



Eswatini

Financial Inclusion Refresh

Making Access Possible

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based analysis feeding into a financial inclusion roadmap jointly implemented by a

range of local stakeholders. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. In each country, MAP brings together a broad range of

stakeholders from within government, the private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country.

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The cover symbol and artwork

Through the MAP programme, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development. The cover graphic features the Leontopodium, the national flower of Eswatini. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment.





Working together to support implementation of Agenda 2030

Countries are seeking new ways to address complex and interconnected challenges. Fulfilling the promise of the UN Sustainable Development Goals (SDGs) requires multisectoral approaches that bring together expertise from a range of perspectives. By harnessing our comparative advantage and working within the context of our respective mandates, we can collectively make significant progress towards realising the vision of the SDGs.

Financial inclusion is increasingly positioned as an enabler of broader development goals, in support of the SDGs. More and more countries are including an inclusive financial sector as a key objective in their national development plans, and this tendency is further underpinned by the G20 leadership of financial inclusion, which highlights the ongoing relevance of the SDGs and nationally led financial inclusion efforts. Furthermore, financial markets play a vital role in creating a sustainable future. Access to finance for individuals, SMEs and governments is important to a number of the SDGs, helping to facilitate secure payments, including for basic services and trade; smooth cash flows; offer financial protection; and improve allocation of capital while also enabling investments in many areas.

This MAP refresh, in supporting country efforts, increases the focus on inclusive growth (especially through SMEs and agriculture), access to basic services (energy, health and education), and improving household resilience, as well as gender equality. Increased reliance on technological innovation and digital financial services will help to improve the scale and efficiency of financial inclusion interventions.

This refresh was undertaken by the United Nations Capital Development Fund (UNCDF) to jointly address UNDP's Signature Solution 1, which seeks to work with countries to keep people out of poverty, relating directly to SDG 1: eradicate all forms of poverty, wherever it exists.

The core focus of Signature Solution 1 is helping people get out of – and stay out of – poverty; and hence the analysis and interventions identified help eradicate poverty, such as by creating decent jobs and livelihoods, providing social safety nets, and ensuring access to services such as water, energy, healthcare, credit and financing support for investment in productive assets.

Partnering for a common purpose

By combining inspiration, ideas, knowledge and resources with our partners, we become more than the sum of our parts.

We are committed to empowering investors—public and private alike—with the clarity, insights and tools they need to optimise the positive impact of their investments, closing the gap between high-level principles and financial performance to make a positive contribution to society.

MAP was initiated by the UNCDF and developed in partnership with FinMark Trust. In the SADC region, FinMark Trust is a MAP implementing partner.

FinMark Trust is an independent non-profit trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. The Trust works to unlock real economic sector development through financial inclusion, by gathering and systematically analysing financial services consumer data to provide in-depth insights, and following through with systematic financial sector inclusion implementation actions to overcome market-level barriers hampering the effective provision of services.

Note on the use of household data

Within this document (unless otherwise referenced), demographic, income and financial usage data is obtained from the 2014 FinScope Consumer Survey and the 2019 FinScope MSME survey undertaken in Eswatini. A summary report and presentation of FinScope is available as a separate deliverable, and the FinScope dataset is available for future research at <https://uncdfmapdata.org>.

Our technical response

Increase Financial Inclusion from 50% in 2011 (FinScope) to 75% in 2022 by growing mobile money and remittances, deepening bank reach, getting credit basics right, ensuring risk management products are available, and enabling alternative channels to serve the poor.

The 2014 MAP diagnostic report for Eswatini considered the country context, demand and supply for financial services, and the regulation of these services. The report identified practical recommendations for overcoming barriers to greater financial inclusion: (i) growth in the use of e-money to transact and save, (ii) the development of formal domestic and cross-border remittance products to support vulnerable, dependent groups, (iii) expanding insurance to better manage the impact of risks, (iv) deepening bank reach to better meet needs and (v) reducing credit costs and protecting consumers.

The 2014 diagnostic report provided the basis for the [2015 MAP financial inclusion roadmap](#), and a Financial Inclusion Task Team was set up as a steering committee with representatives from the Ministry of Finance, the Centre for Financial Inclusion (CFI – which was preceded by the Financial Inclusion Coordination Agency and the Micro Finance Unit), the Central Bank of Eswatini (CBE) and the Financial Services Regulatory Authority (FSRA). In 2016 the Government of Eswatini published its [National Financial Inclusion Strategy for Swaziland 2017–2022](#). This was followed by a 2018 MAP Diagnostic and Roadmap for [MSMEs](#), upon which this refresh report also draws. The [Eswatini State of Financial Inclusion Report](#), published in 2019 by the Government of Eswatini through the CFI, provided further benchmarks and indicators on financial inclusion.

Eswatini at a glance

2019-2020

GDP (2019)

US\$4.4 bn

(US\$10.4 bn in PPP terms)

GDP per capita (2019)

US\$3,837

(PPP: US\$9,048)

**Lower
middle-income
country**

*The main source
of employment
and livelihoods:
agriculture*

*Contribution to GDP
agriculture*

9%

GDP contracted by average

0.1%

(2015-2019)

Contribution to GDP

wholesale & retail

13%

Contribution to GDP

manufacturing

32%

*GDP in middle
band of SADC
countries*

Majority of formal
and informal sector
jobs are in the
services sector.

*Predominantly
rural country
but urbanisation
increasing*

30%

(Urbanisation in 2019)

*Contribution to GDP
remittances*

2.5%



*Population employed in
formal sector*

20%

(2018)

4% decrease since 2014

41%

(Projected urbanisation in 2050)

*Dependence on
remittances*

24%

(2018)

9% increase since 2014

*Young adults employed
in formal sector*

17%

(2018)

6% decrease since 2014

Eswatini at a glance

2019-2020

Total population

1.2 mil



One of the world's
top 10
unequal
countries

58%
below national poverty line

28%

below international
poverty line

Female

51%

Male

49%

Gini coefficient

54.5

(2016)



Human Development Index

0.608

(138/189 countries)

70%

rural population
below international
poverty line

20.7 years

Population median age (2020)

37%

54%

15 years or older

Younger than 35



Gender Development Index

0.962



Gender Inequality Index

0.579

(145/162 countries)

Unemployment

22%

Youth unemployment

46%



Donor contribution
to country's budget

3%



(2019/2020 & 2020/2021)

Imports from South Africa

80%

Exports to South Africa

60%



Self-employed

60%

36% of females
24% of males

Mobile penetration

97%

(2019)

22% increase since 2014

Internet use

47%

Individuals, 2017

27%

Households

MSME sector

73,000 females

65%

55,000 males

35%



Financial inclusion and access to finance

Key financial inclusion target met



Eswatini has achieved the target set out in the 2015 MAP/NSFI ahead of time

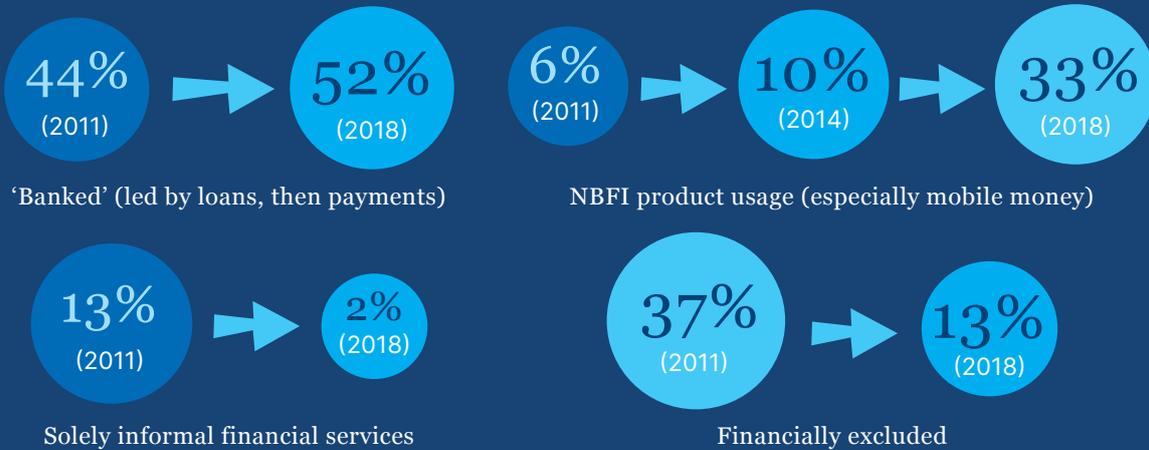
Increase financial inclusion

87%

Adults financially included by 2022

Formal and informal

Formal financial services usage increased by 21% proportion of the population (2014–2018), largely driven by mobile money uptake.



Informal products and services continue to serve valuable financial inclusion role. Saving and borrowing are main financial motives for informal group membership. But individuals are switching from informal to formal. Informal savings product usage ('tintlangano', mainly rural informal monthly savings scheme) is down – but informal burial society usage ('masingwabisane') is up.

Payments

For payments, cash is still king! Most popular for paying for goods and services (2018) is cash, then mobile money, then via agents.

Transfer payments reliant on mobile phones:



Remittances (cross-border and domestic)

Use of formal channels increased



Financially excluded reduced



66%

choose mobile money as a financial channel because it is reliable, quick and easy to use.



Financial inclusion and access to finance

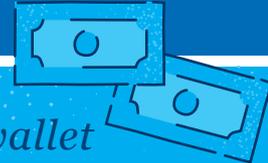
Savings

55% of people that save in 2018 use a formal saving mechanism
16% increase since 2011



16% The adult population using mobile money account for saving in 2018:

54,000 adults
23% increase since 2014



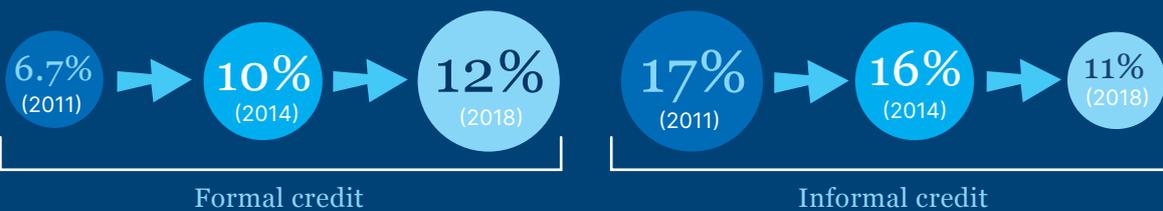
±1 in 5 adults claim to save in mobile money wallet

There has been a marginal increase in the proportion of population not saving. The most commonly cited reasons are not having money after paying for living expenses or not having a job. The informal savings mechanism usage decreased – but ASCA (81%) and ROSCA (50%) most popular.

Credit

Very low levels of formal credit access – despite increases.

Proportion of population borrowing to meet daily expenses:



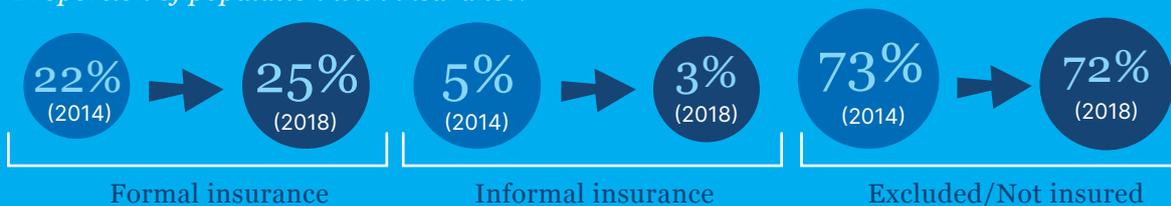
Insurance

Insurance product stagnation: 2% growth



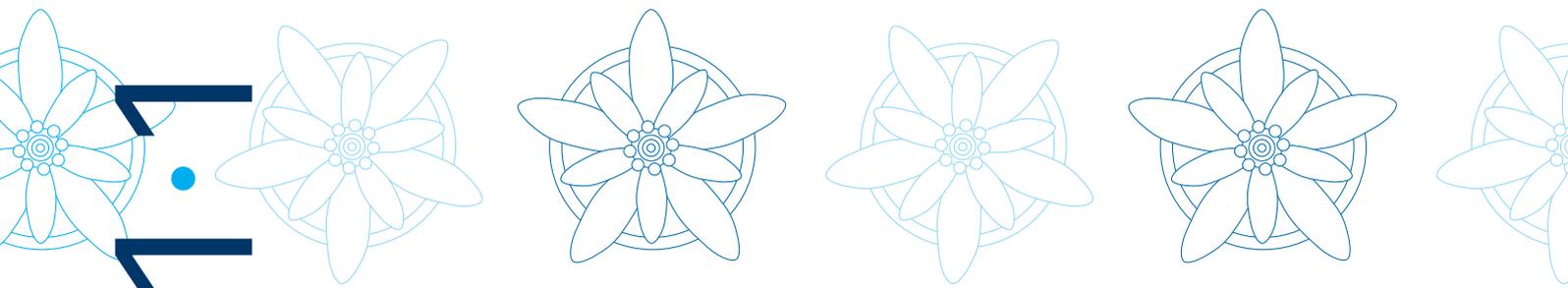
Increased uptake of funeral plans suggests availability of channels for sale of lower-cost insurance. Overall insurance reliance low, despite high risk exposure levels (40% of adults in 2018).

Proportion of population with insurance:





The changing environment



Economy, population and growth

Eswatini is a landlocked country with a fairly small population of 1.2 million and an area of only 17,373 km².¹

Classified as lower middle-income country. In 2019, Eswatini had a gross domestic product (GDP) of US\$4.4bn (US\$10.4bn in purchasing power parity – PPP – terms) and a GDP per capita of US\$3,837 (PPP: US\$9,048).²

This GDP places Eswatini in the middle of countries in the Southern African Development Community (SADC) region.

Economic growth has been contracting. Eswatini's GDP growth is relatively low in comparison to many regional neighbours (see Figure 1), with an average contraction in GDP of 0.1% over the period 2015–2019.

Low HDI ranking despite lower middle-income classification. Eswatini ranks low in terms of human development: in 2019 the country was placed 138 out of 189 countries on the Human Development Index (0.608).³ This ranking is in part due to two factors: the HIV/AIDS epidemic, which has had a significant impact on the size of the working population, prevalence of child-headed households and poverty; and climate change, leading to drought with resultant negative effects on agriculture and food security.

Youthful population. Eswatini recorded a population of 1.2m in 2020, of which 51% were female and 49% male: this is up 4% from 1.1m in 2015. The population of Eswatini is youthful: just over 54% of the country's population are younger than 35, while 37% are younger than 15.⁴

Predominantly rurally based population – but urbanisation on the rise. The country has four administrative regions: Hhohho (29% of the population, as of the most recent census: 2017),⁵ Lubombo (19% of the population), Manzini (32% of the population) and Shiselweni (18% of the population). Most of the country is rural. While the bulk of the population resides in rural areas, urbanisation in Eswatini (estimated to be 30% urbanised in 2020) is increasing and is projected to reach up to 41% urbanised by 2050.⁶

A number of contributing factors to economic contraction. In 2019, economic growth slowed to 1.3%, from 2.4% in 2018, and is expected to contract further in



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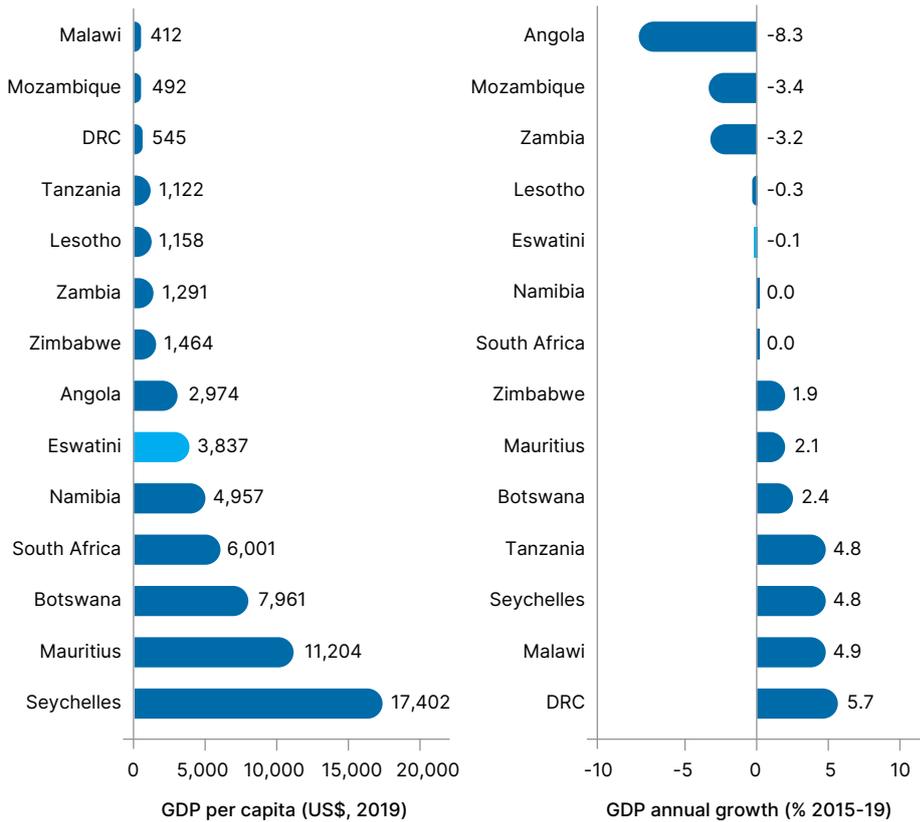


Figure 1: GDP per capita in 2019 and annual growth between 2015-2019 (SADC)

Source: World Bank, World Development Indicators

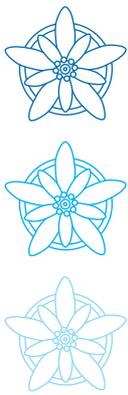
2020.⁷ There are various reasons for the deterioration in economic conditions in recent years, including the effects of a drought in 2015/2016 that affected the agricultural sector, and reduced revenues from the Southern African Customs Union (SACU) as a result of the global financial crisis and economic slowdown in South Africa. The Eswatini economy is heavily dependent on agriculture, as evidenced by the sector’s impact on GDP: when the agriculture sector is negatively affected, GDP reflects this. The COVID-19 pandemic has had a significant impact on Eswatini’s economy: a decline in growth, combined with increased financing needs for healthcare and to support vulnerable households and businesses.⁸

Economy entwined with that of neighbouring South Africa. In assessing the economic context of Eswatini it is important to note the economy’s close linkages with neighbouring South Africa; Eswatini is entwined with South Africa in terms of trade, with 80% of Eswatini’s imports coming from South Africa (increased from 70% in 2014); and 60% of Eswatini’s exports going to South Africa (decreased from 70% in 2014).⁹ However, an obvious consequence of this close relationship is that should the South African market go into recession Eswatini would feel the effects in terms of decreased demand for its export products.

Customs revenue a vital aspect of government budget. Eswatini is part of the SACU and the Common Monetary Area (CMA). Over the past decade SACU has



The Eswatini economy is heavily dependent on agriculture, as evidenced by the sector’s impact on GDP.



provided Eswatini with customs revenue equivalent to 12% of GDP. This has been important for financing the government budget. Recent reductions in customs revenue have placed fiscal strain on the country and have almost doubled government debt.¹⁰

Low inflation rates. Membership of the CMA means that the currency, the Emalangeni (E), is pegged to the South African Rand, with the result that Eswatini’s monetary policy is, in many ways, entwined with the decisions made by the South African Reserve Bank. Eswatini’s inflation has remained low over the period assessed; it has largely remained within the target band, though it dipped as low as 2.6% in 2019 (partly due to freezes on utility tariffs).¹¹

Manufacturing is main contributor to GDP – but agriculture main source of rural employment, livelihoods. As of 2018, the economy in Eswatini was led by the following sectors (see Figure 2): manufacturing (32% of GDP), wholesale and retail trade (13% of GDP), agriculture and forestry (9% of GDP) and financial services (6% of GDP). While there have been marginal differences in the relative weighting of sectors, these shares have remained relatively constant since the 2014 MAP diagnostic study,¹² when agriculture and forestry were at just over 9% and manufacturing at 35%. However, assessing a longer period (2000–2017) shows a shift from the agricultural sector towards the services sector and the public sector, with public sector growth at 6.1% compared to agriculture at 0.9% and manufacturing at 3.2%.

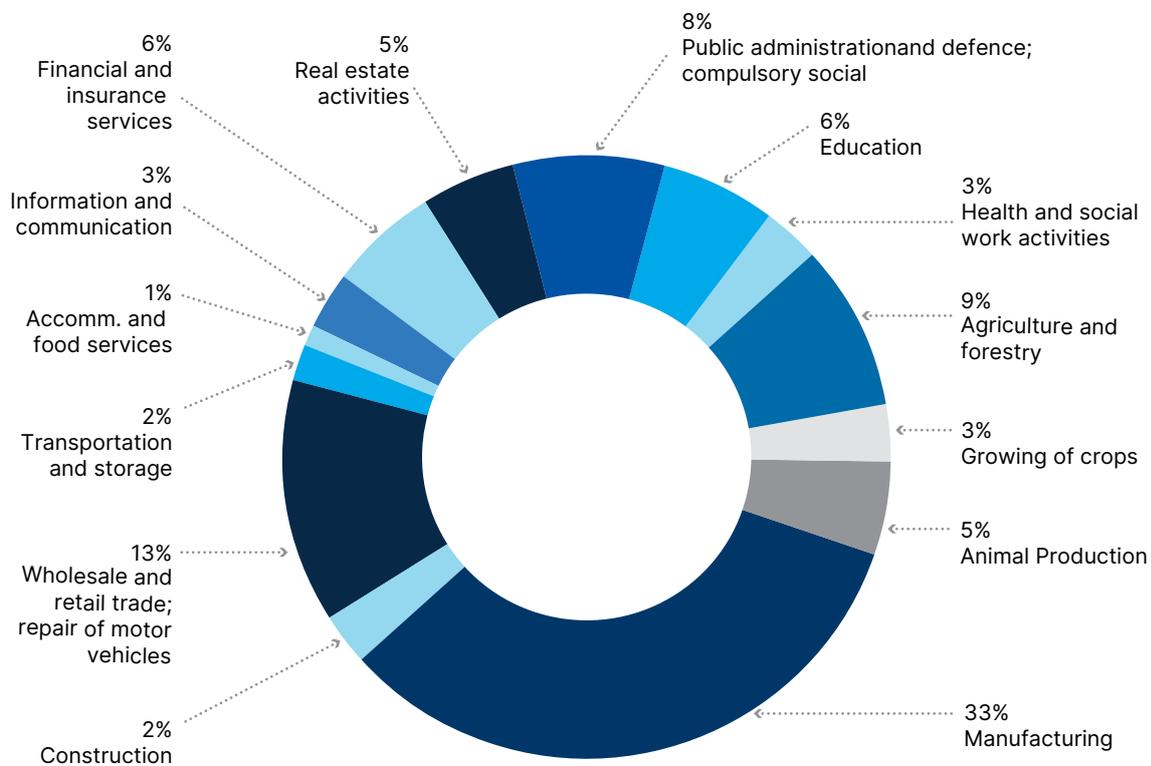


Figure 2: GDP in Eswatini, by sector (2020 Forecast)

Source: Ministry of Finance, Economic Planning and Development, Annual Economic Report 2019



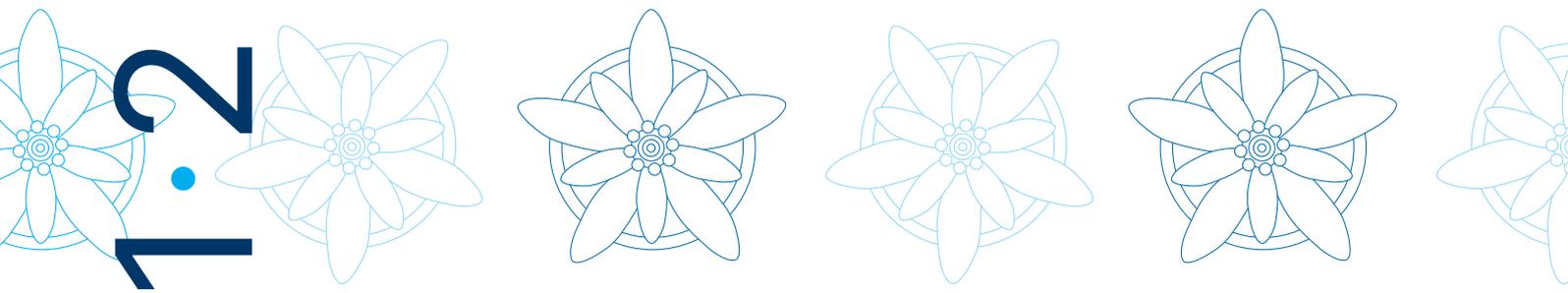
Stagnant formal sector offering declining employment opportunities. Overall, the formal sector has not been growing, and the proportion of people absorbed by the formal sector has declined from 24% in 2014 to 20% in 2018, while those that depend on remittances has increased from 13% to 24% over that period.

Heavy reliance on donor funding. In both the 2019/2020 and 2020/2021 financial years, donor funds accounted for 3% of Eswatini's budget (at around US\$143m). This includes funding for projects that provide a range of agricultural inputs, health programmes and infrastructure, and sanitation and water supply, among others. Several of these programmes and projects have links with financial inclusion.

Urgent need for real-economy growth. The statistics indicate that Eswatini is in a difficult situation from an economic perspective: economic growth has slowed significantly, and the formal sector is also shrinking. There is therefore a need for any financial inclusion interventions to be focused on increasing financial inclusion in conjunction with supporting growth of the country's real economy.



