



Ministry of Trade and Industry
Republic of Trinidad and Tobago



Commonwealth Secretariat

SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS

SWAZILAND

**STRATEGIC APPROACH TO TOURISM AS AN EXPORT AND
DEVELOPMENT OPPORTUNITY IN SMALL STATES**

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Introduction

The organizers of the Forum selected the topic and two delegates from Swaziland, Mr. Sandile Pato and Ms. Treasure Maphanga compiled this summary paper. The aim of the paper is to share our experience with counterparts across the Commonwealth in order to stimulate discussion/debate on the issues facing small states in transition such as ours.

This paper does not present a comprehensive evaluation but seeks to provide a helicopter perspective on the key issues, challenges, obstacles and constraints as well as to identify lessons learnt. Therefore the observations made, following public and private sector key informant discussions and literature available by them, are the opinion of the writers and not necessarily those of the organizations that they represent. Our appreciation is extended to the Swaziland Tourism Authority, the Department of Tourism within the Ministry of Tourism, Environment and Communications. As this forms part of a learning process, it is not to be construed as a policy document reflecting official policy or views by the officials responsible for tourism development in the country.

There is a great deal of consensus that tourism in Swaziland is poised to make a significant contribution to economic development. A review of the experience of the past eight years, from 1996 to date, reveals critical issues for debate in the context of Swaziland as well as within larger debate of small states in transition.

2. Swaziland: A brief profile

2.1 Brief Economic Overview

Swaziland is only 17364 km², or about the size of Wales and completely surrounded by the Republic of South Africa to the north, west, and south, and Mozambique to the east. It has a population estimated at slightly over a million with an annual average growth rate of 2.9%. GDP estimates for the year 2002 record a figure of E11266.3 million, and E12554.2 million for 2003, with a five-year (1998-2002) average growth rate of 2.5%, giving an estimated income per capita as high as US\$1348 (2002), estimated to grow at 2.7% over the three-year budgeting period (2003-2005). It is classified as a Lower Middle Income country. Nonetheless, this does not reveal the high level of poverty and inequalities that exist.

Swaziland's economy is extremely open, closely linked to neighbouring countries through its trade and financial relationships and specifically to that of the Republic of South Africa (RSA), which accounted for some 84% of Swaziland's imports and about 60% of its exports in 2001. In 1999 the ratio of foreign trade to GDP was estimated at 175.5% and the exports to GDP ratio at 80.0%, the latter declined to around 65% in 2000. Principal exports include edible concentrates, sugar, refrigerators, wood pulp and other wood products, and cotton yarn. Principal imports include basic manufactured goods, machinery and equipment, fuel, chemicals, food and live animals.

Economic development in Swaziland is largely determined by developments in the agriculture, forestry and manufacturing sectors, whose combined share averaged about 48% of GDP during the past decade. Since independence in 1968, agriculture and forestry contributed about 33% of total output, with manufacturing activity largely restricted to commercial agro-processing of sugar, wood pulp, citrus fruit, pineapples, cotton and meat. Since then, the economy has been diversified considerably and agriculture's share of total output, at current prices, has decreased gradually to about

9% percent in 2002. However, the agriculture and forestry sectors remain the backbone of the Swazi economy and major employers, and the foundation of most manufacturing activity. The share of manufacturing rose from 22.3% in 1980 to 35.7% in 2001. As a result of the limited size of the local market, the bulk of the output from the agriculture and manufacturing sector is exported, while a considerable share of inputs and final consumption goods are imported.

Tourism alone, accounts for 2.8% of total GDP in Swaziland. As a sub-sector of Retail, Hotel and Restaurants in the whole economy, it represents an annual average of 11 percent in total economic activity. The tourism industry in Swaziland has a huge potential is still to be exploited under the national tourism policy. The industry alone-recorded remarkable growth in 2002 posting a growth of 4.25 from a decline of 10% in the previous year largely due to the impact of the terrorist attacks of September 11, which subdued growth in the sector world over in 2001. Overseas interest in Swaziland continues to rise sharply with unusual visitors from Belgium, France and Germany. This was precedent by a sharp depreciation of the Lilangeni against the U.S Dollar, which rendered travelling to Swaziland less expensive. One major weakness of the industry is its lack in attracting long-stay visitors since it lacks good tourist attraction facilities.

