



A RAPID SOCIOECONOMIC ASSESSMENT OF

COVID-19 IN **ESWATINI**



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This assessment is a joint effort of the United Nations System in Eswatini in collaboration with the Economics Association of Eswatini. It is prepared as part of the broader development support to the Government of the Kingdom of Eswatini to contribute to the national response to COVID-19.

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Published by

United Nations Development Programme
4th Floor
UN House
Somhlolo Road
P O Box 261
Mbabane,
Eswatini

Contents

Acronyms & Abbreviations	v
Key messages	vii
Introduction	1
COVID-19 Summary Statement	2
COVID-19 Situation at a Glance	2
Transmission Channels	9
COVID-19 Impact on Economic Growth under two scenarios	11
Strategic Sectors of the Economy: Eswatini Strategic Roadmap (ESR), National Development Plan (NDP)	13
Fiscal Policy	14
Fiscal Implications of COVID-19	19
Social Dimension of COVID-19	21
Poverty, Unemployment and Inequality	25
Food Security	28
Education	29
Health and Nutrition	31
Water and Sanitation and Hygiene	33
Vulnerable Groups	33
Persons with Disabilities	34
The Elderly	35
Children	35
Micro, Small and Medium-sized Enterprises (MSMEs)	37
Shutdown Impacts on SMEs	40
Supply Chain Disruptions	40
Demand Depression and Induced Confinement	40
Recovery	41
Social Cohesion	41
Impact of COVID-19 on Women's Sexual and Reproductive Health and Rights	41
COVID-19 and Gender-Based Violence	42
Conclusion and Recommendations	43
Policy Responses to the Crisis – Recommendations	43
Endnotes	49
Figures	1
Figure 1: Cumulative COVID-19 Positive Cases	10
Figure 2: Eswatini Trade Position with Other Countries	14
Figure 3: GDP Growth Pre & Post COVID-19	14

Figure 4: Impact of COVID-19 on Sector Growth	15
Figure 5: Fiscal Balance 2016-2020	19
Figure 6: Public Debt Position	20
Figure 7: Lilangeni Exchange Rate vis-à-vis the US Dollar	20
Figure 8: Discount and Inflation Rates	21
Figure 9: Human Development Simulation on Inequality	25
Figure 10: Primary Causes of Death in Eswatini (2017)	31
Figure 11: Households Hosting HIV Members	32
Figure 12: Ownership of MSME by Gender	38
Figure 13: Size and Scope of the MSME and Turnover Per Sector	39
Figure14: Impact of COVID-19 on MSME Shutdown	40

Tables

Table 1: Scenario Analysis of Pre- & Post COVID-19	13
Table 2: Impact of COVID-19 on Sector Growth under Two Scenarios	15
Table3: Effects Of COVID-19 on Poverty Trends	26
Table 4: Eswatini Closure of Learning Institutions	29

Annexes	50
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Acronyms & Abbreviations

AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral therapy
CBE	Central Bank of Eswatini
COVID-19	Coronavirus Disease 2019
DSA	Debt Sustainability Analysis
EODB	Ease of Doing Business
ESR	Eswatini Strategic Roadmap
EU	European Union
FAO	Food Agricultural Organization
FODSWA	Federation of the Disabled in Eswatini
GBV	Gender Based Violence
GDP	Gross Domestic Product
GNI	Gross National Income
HIV	Human Immunodeficiency Syndrome
ICT	Information, Communication, Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
HDI	Human Development Index
HOTAS	Hotel and Tourism Association
ICU	Intensive Care Unit
IPC	Integrated Food Security Phase Classification
MEFMI	Macroeconomic and Financial Management Institute
MENA	Middle East and North Africa
MEPD	Ministry of Economic Planning and Development
MIC	Middle Income Country
MOH	Ministry of Health
MoET	Ministry of Education and Training
MSMEs	Micro, Small and Medium-sized Enterprises
MCP	Multidimensional Child Poverty
MOET	Ministry of Education and Training
MSF	Médecins Sans Frontières
NACS	Nutrition Assessment Counselling and Support
NCPs	National Care Points
NDMA	National Disaster Management Agency
NDP	National Development Plan
NEP	National Emergency Plan
NERMAP	National Emergency Risk Mitigation and Adaptation Plan
OCHA	United Nations Office of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OVC	Orphaned and Vulnerable Children
PEPFAR	President's Emergency Plan for AIDS Relief

PLHIV	People Living with HIV
PPE	Personal Protective Equipment
SARB	South African Reserve Bank
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SNECD	Swaziland Network for Early Childhood Development
SRH	Sexual Reproductive Health
SSA	Sub-Saharan Africa
TB	Tuberculosis
TEBA	The Employment Bureau of Africa
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV & AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNESWA	University of Eswatini
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organization
WLSA	Women and Law in Southern Africa

Key Messages

There is exponential growth in new infections with the highest being the productive age group which means there is an implication for labour supply.

Manzini, the commercial nerve centre and national transport hub of Ngwenya-Mbabane-Manzini, is also the epicentre of the virus. This is the underlying reason for considering this a health crisis, a humanitarian crisis and a socioeconomic crisis.

Whether in scenario 1 or 2, Rapid Assessment suggests that the economy will be in contraction mode. Recession is anti-growth and anti-development. NDP suggests that a minimum of 5 per cent growth rate is needed to achieve sustainable progress. GDP at constant prices means levelling the economy roughly within 2014-2015. It is like a five-year setback. Budget requires substantial adaptation as SACU revenues are not promising. The fiscal deficit is likely to be at -9 to -11 per cent, and in either scenario, the economy is contracting.

Population growth over the years 2020-22 is estimated at 0.9 per cent per annum. Given the estimated decline of the GDP growth rates, per capita income will decline by an annual average rate of 0.4 per cent under scenario 1 and 0.6 per cent under scenario 2. This means the average living standards in the country will decline as a result of COVID-19.

Economic policy in 2020-21 will, instead, be dictated by efforts to restore macroeconomic stability in the aftermath of a severe economic contraction in 2020 (owing to the simultaneous supply and demand shock delivered to the global economy by the outbreak of the coronavirus pandemic and the subsequent lockdown of significant Swazi economic partners such as South Africa).

Manufacturing supply disruptions means the ability of businesses to sustain the workforce is limited if the supply contraction from China continues for long.

Too much reliance on South Africa has exposed the vulnerability of the country. The trade list of essential products had to be made consistent with products allowed by South Africa, exports to SACU (43.9 per cent) and imports to SACU (71.8 per cent). Lockdown of borders and air transport in South Africa has a direct implication on exports.

As a net importer of food and given the 58.9 per cent of people living below the nationally defined poverty line in addition to the 20.1 per cent living in extreme poverty, COVID-19 is potentially going to exacerbate food insecurity in the country. Furthermore, about 65,800 people would likely be added to the existing number of those living below the poverty line because of weak growth outcomes due to the negative impact of COVID-19 in just 2020 alone. Approximately 15,550 would have been lifted out of poverty if the pre-COVID-19 per capita growth was to be realized.

Human development is facing an unprecedented hit since the concept was introduced in 1990,¹ Globally, COVID-19-adjusted HDI is projected to see a steep decline in 2020 with close to six years of progress wiped out.

School dropout rates might rise, school closures have higher social and economic costs for communities, particularly to vulnerable boys and girls. The girl child faces higher vulnerabilities than boys, and school closures increase the risk of hunger for orphaned children.

Health spending skewed to tertiary care, and the costs of medical products are high. Women and infants face serious risk with lockdowns as most of the medical supplies necessary for pregnancy, antenatal care and infant care are imported.

People living with HIV & AIDS and TB are at a high risk of contracting COVID, and people with disabilities are at a higher risk because physical distancing norms cannot be followed in most instances. Elderly population face both



health and income risks, as remittances to support them are affected owing to lockdowns in other countries.

The food insecurity to which the people are exposed has shown the limited investments made into the agricultural sector, which employs 70 per cent of the rural population.

The primary sector has shown some resilience; hence it is crucial to invest in the sector to deal with poverty and vulnerabilities. The challenges have to be clearly understood as low productivity among smallholders has a long-term impact not just on food insecurity but also the rest of the socioeconomic sector.

Introduction

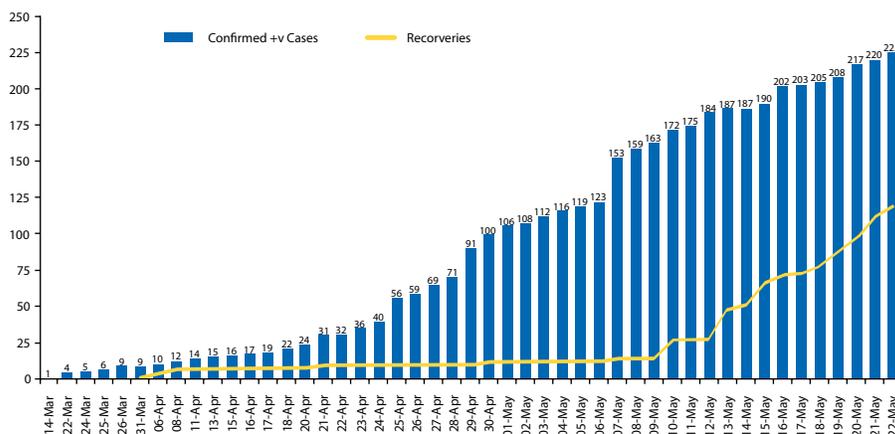
This Rapid Socioeconomic Assessment is an undertaking of the United Nations (UN) in collaboration with the Economics Association of Eswatini. It is a contribution to the knowledge products on the COVID 19 pandemic in the country. Given the uncertainty and volatility in conditions of the Corona virus outbreak and gaps in data supply and analysis, this knowledge product is not offered as accurate predictions of the future but as an evidence-based estimate of likely scenarios to inform socioeconomic response and recovery planning.

The Rapid assessment is aligned with the “UN framework for the immediate socio-economic response to COVID-19” launched by the Secretary-General in April 2020. The framework is one of the three critical components of the UN’s efforts to save lives, protect people, and build healthier communities through health response, led by the World Health Organization, and the humanitarian response led by United Nations Office for the Coordination of Humanitarian Affairs (OCHA). This Rapid Assessment addresses aspects of

the framework, in terms of the people we must reach under the five pillars of the proposed UN Development System response, namely health first, protecting people, economic response and recovery, macroeconomic response and multilateral collaboration; and community cohesion and community resilience.

The Kingdom of Eswatini, like the rest of the world, faces a stubborn pandemic that threatens the health and wellbeing of the nation as it relentlessly spreads across the globe. The index case of COVID-19 in Eswatini was confirmed on 14 March 2020. By 17 March 2020, the Prime Minister invoked section 29 of the Disaster Management Act 2006 and declared a National Emergency in the Kingdom of Eswatini for two months. During this period Eswatini had registered at least 169 travellers from overseas with 124 of those from China. The government introduced surveillance measures to track travellers and strengthen emergency preparedness. These included a cancellation of national events (e.g. Army Day, the King’s birthday celebration, Good Friday and Easter services); a cancellation of social events (e.g. MTN Bushfire Festival, Intervarsity Games, etc.); the closure of schools and tertiary institutions, limiting of

FIGURE 1 Cumulative COVID-19 Positive Cases



social gatherings to 20 people; the continued screening and contact tracing, etc.²

The objective of this report is to conduct a preliminary rapid socioeconomic assessment of the COVID-19 pandemic in Eswatini as well as the implications it has for achieving national development objectives enshrined in the National Development Plan, Strategic Roadmap and Sustainable Development Goals (SDGs). Based on the assessment, some policy recommendations aimed at reducing the country's vulnerability and strengthening its resilience to COVID-19 are highlighted. The assessment is rapid in the sense of being done over a very short period without going into much detail, and preliminary in the sense of producing a live document to be updated as more information comes to light. The report is a desk review of literature from a variety of sources supplemented by interactions with representatives of various institutions and affected sectors. In keeping with the restrictions imposed by government since 14 March 2020, consultations were conducted mostly virtually.

This Rapid Socioeconomic Assessment was undertaken under WHO guidelines on COVID 19, and it is a product of the efforts of a wide UN team, comprising the UNCT Task Team (UNDP WFP and UNFPA), an inter-agency technical team (RCO, UNDP, UNICEF, FAO, ILO, IOM, UNFPA, WFP) working in collaboration with the Economics Association of Eswatini. This team was led by UNDP, which is the UN's global technical lead on socio-economic response to COVID-19 under the global UN framework for the immediate socioeconomic response to COVID-19.

COVID-19 Summary Statement

The government established emergency coordination structures that would implement the COVID-19 National Emergency Plan. These committees include a Cabinet sub-committee, an Emergency Task Force, as well as Regional and Sector Committees. A partial lockdown was introduced on 27 March 2020 and reinforced on 27 April 2020 and 8 May 2020. The easing of the partial lockdown came into effect on 8 May 2020, with the primary objective

of giving space to the economy to breathe and allowing industries – mainly in the manufacturing and production sector with international orders to fulfil – to start operating. COVID-19 regulations remained effective with all members of the population expected to abide by the partial lockdown measures. The Prime Minister, in his COVID-19 statement on 8 May 2020, said the partial lockdown would be downgraded on an incremental basis in complete conformity with a phased-approach, consistent with guidelines from the World Health Organization.

The country has been zoned according to disaster severity and appropriate measures applied to monitor and enforce compliance. Even though the measures have inflicted a significant shock to the nation's social and cultural life as well as on an already weak economy, they were justifiable in the interest of stopping the upward trajectory of new infections. This was expected to flatten the steeply upward curve and drive it down. Evidence accumulated in the past month suggests that the epidemic has not responded to current measures and that new infections may not have reached the peak yet.

As Figure 1 demonstrates, the curve of accumulative new infections continued to rise exponentially. The first 10 cases in the first 10 days quickly rose to 16, which became 32 in four days. The 32 index cases became 64 within the next four days. Between 14 March and 12 May, COVID-19 infections have risen from 1 to 163 cases. Health workers are now processing, on average, 122 tests per day. Some cases are referred from police roadblocks, and this has become an important source of COVID-19 information.

COVID-19 Situation at a Glance

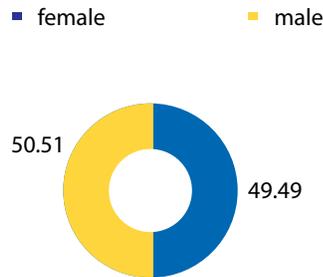
Subsequent sections of this report are organized as follows: the second section analyses the channels of transmitting COVID-19 in Eswatini, while the third examines the macroeconomic impact. The following section analyses the social impact, followed by an outline of the government's containment measures. The final section makes recommendations with a focus on policy interventions.

Gender Distribution

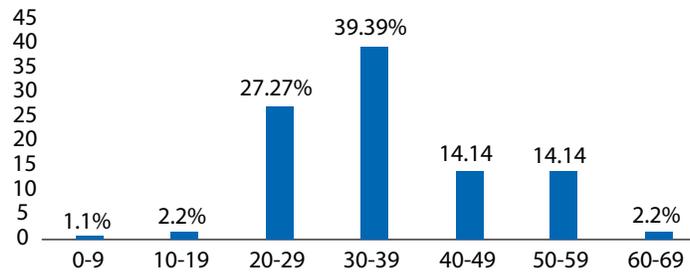
COVID-19 infects men and women without gender disparity.
 The pandemic has hit the economy hard.
 Of the infected, 67 per cent are people of working age.

Number of Cases Diagnosed by Sex and Age

COVID-19 Cases by Sex



COVID-19 Cases by Age



No disparities in sex distribution
 67% of cases are young people 20-39 years

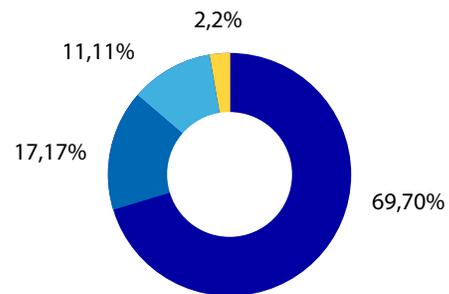
Commerce Is Hardest Hit

Manzini, the commercial centre and national transport nexus is the epicentre of the virus.

The number and size of port entries also correlate with infection rates:

- 17 per cent Hhohho – 3 major ports
- 11 per cent Lubombo – 2 major ports
- 2.2 per cent Shiselweni – 1 major port

COVID-19 Cases by Region of Residence



Manzini Hhohho Lubombo Shiselweni

Consistent with its central location and commercial activity, Manzini has the highest population and the highest number of infections.

Is the Curve Flattening?

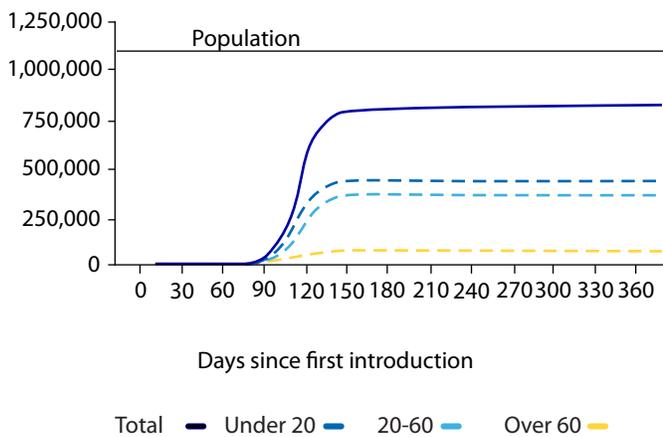
So far, three COVID-19-related deaths have been recorded in two months.

Health authorities are preparing for the possibility of a surge in infections and hospital beds.

