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The 2010 World Cup and the Opportunities for Swaziland

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1. Introduction

Swaziland's strategic location in Southern Africa puts her in a better position to fully exploit the opportunities presented by the 2010 World Cup to be held in South Africa. A plethora of services comes with the global event and these include construction and engineering, recreational and training facilities, hospitality and catering, medical services, transport and logistics among others. The proximity of Swaziland to Johannesburg and Nelspruit where some of the games will be held makes Swaziland an excellent camping site for a number of the teams that will be participating in the event.

Landlocked by South Africa on the Northern, Western and Southern parts and by Mozambique on the Eastern side, Swaziland boasts of magnificent mountain scenery with unique, ancient rock formations which have a long history of fascination among tourists. Within the small area of 17000 sqm, each feature of Africa's terrain, apart from the desert, is to be found. There are four distinct geographical regions with altitude ranging from 600 m to 1300 m above sea level.



Traditional festivities, which distinguish Swaziland from other African countries, are a major tourist attraction. These include Umhlanga Reed Dance and Incwala held in late August/early September and late December of each year, respectively.

In addition to the captivating scenery and favourable climatic conditions, which make the country a destination of choice for tourists, Swaziland has a lot more to offer in terms of skilled English speaking human resources. Labour costs are relatively competitive compared to South Africa,

which makes export of services through mode one a viable option. Adult literacy rate is among the highest in the region.

2. Regional Economic Integration

The small size of the Swaziland's economy makes international trade an important cornerstone, with the designing of a coherent trade policy regime an important item on the agenda. Membership in regional economic groupings such as the Southern Africa Customs Union (SACU), Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) has expanded the market for goods and services produced in the country. The African Growth and Opportunity Act, Economic Partnership Agreement currently being negotiated with the EU give duty free access of the country's goods and services to the lucrative markets of the USA and the EU respectively.

The SADC region presents numerous opportunities for the construction and engineering sector. A number of countries have emerged from civil war and require extensive reconstruction. These include neighbouring Mozambique, Angola and the Democratic Republic of Congo.

3. The Services Sector

The importance of the services sector in the country's economy has grown over the years. Recent years have seen the growth of the sector to become the leading contributor to GDP, followed by the manufacturing sector. This is an interesting development considering that manufacturing has been the leading sector for many years. According to the 2003 figures, services contributed 43.4% to GDP while manufacturing contributed 35%. Leading sub-sectors include the construction and engineering services, tourism and travel related services and transport and logistics services.

Other services sub-sectors that have a potential for export development include education and training services and health related services. With a reliable communications infrastructure, e learning has become a viable option. The health sector system is quite competitive with respect to price and quality. Links with a network of South African hospitals has ensured a high level of peer review on local referrals. The high prevalence rate of HIV/AIDS has facilitated the development of skills among health professionals to deal with contagious diseases. A lot of investment in the health sector has been facilitated through the Global Fund.

GDP Contribution by Sector

| Sector | 2003 |
|---------------------------|-------------|
| Services | 43.4% |
| Manufacturing | 35.6% |
| Agriculture and Livestock | 8.7% |
| Forestry | 1.2% |
| Construction* | 7% |
| Electricity and Water | 3.3% |
| Mining | 0.8 |

Source: IMF

*Official construction data relates to building activities in the two major towns, excluding any construction in other areas.

The export of construction services is one of the fastest growing sub-sectors in Swaziland. This is largely attributable to long years of massive spending on training of engineers, architects and surveyors by the Government. A number of Swazi firms have undertaken construction projects in South Africa, Mozambique and Botswana.

4. Construction and Engineering Services Sector

Finding opportunities in this sector requires one to understand the 'tip of an iceberg' principle. It is estimated that for any construction project, 20% of the cost is accounted for by the fees of the main contractor while 80% is attributed to indirect services such as consultants, subcontractors, material suppliers and other service providers.

According to a Grant Thornton report on the financial impact and possibilities, the 2010 world cup offers, the event will pump in R21.3 billion into the South African economy. It is estimated that R2.3 billion will go towards infrastructure development. About 10 new stadiums that have a capacity to take 40, 000 spectators will be built throughout South Africa, one of which will be in Nelspruit in the Mpumalanga Province. Nelspruit is only one and half-hours drive from the Oshoek border post in Swaziland.

In addition to the infrastructure for the 2010 games, the South African Minister for Finance, Trevor Manuel announced a massive infrastructure development plan for the country in the next five years, amounting to over R50 billion.

