, net	-3.8	-0.5	-0.8	1.6	1.4	1.5	1.8	1.1	1.8
Public, net	-0.4	-1.1	-1.7	-1.5	-1.2	-1.1	-0.9	-1.1	-1.4
Disbursements	1.2	1.5	2.8	3.0	2.9	2.5	2.1	2.1	2.2
Amortization	-0.7	-0.4	-1.1	-1.5	-1.6	-1.4	-1.2	-1.0	-0.7
Currency and deposits of non-bank private sector, net	0.0	3.7	-0.2	3.5	3.0	3.0	3.0	3.0	3.5
Other investment, other	-3.3	-3.1	1.1	-0.4	-0.4	-0.4	-0.3	-0.7	-0.3
Errors and omissions	0.9	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.3	-1.2	1.0	1.8	0.9	-0.6	0.6	0.6	0.0
Memorandum									
Total imports of goods and services (millions of USD)	2,174	2,285	2,354	2,615	2,812	3,069	3,189	3,407	3,595
Gross international reserves (millions of USD)	573	451	476	565	609	575	604	642	636
in months of imports	3.0	2.1	2.2	2.4	2.4	2.1	2.1	2.1	2.1
percent of GDP	12.7	9.8	9.8	11.0	11.4	10.2	10.4	10.5	10.1
External debt (millions of USD)	1,050	1,184	1,214	1,293	1,344	1,392	1,407	1,433	1,476
Short-term debt (millions of USD)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National currency per USD (average)	14.8	16.4	18.5	18.7	19.2	19.7	20.2	20.7	21.3
National currency per USD (eop)	15.9	17.0	18.5	18.8	19.5	19.7	20.5	20.9	21.6
GDP at market prices (millions of USD)	4,851	4,791	4,856	5,145	5,422	5,677	5,908	6,153	6,393

Sources: Eswatini authorities; and IMF staff calculations.

Table 3. Eswatini: Fiscal Operations of the Central Government, 2021/22–2029/30 1/

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
			Est.			Proj.			
	Millions of emalangeni, unless otherwise specified								
Revenue									
Total revenue	17,986	18,849	26,145	28,594	27,758	29,259	31,816	33,887	35,866
Tax revenue	17,303	17,988	24,848	27,319	26,217	27,656	30,151	32,156	34,070
Taxes on income, profits, and capital gains	6,187	6,552	7,177	7,490	8,304	8,901	9,515	10,168	10,812
of which: Corporate income tax	1,837	1,585	1,767	1,611	2,029	2,175	2,325	2,484	2,642
of which: Personal income tax	3,815	4,223	4,664	5,057	5,410	5,799	6,199	6,624	7,044
Taxes on property	45	39	42	44	49	53	56	60	64
Taxes on international trade and transactions	6,384	5,825	11,758	13,073	10,517	10,829	12,163	12,934	13,631
of which: SACU receipts 2/	6,375	5,818	11,750	13,065	10,509	10,821	12,163	12,934	13,631
Domestic taxes on goods and services	4,637	5,513	5,806	6,646	7,271	7,793	8,331	8,902	9,465
Other taxes	50	60	65	67	75	81	86	92	98
Non-tax revenue	526	689	728	783	883	944	1,006	1,072	1,138
Grants	157	171	568	492	659	659	659	659	659
Expense									
Total expense	17,493	20,321	22,147	23,932	25,997	27,647	29,033	30,441	31,929
Compensation of employees	8,229	8,532	9,068	10,152	10,743	11,269	11,904	12,349	13,017
Purchases or use of goods and services	2,811	3,629	3,807	3,989	4,179	4,370	4,562	4,753	4,953
Interest	1,333	1,748	2,728	2,854	3,475	3,862	3,859	4,033	3,886
Domestic	1,121	1,343	1,801	1,733	1,985	2,311	2,460	2,715	2,717
Foreign	213	405	927	1,121	1,490	1,550	1,398	1,318	1,169
Other expense	5,120	6,412	6,543	6,937	7,600	8,146	8,708	9,306	10,074
of which : Transfers	3,615	3,678	4,269	4,525	4,371	4,686	5,009	5,353	5,870
Transactions in Nonfinancial Assets									
Net acquisition of nonfinancial assets	3,786	3,588	5,342	6,336	5,636	5,581	5,921	6,482	6,850
Foreign financed	860	1,469	3,059	3,112	3,165	2,932	3,089	3,456	3,633
Domestically financed	2,927	2,119	2,282	3,224	2,471	2,649	2,831	3,026	3,217
Total Expenditure	21,279	23,909	27,488	30,268	31,633	33,228	34,954	36,923	38,780
Balances									
Gross operating balance	493	-1,472	3,998	4,662	1,762	1,612	2,783	3,445	3,937
Primary balance	-1,960	-3,312	1,384	1,180	-399	-108	721	997	972
Overall balance	-3,293	-5,060	-1,344	-1,674	-3,874	-3,969	-3,138	-3,036	-2,914
Transactions in Financial Assets and Liabilites									
Balance of financial assets and liabilities	2,214	1,327	1,425	1,674	3,874	3,969	3,138	3,036	2,914
Net acquisition of financial assets	1,835	664	-680	-2,180	-721	804	70	70	70
Net incurrence of liabilities	379	663	2,105	3,854	4,595	3,165	3,068	2,966	2,843
Domestic	919	862	-188	2,394	3,168	1,734	2,343	1,682	1,204
Foreign	-540	-199	2,293	1,459	1,427	1,431	725	1,284	1,639
Financing gap	1,079	3,733	-81	0	0	0	0	0	0
Memorandum									
Gross public debt	27,157	33,049	35,154	39,415	44,010	47,175	50,243	53,209	56,052
Domestic	16,389	17,516	17,328	20,130	23,298	25,032	27,374	29,057	30,261
External	10,768	15,533	17,826	19,285	20,713	22,144	22,869	24,152	25,791
Stock of arrears	5,458	4,229	4,291	3,884	5,620	5,620	5,620	5,620	5,620
Overall balance ex. SACU	-9,668	-10,878	-13,094	-14,739	-14,383	-14,790	-15,301	-15,970	-16,544
Structural balance 2/	-2,426	-2,865	-4,084	-5,044	-3,933	-3,589	-3,327	-3,174	-2,938

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31.

2/ Overall balance excluding deviations of SACU receipts from the projected medium-term baseline (FY25/26–FY29/30).

Table 4. Eswatini: Fiscal Operations of the Central Government, 2021/22–2029/30 1/

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
			Est.			Proj.			
	Percent of GDP, unless otherwise specified								
Revenue									
Total revenue	24.5	23.2	28.6	29.1	26.2	25.8	26.2	26.1	26.0
Tax revenue	23.6	22.2	27.2	27.8	24.8	24.4	24.9	24.8	24.7
Taxes on income, profits, and capital gains	8.4	8.1	7.9	7.6	7.8	7.8	7.8	7.8	7.8
of which: Corporate income tax	2.5	2.0	1.9	1.6	1.9	1.9	1.9	1.9	1.9
of which: Personal income tax	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Taxes on property	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on international trade and transactions	8.7	7.2	12.9	13.3	9.9	9.5	10.0	10.0	9.9
of which: SACU receipts 2/	8.7	7.2	12.9	13.3	9.9	9.5	10.0	10.0	9.9
Domestic taxes on goods and services	6.3	6.8	6.4	6.8	6.9	6.9	6.9	6.9	6.9
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Grants	0.2	0.2	0.6	0.5	0.6	0.6	0.5	0.5	0.5
Expense									
Total expense	23.8	25.0	24.3	24.4	24.6	24.4	23.9	23.5	23.2
Compensation of employees	11.2	10.5	9.9	10.3	10.1	9.9	9.8	9.5	9.4
Purchases or use of goods and services	3.8	4.5	4.2	4.1	3.9	3.9	3.8	3.7	3.6
Interest	1.8	2.2	3.0	2.9	3.3	3.4	3.2	3.1	2.8
Domestic	1.5	1.7	2.0	1.8	1.9	2.0	2.0	2.1	2.0
Foreign	0.3	0.5	1.0	1.1	1.4	1.4	1.2	1.0	0.8
Other expense	7.0	7.9	7.2	7.1	7.2	7.2	7.2	7.2	7.3
of which : Transfers	4.9	4.5	4.7	4.6	4.1	4.1	4.1	4.1	4.3
Transactions in Nonfinancial Assets									
Net acquisition of nonfinancial assets	5.2	4.4	5.9	6.4	5.3	4.9	4.9	5.0	5.0
Foreign financed	1.2	1.8	3.4	3.2	3.0	2.6	2.5	2.7	2.6
Domestically financed	4.0	2.6	2.5	3.3	2.3	2.3	2.3	2.3	2.3
Total Expenditure	29.0	29.4	30.1	30.8	29.9	29.3	28.8	28.5	28.1
Balances									
Gross operating balance	0.7	-1.8	4.4	4.7	1.7	1.4	2.3	2.7	2.9
Primary balance	-2.7	-4.1	1.5	1.2	-0.4	-0.1	0.6	0.8	0.7
Overall balance	-4.5	-6.2	-1.5	-1.7	-3.7	-3.5	-2.6	-2.3	-2.1
Transactions in Financial Assets and Liabilites									
Balance of financial assets and liabilities	3.0	1.6	1.6	1.7	3.7	3.5	2.6	2.3	2.1
Net acquisition of financial assets	2.5	0.8	-0.7	-2.2	-0.7	0.7	0.1	0.1	0.1
Net incurrence of liabilities	0.5	0.8	2.3	3.9	4.3	2.8	2.5	2.3	2.1
Domestic	1.3	1.1	-0.2	2.4	3.0	1.5	1.9	1.3	0.9
Foreign	-0.7	-0.2	2.5	1.5	1.3	1.3	0.6	1.0	1.2
Financing gap	1.5	4.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum									
Gross public debt	37.0	40.7	38.5	40.1	41.6	41.6	41.4	41.0	40.7
Domestic	22.3	21.6	19.0	20.5	22.0	22.1	22.6	22.4	21.9
External	14.7	19.1	19.5	19.6	19.6	19.5	18.8	18.6	18.7
Stock of arrears	7.4	5.2	4.7	4.0	5.3	5.0	4.6	4.3	4.1
Overall balance ex. SACU	-13.2	-13.4	-14.3	-15.0	-13.6	-13.0	-12.6	-12.3	-12.0
Structural balance 2/	-3.3	-3.5	-4.5	-5.1	-3.7	-3.2	-2.7	-2.4	-2.1

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31.