Cumulative Number of Infections

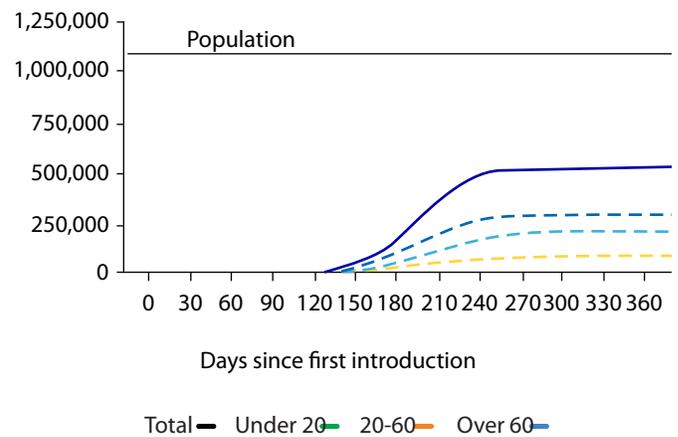
Base case scenario

cumulative symptomatic cases



RO-40%

cumulative symptomatic cases

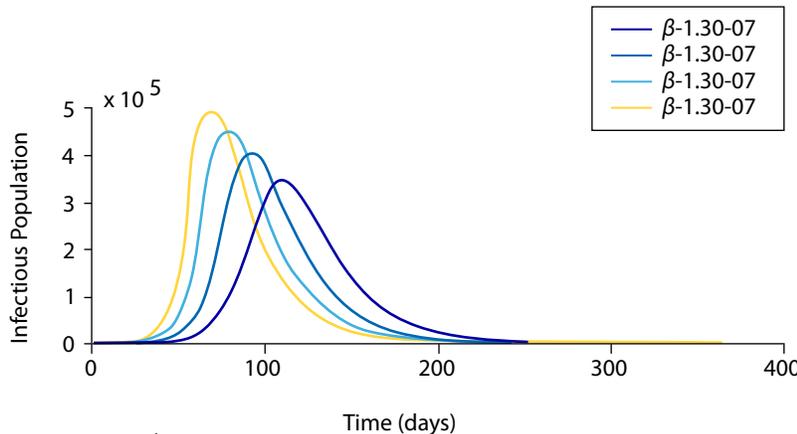


Source: Nhlabatsi N, Harling G, Lukhele B. (Baylor)

Epidemic Model Curve

Each infected person has the potential to infect others. The surge in infections is related to the number of people infected before the source of infection is stopped.

Eswatini Modelled Epidemic Curve

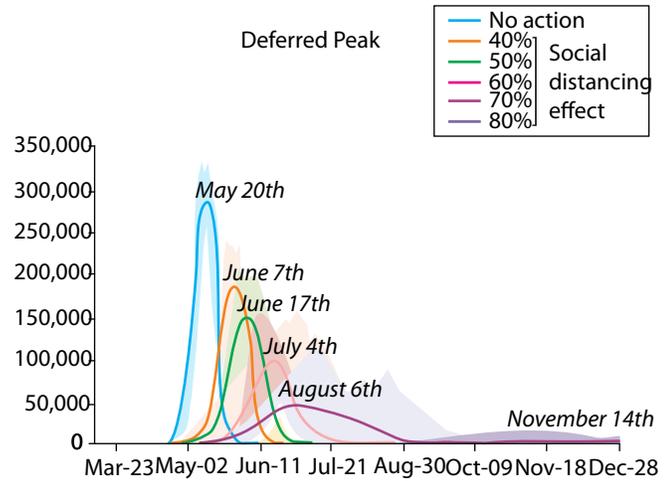
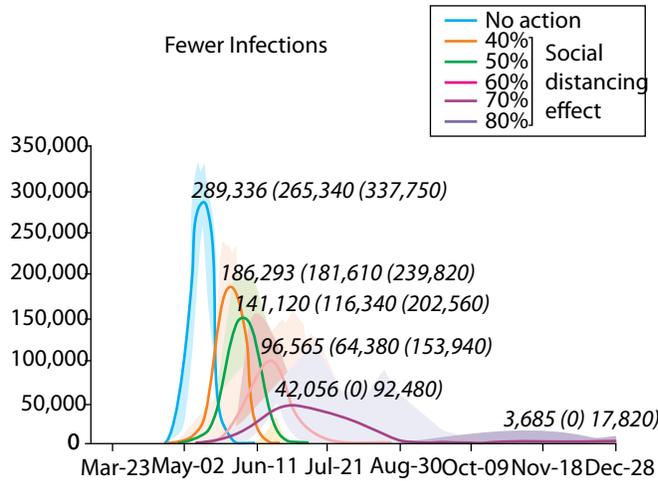


Source: Malinzi et al (UNESWA Mathematical Modelling Group)

Social Distancing Potential Impact

Social distancing, handwashing and face masks are the primary modalities for preventing infections. What is their potential impact?

Potential Impact of Social Distancing



Source: Pierce C et al (CHAI)

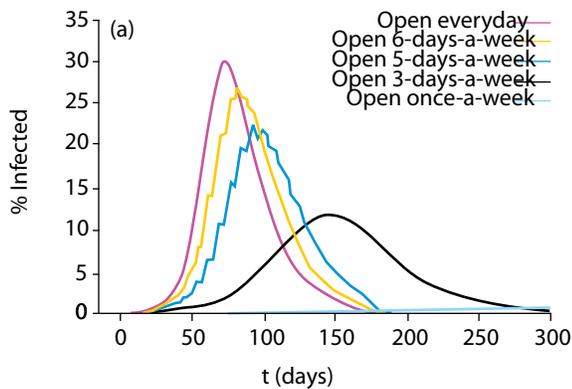
Implications of Lockdown

The effect of reduced shopping days:

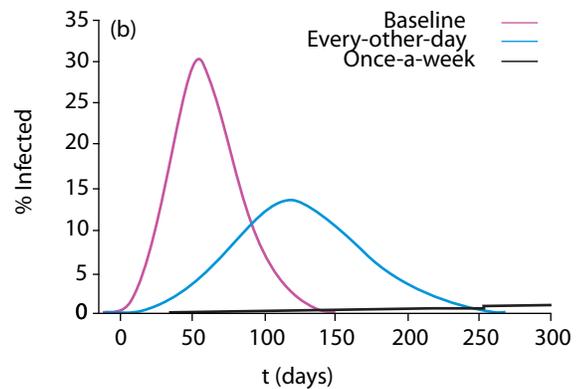
- Once a week
- Thrice a week
- Five times a week
- Six times a week

Potential Impact of Limiting Shopping

Limited Trading Days



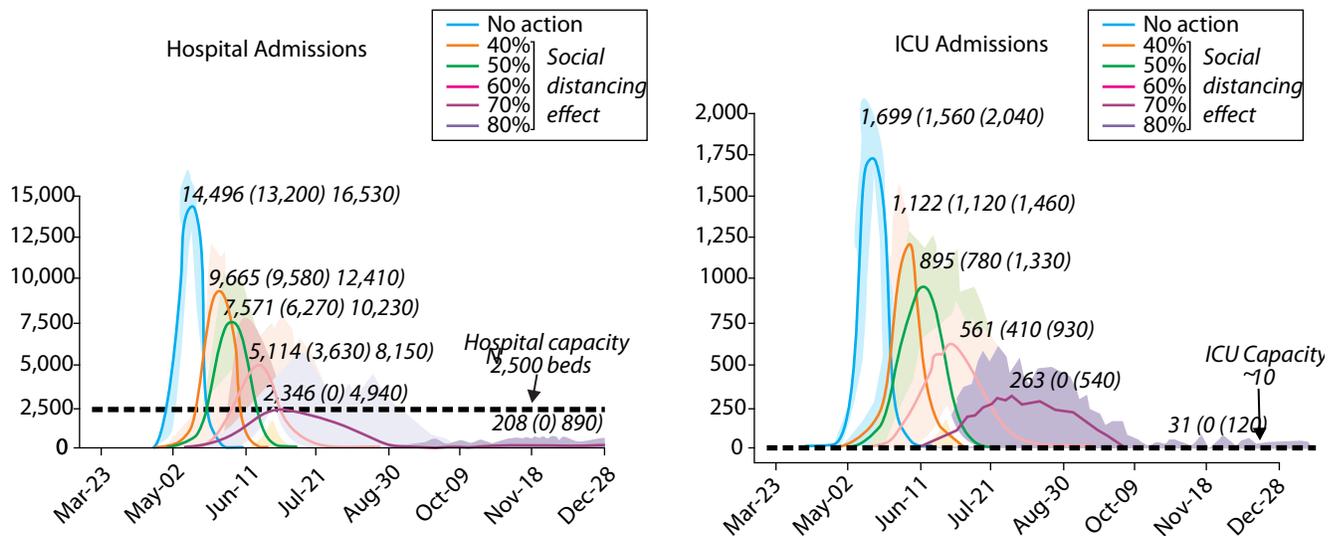
Savvy Shoppers



Source: Mkhonta SK et al (UNESWA COVID-19 Project)

Potential Impact on Hospitals
 Impact of reduced travel and commercial activity can be translated into a potential reduction in hospital admissions and ICU pressure.

Potential Need for Hospital Care



Source: Pierce C et al (CHAI)
 Even under the best case scenario, potential for insufficient hospital and ICU beds

Case for Social Distancing
 Social distancing, together with handwashing, is the primary intervention against infection. Effectiveness of this intervention is projected to pay off in lives saved at various levels.

Potential Deaths Averted by Social Distancing

Scenario	Cummulative Deaths	Deaths Averted (Best Fit)	
No action	4,150 (3,980/4,320)	-	
Social distancing effect	40%	3,985 (3,710/4,260)	165
	50%	3,652 (3,270/4,290)	458
	60%	3,505 (3,120/3,890)	645
	70%	1,710 (0/1,420)	2,440
	80%	610 (0/1,330)	3,485

Source: Pierce C et al (CHAI)

COVID-19 Hotspots
 The risk profile of the Kingdom suggests the Ngwenya-Mbabane-Manzini highway corridor linking with South Africa is the potential national hotspot. The narrative is consistent with other ports of entry into South Africa.





Transmission Channels

The transmission channels of COVID-19 can be traced to direct, and indirect routes and its impact felt across the various points of the intricate web of the value chains. Also, this has a huge effect on the demand- and supply-side of the economy because it disrupts both international and domestic supply chains of goods and services. While movements of people are being restricted in several countries, trade across borders has continued in a very limited way, at least for now.

The supply shock will, in turn, affect household consumption and have a ripple on effect on demand. As demand falls, the economy will experience a slowdown. This development has prompted the IMF review 2020 global growth projections downwards to -3.3 per cent

(January 2020 projections) from 3.4 per cent (October 2019 projections) in light of the slow performance in emerging market economies.³ His Majesty, the King, in his State of the Nation Address, had announced that the economy of Eswatini would project a growth rate of 2.8 per cent in 2020.⁴ Private consumption and investment fuelled by a decline in consumer demand due to disrupted economic activity and uncertainty have obviously affected the economic growth of the country. The disruptions have worsened the food insecurity, given reduced food production during the year.

Furthermore, the quarantine measures will result in a sharp supply-side shock, hitting working hours and productivity. Manufacturers will suffer from a disruption of their global supply chains after global exports contracted by more than 17 per cent in the first two months of the year. Supply-side



disruptions will be short-lived, but demand effects will be long-lasting. On the whole, manufacturers' activities have been restricted, save for those that produce essential products such as food, sanitizers, and protective clothing and masks. Manufacturers, especially in the labour-intensive textile factories, have been allowed to resume production to fulfil international orders.

Businesses that experience reduced revenue and job cuts will compel households to reduce their expenditure.⁵ Lower demand will make businesses to cut down on their production and retrench workers. Job losses and lower demand for goods tend to reinforce each other, risking the creation of a vicious cycle. And since most businesses

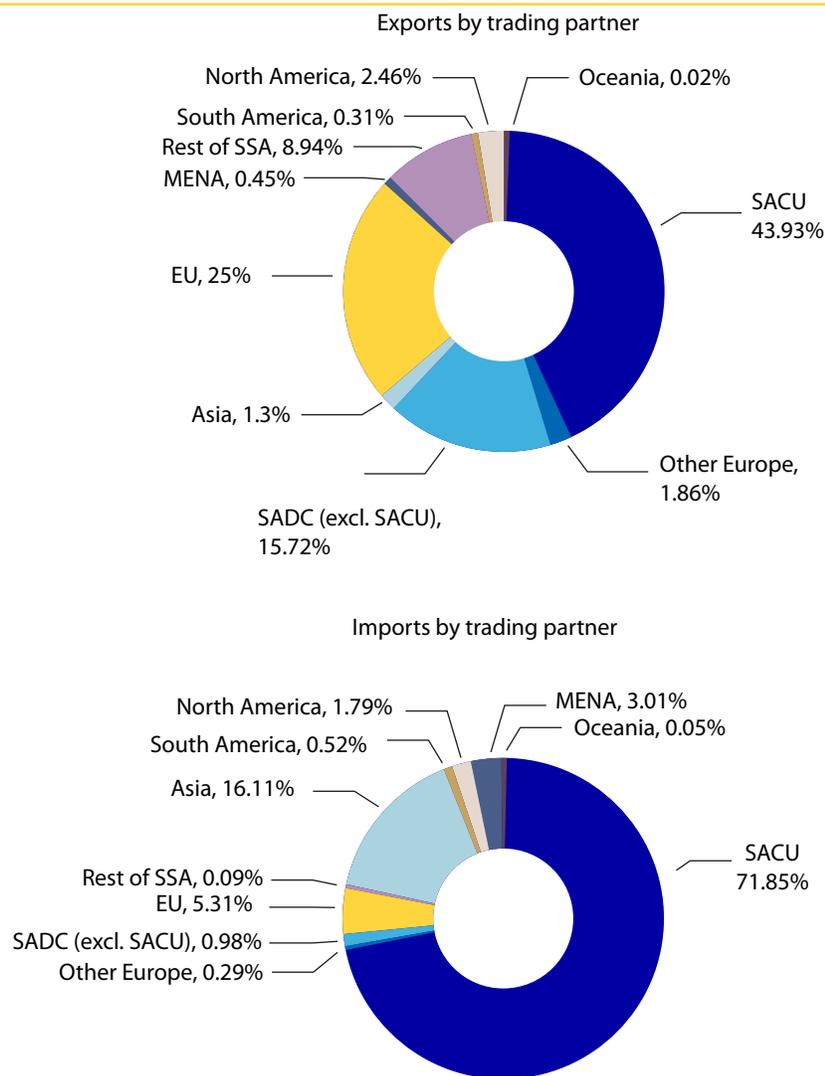
in Eswatini are micro and small enterprises, the owners mostly lack the safety nets to resist the shock.

At the moment, 58.9 per cent of Eswatini live below the nationally defined poverty line, which makes them⁶ even more vulnerable to the economic shocks brought on by COVID-19. But the levels of deprivations and vulnerabilities vary. For those just above the poverty line, COVID-19 may easily bring them further below the poverty threshold. In Eswatini, 20.1 per cent of the population lives in extreme poverty.

Food insecurity among households is another manifestation of vulnerability. Eswatini as a whole is extremely food

FIGURE 2

Eswatini Trade Position with Other Countries



insecure and has shifted from being a net exporter of food to net importer since the 1990s.⁷ COVID-19 pandemic has the potential to worsen the situation in which case women and the rural population will suffer the most.

Eswatini is a landlocked country that is almost totally reliant on South Africa for all its imports and exports. The Kingdom has almost 80 per cent of guaranteed electricity supply from South Africa, shares a common currency regime in the Rand Monetary Area and common customs under the Southern Africa Customs Union (SACU). The two countries are so integrated in their economic, social and political policies that changes in South Africa are often adopted and integrated into the local system with minor adaptation for domestic effect. In some cases, this is not even possible. Examples include the currency exchange rate, customs and excise, and value added tax. When South Africa changed its VAT rate from 14 to 15 per cent in the 2017 budget, Eswatini had to revise its own budget accordingly even though it had already been approved. Moreover, the Minister of Trade's list of essential products had to be made consistent with products allowed by South Africa; hence Eswatini trade stopped abruptly until the consistency was achieved.

The road network linking Eswatini and South Africa is the lifeblood of the economy and the cultural links between the two countries. Lockdown regulations in South Africa, Eswatini and Mozambique require that anyone crossing the border be quarantined on the other side. Cross-border passenger transport is banned. Closure of common borders except for Ngwenya, Matsamo, Mananga, Mahamba and Lavumisa allows only essential exports of food, medicines, and pharmaceuticals to enter Eswatini. There are long delays at the border despite the few trucks allowed on the road, and this has aggravated the health conditions of people in the country as essential goods cannot come in easily. This lack actually pervades all areas of life. For instance, as people are encouraged to work from home, communication companies such as MTN, SPTC and Eswatini Mobile were granted essential services status, thereby enjoying the privilege of carrying out their businesses. But as the lockdown continued they ran out

of essential products such as smart phones, iPads, sim cards and routers, all items they could not replenish easily without free movement of people and goods.

The absence of free movement of goods and services have had reverberating effects on the economy and the ripple effects are felt keenly on small businesses and wage employment in the formal and informal sectors, especially the service sector. An example of goods which were ready for export but could not move was a consignment of handicrafts destined for the EU via ORT International Airport in Johannesburg⁸. While the value of this consignment was only E250,000, its impact on the livelihoods of hundreds of low-income rural households was great.

Another area of life that has suffered a hit as a result of the pandemic is the leisure and entertainment industry, which is defined by its economic and cultural activities. Among activities banned as part of measures to control the spread of coronavirus are the much loved game of soccer and sports generally, as well as entertainment for both young and old. Among the hardest hit in the list of popular social events is the international Bushfire Festival normally held in May but which has now been postponed indefinitely

Every sector will have a record of huge losses at the end when government takes stock of what the country has lost to the pandemic. Education, health, the economy, agriculture, the manufacturing industry and all other vital sectors will have their own stories to tell just as they will all be looking forward to redefining their operations in line with the emerging realities of what is now called "the new normal". One of the sectors that will suffer the greatest blow is the thriving tourism sector, which depends heavily on visiting South Africans and transiting visitors who constitute about two-thirds of tourists that flock into the country. The lockdown has brought this flow of tourists to a complete halt. Another major impact of the coronavirus on the Eswatini's struggling economy is the spillover effects of the virus's impact on South Africa, which is the dominant economy and major driver of growth in the region.



COVID-19 Impact on Economic Growth under Two Scenarios

The impact of the pandemic on the global economy is projected to be much worse than during the 2008/09 financial crisis, as it is expected to diminish sharply by 3 per cent in 2020. In a baseline scenario, which assumes that the pandemic will fade away in the second half of 2020 for containment efforts to begin to unwind gradually, the global economy is projected to grow by 5.8 per cent in 2021 by which time it is estimated that economic activities would have normalized, helped by policy support. The risks for even more severe outcomes, however, are substantial.