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Policy and regulation

Government's NFIS 2017–2022 a key development. The period since the MAP 2014 diagnostic and 2015 roadmap has seen a number of developments from a policy perspective. From a financial inclusion perspective, this includes the development of the National Financial Inclusion Strategy (NFIS) 2017–2022,¹³ which was published in 2016 by the Eswatini government; the strategy, which was peer-reviewed by the Alliance for Financial Inclusion (AFI) Global Policy Forum in 2016, is a cornerstone of the government's planning for financial inclusion, and is part of the broader Financial Sector Development Plan covering 2016–2022.

The NFIS called for the formation of a body to implement the strategy. As a result, the semi-autonomous Centre for Financial Inclusion (CFI) was set up in 2018 under the Ministry of Finance to coordinate the implementation of the NFIS. As part of the Financial Inclusion Task Team, the CFI liaises with various roleplayers, including the Central Bank of Eswatini (CBE), the Financial Services Regulatory Authority (FSRA) and various sectoral roleplayers. (The CFI was preceded by the Micro Finance Unit.)

Inputs from the UNCDF and FinMark Trust, such as the FinScope data and MAP MSME studies, are integrated and used by the CFI. For the most part the ownership of the financial inclusion strategy appears to sit comfortably within the unit.

Donors offer technical assistance in range of areas. In terms of donor involvement, the country receives technical assistance in particular areas from donors that include the International Fund for Agricultural Development (IFAD), FinMark Trust and the World Bank. The EU Delegation also assists in funding various projects with a financial inclusion component, including those in agriculture (discussed in further detail in Section 4.1). Other donors are active in projects in specific areas such as health and children. Several additional projects are planned by the EU Delegation, including: a review of financial services infrastructure; credit infrastructure reform; and a banking sector analysis funded by the EU but implemented by the World Bank as part of the COVID-19 emergency response.

Coordination and joint learning from these projects are crucial to avoid replication of similar work.



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Financial inclusion-related policy interventions have occurred subsequent to previous MAP. The five-year period since the previous MAP has seen policy development in various areas relating to financial inclusion, with the following interventions worth noting:

1. Building a regulatory framework for non-bank institutions

The 2018 Practice Note for Mobile Money Providers was a key development, providing clarity on the mobile money landscape and as a result enabling growth in mobile money (as per the MAP 2014 emphasis on mobile money as a pillar of the country’s financial inclusion efforts).

The 2019 Financial Services Regulatory Authority Bill, which regulates non-bank financial institutions (NBFIs), was another key development.

A SACCO Bill is also being developed, to regulate savings and credit cooperatives (SACCOs). While SACCOs were not explicitly targeted in the MAP 2014 diagnostic report, regulation of SACCOs will enable broader credit provision.

2. Consumer protection

There have been developments in legislation to improve consumer protection, including publication requirements and caps on certain charges. These measures include the 2016 regulations that capped penalty payments, prevented charges on deposits and required publication of fees.

Various aspects of the Consumer Credit Amendment Bill (which as of 2020 was still being developed) relate to interest rate caps and are subject to contestation. While, on the one hand, caps will prevent exploitative lending (a priority that ties in with the consumer protection component of MAP 2014), the argument is also made that low caps might work against financial inclusion by preventing risk-based lending (given most credit providers’ understandably low appetite for risk). Key policy and regulation changes over the five-year period are highlighted in Table 1.



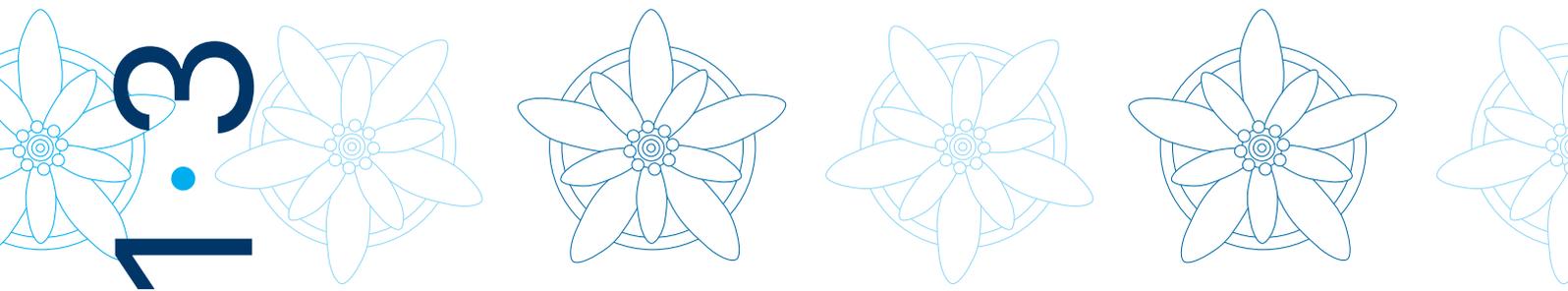
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Table 1: Key policies and regulations in Eswatini that relate to financial services

POLICY/REGULATION	OVERVIEW
SACCO Bill (draft stage)	To provide for the licensing and regulation of SACCOS, regulate areas including governance, financial safety and compliance, and establish a SACCO Savings and Deposit Guarantee Fund.
Central Bank of Eswatini Bill (draft)	To strengthen financial sector legislation.
Financial Institutions Bill (draft)	To provide for the regulation, supervision and resolution of deposit-taking financial institutions, and to offer consumer protection.
Consumer Credit Amendment Bill (2020)	To improve consumer protection and provision of credit (includes interest rate caps).
National Financial Consumer Education Strategy (2020)	A framework to better target financial education and enhance mobilisation of resources for this.
Financial Services Regulatory Authority Bill (2019)	To align the Act with various other laws, facilitate new categories of non-bank institutions, and create powers for dealing with unauthorised financial providers.
Building Societies Bill (2019)	To provide for the regulation of building societies and for the FSRA to regulate building societies.
Practice Note for Mobile Money Providers (2018)	Issued by the CBE to set out requirements for authorisation and licensing of mobile money service providers and their agents.



POLICY/REGULATION	OVERVIEW
Guidelines on Banking Practice (2018)	Developed to protect customers, together with financial consumer protection rules.
Micro Finance Policy Framework (2018)	Approved by the Eswatini government, this aims to formalise and register MFIs. The framework is part of a Bill that is still at the draft stage, but the FSRA has been registering entities under the guidelines.
Consumer Credit Act (2016)	Regulates the provision of credit and consumer protection; this includes determining who can be provided with credit, prohibits certain practices and includes a range of provisions that provide consumer protection, including in relation to fees and charges.
Electronic Communications Consumer Protection (ECCP) Regulations (2016)	Regulates business practices and disclosure and use of information for electronic commerce.
Regulation of Banking Fees and Charges Notice of 2016 (Legal Notice No. 62)	Prescribes the publication of banking fees and charges, effects a zero banking charge for all cash deposited, caps penalty fees for dishonoured cheques and debit order payments to a maximum of E100, and requires banks to conduct public awareness for banking customers and the general public on banking services and related costs.
Revised National Policy of the Government of Swaziland on the Development of Small, Micro and Medium-sized Enterprises (2013)	Highlights the crucial role played by the private sector in creating income, employment and growth.
The Money Laundering and Financing of Terrorism (Prevention) Act (MLFTA) (2011)	The Act came into force in 2012 but regulations have not been issued to implement aspects of the Act.
The National Clearing and Settlement Systems Act (NCSSA) (2011)	Provides recognition, operation, regulation and supervision of systems for the clearing of transfer instructions between financial institutions.
The Deposit Taking Business Regulations Notice (2008)	Defines 'deposit-taking businesses', and require persons engaged in deposit taking to apply for authorisation from the Central Bank of Swaziland (now CBE).
The Financial Institutions Act (FIA) (2005)	Specifically prohibits local and foreign financial institutions from conducting banking business in Swaziland without a licence granted by the Central Bank of Swaziland (now CBE).
The Prescription of Minimum Liquid Assets Notice (2003)	Prescribes minimum liquid assets of 10% for savings and development banks, and 13% for all other banks.
The Prescription of Reserves Notice (2003)	Prescribes minimum reserves of 2.5% of total liabilities to the public.
The Lending Limit, Aggregation and Attribution Regulations (2001)	Caps aggregate exposure (as defined) to 25% of the unimpaired paid-up capital and reserves, with certain customary defined exceptions (such as loans legally collateralised by cash or government securities).
The Limitations on Transactions with Insiders Notice (2001)	Defines 'insiders', requires board approval of all insider loans that exceed 5% of unimpaired capital and reserves, and places an absolute cap of 25% of unimpaired capital (or E50,000) to directors or related parties; and requires that all such loans be made on an arms-length basis. The regulations also place overall ceilings on all loans to insiders (100% of capital for benefits or compensation and 200% in aggregate to all insiders).
Foreign Exchange Exposure Limitations Regulations (2001)	Limits open positions in a single currency to 10% of unimpaired capital and reserves, with a cap of 25% overall for all foreign exchange positions. The regulation requires boards to adopt written policies and ensure accounting and internal control policies regarding such exposures.
The Computation of Risk Assets (Amendment) Notice (1996)	Prescribes risk asset weightings for different classes of bank assets.
The Central Bank of Swaziland Order of 1974 (CBSO)	To supervise banks, credit institutions, and other financial institutions to the end of promoting a sound financial structure.
The King's Order in Council no. 49 of 1973	Establishes and governs certain aspects of the Swaziland Development and Savings Bank (SDBS or SwaziBank – now Eswatini Development and Savings Bank, or EDSB, known as 'Eswatini Bank').



Demand-side analysis: access to finance

Strong indications of increasing demand for financial services. Formal financial services usage increased over the period 2014–2018 by 21 percentage points¹⁴ – an increase largely driven by uptake of mobile money services.

Financial inclusion substantially increased. In the period 2014–2018 the financially included population grew by a third: from 414,000 to 553,000. The FinScope 2018 Pocket Guide¹⁵ showed that, in 2018, 87% of adults in Eswatini were financially included, and 85% were *formally* financially served.

2015 MAP financial inclusion goal achieved. The 2015 MAP financial inclusion roadmap goal was to increase financial inclusion to 75% by 2022; thus, the financial inclusion goal has already been achieved, and ahead of time.

'Banked' proportion has increased. The number of adults using bank products (as opposed to categories of 'other formal (non-bank)', informal, and excluded) rose from 44% of the adult population in 2011¹⁶ to 54% in 2014. However, this proportion fell marginally (to 52%) in 2018, despite a growth in the banked population; this is because the percentage of the population that were banked was dwarfed by growth in the adult population between 2014 and 2018.¹⁷

Strong increase in NBF financial product usage. The percentage of the population using other formal (non-bank) financial products increased steadily in the period 2011–2018 (see Figure 3).¹⁸



Formal financial services usage increased over the period 2014–2018 by 21%, largely driven by uptake of mobile money services.

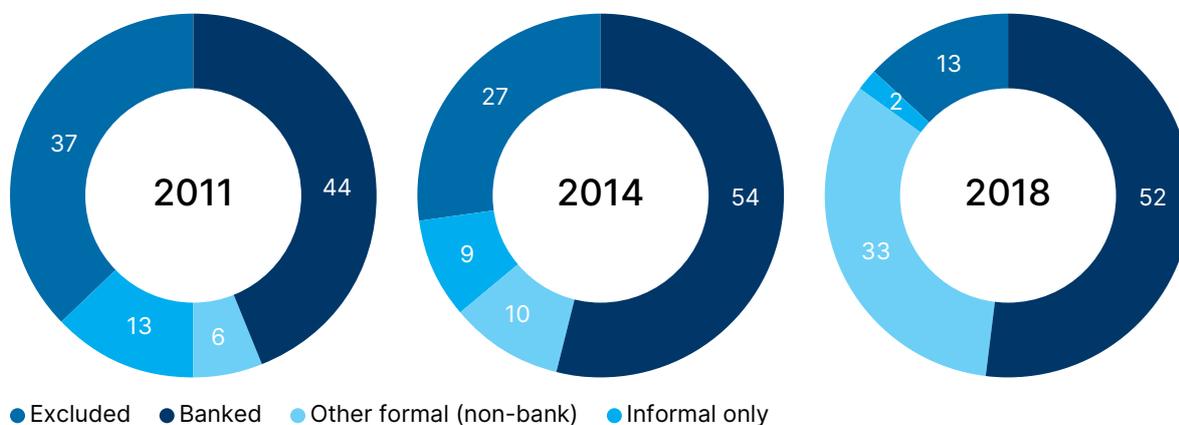


Figure 3: Comparison of growth, by financial access strand (2011–2018)

Note: For the population 18 years and older



Significant decrease in reliance solely on informal financial services. By contrast, the percentage of the population using only informal financial institutions and social assistance from family and friends decreased substantially: from 13% in 2011 to 2% in 2018.

Financial exclusion levels substantially decreased. The percentage of the population that is financially excluded decreased significantly: from 37% in 2011 to 13% in 2018.

Banking product increases led by loans, then payments. In terms of banking products, the highest growth rates were in loans (from 38,049 accounts in 2014 to 50,613 in 2018), followed by payments (from 174,494 in 2014 to 216,497 in 2018) (see Figure 4). According to the National Surveys Data (FinScope) 2014,¹⁹ approximately 53% of the respondents did not have a bank account in their name in 2014 (this figure accounts for those that have their names in joint accounts with their spouse or with another individual as well as group accounts in farmer's association/community organisation/savings club).²⁰

Payments products drove huge increase in NBFi product usage. The increase in other formal (non-bank) product usage is attributable for the most part to the increase in uptake of mobile money accounts, which showed the largest growth from 2014 (see Figure 5).

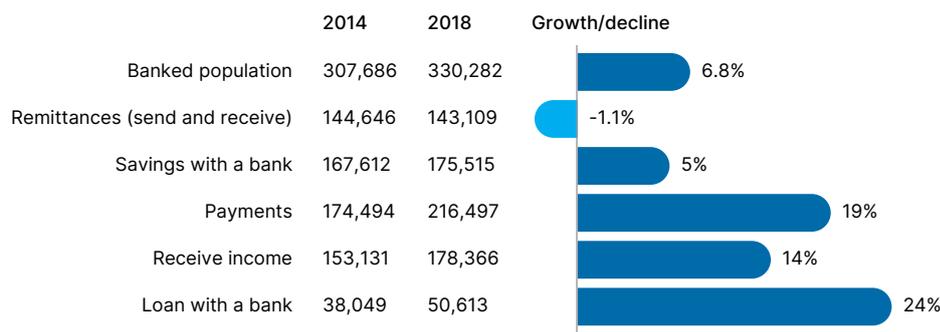


Figure 4: Changes in banking products (2014 vs 2018)

Source: FinScope 2018 Pocket Guide.

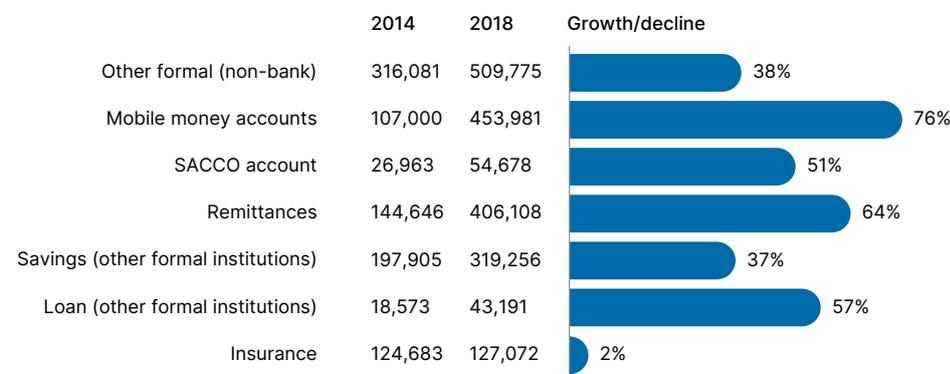


Figure 5: Drivers of uptake of 'other formal (non-bank)' financial products (2014 vs 2018)

Source: FinScope 2018 Pocket Guide.



Figure 6: Drivers of uptake of informal financial products (2014 vs 2018)

Source: FinScope 2018 Pocket Guide.

Insurance product stagnation, for the most part. It should be noted that in the 2014–2018 period, insurance uptake largely stagnated in comparison to other products, growing by only 2%.

Informal savings product usage down – but burial society usage up. Uptake and usage of informal financial products such as ‘tintlangano’ (an informal rotating monthly savings scheme predominantly used in rural areas), have fallen, though uptake and usage of ‘masingcwabisane’ (an informal burial society scheme), have increased (see Figure 6).

For financial inclusion purposes, informal products and services serve valuable role. While usage of informal mechanisms declined slightly, informal financial products and services remain an important pillar of financial inclusion in terms of both saving and borrowing components. Adults continue to use informal financial mechanisms due to a perception that they are cheaper and more accessible than formal products.²¹

Saving and borrowing main financial motives for informal group membership. Individuals that belong to informal groups mainly use the mechanism to save and to borrow money: 90% use their informal financial accounts on a monthly basis; 89% contribute money in cash; and 11% contribute digitally. However, it is important to note that informal product usage is declining, while formal product usage is increasing, indicating that individuals are switching allegiance.

Payments

Cash is still king! In 2018, in terms of survey respondents’ choice of mechanism to pay for goods and services, cash was the most popular (94%), followed by mobile money (39%) and agents (15%).

Transfer payments largely reliant on mobile phones. In terms of transfer payment methods, the most common and most used method was transfer by mobile phone (82%), followed by self-delivery (5%) and bank transfer (5%).

Savings

Of people that save, more now saving formally. The percentage of the population saving with formal institutions steadily increased in the period 2011–2018: from just under 39% in 2011 to 55% in 2018 (see Figure 7). The percentage of the population saving with informal institutions decreased in the period 2014–2018, while the percentage of the population saving at home or with a household member or in a secret place decreased in the period 2011–2018.



In terms of survey respondents’ choice of mechanism to pay for goods and services, 94% reported cash as the most popular.

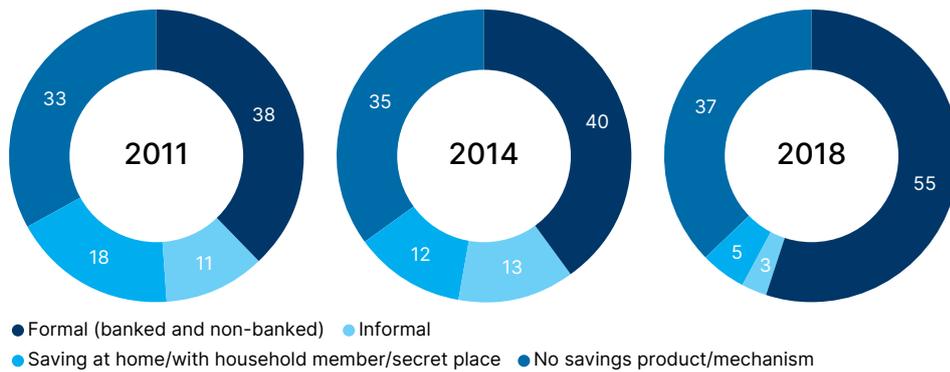


Figure 7: Savings access strand comparisons (2011–2018)

Source: FinScope 2011 & 2018 Pocket Guide.

Note: The overlaps in financial product/services usage were removed.

Saving is behind increase in SACCO usage. SACCO usage increased overall by 4% in the period 2014–2018, the increase being driven by the savings component.

Formal saving's increase driven by mobile money. The increase in uptake of formal savings overall has been driven by mobile money:²² the latter is being used for savings, with 54,000 adults (16% of the adult population) using their mobile money account to save. This represents an increase of 23% since 2014. In 2018, an estimated 1 in 5 adults claimed to save their money in mobile money wallets.

Proportion of population not saving has increased. However, a significant percentage of the population do not save or have a savings product/mechanism, and this percentage has risen marginally over the past few years (see Figure 7). According to the National Surveys Data (FinScope) 2018, the most common reasons for not saving are not having money after paying for living expenses and not having a job.

Informal savings mechanism usage decreased – but ASCA and ROSCA most popular. It is worth noting that survey respondents using informal mechanisms for saving choose to use an accumulating savings and credit association, or ASCA (81%), and a rotating savings and credit association, or ROSCA (50%).

Credit

Very low levels of access to formal credit – despite increases. While the percentage of the adult population with access to formal credit has increased significantly since 2011, this is relatively small compared to the percentage without any form of credit at all (see Figure 8).

Drop in reliance on informal borrowing. Informal credit usage has decreased from 2011, while the percentage obtaining credit from family or friends has also decreased from 2014.

Banks drivers of formal credit uptake. The FinScope 2018 Pocket Guide data shows that banks are the largest source of formal borrowing (50,000), followed by formal non-bank (43,000), SACCOs (27,000) and then MFIs (16,000).



The increase in uptake of formal savings overall has been driven by mobile money, with 54,000 adults (16% of the adult population) using their mobile money account to save.

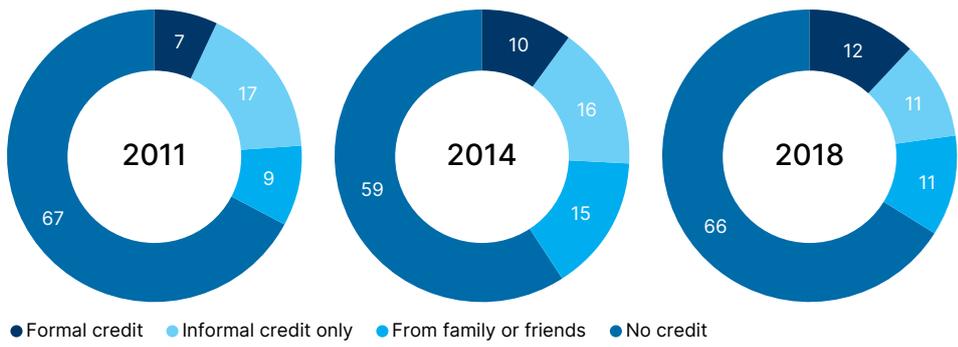


Figure 8: Credit access strand comparisons (2011–2018)

Source: FinScope 2011 & 2018 Pocket Guide.
 Note: The overlaps in financial product/services usage were removed.

Family and friends still play significant support role. In terms of informal borrowing, family and/or friends was the most commonly used source of credit, followed by borrowing from a savings club.

People are borrowing to survive. The most common item that credit was used for was daily expenses, followed by school fees. The use of credit to meet daily expenses indicates high levels of poverty.

In terms of reasons for *not* borrowing, survey respondents indicated not wanting to borrow purely based on the fact that they were employed or had a job, with the second most common answer being not borrowing because of no need to borrow.²³

Remittances

Reliance on formal remitting substantially increased. Sending and receiving remittances through formal channels increased substantially in the period: from 26% in 2014 to 70% in 2018 (see Figure 9). The percentage of the population remitting through informal channels or through friends, family or self-delivery has decreased since 2011.

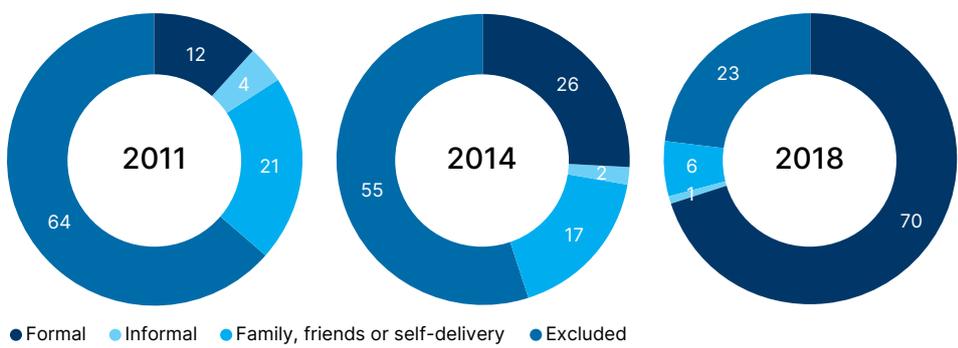


Figure 9: Remittances (domestic and cross-border, sent and received) access strand comparisons (2011–2018)

Source: FinScope 2011 & 2018 Pocket Guide.
 Note: The overlaps in financial product/services usage were removed.



Levels of exclusion significantly reduced. The percentage of the population that are excluded has decreased by a significant amount: from 64% in 2011 to 23% in 2018.

Mobile money most popular channel for remitting. The main channel for remitting money is mobile money (66%), followed by banking channels (transfers, wallets and into bank accounts); the reasons provided for mobile money's popularity are that it is quick, reliable and easy to use.

Remitting is both domestic (rural) and cross-border (South Africa). According to the National Surveys Data (FinScope), the majority of the respondents sent money to rural areas more than urban areas, while money was sent to South Africa more than to any other countries combined.

Insurance

Insurance: exclusion levels down, formal levels up. In 2014, 73% of the population did not have any form of insurance (from a formal or informal channel) (see Figure 10), and the proportion of people excluded has decreased in relatively small amounts (e.g. a 1 percentage point decrease from 2014 to 2018). By contrast, the percentage of the population with insurance from a formal channel has increased steadily since 2011 (though at a slower rate than is the case for many other product strands).

Overall insurance reliance low, despite high risk exposure levels. In terms of risk exposure, 40% of adults in Eswatini experienced a major event or risk in 2018: the most costly events experienced by families included illness and death, followed by unforeseen expenses (including school fees).



73% of the population did not have any form of insurance, and the proportion of people excluded has decreased in relatively small amounts.