Clearly, South African firms will not have the capacity to absorb all these projects without partnering with firms from outside. Swaziland being a natural neighbour to South Africa, combined with the strong economic ties the two countries share, it makes sense to start now forging strategic alliances and joint ventures with South African companies.

The above opportunities need to be widely publicized among Swazi industry players. One weakness that must be overcome to realize the opportunities of 2010 is the fragmentation of firms. The associations of Engineers, Architects and Surveyors as well as the Contractors Association need to be strengthened.

5. Regional initiatives

The European Union-South African Development Community Investment Promotion Programme (ESIPP) is organizing a networking event for the Building Material and Construction sector to be held in Johannesburg, South Africa between the 29th of November-2nd of December 2005. MAT CONSTRUCT 2005 will bring together project promoters and entrepreneurs from the Southern Africa region, which will present a carefully selected variety of new and high quality business development projects in the building and construction sector to interested European and other international investors.

The European Investment Bank as well as the Centre for Development of Enterprise will have their representatives attending the meeting for preferential funding and project development. High-ranking Government officials from the region will be in attendance to present construction investment opportunities in the region.

6. Internal Activities

The Federation of Swaziland Employers and Chamber of Commerce organized a networking event early August for the Building Material and Construction sector. A group of engineers, architects, surveyors and contractors gathered together and considered ways in which they can bundle their services to take advantage of the EU-SADC initiative. Consequent to that meeting, two proposals have been submitted by Swazi firms for MAT CONSTRUCT 2005 consideration.

Participants noted the lack of a coordinated approach in the export of construction and engineering services. Generally, Swazis are individualistic in nature and the idea of networking is still a new phenomenon. Module 5 of the training kit on how to network effectively has proved useful in assisting businesses develop effective networking skills. For a client to be comfortable in importing services from another country, some level of trust and confidence on the firm's capabilities must be ensured. Credibility on the part of the exporter is imperative.

At the end of the event, it became clear that another meeting is required that will involve all stakeholders from Government and the private sector. This is in view of the fact that Government is a major client in the bulk of projects the sector currently undertakes. Closer collaboration with the Chambers of Commerce of South Africa will assist in facilitating meetings between Swazi firms and their South African counterparts for purposes of striking strategic partnerships.

Another development that will enhance export of services in the country is the development of a National Export Strategy, funded jointly by the ITC and the Commonwealth Secretariat. For a country with a small domestic market and a thin natural resource base, export of services seems a plausible option. Proximity with South Africa, a highly sophisticated economy, presents a window of opportunity not to be missed.

7. Recreational and Training Facilities

Swaziland's grand sporting infrastructure combined with moderate weather conditions in the higher areas make it an ideal camping site for the teams that will be participating in the world cup. The Mavuso International Trade Centre has a world-class sporting complex, which meets international standards. The Somhlolo National Stadium, situated about 10km from the Ezulwini Sun Hotels offers equally good facilities.

8. Tourism and Travel Related Services

Overall, the world cup is expected to attract over three million visitors to the region. Vigorous marketing of Swaziland and its strategic positioning will increase the country's share of this contingent. Provision of an efficient transport system to move visitors to and from South Africa is another opportunity.

Efforts need to be made to ensure that our visitors come back even after the world cup. Currently Swaziland is able to attract tourists who stay for two nights, mainly because there are not many tourist attractions in the country. There exist a number of opportunities in the tourism sector, among which are:

- Tourist accommodation at game parks and lodges in the areas covered by the Lebombo Spatial Development initiative (a regional corridor).
- Development of traditional sports, games and dance displays at authentic villages and parks.
- Development of long distance hiking trails.

9. Conclusion

From the foregoing analysis it is clear that the export of services for Swaziland remains an untapped potential even outside the 2010 world cup games. However, there are practical realities on the ground that make it difficult for the industry to successfully increase exports and these are listed below:

- Weak associations that are not able to take up bigger regional construction projects.
- Lack of access to information regarding services export markets.
- Lack of access to finance for those industry players who may not have the financial muscle to undertake bigger construction projects in the region.
- The land tenure system does not allow for bigger investments as promoters cannot use Swazi Nation Land as collateral.

Strategic options that may remedy the situation include the following:

- Strengthening of industry associations, especially those in the services sector;
- Raising more awareness on available market opportunities;
- Support for the ongoing national export strategy development exercise by all stakeholders; and
- Reform of the land tenure system to allow for land-ownership by the citizens of the country.