The COVID-19 pandemic met Eswatini in an already fragile economic and social situation. The country's economic growth in recent years has been subdued, expanding at an average growth rate of 1.7 per cent during 2014-19 as a result of mounting fiscal challenges, a difficult external environment and the impact of the 2015/16 drought. However, GDP rose to 2.4 per cent in 2018, driven by recoveries in agriculture and the services sectors before

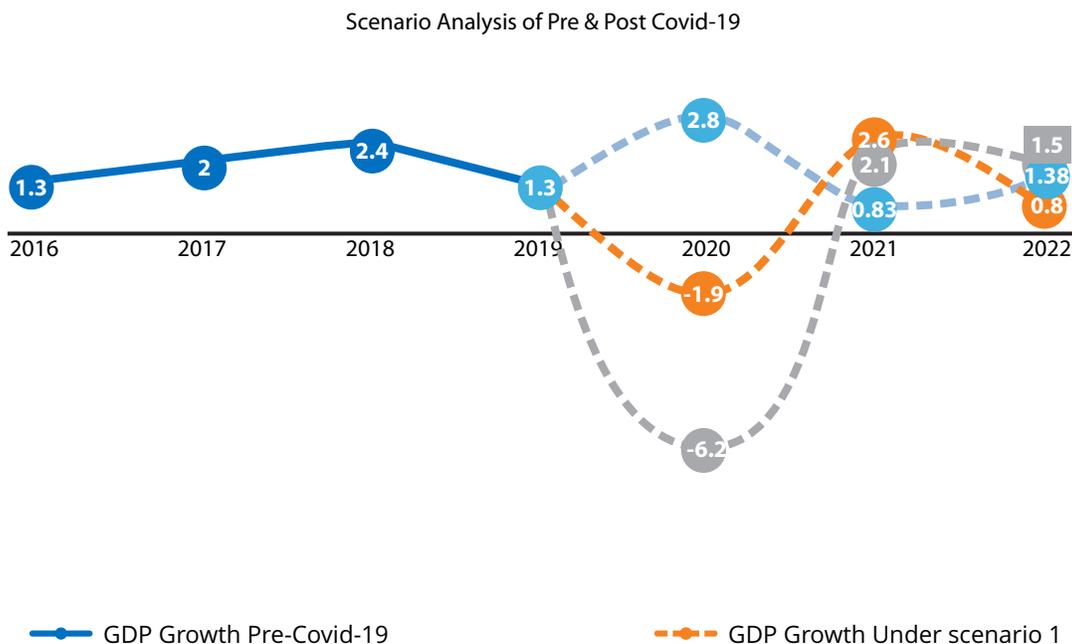
falling to 1.3 per cent in 2019. The 2019 figure is below the 5 per cent needed to tame poverty in the country,¹⁰ as agriculture growth levels off. The fiscal measures adopted in the country, the disruption in world trade, as well as the changes and behaviour of the economic agents are sure to affect economic growth significantly.

To assess the possible impact of COVID-19 on GDP, researchers conducted an analysis under two scenarios. Scenario 1, which is considered moderate or optimistic, assumes that current restrictions would be lifted from September 2020. "Normalization" refers to the lifting of all restrictions under the partial lockdown to open the economy for business.¹¹ In this scenario, the economic impact is still significant, with growth declining from the 1.3 per cent in 2019 to -1.9 per cent in 2020 (see Table 1). Scenario 2 assumes that normalization would occur in 12 months (i.e., as from January 2021). And this scenario is considered severe or pessimistic (see assumptions presented in Annex 1). In this scenario, the impact on growth would be very large, with real GDP falling to -6.2 per cent.

Table 1: Scenario Analysis of Pre- & Post- COVID-19

Year	GDP Growth Pre-COVID-19	GDP Growth Under Scenario 1	GDP Growth Under Scenario 2	GDP Levels in Constant 2011 Values Under Scenario 1 (E Million)	GDP Levels in Constant 2011 Values Under Scenario 2 (E Million)
	(%)	(%)	(%)		
2016	1.3			40,060	40,060
2017	2.0			40,871	40,871
2018	2.4			41,832	41,832
2019	1.3			42,367	42,367
2020		-1.9	-6.2	41,567	39,758
2021		2.6	2.1	42,653	40,596
2022		0.8	1.5	42,992	41,222

FIGURE 3 GDP Growth Pre- & Post- Covid-19



Sources: MEPD & CBE; “Economic Impact Analysis of Coronavirus (COVID-19) Outbreak in Eswatini; April 2020 & “GDP Projections 2019-2022 Public – Pessimistic/Optimistic Scenarios; April 2020”.

Observations from Table 1 and Figure 1 can be highlighted as follows:

The impact of COVID-19 can be measured in terms of its impact on the growth of the economy. In the first year of the impact (i.e., 2020), the economy will shrink by 1.9 per cent under the optimistic scenario (i.e., lifting of lockdown regulations as from September 2020) and by 6.2 per cent under Scenario 2 (i.e., lifting of lockdown regulations as from January 2021).

The shrinkage will take GDP from E42.4 billion down to E41.6 billion under Scenario 1 and down to E39.8 billion under Scenario 2. In the second year, GDP will recover via a 2.6 per cent growth, which takes GDP up to E42.7 billion under Scenario 1 and E40.6 million under Scenario 2. By the third year, the GDP growth will decelerate from 2.6 to 0.8 per cent under Scenario 1 and from 2.1 to 1.5 per cent under Scenario 2. The corresponding GDP levels are E43.0 billion and E41.2 billion, respectively.

Under Scenario 1, GDP will be E0.6 billion by 2022, higher than the 2019 level. This means the economy would have recovered fully from COVID-19. Under Scenario 2, GDP will

be E1.2 billion lower than the 2019 level by 2022, meaning that the economy will not recover from COVID-19.

Population growth from 2020-22 is estimated at 0.9 per cent per annum. Given the growth rates of GDP presented in the Table 1, per capita income will decline by an annual average rate of 0.4 per cent under scenario 1 and 0.6 per cent under scenario 2. This means that average living standards in the country will decline as a result of COVID-19.

Strategic Sectors of the Economy: Eswatini Strategic Roadmap (ESR), National Development Plan (NDP)

The Eswatini Strategic Roadmap (ESR) has identified five sectors as crucial for economic growth based on their ability to deliver high impact on output, job creation and public revenue mobilization. These are agriculture, manufacturing and agri-processing, mining and energy, education and ICT, as well as tourism. This section analyses the performance of these sectors under the two COVID-19 scenarios already outlined above.

Table 2 and Figure 4 present a matrix in the scenario analysis of the performance of the overall economy. Because of

FIGURE 4 Impact of COVID-19 on Sector Growth

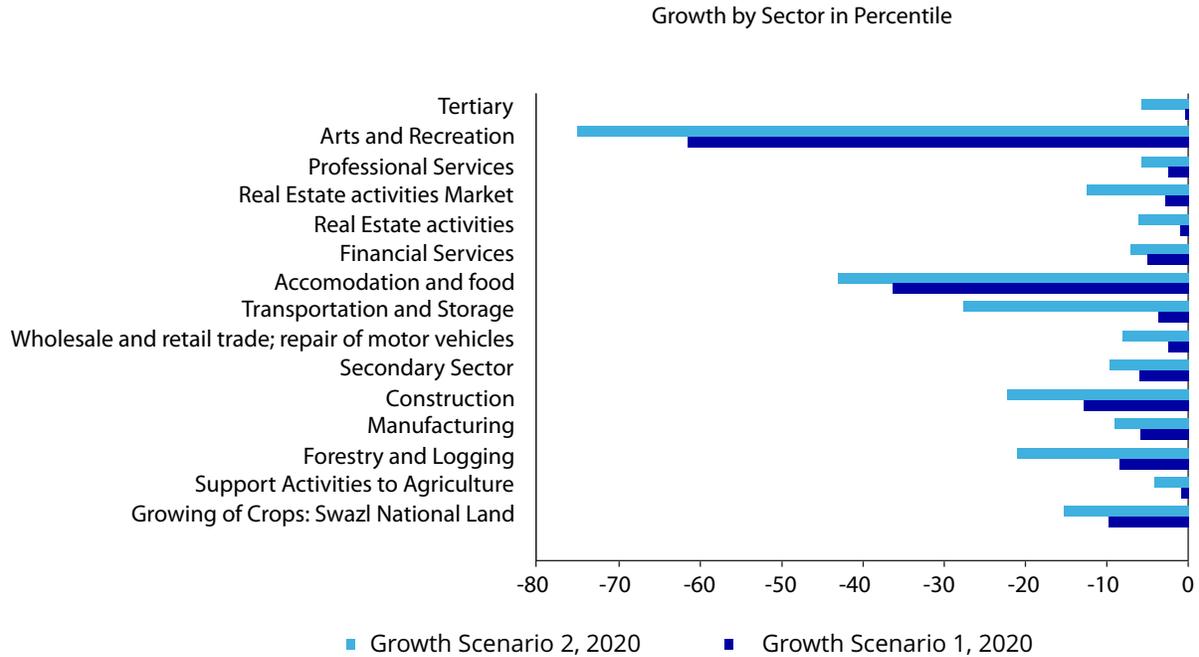


Table 2: Impact of COVID-19 on Sector Growth under Two Scenarios

Table 3: Sectoral Output								
GDP by Economic Activity at Constant 2011 Prices (E million)	Output Pre-COVID-19	Percentage Rate of Growth Baseline Pre COVID-19 Estimate	Percentage Rate of Growth under Scenario 1	Output under Scenario 1	Output Loss under Scenario 1	Percentage Rate of Growth under Scenario 2	Output under Scenario 2	Output Loss under Scenario 2
Description	Yr. 2019	Yr. 2020	Yr. 2020	Yr. 2020	Yr. 2020	Yr. 2020	Yr. 2020	Yr. 2020
Growing of crops: Swazi National Land	195	-9.7	-9.7	176	19	-15.3	166	30
Support activities to agriculture	165	-0.2	-0.8	163	1	-4.0	158	7
Forestry and Logging	493	0.0	-8.4	452	41	-10.9	440	54
Manufacturing	13,900	3.7	-5.8	13,094	806	-9	12,649	1,251
Construction	1,305	2.2	-12.8	1,138	167	-22.2	1,015	290
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,411	0.2	-2.4	5,282	130	-8	4,978	433

Transportation and storage	989	2.9	-3.6	954	36	-27.6	716	273
Accommodation and food service activities	271	2.8	-36.2	173	98	-42.9	155	116
Activities auxiliary to financial services	185	6.1	-4.9	176	9	-7.1	172	13
Real estate activities, market	1,220	-2.6	-2.6	1,188	32	-12.4	1,068	151
Professional, administrative and support services	1,552	4.0	-2.4	1,515	37	-5.8	1,462	90
Arts, entertainment and recreation	146	0.0	-61.5	56	90	-75	36	109
Total	28,104			26,618	1,487		25,149	2,955

Sources: MEPD & CBE; "Economic Impact Analysis of Coronavirus (COVID-19) Outbreak in Eswatini; April 2020 & "GDP Projections 2019-2022 Public – Pessimistic/Optimistic Scenarios; April 2020".

The ESR commits to defined objectives with timelines in the following manner

Short Term (< 1 year)	Medium Term (1-3 years)	Long Term (> 3 years)	From Short to Medium Term	From Medium to Long Term
Fiscal consolidation Arrears clearance Quick wins on Ease of Doing Business (EODB)	Revenue mobilization Structural reforms Improve EODB ranking ICT & infrastructure Improve social indicators	Reposition the Kingdom of Eswatini for innovation & inclusive growth	Ensure inclusive growth Effective social safety net to protect vulnerable citizens Ensure no Liswati is left behind	Restore macroeconomic stability Ensure sustainability of public expenditure, public debt, productive capital spending to enhance growth and mitigate cash flow crisis and arrears accumulation ¹²

inter-sectoral linkages, a stimulus provided to any of the five key growth sectors is expected to have both direct and indirect effects on the other sectors. For example, agriculture is linked to virtually all the other sectors from both the input and output sides. Accordingly, we can determine the likely impact of COVID-19 by looking at the growth of all the individual sectors. This is the conceptual thinking which underlies the calculations done in Annex 3.

All the sectors showing negative growth in the Year 2020 (i.e., the first year of COVID-19) under each of Scenarios 1 & 2 have been listed in Table 3. This is done with a view to determining the impact of COVID-19. The results of

interest are listed under two columns, namely, "Output Loss under each Scenario". The totals of these columns give the magnitude of output losses under each scenario, output loss E1.5 billion under the moderate/optimistic scenario and E3 billion under the severe/pessimistic scenario. These have serious implications for Eswatini Strategic Roadmap (ESR), National Development Plan (NDP) and Sustainable Development Goals (SDGs)

The NDP has identified six national outcomes to be achieved to develop Eswatini holistically. These outcomes were formulated after analysing the features of the country's development trajectory, including fiscal crisis, low human



and social development, high unemployment and poverty rates, disastrous impacts of climate change as well as weak governance mechanism and public service delivery. The NDP also shows that despite the achievements recorded in all the sectors, there are serious challenges in meeting the development aspirations for the country. The national outcomes include: good governance, economic recovery and fiscal stability; enhanced and dynamic private sector supporting sustainable and inclusive growth; enhanced social and human capital development, efficient public service delivery that respects human rights, justice and rule of law; well managed natural resources and environmental sustainability; and efficient economic infrastructure network.¹³

COVID-19 has changed the baseline underlying the NDP targets; hence the need to review the baseline and targets. Also, by delaying and throwing the country's movement towards the ESR goals and NDP national outcomes off-

balance, COVID-19 is delaying progress towards the goals and targets of SDGs.

The single most important instrument available to Eswatini to come close to achieving the ESR goals, NDP national outcomes and SDGs is a fiscal policy with fiscal consolidation as a critical component. The 2020-21 national budget is an attempt to move towards fiscal consolidation. In it, public revenue rises to 18 per cent to E21 billion from E18 billion in the 2019/20 budget. Public expenditure also experienced a 10 per cent jump from E22 billion in the 2019/20 budget to E24 billion in the 2020/21 budget with the margin of increase falling below that of public revenue. The deficit fell by 27 per cent from E4 billion in 2019/20 to E3 billion in 2020/2. These trends were consistent with the objectives of fiscal consolidation. However, the onset of COVID-19 has disrupted the picture through the lockdown of the economy.



Fiscal Policy

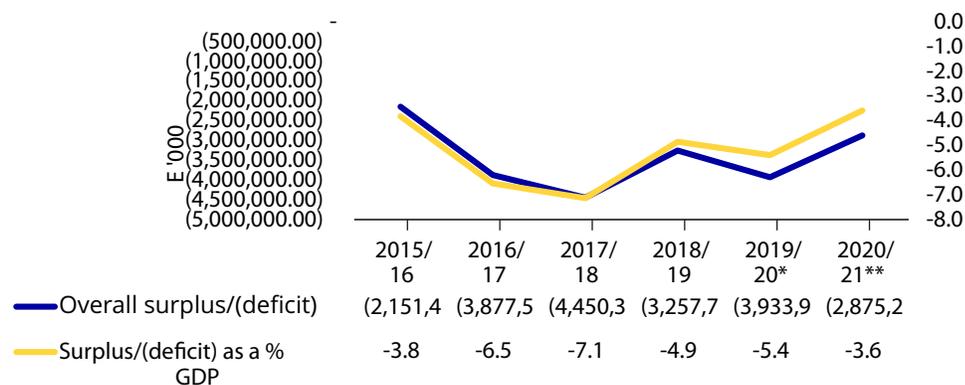
On 6 May 2020, the government extended the ongoing partial lockdown of the country but permitted firms in seven sectors to go to work from 8 May onwards. These firms are manufacturing and production companies with international orders; agents and consultants; furniture and decor shops; dry cleaners; retail clothing shops, tailors and dressmakers; and vehicle-testing stations. With the 6.2 per cent contraction in the economic forecast for this year, the 2020 national budget passed in February this year has come under severe pressure. Customs revenue, which the government was relying on for funding, has virtually dried up across the Southern African Customs Union (SACU). The SACU usually collects about R120bn (US\$6.5bn) annually, with monthly revenue averaging about R10bn. However, in April (the first full month of lockdown), SACU receipts were about R7bn lower

than the average receipt before the pandemic emerged. Meanwhile, Eswatini usually receives a share of the joint SACU receipts totalling about E8.3bn¹⁴⁾ (US\$450m) a year. The original government projection of E8.34bn earnings for 2020 in the February budget was rubbished in April when the eSwatini Revenue Authority collected 19 per cent below target and with a notable decline in value-added tax (VAT) inflows. The 2020 budget, therefore, requires substantial adaptation, as SACU receipts made up the largest source of revenue. The emerging picture can be seen in Figure 5.

The figure shows that the national budget has been in deficit throughout the period in question. The deficit increased over the first three years but started falling in the next three. For 2020/21, the deficit was lower than in the previous year, in line with the objective of fiscal

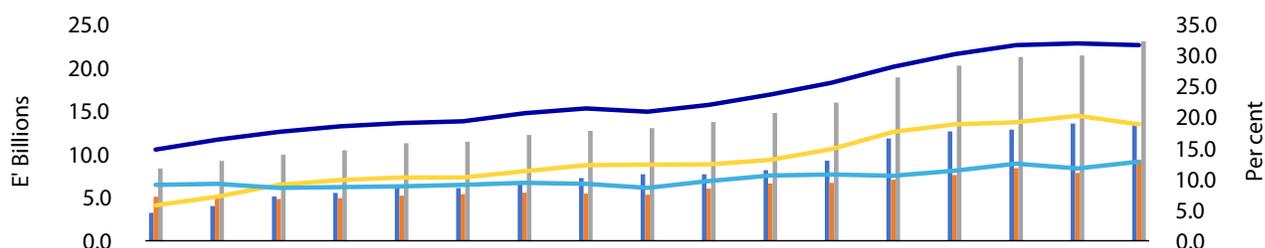
FIGURE 5

Fiscal Balance 2016-2020



Source: Central Bank of Eswatini

FIGURE 6 Public Debt Position



	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Public Domestic Debt	3.2	4.0	5.1	5.5	6.1	6.1	6.7	7.3	7.7	7.7	8.2	9.3	11.8	12.6	12.9	13.6	13.7
Public External Debt	5.1	5.2	4.8	4.9	5.2	5.4	5.6	5.5	5.3	6.0	6.6	6.7	7.1	7.6	8.4	7.8	9.3
Total Public Debt	8.3	9.2	10.0	10.5	11.3	11.5	12.2	12.7	13.0	13.7	14.8	16.0	18.9	20.3	21.2	21.4	23.1
Domestic Debt (% GDP)	5.7	7.1	9.1	9.8	10.2	10.3	11.3	12.2	12.3	12.3	13.1	14.8	17.6	18.9	19.2	20.2	18.8
External Debt (% GDP)	9.0	9.2	8.5	8.7	8.8	9.1	9.4	9.2	8.6	9.7	10.6	10.7	10.5	11.3	12.5	11.7	12.8
Total Debt (% GDP)	14.8	16.3	17.6	18.5	19.0	19.3	20.6	21.4	20.9	22.0	23.7	25.6	28.2	30.2	31.7	31.9	31.6

Source: Central Bank of Eswatini

FIGURE 7 Lilangeni Exchange Rate vis-a-vis US Dollar



Source: Central Bank of Eswatini

consolidation. As a proportion of GDP, the deficit of -3.6 per cent was below the SADC macroeconomic convergence threshold of 5 per cent. However, COVID-19 is likely to reverse the situation from a decrease in deficit to an increase most likely to about -9 to -11 per cent of GDP as alluded to above.