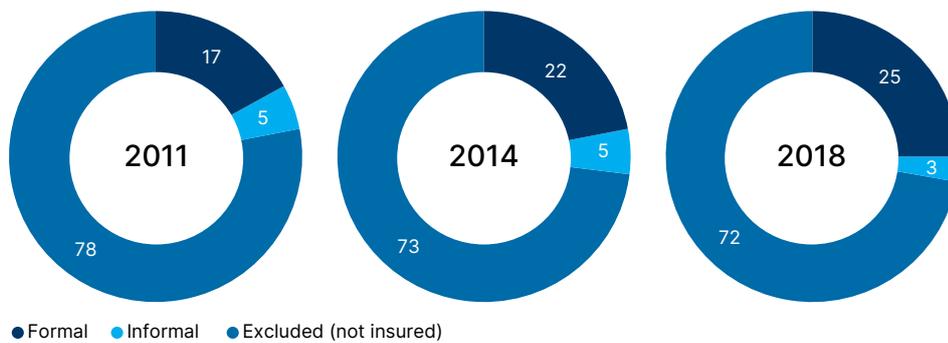


Figure 10: Insurance access strand comparisons, 2011–2018

Source: FinScope 2011 & 2018 Pocket Guide

Note: The overlaps in financial product/services usage were removed.

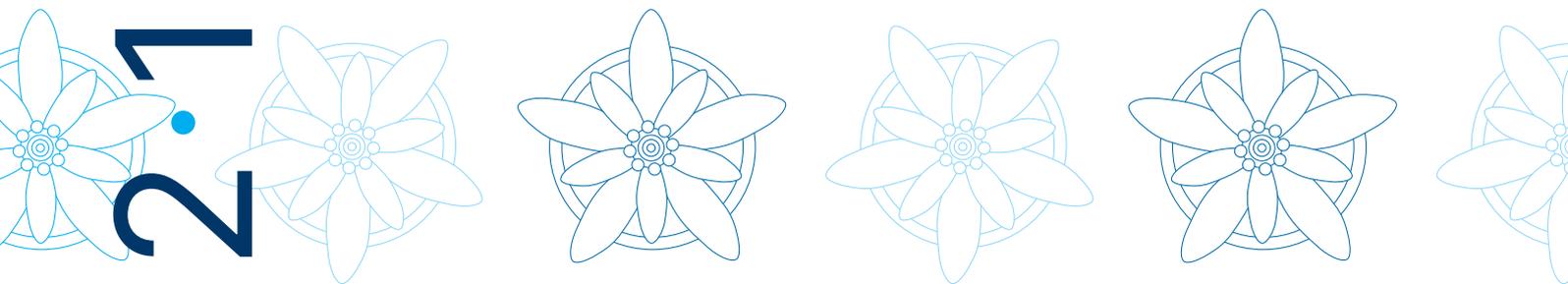


PART 1 NOTES

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- 2 See: <https://databank.worldbank.org/source/world-development-indicators>
- 3 See: <http://hdr.undp.org/sites/default/files/hdr2019.pdf>
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- 5 See: <https://Eswatini.unfpa.org/en/news/swaziland-releases-population-count-2017-census>
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- 14 Banked 2018: 52%, other formal (non-bank) 2018: 33%; Banked 2014: 54%, other formal (non-bank) 2014: 10%.
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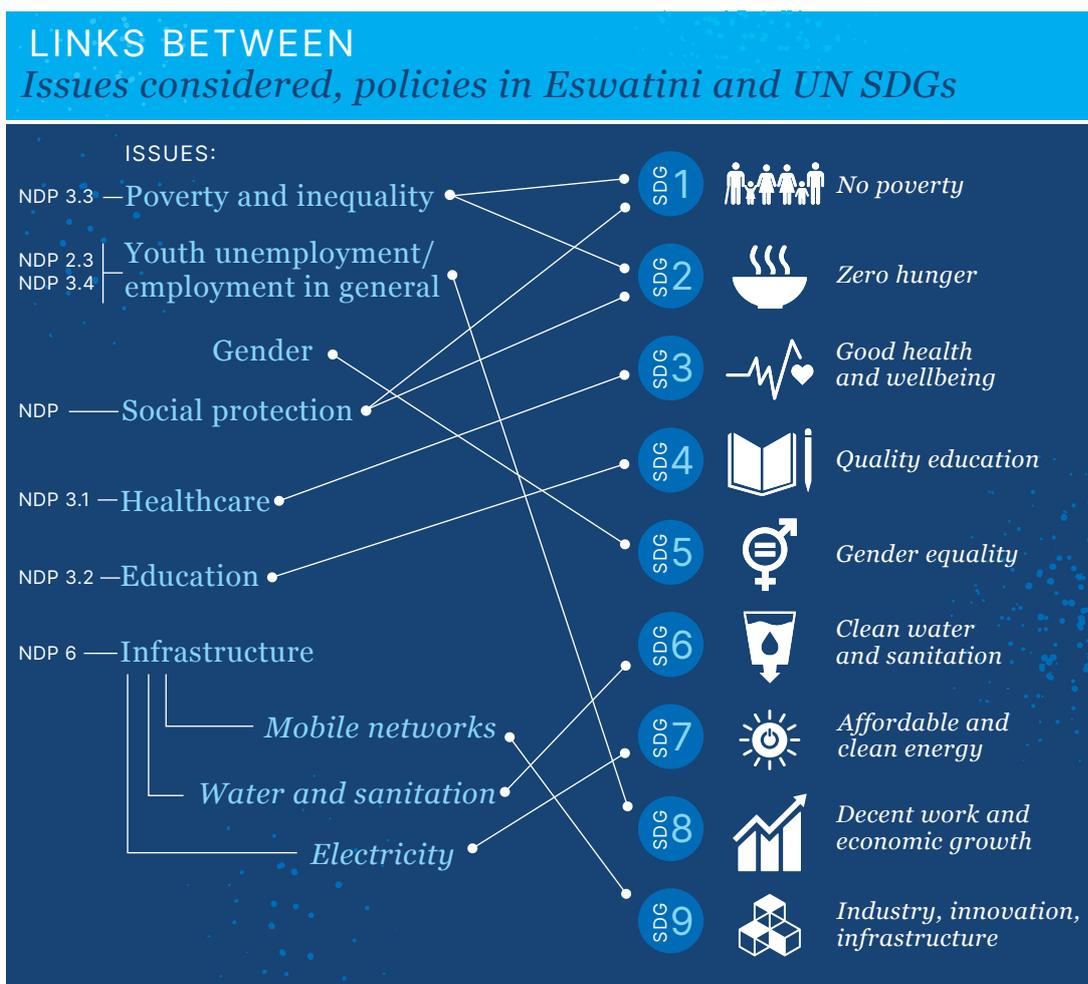
Financial inclusion and it's links to social and economic questions

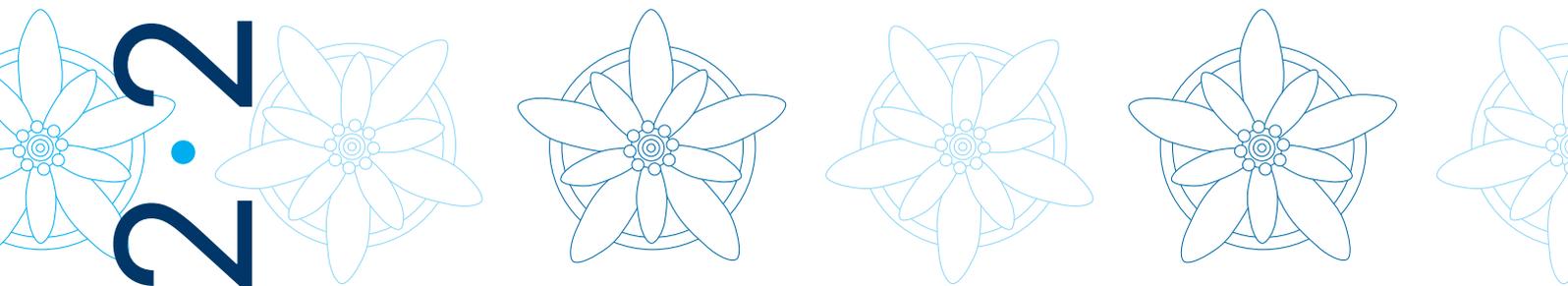


Introduction

As part of assessing the progress since the previous MAP study, a number of issues were selected for deeper analysis.

These issues were selected due to (i) their likely impact on human development, including the quality of access to basic services and infrastructure and the ability of households to be productive, (ii) relationship to government policies in Eswatini, particularly the National Development Plan (NDP)¹ and (iii) links to the UN SDGs.





Poverty and inequality

Among top 10 unequal countries in the world. Despite Eswatini's classification as a lower-middle-income country, there are high levels of inequality, with the Gini coefficient for Eswatini at 54.5 (in 2016), which places it among the top 10 most unequal countries in the world.²

Low incomes, high levels of poverty. As of 2017, 58% of the population were living below the national poverty line (a reduction from 63% in 2010). In addition, just over 28% of the population live below the international poverty line of US\$1.90 a day.³

Vulnerability related to geographic location. Poverty in Eswatini is more pronounced in rural areas, where 70% of the population live below the international poverty line: the rural areas of the Shiselweni and Lubombo regions have high proportions of the population living below the international poverty: about 72% and 67%, respectively.

In this sense, Eswatini is still quite far from achieving its SDG 1 target (emphasis added): SDG 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day

Food insecurity levels high. The Global Hunger Index classifies Eswatini as 'serious', with a score of 20.3 in 2020.⁴

The country's population has experienced high levels of food insecurity, with an estimated 30% of the population experiencing severe food insecurity between 2017 and 2019 (a figure largely unchanged from the 29.4% for 2014–2016). Estimates from 2019 show that at least a quarter of the rural population is food insecure in 2020.⁵

Weather patterns responsible for variability in food insecurity. The 2015 drought is considered the main reason for the increase in undernourishment: from just over 8% of the population for the period 2011–2013, to 17% in 2014–2016. The proportion of the population estimated to be undernourished is approximately 17% (2019/2020).

Although dietary adequacy has also fallen significantly from the pre-drought (pre-2015) period, between the previous MAP baseline and the current period it



Poverty in Eswatini is more pronounced in rural areas, where 70% of the population live below the international poverty line.



has remained at 104% of dietary energy supply adequacy, which indicates that people's diet is considered 'adequate'.⁶

For financial inclusion, broad-based livelihoods support remains crucial. Given high levels of poverty and food insecurity, clearly financial inclusion interventions need to continue commitment to broad-based livelihoods support.

Inclusive economic growth crucial for challenging poverty and inequality.

Economic evidence suggests that financial sector development can play a role in poverty reduction. An inclusive financial sector has both an indirect and a direct impact on poverty alleviation: there are links between financial sector development and more equitable growth, while broadening access to finance – especially by vulnerable groups, including the poor, rural communities and women⁷ – positively impacts the lives, livelihoods and prospects for economic and social mobility of the individuals and households involved; in turn, this increases the probability of a more equal society and more equitable consumption patterns, specific aspects of which are discussed in the sections that follow.⁸

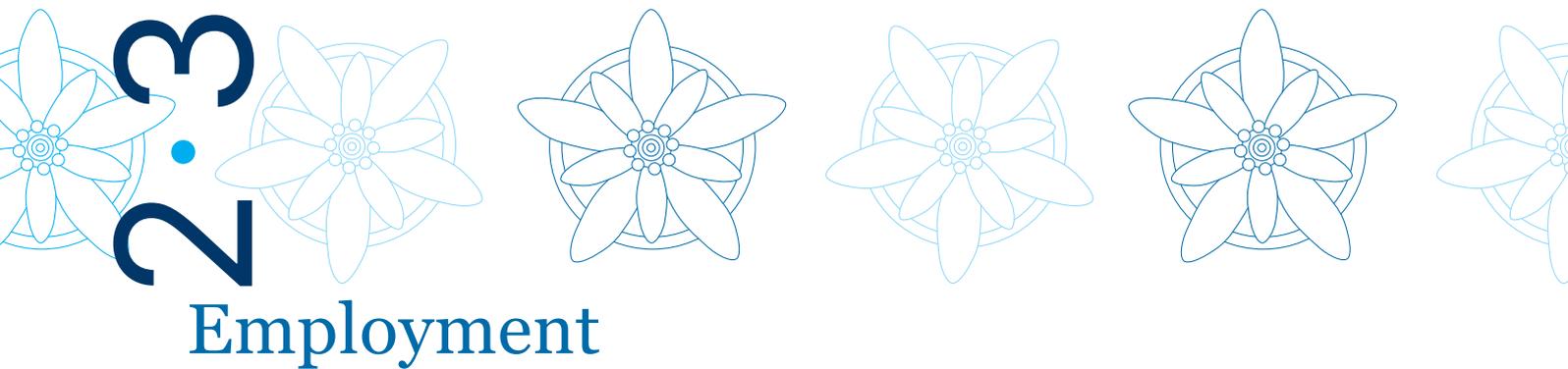
Low-growth conditions tend to dampen economic and financial inclusion. As discussed in detail in the previous chapter, Eswatini is in a five-year period of economic stagnation.⁹ It should be noted that low levels of economic growth and limited income-earning opportunities will tend to act as disincentives for individuals to seek financial products, which will in turn likely depress economic and financial inclusion levels. For example, where business opportunities (either a job or entrepreneurship) are limited, there will also be limited demand for individuals to seek credit to start a business or to open an account to store wealth.

Stagnating growth exacerbated by global pandemic. The COVID-19 pandemic will likely have a negative impact on financial sector development, which will serve to worsen poverty levels and further limit economic growth.

Financial inclusion must be able to distinguish those with potential to boost inclusive growth. The country is in urgent need of inclusive economic growth that can assist in poverty alleviation – and thus, in addition to boosting broad-based livelihoods support, financial inclusion strategies need to be focused on those able to support inclusive growth.



There are links between financial sector development and more equitable growth, while broadening access to finance.



Employment

Limited employment opportunities. Unemployment levels in Eswatini are high and have not changed significantly since the previous MAP. The unemployment rate in 2019 (as a % of the total labour force, which was 374,768 and as modelled by the ILO) was 22%, which is similar to the 2015 figure of 23% (total labour force was 345,515).

Unemployment levels higher among women. In both 2015 and 2019, unemployment was higher for females than for males: 25% and 24% for females in 2015 and 2019, respectively, and 22% and 21% for males in 2015 and 2019, respectively.

Youth unemployment in particular is high. Of youth between the ages of 15 and 24, 46% are unemployed;¹⁰ with slightly lower levels of unemployment for male youths (44%) in comparison to female youths (50%).¹¹

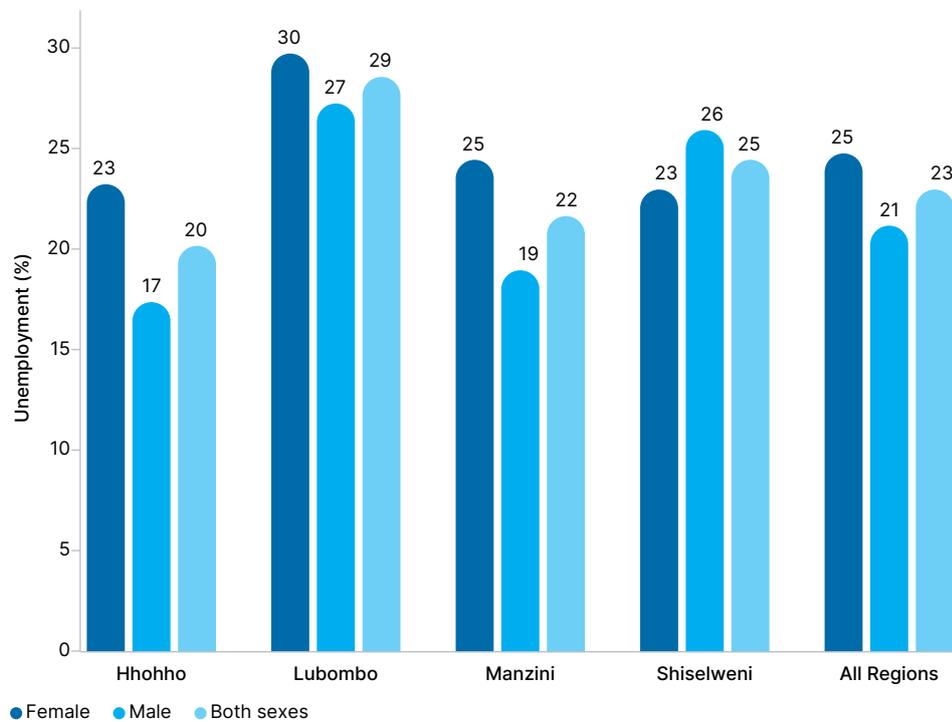


Figure 11: Unemployment, by gender and region (2016)

Source: Eswatini Integrated Labour Force Survey (2016).



As part of SDG 8 (on decent work and economic growth), Eswatini needs to make an impact on youth employment, education and training to meet the following target (emphasis added):

SDG 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training

Unemployment varies by region. While unemployment is high throughout the country, it is lower in the Hhohho region and higher in the Lubombo region (see Figure 11).

Marginal increase in labour force participation, with participation slightly higher in urban than rural. Labour force participation, as a percentage of the total population, has increased marginally over the past 10 years: from 50% to 52% (see Figures 12 and 13). Labour force participation in urban areas (just under 68%) is slightly higher than in rural areas (just over 45%).

Services industry accounts for majority of formal and informal jobs. Of the employed population, approximately 60% are employed in the services sector, and the remainder employed in households. The majority of those employed in the formal sector are in the services industry. Similar patterns hold for those informally employed, though a higher proportion are employed in agriculture (see Figure 12).

Of those formally employed, 63% are employees and 29% are working for their own account (i.e. self-employed). Of informally employed workers, 44% are employees and 44% are self-employed (e.g. MSMEs).



Of the employed population, approximately 60% are employed in the services sector, and the remainder employed in households.

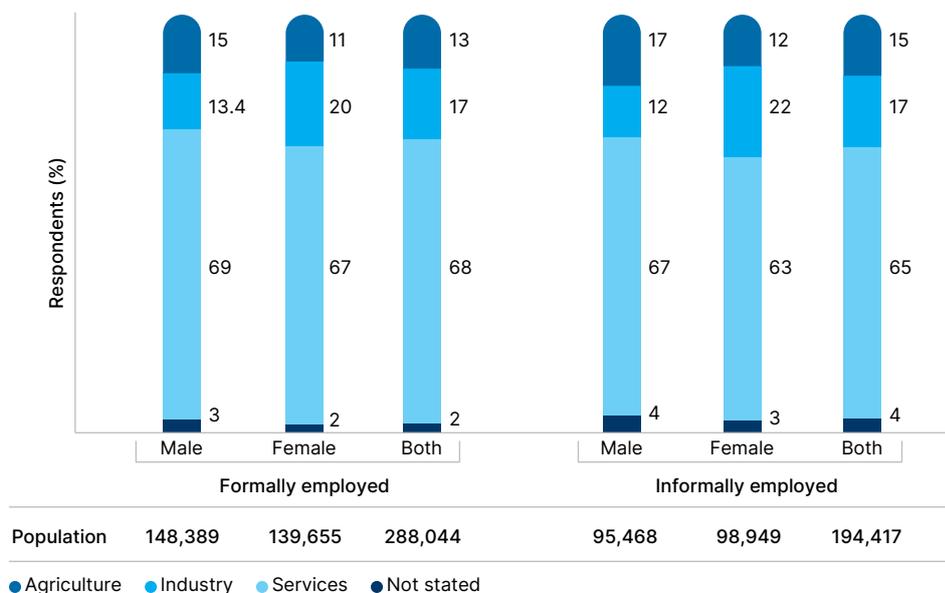


Figure 12: Employment, by industry and gender (2016)

Source: Eswatini Integrated Labour Force Survey (2016).

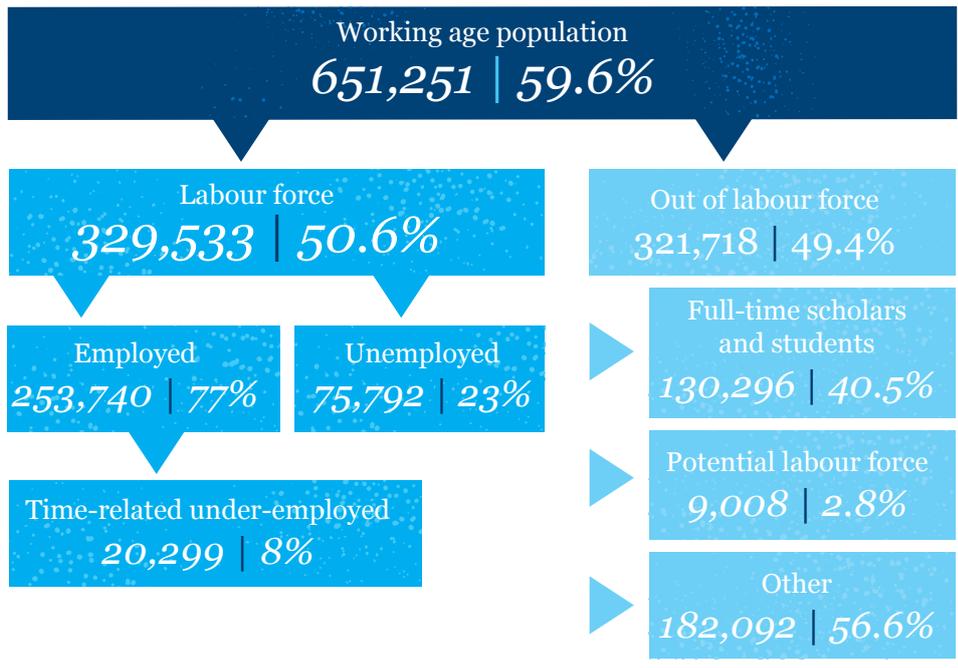
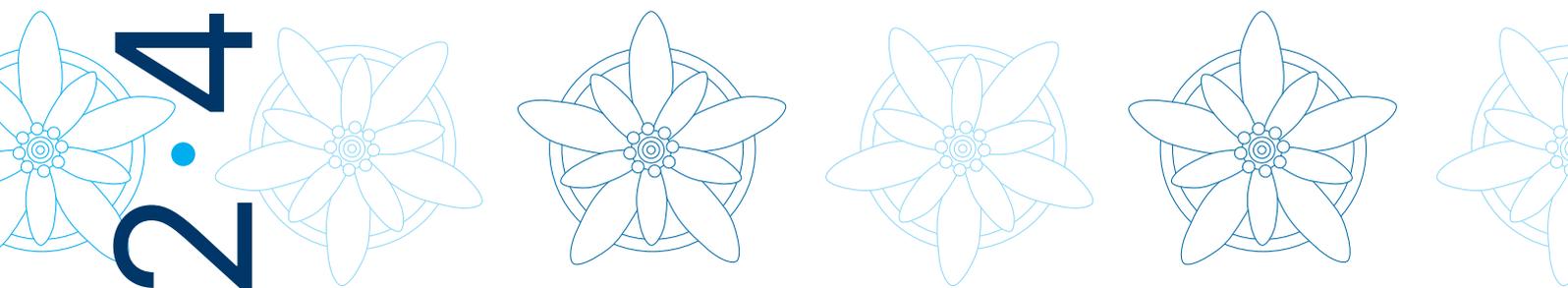


Figure 13: Breakdown of working age population, by 'labour force' and 'out of labour force'

Source: NDP 2019/20–2021/22, based on Eswatini Integrated Labour Force Survey (2016) percentages adjusted with 2017 Population and Housing Census results.

Note: The 'time-related underemployment' rate, which provides information regarding the share of employed persons willing and available to increase their working time that worked fewer hours than a specified time threshold, is a measure of labour underutilisation and signals inadequate employment availability (ILOSTAT)¹²



Children and youth

The United Nations has a range of interventions targeted at young people between the ages of 15 and 24, who are considered an important focus area for development.¹³

A country with a youthful population. Eswatini has a youthful population, with more than half the population (54%) being under the age of 35. The median age of the population for Eswatini for the period 2017–2019 was estimated to be 19.9 years; this increased to 20.7 years in 2020.¹⁴ The 2017 census put the number of residents between the ages of 0 and 17 at 43%.¹⁵

Children are a vulnerable group in Eswatini. Of children in Eswatini, 45% are orphaned and vulnerable children (OVC), partially as a result of the AIDS epidemic.¹⁶ In addition, children in Eswatini experience severe poverty. According to a 2018 analysis by UNICEF looking at ‘multiple overlapping deprivation’, 56% of children in Eswatini are multidimensionally poor.¹⁷ This includes deprivation in terms of factors such as health, nutrition, education and protection as well as water and sanitation. Such deprivation is more pronounced for rural areas (65% of children) than urban areas (23%); and interestingly, is higher for boys than girls. Indications are that rates of child stunting (i.e. low height for age) have increased since the previous MAP assessment: stunting increased from 23% in 2014, to just over 26% in 2019 (although it must be noted that these figures are decreased from just under 31% in 2010). Wasting (i.e. low weight for height) increased: from 2% in 2014 to 2.77% in 2017.

Youth less financially included than adults. Individuals under the age of 35 (young adults/youth) are more financially excluded (17%) than adults are (13%). And more young adults than adults use other formal institutions rather than a bank: for example, in 2018, 47% of young adults were banked compared to 55% of adults; and 35% of young adults use NBFIs compared to 30% of adults. There are indications that financial capability is lower among young adults, with people older than 36 years working through choice processes better than young adults do.¹⁸

Youth unemployment and decreasing levels of youth entrepreneurship a concern. While, as already discussed, levels of youth unemployment are high, the FinScope MSME study 2017 found that the youth (those aged 18–35) owned a quarter of the MSMEs surveyed.¹⁹ The proportion of young adults employed in



Eswatini has a youthful population, with 54% of the population under the age of 35.