2/ Overall balance excluding deviations of SACU receipts from the projected medium-term baseline (FY25/26–FY29/30).

Table 5. Eswatini: Monetary Accounts, 2021–26

	2021	2022	2023	2024	2025	2026
			Est.		Proj.	
	Millions of emalangeni, unless otherwise specified					
Depository Corporation Survey						
Net foreign assets	7,354	5,791	6,612	8,888	10,534	9,614
Net domestic assets	13,909	16,242	16,808	15,599	15,371	17,900
Claims on central government, net	2,453	3,596	2,590	3,336	3,115	1,882
Claims on other sectors	16,101	17,272	19,159	20,083	21,932	23,990
of which: claims on private sector	14,798	16,576	18,172	19,626	21,359	23,188
Broad money	21,264	22,034	23,421	24,387	25,804	27,415
Currency in circulation	768	771	865	624	1,120	1,695
Deposits	20,495	21,263	22,556	23,763	24,684	25,720
Central Bank						
Net foreign assets 1/	4,556	3,055	4,020	6,295	7,941	7,022
Gross reserves	9,112	7,667	8,814	10,621	11,889	11,353
Net domestic assets	308	1,183	586	-1,480	-2,847	-1,611
Reserve money	4,863	4,238	4,606	4,815	5,094	5,411
	Percent of GDP, unless otherwise specified					
Depository Corporation Survey						
Net foreign assets	10.3	7.4	7.4	9.2	10.1	8.6
Net domestic assets	19.4	20.7	18.8	16.2	14.8	16.0
Claims on central government, net	3.4	4.6	2.9	3.5	3.0	1.7
Claims on other sectors	22.5	22.0	21.4	20.8	21.1	21.5
of which: claims on private sector	20.6	21.1	20.3	20.4	20.5	20.8
Broad money	29.7	28.1	26.1	25.3	24.8	24.6
Currency in circulation	1.1	1.0	1.0	0.6	1.1	1.5
Deposits	28.6	27.1	25.2	24.7	23.7	23.1
Central Bank						
Net foreign assets 1/	6.4	3.9	4.5	6.5	7.6	6.3
Gross reserves	12.7	9.8	9.8	11.0	11.4	10.2
Net domestic assets	0.4	1.5	0.7	-1.5	-2.7	-1.4
Reserve money	6.8	5.4	5.1	5.0	4.9	4.8
	12–month percent change, unless otherwise specified					
Memorandum						
Reserve money	-9.8	-12.9	8.7	4.6	5.8	6.2
M2	0.3	3.6	6.3	4.1	5.8	6.2
Credit to the private sector	3.7	12.0	9.6	8.0	8.8	8.6
Money multiplier (broad money/reserve money)	4.4	5.2	5.1	5.1	5.1	5.1
Velocity (GDP/broad money)	3.4	3.6	3.8	3.9	4.0	4.1

Sources: Eswatini authorities; and IMF staff calculations.

1/ The differences between IMF dataset and data disseminated by the CBE come from the recording of country's accounts with the IMF. The IMF's monetary statistics database reflects Eswatini's outstanding standby arrangement with the IMF as a foreign liability (around 1.96 billion Emalangeni as of August 2023) and records IMF Quota and No.1 & Securities Account on a net basis reflecting reserve tranche position as an asset, consistent with the MFSMCG 2016 methodology. The MFS data published by the CBE, on the other hand, do not cover the standby arrangement with the IMF and records gross IMF Quota on the assets side and the IMF No.1 & Securities Account on the liability side. The IMF staff is working with CBE to ascertain whether the standby liability should indeed be attributed to the CBE in its entirety and to provide guidance on the recording of IMF Quota and No.1 & Securities Accounts in published data.

Table 6. Eswatini: Financial Soundness Indicators, 2016–24Q1

	2016	2017	2018	2019	2020	2021	2022	2023	2024Q1
					Ratios, in percent				
Capital Adequacy									
Capital to assets	13.0	13.4	13.1	4.5	11.7	17.5	12.6	12.9	13.4
Regulatory capital to risk-weighted assets	22.2	23.2	18.8	31.6	21.5	23.5	18.4	24.7	25.1
Regulatory Tier 1 capital to risk-weighted assets	20.0	20.8	16.0	22.2	18.5	20.5	16.2	22.0	22.1
Nonperforming loans net of provisions to capital	28.7	21.6	27.2	54.2	2.7	10.6	11.1	11.6	13.5
Asset Quality									
Large exposure to capital	75.5	117.4	97.3	228.4	61.8	41.4	46.9	57.1	55.7
Nonperforming loans to total gross loans	9.6	7.9	9.3	9.4	5.4	9.6	6.7	6.9	7.2
Provisioning ratio	28.7	21.6	27.2	54.2	2.7	10.6	11.1	11.6	13.5
Earnings and Profitability									
Return on assets	4.0	3.2	2.5	3.8	2.1	2.6	3.0	3.6	3.2
Return on equity	19.0	15.3	11.1	15.9	8.8	13.8	15.3	17.5	15.1
Interest margin to gross income	54.2	57.6	56.9	54.5	52.3	52.1	55.8	58.1	59.3
Noninterest expenses to gross income	58.3	63.5	67.9	60.2	71.1	64.7	66.0	63.1	66.0
Personnel expenses to noninterest expenses	47.0	47.8	44.5	48.4	42.8	45.5	44.3	44.1	44.2
Liquidity									
Liquid assets to total assets	22.4	21.8	25.1	28.4	32.4	44.1	28.8	26.5	24.1
Liquid assets to short-term liabilities	32.6	32.5	36.9	41.5	44.5	42.3	42.9	35.4	33.4
Customer deposits to total (non-interbank) loans	141.0	139.5	139.2	133.6	132.0	133.5	122.2	122.0	106.2
Exposure to Foreign Exchange Risk									
Net open position in foreign exchange to capital	101.5	80.7	71.7	144.9	86.0	74.3	117.1	21.5	-4.1
Foreign currency liabilities to total liabilities	15.3	11.0	5.2	7.7	4.3	11.3	5.8	15.3	17.0

Sources: Eswatini authorities; and IMF staff calculations.

Table 7. Eswatini: Indicators of Capacity to Repay the Fund, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Existing and prospective Fund credit (SDR million)										
Disbursements	78.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	78.5	78.5	78.5	68.7	29.4	0.0	0.0	0.0	0.0	0.0
Obligations	0.0	0.6	1.9	17.2	46.8	34.8	4.4	4.4	4.4	4.4
Principal (repayments/repurchases)	0.0	0.0	0.0	9.8	39.3	29.4	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.6	1.9	7.3	7.5	5.4	4.4	4.4	4.4	4.4
Fund obligations (repurchases and charges) in percent of:										
Quota	0.0	0.8	2.4	21.9	59.6	44.4	5.6	5.6	5.6	5.6
GDP	0.0	0.0	0.0	0.4	0.9	0.6	0.1	0.1	0.1	0.1
Exports of goods and services	0.0	0.0	0.1	0.8	1.9	1.4	0.2	0.2	0.1	0.1
Gross international reserves	0.0	0.1	0.4	3.6	8.3	5.8	0.8	0.8	0.7	0.7
Government revenue	0.0	0.1	0.2	1.3	3.1	2.4	0.3	0.3	0.3	0.3
External debt service, public	0.0	1.2	3.4	17.3	30.6	19.3	2.5	2.8	3.2	3.6
Fund credit outstanding in percent of:										
Quota	100.0	100.0	100.0	87.5	37.5	0.0	0.0	0.0	0.0	0.0
GDP	2.0	1.6	1.6	1.4	0.6	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	4.4	3.7	3.7	3.2	1.2	0.0	0.0	0.0	0.0	0.0
Gross international reserves	14.4	13.7	17.4	14.4	5.2	0.0	0.0	0.0	0.0	0.0
Government revenue	6.8	6.3	6.9	5.2	2.0	0.0	0.0	0.0	0.0	0.0
External debt, public	160.6	153.7	140.6	69.1	19.3	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Quota (SDR million)	78.5	78.5	78.5	78.5	78.5	78.5	78.5	78.5	78.5	78.5
Gross domestic product (USD million)	3,984	4,851	4,791	4,856	5,136	5,391	5,640	5,869	6,122	6,351
Exports of goods and services (USD million)	1,789	2,137	2,100	2,176	2,403	2,577	2,765	2,894	3,044	3,196
Gross international reserves (USD million)	545	573	451	476	563	602	564	586	620	609
Government revenue (USD million)	1,149	1,239	1,139	1,318	1,494	1,455	1,465	1,540	1,605	1,655
External debt service, public (USD million)	49	51	56	99	153	180	175	157	140	122
Total external debt, public (USD million)	596	719	877	935	1,011	1,061	1,108	1,124	1,150	1,193

Source: IMF staff calculations.