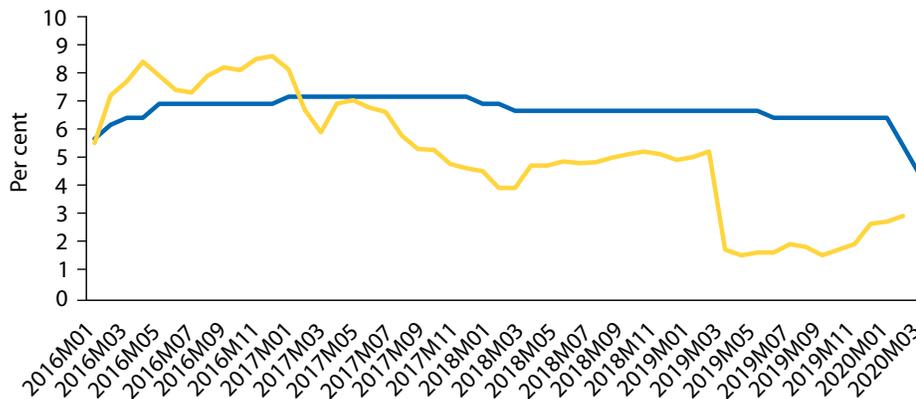
The deficit has been financed by public borrowing, including domestic arrears accumulation. Figure 5 shows the level of public borrowing since March 2016.

Total public debt as a proportion of GDP increased from 15



FIGURE 8

Discount & Inflation Rates



Source: Central Bank of Eswatini

per cent in March 2016 to 29 per cent in December 2019. During the same period, domestic debt tripled, rising from 5.8 per cent of GDP to 18 per cent, while external debt almost doubled itself by growing from 6.9 per cent of GDP to 11.2 per cent. Since 2015, the government has relied increasingly on domestic debt to plug expanding financing needs, thereby minimizing exchange rate risk. While this ratio is within the threshold of 35 per cent fixed by government policy. The government’s 2019 debt sustainability analysis (DSA), supported by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), concluded that although the country’s debt level was still relatively low,

recent increases in public debt and the high gross financing needs raise both sustainability and liquidity concerns. The debt burden has become an additional cause for concern now given that COVID-19 has introduced greater needs for more public spending than was envisaged in the 2020/21 national budget. Meanwhile, the debt profile will limit state support for the private sector, so its ability to produce is sure to be constrained until the economy improves.

Fiscal Implications of COVID-19

The fiscal implications of COVID-19 are more than can be easily related. They include the following:

- Revenue will decline by E2.7 billion, falling to E18.7 billion from the pre-COVID-19 level of E21.2 billion.
- Assuming the pre-COVID-19 expenditure remains at the level of E24.1 billion, the budget deficit will widen to E5.5 billion (as compared to the pre-COVID-19 level of E2.9 billion). As a proportion of GDP, the deficit will increase from 3.6 to 9.1 per cent (and thereby significantly breach the SADC Macroeconomic Convergence threshold of 5 per cent.)
- As a proportion of GDP, public debt is projected to increase by 30 to 38 per cent (excluding arrears of E5.3 billion).
- Public debt servicing is projected to increase by 5 per cent due to the exchange rate depreciation. Given this scenario, some of the required measures to arrest the deteriorating fiscal situation are of a short-to-medium term nature (including the achievement of fiscal consolidation), while others are of a longer term (including the resolution of structural problems). It is recommended to use short-term measures to fight COVID-19 and mitigate its impact by supporting efforts targeted directly or indirectly at closing the gap of E2.7 billion caused by the reduction of public revenue in the wake of COVID-19.
- The gap is defined by the difference in the COVID-19

budget produced under the leadership of the Ministry of Health as against the amount provided for equipment, medicines and personnel services by the National Resource Mobilization Fund for COVID-19.

In the short term, there will be pressure to devote more public resources into the health sector to fight COVID-19. The government can achieve this through reallocations within the budget or by increasing the total expenditure level or both. The supplementary budget contained an additional E100m (US\$61.4m) for new public healthcare spending. The National Disaster Management Agency (NDMA) has estimated the emergency resource-needs at about E803 million (US\$44 million). Over and above public health sector issues, there will be socioeconomic issues in the form of negative effects transmitted through various channels, which all require resources to mitigate.

After paralysing the economy, the pandemic is currently tying down resources in multiple battles to save lives, prevent new infections, sustain communities and prepare for sustainable early recovery and resilience. In the medium to long term, there will be pressure to stimulate the economy through total budget increases. Faced with a weak tax base (many thanks to COVID-19), the increase





in total expenditure will lead to an increase in the fiscal deficit. Overall, the fiscal deficit/GDP ratio will widen from an estimated 4.4 per cent in 2019/20 to about 9-11.4 per cent in 2020/21.

Further fiscal implications of COVID-19 can be observed in the exchange rate. The rand – and, by implication, the lilangeni, given their 1:1 peg – averaged an estimated R14.44: US\$1 in 2019. By 2020, the rand had depreciated by 25 per cent owing to the impact of the coronavirus pandemic on the global economy and emerging market currencies. As of mid-March, the country's foreign reserves were only enough to cover just 2.4 months of import, down from 3.2 months previously. By global standards, a country requires 3 months to sustain the foreign-exchange regime.

Inflation, a perennial issue in the management of a national economy, has received a boost from COVID-19. Inflation in Eswatini broadly tracks price trends in South Africa – the source of most of its imports. Estimates project a rise in inflation from an estimated 2.6 per cent in 2019 to 3.9 per cent in 2020. The depreciation of the rand (to which the lilangeni is pegged) against the US dollar and rising inflation in South Africa will overwrite a COVID-19-induced contraction in domestic aggregate demand in 2020 and the sharp decline in global fuel prices. There is a possibility that it might rise further than 3.9 per cent if the administratively determined prices for electricity and water come into effect in July 2020 (having been postponed from April 2019) and if the prices of other essential commodities in short supply due to the economy lockdown keep rising.

COVID-19 has disrupted the normal relations between the inflation rate and discount rate. The imperative was to reduce the discount rate to boost the economy.

Finally, it can be said that COVID-19 affects both fiscal and monetary policy. As already established, the country's monetary policy is heavily influenced by the policy rate of the South African Reserve Bank (SARB, the central bank), which is a de facto base rate for the Central Bank of Eswatini (CBE). To avoid capital outflows, the CBE rarely undercuts the SARB's benchmark rate. On 19 March, however, the SARB did the unusual by cutting its main policy rate by 100 basis points. Taking the cue at its meeting of March 2020, the Central Bank of Eswatini reduced its discount rate from 6.5 to 5.5 per cent (i.e., by 100 basis points). In addition, the CBE reduced the liquidity requirements for commercial banks from 25 to 20 per cent and for development banks from 22 to 18 per cent. In April 2020, the CBE introduced a further stimulus package for banks. It reduced the discount rate by another 100 basis points from 5.5 to 4.5 per cent; thus granting a cumulative 200 basis points reduction. The government introduced these measures to help households and businesses to weather the adverse economic impact of coronavirus. Nevertheless, all these measures can only help to cushion the negative effects, not prevent them. And they can only attempt to mitigate the effects COVID-19.



The Social Dimensions of COVID-19

Poverty, Unemployment and Inequality

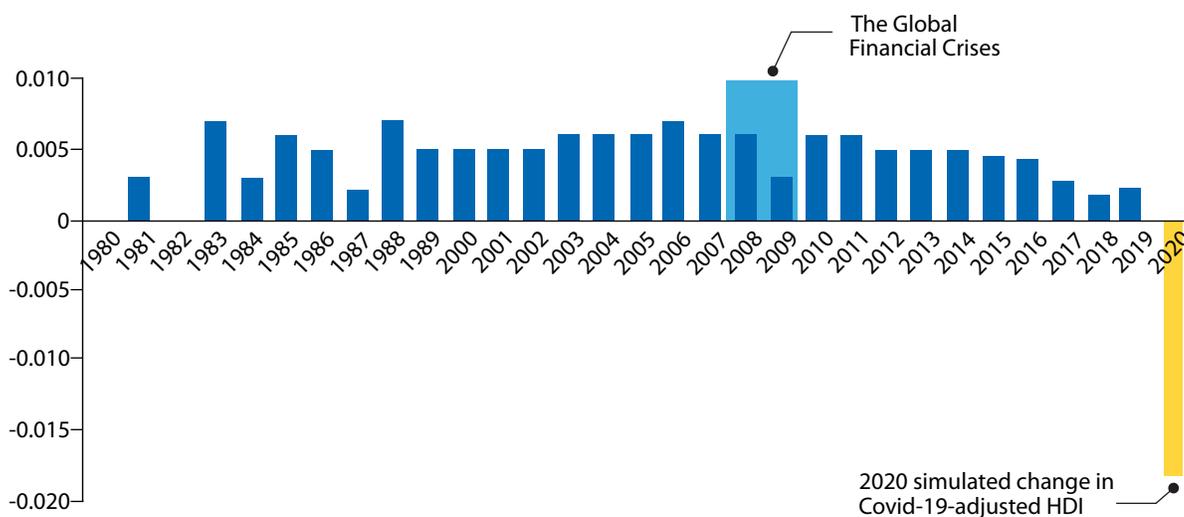
Achim Steiner, the UNDP Administrator, has been quoted as saying: “The world has seen many crises over the past 30 years, including the Global Financial Crisis of 2007-09. Each has hit human development hard but, overall, development gains [have] accrued globally year-on-year,” adding, “COVID-19 – with its triple hit to health, education, and income – may change this trend”. Steiner’s observation is a pointer to the realities the world is currently grappling with and an indication that the human race may be entering into a new realm of experience that would pose new and potent challenges to the world – and

the signs are already showing. Global human development, which can be measured as a combination of the world’s education, health and living standards, could decline this year for the first time since the concept was introduced in 1990, led by a massive setback in effective education because of school closures affecting almost 9 in 10 students and deep recessions in most economies (including a 4 per cent drop in GNI per capita worldwide). The decline in the index – reflecting the narrowing of capabilities – would be equivalent to erasing all the progress achieved in human development in the past six years.¹⁵

FIGURE 9

Human Development Simulation on Inequality

Change in Human Development Index value, annual



a) The 2019 value is a provisional estimate.

Source: Human Development Report Office 2019 simulations based on data from the International Telecommunications Union, UNESCO & WHO.

The Eswatini Human Development Index (HDI) for 2018 is 0.608, but after discounting for inequality in the distribution of the HDI dimension indices, the HDI falls to 0.430, a loss of 29.3 per cent. Multidimensional Poverty Index identifies multiple overlapping deprivations suffered by individuals in three dimensions – health, education and standard of living. In Eswatini, 19.2 per cent of the population (263 thousand people) are multidimensionally poor while an additional 20.9 per cent are classified as vulnerable to multidimensional poverty (285 thousand people). The breadth or intensity of deprivation, which is the average deprivation score experienced by people in multidimensional poverty, is 42.3 per cent.¹⁶

Thus, poverty remains high in Eswatini despite its decline from 63 per cent in 2010 to 59 per cent in 2017.¹⁷ It is estimated that about 20.1 per cent lives in extreme poverty, and these are largely rural dwellers. Further estimates show that 75 per cent of the rural population is predominantly poor, compared to 20 per cent in urban areas. This heavy burden of poverty affects children, 56.5 per cent of whom is multidimensionally poor. At 65 per cent, the multidimensional child poverty (MCP) in the rural areas is more than double that of urban areas (23 per cent). And the MCP is slightly higher for boys (60 per cent) than for girls (54 per cent).¹⁸

Economic growth is a necessary, though insufficient, condition for poverty reduction. The impact that economic growth can have on poverty depends on the sources and sectors of that growth. Some sectors have more impactful multiplier effects compared to others. Hence, they can thus deliver much better outcomes than others. In some literature, such as studies in India, it has been approximated that a one percentage point increase in real GDP per capita results in a 0.78 of a percentage point decrease in poverty levels. Using the 1:0.78 ratio¹⁹ between per capita GDP growth and poverty trends from the effects of COVID-19, the outcomes have been summarized in Table 3 using the two growth scenarios alluded to earlier in the report.

Table 3 shows that up to approximately 65,800 people would potentially be added to the existing number of people living below the poverty line²¹ as a result of poor growth outcomes due to the negative impact of COVID-19 in just 2020 alone. Importantly, approximately 15,550 people would have been lifted out of poverty if the pre-COVID-19 per capita growth was to be realized.

The national unemployment rate stood at 23 per cent in 2016. The formal sector employed 3.1 per cent and the informal 60.3 per cent with the working-age population consisting of 738,799 people of which 364,630 persons are out of the labour force. Almost 82 per cent of employment

Table3: Effects Of COVID-19 on Poverty Trends

	2020 Projected Growth	Effect on Poverty ²⁰
GDP Projection Jan 2020 (Pre-COVID-19)	Real GDP Growth	2.8
	Real GDP/Capita Growth	1.7
	Poverty Trend	-1.33
GDP With COVID-19 (Optimistic Scenario)	Real GDP Growth	-1.9
	Real GDP/Capita Growth	-3.0
	Poverty Trend	+2.34
GDP With COVID-19 (Pessimistic Scenario)	GDP/Capita	-6.2
	Real GDP Per Capita	-7.2
	Poverty Trend	+5.62

is in the private sector, which is dominated by small and medium enterprises and factories.²² The onset of COVID-19 in March 2020 closed factories and other industries, including the service industry such as hotels and catering services. Workers were paid only for the days worked in March 2020, while the state of emergency declared on 17 March 2020 froze all economic activities in a range of sectors. The impact of these measures on people was immediate. The Ministry of Labour subsequently announced that 13 companies had laid off over 8,400 workers and the Minister announced (on 4 May 2020) that 8,429 would be paid salaries for April and May. The companies are mostly in the textile, hotels and catering sectors. They are part of 43 companies that have applied to lay off staff and requested an exemption from provident fund contributions to redirect the money to laid-off staff.

People living in or near poverty often lack disposable cash, and so cannot easily stockpile food in times of crisis. Hunger, malnutrition, pneumonia and other forms of health-related shocks and stresses compound vulnerability to the virus and contribute to a vicious cycle of disease and destitution. The coronavirus pandemic would increase poverty, inequality and unemployment due to its adverse impact on people's jobs and livelihoods in the economy. The non-provision of health insurance for the poor generally and the majority of the rural dwellers in particular, would exacerbate poverty and inequality.

Informal economy job losses are bound to happen as the government continues to implement safety control measures, including restricted travel and partial lockdown. The effect of this on the informal sector will be huge as their members are likely to suffer significant losses since their incomes depend on daily labour. This development will further push the poor and the vulnerable to the margins, particularly in urban areas as they live from hand to mouth, with any day lost in trading time impacting directly on the household income. The recovery of this sector may be difficult as they are likely to expend their capital on survival requirements during the lockdown.

A vital segment of the service industry is the tourism industry which employs about 5,000 people, of whom 3,500 work for members of the Hotel and Tourism Association (HOTAS). The industry generates about E1 billion revenue annually.²³ The closure of this sector because of COVID-19 has had a ripple effect on the cottage industry in handcrafts and artefacts, which relies on tour buses for their income.

Such income evaporated overnight when borders were closed to tourists. Painting a picture of the sector's losses to the pandemic, The Ministry of Tourism announced an estimated potential loss of E208.8 million out of which E95 million stems from accommodation, E97 million from restaurants, E11 million from the entertainment of tourists, and E62 thousand from transportation between February and July 2020.

Lamenting the loss, the president of the Hotel Association, whose hotel employs 300 people, said: "The last almost normal month for us was January when we had 65 per cent occupancy. Immediately flights were cancelled from Coronavirus high-impact countries, business dried up". To show the depth of the economic challenge in the industry, the president of the Hotel Association said: "We have cancellations all the way to August and September 2020,"²⁴ adding, "We have already laid off staff and are advocating for a reform of labour regulations to allow for retrenchments now when we can afford it before it is too late." The association believes that a freeze on property rates would help their early recovery until the tourism industry recovers.