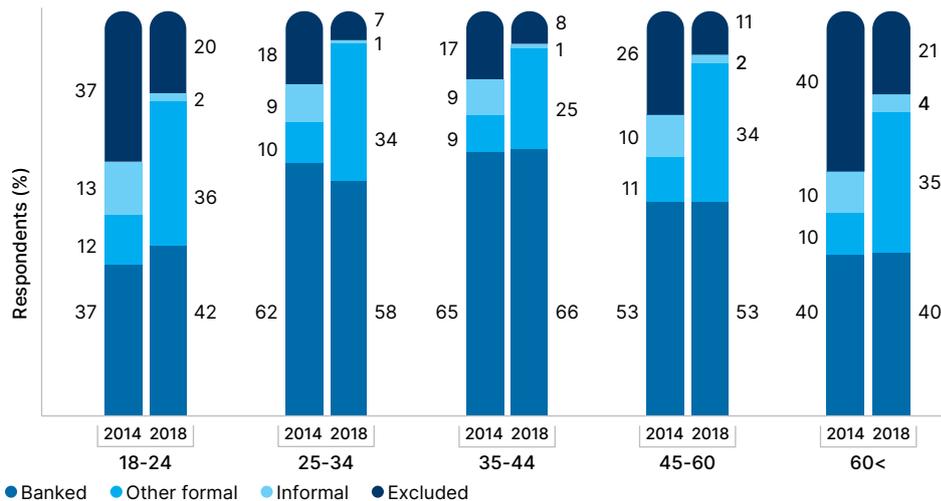


Figure 14: Uptake of financial services at a bank, by age group (2014 vs 2018)

Source: The National Surveys Data (FinScope) 2014 & 2018.

the formal sector declined, however, in the period 2014–2018: from 23% to 17%, while in the same period levels of young adult self-employment (non-farming) also declined: from 11% to 7%.

Youth dependence levels have increased. The proportion of the youth population dependent on remittances and money from relatives increased in the period (2014–2018).²⁰

Uptake of financial services varies by age group. In the period since the previous MAP study, the proportion of young adults aged 18–24 as well as of individuals aged 35–44 that took up financial services has increased, while the proportion of young adults aged 25–34 that took up financial services has decreased (and all other age groups stayed the same – see Figure 14).

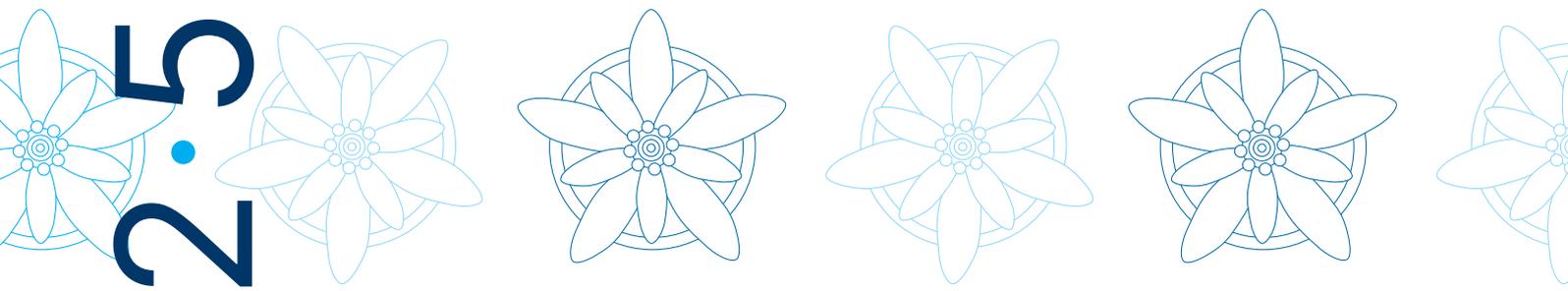
Financial literacy training important for youth financial inclusion. Given the low levels of youth employment and low income levels of youth, the lower levels of uptake of financial services compared to other age groups are to be expected. An important component of supporting youth financial inclusion is financial literacy training (from school level), and this is particularly important for OVC.

Government promoting youth employment opportunities – including entrepreneur financing. The Eswatini government specifically targets youth through dedicated programmes such as the Youth Enterprise Fund (YEF), a parastatal focused on youth employment and poverty alleviation: this includes financing for youth that are entrepreneurs along with support and training services.

Technology/digital can also help boost youth financial inclusion. Other forms of support for youth financial inclusion link to the broader financial inclusion mechanisms being recommended or pursued, such as digitalisation: for example, harnessing payments and social media data to assist youth in building up a credit profile, thereby expanding and improving the quality of the data that feeds into credit decisions on the part of providers.



The proportion of the youth population dependent on remittances and money from relatives has increased since 2014.



Gender-related disparities

Gender has a significant impact on financial inclusion, with studies showing that, after controlling for various variables, women are less likely to be financially included than men.²¹ This implies that, where there is gender inequality, women are less able to participate in the formal economy and use financial products to improve income and reduce poverty.

Eswatini doing better than neighbouring countries on human development by gender. The Gender Development Index (GDI), which is the ratio of the female-to-male human development index, was recorded to be 0.962,²² which is higher than the value for Sub-Saharan Africa as a whole (0.891).

Yet the country scores low on gender equality. However, Eswatini's Gender Inequality Index (GII), which measures gender-based inequalities based on reproductive health, empowerment, and economic activity, ranked Eswatini at 138 out of 145 countries, with a value of 0.579.²³

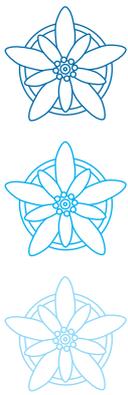
Other indicators mixed. For instance, women have higher life expectancies (64 as opposed to just over 55 for men in 2018)²⁴ but they have fewer expected years of schooling relative to men (10.9 for women, compared to 11.7 for men, in 2018) and mean years of schooling (6.3 compared to 7.2)²⁵ as well as a lower gross national income (GNI) per capita. However, the 2020 Eswatini Gender Dashboard shows that, while Eswatini is largely achieving parity in primary and secondary education, disparity is largely driven by differences in higher levels of education because men are more likely to have high-school, college and university education.

While child poverty rates are higher for boys than girls (60% as opposed to 54%), child poverty rates are higher for female-headed households (59%) than for male-headed households (53%).²⁶ In addition, women face higher health risks: the maternal mortality ratio is 389 per 100,000 live births, and the adolescent birth rate is 76.7 births per 100 women aged 15–19.

Lower levels of financial security, lower salaries for women. Females have lower levels of financial security and lower salaries, and are less likely to be employers. The average income for females is E1,968.20 while it is E3,038.73 for males.²⁷ Across all industries, the median ratio of male-to-female salaries was 1.39.²⁸ This



While child poverty rates are higher for boys than girls, child poverty rates are higher for female-headed households than for male-headed households.



is higher for some sectors: accommodation and food; and transportation. The reverse is observed for construction, and financial and insurance activities. In addition, an estimated 10% fewer women than men are employees (57% vs 67%), and only 1.6% of women are employers (compared to 2.7% of men).

More women than men are self-employed in Eswatini. A higher proportion of women are working for their own account (36%) compared to men (24%).

Overall, women in Eswatini have lower levels of education, lower labour force participation rates and fewer seats in parliament than men do.²⁹

Women bear more responsibility for dependants. Women in Eswatini largely control their own money to the same extent as males. However, they are generally responsible for a larger number of dependants.

Account ownership gender gap – NBFIs are significant. Historically, the gender gap in bank account ownership was higher than in surrounding countries. In 2016, a FinMark Trust study across the SADC region showed that Eswatini had the highest gender gap in bank account ownership (14%), though this narrowed when NBFIs were taken into account.

Significant improvements in financial inclusion for women – attributable to increases in NBFi account uptake. According to the National Surveys Data (FinScope), in 2014 only 47.2% of women in Eswatini had formal bank accounts and 13% had accounts with NBFIs. However, by 2018 this had changed significantly: while women’s use of formal accounts showed a very marginal increase, to 47.8% (and men’s use of formal accounts actually decreased, from 65% to 56%), the proportion of adults using services from NBFIs more than doubled: to 35% of women and 30% of men. This means that just over 80% of women are now financially included (whether formally or informally), compared to 75% of men (see Figure 15).



Overall, women in Eswatini have lower levels of education, lower labour force participation rates and fewer seats in parliament than men do.

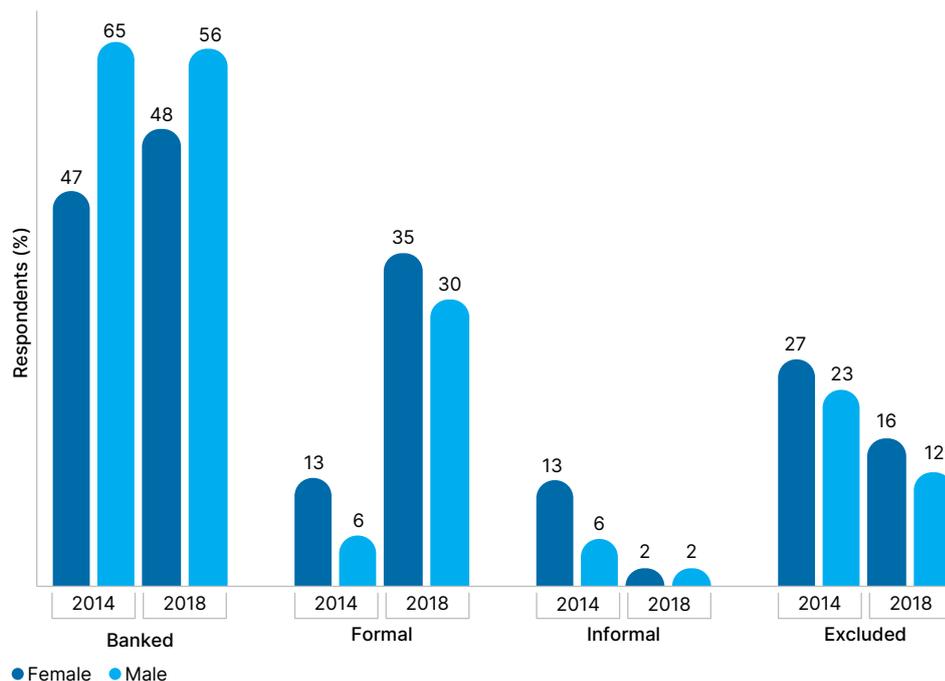


Figure 15: Financial services uptake, by gender (2014 vs 2018)

Source: The National Surveys Data (FinScope) 2014 & 2018.



Mobile money and SACCOs are popular with women. The Eswatini Gender Dashboard shows that 73% of women have a mobile money account (compared to 64% of men) and 9% of women have a SACCO account (compared to 6% of men). While differing marginally from the National Surveys Data (FinScope), the dashboard data also shows that fewer women than men have bank accounts (49% compared to 52%). This supports the finding that, while inclusion is increasing it is driven by reliance on NBFIs (such as mobile money service providers and SACCOs) and informal institutions.

More women than men own their own business – but they are less sophisticated.

There are 73,000 female business owners in Eswatini compared to 55,000 male business owners. Surveys of the MSME sector in Eswatini show that it is composed of 65% female MSME business owners and 35% male counterparts.

However, women typically were found to be more likely to own an independent business with no employees (74% female) than a micro (40%), small (33%) or medium firm (39%). The survey showed that most female MSME owners had no employees, and most female-owned MSMEs were classified as being in the least-sophisticated category; 76% of least-developed MSMEs were owned by women compared to just 39% of the most-developed MSMEs).³⁰

In terms of level of formality (registered/licensed): of businesses owned by women, 20% are formal, while of businesses owned by men, 35% are formal. The data highlights that women rely on self-employment as a means of survival (rather than out of entrepreneurialism).³¹

With significant differences in access to credit – only 13% of female business owners access formal credit, compared to 19% of male owners – there is scope for growth and development of female-owned businesses.

Gender-biased property rights systems have limited women's financial freedom. Historically, property rights for women, as well as the right to enter into contracts, secure bank loans or use bank accounts for married women (who were given the status of minors in law) were severely constrained in Eswatini. It was only in 2010 that the High Court ruled that some married women would be allowed to register property in their name.³² And only in 2019 did the High Court rule that the doctrine of 'marital power' was unconstitutional, thereby finally granting married women various rights, including the full right to buy and sell property in their name, sign contracts, and conduct legal proceedings without the consent of their husbands.³³ As such, women have had limited rights until very recently. A recent nationally representative survey of public attitudes showed that while most people surveyed (90%) believe that girls and boys should have an equal chance at education, only 52% believed that they should have an equal right to inherit or own land.³⁴ This has a number of implications for financial inclusion. The fact that, historically, married woman could not obtain a bank



Only 13% of female business owners access formal credit, compared to 19% of male owners.



loan, sell livestock or crops, or use property as collateral without their husband signing impeded their ability to fully participate in the financial system. Such discrimination is likely to leave a lasting legacy.



In terms of SDG 5 (on gender equality), rights to economic resources are as follows (emphasis added): SDG 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

A focused approach on equal rights is thus in alignment with the SDGs.

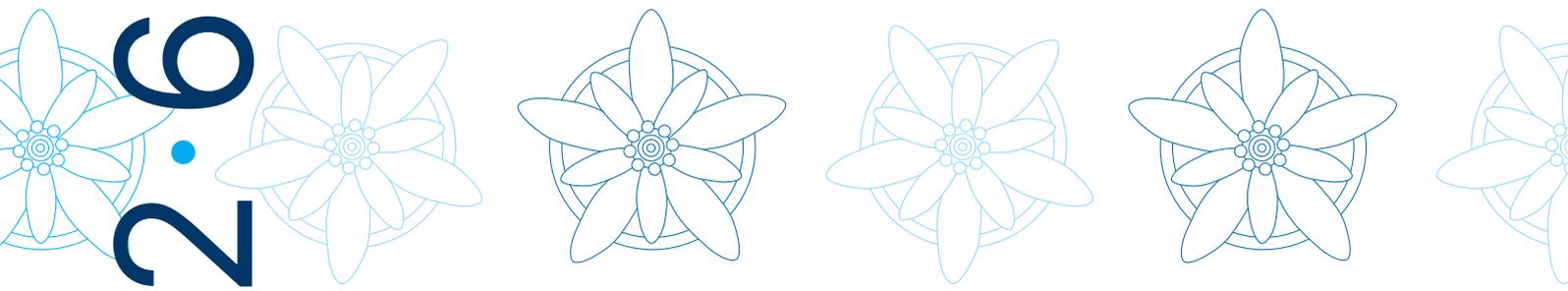
Gender must be incorporated into country's future financial inclusion strategy.

The impact of legal changes that provide women with the ability to open accounts and sell property should be monitored. The legacy of gender-biased laws needs to be considered as a background to interventions relating to financial inclusion because it is likely that gender still plays a role, particularly with regard to loans and collateral. Plans for financial education processes could thus consider incorporating gender considerations, such as property rights and the right to open individual bank accounts. Given the growth in uptake by women of NBFi accounts, it is also important that educational strategies relating to inclusion incorporate NBFi users.

Potential opportunities for women as bank and mobile money agents. Particularly given the fact that there are more female business owners than male in the country, strengthening incentives for women to become agents of banks and mobile money providers in rural areas could assist in empowering women within the financial services ecosystem.

Gender disaggregation is basic yet crucial functionality in data agenda.

Furthermore, data including supply-side data (such as that collected from banks and mobile money providers) and credit reporting data should be collected in a manner that allows for simple gender disaggregation and monitored to measure progress on financial inclusion for females.



Social protection

SDG 1.3 is as follows (emphasis added): Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Eswatini has various forms of social protection. Importantly, grants have been established to assist three important categories of marginalised or vulnerable groups: the elderly, disabled persons and OVC.

Unconditional cash transfers:

Cash transfers are provided for the elderly once they reach the age of 60. In 2018, the initiative reached 69,697 beneficiaries, each receiving E400 per month (increased to E500 in April 2020). The number over age 65 was estimated by the World Bank to be 46,095 in 2019. It is likely, therefore, that the transfers cover the elderly population over 60.³⁵

However, the National Surveys Data (FinScope) 2018 estimates suggest that 14% of the population is over 60, in which case there would be a gap in coverage: of around 24,000 – or 26% of the elderly.

Disability grants:

The disability grant initiative has stopped registering people and only provides for 4,641 people with disabilities.³⁶

OVC grants:

These grants provide funds to OVC for the cost of education and related expenses (e.g. school fees, books). As of 2017/2018, the grants were providing funds of E1,950 per OVC per year for 55,572 OVC.³⁷ However, these grants reach a very small proportion of those that are vulnerable. For example, UNICEF estimates that 60% of children are vulnerable, and 71% of these are OVC; while the 2016/2017 Income and Expenditure survey showed that the OVC grant reached 19% of households.³⁸

OVC pilot learnings informing future intervention. A now-concluded pilot programme provided OVC that were poor with amounts ranging from E100–E200



Cash transfers are provided for the elderly once they reach the age of 60. In 2018, the initiative reached 69,697 beneficiaries, each receiving E400 per month.



per month. This programme served 13,506 children. The programme was not government funded, being funded by the EU and the World Bank. While the programme was concluded in September 2018, the learnings from the pilot are being used to inform design of a potential, broader cash transfer programme.

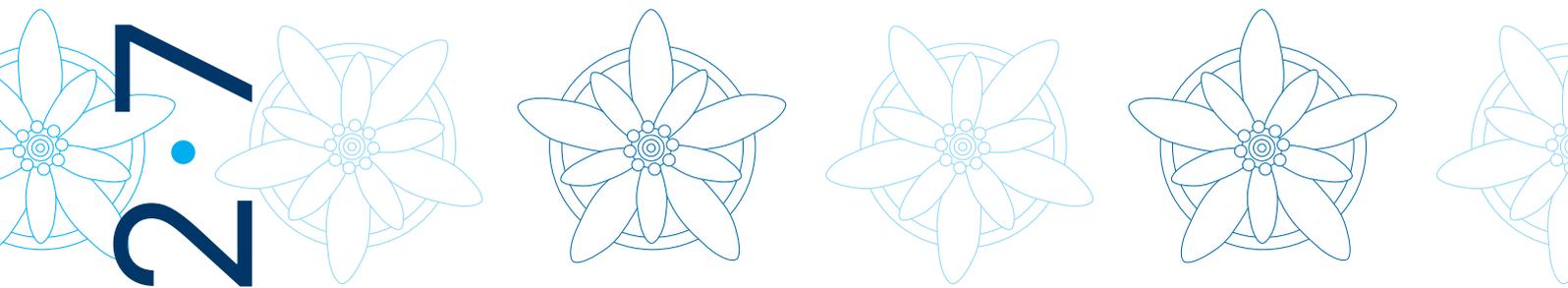
Thus, Eswatini has made progress serving the needs of the elderly but is still some way from achieving SDG 1.3 in terms of covering all poor and vulnerable members of the population.

Given transaction fees on grant cash-out, mobile money could be more affordable channel for beneficiaries. Although grants are disbursed through a range of channels, the use of bank accounts and mobile money to distribute grants is not very high (according to anecdotal evidence from interviews). However, transaction fees on beneficiary cash-out can form a significant proportion of a monthly grant of E500 or an amount of E100 for OVC. Mobile money operators have stated that bulk disbursements are priced differently and competitively and the donor carries the cost, with the beneficiary simply covering agent commission (although this too is often subsidised or paid for by the donor).

Subsidised transactions, volumes and competition could help promote electronic disbursement. It is important that consideration be given to subsidised transactions, in order to promote electronic means of disbursing grants; and that volumes and competition in mobile money be stimulated to reduce the cost of transfers. Furthermore, similar considerations should be given for bank-related products such as basic bank accounts.

Digital processes and data could be harnessed to improve grant disbursement. There is potential for digital processes to assist with improving the efficacy of social transfers. Digital means of targeting beneficiaries could be used to supplement existing methods; for example, using satellite imagery such as vegetation maps and indices, which can be a proxy for income, particularly in rural areas. Data on household expenditure, which is needed in order to effectively design social cash transfer programmes, could potentially be gathered from digital service providers and from high-frequency telephonic surveys to assess impact. Furthermore, communicating with beneficiaries via digital means could make benefits easier to understand for the public.

Electronic/digital means must be used to curb grant disbursement costs. Given the likely growth in the social cash transfer programme, it is imperative that the costs of cash transfers be reduced by using electronic means, including mobile money and basic banking products. The government might use this as an opportunity to increase pressure on providers to reduce their prices based on significantly larger economies of scale arising from shifting social cash transfers to digital means or mobile money.



Healthcare

Low life expectancy. Eswatini has one of the highest levels of HIV prevalence in the world, with 26% of the adult population infected with the virus. This is even higher for males (34%) between the ages of 14 and 49, who make up an important part of the labour force. In addition, life expectancy at birth is just over 59 years – although this figure represents an increase from the 55 years at the time of the previous MAP, and from the life expectancy of 43 years at the peak of the HIV/AIDS epidemic in 2005.³⁹

The increase in life expectancy is largely due to interventions such as the roll-out of free antiretrovirals and medication to prevent mother-to-child transmission of HIV.⁴⁰ The national HIV incidence declined from 238 per 1,000 in 2014 to 136 per 1,000 in 2017.

Incidence of TB decreasing. While Eswatini has also historically had one of the highest incidences of Tuberculosis, with 1,250 cases/100,000 population in 2017, by 2019 this had fallen to 300 cases/100,000 and likely has fallen further, largely as a result of a multipronged emergency plan focused on awareness, testing and treatment.⁴¹

Incidence of malaria mostly decreasing. Likewise, malaria prevention/treatment in Eswatini is being supported, although the country has had mixed success on its goal of reducing transmission by 2020: while there has been a reduction in cases, there have been spikes (e.g. 724 cases in 2017 compared to 157 in 2015, though this returned to 268 in 2018) and difficulty with imported cases due to population mobility.⁴²



Eswatini has one of the highest levels of HIV prevalence in the world, with 26% of the adult population infected with the virus.

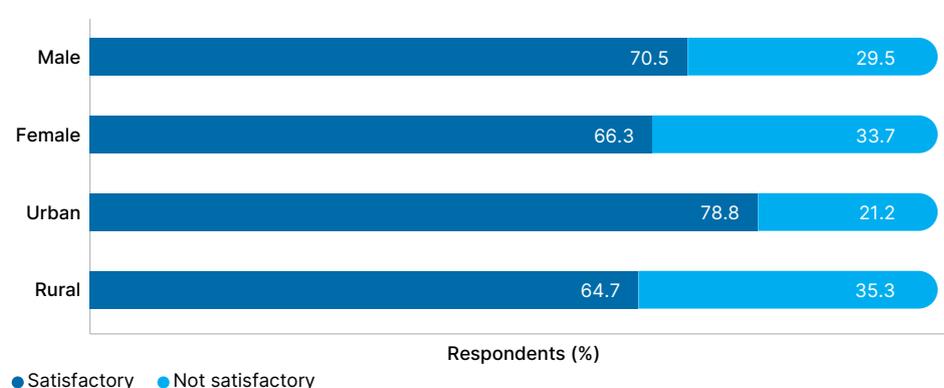


Figure 16: Satisfactory and unsatisfactory general health, by gender and by geographic location

Source: The National Surveys Data (FinScope) 2014 & 2018.



Individual health status affected by gender and geographic location. According to the National Surveys Data (FinScope), just under 69% described their health as 'satisfactory'. In terms of gender, more males (71%) than females (66%) described their general health as satisfactory. Furthermore, nearly 79% of individuals living in urban areas claimed their health to be satisfactory, compared to nearly 65% of individuals in rural areas (see Figure 16).

Poor health outcomes overall. Health outcomes are poor. The maternal mortality rate is 589/100,000 live births and is significantly higher than the SDG value of 120/100,000 maternal deaths. Child mortality under the age of 5 is 54/1,000 live births, with infant mortality at 41/1,000.⁴³

SDG 3 is to ensure healthy lives and promote wellbeing. Related to financial inclusion, SDG 3.8 is focused on health coverage:

SDG 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Increased government spending on healthcare, and donor funding also key. Healthcare spending in Eswatini in 2020 was budgeted at 11.5% of the total budget, at a level of E2.3bn,⁴⁴ which has increased from 2.7% of the budget in 2014. There is significant donor funding, particularly for programmes related to HIV, from PEPFAR, the Global Fund, the Republic of China (Taiwan) and the UN.

Low levels of support for private health facilities and medical schemes. In the low-income UNCDF MAP countries, while public healthcare is usually more affordable than private healthcare, private doctors and hospitals usually offer better quality of service than public healthcare facilities do. Private healthcare expenditure accounts for around 26% of health expenditure and this has been stable since the previous MAP study (although data is only available up to 2017). Medical schemes exist in Eswatini and there are two licensed ones: Swazi HMO-Mpilwenhle and Swaziland Medical Aid Fund. However, for the most part these medical schemes service the middle- to upper-income earners at present.

The National Surveys Data (FinScope) 2018 shows a fall in the numbers of people having medical insurance (see Figure 17); this might be linked to the drop in those formally employed because medical insurance is often linked to employment (see Figure 18).

Vast majority of people, including employed, use public health facilities. The National Surveys Data (FinScope) shows that 93% go to a public hospital or clinic when they are ill and need treatment. Slightly more males access private treatment than females, with 6.1% of males accessing private doctors and hospitals compared to 3.5% of females. The proportion of individuals that access private healthcare services is higher in urban than rural areas (see Table 3).



Private healthcare expenditure accounts for around 26% of health expenditure and this has been stable since the previous MAP study.