Annex I. Past Fund Advice

	Recommendation	Status
Fiscal Policy	Accelerate reforms to strengthen public financial management (PFM)	• The regulations to implement the new PFM law were submitted to the Parliament in 2021 but its consideration is subject to further amendment to the PFM Act. An amendment to the PFM Act has been submitted to Cabinet for clearance. • Authorities are implementing the Integrated Financial Management Information System, with support from the Government of Rwanda. • Additions were made to the SACU revenue stabilization fund, but a better framework is required to ensure additions are made consistently and transparently, and that the use of these resources is well-governed. • Pending: progress on strengthening budget preparation and execution. • Pending: implementation of a transparent arrears' clearance strategy. • Pending: progress on bolstering capacity to manage and reform public enterprises.
	Fiscal consolidation and MTFF	• Rebooted the Fiscal Adjustment Plan and embedded it in the government's MTFF while anchoring around a primary fiscal surplus to guide year-to-year adjustment. • While public hiring freezes have limited increases in the public wage bill (currently equivalent to about 48 percent of tax revenue), this should remain in line with the objectives identified in the government's 2020 FAP. • Pending: progress on the public enterprise reform roadmap, which was adopted by cabinet in October 2021, due to political resistance and limited capacity in the Public Enterprises Unit (PEU). A detailed assessment of reform options, timeline, and potential fiscal savings is needed to support the roadmap, together with a consensus on economic activities warranting state presence. • No updates on subsidies to public enterprises; and government contingent liabilities should also be included in the annual budget. • Revenue measures such as a rationalization of tax expenditures (foregone revenue from CIT exemptions, VAT exemptions and zero ratings, and investment incentives) may be needed, but have not yet been implemented.
	Social protection needs to be strengthened to protect the most vulnerable	• No updates on improving the targeting of existing programs to reach the neediest population, including through an adequate legal framework and the implementation of the National Social Assistance Policy. • Pending: establishment of a single unified social registry. • No updates on additional resources devoted to social protection to improve living standards and lay the ground for more inclusive growth.
Monetary and Exchange Rate	Support the peg, refrain from providing further budget financing, and control base money creation and domestic liquidity.	• The CBE maintained the policy rate broadly in line with the SARB's rate, whereas it recently allowed a 75bps negative rate gap to emerge. • The CBE is planning to harmonize their capital flow management framework with best practice and reduce the leakage of foreign exchange. • Pending: progress on evaluation of how the use of a call rate more than the discount rate and a CBE deposit facility may be affecting bank behavior, capital flows, and extension of credit to the private sector.

	Recommendation	Status
Financial Sector	Intensify banking supervision.	• FSSR was conducted in Q2, 2023. • Eswatini's AML/CFT regime has undergone notable reform but efforts to address deficiencies will need to accelerate. • Pending: finalization of legislative changes and continued efforts to scale up FSRA's supervisory role. • Pending: approval of the Financial Stability Bill and strengthening the coordination between CBE, FSRA and the Ministry of Finance. • Pending: development of an effective crisis preparedness and management framework. • Pending: implementation of 2011 regulations of the Money Laundering and Financing of Terrorism Prevention Act. • Pending: development of a beneficial ownership framework setting up a central register for beneficial ownership information and enhancing the identification of domestic politically exposed persons.
	Financial Inclusion	• No updates on improving financial literacy. • Pending: updates on financial inclusion efforts by CBE. The CBE and the Center for Financial Inclusion (under the Ministry of Finance) aim to coordinate to enhance financial inclusion, bridge gender-based gaps in the use of formal financial services, increase financial inclusion among youth, bolster credit to climate-friendly businesses and projects, and monitor related risks. • Government has established some initiatives such as Imbita Women's Finance Trust and Women Economic Empowerment Trust (SWEET) to provide accessible credit and appropriate training and technical services to women in the low-income groups, which should be accelerated. • Pending: updates on monitoring the operations and lending activities of NBFIs and mobile money service providers more closely. • Pending: progress to mitigate potential risks such as over-indebtedness, fraud and cybercrime should be undertaken.
Supply-Side and Governance Reforms	Implement supply-side and governance reforms to reignite growth.	• Pending: updates on macro-structural reforms to improve the business environment, governance, and rule of law are critical to facilitate a shift to a private sector-led growth model. • Pending: progress on merger, dissolution, or privatization of public enterprises. • Pending: efforts to improve the business environment (particularly for SMEs), facilitate entry into new sectors such as renewable power generation, ensure access to credit, and tackle perceptions of corruption and an ineffective court system. • Pending: progress on a governance diagnostic for taking these reforms forward.

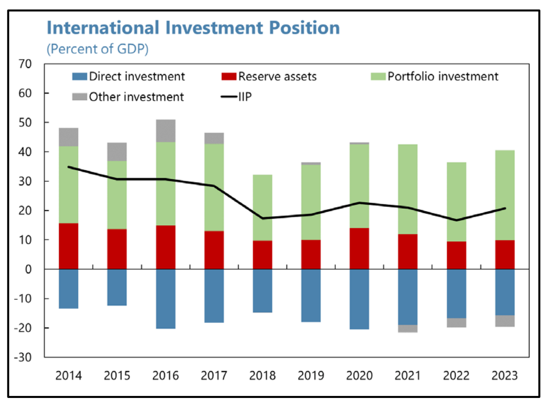
Annex II. External Sector Assessment

Overall Assessment: *The external position of Eswatini in 2023 was moderately stronger than implied by macroeconomic fundamentals and desirable policies. The current account balance, which posted a small deficit in 2022, returned to surplus on the back of record-high receipts from the Southern African Customs Union (SACU) and an improved trade balance. The financial account posted a deficit reflecting increased portfolio outflows. International reserves increased in 2023 in nominal terms but remained below 3 months of imports and about 20 percent below the lower bound of the IMF composite reserve adequacy (ARA) metric. The current account balance is projected to strengthen further in 2024, as SACU revenues reach a new high, and weaken thereafter—as SACU revenues are expected to revert to their projected mean—but remain in a surplus. International reserves are projected at around 2.1 months of imports over the medium-term.*

Potential Policy Responses: *Going forward, fiscal space can be channeled toward improving social outcomes and boosting growth prospects, while keeping the debt-to-GDP ratio stable. Better management of SACU revenues and structural reforms in favor of external competitiveness would help support the external position and strengthen international reserve buffers. Improving private sector growth and governance can attract FDI and limit capital outflows. Closer monetary policy alignment with the South African Reserve Bank (SARB) can help limit capital outflows and reduce pressure on international reserves.*

Foreign Assets and Liabilities: Position and Trajectory

Background. In 2023, the net international investment position (NIIP) grew relative to 2022. Eswatini's remained a net creditor to the world, with an NIIP rising form 16.6 percent of GDP in 2022 to 20.7 percent of GDP in 2023 due to net portfolio investment increasing from 27.0 to 30.7 percent of GDP and reserve assets increasing from 9.4 to 9.8 percent of GDP, while direct investment inflows diminished marginally. Portfolio investments by the non-bank financial and corporate sectors represent the largest share of external assets.



Assessment. Eswatini's NIIP is assessed as broadly sustainable and is expected to increase and stabilize at around 23.6 percent of GDP over the medium term. The principal drivers of the projected increase in NIIP will continue to be portfolio investment outflows and accumulation of reserve assets.

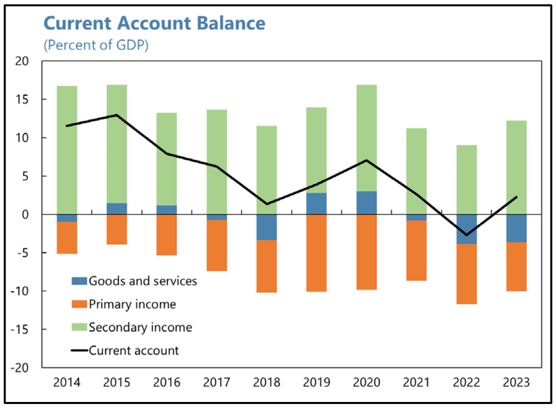
2023 (% GDP)	NIIP: 20.7	Gross Assets: 68.4	Debt Assets: 2.6	Gross Liab.: 47.7	Debt Liab.: 0.0

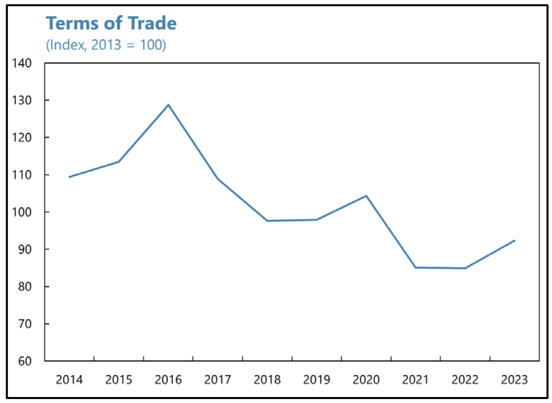
Current Account

Background. The current account balance returned to a surplus, after a deficit in 2022 for the first time since 2011. This change was driven by an increase in secondary income (from 9.0 to 12.3 percent of GDP) on the back of high revenue transfers from the SACU and an improvement in the goods trade balance as the exports of soft drink concentrates and export prices of sugar increased. Although volatile and trending downward, Eswatini's external current account posted on average a surplus of 5.7 percent of GDP over the period 2014–22.

Current Account

In 2022, the current account posted a deficit of 2.2 percent of GDP and returned to a surplus of 2.2 percent of GDP in 2023. The goods trade surplus increased from 1.4 to 3.4 percent of GDP, driven by a nominal improvement in the exports of sugar and chemical products. Going forward, the current account is projected to strengthen further in 2024 and weaken thereafter, mirroring the projected pattern of SACU receipts, but remain in a surplus.





Assessment. The external position in 2023 was moderately stronger than the level implied by macroeconomic fundamentals and desirable policies. The Fund's revised EBA-Lite CA methodology estimated a current account gap of 1.1 percent of GDP and a real effective exchange rate gap of -3.7 percent of GDP. Adjustments have been applied to the CA balance to cyclically adjust for a one-off correction to the SACU transfers (1.7 percentage point of GDP higher than the 5-year historical average). The 2023 cyclically adjusted CA (0.4 percent of GDP) was above the model's CA norm of -0.7 percent of GDP. The current account gap includes a policy gap of 0.7 percent of GDP mainly reflecting a tight fiscal stance. Fiscal space created on the back of SACU windfall can be used toward strengthening social protection and improving growth prospects. Against this backdrop, the external position for 2023 is moderately stronger than the level implied by fundamentals and desirable policies. Structural reforms to improve competitiveness and attract FDI would help better align the external position with fundamentals.