The 3,200-strong producers and exporters of homemade products such as handicraft artefacts, jams and natural gourmet foods are just as badly affected. This sector is an important contributor not only to the economy but also to the livelihoods of numerous low-income households in the rural sector. In 2019, this network of artefacts producers generated a turnover of E67 million and was looking to a more productive year in 2020. Unfortunately, their incomes dried up suddenly when the borders were closed. As a short-term measure to preserve livelihoods, they have reached an agreement with their staff of 500 to pay between 30 and 40 per cent of salaries to sustain them until the end of COVID-19. In the medium term, this network has conducted a feasibility study to venture into the production of organic sanitizers from aloe. They are doing this in the realization that all countries are striving for self-sufficiency in the provision of Covid-19 related products

There is no doubt that home remittances from foreign countries are likely to decline and further heighten the vulnerability of low-income families. Eswatini receives an estimated SZL 324 million from its diaspora community annually. Remittances are expected to decline as countries hosting significant numbers of Eswatini's diaspora community are affected due to slowdown in economic

activity, resulting in job losses and reduced incomes. Information of remittances from The Employment Bureau of Africa (TEBA) show that remittances from January to March 2020 have declined by 34 per cent (down to SZL29.1 million from SZL44.3 million) compared to the same period in 2019. This decline is expected to be much more given that a more significant share of remittances is from South Africa, which is currently on lockdown. Family livelihoods in Eswatini will surely take a hit with a further decline in remittances, and this will make low-income families more vulnerable to diseases and poverty.²⁵

It has been said that these shocks, sudden as they are, could have long-lasting consequences on human development and can be passed to subsequent generations. Even after an epidemic has ended and economic growth has returned, the impacts of the shock could still leave lasting damage. What is certain, however, is that the effects will be unequally distributed, with vulnerable groups disproportionately affected.²⁶

Agriculture and Food Security

The contribution of agriculture to growth (at 8.6 per cent) has been declining over the years. Smallholder agriculture has provided livelihoods for over 70 per cent of the country's total population, 60 per cent of whom are women relying on subsistence farming. The agro-food marketing systems and channel, which at best were imperfect, have now been disrupted by the restrictions on the movement of people

and other measures instituted as part of the COVID-19 national response. These developments, therefore, have far-reaching consequences, especially on women, children, elderly and other vulnerable groups who live in rural areas.

Like most African economies and despite its conducive climate, Eswatini is a net importer of food. Estimates show that the country imports virtually 22 per cent of its cereal requirements from South Africa.²⁷ The COVID-19 pandemic has now compounded the underlying food insecurity in the country following a below-average crop performance and increasing food prices. The National Food Security Outlook (April to December 2020) states that the rainy season had a late start with intermittent dry spells resulting in a 10 per cent decline in cereal production compared to 2019 harvest which can only supply 2-3 months food. It is estimated that 301,762 people (or 27 per cent of the population) are food insecure – 16 per cent of these chronically, while 11 per cent is also at risk. The report estimates that 178,544 people consistently experience food insecurity every year, and recommends making them a part of the social protection and safe programme. The humanitarian food insecurity response, which covers 67 per cent of the estimated 168,000 people who require assistance, started last year and ended in April/May. Given that the humanitarian response is coming to an end at a time when vulnerabilities driven by the impact of COVID-19 are just setting in, the food insecurity among the extremely poor populations will likely increase.



The country does not have any grains reserves, hence the need to import food to meet the deficit. For example, the price of a 20-litre (ligogogo) maize, main staple food, has increased from E80 to E120, a 60 per cent increase. The price is even higher in regions with traditional food deficit, such as Lubombo, Hhohho and Manzini. The price of legumes, such as beans, has also increased.

The disruption of supply chains certainly worsens food insecurity because poor domestic production and low stock levels of food increase reliance on imports from South Africa to close the food deficit. While the impact of COVID-19 on food prices is yet to take effect, there is a likelihood of further and steeper price increases with the supply chain interruptions. However, the breakdown or slowdown of global supply chains will worsen food insecurity. For urban and rural poor, price increases will have significant implications on their ability to meet their food and non-food needs. Apart from imports, domestic food trade from surplus to deficit locations would also be affected as transportation and local trade slows down following movement restrictions. For instance, the government, with the support of FAO and WFP, was implementing a homegrown School Feeding Programme with 44 farmer groups supplying 50 schools (24,900 students). Now because of the lockdown, the schools are closed, and the farmers don't know which alternative markets to explore because of travel restrictions.

Consequently, farmers, food vendors and transporters have lost their business. As a palliative measure, one would have expected the government to step in and buy these farm produce off the farmers and distribute them nationwide at reduced rates to cushion the effects of poverty and reduce inflation at the same time. This measure would have encouraged the farmers to continue production so that by the time schools open, the farmer groups would be in a position to resume supply to the schools. Unfortunately, the farmers, having borne huge losses with many losing

their capital outright, could not be relied on to produce enough food for the people or support the school feeding programme from local supply. Hence, the food chain vicious cycle continues without a solution in sight.

Education

Most governments around the world have closed educational institutions as one of the measures to contain the spread of the COVID-19 pandemic. These nationwide closures affect almost 70 per cent of the world's student population. According to UNESCO 1,198,530,172 learners are affected with 68.5 per cent of total enrolled learners, and there are 153 countrywide closures of schools.

The closure of schools in Eswatini has affected 377,935 learners in the country (see the classification in Table 4) The disruption affected 909 primary and secondary schools, approximately 339,000 learners and 15,945 teachers. Also affected are 12 government-aided tertiary institutions that fall under the broad jurisdiction of the Ministry of Education and Training (MoET) with a total of 13,959 students and 748 lecturers. The 2020/21 academic session marks the tenth anniversary of the country's introduction of Free Primary Education programme in all public primary schools, and the sector has embarked on educational reforms that seek to mainstream a competency-based curriculum. The new curriculum has been introduced at Grade 1 with a plan to scale it up to the higher grades.²⁸ Consequent upon the reforms, Eswatini mean years of schooling increased by 2.5 years between 1990 and 2018, and expected years of schooling increased by 1.8 years.²⁹

Schools were closed indefinitely after the emergence of COVID-19 in March 2020, thus effectively cancelling education sector plans for the year. Undoubtedly, school closures carry high social and economic costs for people across communities. The impact is particularly severe for the most vulnerable and marginalized boys and girls

Table 4: Eswatini Closure of Learning Institutions

School type	Females	Males	Total
Pre-primary	12,114	12,025	24,139
Primary	113,116	124,335	237,451
Secondary	53,652	54,636	108,288
Tertiary	4,104	3,953	8,057
TOTAL	182,986	194,949	377,935

Source: UNESCO 2020



and their families. Some of them are exposed to gender based violence, especially sexual violence. Statistics from Eswatini Royal Police indicate that, in the period of lockdown between 27 March and 19 April, 299 SGBV cases were reported of which 53 were rape and 213 domestic violence cases. The age group 12 – 17 years has been more vulnerable to sexual violence. In April alone, 30 out of 47 reported rape cases were from this group. Some of them are exposed to gender based violence, especially sexual violence. Statistics from Eswatini Royal Police indicate that, in the period of lockdown between 27 March and 19 April, 299 SGBV cases were reported of which 53 were rape and 213 domestic violence cases. The age group 12 – 17 years has been more vulnerable to sexual violence. In April alone, 30 out of 47 reported rape cases were from this group.

The resulting disruptions exacerbate already existing disparities within the education system and in other aspects of their lives. In the Human Development Index of Eswatini, once the inequality factor is applied, the education index automatically loses 24.1 per cent. Children from vulnerable backgrounds may not be able to return to the education system because the underprivileged learners have fewer educational opportunities beyond school. Their non-return, therefore, could deprive them of opportunities for growth and development end their hopes of escaping poverty for themselves and their families, plunge them deeper into the inequality chasm and reduce overall human capital in the

economy. As a result, there most likely will be a rise in the school dropout rates due to teenage pregnancies and child marriage.

Experience during the Ebola epidemic in Sierra Leone showed an upsurge of teenage pregnancies attributed largely to the closure of schools. For instance, Bandiera et al. (2019) found that in villages highly disrupted by Ebola, girls were “10.7 per cent more likely to become pregnant, most of these pregnancies occurring out of wedlock.” Adolescent mothers are less likely to return to school, and their children will likely have lower health and educational investments. To make up for the lost time and opportunity, the Ministry of Education had to introduce distance education, using the broadcast, print and online media to convey lessons.

Distance education is a new and unfamiliar learning system that has been a culture shock to both learners and teachers, as well as parents. Learning from home and using ICT for the first time is challenging and requires discipline and motivation that is more suited to older learners. Anecdotal evidence shows that teachers experience confusion and stress when schools close, especially unexpectedly and for unknown durations. They are often unsure of their obligations and how to maintain connections with students to continue to support the learning process. Not being trained in the use of ICT, they find it messy and frustrating to make an easy transition to the distance

learning platforms even in the best of circumstances. In many contexts, school closures lead to separation for teachers. They experience social isolation because schools are hubs of social activity and human interaction. Thus, when schools close, especially suddenly, many children and youths miss out on social contact, which is essential to learning and development. This also affects their teachers, too, experience has shown.

Inequality among students also means that learners cannot benefit equally from the education system, especially when there are unexpected challenges. Many households find it hard enough to pay the school fees to keep their children in school not to talk of buying a computer or smartphone or some other equipment required for e-Learning. Students who are fortunate enough to scale the hurdle of acquiring computer facilities for e-Learning may be said to have escaped a trap, a poverty-induced trap. But they still have other traps to escape.

The development of desktop computers in the 1980s and the internet revolution that followed instantly have posed new and unintended challenges. It is common knowledge now that exposing children to the internet with minimum supervision is dangerous. The perils of the internet include the possibility of sexual exploitation, trafficking, grooming and potential cyberbullying with possible destructive consequences. Online learning is also not accessible to all

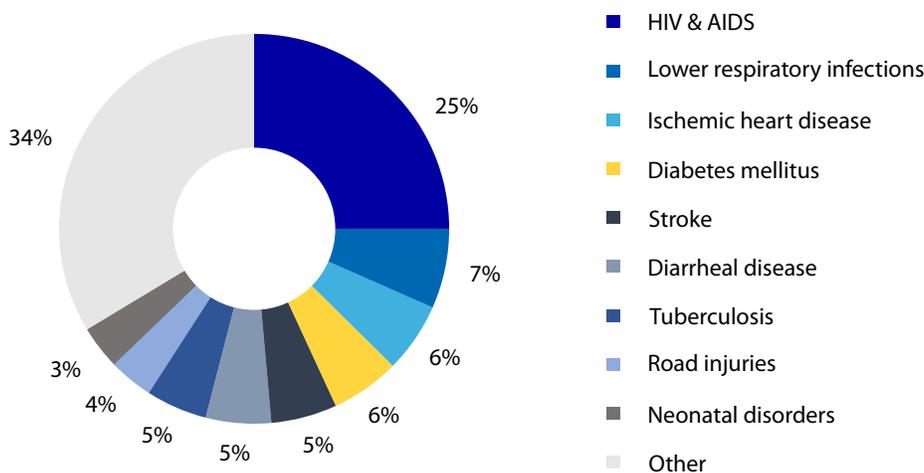
children equally. Children from poor households and those living with disabilities could easily be left behind. COVID-19 has also presented higher education institutions with a serious predicament. Students in technical institutions requiring practical skills attachment in industrial settings or teaching are unable to do so.

Health and Nutrition

Between 1990 and 2018, Eswatini's life expectancy at birth decreased by 2.5 years. The biggest drop occurred in 2005 to 42.5 years from 60 years in 2000 before picking up gradually to 59.4 years in 2018. This success has been achieved due to sustained government and partners' investments. These gains, however, risk being eroded by the COVID-19.

Health facilities are now generally available – often within a radius of five kilometres of the population. Currently, 80 per cent of the population lives within a radius of eight kilometres of healthcare centres. Indeed, health services have increased through the construction of more hospitals, clinics, health centres and training colleges, thereby boosting the production of a skilled workforce. The skilled attendant ratio is now 88 per cent (MICS, 2014). But, despite improvements in the provision of health facilities, access to quality healthcare remains limited. The health system is poor and ill-functioning. It is challenged with inefficiencies

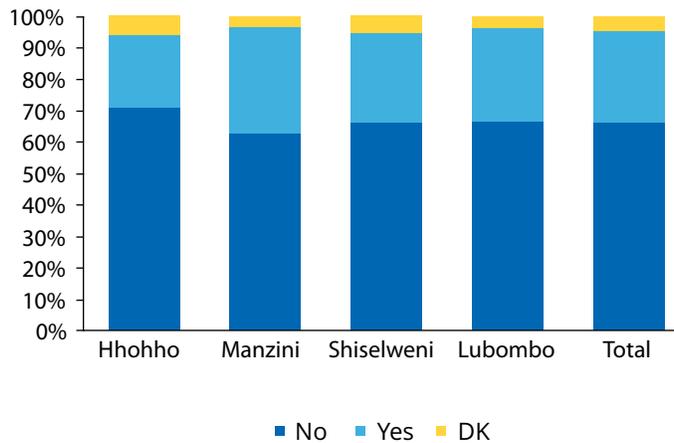
FIGURE 10 Primary Causes of Death in Eswatini (2017)



Sources: GBD Compare

FIGURE 11

Households Hosting HIV Members



This is primarily due to lung damage caused by TB, which likely leaves people more at risk of severe cases of COVID-19 since that disease also targets the lungs.³⁵ Manzini region ranks the highest with households hosting an HIV positive member in the last 12 months (33.4 per cent), followed by Lubombo (30.3 per cent), Hhohho (23.3 per cent) and Shiselweni (28.6 per cent), as shown in Figure 11.

and unequal access and requires significant governance reforms in the management of both human and financial resources to gain positive health outcomes. The loss due to inequality in health is of the magnitude of 25 per cent.³⁰

There are indications that health spending in Eswatini is relatively inefficient compared to other countries in the region (Kwaramba, Nxumalo & Morris, 2019). The allocation of health spending is skewed to tertiary compared to preventative care despite its reaching a small proportion of the population. Furthermore, the costs of medical products and services are rising because of inefficient procurement processes and the pull-out of development partners, which has a significant impact on safety commodities, such as contraceptives and life saving maternal health medicines. Moreover, the current health infrastructure suffers from inadequate maintenance, and much of it is now falling into disrepair, thus further compounding potential future costs. In addition to physical infrastructure, medical equipment is often not properly managed.

With this backdrop, it is important to sustain continuity of services, in addition to prioritizing the response to COVID-19 pandemic crises. Failure to do so may result in increased disease burden in areas already identified as critical in the country. Furthermore, this could result in increased mortality and morbidity rates and reversal in critical development indicators. For example, maternal mortality ratio decreased from 593/100 000 live births in 2007 to 452 in 2017. However, the advent of COVID-19 might pose a new challenge given that healthcare facilities

have reported a reduction in facility deliveries as more women are now delivering at home. This might worsen their risk of safe delivery.

Nutrition

Apart from general health, nutrition remains one of the biggest challenges in the country. An estimate showed that about 250,000 (25 per cent of the population)³¹ would face acute food shortage between October 2019 and March 2020 and that urgent action would be required to manage pregnant and lactating mothers. Children are highly vulnerable in this situation. About 8,460 children aged 6-59 months are estimated to be affected by malnutrition. Of these cases, 1,410 suffered from severe malnutrition while the rest 7,050 had moderate malnutrition.³² This is also evident in the number of children admitted for malnutrition in four sentinel surveillance sites.

The most affected region is Lubombo with about 33 per cent of the population in IPC phases 3 and 4, followed by Shiselweni with 27 per cent of the population under IPC phases 3 and 4. Food insecurity has led to increased vulnerability of women, especially young girls, to sexual exploitation and violence, which has led to increased risk of contracting HIV in a country already with high prevalence rates. There is a need, therefore, to address comprehensively the food and nutrition issues targeting children and the violent risks that confront women and young girls. This situation is compounded further with the COVID-19 pandemic, making children and women more vulnerable.

HIV & AIDS and malnutrition effects are mutually reinforcing diseases which affect the different communities in the country. Malnutrition weakens the immune system, making it increasingly susceptible to infections and worsening the impact of the disease. Malnutrition can also lead to prematurity and delivery of low birth weight babies. Studies have shown that malnutrition is still prevalent even in clients enrolled in ART. The prevalence of undernutrition in PLHIV in Eswatini is estimated at 6 per cent. It is expected, therefore, that the impact of the COVID-19 pandemic will likely worsen this situation, thus undermining ART treatment and long-term adherence. Up until 2018, the government, with the support of PEPFAR, was implementing a Nutrition Assessment Counselling And Support (NACS) programme targeting malnourished PLHIV in Eswatini. Programme data during this period indicated a 21 per cent increase in lost-to-follow up ART clients during the months when those implementing the programme ran out of food stock. A rapid assessment conducted in early 2016 established a relationship between emergencies and increased uptake of specialized nutritious food by PLHIV on ART by prescription implementing sites. The absence of a NACS programme for PLHIV, and with risk of mortality for malnourished COVID-19 could lead to increased mortality in this group.

Food insecurity may place vulnerable individuals, especially women and girls, at a greater risk of exposure to HIV due to the adoption of risky behaviours. A 2014 assessment in Eswatini found that food-insecure women were 70 per cent more likely to have unprotected transactional sex than food-secure ones.³³ Unless urgent steps are taken to ensure that PLHIV, including women and girls, are prioritized and targeted during this COVID-19 period, the country may experience reverse developmental gains that have been made through previous HIV investments and response.

Water and Sanitation and Hygiene

The El Niño induced drought of 2015/2016 led to diminished groundwater sources and the complete drying-off of surface water sources, and this has persisted over the years due to limited rainfall in Eswatini. Although the rainfall in 2018 temporarily alleviated water shortages, especially in urban centres, water trucking/tanking interventions continued to be done in pocket areas in Lubombo and Shiselweni. The recent rains have not adequately replenished all water sources; hence there is

poor groundwater recharge, especially in areas under the Lubombo plateau, western and eastern Lowveld and dry middle veld. This has resulted in interventions that include borehole drilling and rehabilitation work as an immediate and temporary lifesaving measure which emphasizes trucking and distribution of potable water to households by government and its partners.

The above situation, coupled with increased non-functionality of existing water schemes (28 per cent of the improved water sources in the rural areas were non-functional as against 4 per cent that is partially functional³⁴) means continuing water shortages. This seems inevitable given the low to average rainfall in 2019, especially in worst drought-hit areas. The NERMAP estimates that 200,000 people are in need of WASH services around the country and, according to the Multi-sector Comprehensive Needs Assessment, access to potable water remains a challenge especially for communities in Shiselweni and Lubombo



regions. The negative effects of water shortage on human health and increased risk of contracting waterborne diseases are serious issues for consideration. The use of improved water sources decreased from 72 per cent (VAC 2016) to overall average of 60.7 per cent (VAC, 2018) which increases the risk of water-borne diseases, especially during drought or storms. Public water infrastructure has apparently become non-functional; hence, some communities travel to a far distance to access water or risk using unprotected water sources. Longer distances and remote water sources present heightened protection vulnerabilities for women and girls, who are primary water collectors. And shortages of spare parts at local levels and limited government lead ministry compounded with low technical and management capacity mainly at regional, and community levels are among major challenges impeding the timely maintenance and construction of new water supply schemes. Clean water plays an important role in infection prevention. In an atmosphere where this is not guaranteed, and people have to walk long distances in search of water while enduring a shortage of food and grappling with the ravaging effects of COVID-19, a more miserable life could hardly be imagined.