The transport and communications sector, which forms a mainstay of the tourism sector on the other hand, is well organised and vibrant. Overall value added by this support sectors posted a 3.1 percent growth against a 5.1 percent growth the previous year. The continued improvements in telecommunication services like e-mail and cellular phones contributed immensely to the growth of this sector and had at the same time, serious spillover effects to other sectors of the economy in the likes of tourism.

2.2 Summary of Key Characteristics of Swaziland in relation to Tourism and International Trade

Swaziland is characterized by a small, landlocked country, which gained political independence from the British in 1968, which has maintained relative peace and stability over the past 35 years. It is homogenous society, with 98% of the population belonging to the Swazi with a small heterogeneous population of non-Swazi residents. The country has been described as a peaceful country with natural biodiversity and a rich traditional heritage. In many respects Swaziland is modern country with extensive links to the region and internationally, with a developing infrastructure, a young literate population with potential to acquire technical and vocational skills to make the country a haven for tourism development. There are challenges posed by poverty, income distribution patterns, HIV/AIDS and gender imbalance.

Swaziland 's location between South Africa and Mozambique, which have seen major political changes in the past decade, have led to a shift of investment and development opportunities to these countries. It appears that Swaziland has delayed the strategic re-positioning in the sub-regional economy, and has an economy that depends heavily on agricultural export products, a growing garment, apparel and textile sector, and less emphasis on developing services such as tourism, financial services, and the information, communication and technology sub-sector in particular. This is unexploited potential in tourism is the focus of the remainder of this paper.

International Trade Arrangements

Swaziland is a member of the Southern African Customs Union Agreement, COMESA, and SADC and is a signatory of the Cotonou Agreement (2000). Swaziland's exports also benefit from the Generalised System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA). Due to links with the South African economy is de facto party to the Trade, Development and Co-operation Agreement (TDCA) concluded between South Africa and the European Union. Some of the critical issues include the participation in a number of trade negotiations without sufficient human and institutional capacity (in both the public and private sectors), as well the reliance on preferential markets, without alternative strategies for income generation as tariff income declines during the next five years. The lack of clear model of the impacts of various policies decisions or indecision is of crucial importance at this juncture. Of crucial importance is that tourism and trade in services, has not received the strategic focus that it deserves, and this is a consideration to be included in the draft trade policy.

There is an emerging public private partnership in the area of international trade; the government has seen this area as the preserve of civil servants and politicians and the private sector has been constrained by institutional capacity to participate in all forums, with the exception of the sugar industry. The lack of strong sectoral strategies and network for trade support in Swaziland is evident. The Government is currently advertising for officers to provide trade facilitation services and information, whilst the private sector is developing an exporter's forum. A strong private sector lobby is required and capacity strengthening for institutions are evident and currently being addressed.

Private Sector Development

The Government policy has been to support free enterprise and to allow the private sector to be the engine of growth and development in the economy. There is a developing and vibrant business in the country, with the Federation of Swaziland Employers and Chamber of Commerce representing approximately 85% of formal business and employers in the country. In July 2003 it experienced a merger of two established organizations, started in 1919 and 1964 respectively in order to create a strong voice for business in Swaziland. There are various sectoral bodies and an emerging organization called the Association of the Swazi Business Community, which represents the interests of indigenous business people.

Within the tourism sub-sector there is low capacity to organize the various players, and this is currently being addressed. The main private sector organization is the Hotel and Tourism Association, with limited co-ordination, marketing and product development expertise. Some observers state that it is exclusive and not inclusive of the emerging indigenous entrepreneurs in the sector and this poses constraints. In the context of development, the Unions and Non-Governmental Organisations, consumer associations, inter alia have a vital role to play, however, they have been less prominent in their involvement in matters relating to international trade and tourism development.

Constitution Development Process

Swaziland is a country that is characterized by a state in transition. The current constitutional development process with its challenges, present a reflection on the need to carve a clear national identity. It is anticipated that it should be finalized in 2004. In the international arena, there is a view that Swaziland's prospects for sustainable development will be greatly improved by the finalisation of the

constitutional process and strengthening of the judiciary, executive and legislature will be important steps. The current image of the country has impacted negatively on Swaziland's participation in international programmes and regional projects designed to develop infrastructure for tourism.