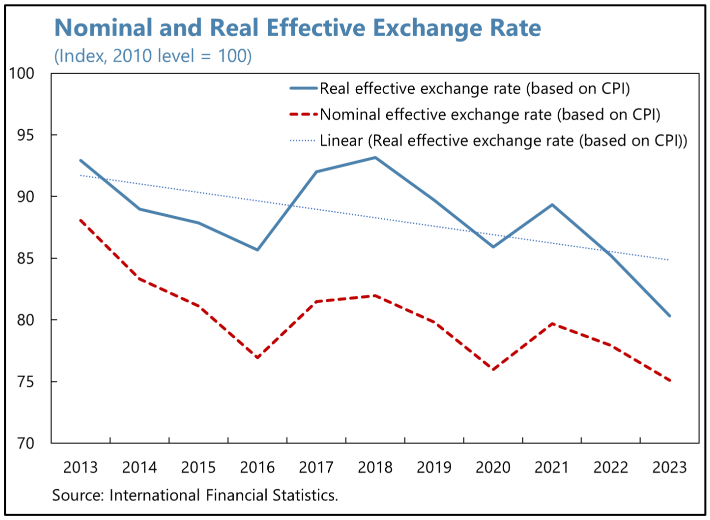
Eswatini: EBA-lite Model Results, 2023

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**2.2**	
Cyclical contributions (from model) (-)	0.1	
Additional temporary/statistical factors (-) 2/	1.7	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**0.4**	
CA Norm (from model) 3/	**-0.7**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-0.7**	
CA Gap	**1.1**	**2.8**
o/w Relative policy gap	0.7	
Elasticity	-0.3	
REER Gap (in percent)	**-3.7**	**-8.9**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional temporary adjustment for the one-time correction to SACU receipts.
3/ Cyclically adjusted, including multilateral consistency adjustments.

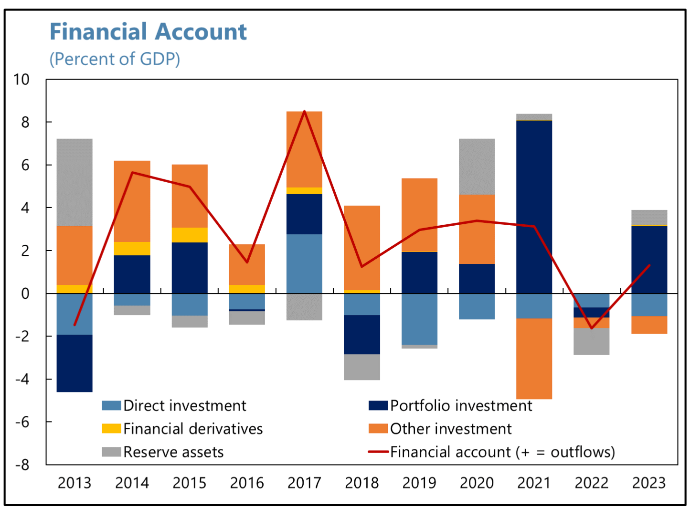
Real Effective Exchange Rate

Background. The real effective exchange rate (REER) depreciated in 2023 by 5.8 percent. The lilangeni is firmly pegged to the South African rand which has depreciated vs. the USD over the same period. The REER appreciated by 4 percent in 2021 and depreciated by 4.6 percent in 2022 along a trend that continued in 2023.



Assessment. The REER approach suggests an undervaluation of 8.9 percent of GDP. The REER gap as calculated using the Fund's revised EBA-Lite CA methodology indicates Eswatini's having acquired a slight competitive edge against trading partners; however, this appears to result merely in the depreciation-induced import compression and has not translated into strong export performance. The latter appears to be hindered by low levels of FDI, the presence of a large and inefficient public sector, and the lack of bankable export-oriented projects. Structural policies that increase productivity can help foster a dynamic private sector and boost export performance.

Capital and Financial Accounts: Flows and Policy Measures

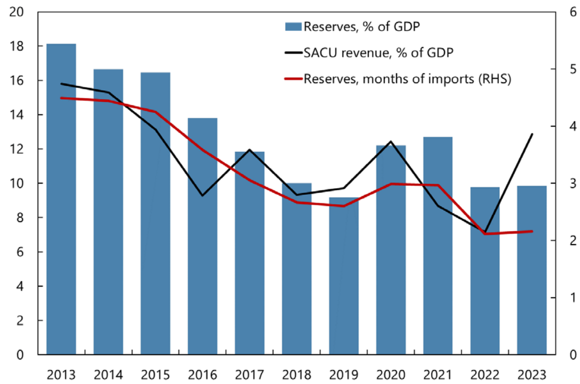


Background. The capital and financial account recorded outflows in 2023, a reversal from 2022 but in line with the persistent outflows during 2014–21. In 2023, the outflows of 1.3 percent of GDP were driven by portfolio investment. In the medium term, the capital and financial account is expected to normalize at about 1.1 percent of GDP.

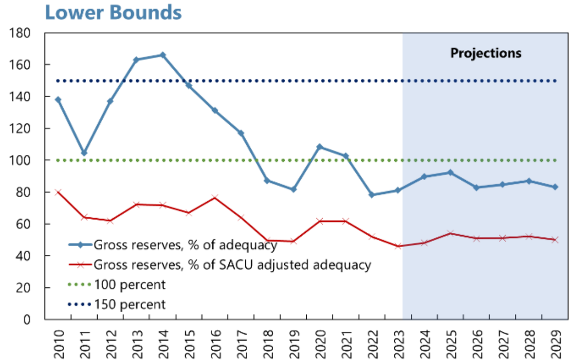
Assessment. Alignment of policy rates with the SARB is key to manage capital outflows. The negative interest rate differential has been encouraging the outflows of foreign exchange in an environment of excess liquidity. Closing the negative interest rate differential with the SARB and tightening domestic liquidity is a first step. This should be complemented with structural policies to raise domestic competitiveness and foster growth in the private sector. The CBE is working to harmonize their capital flow management framework with best practice and prevent disruptive outflows.

FX Interventions and Reserves Level

International Reserves



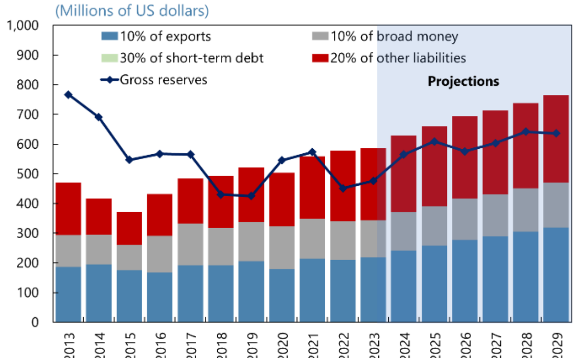
Assessing Reserve Adequacy (ARA) Upper and Lower Bounds



Source: IMF staff calculations.

Contributions to Reserve Adequacy Metric

(Millions of US dollars)



Source: IMF staff calculations.

Background. Eswatini's international reserves increased in 2023 following a decline in 2022. Reserve levels in Eswatini experienced large fluctuations largely driven by SACU revenue transfers. At the end of 2023, official reserves stood at $476 million, about 2.2 months of imports, and 9.8 percent of GDP. The increase in their nominal level compared to end-2022 was 5.5 percent, facilitated by the above average SACU transfers, which improved the import cover only marginally, in view of the projected 11-percent increase in imports of goods and services in 2024.

Assessment. Eswatini's international reserves are below adequate levels. The IMF Reserve Adequacy Metric captures vulnerabilities from multiple sources. At end-2023, the ARA indicator (reserves as a percent of the composite measure of their adequacy in terms of exports, broad money, short-term debt, and other liabilities) reached 81.1 percent of its lower bound (compared with 78.3 percent at end-2022.) In 2024, despite record-high SACU transfers, this headline ARA indicator is projected to reach only 89.8 percent of the ARA floor and reserves are expected to remain below 3 months of imports; further, once the adequacy criteria reflect SACU revenues, making the adequacy requirement more stringent, the ARA indicator falls 48.1 percent below its lower bound. Over the medium term, SACU receipts are projected to revert to the baseline of about 10 percent of GDP. Reserves are projected to weaken and stabilize at around 2.1 months of imports, and the ARA indicator is projected to remain consistently below its floor. Current reserve adequacy deficit despite high SACU transfers suggests foreign exchange leakage and requires attention from the central bank. Structural reforms must be undertaken to encourage FDI inflows, strengthen export performance, and reduce dependence on SACU transfers for foreign exchange.

Annex III. Risk Assessment Matrix[1]