Vulnerable Groups

People Living with HIV

Eswatini has an estimated 210,000 people (20 per cent of the population) living with HIV, about 86 per cent of whom are receiving antiretroviral treatment (UNAIDS, 2018). Given the suddenness with which it descended on the world, it can be imagined that if COVID-19 could disrupt the goods supply chain, it can also have an impact on the delivery of antiretrovirals in the country. The potential shortage of antiretrovirals could lead to high treatment costs among people living with HIV and even death in severe cases. People living with HIV could default in their treatment under the lockdown, and due to the fear of contracting COVID-19 when visiting health facilities for collection of antiretrovirals. The HIV incidence, which is already one of the highest in the world, could increase due to multiple vulnerabilities of poverty, food insecurity, gender-based violence, and lack of access to HIV prevention options such as condoms, pre-exposure prophylaxis and male medical circumcisions during the period of COVID.

The disparity in access to social services and gender distribution of wealth and social services is an important determinant for health. The annual Vulnerability Assessment

and Analysis Report (2019) notes that households affected by chronic illnesses and the direct costs of HIV & AIDS can be measured in the lost income of those who die or who lose their jobs because of chronic illness. What happens is that household savings fall, and consumption on items and expenditure patterns are distorted as households struggle to cope with the burden of illness. Overall, 28.6 per cent of households were reported to be hosting an HIV positive member in the last 12 months.

Doctors Without Borders has warned that people living with HIV & AIDS are at great risk of COVID-19 infections. MSF Head of Mission in Eswatini says people living with advanced HIV who have low levels of CD4 – infection-fighting cells – and high levels of HIV in their blood, or who are not on antiretroviral treatment to fight HIV, are more at risk of contracting COVID-19 in general and need to exercise great caution. He says people with both TB and COVID-19 are also more at risk and may have poorer treatment outcomes.

The implication of this is that a substantial proportion of the population is very vulnerable to the coronavirus, and this is a serious issue for all stakeholders to consider. In fact, this is one of the reasons why this report is important because it highlights the peculiar situation of the people in the face of a ravaging disease as coronavirus which does not have a cure as yet. Though a facility for isolating and treating cases is available, there has been challenges to secure the required PPE, ventilators, and other critical medical supplies necessary to combat COVID-19. So far with the assistance of the Republic of China in Taiwan, the government has secured 13 ventilators (compared to 184 current coronavirus cases), 500 forehead thermometers, seven infrared scanners, 60,000 surgical masks, and four specialist doctors to treat patients. Recently, the United Nations also relieved the pressure by donating 20 vehicles and medical equipment worth over E3 million.

Persons with Disabilities

The disabled tend to be poor and helpless. They are often neglected in most policymaking decisions in the developing world. Eswatini is even better in that it provides a monthly government allowance, which is their sole source of income. This was increased from E180 to E280 per month in January 2020. Thus the government has about 5,173 people living with disabilities on its payroll every year.³⁶ While everyone is taking adequate measures

to avoid contracting COVID-19, persons with disability cannot practice social distancing as they require other people to help them physically. They are, therefore, at great risk of infection. In particular, those on wheelchairs, or who are bedridden or blind cannot survive without help. A representative of the Federation of the Disabled in Eswatini (FODSWA) said recently that volunteer caregivers who help their members do not have protective clothing and have thus abandoned the disabled and elderly to their fate. The disabled also miss out on important information dissemination about the virus as it is not communicated in braille or large print.

The Elderly

At least 7 per cent of the population is aged 60 and above. Many of these depend on a monthly government allowance that was increased from E400 to E500 in January 2020.³⁷ By so doing, current safety net programmes provide elderly grants to 57,706 people, a segment of the population that could also be seriously impacted by COVID-19. A significant source of income to this group is remittance from family members in the diaspora, largely in South Africa. While there is no readily available data, anecdotal evidence shows that many of these people in the diaspora community are subject to the layoff that South Africa is currently implementing. Though not closed, mines that provide stable employment for migrant labourers from Eswatini are working at reduced capacity to comply with COVID-19 social distancing rules. A community-based NGO that operates in urban, rural and peri-urban areas has found that the partial lockdown and social distancing rules have reduced the level of care for the elderly in the country. A community NGO worker reportedly said that families are abandoning the elderly, citing fear of infecting them.³⁸ The source also confirmed that the elderly have also suffered from a reduction in remittance income as family members have lost their jobs.

Children

The response to COVID-19 has exposed children to new threats to their safety and wellbeing, including mistreatment, gender-based violence, exploitation, social exclusion and separation from caregivers. The number of OVCs in Eswatini remains constantly high with over 355,000 OVCs under the age of 17 years. OVCs under the age of 5 years numbering up to 91,145 (approximately 71

per cent of the total under 5 population in Eswatini) are the most vulnerable and at risk of food and nutrition insecurity during this COVID-19 period. Schools are also feeding centres for the vulnerable, including orphaned children between the ages of 5 and 8 who are served a hot meal each day. When schools closed abruptly, and communities were locked down, these children became exposed or subjected to starvation. Also disrupted was the work of among others the World Food Programme who supports 1,700 Neighbourhood Care Points (NCPs) that serve a hot meal a day to 54,000 children under 5 years spread around the country.³⁹ The NCPs were closed at the onset of the COVID-19 lockdown. However, the government has given instructions for them to be re-opened so that children who are usually fed at school may also benefit. The government implements a national school feeding programme for both primary and secondary schools providing a hot meal as a safety net. The closure of schools has also led to an influx in the NCPs for food and nutrition support, resulting in limited amounts of food available to the under 5's.

A representative of Swaziland Network for Early Childhood Development (SNECD) was concerned that the closure of kindergartens and National Care Points (NCPs) that provide a meal per day for 0-8 school children had exposed young children to hunger. For most children in rural areas, this was their only nutritious daily meal. Hence, the lack of access to this meal could result in increased stunting and child mortality. It was pointed out that COVID-19 restrictions on movements disrupted children's routine and social support while also placing new stressors on parents and caregivers who may have to find new childcare options or forgo work. The stigma and discrimination related to COVID-19 infection could make young children more vulnerable to violence and psychosocial distress.

Additionally, children from extremely poor homes, child-headed households and those under the care of elderly grandparents or caregivers are highly vulnerable due to COVID-19. This could be traced to several causes, including lack of food (as most used to get the school meals), lack of school supervision and psychosocial support under the school authorities and through various programmes, and lack of livelihood due to the lockdowns and job losses. A focus on this group of children through a well-organized programme of social protection could provide a safety net for them.



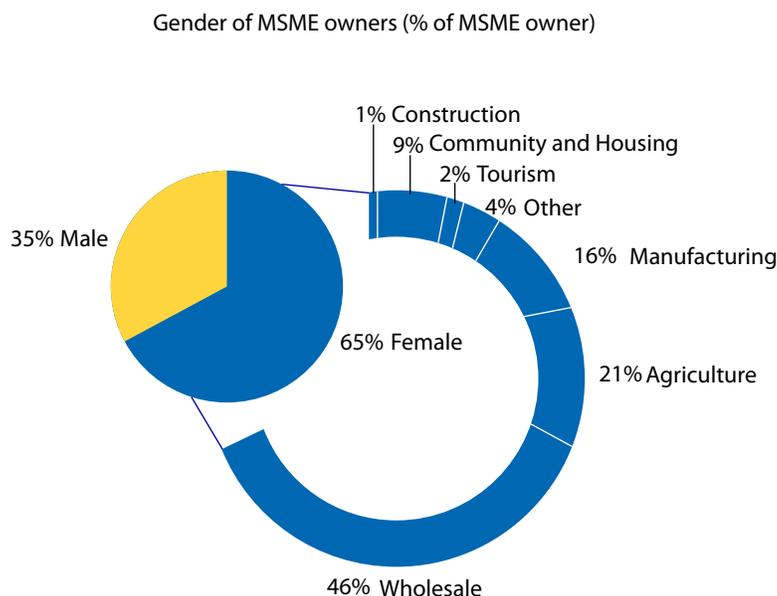
Micro, Small and Medium-sized Enterprises (MSMEs)

Micro, Small and Medium-sized Enterprises (MSMEs) are the backbone of Eswatini economy and employs 70 per cent of the workers who are non-governmental employees. According to the Eswatini SME Diagnostic survey of 2018, high impact SMEs in Eswatini, defined as enterprises with a turnover of E250,000 to E8 million and employment of 4 to 50 people, account for only 4 per cent of SMEs while low-impact SMEs account for 79 per cent.

Business enterprises account for almost 14 per cent of households income. Eswatini MSME sector is estimated to consist of 59,283 business owners (10 per cent of the population) and employs approximately 93,000 people (16 per cent of the total working-age population). It was found that MSME business owners are the head of the household, and 74 per cent are based in rural areas. There are more female MSME business owners (65 per cent) than male business owners (35 per cent), with most identifying as individual entrepreneurs. Three quarters (75 per cent) rely on their business as their only source of personal income.



FIGURE 12 Ownership of MSME by Gender



Source: FinScope MSME Swaziland 2017 Survey

Male employees are generally paid a wage while female employees are often paid in kind.

Three-quarters of businesses are not licensed with a professional body – most of them said their businesses were not registered because they were considered too small. Meanwhile, nearly half (45 per cent of them) used own savings to start the businesses. While the MSME owners primarily rely on their own savings, 24 per cent sought external financing and credit – receiving it mainly from informal channels such as savings groups and friends and family as well as formal channels such as commercial banks and savings and credit groups. Twenty-five per cent of the MSMEs owners are youths, which shows the potential of the MSME sector in alleviating youth unemployment problem. It also contributes to the government’s effort of promoting economic empowerment of young people.⁴⁰ In fact, the (MSME) sector in Eswatini is recognized as a significant contributor to economic growth and development and mass employment. The crucial role of MSMEs in the national economy anchors on the roles of government, the business community and the public at large to harness and optimize the sector’s development and they are a critical driver of SDG 8.⁴¹

Most of these businesses have now closed, so this community no longer has a source of income. Many of them do not own their own homes and live in rental accommodation. At least 23 per cent of urban dwellers live in rented accommodation for which they need an income to pay rents.⁴²

Before the lockdown, women traders regularly crossed the border to trade with Mozambique and South Africa. South Africa today has the highest COVID-19 infection rate in all Africa.⁴³ Since access to both countries is now restricted, their business has suffered. Most of these women are the breadwinners of their families, and there is no sign of relief coming their way. As the lockdown is now in the third month, they have used their business savings to sustain their families. To revive their businesses were things to change soon would be difficult. Many are servicing bank loans and are also in rent arrears and may lose business equipment to landlords. An Eswatini Bank manager⁴⁴ confirmed a growing default rate in the last two months. The special association account that these women operate with the bank is obviously in the red.

Small companies are likely to suffer more than others in the private sector because they are inherently vulnerable. To

How COVID-9 Affects MSMEs

Loss of incomes and business due to prevailing lockdowns
 Spoilage of stock
 Lack of cash flow/liquidity as money is locked in stock that was purchased before the lockdown
 Inability to service loans and other business-related debts like rent and stock bought on credit
 Inability of cross-border traders to access suppliers
 Exclusion from current relief programmes for SMEs and poor households
 Increase in urban-rural migration as the increasing costs of staying in urban areas cannot be met without an income. This poses a risk to rural areas as incoming migrants might bring the virus to them without an appropriate infrastructure to deal with the anticipated increase in disease burden.
 Willingness of the informal sector to take serious health risks just to put food on the table
 For traders involved in second-hand clothing, commonly known as *dobha phansi*, the corona virus came at the most lucrative time for their businesses, as winter is the time they make the most money, so they had overstocked in preparation for their most lucrative season

help micro, small and medium-sized enterprises (MSMEs), we must understand that the crisis will not hit them all at once but will affect them through a whole cycle of impacts. These various impacts are likely to affect both small and large firms. However, the effect on MSMEs may be especially severe, particularly because of their high vulnerability and low resilience due to their size. There are several ways the coronavirus may affect the economy, especially MSMEs, on both the supply and demand sides. On the supply side, companies could experience a reduction in the supply of labour, as workers are unwell or need to look after children or other dependents while schools are closed and there is a restriction of movement.⁴⁵ On the demand side, a dramatic and sudden loss of demand and revenue for SMEs could severely affect their ability to function and could cause

severe liquidity shortages. Furthermore, consumers may experience loss of income, fear of contagion and heightened uncertainty, which in turn reduces spending and consumption. These effects may be compounded when workers are laid off, and firms are not able to pay salaries. Some sectors, such as tourism and transportation, may be particularly affected, thereby contributing to reduced business and consumer confidence.

The MSMEs are strongly represented (as shown in figure 13) in sectors such as agriculture, wholesale/retail, community and household, construction, business services (mainly transport), manufacturing (mainly textiles), tourism and others.

FIGURE 13 Size and Scope of the MSME and Turnover Per Sector

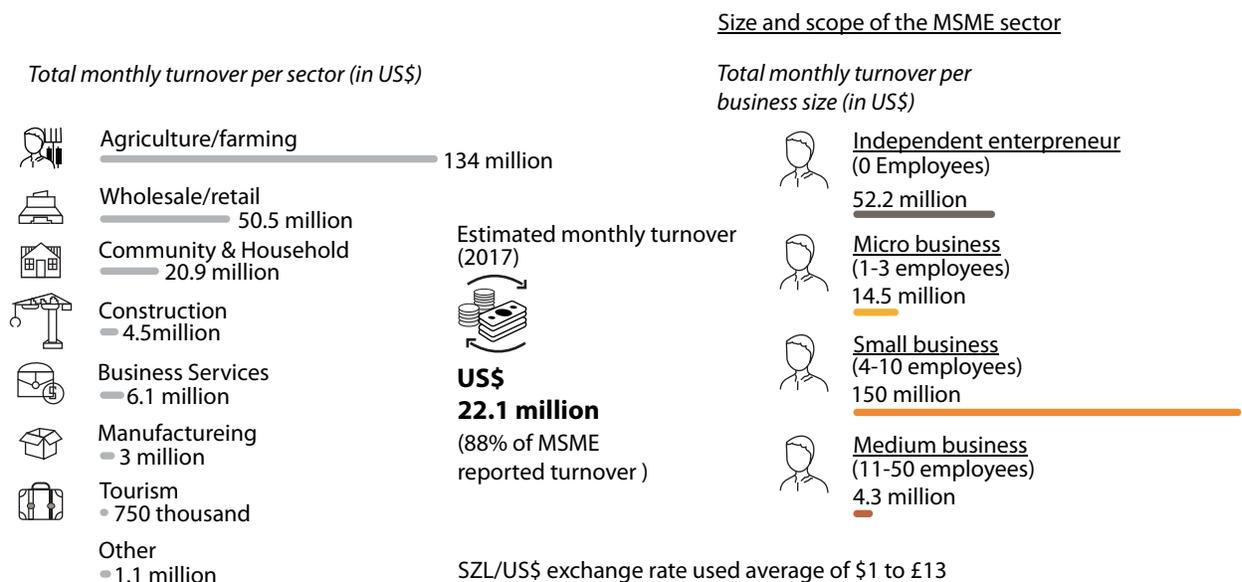
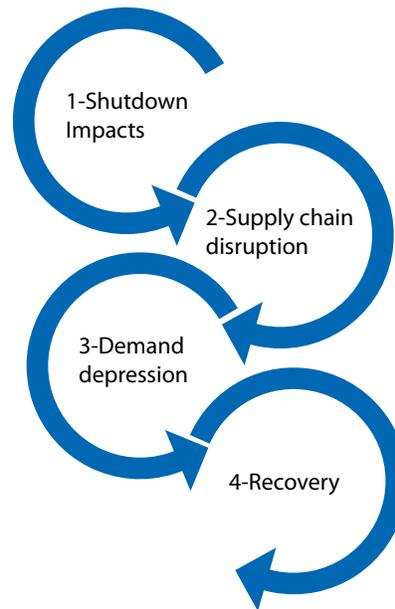


FIGURE 14 Impact of Covid-19 on MSME Shutdown

All these sectors are significantly affected by the virus and the measures taken to contain it. Many will shed jobs, and if the evidence of the past is to judge with, many of these are jobs held by women. The socio-economic impact of this would be astronomical. Women-led and youth-based entrepreneurship stand to suffer the most, and poverty levels will increase among the vulnerable groups.

As small businesses ride out the days ahead, they will travel through four phases, either successively or simultaneously. They will go from partial to full shutdown, to supply chain impacts and depressed demand, the cycle will eventually lift with recovery, as the following figure shows.

Shutdown impacts on SMES

Shutdown impacts are affecting the country and regions where the pandemic led to a partial or complete shutdown of the economy by government decree. Containment measures have hit hardest in the tourism, travel, wholesale and retail, hospitality and entertainment subsectors. In the short run, governments in affected countries are focusing on keeping MSMEs in these subsectors afloat.

Supply chain disruptions

MSMEs may rely on suppliers from countries and regions with more COVID-19 cases, increasing their vulnerability.

Similarly, obstacles in transportation affect these MSMEs. Some MSMEs are particularly vulnerable to the disruption of business networks and supply chains, with connections with larger operators and the outsourcing of many business services critical to their performance. As production halts in affected regions, this reduces the inputs available for global value chains that source from them. The extent of this trade-induced cascading contagion of input shortages will differ by value chain.

Demand depression and induced confinement

Demand depression is experienced as lower sales. Consumers and business buyers reduce purchases, owing to self- or government-induced confinement. Once the health emergency is over, business investment may reduce owing to run-down savings. Households may reduce spending in the medium to long term to compensate for lower pandemic-period incomes. Confidence might be low, credit overstretched, and bankruptcies among MSMEs may follow. Businesses, including MSMEs, bear the brunt of a reduction in global demand for products and services. This impact could be felt in specific sectors such as tourism, but also among those SMEs catering to local markets where containment measures have been introduced.