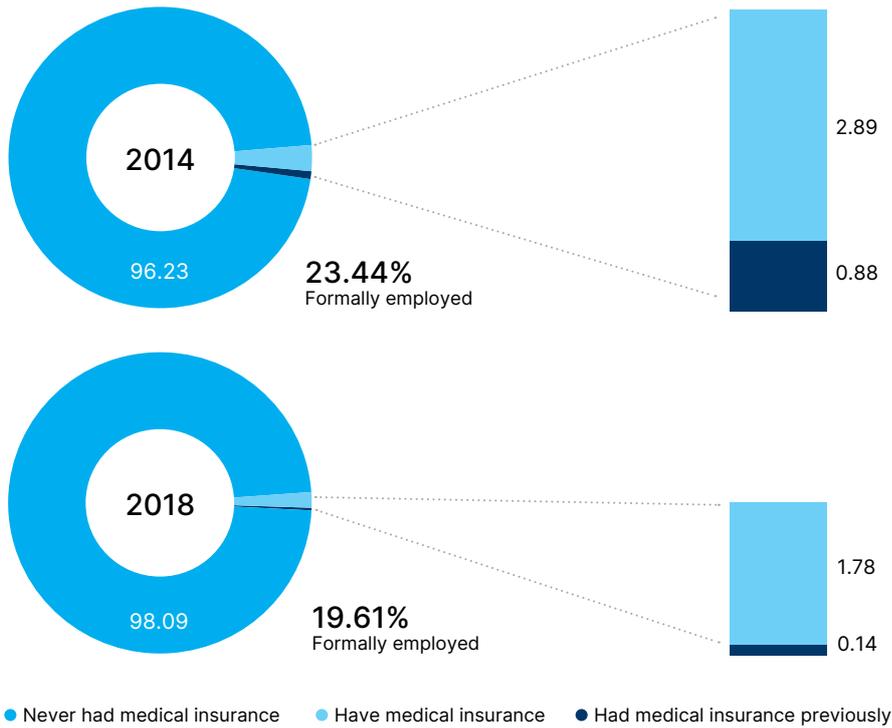


Figure 17: Change in medical and motor insurance compared to change in permanent work status (2014-2018)

Source: The National Surveys Data (FinScope) 2014 & 2018.
 Note: The category of 'Have medical insurance' for 2018 is a combination of those having insurance in their name and having insurance through someone else.

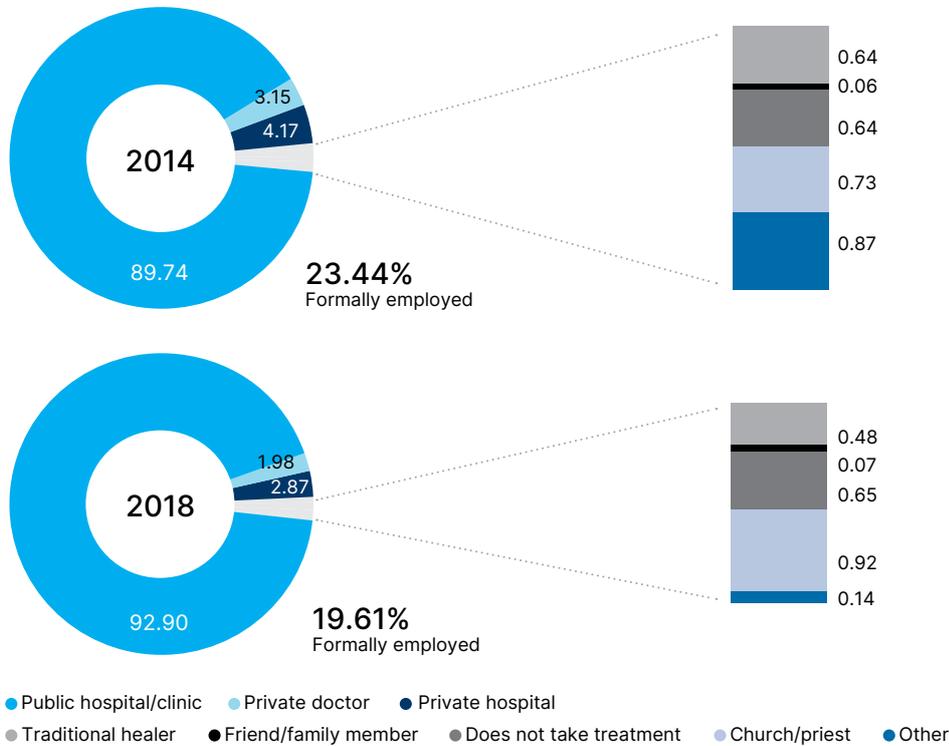


Figure 18: Change in treatment when ill compared to permanent work status (2014 vs 2018)

Source: The National Surveys Data (FinScope) 2014 & 2018.

**Table 3: Treatment when ill, by gender and location (2018)**

	MALE	FEMALE	URBAN	RURAL
Public hospital or clinic	91.2%	94.7%	87.2%	95.0%
Private doctor	2.6%	1.3%	4.5%	1.1%
Private hospital	3.5%	2.2%	6.5%	1.5%
Traditional healer	0.7%	0.2%	0.1%	0.6%
Friend/family member	0.1%	0.1%	0.0%	0.1%
No treatment	0.7%	0.6%	0.5%	0.7%
Church/priest	1.0%	0.8%	1.2%	0.8%
Other	0.2%	0.1%	0.0%	0.2%

Source: The National Surveys Data (FinScope) 2018.

Out-of-pocket charges often a significant burden on poor individuals and households. While there is extensive reliance on government provision of healthcare services, consumers still often face out-of-pocket charges such as user fees for public hospitals and clinics that provide consultations and medication.

According to the National Surveys Data (FinScope), approximately 95% of those with permanent work status visited a public health facility in 2018; this was recorded to be an increase from 78% in 2014 (see Table 4). When medication is not available at the public health facility it needs to be purchased privately. For example, a 2015 study found that 71% of patients interviewed, on exiting a health facility did not receive all their prescribed medication and thus needed to purchase it privately or forgo it.⁴⁵

Table 4: Source of treatment when ill, by those with permanent work status (2014 vs 2018)

TREATMENT SOURCE WHEN ILL	PERMANENT WORK STATUS (2014)	PERMANENT WORK STATUS (2018)
Public hospital/clinic	77.99%	94.61%
Private doctor	8.08%	1.31%
Private hospital	10.48%	1.99%
Traditional healer	0.45%	0.44%
Friend/family member	0.15%	0.00%
Does not take treatment	0.60%	0.68%
Church/priest	0.60%	0.92%
Other	1.65%	0.05%

Source: The National Surveys Data (FinScope) 2014 & 2018.

Out-of-pocket expenditure in Eswatini fell from around 15% in 2003 to stabilise at 10.6% in 2008.⁴⁶ At the time of the previous MAP study, it had remained constant at 10.5%; while more current data is not available, as of 2017 it was still at that level. While the proportion of out-of-pocket payments is low, relative to other countries, it is still of concern given the number of households living below the poverty line.



Out-of-pocket payments for health can include consequences such as impoverishment, financial catastrophe and forgoing health services that are required. A recent study based on Eswatini data (though modelled using historic data) estimates that, depending on assumptions, between 2.4% and 24.1% of households incur financial catastrophe as a result of out-of-pocket healthcare payments. Furthermore, between 1% and 1.6% of the population are pushed below the poverty line as a result of out-of-pocket healthcare payments.⁴⁷ These estimates do not account for those individuals that require healthcare assistance but forgo it due to lack of affordability.

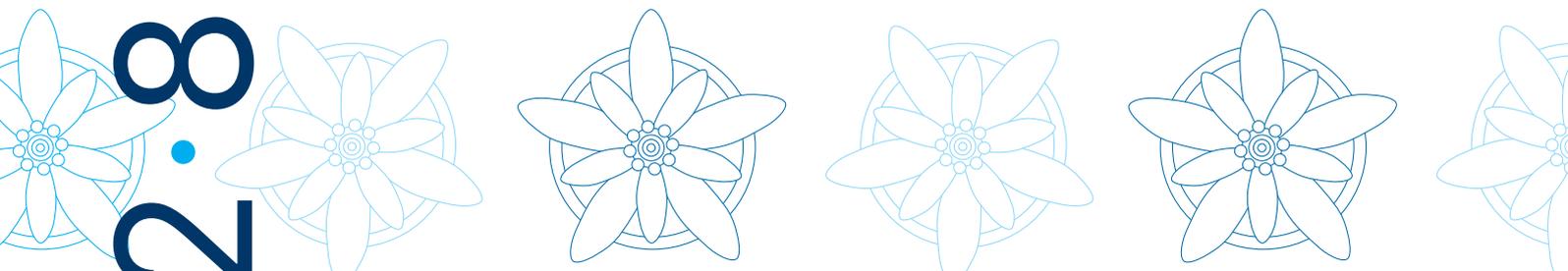
Saving is most common coping mechanism for health risks – but most not able to save for this. Currently, a large number of people used savings as the most common coping mechanism when an expensive event occurred as a result of illness (nearly 12% were males and 9% were females). However, a small proportion of the adult population are able to save for medical expenses. According to the National Surveys Data (FinScope) 2018, 81% did not save for medical expenses that were either planned or occurred due to an emergency; of the nearly 19% that did save, 10% were males and 9% were females.

Clearly, universal service goals as per the SDG 3.8 target are not being adequately met.

A role for financial inclusion to mitigate health-related shocks. It is important to note that the shock created by an adverse health outcome might extend beyond the cost of medical treatment, and might also be a result of unexpected consequences of illness, such as loss of income. This fact suggests a potential role for financial inclusion mechanisms to assist in (i) creating savings facilities to assist with unexpected healthcare shocks, (ii) the development of lower-income-focused health insurance options or hospital cash plans and (iii) provision of accessible loan facilities.



A large number of people used savings as the most common coping mechanism when an expensive event occurred as a result of illness.



Education

Free primary education but secondary not free. In 2010, the Eswatini government started introducing free primary education, and the country has near-universal net enrolment at primary level.⁴⁸ However, attendance at secondary school is less than 30%, with fewer learners in senior secondary than in lower secondary. This is due to a shortage of secondary schools relative to primary schools, as well as school repetition and the fact that secondary school is not free. Repetition is high at primary and secondary levels (see Figure 19).

Government expenditure on schooling as proportion of budget has declined. As a country, Eswatini spent over 15% of its budget on schooling in 2018/2019 (a total of E3,329,023). This is lower as a proportion of the overall budget than in previous years and is substantially less than the 20% spent in 2012/2013.⁴⁹



Eswatini spent over 15% of its budget on schooling in 2018/2019. This is lower as a proportion of the overall budget than in previous years.

Eswatini needs to improve access to education in order to attain SDG 4 on quality education, particularly to meet the following target: SDG 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

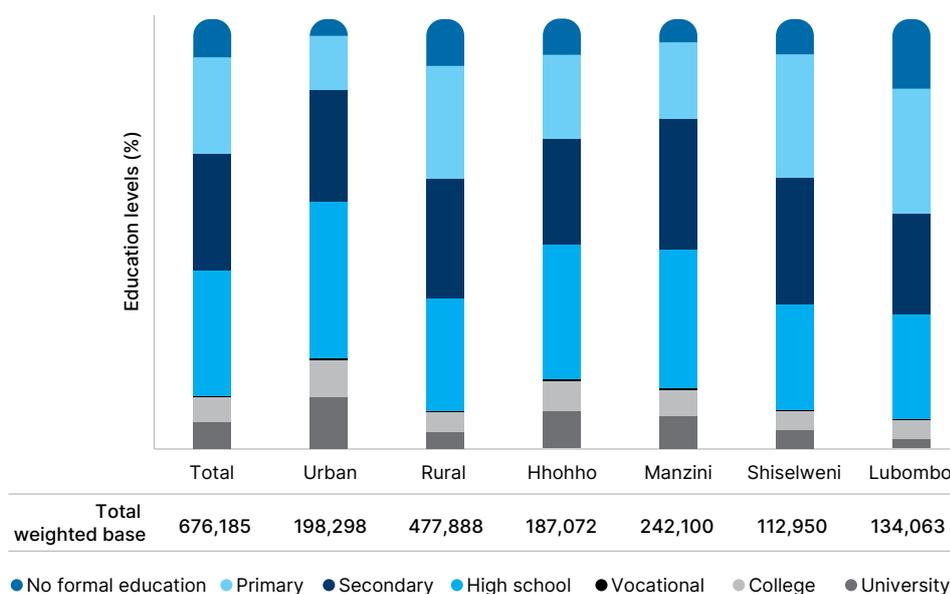


Figure 19: Education levels, by urban/rural and by region

Source: Eswatini State of Financial Inclusion Report (2019).

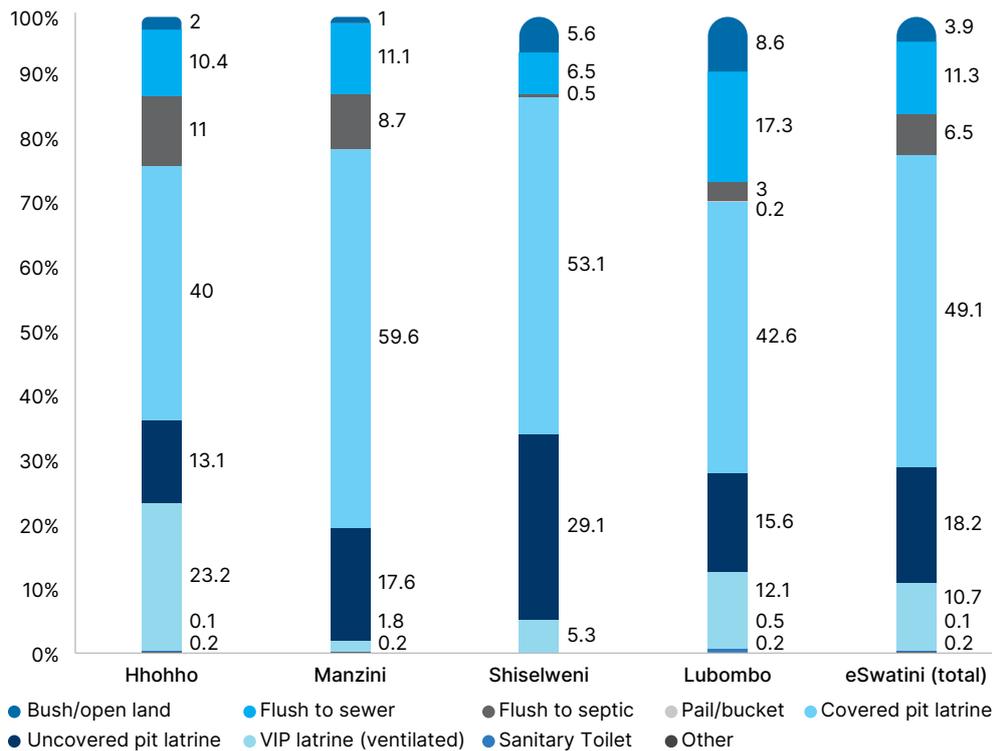


Figure 20: Mean years of schooling for males and females in selected SADC countries (2018)

Source: UNDP, Human Development Data, 1990–2018.

Gendered nature of education provision. The mean years of schooling figure in Eswatini in 2018 was 6.3 years for females and 7.2 years for males. While this is higher than the average for Sub-Saharan Africa, it is lower than in other SACU countries such as Botswana and South Africa, as shown in Figure 20. Furthermore, it shows a bias towards providing education for males rather than females.

Education costs consume high proportion of household budgets. An average adult in Eswatini spends approximately 7% of their budget on education (including fees, uniform, transport and stationery). However, household expenditure on education as a percentage of *non-food household consumption* in Eswatini is close to 20%. This is the highest of all African countries and is significantly higher than high-income countries, which spend just over 8% on average.⁵⁰

People cope with education-related risks by borrowing. The National Surveys Data (FinScope) 2018 shows that, from a household perspective, the most common coping mechanism for an unforeseen education-related expense in the previous 12 months was borrowing money (3%); and this was the case for males (2%) and females (4%) alike.

School fees do not feature very strongly in money remitted. Of those sending money, 3% sent money for school fees, with marginally more females (4%) than males (nearly 3%) sending money for school fees; and a small proportion of females (nearly 3%) receiving money for school fees, with even fewer males (just over 1%) receiving money for school fees.



Financial inclusion closely tied to success in increasing education levels.

Research has shown that the most important characteristic of people without bank accounts is that they tend to be in the very low-income bracket and have low levels of education.⁵¹ If financial inclusion is to succeed, and its benefits to be realised, there is a need for increased education.

For many reasons, education for females must be emphasised. Given that education plays an important role in the success of female-owned enterprises, that in Eswatini more females than males own a business, and that females in the country have lower average number of years of schooling, it is also necessary to emphasise education for females.

There may be scope for increased products to assist with the educational sector.

Payment systems: If payment for school fees and education can be done through mobile money or bank transfers, this reduces the time and effort spent paying fees and also reduces the risk of money being lost or stolen (particularly in instances where fees are given to children to pay).

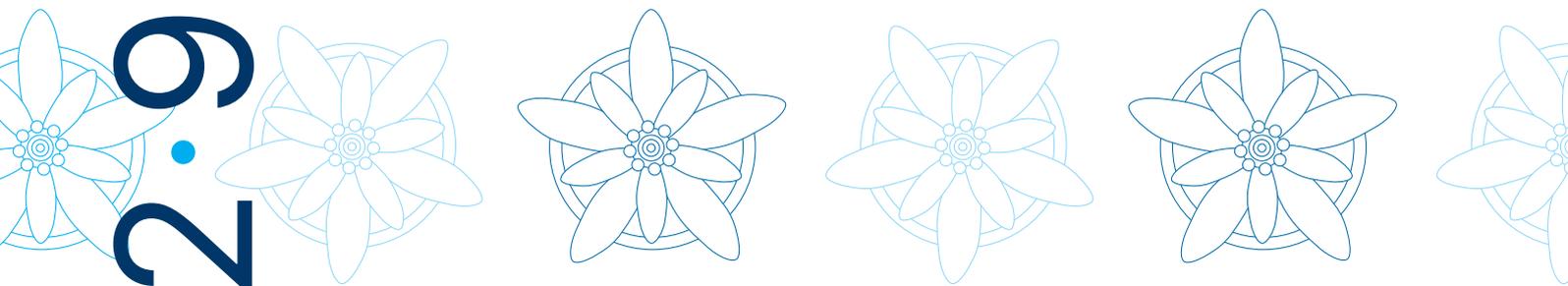
Creating savings and loan products to assist with education: Given the high societal benefits of education, it seems helpful to consider creating specific products to assist with educational expenses: such as, for example, savings products (including digital) that pay a return and thereby incentivise saving, and education-specific loan products. The likely resulting societal benefits would justify government assistance to subsidise such savings and loan products.

Switching to mobile money for school fees could offer range of benefits. It should be noted that digitising school fees, for example, can lead to increased financial inclusivity. For example, BRAC in Bangladesh ran a pilot programme that digitised school fees and set up a mobile money account on the parent’s phone. The result was that families used the mobile money accounts for purposes beyond only paying school fees, and students also learnt how to use mobile money.⁵²

Need to strengthen linkage between education and financial inclusion. Schools and educational institutions can play a central role in enhancing the financial literacy of youth and children. Financial inclusion interventions should thus include partnerships between government and its educational ministry to incorporate practical financial literacy tools for students into the system (either through the curriculum or workshops); such initiatives could potentially include partnerships with financial institutions.



Research has shown that the most important characteristic of people without bank accounts is that they tend to be in the very low-income bracket and have low levels of education.



Basic services and infrastructure

This section considers the links between basic services and infrastructure and real-world outcomes, including the social impact of basic services on people. Three areas of infrastructure are highlighted for discussion, based on Eswatini's National Development Plan⁵³ and the UN SDGs: mobile network infrastructure; water and sanitation; and electricity.

Mobile network infrastructure

Telecommunications infrastructure critical to enabling digital services. Improved telecommunications infrastructure has implications for the development of businesses, in terms of market access, access to information and systems (including payments), and individual financial services alike.

Mobile penetration quite high but coverage above 2G/GSM fairly low. Mobile penetration in Eswatini is relatively high, with market penetration of 97% in 2019, up from 75% in 2014, according to MTN (ITU data showed penetration of 94% in 2017). The GSM Association coverage map shows close to complete 2G or GSM coverage across most of the country, with slightly worse coverage on mountainous borders with Mozambique.⁵⁴ However, ITU indicators suggest coverage is fairly low for 3G at 54% (relative to just under 63% for Africa, and just under 88% for the world), while its LTE/WiMax coverage at 54% is relatively higher than the African average though still lower than the world average of about 76%. Networks for newer technologies such as 4G have predominantly been developed along roads covering the business corridor through the middle of the country.

Low levels of accessing Internet. In 2017, individuals using the Internet were only 47% of the population, although this is likely to reflect mobile Internet because fixed broadband is only 0.6% of the population, and the proportion of households with Internet access is low at 27%.⁵⁵

Mobile market very concentrated. Historically, Eswatini had a single operator, MTN Eswatini. While the entry into the market of a second mobile network operator, Swazi Mobile, in 2017 introduced competition, they still appear to



Mobile penetration in Eswatini is relatively high, with market penetration of 97% in 2019, up from 75% in 2014.



have a low share of the market. In the first quarter of 2020, MTN Eswatini had 957,000 subscribers⁵⁶ – up from 889,000 in 2014. As of 2019, 461,000 were data subscribers and 433,000 were mobile money subscribers. According to MTN, they had a market share of nearly 85%,⁵⁷ which suggests Swazi Mobile had a share of approximately 15%.

MTN has a large number of sites: 420 2G sites, 415 3G sites and 184 4G sites. Swazi Mobile shares some sites with MTN and has a few of their own. Thus, the market is significantly concentrated. However, this is to be expected to some extent given the population size.

High ICT costs cause for concern as impede development and financial inclusion.

Concerns have arisen in relation to the price of ICT in Eswatini. Research that compared 1GB of data across countries in US\$ found that 1GB of data in Eswatini, in 2019, was the most expensive in Africa at US\$21.39. However, this price had come down from US\$35 in 2015. High ICT costs can impact on development but also impede financial inclusion to the extent that they increase the costs of using digital products and services for consumers and customers alike: such products and services include payment systems, and use of technology for information services (e.g. geomapping or agricultural information) that reduce risk for credit providers.

Recognition of need for strong and competitive ICT sector in Eswatini. It is worth noting that strong ICT infrastructure is a basis for financial inclusion, in terms of its role in both payment systems (bank and mobile, respectively) and digitalisation: put simply, higher ICT costs, by increasing the cost of accessing systems, contribute to entrenching exclusion.

As part of the country's post-COVID economic recovery plan,⁵⁸ ICT has been recognised as an important business enabler; suggested interventions include, for example, the liberalisation of the ICT sector. In addition, MTN is to expand LTE/4G by investing in an additional 30 sites to increase coverage.

Water and sanitation

Water is an essential resource for households, for drinking and sanitation as well as for agriculture; this is especially true in Eswatini, given low rainfall levels for agricultural purposes. However, the country experiences challenges with water, particularly as its water resources are shared with neighbouring countries. Historically, irrigation has consumed a high proportion of water, with an estimate of approximately 95% of total use.

Geographic location plays role in disparities in access to water. National potable water coverage stands at 72% – increased from 66% during the previous MAP study. This is disparate across areas, with 96% coverage in urban areas and only 63% in rural areas. Of this, 57% of the population use piped water. However, 67% of the rural population depend on rivers and unprotected wells for water. The National Surveys Data (FinScope) supports this: 55% of households in Hhohho, 65% in Manzini and 51% in Lubombo use piped water as their main water source



Eswatini experiences challenges with water, particularly as its water resources are shared with neighbouring countries. Historically, irrigation has consumed 95% of total water use.

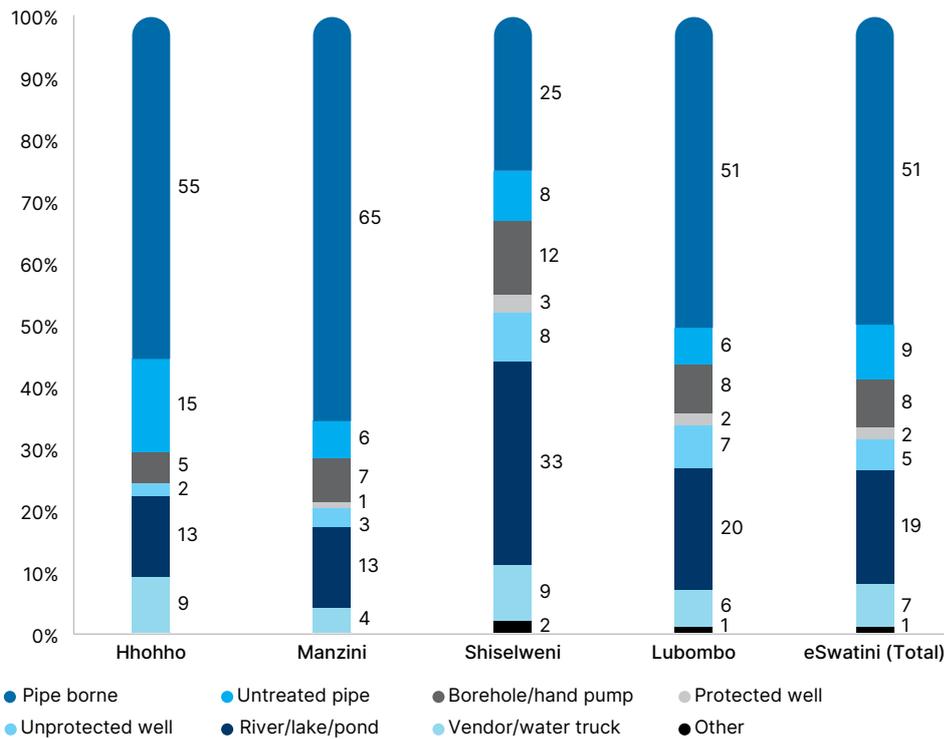


Figure 21: Source of water, by region

for their household. In Shiselweni the main water source was a river, lake or pond (see Figure 21). There is a slight gender discrepancy evident, with more male-headed (just over 52%) than female-headed (just over 49%) households having access to piped water as their main water source.