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
Conjunctural Risks			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	**Medium.** Deteriorating terms of trade could add to inflationary pressure, worsen the external position, and further undermine the recovery.	• Maintain fiscal deficit and resist expenditure pressures to preserve debt sustainability. • Provide targeted support to mitigate the impact of the crisis on vulnerable households.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures, and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High	**High.** Higher global food, energy and fertilizer prices could intensify pressure on food costs and worsen food insecurity.	• Provide targeted support to mitigate the impact of the shocks on vulnerable households. • Strengthen and expand the social safety protection.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.	High	**High.** Social discontent in other countries could potentially reduce external demand lowering growth and real incomes, and further exacerbating poverty, inequality, and food security. Continued social tensions would weigh on investment and undermine growth.	• Move forward with macro-structural and governance reforms to enhance competitiveness and resilience. • Strengthen, expand, and better target social protection.
Global growth surprises: • **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. • **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Medium Low	**Medium.** A global slowdown would negatively impact manufacturing and exports (via impact on South Africa and key markets). **Low** Positive surprises can bolster domestic investment projects. Monetary easing may provide an opportunity to align interest rates with South Africa.	• Maintain fiscal deficit and resist expenditure pressures to preserve debt sustainability. • Advance structural reforms to improve the business environment, enable entrepreneurship, and foster private sector-led growth. • Strengthen, expand, and better target social protection.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
Structural Risks			
Monetary policy calibration. Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	**Medium**	**Medium.** Given the peg to the South African rand, a premature loosening by the SARB could create real effective depreciation of the lilangeni and add to domestic inflation via import prices.	• Carefully monitor price and exchange rate developments in South Africa and periodically assess the credibility of the peg in helping to maintain price stability in Eswatini.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting banks and NBFIs.	**Medium**	**Medium.** High interest rates can make it costly for the government to rollover debt. Further, given salience of South African subsidiaries in the banking system in Eswatini, stress in the financial system in South Africa can limit the availability of credit to the government and private sector in Eswatini.	• Maintain and bolster financial sector supervision, particularly on nonbank financial institutions.
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	**High**	**Medium.** Further, geo-economic fragmentation would negatively impact external demand and growth (via its impact on South Africa and other key markets).	• Advance structural reforms to improve the business environment and foster a private sector-led growth. • Seek to increase competitiveness and increase resilience.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	**High**	**Medium.** With the rapid increase in digitalization, cyber-attacks could have significant effects on economic activity—notably the provision of e-government and financial services.	• Strengthen cyber resilience while supporting digital financial inclusion. • Incorporate cyber risks into financial stability analysis. • Build capacity in cyber security and implement strategic objectives under National cyber security plan (2020–25).
Climate change. Extreme climate events cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**Medium.** Higher frequency of adverse climate events would negatively affect economic growth, increase poverty and inequality, and exacerbate food insecurity.	• Develop contingency plans for drought conditions. • Build fiscal and external buffers. • Develop an adaptation plan to address climate vulnerabilities. • Facilitate financing of green projects.
Domestic Risks			
The future of the SACU. The discussion around SACU's future materializes and the agreement is terminated or substantially altered causing a substantial loss of fiscal revenues.	**Medium**	**High.** Government revenues would fall substantially, and costs of imported goods could rise quickly leading to inflation and growth impacts.	• Develop customs collection capacity and activate fiscal contingencies. • Strengthen social protection. • Speed up private sector development plans.
The government executes growth plan. It succeeds to raise long-run growth, reduce unemployment and inequality/poverty, and develop the private sector.	**Medium**	**High.** Potential growth rises and the economy has better social outcomes through inclusive growth and social spending.	• The central bank should be vigilant for inflationary pressures. • Continue to build institutional capacity especially PFM and digitalization.

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
Domestic Risks			
Disorderly energy transition. A disorderly shift to net-zero emissions and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	**Medium**	**Medium.** Disruptions in energy markets in South Africa could cause supply disruptions and loadshedding that can hamper economic activity.	• Develop contingency plans for carbon producing industries such as coal mining. • Decrease reliance on South Africa. • Tap into domestic energy sources.

Annex IV. Debt Sustainability Analysis

Figure AIV.1. Eswatini: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Overall risk of sovereign stress is assessed as moderate reflecting relatively low initial debt levels and fiscal prudence while vulnerabilities in the medium to long term are rising to moderate.
Near term 1/	N/A	N/A	N/A
Medium term	Moderate	Moderate	The medium-term risk of sovereign stress is assessed as moderate reflecting increasing gross financing needs (GFNs) and debt to GDP rising before stabilizing in the medium term. The fan chart shows moderate risk due to a large variance in the estimates and institutional quality. The GFN module reflects average GFNs and banks' exposure to the sovereign.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
Long term	...	Moderate	Long-term risks are assessed as moderate. The institutional quality and volatility of SACU revenues generate risk that could raise the debt to GDP in the long run.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Eswatini's risk of sovereign stress is assessed as moderate. The government has reduced the fiscal deficit and kept debt to GDP low despite upward pressure in recent years. The rate of increase in public debt has slowed since 2020 and dropped in last fiscal year, reflecting SACU revenue windfall and expenditure restraint. Public debt-to-GDP ratio is estimated at 38.4 percent of GDP in FY23/24, about 3 times its 10 years ago, due to elevated fiscal deficits, including through the COVID pandemic. Under staff's baseline scenario, following a SACU revenue windfalls in FY23/24 and FY24/25, SACU inflows are expected to drop in FY25/26. With no significant policy adjustment, GFNs would remain moderate due to rollover. Nevertheless, based on the authorities' stated policy, staff projects a debt-to-GDP ratio that is stable throughout the horizon.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AIV.2. Eswatini: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					No	
2. Subsectors included in the chosen coverage in (1) above:						

	Subsectors captured in the baseline	Inclusion	Comments
1	Budgetary central government	Yes	
2	Extra budgetary funds (EBFs)	No	
3	Social security funds (SSFs)	No	No SSF in operation
4	State governments	No	No data is available
5	Local governments	No	No data is available
6	Public nonfinancial corporations	No	
7	Central bank	No	
8	Other public financial corporations	No	

(Rows 1–3: CG; rows 1–5: GG: expected; rows 1–6: NFPS; rows 1–8: CPS)

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

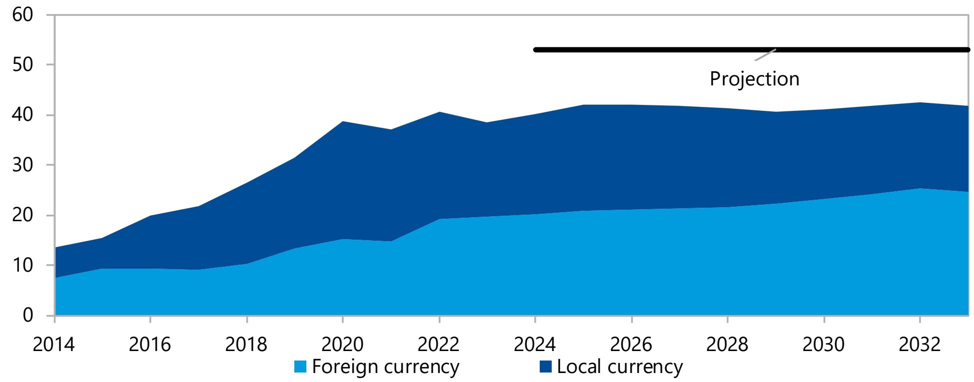
Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this DSA is debt issued by the budgetary central government. Debt by public enterprises is not included. Work is underway to bring the coverage up to full central government. The authorities do not have reliable data on arrears, contingent liabilities, or the wider public sector.

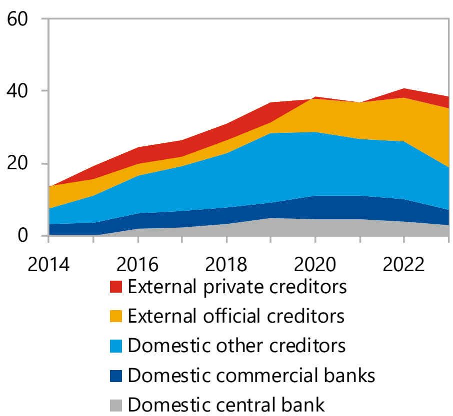
Figure AIV.3. Eswatini: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



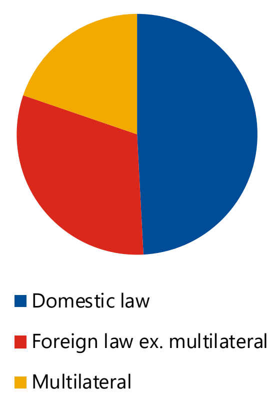
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



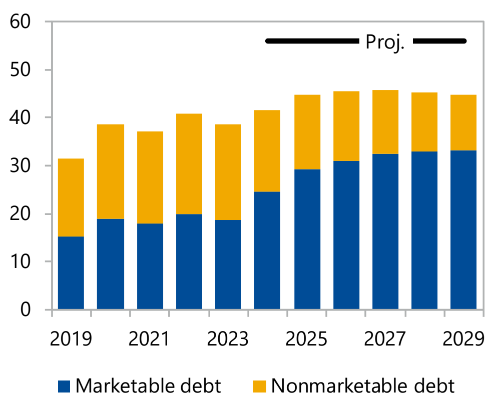
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (percent)



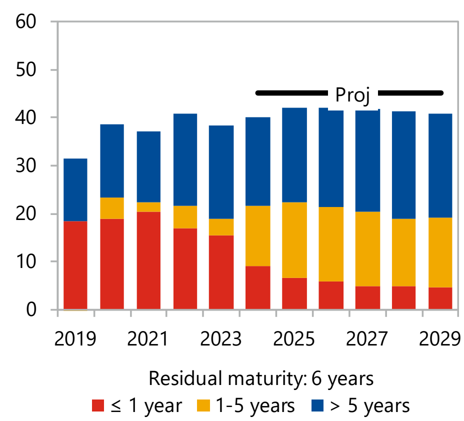
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



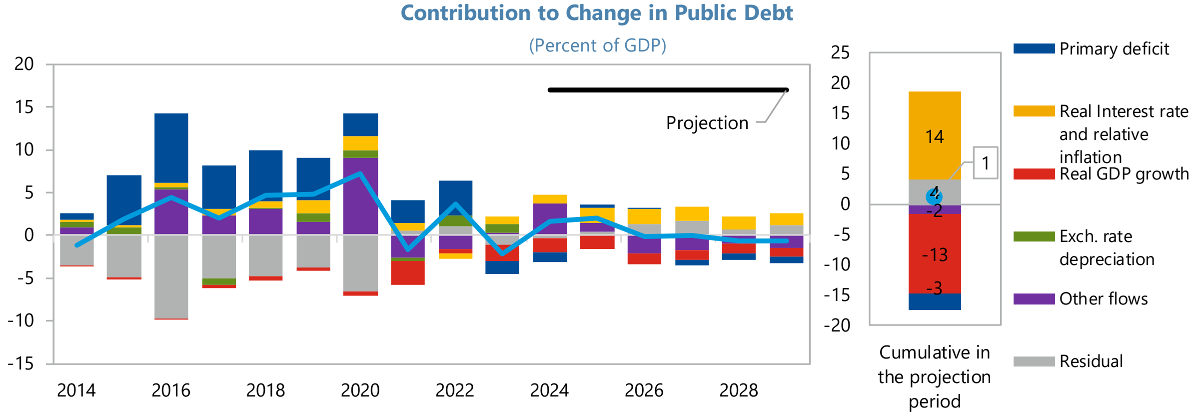
Note: The perimeter shown is general government.

Commentary: Eswatini's public debt increased threefold over the past ten years to 38.4 percent of GDP in FY23/24. Domestic debt accounted for about 52 percent of the debt stock but the authorities are increasing the recourse to external borrowing and moving to longer maturities. External debt is owed largely to official creditors.