Recovery

Recovery is bound to begin once the health emergency is over, and the containment of people comes to an end. Indeed, economic activity is likely to see a sharp rebound, as people go back to their favourite small businesses to buy what they have been missing. Manufacturing and agricultural businesses too may have higher sales as producers restock inventories and consumers make long-postponed purchases.

The specificities of each of these four phases indicate that there is no “one size fits all” solution. Not all policies are right for the situation facing MSMEs in Eswatini at a given time. Government policies that are well-adapted to the phase of the crisis faced by MSMEs would be more effective and use available policy and financial resources more efficiently.

Lack of social security and protection is one of the key challenges of the informal sector. All operators in this sector and their dependants are not included in any type of statutory social protection. They are neither covered by a contribution-based social insurance scheme nor by tax-financed social assistance. The main reason is that they are not able or willing to contribute a relatively high percentage of their incomes to finance social security benefits, especially if they do not meet their priority needs. In general, they give priority to more immediate needs, such as health and education. In terms of pension benefits, they seek protection in case of death and disability rather than for old age.

Social Cohesion

The impact of COVID-19 on low-income workers is much, especially those in the private sector. On 4 May 2020, just before the end of the second 20-day lockdown, the Minister for Labour & Social Security announced that 8,429 people had been laid off and, therefore, not paid any salary for April and May 2020. About 43 companies have also

applied to lay off staff and thus requested an exemption from provident fund contributions and a redirection the already-paid contributions to pay laid off staff. Loss of employment, which is the main source of income of the affected workers, is a psychological blow with a knock-on effect on entire households and families concerned. One income earner typically also supports other people. The Employment and Wages Survey (2019) says Eswatini has an average dependency ratio of 66.7 per cent, that means a wage earner typically supports as many as seven people. Therefore, income loss is a major COVID-19 social impact transmission channel. The current layoffs will affect almost 70,000 people’s ability to access food, healthcare and education services for the entire family, including children.

Many households also depend on family members who are working in South Africa, which has not opened its border since. Hence, the almost 20,000 Emaswati who returned home at the start of the crisis in South Africa in March are now stuck. Emaswati working outside the country remit a monthly average of E95 million back home. All this has become history now, at least in the interim.

Impact of COVID-19 on Women’s Sexual and Reproductive Health and Rights

Epidemics typically disrupt supply chains and re-allocate resources in ways that decrease access to sexual and reproductive health and rights for women. These include contraceptives, antenatal and postnatal care as well as menstrual products. As the borders are closed, some of these, especially contraceptives, have been reported to be out of stock yet are required to prevent unplanned pregnancies. The main importer of drugs, medicines and pharmaceutical products, Swazi Pharm,⁴⁶ indicated that South Africa, the source of imports is prioritizing their domestic markets. The travel bans affect rural pregnant women from accessing antenatal classes; thus increasing



unsafe home births and possible maternal and infant mortality, as well as access to other SRH services that they might require. COVID-19 has infected men and women equally.⁴⁷ However, disease outbreaks historically increase the burden on women and girls who become primary caregivers. This increases their vulnerability to infection. Women, who do domestic work as parents, also form the majority of the frontline COVID-19 response as healthcare workers. Many of them are single parents.

Anecdotal evidence suggests that factory closures due to COVID-19 affected women hardest because they dominate the informal sector. They own and manage small businesses in food catering, beauty salons, fruit and vegetable vending, hawking, used clothing business and all small trading shops that have been closed.

COVID-19 and Gender-Based Violence

Historically, tensions increase during the lockdown, and gender-based violence tends to increase. The Women and Law in Southern Africa (WLSA) have reported an increase in the number of GBV cases, and they mostly affect women. Communities undergoing epidemic pressure often reflect an increase in tensions, domestic violence, perhaps resulting from transferred aggression. Lockdowns, especially under the stress of lack of income

and job security, seem to aid domestic violence. In extreme cases, girls and women are vulnerable to being thrown out of the home and be exposed to risky behaviour and risky enterprises in order to earn an income. Patriarchal societies also impose the burden of nursemaids for infected family members, thus also exposing girls and women to infection. Sexual Reproductive Health (SRH) services, as well as other safety nets for the elderly, women and the disabled, are often excluded in the response interventions in any emergency.

COVID-19 and SDGs

Eswatini's progress on the SDGs indicates that considerable vulnerabilities already exist within the economic and social spheres of the country; thus indicating its exposure to the pandemic. The government as well as all stakeholders have to design new and urgent strategies of coping with the pandemic and addressing the underlying diseases, especially TB, HIV & AIDS, whose rates of infection in the country are among the highest in the world. The twin calamities to be avoided here are worsening health conditions with COVID-19 fatalities and falling far dangerously behind in achieving the SDGs as a result of the casualties suffered in the economic and health sectors of the economy.

Conclusion and Recommendations

With the fear of a new recession and financial collapse in mind, times like these call for resilience and strong leadership in healthcare, business, government and the wider society. Immediate relief measures need to be provided and adjusted for those who are most vulnerable. The country also needs medium- and longer-term planning to rebalance and reinvigorate the economy, following this crisis. The country needs a broad socioeconomic development plan. And the plan should include sector by sector plans and an ecosystem that encourages entrepreneurship to motivate those with innovative and sustainable business models. It is important for government at every level and the financial institutions to constantly re-assess and re-evaluate the state of things as the pandemic unfolds.

Policy Responses to the Crisis

The policy response to this unprecedented humanitarian crisis calls for a holistic approach which involves the people as a whole and the government working in close partnership. It involves managing the immediate health and economic shocks response to achieve recovery. It also involves making difficult decisions to balance the demands of responding directly to COVID-19, while at the same time maintaining essential health services delivery and trying to mitigating the risk of a systems collapse. However, this profound health, economic, social and humanitarian crisis offers an unparalleled opportunity to review past government practices and priorities. As humanity transits to a post-COVID-19 world, Eswatini cannot continue “business as usual”. It should seize the opportunity to outline more equitable ways of managing resources, tackle systemic risks and development shortfalls exposed by the pandemic, and the time to start building back better is now. All actors involved need to embark on a strategic conversation around how to shape the recovery stage by building back better, more sustainably and more equitably,

including beaming a strong lens of support on the most vulnerable segments of the society.

Health First

Support effective prevention and health sector response

Policies to ramp-up the health system, including proper funding, should gain priority and focus on the identified needs of the health sector with a priority on health personnel. Enough personal protective equipment and an additional wage subsidy for healthcare workers fighting COVID-19 may be considered. It is important to ensure the continuity of essential health services by having in place essential medicines, health workers, equipment required for reproductive, maternal, newborn, child and adolescent health care, and nutrition. Ample provision should also be made for adequate sanitation as well as the management of chronic diseases like malaria, HIV, and tuberculosis. Otherwise, many lives may be lost to the pandemic. Funding should, therefore, enhance instead of crowding out important medical services.

For effective prevention and health sector response to the COVID-19 challenges:

- Government should invest in communication that is both clear and direct. It should project a committed leadership and create an environment that supports an effective response to the pandemic.
- Government should deploy credible leaders, role models and icons to every sector and community to promote public awareness and action as well as stop new infections by tracing all index cases.
- Both government and the media should project messages that promote support, understanding and empathy for infected people and frontline health workers. They should create public understanding of the need to prevent new infections,

- Both the government and broadcast media owners should use regular public service announcements (PSAs) on the broadcast media to promote handwashing, face masks wearing, physical distancing as well as respond to public information needs;
- The government should review national, regional, Nkhundla, chiefdom and community structures to have a blueprint that would be activated for any future pandemic based on lessons learnt in the fight against HIV over the years. This is an assignment for the NDMA, NERCHA, MOH and other relevant stakeholders
- The Ministry of Health should explore the possibility of using retired health professionals (doctors, nurses, allied health professionals) and any other community volunteers in the fight against pandemics. A serious shortage of staff has resulted in staff under quarantine being recalled back to work even though some of them tested positive for Coronavirus soon after returning to work.
- Government must assess and continuously review hospital capacity for in-patient care, including essential supplies such as PPEs, critical care and ICU capacity vis-à-vis the population.
- Since the country is at war against an invisible enemy (COVID-19), the Ministry of Health should consider linking up with the Umbutfo Eswatini Defense Force (UEDF) to deploy its health personnel in the nationwide fight against COVID-19.
- The authorities should conduct routine tests to screen all frontline health workers and the non-clinical staff who are on essential services.
- The MOH should intensify the investigation of cases and clusters as well as maintain its COVID-19 surveillance. When clusters become large, it is necessary to test and isolate suspected cases, quarantine contacts, and break transmission chains.
- The MOH should partner with NGOs (IMERSE and other NGOs working in mental health), the private sector, professional associations and institutions to assess the impact of COVID-19 on the mental health of patients as well as on the lockdown, and devise appropriate intervention measures for communities.
- Government should also create a system to ensure the continued availability of treatment, medication and services for people living with HIV to enable them receive services during the state of emergency.

Act to stop the spread of new infections

- Government should restrict movement within Code Red areas (Manzini, the epicentre of the epidemic) and supplement this with community-level house-to-house testing and counselling. It should also provide healthcare centres with enhanced access to screening and testing capacity.
- The authorities should recognize public transport as a key vector in promoting the spread of the disease. Hence, transport operators should be compelled to disinfect the interior of their vehicles before commencing each new trip, focusing on door handles, floors, handrails and seats.
- The authorities should also scan the ID card of every passenger onboard to create a register in case there is a need for contact tracing. The temperature of boarding passengers should be checked before they enter the vehicle.
- As a containment measure in the public space, the government should require everyone using public transport to wear face masks and minimize talking while in transit.
- The health authorities should fast-track the repurposing of the Manzini National TB Hospital into a COVID-19 treatment centre.
- The Ministry of health should also decentralize COVID-19 screening centres to all Tinkhudla so that people showing coronavirus symptoms can be quickly referred to appropriate healthcare centres;

Protecting People: Social Protection and Ensuring Basic Services

State officials need to consult widely with different groups to be able to design and tailor support to suit the needs of people with disabilities, people living with HIV, remote and rural dwellers, and so on. The risk of not targeting prevention and response planning is that these vulnerable groups may be left behind and thus experience extreme deprivation during COVID-19 pandemic.

One of the ways to break the chains of the pandemic is for government to provide for a social safety net to counteract rising poverty levels. Government should pay more than a cursory attention to the shortfall in the income and home remittances which have relied on in the past to deal with the food insecurity. Safety net measures could go hand in hand with financial inclusion initiatives to reach many people and to lay the groundwork for quick recovery than

just mitigating the impact, targeting the poor, gender disparities, the informal sector, and food-insecure regions to prevent increasing the existing inequalities. Viable options exist to provide social safety nets for vulnerable people. These include emergency cash transfers via mobile money networks to women-headed households with a waiver of costs for cash transfers to vulnerable families. Additionally, in-kind food assistance and provision of agricultural inputs and storage facilities to most vulnerable farmers would alleviate the immediate negative impact on food security, support farmers during the lean season, and improve farm productivity.

As COVID-19 is changing the way we do things around the world, this should also reflect in our learning approach, which government do by providing distance-learning options that can continue as complementary tools for the future. Long-term improvement should start through effective crisis-recovery strategies. Therefore, providing distance learning via community radios or even using the state TV channel could be innovative ways to allow for continued education during school closures. Once schools reopen, the system could continue to serve as a complementary teaching tool. For now, onsite feeding modalities should be converted into take-home rations so that schoolchildren can continue to benefit from the largest social safety net in the country.

Additionally, food insecurity, malnutrition and poverty can be mitigated by diversifying local food production. Inclusive food systems⁴² that support smallholders to invest in basic market infrastructure and promote inclusive local agribusiness models present a more sustainable solution. To achieve these results:

- Government should align food security closely with communal land held in trust under the custody of chiefs. The government should develop a master plan that consolidates existing community development plans that give orderly direction for community-level development. These plans should be introduced where they don't yet exist.
- The Ministry of Tinkhundla, in collaboration with the Ministry of Agriculture, should develop and document a national land use map and provide capacity building of local communities to make effective use of natural resources and protect the environment. This plan would provide a picture of the location of good soils, the production capacity of various communities

and the potential for a diversity of crops. This would constitute a basis for engagement with all chiefs to integrate food security priorities in community development plans.

- The authorities should build on the foundations of the Ministry of Home Affairs Personal Identity Register a permanent and effective nationwide database that accurately profiles households and identifies vulnerable people on Swazi nation-land and urban communities as a mechanism for distributing food parcels and cash support.
- Government should ensure that vulnerable children start benefitting once again from the warm food that existing Neighbourhood Care Points (NCPs) and other structures for supporting children provide.
- As the elderly have lost the home-keeping support of their relations due to job layoffs and pay cuts, many are now household breadwinners. To mitigate their suffering, the government should consider giving them food parcels to supplement their social welfare grants.
- As an ongoing measure, the Ministry of health should collect and analyse data on vulnerable households affected by COVID-19.
- Government should provide clean water and sanitation for all residents regardless of the status of their properties or tenure.
- Also, recognizing that epidemics influence a spiral in gender-based violence and conditions of hardship for women, state officials should develop safety shelters for abused people in anticipation of displaced victims of gender-based violence.
- Government should consider analysing the direct and indirect gender effects of the COVID-19 outbreak in ways that incorporate the voices of women on the front line of the response to COVID-19 and of those most affected by the disease.

Economic Recovery: Protecting jobs, MSMEs and Most Vulnerable Productive sectors

As a sector, agriculture has shown some degree of resistance in comparison to the manufacturing and services sector, which are all projected to be in contraction mode. In light of such resilience, the government should implement strategies to strengthen the sector and move the country from being a net importer of food. A similar policy should apply to the textiles industry, which dominates the

manufacturing sector. The government can target this industry and build investment chains around it rather than relying on imports. Current diversification efforts associated with AGOA and GSP need to be intensified with due identification of comparative advantages of the country that support diversification.

As COVID-19 has knocked down the engine of many micro, small and medium-sized producers, government would need to come to their aid by providing emergency plans to support their businesses. Small and medium producers, vendors and informal workers have great difficulty in accessing credit. But with a tailored programme, the government could provide a support line to reboot their economy through small grants and loans.

Among specific measures that the government should consider are the following:

- Design and fast-track an ambitious stimulus package targeting informal sector entrepreneurs, MSMEs and their workers who are affected by COVID-19. While fiscal space and public debt levels are of serious concern, these should be deemed secondary to the real economic hardships that many eMaswati face as a result of the current crisis; hence the urgent need for support. This support could include a freeze on National Provident Fund payments, arranging debt freezes with the banking system for SMEs and providing affected small business and their staff with food relief packages. Other measures could include unemployment benefits backed by emergency disbursement measures, e.g. for workers in industrial parks and highly impacted sectors of the economy – tourism, textile in manufacturing.
- Establish a recovery fund to support all businesses that are creating jobs in the economy to minimize closures, bankruptcy, and so on. This can be done by providing interest-free loans, low-cost credit and credit guarantees for MSMEs to improve liquidity and refinance debts.
- Design specific rescue packages for the hardest hit non-agricultural sectors such as textiles, tourism, art and entertainment.
- Give temporary waiver on a range of any fees and regulations imposed on enterprises by Government and Municipalities especially for the micro, and small enterprises.
- In collaboration with municipal authorities and

the ministry of commerce, identify licenced SMEs, hawkers and other small businesses closed due to the Coronavirus and sustain their livelihoods with cash and food parcels and stimulus packages to enable their recovery to post the COVID-19 phase.

- Prioritize support to protect and promote new businesses that started in response to the COVID-19 crisis (producers of hand sanitizers, face masks and some level of health-protective clothing and other innovative products).
- Design a mechanism for identifying opportunities for locally produced products, sustaining, promoting and protecting them as infant industries and the foundation for a new range of Made in Swaziland product lines.
- Make good use of Eswatini's established institutional mechanism for dialogue on important national issues, especially those affecting the tripartite social partners of government, labour and employers. Despite COVID-19 restrictions being in place, a social dialogue should be convened in line with standing protocols of the Ministries of Labour and Social Welfare to deliberate on (a) finalizing the adoption and implementation of the Unemployment Insurance Fund; (b) agreeing on how to equitably share the costs of disruptions in production and employment due to national disasters such as COVID-19.
- Mitigate the suffering of workers who were laid off due to COVID-19 and are thus without a job or income for the duration of the crisis. The Ministry of Labour should investigate how it can use the Wages Guarantee Fund to cushion those workers during the lockdown period.
- Prioritize piloting the Unemployment Insurance Fund in Parliament As soon as possible to make it cover workers in the event of a similar crisis in future.
- Urgently investigate the feasibility of using the Workers Compensation Fund to support workers who have been without incomes since the lockdown.
- At least 16 per cent of national imports from Asia come from China (the largest after SACU). Given that China has withdrawn trade without diplomatic relations, government should give top priority to investigating new potential competitive sources.

Repositioning Education

The education system should be resilient, and its disaster preparedness should continue all through the duration of the crisis using strategic investment and deployment of communication technologies. Preparedness should include fast-tracking curriculum reform to incorporate effective use of existing resources such as radio and TV as well as the internet, computer and phone applications.

The country is ripe for curriculum development and reform to mainstream science and digitization as complementary modes of education delivery and help reposition the education system to aim for a new globally competitive human capital formation.

The education system reform needs support to acquire the network capacity and enable national connectivity with coverage to learners in all corners of the country. In the short term, the Ministry of Education should rescue the 2020 schools calendar and invest in capacity enlargement for resilience and disaster preparedness. Also, the government should increase studio capacity at the Eswatini Broadcasting Service and allocate each subject a studio so that teachers can deliver the full syllabus on the radio.

Underage pre-school children require special forms of instruction through stories and play. The Ministry of Education should give priority to reforming the pre-school curriculum to create the capacity for preschool teachers to create radio and TV content benefit young children during and after the epidemic.