2.2 National Development Strategy and Key Priority Areas

In 1997 the Government launched the National development Strategy, which was a key development milestone as this process had involved key stakeholders in the country. Regrettably the strategies were not operational, and at the end of 2003 the Government is considering a review of the same. Instead there has been a series of initiatives driven by the Prime Minister's Office; the Economic Social Reform Agenda 1 and 2, as well as the Millennium Action Plan.

1996 saw the creation of a new Ministry of Tourism, Environment and Communication with a vision to "develop the tourism sector as a national priority in a sustainable and acceptable manner, taking full advantage of regional and international trends and developments so that it will significantly contribute to the continued improvement of the quality of life in the Kingdom of Swaziland". The Government of Swaziland and the European Union commissioned a comprehensive tourism sector analysis. The aim was to develop a tourism strategy and a Tourism Promotion project for possible funding by the European Union. The said Ministry facilitated the development of a policy and strategy endorsed by Cabinet in the year 2000. The Swaziland Tourism Authority was formed in October 2002.

The analysis of the tourism sub-sector in 1997 revealed the following strengths, weaknesses, opportunities and threats.

STRENGTHS	WEAKNESSES
<p>Independent African kingdom Political stability Established indigenous culture Pristine natural environment Good basic infrastructure Strong efforts to protect the environment Location in the heart of a major tourist route Safe environment? Warm-hearted dignified people A range of attractions within short travel distance Outstanding game viewing possibilities Good range of outdoor sports and activities Good range of quality handicraft Capacity to cater for diverse interests Opportunity for multi-destination holidays</p>	<p>Comparatively unknown tourism destination Low involvement of indigenous Swazis Lack of unique selling proposition Driven by external tour operator programmes Limited funds for marketing and promotion Inadequately equipped Department of Tourism Low levels of co-ordination and co-operation between public and private sectors Poor air access Lack of new investment Low level of customer service Poor promotional and information literature Lack of understanding of the role that tourism play and the opportunities it creates Weak tourism facilitation Lack of trained staff</p>

OPPORTUNITIES	THREATS
Growth of tourism to southern Africa New emerging markets in South Africa New co-operation possibilities with neighbours (Lubombo Spatial Development Initiative) Scope for further product development (historical sites, etc.) Exploitation of new niche markets Spatial Development Initiatives (Maputo, Lubombo)	Increased crime Inappropriate investments Health hazards (AIDS, malaria) Increased

The review of the progress made over the past five years showed slow and steady progress with the attainment of some critical milestone achievements (captured under the section called “lessons learned”).

The importance of tourism is highlighted in the national strategy process as well as the Economic Social Reform Agenda programme of action. The importance of tourism is underscored by its ability to;

- ❖ Generate jobs due to the fact that it is labour intensive
- ❖ Create entrepreneurial opportunities
- ❖ Bring development to rural areas (previously disadvantaged areas and groups of people)
- ❖ Foster international relations and international trade
- ❖ Tourism can generate foreign exchange reserves
- ❖ Government levies taxes
- ❖ Creates domestic and foreign investment in tourism infrastructure and services
- ❖ Tourism impacts on many industries, agriculture, manufacturing and services and stimulates economic growth and it can be a vehicle for promoting international trade.

The fourth and last bullet points are important in the context of this discussion. At the time of analysis, the linkages between tourism, trade and economic development were clear, however when the policy and strategy were developed; there was a strong sectoral approach to tourism development. The links between tourism development and the development of agricultural, manufacturing and services were not developed further.

The key principles within the policy document are:

- Tourism development will be private sector driven
- Tourism development will be managed to ensure sustainability and the conservation of the country’s environment and natural resources
- Tourism development will promote active Swazi participation in the sector
- Tourism development will aim to maximize the opportunities afforded by strategic regional opportunities
- Swaziland will build on its existing strengths (some included in the lessons learned)
- The Swaziland tourism industry will aim to develop a marketable identity.

A review of the current situation provides a measure of the progress made in tourism development.

3. Challenges and Constraints by virtue of size and geographic location

The following were found to be pertinent barriers to tourism development at the end of 2003.