Figure AIV.4. Eswatini: Baseline Scenario
(Percent of GDP, unless otherwise stated)

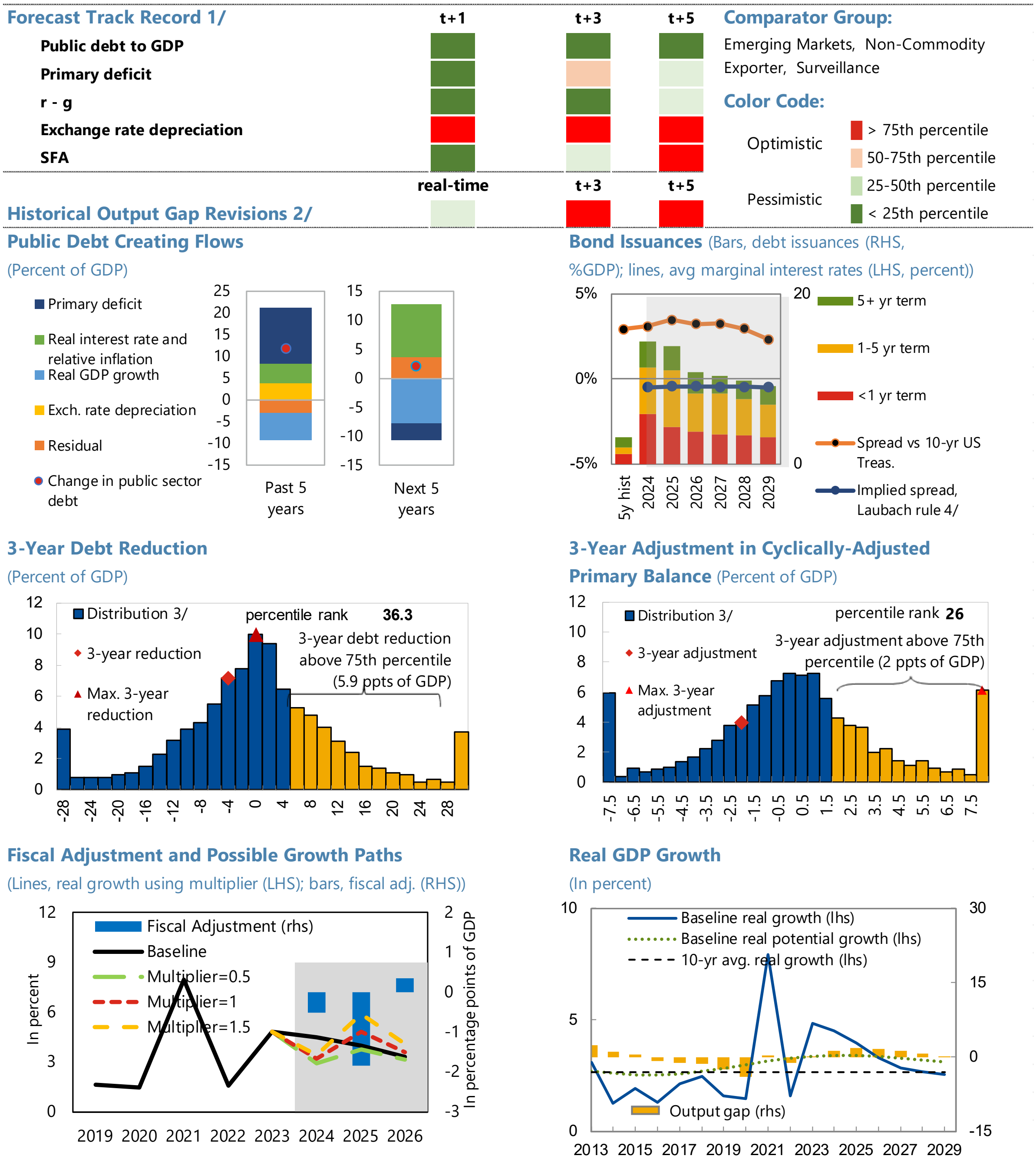
	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	38.5	40.1	42.1	42.0	41.9	41.3	40.7	41.0	41.8	42.6	41.8
Change in public debt	-2.2	1.6	2.0	-0.2	-0.1	-0.6	-0.6	0.3	0.8	0.8	-0.9
Contribution of identified flows	-1.1	1.9	1.6	-1.5	-1.8	-1.3	-1.8	-0.2	-0.1	0.0	0.1
Primary deficit	-1.5	-1.2	0.4	0.1	-0.6	-0.8	-0.7	-0.3	-0.1	0.0	0.2
Noninterest revenues	28.6	29.1	26.2	25.8	26.2	26.1	26.0	26.0	26.0	25.9	25.9
Noninterest expenditures	27.1	27.9	26.6	25.9	25.6	25.4	25.3	25.7	25.8	26.0	26.1
Automatic debt dynamics	0.1	-0.7	0.2	0.5	0.5	0.4	0.4	0.2	0.1	0.0	-0.1
Real interest rate and relative inflation	0.9	1.0	1.8	1.9	1.7	1.5	1.4	1.2	1.1	1.0	1.0
Real interest rate	0.3	0.9	1.4	1.5	1.3	1.1	1.0	0.8	0.7	0.6	0.6
Relative inflation	0.6	0.1	0.3	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Real growth rate	-1.9	-1.7	-1.5	-1.3	-1.2	-1.1	-1.0	-1.0	-1.0	-1.0	-1.0
Real exchange rate	1.0	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.3	3.7	1.0	-2.1	-1.7	-1.0	-1.5	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.3	3.8	1.0	-2.1	-1.7	-1.0	-1.5	0.0	0.0	0.0	0.0
Contribution of residual	-1.1	-0.3	0.5	1.3	1.7	0.7	1.2	0.5	0.9	0.7	-0.9
Gross financing needs	11.6	11.2	12.7	11.5	10.7	10.0	9.7	9.2	8.9	8.8	8.6
of which: debt service	13.2	12.4	12.3	11.5	11.3	10.8	10.4	9.5	9.0	8.8	8.4
Local currency	10.6	9.7	9.3	8.8	8.9	8.9	8.9	8.2	7.8	7.6	7.4
Foreign currency	2.5	2.7	3.0	2.7	2.4	2.0	1.6	1.3	1.2	1.1	1.0
Memo:											
Real GDP growth (percent)	4.8	4.5	4.0	3.3	2.9	2.7	2.6	2.6	2.5	2.5	2.5
Inflation (GDP deflator; percent)	7.3	3.0	3.7	3.8	3.9	4.1	3.7	3.7	3.7	3.7	3.7
Nominal GDP growth (percent)	12.4	7.6	7.8	7.2	6.9	6.9	6.3	6.3	6.3	6.3	6.3
Effective interest rate (percent)	8.2	5.4	7.5	7.6	7.2	6.8	6.4	5.9	5.5	5.3	5.1

Contribution to Change in Public Debt



Commentary: Public debt-to-GDP ratio is expected to moderate and then drop as fiscal responsibility is maintained despite an anticipated drop in SACU revenues. The primary deficit is projected to return to balance in the near term and remain below 1 percent of GDP in the medium term as the authorities adjust to lower SACU inflows.

Figure AIV.5. Eswatini: Realism of Baseline Assumptions



Commentary: The projected increase in public debt is low compared to the country's past 5 years. The three year debt reduction adjustments is on the higher end of the country's own experience but in the mid-range of the distribution for the comparator group.

Source: IMF staff.

1/ Projections made in the October and April WEO vintage.

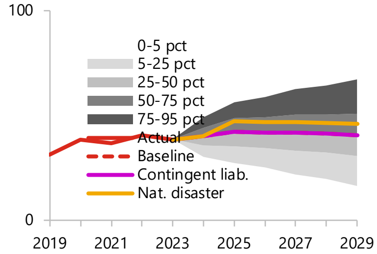
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

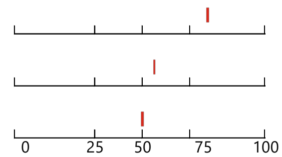
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure AIV.6. Eswatini: Medium-Term Risk Analysis

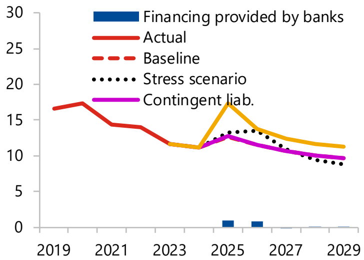
Final Fanchart (Percent of GDP)



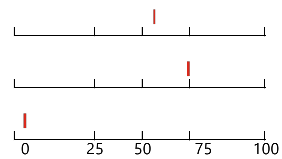
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	51.0	0.7	
Probability of debt non-stabilization *(percent)*	27.8	0.2	
Terminal debt-to-GDP x institutions index	31.1	0.7	
Debt fanchart index (DFI)		1.6	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



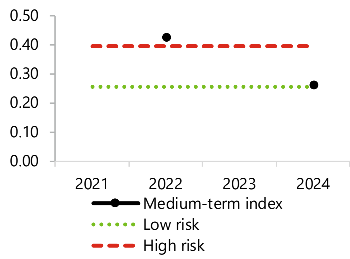
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	11.0	3.7	
Initial Banks' claims on the gen. govt *(pct bank assets)*	13.4	4.3	
Chg. In banks' claims in stress *(pct banks' assets)*	0.4	0.1	
GFN financeability index (GFI)		8.2	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.6	0.4	0.5	0.2
GFN financeability index	8.2	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2024-2029, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 39.8 pct.