Clean water and sanitation is covered by SDG 6. One of the targets is the following: SDG 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all



Eswatini needs to improve access to potable water in order to achieve its SDG 6 target.

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Covered pit latrine is most common toilet facility. Sanitation coverage is lower than water coverage, with only 58% of the population having access to basic sanitation facilities in 2017 (up from 57% in 2014), and only 31% of houses having basic hygiene facilities (while 44% have no facilities and 31% have limited facilities).⁵⁹ According to the National Surveys Data (FinScope), a covered pit latrine is the most common type of toilet facility for households in all four regions: 40% in Hhohho, almost 43% in Lubombo, just under 60% in Manzini and 53% in Shiselweni. The second most commonly used toilet type in the Hhohho region was the VIP (ventilated pit) latrine, while for the other regions it was the uncovered pit latrine.

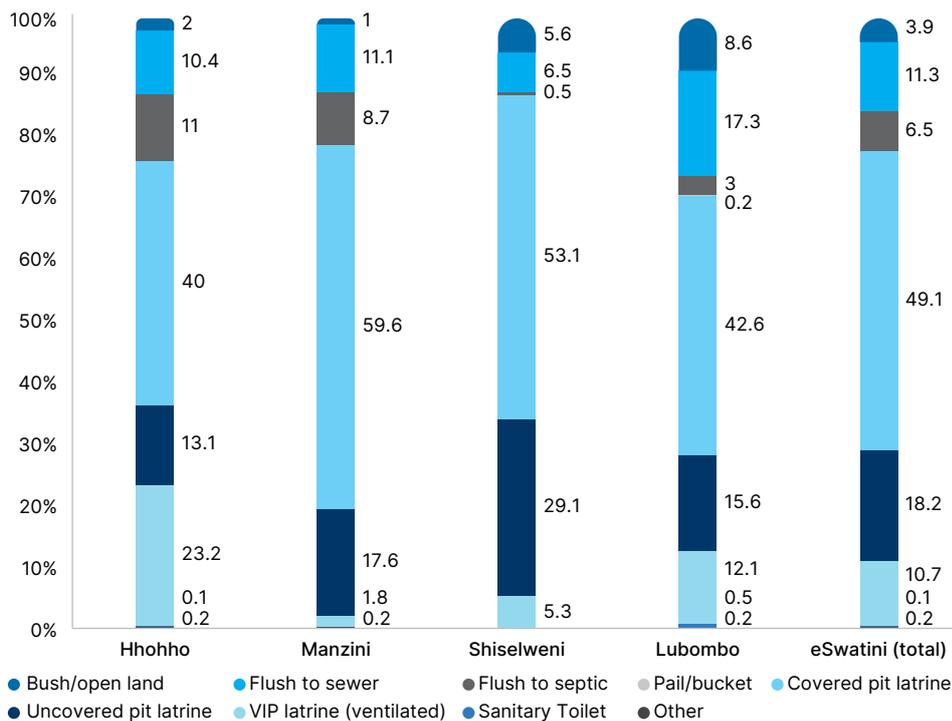


Figure 22: Type of toilet facility used by household, by region

Sanitation varies by geographic location. For the covered pit latrine, 40% of the urban population and 52% of the rural population were found to use this as the most common type of toilet facility, while the second most common toilet facility was found to be the ‘flush to sewer’ for urban areas (29%), and the uncovered pit latrine in rural areas (just under 21%). Both male-headed (48%) and female-headed (50%) households used a covered pit latrine as their most common toilet facility for their household (see Figure 22).

Financing access to sanitation should be considered. While there are benefits to access to sanitation facilities, it can be expensive for a household to invest in this. Studies in other countries have shown that lack of sanitation financing can be a bottleneck to improving sanitation in poor communities and that financing options tailored to communities in the area should be available to assist families to build sanitation.⁶⁰

Focus on water usage, infrastructure and prices, and related financing. The government is currently focusing on enhancing water usage and is aiming to engage in infrastructure projects, including dams and pipelines, as well as to improve regulation of water prices. Several current agricultural projects include an irrigation component. Financing of water access and irrigation equipment is potentially important for the development of agribusiness in rural areas.



Electricity

Geographic location plays role in electricity access. Eswatini has been steadily increasing its population's electricity coverage: from 65% of the population at the time of the previous MAP study, to 76% in 2018.⁶¹ The country aims to have universal access to electricity by 2025. This would place it on track to meet SDG 7 on affordable and clean energy – and particularly SDG 7.1: 'by 2030 ensure universal access to affordable, reliable and modern energy services'.

However, currently electrification is significantly biased towards urban areas, with the Eswatini Energy Regulatory Authority estimating electrification at 84% in urban areas and 55% in rural areas.

Country is net importer of electricity. Electricity is predominantly supplied by the vertically integrated Eswatini Electricity Company (EEC), predominantly through hydropower stations. This is supplemented by significant co-generators, particularly from the sugar industry, which uses bagasse and wood chips to generate electricity, a small portion of which is sold to the EEC. Eswatini is a net importer of electricity from South Africa and Mozambique, with imports accounting for roughly 75% of electricity used. Eswatini has had difficulties in recent years with a lack of security of supply leading to power outages, which have been estimated to have cost about 1.67% of GDP.⁶²

Domestic power generation has, however, been increasing. This has been in part due to the Rural Electrification project funded by the government with assistance from Taiwan and the World Bank, particularly in the Shiselweni region.⁶³

NDP suggests range of interventions. For the future, the government's policy is to promote renewable energy: it has put out tenders for solar generation capacity of 40MW of solar and 40MW of biogas by 2021. However, there are concerns over the high cost of electricity and its impact on industries. For these reasons, the NDP explicitly suggests a range of interventions, including power projects (hydro, solar and through independent power producers), electricity cross-subsidies, and zero rating of VAT on electricity.

Electricity access quite high but usage still low. In 2018, 80% of adults in Eswatini had access to the electricity grid. While there is good access, usage is still low: 61% of adults use biomass sources (firewood, charcoal) domestically for heating and cooking, with this being more pronounced in rural areas (79% of adults).⁶⁴

According to the National Surveys Data (FinScope), all four regions use electricity as their most common lighting source by a significant proportion: Hhohho: 78%; Lubombo: 72%; Manzini: 77%; and Shiselweni: 66%.

Candles were the second most used fuel for lighting in all four regions: Hhohho: 11%; Lubombo: 22%; Manzini: 14%; and Shiselweni: 29%.

There are slight gender differences evident, with 76% of male-headed households and 71% of female-headed households using electricity as their main energy source for lighting, while candles were the second most common fuel in male- and female-headed households alike.

For cooking, firewood was used as the main source of fuel in all four regions: Hhohho: 54%; Lubombo: 67%; Manzini: 45%; and Shiselweni: 78%. This is followed by electricity as the main source of fuel for cooking.



Eswatini has been steadily increasing its population's electricity coverage: from 65% of the population at the time of the previous MAP study, to 76% in 2018.



In terms of gender, 55% of male-headed households and 63% of female-headed households used firewood for cooking, while electricity was the second most used in both male-headed (30%) and female-headed (25%) households.

The National Surveys Data (FinScope) shows that while adults in Eswatini should be able to afford a standard consumption package of electricity (of 1kWh per day or 365kWh per year), in reality 41% of adults spend significantly less than the standard consumption package. Only 27% of adults buy sufficient energy to operate diverse applications such as cooking or operating a small fridge. This is despite the fact that tariffs are lower than costs.

Geographic location, and education and earning levels are factors in energy access. Access to energy varies across regions and there is more access in urban areas. Access to electricity also correlates to level of education and earnings, with access higher among more-educated and higher-income.⁶⁵

Access to electricity low for MSMEs compared to households. In 2017, 56% of MSMEs had electricity, compared to 73% of households. However, only 3% of MSMEs highlighted connecting to electricity as a barrier to operations – far lower than access to finance (cited as a barrier by 83% of MSMEs) and even access to space (cited by 20% of MSMEs).

The fact that almost 8% of MSMEs pay their utility (basic services) bills through a bank⁶⁶ suggests a role for encouraging use of electronic payment systems for utilities.

Energy inclusion and financial inclusion are mutually entwined. Financial inclusion can facilitate energy inclusion by allowing for access to finance to invest in basic energy needs (such as a solar power system) as well as by making it possible to pay for electricity using digital payment systems. In a number of countries, payment for distributed generation systems (e.g. pay-as-you-go solar energy systems) are being made using digital channels.

Energy inclusion in turn boosts financial inclusion: for example, by enabling the charging and use of devices (e.g. mobile phones, POS devices) to facilitate financial transactions; and by facilitating access to income-earning opportunities and activities.

Furthermore, beyond financial inclusion, access to energy unlocks access to other resources and services, including ICT infrastructure, education and healthcare; together, these can, in turn, unlock access to income-earning opportunities, including for small businesses.

Renewable option. Donors, including the UNDP and the World Bank, have initiatives to promote off-grid and on-grid renewable energy solutions such as mini-grids, microgrids, solar home systems and PV (photovoltaic). A number of solar solutions are available that can at least assist with lighting, and charging of mobile devices. The development of pay-as-you-go models to allow households to invest in off-grid systems, potentially with some subsidisation to assist with affordability, is an important direction for the future.



Only 27% of adults buy sufficient energy to operate diverse applications such as cooking or operating a small fridge. This is despite the fact that tariffs are lower than costs.

2.10

Summary

This MAP refresh report shows that Eswatini has a number of challenges, including high levels of poverty and inequality, low levels of formal-sector employment, healthcare challenges, significant gender disparities, and uneven, limited and costly basic services and infrastructure. While a number of initiatives are under way to mitigate these problems – initiatives that include social cash transfer programmes and donor and development projects – it is not clear that these are sufficient in reach. There are also important gaps, including in respect of support for women.

Furthermore, the social cash transfer programme could be improved by expanding the categories of beneficiaries as well as potentially expanding pilot programmes for vulnerable households. Data could also potentially be harnessed to target beneficiaries.

The country faces significant impediments to economic development, including in respect of healthcare and education, and limited infrastructure available to provide electricity, communications and water and sanitation services. These factors are important in terms of both human development and development of business and MSMEs.

There are ways in which increased financial inclusion can support the country's development in these areas, including in relation to digital payments systems; savings, credit and insurance for healthcare and education services; land tenure support for women; financing innovative solutions to electricity and water challenges (including for irrigation systems); and financing improvements to ICT, water and sanitation services.



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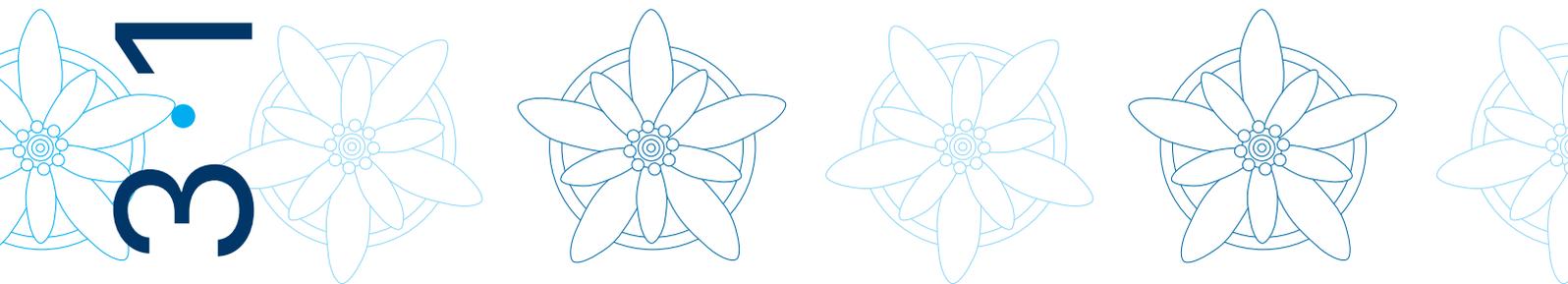


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National financial inclusion strategy achievements

It is important to reflect on progress against the MAP 2014 diagnostic and 2015 roadmap, and the National Financial Inclusion Strategy (NFIS) 2017–2022, in order to consider what gaps might still exist, and how best to prioritise future interventions. There are a number of ways in which the financial services sector is now better positioned to expand financial inclusion, particularly by means of mobile money services and the use of agents and retailers (discussed in Section). At the same time, there are a number of areas where progress has been more limited, especially where regulatory approvals are concerned (discussed in Section 3.2).



Progress on the 2015 MAP and the NFIS 2017–2022

Considerable progress since the previous MAP.

There has been considerable progress since the recommendations set out in the 2015 MAP roadmap (summarised in Table 5). Most of the MAP proposals were adopted in the NFIS 2017–2022.

Among the targets set out in the NFIS is increasing financial inclusion to 75% by 2022 (from 43% in 2014). This target has already been exceeded.

The target was based on implementing the following areas focused on five themes: growth in the use of e-money to transact and save; the development of formal domestic and cross-border remittance products to support vulnerable dependant groups; expanding insurance to better manage the impact of risks; deepening bank reach to better meet needs; and reducing credit costs and protecting consumers.

There remain important areas to address to increase financial inclusion.

Within these themes are sub-components that still require development. Overall success in meeting the target was predominantly as a result of growth in the use of e-money for payments and saving. There have also been notable successes in the development of formal remittance products and some banking products. However, many of the proposed roadmap areas in terms of insurance, bank usage and credit can be further developed.



Among the targets set out in the NFIS is increasing financial inclusion to 75% by 2022. This target has already been exceeded.



Table 5: 2015 MAP and NFIS

PRIORITIES	ROADMAP AREAS FOR IMPLEMENTATION
Growth in the use of e-money to transact and save	<ul style="list-style-type: none"> • Introduce roaming ‘super-agents’, and partner with banks to help overcome problems of illiquidity. • Investigate a tiered account structure, allowing customers with KYC to have higher account balances. • Introduce e-money ATMs, or partner with banks to improve consistency of access. • Review the regulatory environment, including interest payable to customers to encourage savings and increased usage (linked to saving wallet potential). • Enable an ecosystem of goods and services that can be purchased with e-money (including retail stores, insurance and savings). • Explore potential for distribution of social grants via e-money, staggered to counter liquidity problems. • Increase consumer awareness to encourage usage. • Encourage e-money transaction history for use by other providers to extend credit. • Explore the potential to transfer funds from a bank account into a mobile money account. • Undertake further, targeted research to better understand the opportunities to extend e-money usage.
The development of formal domestic and cross-border remittance products to support vulnerable dependant groups	<ul style="list-style-type: none"> • Enable alternatives: allow a broader range of cross-border and domestic remittance channels, including retailers and mobile money. • Use targeted marketing and product design strategies to encourage remittances through bank accounts. • Develop specific financial services targeted at expatriates, such as education savings or health insurance products for their dependants that they can directly contribute towards. Some actions to realise this might include: <ul style="list-style-type: none"> • Approaching the South African authorities to enhance access to the financial system for low-value amount transactions (AML/CFT exemptions) and undocumented migrants in South Africa. • A communication campaign to provide special status to non-resident Swazis and facilitate their inward investment. • The facilitation of alternative cross-border remittance channels: for example, through retailers. • Adopt a risk-based approach to documented and undocumented migrants.
Insurance to better manage the impact of risks	<ul style="list-style-type: none"> • Entrench and encourage innovation in insurance: • Understand customers: Understanding specific target market segment needs for different products and what perceptions drive behaviour is the first step towards greater market penetration. • Explore distribution innovation, such as targeting viable aggregators like banks and SACCOs. • Introduce low-cost, simple sum-assured products beyond funeral. • Explore alternative premium-payment frequency and collection methods, such as mobile money rather than costly bank debit orders. • Investigate agro-value chain insurance. • Finalise and implement microinsurance regulation. • Reconsider KYC requirements for insurance, building on the existing bank exemptions precedents. • Maintain existing emphasis on ‘as and when’ commissions over the life span of the policy, but explicitly allow a transparent policy origination fee upfront to provide sufficient incentive to sell low-premium policies. • Develop a streamlined, facilitative framework for medical schemes.



PRIORITIES	ROADMAP AREAS FOR IMPLEMENTATION
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Deepening bank reach to better meet needs

- Bank innovation:
- Consider incentives and increased communication and awareness to increase transaction volumes and balances.
- Use data to better understand and target specific clients and client groups.
- Leverage non-bank infrastructure, such as retailers and mobile money, to overcome doorstep barriers, increase use and reduce costs.
- Expand the use of technology and mobile offerings to reduce cost and improve convenience.
- Consider use of SMS/text messages as a tool for reminders and confirmations of transactions.
- Encourage goal-oriented savings.
- Extend credit to a larger group of the employed.
- Play a larger role as a distribution channel for insurance.
- Increase grant payments through banking infrastructure.
- Introduce regulation to enable agency arrangements (e.g. partnerships with retailers for remittances).
- Introduce proactive regulation on costs, and on targets to extend services to the poor.
- Improve disclosure of product costs and terms.
- Leverage relationships to educate consumers; e.g. how to change behaviour to minimise costs.

Reducing credit costs and protecting consumers

- Apply a financial inclusion lens to the finalisation of the credit bill.
- Increase and clarify the interest rate cap, informed by market research.
- Promote the establishment of a credit bureau and the submission of positive and negative credit information by credit providers, to reduce costs and increase entry into the market.
- Consumer protection measures:
 - Improve transparency of full costs and product terms and conditions.
 - Implement measures to reduce consumer abuses in the informal credit sector.
 - Set up coordination between FSRA and CBS [now CBE] around the design and supervision of the requirements of the consumer credit bill.
- Coordinate and recapitalise defined contribution plans (DCPs) and related government bodies; improve scale through consolidation of systems; allow the credit guarantee scheme to earn interest.
- Encourage expatriate investment (e.g. the Microfinance SMME Investment Fund envisaged in the Micro Finance Policy Framework of 2018).
- Explore alternative credit evaluation methods, including mobile money transaction history.
- Support donor initiatives to promote savings groups as alternative to informal moneylenders.
- Target civil servants to start businesses.
- Broaden policy intervention to include focus on the fundamentals of MSME development.

Good progress achieved on e-money, remittances – slower on bank reach, insurance, credit.

In terms of implementation, there has been considerable success in the implementation of several of these five themes. In particular, there have been massive growth and progress in the areas of e-money and remittances. However, as will be discussed in more detail in the sections that follow, there has been slower progress on meeting objectives in terms of deepening bank reach, insurance and credit.

Key highlights in terms of progress and challenges are listed in Table 6. The subsequent sections focus in more detail on each component.



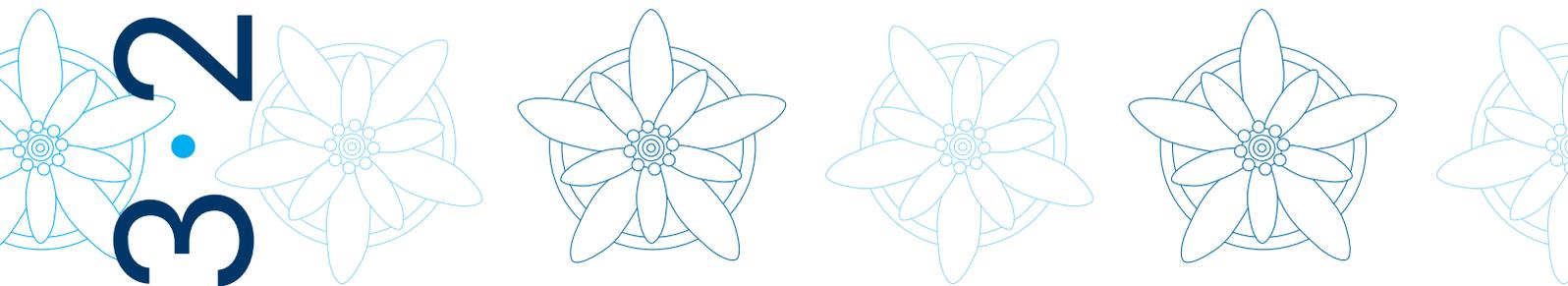
Table 6: Summary of key MAP diagnostic (2014), roadmap (2015) and NFIS 2017–2022 progress highlights and challenges

MAP (NFIS) GOAL	PROGRESS HIGHLIGHTS AND CHALLENGES (GOALS ACHIEVED ARE HIGHLIGHTED)
Growth in the use of e-money to transact and save	<ul style="list-style-type: none"> Substantial progress on digital financial services (DFS), and significant growth in the use of mobile money. Linked partnerships between mobile money providers and banks to increase interoperability, including use of ATMs. Channels for savings have improved. Use of bulk disbursements via mobile money for grants, relief and other group payments. Provision of credit and funeral insurance through mobile money. Levels of household access to the Internet are low (27%). Mobile money remains costly. Mobile wallets and e-wallets are subject to an amount limit and currently offer no savings functionality (do not earn interest). Competition between mobile money providers is limited, with one large operator and a much smaller market entrant.
The development of formal domestic and cross-border remittance products to support vulnerable dependant groups	<ul style="list-style-type: none"> Range and number of international remittance channels increased. Big improvement in remittance using formal mechanisms: 70% remitting (domestically and cross-border alike) through e-wallet or formal channels (up from 12% in 2014). Offerings by retailers at cost-effective price points for remittances. Application by retailer for cross-border offering. Cost still considered high, particularly for cross-border transactions.
Insurance to better manage the impact of risks	<ul style="list-style-type: none"> Users of some mobile money products also get access to integrated insurance products, such as funeral cover and insurance on transfers. Still very limited use of insurance for costly events (3%). Insufficient and not appropriate insurance options for the agricultural sector. Mostly funeral insurance available to lower-income market. Structural issues serve to reinforce the small target market.
Deepening bank reach to better meet needs	<ul style="list-style-type: none"> Introduction of e-wallets, prepaid cards to increase reach. Interoperability between mobile money and some banks. Some agency banking e.g. through the Post Office. Wallets are still linked to bank accounts.
Reducing credit costs and protecting consumers.	<ul style="list-style-type: none"> Financial consumer protection rules and Guidelines on Banking Practice (2018) have been developed to protect customers. A mobile network operator is offering 'mobile credit' – short-term, low-value amounts to be repaid within 30 days – but interest rates are very high (8%). Proposed interest rate caps in terms of the Consumer Credit Amendment Bill (under development) are subject to debate: some argue they will protect consumers against exploitative lending; others worry they will dampen financial inclusion through discouraging risk-based lending. Overcoming information asymmetries between low-income borrowers and formal providers, and thereby reducing the cost of credit, probably needs to harness technology and innovate new approaches – but this requires good telecommunications infrastructure and low-cost data.

Financial inclusion increased – but gaps remain in terms of 2015 MAP roadmap.

Financial services in Eswatini are provided by a range of formal and less formal providers. These include banks, more than 50 SACCOs (some of which are licensed NBFIs), mobile money providers, retailers, and other institutions that are part of the network of agents or that provide specific services, and insurers, as well as ancillary services such as the credit bureaus. These are discussed in subsequent sections of this report.

There has been progress in the market penetration of financial services overall. Formal financial inclusion increased from 50% in 2011, to 85% in 2018, comprised as follows: 52% banks, 33% NBFIs, and 2% informal. This implies that 13% of adults are excluded. Financial inclusion *including formal and informal* was at 87% of adults in 2018. While there have been some significant developments in financial inclusion in Eswatini, several aspects of the 2015 MAP roadmap have yet to be implemented.



Analysis of financial sector, and findings

Banking

A range of formal providers – but Farmers Bank not yet operational. There are four licensed commercial banks in Eswatini: First National Bank of Swaziland, Standard Bank of Swaziland, Nedbank, and Swaziland Development and Savings Bank. There are also building societies: Swaziland Building Society and the new entrant Status Capital Building Society (opened in 2020). In 2018, a licence was provided to Farmers Bank but it has not yet commenced operations. There are also various credit providers: Letshego Financial Services, First Finance, Select Financial Services and Get EBucks.

Proximity to formal banking infrastructure improved. The banks offer a wide range of products and services, including savings, current accounts and credit, and 52% of adults use these products and services. They are provided through a range of channels, including physical branches, automatic teller machines (ATM), Internet banking and mobile phone banking, and through agents for certain banks (e.g. Eswatini Bank uses the Post Office as agent).

While all banks service corporate and retail customers, Eswatini Bank has a focus on rural and agricultural customers. It is anticipated that the new Farmers Bank will also focus on this segment.

Overall, access to formal banks has improved over time. In 2014, 39% of the population lived less than 30 minutes away from a bank; by 2018 this had increased to 49%.¹

Progress evident with entry-level bank accounts for unbanked and underbanked consumers. There have been developments in bank accounts for underbanked and unbanked consumers. No-frills bank accounts exist to target individuals for financial inclusion. However, this appears to have reduced from a choice of three entry-level transactional accounts in 2014, to two by 2018. Over the same period, though, the cost of an entry-level bank account decreased from E59.20 in 2014 to E30 in 2018.² At present Eswatini Bank has fees starting at E47.40 and Nedbank at E30. There are cheaper alternatives, however. For example, Standard Bank has its Transact Plus account at E19 per month, which provides basic debit card functionality, while FNB has its basic 'Sicalo' account, available to lower-



The banks offer a wide range of products and services, including savings, current accounts and credit, and 52% of adults use these products and services.



income citizens (earning less than E30,000 per annum) at E6 per month. KYC requirements of proof of income and address were a barrier to opening accounts but have been addressed with the development of tiered KYC requirements.