- Over-reliance on SA for international tourism flows; visa requirements and cross border issues create impediments.
- Low levels of tourism product development
- Swaziland's failure to play a proactive role in regional tourism projects such as the Lubombo Spatial Development Initiative, the Maputo Corridor and Transfrontier Parks etc. The initiatives are active in the neighbouring countries and Swaziland is a dormant partner in these projects. There is an increasing marginalization that could be linked to political dynamics within the region as well as bureaucratic approaches to new opportunities.
- Low level of tourism infrastructure development such as major attractions. This has a major bearing on the ability to attract and keep tourists for longer periods (the most recent statistics reveal that tourists stay an average of 1.1 bed night in Swaziland). There are divergent views on the type and scale of tourism development, yet no forum has been created to debate this. The large scale Millennium projects present one approach, whereas another is the improvement of current attractions, human resources development, improved packaging the tourism product for a higher impact marketing and promotion.
- The infrastructure for transport, communication, electricity and water is improving in quality however; it is dominated by monopoly public companies whose tariffs are not competitive in comparison with other similar companies in the region. This could be partially attributed to lack of economies of scale, managerial inefficiency and two-tier pricing policies (domestic and business rates) where the consumers are price takers. Competition is expected to open up shortly and there is a draft privatization policy being prepared by the Ministry of Finance.
- Low level of Government commitment to tourism development. The tourism sector is severely under-funded by the Government. Although it contributes toward Government's espoused priority areas, namely poverty alleviation, job creation and alleviating the negative impact of HIV/AIDS it only attracts a small budget. At present STA and Swaziland National Trust Commission is the beneficiary of a EU funded project with commitment until the end of 2004. The need for sustainable funding options to be developed and finalized is urgent and critical. The private sector has not yet contributed towards the industry, save for developing their private businesses.
- Government was to establish an inter-Ministerial Committee to co-ordinate Government actions and to create an enabling environment for sustainable growth in the sector. To date this has not been achieved and it remains a critical issue to be addressed.
- The Swaziland Tourism Authority is established however lacks strong institutional and human resource capacity and is subjected to high expectations on the one hand, and slow, bureaucratic decision making on the other hand.
- A strategic marketing plan has been developed, however there is slow progress made.

- A weak private sector in the tourism sub-sector; fragmentation and division between established players (mainly hotels and restaurants) and emerging players such as guesthouses, some handicraft sector companies, etc. A coherent empowerment strategy needs to be developed, building upon the SME policy framework.
- Inability to benchmark standards and quality of services nationally and internationally (this is result of lack of capacity or perception that it is a low priority issue)
- Lack of competitiveness indicators comparing Swaziland based tourism with that of other countries within the region as well as other key players e.g. the Caribbean. Poor systems to monitor tourism statistics effectively and to enhance strategic decision-making. This will enhance the visibility of the sub-sector's contribution to the economy.

4. Lessons Learned (What are the critical success factors in going forward)

4.1 The development of a tourism policy has been a major milestone achievement; this was developed with the involvement of public and private sector stakeholders. A drawback is that although there was recognition of the important link between tourism and trade in the background papers, this critical dimension was underplayed in the actual policy and strategy paper. There were no concrete actions developed to ensure that the link was integrated into the plans, nor monitored.

4.2 The development of the Swaziland Tourism Authority in October 2002 was another important achievement; the institution is not yet fully established as it is currently attracting competent professionals to enable it to achieve ambitious programmes and targets set. The STA is a key institution is to play a leading role in the efficient and effective implementation of the National Tourism Policy.

The role of STA in the founding legislation was to be both a promotion and a regulatory agency; this apparent contradiction needs to be resolved. Due to limited funding from the Government, and the desire for STA to be commercial and private sector led, it is likely that STA will explore means to raise income from other sources. This may entail a greater role played by the Ministry of Tourism in establishing a grading council responsible for the regulatory aspects and for STA to focus on co-ordination, promotional and developmental activities.

A key success factor will be the ability to generate sustainable funding to enable the STA to make an impact. This relies on strong public private partnerships and a coherent plan that STA can sell to the business community. The Ministry of Tourism, Environment and Communications is well positioned to work with various institutions including business organisations such as the Federation of Swaziland Employers and Chamber of Commerce, the Association of the Swazi Business Community, inter alia instead of focusing only on sectoral organizations. The empowerment agenda needs support from the broad spectrum of business organizations.