Commentary: The Debt fanchart module suggests moderate sovereign stress risks while the GFN financeability module also points to risks being moderate. Under the stress scenario, GFN would fall below the baseline in the medium term. A natural disaster would raise GFN over 4 percent of GDP above it. The contingent liabilities shock is very close to the baseline as identified contingent liabilities are small.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure AIV.7. Eswatini: Long-Term Risk Analysis

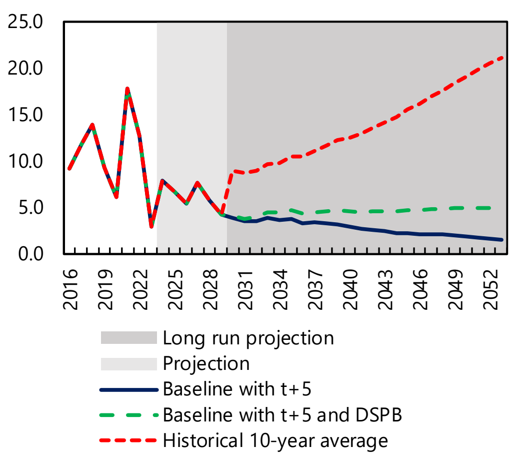
Eswatini: Triggered Modules

Large amortizations	Pensions	**Climate change: Adaptation**	Natural Resources
	Health	Climate change: Mitigation	

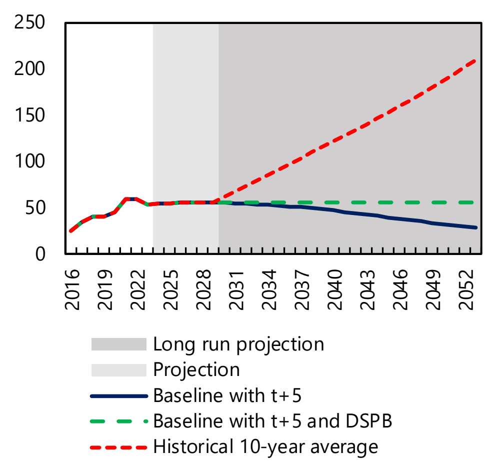
Eswatini: Long-Term Risk Assessment: Large Amortization

Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: The large amortization module calculates gross financing needs and debt-to-GDP ratios based on amortization from existing debt under three illustrative scenarios. Under the constant t+5 values and the historical 10-year average scenarios, both debt and GFN-to-GDP ratios increased throughout the projection period. The climate adaptation module adds climate-related adaptation cost estimates equivalent to 0.6 percent of GDP in the medium term.

Annex V. Status of Commitments in Request for Purchase Under the Rapid Financing Instrument

Commitments made under Rapid Financing Instrument (RFI) request 1/	Status
Implementation of the Fiscal Adjustment Plan.	**Fully completed.**
External review of the extra budgetary sector and state-owned enterprise reforms.	**Not completed.**
Reactivate weekly auctions of CBE bills.	**Fully completed.**
Introduce a term discount window facility.	**Fully completed.**
Introduce an early intervention regime.	**Fully completed.**
Establish the planned Financial Stability Panel.	**Fully completed.**
Extend the emergency liquidity assistance toolkit to non-bank financial institutions.	**Partially completed.**
Facilitate the tracking and reporting of the release of funds of all crisis-mitigation spending.	**No information**
Regularly publish reports on funds released, expenditures incurred, and procurement contracts.	**No information**
Auditor General to undertake independent audit of crisis-mitigation spending and related procurement processes.	**No information**
Eswatini Public Procurement Regulatory Agency to undertake audit of all procurement activities related to COVID-19.	**No information**
Set up a transparent strategy to start clearing domestic arrears.	**No information**
Publish liquidation strategy and schedule on governments website.	**No information**
Fully implement the 2017 PFM law.	**No information**
Strengthen Anti-Corruption Commission.	**Partially completed.**
Streamline business related processes.	**No information**
Review the regulatory framework for investor and taxpayer rights.	**Fully completed.**

[1] The Letter of Intent (LOI) of July 20, 2020, in support of request of purchase under the RFI, recognized the importance of ensuring that financial assistance and budget allocations to support COVID 19-related spending were used for intended purposes. To this end a commitment was made to use specific budget lines to facilitate the tracking and reporting of the release of funds of all crisis-mitigation spending. This annex provides an update on commitments made in the LOI.

Annex VI. Capacity Development Strategy

Context

1. Eswatini endured the pandemic years and subsequent shocks from the war in Ukraine comparatively well but has low buffers and gaps in public financial management and financial sector oversight. Years of expansionary budget spending policies and volatile SACU revenues widened the fiscal deficit. While the fiscal balance has eased in FY2023/24 due to high SACU revenues, the accumulation of domestic arrears has persisted. A fiscal adjustment plan (FAP) was launched in FY2020/21 and has yielded some savings—even during the pandemic—but has also encountered delays in implementation, particularly in the reform of the public enterprises. Progress has been made on reducing the wage bill, but savings from the public enterprise reform are yet to materialize, and further progress is needed on rationalizing public spending on goods and services. Unprecedented social unrest struck the Kingdom in 2021, and the specter of new unrest continues to cloud the outlook. It is key to prioritize spending on social protection. The external balance remains prone to risks, including volatile international commodity prices, and knock-on effects from a significant downturn in neighboring South Africa.

CD Strategy

2. Eswatini faces five key policy challenges and surveillance priorities: (i) fiscal adjustment (through prioritizing expenditure and revenue enhancement) to preserve debt sustainability and build fiscal and external buffers; (ii) public financial management reform to support stronger fiscal governance and consolidation objectives; (iii) structural reforms to boost private investment, create opportunities for private-sector led growth and employment generation; and (iv) financial sector reforms to better manage macro-financial risks; (v) legal and regulatory reforms to strengthen AML/CFT compliance and effectiveness; and (vi) statistics to inform policy decisions.

3. The Fund's medium-term capacity development (CD) strategy, developed in coordination with the authorities, aims to support their efforts to achieve progress on selected areas consistent with the surveillance priorities. The strategy focuses on supporting fiscal adjustment efforts and public financial management, strengthening the capacity to manage macro-financial risks, bolstering transparency and governance, and improving the quality of macroeconomic data to assist the authorities in making timely policy decisions.

4. In this context, the strategy identifies the following CD priorities: (i) improving public financial management systems, including through credible annual and medium-term budget frameworks and stronger budget execution and commitment controls; (ii) revenue administration and tax policy; (iii) strengthening financial sector supervision and the regulatory framework as a follow-up to the FSSR in Q2, 2023; (iv) strengthening the legal and regulatory AML/CFT framework in line with the revised FATF standard and effectiveness with respect to implementation of requirements; (v) advancing governance reform; and (vi) improving the quality and timeliness of key fiscal, national accounts, and balance of payments statistics.

Key Overall CD Priorities Going Forward

Priorities	Objectives
Public Financial Management: MTFF, budget preparation, execution, and controls	Strengthen annual budget and medium-term budget frameworks; strengthen budget execution and commitment control systems to deliver budget objectives and prevent the accumulation of domestic arrears; strengthen public investment management processes; improve the governance framework, monitoring, and risk management of large extrabudgetary entities, including public enterprises; add consistently and transparently to the SACU revenue stabilization fund and integrate it with the medium-term fiscal framework. A mission on IFMIS implementation is in the pipeline.
Domestic revenue mobilization: revenue administration and tax policy	Enhance domestic revenue collection through strengthening tax administration and introducing reforms to improve VAT administration. A mission on tax policy implementation is in the pipeline.
Financial sector oversight and capital flows framework	Implement policy advice given under the comprehensive financial sector assessment to detect risks and vulnerabilities (FSSR Q2, 2023); complete the overhaul of key financial sector legislation; implement recommendations under the recent TA on liquidity management and develop liquidity forecasting and management capacity at CBE; continue to support the adoption of advanced Basel core principles; enhance regulation and supervision of nonbank financial institutions; develop the macroprudential framework and toolkit; advance the creation of a crisis preparedness framework; refocus the exchange control regime to a Capital Flows Management Regime in line with the Institutional View on the liberalization and management of capital flows, and establish guidance on how to facilitate and monitor special economic zones.
AML/CFT	Strengthen the AML/CFT legal and regulatory framework in line with the 2012 FATF revised recommendations and the recent TA on anti-smuggling, and address technical gaps and low levels of effectiveness identified in the Eastern and Southern Africa AML Group's 2022 Mutual Evaluation Report; develop capacity in the CBE on ultimate beneficial ownership as well as a guidance note for the industry; develop a regulatory framework for cross-border forex bureaus, money transfer providers, and virtual asset service providers; strengthen application of risk-based supervisory and sanctions regime.
Fiscal, national accounts, and balance of payments statistics	Strengthen quality, consistency, timeliness, and dissemination of core macroeconomic statistics, including fiscal, national accounts, and balance of payments data, to support policy making and surveillance activities.
Governance and anti-corruption	Conduct a governance diagnostic assessment; fulfil the commitments in the 2020 RFI LOI.
Climate change	Undertake a climate macroeconomic assessment.

Main Risks and Mitigation

5. **Eswatini is a high-intensity TA recipient, and past implementation of Fund TA has been mixed.** On the positive side, the authorities have: adopted the Public Procurement Regulations, 2020; submitted to Parliament the implementing regulations for the 2017 PFM Act; implemented policies to contain the wage bill (following CD on expenditure rationalization); set up a SACU revenue stabilization fund; introduced a new invoice tracking system to monitor spending commitments and arrears accumulation; improved tax administration functions; strengthened the supervisory framework of NBFIs; drafted key financial sector legislation (with IMF CD support) and implemented Basel II standards; made progress toward a Treasury Single Account and are in plans to implement the Integrated Financial Management Information System; and made progress toward the compilation of quarterly national account statistics. However, they have faced challenges in developing a fully effective and comprehensive process for budget formulation, effective commitment controls and cash management systems, and effective oversight of extra-budgetary entities. These gaps are due largely to limited implementation capacity (including technology) and staffing constraints, and, in some cases, lack of political support. Capacity issues are a major constraint to TA absorption and better progress can be achieved by hands-on training, presence of a resident advisor and/or close and continuous CD engagement. The CBE is also worried about absorption and will slow down TA delivery to implement what has been delivered.