Bank charges still considered high. Bank account fees are still considered to be high for customers. It seems unlikely that costs will reduce further, however, as the cost to banks of maintenance of these accounts is high. For this reason, digital options such as mobile money and e-wallets are thought to be a better tool for financial inclusion at the lower end of the income scale, though it can be noted that as things currently stand these fees too are quite high.³

Digital options allowing banks to extend reach outside of formal accounts. Banks have increased their digital options for unbanked and underbanked consumers. Some banks are providing digital financial services (DFS), such as prepaid cards that can be used for cash withdrawals and purchases without a bank account. Other products in the market include various forms of e-wallet: the ability to send money to anyone with a phone number on a particular network, and for the recipient of that voucher (or e-wallet) to use it to pay for goods and services online, withdraw at an ATM or cash out at supermarkets (depending on the bank).

Importantly, some interoperability with mobile money has occurred. Partnerships have been set up between mobile operators and local banks (Eswatini Bank and Eswatini Building Society).

Lack of competition in formal banking flagged as concern. The Eswatini Competition Commission in 2019 published a market inquiry into the retail banking market in Eswatini, finding there was limited competition in the banking industry and particularly noting the following: the market is concentrated, bank charges are high relative to other CMA countries, customers have limited fees offered, and banks are automatically providing credit insurance instead of offering different choices to their customers.

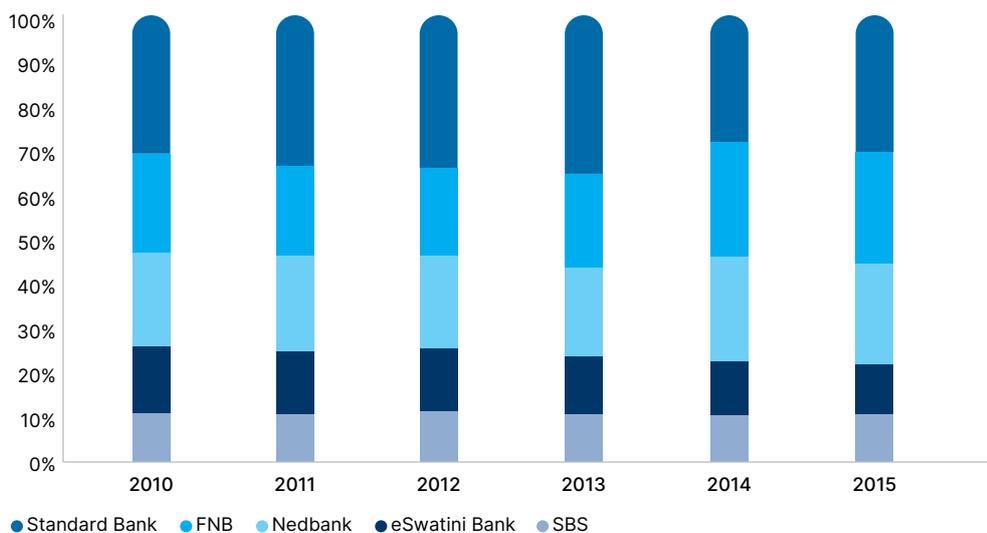


Figure 23: Market concentration, by bank (2010–2015)

Source: Eswatini Competition Commission (2019).



Concentration not unexpected. The Eswatini Competition Commission calculations of bank market shares (see Figure 23) unfortunately only rely on data for the period 2010–2015. The Commission found that during that period the market had consistently been concentrated: with a Herfindahl-Hirschman Index (a measure of concentration) over 2,000, which is consistent with a highly concentrated market.⁴ However, given the size of the market, some concentration is to be expected.

Recommendation to investigate high bank charges. High bank charges are of concern, however, given that high costs are a barrier to financial inclusion and were identified as such in the previous MAP. Therefore, the issue merits further investigation; if found to be enabled by a lack of competition, the charges should be assessed, and competition and entry encouraged.

Access to banking infrastructure largely increased since previous MAP. The number of bank branches has increased since 2014, although it has stabilised over the past few years (see Figure 24 and Table 7). This is thought to be a result of banks' rationalisation of branch and ATM networks arising from increased customer use of efficient operations, such as mobile and online banking transfers and remittances.

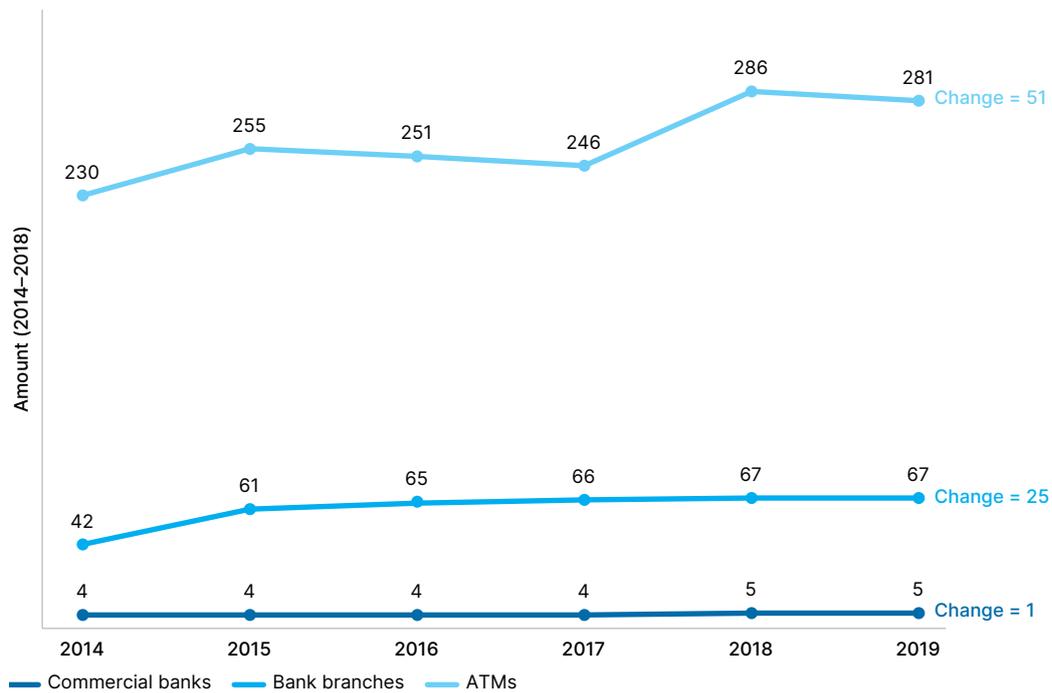


Figure 24: Number of commercial bank branches and ATMs (2014–2018)

Source: Central Bank of Eswatini (2019).

**Table 7: Access points per 100,000 adults >18 years, (2014, 2017, 2018)**

		2014	JUNE 2017	2018	DATA SOURCE
Bank branches	Total	0.61	0.92	10.71	CBE, NPS
Banking agencies	Total	7.90	15.40	16.30	CBE, NPS
Post Office/ agencies	Total	19.20	19.20	10.71	CBE, NPS
ATM	Total	43.30	15.40	40.60	CBE, NPS
POS	Total	253.80	564.00	339.98	
Mobile money agents	Total	97.70	484.40	904.80	CBE, NPS

Source: FinMark Trust. (2019). Measuring Progress: Financial inclusion in SADC – 2019.

Use of banking system increased. There have been significant increases in the use of payments in Eswatini since the previous MAP study. For example, use of the SWIPSS interbank electronic payment system increased from 38,260 transactions, with a value of E121.5bn in 2014, to 50,749 messages with a value of E201bn in 2018.⁵ In addition, use of bank cards has increased in terms of number of cards and volume of cards used (see Table 8). However, it can be noted that use of cheque and EFT has declined over the period, likely as a result of increased use of online and mobile banking. This is possibly, in part, a result of mobile and card systems clearing in real time, while EFT requires a day to clear.⁶

Table 8: Use of card payments (2011–2019)

YEAR ENDED	NO. OF CARDS	NO. OF ATMS	NO. OF POS TERMINALS	ATM TRANSACTION VOLUME (MILLION)	POS TRANSACTION VOLUME (MILLION)
2011	187,179	160	601	8,020	1,014
2012	155,639	182	629	8,527	946
2013	381,591	189	793	9,665	1,203
2014	425,752	230	1,350	10,106	1,651
2015	384,487	255	1,704	10,348	1,997
2016	580,512	251	2,958	11,506	2,556
2017	855,806	246	3,101	10,851	3,422
2018	1,117,415	286	2,921	11,614	4,509
2019	1,515,568	281	3,444		2,596
CHANGE (%)	30.6%	16.3%	-5.8%	7.0%	31.8%

Source: Central Bank of Eswatini. (2019). Financial Stability Report, Issue 3 of 2019.



DFS

The 2014 MAP diagnostic and 2015 roadmap prioritised the need to grow mobile money and e-money in order to enable more effective savings and payments products. At present, there are various forms of DFS offered in Eswatini. These include mobile money, the e-wallet, prepaid cards, and loans (short-term, low-value amount 'mobile credit').

A range of building blocks are necessary to develop a robust DFS market. Overall these fall into three categories: digital infrastructure; a dynamic and competitive market; and products and services that drive uptake.

Digital infrastructure:

Competition in DFS requires suitable infrastructure to encourage provision. This includes ICT connectivity and coverage, a robust payments backbone with a combination of suitable agent networks and a strong payments architecture, and systems that allow for efficient KYC and onboarding.⁷ The latter implies, at minimum, a national ID system, but can also include simplified means of ascertaining proof of address.

A dynamic and competitive market:

A competitive market enhances innovation, and price competition can be a driver of efficiencies enhancing affordability. There are two key forms of competition:

Intra-platform competition: Competition between mobile operators for mobile money services and between banks for e-money services plays an important role in enhancing competition within that channel. In instances in which there is existing market power or concentration, features such as interoperability and controls on exclusivity arrangements (for agents or merchants) need to be monitored and in some instances regulated. Where there is vertical integration that changes the incentives for access to an input (e.g. where a dominant mobile operator charges competitors for access to USSD – the Unstructured Supplementary Service Data protocol – and competes downstream on mobile money), this might also need to be regulated in the interests of stimulating competition.

Inter-platform competition: Competition between types of services such as between digital banking services (e.g. e-wallets), mobile money services and fintech services is also important to minimise market power and stimulate innovation and price reductions. In order to maximise this, interoperability across platforms (such as through switches) and careful regulation to ensure a level playing field across products (e.g. having similar risk-rated regulation for banks and telcos) are important.

Products and services that drive uptake:

In order to have a high uptake, the products provided need to be suitable for the market in terms of affordability and providing for particular needs and gaps in the market. In addition, partnerships that assist in rolling out the offering, such as the subsidised payment of grants through digital services, are supportive of increasing access and introducing people to the digital ecosystem.



In order to have a high uptake, the DFS products provided need to be suitable for the market in terms of affordability and providing for particular needs and gaps in the market.

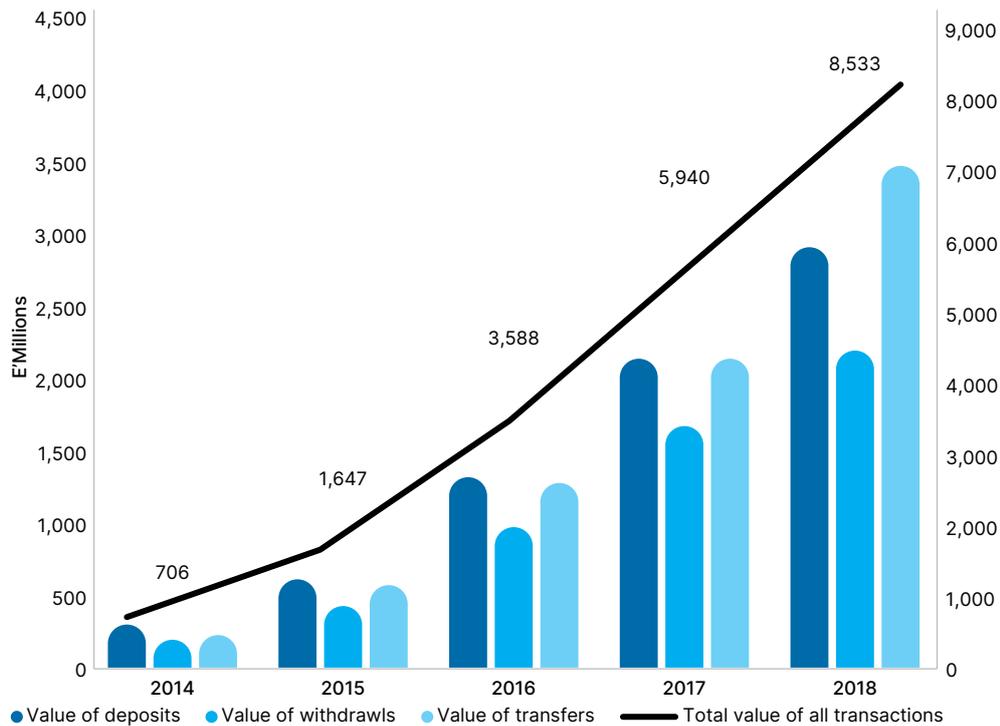


Figure 25: Growth in mobile money usage (2014–2018)

Source: Central Bank of Eswatini. (2019). Financial Stability Report, Issue 3 of 2019.

Country in good position with regard to DFS. Based on these preconditions, Eswatini is in a good position with respect to the provision of DFS, although there is room for further growth and pro-competitive regulations.

Mobile money significantly expanded access to financial services in past five years. The growth in the use of mobile money has been phenomenal since the previous MAP study: increasing from 48% of adults with an active mobile money account in 2014 to nearly 92% in 2018 (see Figure 25).⁸ In addition to increases in coverage, there has been a substantial increase in the use of mobile money on all measures: this includes a substantial increase in deposits, withdrawals, transfers, and payments.

However, it can be noted that the rate of growth, while high at almost 44% growth in transactions in 2018, is declining slightly (from approximately 66% in 2017) as the customer base increases.

Use of mobile money increased. As shown in Figure 26, person-to-business (P2B) payments and person-to-person (P2P) payments have increased slightly as a proportion of the total mobile money transfers since 2014. There has also been a slight reduction in deposit and withdrawal transactions as a proportion (this is despite the fact that the total value of deposits, withdrawals and payments have all increased significantly). The data suggests that mobile money transfers are increasingly being used for *payment purposes* rather than simply P2P and withdrawal, and this suggests deepening of usage.

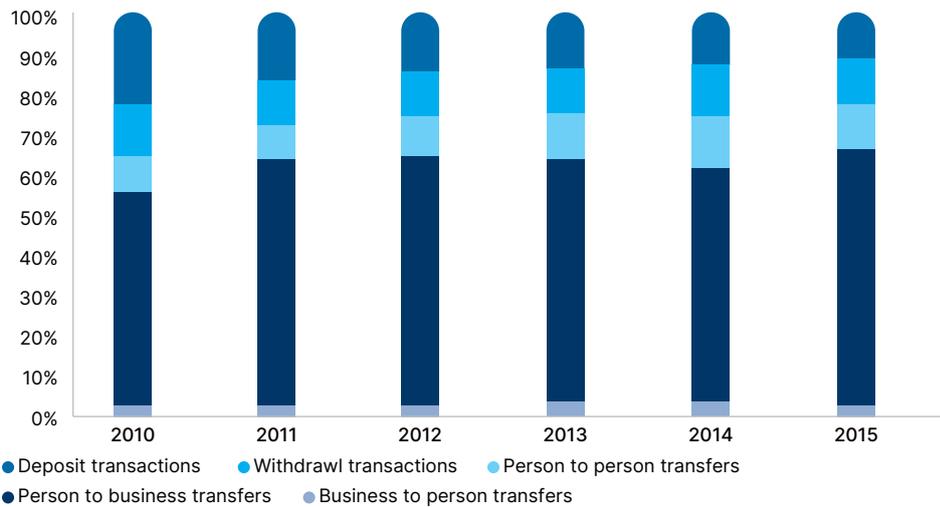


Figure 26: Mobile money transfers (2013–2018)

Source: Central Bank of Eswatini. (2019). Financial Stability Report, Issue 3 of 2019.

Eswatini has good DFS infrastructure. Currently in Eswatini there is good mobile coverage at least at 2G level, a payments architecture that incorporates a good agent network and, as discussed further on, interoperability between at least some banks and mobile money operators, as well as movements towards a national switch. A personal ID system is in existence (though at this stage it is not digitalised) and simplified KYC has been introduced.

Partnerships with some banks have allowed for interoperability across banking and mobile money systems. A positive development has been the partnerships between mobile money operators and banks. There are three key models:

- Escrow accounts (held by FNB, Eswatini Bank and Eswatini Building Society), which allow mobile money agents and operators to bank funds.
- Full integration with a push-pull model, which creates an interoperable system that allows ATM networks to be used for mobile money purposes including cash-outs, such as that between MTN and Eswatini Bank and Eswatini Building Society. This has also eased problems with illiquidity of agents to some extent and improved consistency of access, both of which were highlighted as concerns in the previous MAP.
- Manual accounts with non-integrated banks. This was created as a response to the COVID-19 pandemic, where people were in lockdown. This facilitates cash-in by processing transfers on a manual basis every 30 minutes. However, this type of manual process is unlikely to be sustainable in the face of increased volumes and is a non-optimal solution.

Intervention to create interoperability across mobile money and banking is required.

Interoperability between mobile money operators imminent. Historically, there was no interoperability across mobile money operators. This was of concern, given the dominance by MTN. Considering MTN's large market share of mobile telephony, it is not surprising that they have a high share of mobile money.



However, high levels of dominance combined with market features such as network effects (which means that individuals would choose the network with the most customers and stores so they can interact more) could limit the extent to which new competitors such as relative newcomer Swazi Mobile's e-Mali can grow, and would allow MTN to charge high prices and/or provide a lower quality of service without effective competitive constraints. These effects can be limited through interoperability across the two offerings. Currently, interoperability between Swazi Mobile's e-Mali and MTN's MoMo mobile money wallets is in the final stages of testing and should be operationalised soon.

In terms of competition, there have been increased competitors in terms of both mobile money and banking products.

Second mobile network operator's market penetration still limited. The introduction into the market in 2017 of Swazi Mobile as the country's second mobile network operator was an important new development since the previous MAP study. The operator's introduction in 2018 of its mobile money product e-Mali has created an alternative to MTN MoMo, which was the mobile money incumbent. However, despite e-Mali's entry, there is still concentration in terms of mobile money, which to some extent is a natural effect of concentration in mobile operators and network effects.

Support for second network operator important for improving service to the public. MTN's 2020 figures are an estimated 700,000 registered subscribers with about 500,000 active customers,⁹ with an agent network of 6,000 active agents (10,000 registered agents).¹⁰ The latest Swazi Mobile data available is that at the end of 2018 the mobile network operator had only 20,000 e-Mali subscribers.¹¹ Given the high level of market concentration, it is important to understand the mechanisms that act as barriers to competition and to support the growth of the second operator in the interests of improving the available mobile money service offerings to the public.

Increasingly blurred lines in terms of traditional financial services. It is important to note that while there are differences between banks and mobile money providers, there is increasing rivalry between the two types of service providers. Mobile money providers have expanded access to financial services significantly, as discussed. The banks have responded by offering their own digital wallets. As such, the lines between aspects of traditional banking products and mobile operator products are increasingly blurred.

Developments in product range – and scope for more. In terms of product offering, there have also been positive developments, with a range of developments spanning payments, credit, savings and insurance:

- **Payments:** MTN's key mobile product, MoMo Pay, can be used to make payments, and it has been improved upon: for example, it now has 'tap and pay' functionality, which acts as a debit card equivalent and simplifies payment at merchants. MTN is also working on a pilot project with the Eswatini government to allow people to pay for government services through mobile money.¹²



In terms of competition, there have been increased competitors in terms of both mobile money and banking products.



- Swazi Mobile e-Mali also allows customers to send and withdraw money, deposit into accounts with partner banks, buy electricity and pay bills.
- **Credit:** MTN now also offers mobile credit through MoMo Quick Loans. This provides loans to adults who have been registered on MoMo for at least three months. The loans are short term, for a relatively low amount (up to E200) and require clearing within 30 days with 8% interest for the period of the loan. MTN is making efforts to create products that allow for higher levels of borrowing (see more detail in the next section).
- **Savings:** In 2018, 33% of adults that saved used their mobile money wallets as a tool for savings. MoMo allowed for saving up to E25,000, and with the COVID-19 pandemic this limit was raised to E50,000. However, the product does not pay interest on savings at present, meaning that savings products in mobile money are a key area for improvement, which MTN is looking into (as discussed further below).
- **Insurance:** Users of MoMo also get access to integrated insurance products, such as funeral cover and insurance on transfers.¹³

Mobile money being used for bulk disbursements of social grants and other payments. Mobile money is being used by both government and donors (including the World Food Programme, World Vision and Red Cross) to disburse grants to communities. The pricing on these transfers is usually borne by the donor and prices are structured so as to limit the cost to consumers. As things currently stand, most beneficiaries tend to cash out their grant rather than using mobile money to transact. However, mobile money operators are currently using onboarding forums to assist users to understand product features.

Bulk payments massively increased. Bulk payments are also being used by small businesses for salaries, and for disbursements by SACCOs and credit providers. Bulk payments have shown a massive increase in terms of both the number and value of the transactions processed.

Nevertheless, there are still some limitations in the mobile money offering in Eswatini, including costs, transaction and wallet size limits, limited interoperability, and lack of a savings option.

Mobile money transaction costs fairly high – and cost of sending increased over time. For example, based on a maximum of E4,000, the cost of sending money on MTN increased from E8 to E13 between 2014 and 2020, while the cost of cash-out fell from E24 in 2014 to E20 in 2020 (though this can be up to E49 depending on the bank being used).

Transaction and wallet sized limited. Currently, a daily transfer of E4,000–E5,000 is allowed using simple KYC. With added documentation this limit increases to E10,000. The wallet size has increased from E25,000 to E50,000. While this allows for a range of transactions, it still limits the amount of money that can be held or saved in a mobile wallet (for larger purchases, for instance).

No mobile money savings wallets. As things currently stand, mobile money is a payment mechanism; while customers use their mobile money wallets for storing/



There are still some limitations in the mobile money offering in Eswatini, including costs, transaction and wallet size limits, limited interoperability, and lack of a savings option.



saving money, there is no savings functionality that pays interest. However, an application has been made to the central bank for payment of interest, with suggestions made as to how this could be structured.

Inter-platform competition (mobile money vs banks) could help reduce costs.

Creating competition across products has the potential to help reduce prices. Currently there is no national switch, although there are promising developments, with the CBE in the early stages of creating one. Interoperability between banks and mobile money providers exists but the fact that it is not universal limits the extent to which transfers can be made with ease. While mobile money and card systems offer real-time clearing, an EFT requires a day to clear, which constrains banks' ability to create payment mechanisms for customers to use across banks. For this reason, a national switch that is digitalised to allow for real-time transfers is likely to assist from both an interoperability and a real-time clearing perspective, in the process strengthening the national digital payments infrastructure and enabling inter-platform competition.

DFS in Eswatini: good infrastructure – with room for improvements While the country's DFS infrastructure is good, potential improvements include coverage, payments infrastructure (e.g. the national switch) and digitalisation of ID.

Improving affordability of DFS remains key focal area. Going forward, given the high fees charged by mobile money providers, encouraging competition between types of digital services offered by banks and mobile money operators will act as a crucial competitive constraint that should help reduce prices and/or increase innovation and quality.

Provision of credit

Credit in Eswatini is provided through a range of providers: from formal institutions such as banks, and semi-formal institutions such as MFIs and SACCOs, to informal methods such as borrowing from friends and family or moneylenders. In addition, MTN is offering microloans through mobile money. Eswatini has more than 50 licensed SACCOs. Formal loans to households stood at E4.5 million at the end of 2019.¹⁴

Formal credit extension still limited in scope. Formal credit extension to households is focused predominantly on mortgage loans, which account for 46% of household credit, and motor vehicle finance. Unsecured personal loans make up a smaller proportion of credit extended. Non-performing loans are fairly high, at 9%.¹⁵ There appear to be very limited bank products targeted at the lower end of the market and for less formal sectors including informal agriculture and informal small enterprises. This is understood to be a result of a range of factors, including the risk in the MSME sector, and limited formality in terms of business proposals and financial management. For example, a study into determinants of choice of credit sources by agricultural SMEs in Eswatini found that the type of documentation needed by formal lending institutions limits their use by smaller companies, and that as they grow agricultural SMEs are more likely to seek loans from informal sources and semi-formal institutions (e.g. SACCOs).¹⁶



Formal loans to households stood at E4.5 million at the end of 2019.



NBFIs play important role in provision of credit to households. NBFIs, including credit financial institutions and SACCOs, in the period 2014–2018 provided approximately half the credit that was accessed by households. There has been some move to using mobile money infrastructure and digitalisation to improve NBFi loan application processes, particularly due to the COVID-19 pandemic. While these providers play an important role in the financial ecosystem, access is often limited to members and thus they mostly play a more niche role. There is currently increased regulation over SACCOs, and guidelines have been issued and draft legislation prepared.

Some developments in credit reporting and credit scoring – but more use of data required. Digitalisation has enabled innovation and developments in credit scoring, with banks increasingly using digitalised scores as opposed to more intuitive assessments of credit-worthiness. However, the possibility exists for use of data from a wider variety of sources to allow for better use of behavioural data to assess credit-worthiness. Currently, banks and NBFIs only report *negative* data or blacklisting to credit bureaus, and there are limitations on the extent to which SACCOs report.