4.3 Our location and size present both constraints and an opportunity;

Our proximity to Kruger National Park, and en route between Johannesburg and Maputo (before the Maputo Corridor was established) is important to leverage. Small size and resultant attractions without travelling major distances, however Swaziland is relatively unknown. As a result Swaziland needs to become positioned as a must attraction for visitors who are planning to visit the region and

must focus on developing the regional tourism market from SADC, with a focus on South Africa and Mozambique as neighbouring countries. An improved tourism facilitation infrastructure and strong links to tourism operators outside the country as well as the development of local tour bus operators. The largest tourism operator books 70% of the beds in Swaziland is South African, therefore more lucrative bookings are given to South African hotels in the same hotel group.

- 4.4 Swaziland's major challenge is the lack of an identity to define what it offers that is different and attractive enough to potential visitors. A major opportunity to leverage eco-tourism and cultural tourism in our strategic position as niche areas due to our natural advantages in terms of biodiversity and environmentally sound tourism practices and potential to improve standards in this area. To date the major projects are regional in focus, and have excluded Swaziland to a large extent. Due to limited foreign investment in tourism, the industry has developed in an inward manner, to a certain extent untouched by regional and international practices. The STA is committed to introducing change, however is slow in delivery due to constraints mentioned elsewhere in the paper.
- 4.5 Broad-based ownership: Tourism has been identified as a critical economic development and redistribution of wealth opportunity. This, however, is not anchored in a coherent empowerment concept for the country. The absence of this concept paper creates political and perceptual barriers in the development of tourism where various players are perceived as entrenching their strategic positions; whilst others are perceived not to understand what tourism is all about. This legacy of the past must be addressed, with broader participation than the current players in the tourism sub-sector because it has economy-wide ramifications.
- 4.6 The need to develop a comprehensive tourism awareness campaign amongst the citizens of the country, targeting the disadvantaged groups in rural areas as well as leaders. Senior government as well as private sector leaders could benefit from greater exposure to the opportunities availed by tourism, and to gain their commitment and support to implement the tourism policy. Promoting domestic tourism as part of the awareness campaign would remove some of the stereotypes attached to tourism, which create barriers for meaningful local participation.
- 4.7 The lack of effective integration at policy and strategy level of tourism as an export opportunity. There has been greater emphasis given to tourism and its development role in the economy, however less focus on tourism as a component of trade in services. The National Tourism Policy and Strategy is silent on the impact of the global liberalization and challenges in the multilateral trading system as a strategic issue. There is an appreciation to a certain extent on the impacts to trade in goods, yet not enough research and information on trade in services. The potential for generating foreign exchange revenues from tourism is not prominent in the revenue generation and diversification agenda.

5. Conclusion

Ultimately, our assessment is that after much reflection and planning, we have the most critical challenge, that of executing the policy and strategies. Implementation is the greatest challenge, along with harnessing more effective public-private partnerships in developing tourism to become the major export and development opportunity for Swaziland during the next five years.

There are a number of critical questions, which remain unanswered in this debate:

- a) How do we re-position the tourism industry to become a major driver in economic growth with equity as well as job creation?
- b) What is the new identity that Swaziland needs to create, in order to effectively market the country amongst neighbouring countries, the region and other countries?
- c) How do we promote tourism in the country and outside the country with limited financial resources?
- d) What are the attractions to be developed to enhance the Swaziland experience?
- e) How do we ensure that the tourism sub-sector is inclusive of previously economically disadvantaged groups?
- f) What is the level of infrastructure development appropriate for Swaziland- do we build expensive facilities or do we improve on existing facilities?

- g) How do we create conditions that enable investment by the private sector; local and international companies?
- h) Sustainability –what is the likely impact of HIV/AIDS on the Tourism sector and what could be done now in order to militate against these negative impacts?

We have much to gain from regional integration as well as international exposure to ensure that we can leapfrog and avoid re-inventing the wheel, where possible. If the stakeholders in Swaziland can commit to working together on tourism development as a national development priority, we shall emerge with our own approach to implementing emerging best practice.