Macroeconomic Response and Multilateral Collaboration

Despite the terrible effect of the pandemic on countries across the world, one of the positive effects is that it has sensitized many countries to new realities. As a result, many countries now will be taking a new, holistic look at their macroeconomy how to determine to rebuild what has been destroyed in the fury of a few months. Among the macroeconomic options that Eswatini might wish to consider include are:

- Using the crisis as an opportunity to make investments in the creation of necessary supply capacities in-country to support manufacturing and services sector. This requires strategic policy choices and prioritized budget spending coupled with reforms in land, financing, labour and ease of doing business.
- Considering the rapid development and implementation of pro-employment macroeconomic and sectoral policies (fiscal, monetary, investment,

trade, and industrial policy), which maximize employment outcomes for the general public. These may be consolidated in a unifying National Employment Policy that guides government action on employment and in response to COVID-19;

- Pro-actively joining AU-wide calls for international debt-relief for all African countries during the current crisis, in order to expand fiscal space.
- Implementing policies that protect the resilience of the primary sector as a priority as it directly impacts on the ability to bring back growth, mitigate poverty trends and strengthen food security.
- Promoting fiscal and monetary policies that support economic diversification. Given the fragile state of the economy, it is recommended that identification of new value-adding options for locally produced raw materials by transforming, among other things, the sugar cane industry to identify a future beyond sugar. Other options include the legal medicinal and pharmaceutical applications of cannabis and of ethanol that is now in global demand in the manufacture of sanitizers. This could be a new national revenue stream for reviving an economy destroyed by COVID-19.
- Increasing fiscal spending on health to strengthen, safeguard and maintain the health system.
- Finding innovative ways to establish cottage industries that can anchor a culture of a domestic economy founded on domestic production and export.
- Looking through the lens of COVID-19 and recognizing the high cost of the total reliance on South Africa as a gateway to the international markets. The government should, therefore, prioritize innovative ways to reduce this dependency.
- Prioritizing the strengthening of a national vital statistics collection system to keep a current and accurate register of the population and strengthen easy identification of citizens to enable financial transactions to move online to save high transaction costs and prevent the spread of epidemics through handling cash.

Build Back Better: Internalizing lessons learnt to inform resilience, sustainability and preparedness

With the inflow of resources and rising expectations of citizens regarding the response to the crisis, it is paramount

to ensure the transparent and accountable use of these resources. It is an opportunity to restore the link of trust between government and citizenry. And what are the creative ways to achieve this?

- Develop a social protection policy and finalize the social protection framework for the country to manage the devastating effects of future crises and implement a nationally defined, well-financed social protection that guarantees access to health care and a basic level of income security.
- Develop a real-time monitoring system that ensures the inclusion of vulnerable people in planning and response.
- Build better data for better policy advice. Eswatini needs timely data to allow for better policymaking. An in-depth multisector impact assessment of COVID-19 is necessary to help strengthen the response. Multidimensional poverty and poverty mapping are critical to assist in proper intervention policies in social protection. Additionally, regular food insecurity evaluations and mapping of real-time vulnerability are important to monitor changes and target the most vulnerable households. Data should be sex-disaggregated to enable the monitoring of gender issues.
- Update and implement the National Development Plan effectively to achieve the 2030 Agenda. The crisis has shown that lagging in the implementation of a consistent development plan is detrimental to the capacity to prepare, respond to and recover from challenges, both old and new. Hence, the need to update and urgently implement the national development plan to make room for economic recovery.
- Develop strategies to protect the country's economic interests even while interfacing with other regional partners for mutual development.
- Recognize that life will not be the same after the Coronavirus pandemic and so prepare for the new challenges. Global changes inspired by the COVID-19 experience demand that Eswatini invests in systematic and structured ways of capturing the impacts, lessons learnt and determine effective ways of applying them for early recovery, resilience and disaster preparedness. For this to happen:
 - A national tripartite social dialogue of government,

employers and workers should be convened to understand the impact of the disaster fully, identify lessons and recommend early actions to preserve the economy, improve efficiencies and determine measures for sustaining employment and protecting incomes.

- A detailed social and economic assessment should be conducted to fully document the impacts of the disaster and inform sustainable early recovery, resilience and disaster preparedness.
 - An assessment of the feasibility of establishing and building a domestic industrial base to promote economic resilience and domestic entrepreneurship should be considered.
- Recognize that Eswatini is a landlocked country that is almost totally dependent on its neighbours for access to international markets. This is an important reminder to fully utilize the international airport by reviving the national airline for passengers and cargo.

Resource Mobilization for Development

On April 20 the World Bank, IMF and IFC in collaboration with the G7 agreed on broad measures to support the disaster response of African countries, including debt cancellation for the least developed countries and concessional funding. Eswatini as a Lower Middle-Income Country will largely not benefit from this international financial assistance. The government should, therefore, mount advocacy to highlight the negative implications of an MIC status for a country with Eswatini's development profile.

Besides that, the country should work more on resource mobilization for development. Strategies to adopt may include:

Developing innovative financing instruments to expand Eswatini's access to a global pool of capital – e.g. impact financing, SDG Investment mapping and green bonds.

Accelerating the development of digital connectivity to support competitive industries and development of e-Commerce, e-Governance e financial services.

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Annexes

Annex 1: Assumptions Underlying Projections of Sectoral Output

Sector	Scenario 1 (Normalization in 8 Months)	Scenario 2 (Normalization in 12 Months-)
Agriculture		
Crop Production	Over a short period, there would be minimal effect on crop production as crops for 2020 are ready for harvest. No labour disruptions are anticipated for a shorter period	Over a longer period, crop production is affected through disruptions in supply of inputs (fertilizers, pest control chemicals, availability of seed, etc.) which can compromise yields and output for 2021, citrus expected to benefit from increased demand for fruits as a source of Vitamin C. However, disruptions in exports will limit these benefits.
Animal Production	No effects from Coronavirus in a short period, previous projected assumptions hold	Over an extended period, the supply of inputs needed for livestock subsector (such as animal feed) will be constrained, and this can potentially marginally affect the output of this sector.
Mining		
Mining	Minimal effect over a short period. Minimal disruptions from coal exports to SA	Over an extended period, the linkages of coal as an input to steel production which is sent to China would affect demand for coal not only from exports volume movements but also from lower demand.
Quarrying		
Quarrying	Quarried stone production is linked to construction activity. Disruptions in construction will limit demand for quarried stone, but the effects would be minimal over a short time horizon.	Over an extended period, the effects of downscaling construction activity would weigh more heavily on quarried stone production. Pressures on disposable incomes caused by anticipated job losses would also limit demand for quarried stone as households may go slow on private construction projects.
Manufacturing		
Food Manufacturing	Exports-bound food manufacturing to be affected by disruptions in trade both from intermediate inputs and sales of final goods due to weak global demand but the effects would be marginal over the shorter period. Minimal benefits from the processing of fruits due to increased demand for fruits as a source of Vitamin C, but constraints on trade movements will limit these positive gains.	Over an extended period, the effects of disruptions both in the supply of inputs and sales of final goods will be slightly magnified in 2020 and spillover to 2021. Furthermore, labour-intensive operations will suffer immensely from labour supply disruptions associated with COVID-19.
Manufacturing of beverages	Minimal effects of disruptions in trade in the supply of inputs and sale of final goods.	Magnified effects of trade disruptions and extended weak global demand. Marginal labour disruptions due to capital intensive operations.

Manufacturing of Textiles	Over a shorter period, this sector would be affected by disruptions in supply of raw material (mainly fabric from China), but this affects production for latter months of the year 2020 (as most companies had a stock of about 4 months in inputs) as at February 2020. Weak global demand will also have a negative effect on sales.	Over an extended period, the negative effects of disruptions in input supply and weak demand from sales would be more magnified and spillover to 2021. Labour disruptions and weak global demand would potentially lead to layoffs and further limit growth in this sector. Furthermore, anticipated closure from Edcon Group which have become imminent in the peak of the COVID-19 outbreak, since a majority of the Eswatini textile sector is supplying this group, the negative impact on Textile industry would be immense.
Forestry & Manufacturing of Wood Products	Weak global demand and exports disruptions to affect growth in this sector, but over a shorter period the effects can be minimal. Small potential on demand for products that need wood products as inputs.	Over a longer period, the effects of scenario 1 would be magnified. Labour disruptions would also add to negative performance in this subsector.
Other Manufacturing	Disruptions in supply of inputs and sales to be affected negatively	Over an extended period, the trade disruptions effects would be magnified. Labour disruptions would also add to potential losses in output
Electricity	No direct effects anticipated	No direct effects anticipated
Treated Water Supply	Over shorter minimal positive impact	Over an extended period, there can be increased demand in the use of treated water in line with preventive measures. (i.e. increase off utilization as opposed to an increase in new customers). However, grounding of commercial operations will affect the demand of water for commercial purposes
Construction	Construction activity to be affected by the supply of inputs disruptions as well as an anticipated cutback in implementation rate in infrastructural projects as government redirects all resources to fight the COVID-19.	Scenario 1 effects to be magnified. In addition, labour disruption effects may affect demand for construction activity at the private sector level. The negative impact of trade disruptions to affect SACU flows would potentially affect the capital budget for 2022/23 financial year.
Wholesale and Retail	Disruptions in the supply of final goods for retail to affect the availability of products for wholesale and retail. Items in demand such as pharmaceuticals and other items whose demand has increased considering prevention measures for COVID-19 would benefit, though supply disruptions would limit the positive prospects	Scenario 1 effects would be more magnified in an extended period. Labour disruptions would also emerge more strongly and impact negatively on growth in this subsector
Tourism: Accommodation, restaurants, curios, tour operators arts and culture	International and domestic travel restrictions, social distancing and other quarantine and containment measures to weigh significantly negatively on this subsector.	Scenario 1 effects more magnified and extending to 2021 as adjustment to travel even after lifting travel bans would be slow. Second-round effects arising from a fall in incomes due to labour disruptions will add to negative outcomes in both 2020 and 2021.
Transportation	International travel restrictions including the grounding of international travel to impact negatively on air travel. Trade disruptions will hamper performance for rail; domestic travel restrictions, early closure of schools, coupled with social distancing efforts will weigh heavily on road transportation in 2020	With an extended period, the negative impact of travel restrictions and social distancing would be more magnified and will overlap to 2021
Information and Communication	Positive spinoffs arising from increased use of information and communication services as people seek to stay updated on developments on COVID-19	Scenario 1 effects can be magnified for an extended period

Financial Services	Poor performance of companies in heavily affected sectors will lead to an increase in non-performing loans, household debt levels may also rise and increase rates of default. Offsetting measures such as lowering interest rates by Central Bank may provide temporary relief to debt-strained companies and households. Performance of domestic assets invested offshore will be significantly affected by the collapse of global financial markets due to uncertainty caused by COVID-19	Scenario 1 effects would be more magnified if the period is extended. Labour supply disruption effects would possibly weaken further household debt position and ability to access more credit and limit the performance of this sector. Offshore investment returns of domestic assets would worsen performance of pension funds through asset managers will deteriorate
Public Administration	minimal mixed effects	Over an extended period, containment measures will call for more public administration resources
Health	Increase the dedication of resources towards fighting the COVID-19 outbreak	For an extended period, more health services would be needed, and more resources would have to be dedicated/redirected to the health sector.
Education	minimal mixed effects	Redirection and re-prioritization of resources to the health sector may affect resources to other social sectors such as education

MEPD/CBE/April 2020

Annex 2

Growth in Sectoral Output						
GDP Growth (%) by economic activity at constant 2011 prices (E million)	Growth (%)					
	Scenario 1 Year 2020	Scenario 1 Year 2021	Scenario 1 Year 2022	Scenario 2 Year 2020	Scenario 2 Year 2021	Scenario 2 Year 2022
Description						
Agriculture and forestry	4.8	4.3	5.5	3.6	0.1	6.8
Growing of crops	3.4	4.1	7.8	2.2	-6.6	10.9
Growing of crops: Individual tenure farms	5.8	3.3	7.6	5.4	-7.5	8.3
Growing of crops: Swazi National Land	-9.7	9.6	8.9	-15.3	-0.1	27.5
Animal production	10.4	2.7	4.6	9.7	1.5	4.6
Support activities to agriculture	-0.8	6.1	7.2	-4.0	-0.7	15.8
Forestry and Logging	-8.4	10.9	2.5	-10.9	14.0	2.5
Mining and quarrying	12.9	-20.1	1.5	-7.2	-19.6	1.5
Primary sector	4.9	4.0	5.5	3.4	-0.1	6.8
Manufacturing	-5.8	7.2	3.8	-9.0	2.7	6.2
Electricity, gas, steam and air conditioning supply	15.1	1.4	5.2	15.1	1.4	5.2
Water supply; sewerage, waste management and remediation activities	2.0	2.0	2.0	2.0	2.0	2.0
Construction	-12.8	-14.2	-27.2	-22.2	-16.2	-26.9
Secondary sector	-5.9	5.4	1.9	-9.6	1.3	4.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	-2.4	-1.8	-6.9	-8.0	-1.8	-8.9
Transportation and storage	-3.6	-1.8	-2.7	-27.6	-1.2	-2.5
Accommodation and food service activities	-36.2	0.6	2.0	-42.9	-6.1	2.0
Information and communication	11.7	-3.2	1.1	15.7	-6.6	1.1
Financial and insurance activities	1.7	4.6	4.0	-11.7	15.8	4.0
Financial service activities, except insurance	2.2	4.6	4.9	-17.0	21.8	4.9
Insurance and pension funding	1.7	2.3	2.1	1.7	2.3	2.1
Activities auxiliary to financial services	-4.9	13.3	1.6	-7.1	16.0	1.6
Real estate activities	-0.9	0.0	0.0	-6.1	5.6	0.0
Real estate activities, market	-2.6	-0.9	-0.9	-12.4	10.1	-0.9
Owner-occupied dwellings	1.1	1.1	1.0	1.1	1.1	1.0
Professional, administrative and support services	-2.4	-2.4	-5.8	-5.8	-4.1	-5.1
Public administration and defense; compulsory social security	1.0	1.0	1.0	1.0	1.0	1.0
Education	1.0	1.0	1.0	-3.3	3.2	1.0
Human health and social work activities	10.0	2.8	1.2	12.0	7.9	1.2
Arts, entertainment and recreation	-61.5	1.5	2.0	-75.0	-17.0	2.0
Other service activities	0.6	0.6	0.6	0.6	0.6	0.6
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	1.0	1.0	1.0	1.0	1.0	1.0

Tertiary sector	-0.2	0.2	-1.2	-5.7	2.2	-1.5
GDP by economic activity	-1.9	2.6	0.8	-6.2	2.1	1.5

Annex 3

Containment Measures issued by Eswatini authorities Eswatini, adopted a five-phase approach:

Phase 1: Suppression of COVID-19 and stopping the spread through various methods, along with core measures.

Phase 2: Management of the pandemic through clinical and nonclinical means.

Phase 3: Mass Testing and identification of COVID-19

positive people for treatment.

Phase 4: Cure and vaccine found and used by the Eswatini population.

Phase 5: No new infections or re-infections emerge, and proper Surveillance Methods employed.

Phase 1 represents the elementary level of suppression of an active situation and Phase 5 indicates an advanced level where COVID-19 is completely neutralized with no new infections. Reaching Phase 5 which, in turn, translates into

Monetary-fiscal financial practices and advice in response to the pandemic	Announced policy measures in response to COVID-19
1.COVID-19 National Emergency Fund Managed and distributed under the National Disaster Management Unit (NDMA)	E100 million supplementary budget for COVID-19 emergency was approved by Cabinet and Parliament A portion of the Capital budget of this year will be redirected towards urgently refurbishing hospitals and completing wings of new hospitals World bank US\$6 million Development Partners: A total of E47 million in kind and E70 million in cash raised. Support received from the UN, Jack Ma Foundation, EU, Ethiopia, UAE and Taiwan
2. Targeted monetary-fiscal measures to protect vulnerable groups and sectors: Widen social protection and extend social benefits for vulnerable groups Protect vulnerable economic activities: tax reliefs and VAT tax extensions	Provisional tax payments: Taxpayers projecting losses will file loss provisional returns, hence no payment will be required. Decreasing electricity price Fuel prices will come down during the first week of April 2020 For old debts, SRA will waive of penalties and interest if principal is cleared by the end of September 2020. Extension of returns filling deadlines by 3 months before penalties kick-in The Banks have announced that those individuals and companies that need short term financial support or relief can approach them and each application will be assessed on a risk-based approach. Payment arrangements: Taxpayers facing cash flow problems should provide evidence to be considered for payment arrangements. Government to compensate public transport for profit loss during the period of partial shut down ³
3. Accommodative monetary policy, financial measures to increase liquidity and broad-based fiscal stimulus to ease stress, boost aggregate demand and restore confidence	The Central Bank has reduced the liquidity requirement for the banks from 25% to 20% giving the banks more liquidity. The Central Bank has reduced the discount rate with 100 basis points that will reduce the cost of debt with 1%
4. Support to the private sector across various sectors to mitigate the impact of COVID-19 include local manufacturers and MSMEs using a range of business stimulus packages	The Government of Eswatini has established E90 Million relief fund for MSMEs with a turnover of E8 million or less. This amount will be paid by way of tax refunds through the Eswatini Revenue Authority, in monthly instalments of 25% of the actual tax paid in 2019

a complete ease of the economy, will be made possible by collective efforts and sacrifices as a nation.

Economic Measures: The Minister of Finance announced measures aimed at assisting individuals and businesses suffering from the consequences of COVID-19 economic impact.

- Reduction in the price of fuel during the first week of April
- The Central Bank has reduced the discount rate that will reduce the cost of debt with 1 per cent
- Banks have announced that those individuals and companies that need short term financial support or relief can approach them.
- Taxpayers projecting losses will file provisional returns; hence no payment will be required. The due date has been postponed by 3 months which means June declarations and payments are due in September and December declarations due in March 2021.
- Extension of returns filling deadlines by 3 months before penalties kick-in, otherwise normal filling is welcome. October – SMEs without VAT pushed to January 2021, November – Individuals pushed to February 2021 and December LTP and VAT registered are pushed to March 2021.
- Payment arrangements: Taxpayers facing cash flow problems should provide evidence to be considered for payment arrangement. This only applies to current dues in Tax income.
- For old debts, SRA will waive of penalties and interest if principal is cleared by the end of September 2020. This applies to all debts (excluding Customs debts). This will assist taxpayers clear their old debts and accumulated interest and penalties and start on a clean slate for their businesses to enhance recovery.
- Deferment of 2020/21 electricity tariff increase from 1 April - 1 June 2020
- Extension of submission of tax returns.





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Published by

United Nations Development Programme
4th Floor,
UN House, Somhlolo Road,
P O Box 261, Mbabane,
Eswatini.