Annex VII. Data Issues

Figure AVII.1. Eswatini: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	C	B	A		
Granularity 3/	C		C	C	B		
			C		B		
Consistency			C	C		C	
Frequency and Timeliness	B	B	C	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data are generally shared with the country team, sometimes with a lag, but questions around data quality persist. The shortcomings are primarily in the more granular data which are either not provided or are of insufficient quality. National accounts have weaknesses in compilation and source data which generates large revisions. Price data are generally good, but the weights and the reference period need updating. Government finance and debt statistics have consistency issues including financing gaps in projections and inconsistencies occurring among date from different sources (e.g., government agencies). The authorities do not have reliable data on arrears, the wider public sector, or contingnent liabilites. The FY23/24 fiscal outturn was not available at the time of the Article IV mission. The debt data provided lacked the sufficient granularity needed to analyze the sustainability. External sector statistics have large residuals and the BOP and IIP are not fully aligned.

Changes since the last Article IV consultation. The national accounts were last rebased to 2011 prices, but are still out of date and the CSO is trying to implement another rebasing exercise, but resource constraints prevents completion of the annual GDP exercise until the rebasing is done. While the household income and expenditure survey needed for rebasing is almost completed, the CSO is concerned about not having enough resources to do the compilation in the spring. The authorities have begun installing an IFMIS system in Ministry of Finance and IPSAS in the Treasury which should help improve government finance statistics. TA was requested to provide assessment of the system, help guide the reporting standards, and ensure synchronicity between the Treasury and Finance.

Corrective actions and capacity development priorities. The mission discussed data issues with the authorities. Meetings were held with the debt management team to ensure debt data meet the team's data needs and to identify and provide for the authorities' needs for training to use the new debt sustainability assessment tool. Staff advocated for additional resources to improve data quality.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Social indicators (for example on poverty, food insecurity, and inequality) are very sparse and out of date. They are expected to be updated when the next economic census and household income and expenditure survey is completed. Data on the labor force is available only every few years. More frequent labor data is important given the high unemployment in the country. It would also be good to collect information on the informal sector. Improvement in data on social and labor indicators is also important to monitor gender gaps, poverty, and inequality in the country (which are stark).

Figure AVII.2. Eswatini: Data Standards Initiative

Eswatini participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since January 2017.

Figure AVII.3. Eswatini: Table of Common Indicators Required for Surveillance

(As of August 27th, 2024)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Eswatini[8]	Expected Timeliness[6,7]	Eswatini[8]
Exchange Rates	Jul-24	Jul-24	D	D	D	30	...	60
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jun-24	Jun-24	W	W	M	30	1M	30
Reserve/Base Money	Jun-24	Jun-24	M	M	M	30	2M	30
Broad Money	Jun-24	Jun-24	M	M	M	30	1Q	30
Central Bank Balance Sheet	Jun-24	Jun-24	M	M	M	30	2M	30
Consolidated Balance Sheet of the Banking System	Dec-23	Dec-23	M	M	M	30	1Q	30
Interest Rates[2]	Feb-24	Feb-24	M	M	M	90	...	60
Consumer Price Index	Jun-24	Jul-24	M	M	M	30	2M	14
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	N/A	N/A	A	A	A	365	3Q	360
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Mar-23	May-23	A	A	Q	365	1Q	90
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Mar-24	Aug-24	Q	A	Q	365	2Q	90
External Current Account Balance	Mar-24	Mar-24	Q	Q	Q	365	1Q	90
Exports and Imports of Goods and Services	Mar-24	Mar-24	M	Q	M	90	12W	30
GDP/GNP	Mar-24	Apr-24	Q	Q	Q	365	1Q	210
Gross External Debt	Mar-24	Mar-24	Q	Q	Q	90	2Q	90
International Investment Position	Mar-24	Mar-24	Q	Q	A	365	3Q	180

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

KINGDOM OF ESWATINI

September 10, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

The African Department in collaboration with other Departments

CONTENTS

RELATIONS WITH THE IMF

As of July 31, 2024

Membership Status

Joined: September 22, 1969

Accepted the obligations of Article VIII, Section 2, 3, and 4: December 11, 1989

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	78.50	100.00
Fund holdings of currency	121.01	154.15
Reserve position	6.56	8.36

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	123.52	100.00
Holdings	10.57	8.55

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
Emergency assistance	49.06	62.50

Financial Arrangements None

Projected Payments to Fund
(SDR million; based on existing use of resources and present holdings of SDRs):

	2024	2025	2026	2027	2028
Principal	19.63	29.44	0.00	0.00	0.00
Charges/Interest	3.51	5.44	4.45	4.45	4.46
Total	23.14	34.87	4.45	4.45	4.46

Implementation of HIPC Initiative Not Applicable

Exchange Rate Arrangements. The currency of Eswatini is the Eswatini lilangeni (plural: emalangeni). The de jure and de facto exchange rate arrangements are a conventional pegged arrangement vis-à-vis the South African rand, which is also legal tender. Exchange rates for the lilangeni vis-à-vis the U.S. dollar are based on the exchange rate of the South African rand against the U.S. dollar. Eswatini has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the Fund's Articles of Agreement and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation. Eswatini is on a standard 12-month consultation cycle. The last Article IV Consultation was concluded by the Executive Board on May 3, 2023.

Technical Assistance, 2018–2024

Department	Date of Delivery	Purpose	Beneficiary Agency
Fiscal Affairs Department (FAD)			
	February 2018	Reviewing the ERA Organization Structure and Guiding the implementation of the Operational Policy Division (OPD) in the Domestic Taxes Department (DTD)	ERA
	June 2018	Strengthening Tax Compliance: Developing A Comprehensive Compliance Risk Management Program	ERA
	June 2018	Developing the New Government Public Financial Management Regulations [AFRITAC]	MOF
	July 2018	Strengthening Budget Preparation and Managing Arrears	MOF
	September 2018	Developing the New Government Public Financial Management Regulations [AFRITAC]	MOF
	October 2018	Expenditure Rationalization	MOF
	October 2018	Revenue Administration	ERA
	April 2019	Developing the New Government Public Financial Management Regulations [AFRITAC]	MOF
	June 2019	Excise Administration and Controls [AFRITAC]	ERA
	July 2019	Public Investment Management Assessment	MOF, MEPD
	May 2020	Strengthening the Framework for Loan Guarantees	MOF
	June 2020	Organizational Structure of the Treasury Department	MOF
	July 2020	COVID-19 Tax Policy Responses and Options for Revenue Mobilization	MOF, ERA
	September 2020	Tax Administration	ERA
	December 2020	Improving Capital Project Appraisal and Selection Processes	MEPD
	January 2021	Strengthening Budget Processes and Wage Bill Management	MOF
	August 2021	Revenue Forecasting, Tax Expenditures Estimates, and Tax Policy Unit	MOF
	March 2022	Public Investment Management Digitalization Strategy	MEPD
	May 2022	Fiscal Risks Monitoring of Public Enterprises	MOF
	November 2022	Embedding Compliance Risk Management	ERA
	November, December 2023	Anti-Smuggling [AFRITAC]	ERA
	February 2024	Anti-Smuggling [AFRITAC]	ERA
	April 2024	Public Investment Management [AFRITAC]	MEPD

Department	Date of Delivery	Purpose	Beneficiary Agency
Monetary and Capital Markets (MCM)			
	February 2018	Strengthening NBFI Supervision	FSRA
	February 2018	Basel II Implementation [AFRITAC]	CBE
	April 2018	Strengthening Compliance with the CPSS-IOSCO Principles for Financial Market Infrastructures [AFRITAC]	CBE
	May, June 2018	Strengthening the Supervision of the NBFIs, Capital Markets, Credit and Saving Institutions	FSRA
	August, September 2018	Strengthening the Supervision of the NBFIs, Insurance and Retirement Funds, Credit and Saving Institutions, Capital Markets	FSRA
	November, December 2018	Credit and Savings Institutions, Insurance and Retirement Funds	FSRA
	February 2019	Insurance and Retirement Funds, Capital Markets	FSRA
	June 2019	Capital Markets Intermediaries, Credit and Savings Institutions, Basel II/III Implementation	FSRA
	July, August 2019	Insurance, Retirement Funds	FSRA
	October, November 2019	Insurance Retirement Funds, capital markets intermediaries, Credit and Savings Institutions	FSRA
	February 2021	Liquidity Monitoring and Forecasting	CBE
	January 2022	Review of RTGS Self-Assessment against the PFMI	CBE
	October 2022	Governance Regulatory Reform	CBE
	November 2022	Strengthening the deposit insurance framework	CBE
	January 2023	Governance Regulatory Reform [AFRITAC]	CBE
	September 2023	Financial Sector Stability Review	CBE
	October, November 2023	BRFP Liquidity Management and Emergency Liquidity Assistance [AFRITAC]	CBE
	May 2024	Financial Sector Stability Review	CBE
Statistical Department (STA)			
	March, May, October 2018	National Accounts [AFRITAC]	CSO
	April 2018	Monetary and Financial Statistics	CBE
	May 2018	Government Finance Statistics	MOF
	July 2018	Price Statistics [AFRITAC]	CSO
	August 2018	External Sector Statistics	CBE
	April, July, October 2019	National Accounts [AFRITAC]	CSO
	July 2019	Government Finance Statistics	MOF
	July, November 2019	Price Statistics [AFRITAC]	CSO
	January 2020	Residential Property Price Indices	CBE

Department	Date of Delivery	Purpose	Beneficiary Agency
Statistical Department (STA)			
	February 2020	External Sector Statistics	CBE
	January 2021	Economic Census	CSO
	March 2021	Government Finance Statistics	MOF
	April 2021	Residential Property Price Indices	CBE
	April, August 2021	National Accounts	CSO
	November 2021	Real Sector: Prices	CSO
	December 2021	Financial Soundness Indicators	CBE
	February 2022	Residential Property Price Indices	CBE
	August 2022	National Accounts	CSO
	July 2022	Government Finance Statistics and Public Sector Debt Statistics	MEPD
	November 2022	Real Sector: Prices	CSO
	July 2023	Real Sector: Prices [AFRITAC]	CSO
	November 2023	National Accounts [AFRITAC]	CSO
	August 2024	National Accounts [AFRITAC]	CSO

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/eswatini
- African Development Bank: https://www.afdb.org/en/countries/southern-africa/eswatini
- Regional Technical Assistance Center for Southern Africa: https://www.southafritac.org