The Ministry of Finance and FSRA have attempted to improve this. The FSRA is establishing a credit-reporting system and register of consumer credit information. The FSRA has also restructured to create a specific unit within the savings and credit department called the Credit Bureau unit. This is focused on monitoring and evaluating data from the credit bureaus. In addition, the FSRA has licensed a less sophisticated credit bureau with lower reporting requirements.

Mobile money data not currently being shared. Discussions are under way regarding how to share mobile money data in the future, given that credit is being provided; the situation is complicated, though, by the short-term nature and volatility of the loans. Furthermore, mobile money providers are not using this data for credit scoring. Yet the use of positive data on payment and repayment would support better credit extension by helping build more accurate individual behavioural profiles.

Mobile money providers have increased credit options at lower end of market – but loans are very small. One of the key developments in the credit market since the previous MAP is the introduction of mobile loans (through mobile money providers). However, these have hitherto been limited in size, with a maximum value of only E200. Though there are plans to increase this limit, such loans at present serve a limited purpose. Furthermore, mobile money credit scoring is still in its infancy; much development and growth are needed to make it possible to harness individual customers' data to help build a credit score.

There is also scope for building credit assistance to SMEs starting with mobile money agents.

Uptake of government's loan guarantee schemes is low. The government of Eswatini has two loan guarantee schemes to assist small companies with accessing credit: one focused on exports and one for small enterprises. There are also schemes for informal traders, including one still being piloted on 300



One of the key developments in the credit market since the previous MAP is the introduction of mobile loans.



vendors and a Youth Enterprise Revolving Fund worth E10 million. By standing guarantor in the event of default, the schemes in theory facilitate the provision of credit by reducing the risk to banks of lending to enterprises that have no collateral. However, the schemes are underutilised. The export loan guarantee scheme does not have any participants and has not had any since 2009; this is attributed to the fact that smaller companies within the turnover threshold (E8 million per annum) are often not well placed to export, particularly in the agricultural sector. The small enterprise development loan guarantee scheme, which (as of June 2020) provides over 1,000 businesses with credit coverage of over E31 million has the capacity to fund E147 million. This scheme provides some assistance to small businesses that would not otherwise qualify for credit.

For banks, the small enterprises loan guarantee scheme can be high risk.

Stakeholders have suggested that banks have been hesitant to make use of the guarantee scheme in the past due to the difficulty in making claims and recovering their loan in the event of default. Challenges cited include long processing times and onerous paperwork. With a 50% default rate for some banks, this is risky. At present the Ministry of Finance, Ministry of Commerce, ESWADE and NAMBoard are working with commercial banks to try to improve this, particularly to facilitate the inclusion of the agricultural sector (discussed in more detail in Section 4.1). Changes are being made in terms and conditions in order to expand these projects. In particular, the stakeholders are hoping to do this by (i) incorporating development finance institutions (DFIs) to expand reach and (ii) adjusting procedures so that they can pay banks immediately in the case of a default, thereby reducing banks' exposure to risk in the event of default.

A deeper discussion on credit for farming is included in the section on agriculture.

Exploitative credit still being offered. Credit is still being provided by informal lenders (moneylenders) at high interest rates. While the Consumer Credit Act and associated regulations are likely to curtail the very high interest rates, there are concerns that if the level is not set appropriately it could dampen credit extension for riskier consumers. The FSRA has used existing legislation to confiscate bank cards that are kept illegally as collateral by informal moneylenders but is unable to enforce the Act in totality.

Microfinance being encouraged – but is still in early stages. The microfinance sector covers a small part of the population. However, in 2018 the Eswatini government approved a Micro Finance Policy Framework to formalise and register MFIs. The framework is part of a Bill that is still at the draft stage, but the FSRA has been registering entities under the guidelines. However, interest has been limited: there has been only one applicant, a provider that is already in the market as it sells funeral policies.

Problem of lack of access to credit – especially by MSMEs – remains. In summary, while there have been several positive credit-related developments since the previous MAP – such as the expanded use of credit bureaus and credit scoring data, and the introduction of mobile credit – lack of access to credit is a key impediment for many MSMEs, and interventions to assist are urgently required.



Remittances

Eswatini has a high level of cross-border and domestic remittances. Cross-border remittances increased from US\$95,771,402.20 in 2015 to US\$118,702,081.80 in 2019.¹⁷ As of 2017, remittances made up 2.5% of GDP.

Low diversity index. International remittances are primarily from South Africa and through bank transfer. The remittance diversity index, which shows the distribution of remittances across countries, has Eswatini as one of the lowest-scoring countries, with a diversity index of just 0.1, which implies very low diversity of countries from which remittances are sent.¹⁸

The average weighted price to send remittances from South Africa to Eswatini was 0.9% for a US\$55 transaction size and 0.3% for a US\$200 transaction size.¹⁹ The National Surveys Data (FinScope) (2018) showed a sharp increase in use of *formal* remittance channels by remittance receivers and that very high levels of remitting occurred in Swazi communities. Furthermore, according to the research report, remittance service providers acknowledged the restrictive regulation of formal remittance channels²⁰ and this inhibited the development of the formal remittance market.²¹ Thus, it is estimated that fairly high proportions of Swazi remitters remit informally.

In 2016, the average amount remitted (formally) at a time was ZAR7,700; in 2018, although for informal remittances only, the average amount remitted was ZAR8,275.

The 2018 total remittances (informal and formal) figure was estimated to be ZAR493.8m – an increase from ZAR385.1m in 2016.²²

Remittances often depended on by financially excluded and vulnerable households. The SDGs note the importance of remittances, with one of the SDG targets being by 2030 to reduce to less than 3 per cent the transaction costs of migrant remittances, and eliminate remittance corridors with costs higher than 5 per cent. Remittances can play an important role for households; they have been shown to have a positive impact on food and nutrition security in a study of 15 countries including Eswatini.²³ Remittances can also play a role in short-term poverty alleviation (though this effect is reduced in countries with strong financial sector development).²⁴ Data from Eswatini's NFIS shows that almost 50% of adults in Eswatini rely on remittance income. An Afrobarometer study shows that over 70% of those that depend on remittances are unemployed and have had cash problems during the previous year, and under 40% of those that depend on remittances have access to the Internet and a bank account.²⁵ Thus, many of those dependent on remittances are vulnerable and comprise a proportion of financially excluded individuals.

The previous MAP noted that barriers to use of formal remittance products include high transaction costs, limited awareness of alternatives, doorstep barriers, and complexity in identification requirements, and emphasised that mobile network operators and retailers have a potential role to play. From this perspective there have been important developments in remittances: both domestic and international remittance channels have increased in range and number.



The 2018 total remittances figure was estimated to be ZAR493.8m – an increase from ZAR385.1m in 2016.



Positive developments in domestic remittances. Remittances within Eswatini (i.e. domestic remittances) are done through banks, mobile phone channels and in-store networks:

- **Store partnerships:** One of the key changes since the previous MAP is the introduction of remittance services offered as a result of banks partnering with retail stores and postal services: retail group OK Shoprite, in partnership with a bank, offers transactions of E1,000 for E9.99.
- **Bank remittances:** Banks have historically had limited offerings on remittances but there are signs of progress in within-country offerings. For example, FNB offers an e-wallet and Standard Bank offers 'Instant Money', both of which allow bank customers to send cash to anyone with a mobile phone number for pin-controlled collection via an ATM. An interview with a bank has suggested this has led to massive increases in terms of volumes and values.
- **Mobile money:** Developments with mobile money have also enabled domestic remittances.

Increase in range and number of international remittance channels. There have historically been limited low-cost remittance product offerings from South Africa to Eswatini, which is the primary remittance corridor. While progress has been slow (remittances to Eswatini have been growing more slowly than in the rest of SADC – see Figure 27):

- Shoprite has applied for cross-border money transfer operations in partnership with Standard Bank, which will allow for transfers from South Africa to Eswatini.
- In 2012, FNB announced that its Pay2Cell offering would allow for cross-border payments of up to ZAR1,500 by mobile phone to Eswatini.²⁶ While progress has been slow, the development has the potential to enhance low-cost remittances through formal channels. The CBE has issued a letter of no objection.

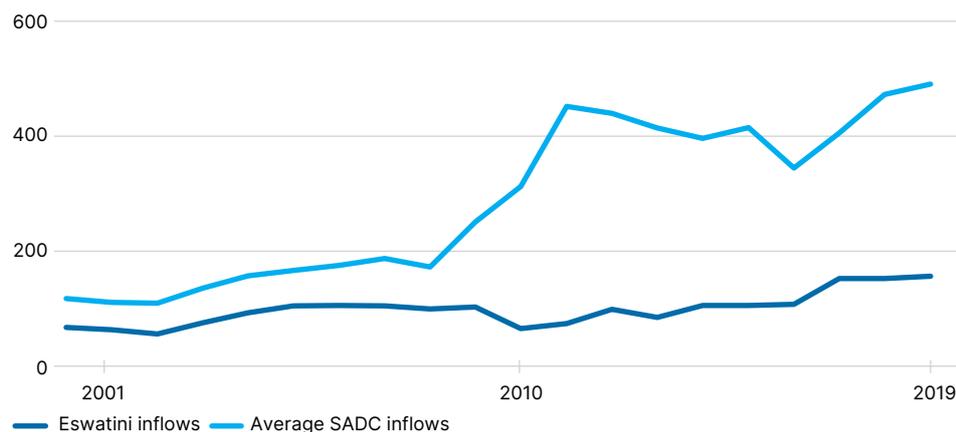


Figure 27: Remittances prices and value in Eswatini (World Bank) (2001–2019)

Sources: The World Bank, Remittance Prices Worldwide (available at <http://remittanceprices.worldbank.org>), and World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks.



- MTN is in the process of developing a cross-border remittance mechanism for mobile money in partnership with a local bank.
- Mukuru and Eswatini Bank have developed a partnership that allows funds sent from South Africa to be cashed out at Eswatini Bank.

Remittance flows could decrease as result of global developments, increasing vulnerability. It can be noted that falling remittance flows are a possible result of the ongoing COVID-19 pandemic, with the attendant likelihood of increased vulnerability. The World Bank has forecast a 20% drop in global remittance flows and larger decline in remittances to Africa.²⁷ A recent study by the European Union²⁸ suggests that Eswatini, in its levels of economic vulnerability, financial exclusion and dependence on remittances, has a convergence of vulnerabilities in the population dependent on remittances. The potential decrease in remittance flows is thus of concern.

However, as remittances are likely to remain an important source of value for the country, the development of cheaper and more convenient mechanisms for cross-border remittances remains essential.



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Savings

World Bank data suggests a worrying trend with respect to a declining savings rate in Eswatini (see Figure 28), with a decrease since 2015.²⁹ In addition, saving by males has fallen for most categories (except saving through NBFIs, which has increased substantially), while saving by females has decreased on informal measures, increased marginally through banks, and increased substantially through NBFIs.

Recommendation to investigate relatively low savings rate. There are several possible explanations for the falling savings rate. It could be a result of lower income and thus less opportunity to save. The fact that interest is not paid on money held in mobile wallets or that the interest rates paid are not sufficiently high could be a factor, and this might be due to a lack of competition. In order to

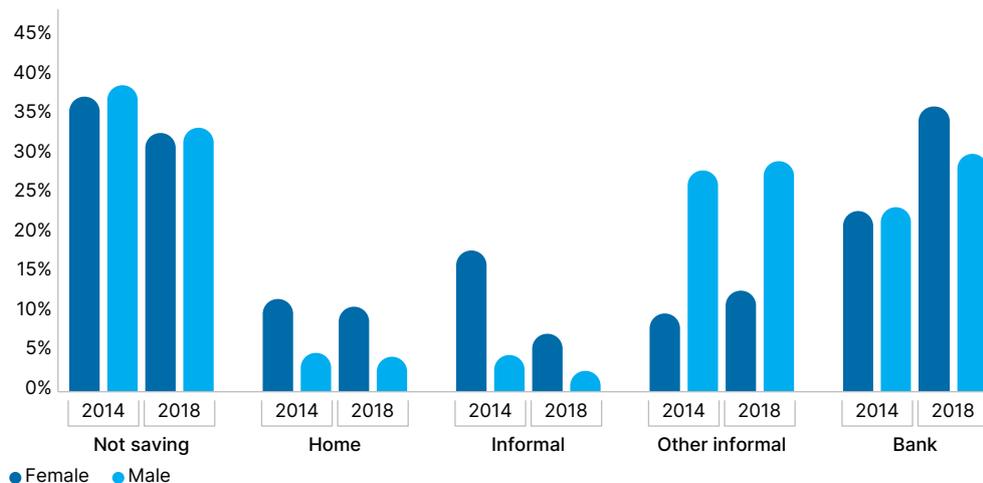


Figure 28: Savings trends, by gender (2014 vs 2018)

Source: The National Surveys Data (FinScope) 2018.



mitigate this trend towards lower savings rates, there is emerging evidence from other markets (e.g. Malawi) that permitting consumers to have separate, labelled savings facilities (such as naming a bank account with a specific savings goal) can significantly increase saving rates and improve downstream outcomes for consumers.³⁰

On the supply side, as things currently stand there appears to have been little development in terms of innovating or developing savings products.

Mobile wallets not offering differentiated savings products. The National Surveys Data (FinScope) (2018) shows that 16% of adults use mobile money to save, of which: 50% solely use mobile money, 22% use mobile money with a bank account, and 28% use mobile money, a bank account and informal mechanisms. However, as already discussed, while the limit on the amount of money permitted in a mobile wallets has risen, there is currently no interest paid on this money.

Given that mobile money is deposited at a bank, the distribution of interest on these accounts can be negotiated between the mobile money operator and the bank. While the volatility of the amounts in a wallet present some complexities, the creation of a separate savings wallet with a return would be a useful mechanism for incentivising savings. Mobile money operators are currently developing potential products.

Channels for savings have improved. With regard to saving through traditional banks, there have been few developments. One important development, though not very recent, has been 'digital deposits', meaning customers can make deposits into an ATM and cash deposit machine without needing to go into a branch.³¹

SACCOs continue to provide an important channel for savings. Some of these also provide loans to assist with particular areas such as school fees or emergencies.

Insurance companies are offering certain savings products: for example, Eswatini Royal Insurance allows small investments that can be borrowed against. However, these products are targeted more at middle- and upper-income markets. There are also a few targeted savings products such as educational products.

The National Surveys Data (FinScope) (2018) shows that of adults that save through NBFIs: 16% of adults save through a SACCO, 18% through a pension fund and 33% through mobile money.

Limited availability of savings products likely related to low income levels. While there are limited savings products available, the low uptake of savings products at the lower income end of the market is likely in part a reflection of the low levels of income in the real economy and the fact that for many households there is often very little money left over to save.



Insurance

There are 11 licensed insurers in Eswatini: four short-term insurers (Lidwala, Momentum, Phoenix and United General), six long-term insurers (Dups, Liberty Life, Metropolitan Life, Old Mutual, Orchard and Safrican Swaziland Insurance Company) and one composite insurer Eswatini Royal Insurance (ESRIC). Of these, Old Mutual, ESRIC and Liberty own over 80% of the market by premiums, while ESRIC has a higher market share if assets are considered.

Room for improvement. The previous MAP study noted significant room for improvement in all aspects of insurance and the need for innovation in distribution, flexibility, targeted low-income products and expanding healthcare cover.

Very low total increase for the period. Insurance usage increased marginally in the period 2014–2018 (see Figure 29), with usage of formal insurance rising by 5 percentage points, while informal insurance usage fell by 3 percentage points: in other words, providing a total increase in the insured adult population of only 2%. This is low compared to other access strands.

Funeral cover the exception that drove increased uptake. The marginal increase in insurance uptake was predominantly driven by increases in funeral cover. According to the National Surveys Data (FinScope) from 2014 and 2018, in both years funeral insurance was the most popular insurance product held by individuals, and increased by 3 percentage points. Most other insurance products stagnated in popularity, and even levels of individual motor vehicle, medical insurance and life cover, all of which may be linked with formal employment, dropped – possibly indicating a fall in formal employment levels (see Table 9).



Insurance usage increased marginally in the period 2014–2018, with usage of formal insurance rising by 5%, while informal insurance usage fell by 3%.

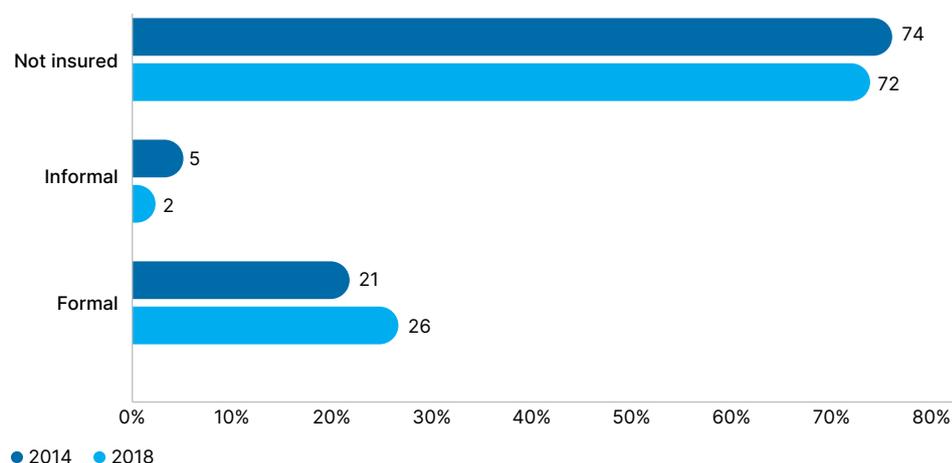


Figure 29: Insurance from formal (non-bank) and informal institutions (2014 vs 2018)

Source: The National Surveys Data (FinScope) 2014 & 2018.

**Table 9: Insurance products held (2014 vs 2018)**

PERCENTAGE THAT HAD INSURANCE		
Type of insurance	2014	2018
Motor vehicle	2.92%	1.54%
Travel	0.18%	0.23%
Domestic/household	0.73%	0.48%
Funeral	18.71%	21.62%
Masingcwabisane	8.33%	8.16%
All risks	0.56%	0.61%
Medical	2.89%	1.78%
Health cover (doctor)	0.79%	1.16%
Agricultural/crop	0.26%	0.30%
Life assurance	3.56%	2.36%
Personal injury/accident	0.91%	0.71%
Property	0.82%	0.61%
Money	0.73%	0.30%
Pension (state)	3.27%	3.04%
Pension from employer	3.28%	3.82%
Insurance that covers loans	1.17%	0.27%
Other	0.83%	0.44%

Note: 2018 combines those having an insurance product under their name with those having an insurance product through someone else.

Insurance company focus is formally employed individuals, corporate clients. In terms of long-term insurance, a large part of the industry is focused on group life cover, retirement funds, annuities and savings (see Figure 30). In terms of short-term insurance, outside of Workman’s Compensation, there is a large amount of motor insurance. This suggests that the insurance industry is focused on corporate clients and those with sufficient funds for motor vehicles.

Low uptake is despite public’s good understanding of insurance benefits.

According to the National Surveys Data (FinScope) 2018, 79% of respondents agree that ‘having insurance protects you when you have a problem’, 70% disagree that ‘insurance is for rich people only’, 75% agree that ‘insurance is a way of saving on a long-term basis’, and 70% agree that ‘being insured stops you worrying about losing things’. However, 35% agree to the statement that ‘insurance cheats or tricks you out of your money’.

Insurance products likely not meeting consumer needs for affordability and/or particular risk protection.

There are limited formal insurance products available, particularly for those at the lower end of the market. According to the National Surveys Data (FinScope) 2018, death of a family member or illness of a household member had the greatest impact on a household; yet few individuals

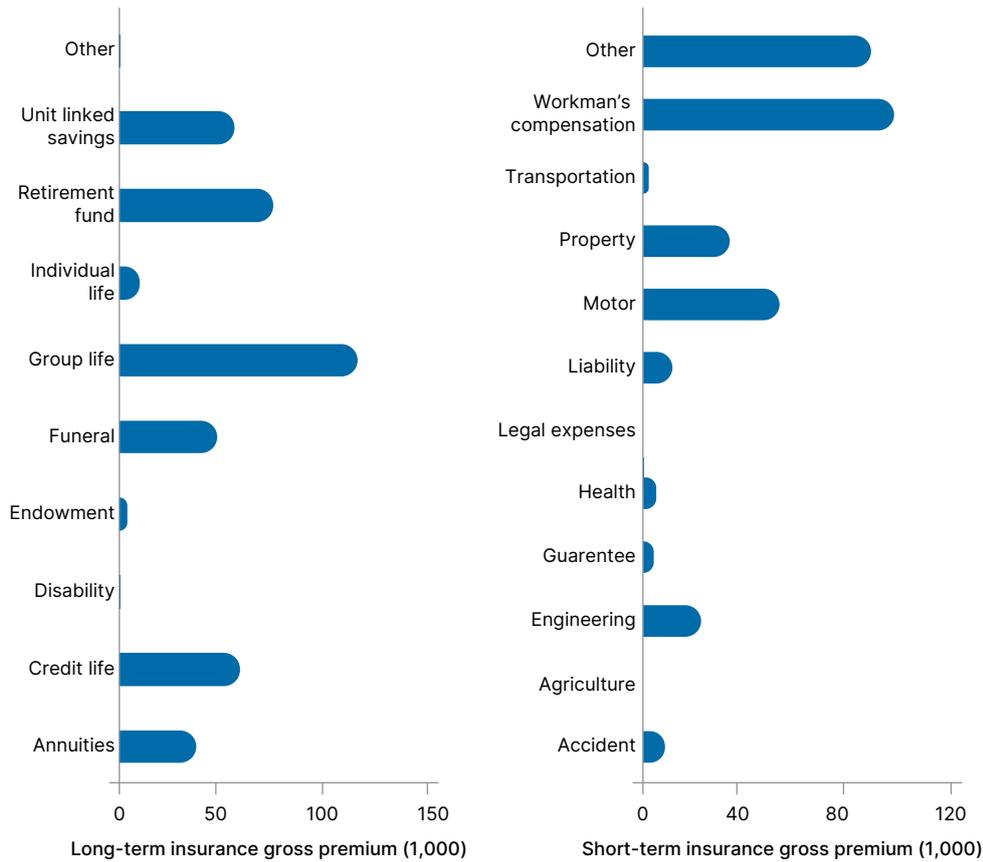


Figure 30: Long-term and short-term insurance, gross premiums for class of business for quarter ended 20 June 2019 (E'000)

Source: FSRA, Insurance Industry Report for the Quarters ended 31 March 2019 and 30 June 2019.

were able to claim insurance in response to these shocks (see Figure 31). In 2018, the most common financial coping mechanisms in the event of experiencing an expensive risk such as illness of a household member and medical expenses were (in descending order): to reduce expenses, to use savings (often informal), or to borrow (often informal). In addition, only an estimated 2% claimed from insurance as a financial coping mechanism. These results suggest insurance is too expensive and/or not suitable enough in terms of consumers' realities for them to be taking it up.

Structural issues serve to reinforce small target market. Insurance providers' focus has historically been group life cover rather than individuals. There have also been few products targeted at lower-income consumers in particular. This is in part due to structural issues. The fact that the population of Eswatini is small, and thus pooling sizes are limited, increases underwriting costs, which increases the price of insurance, which reinforces the small size of the target market.

Insufficient insurance for agricultural sector. The limitations in terms of affordable and suitable insurance cover extend to agricultural insurance products. The NFIS notes challenges with distribution and with farmers' irregular and low income levels. Thus far, agricultural insurance products have had low uptake, which has been attributed partly to the fact that options available for the

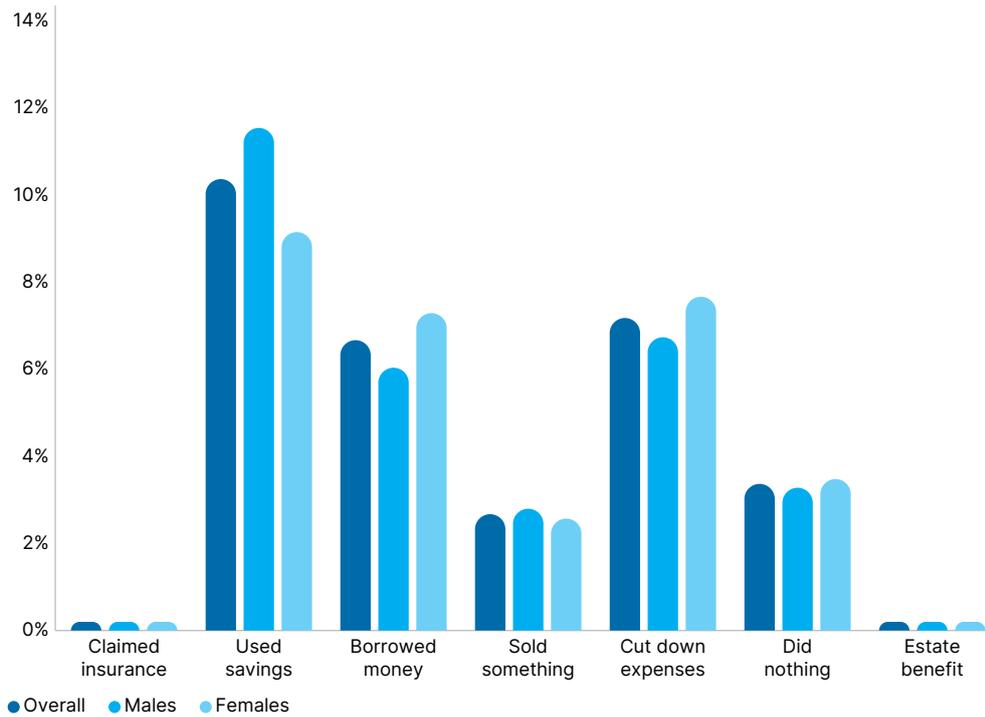


Figure 31: Coping mechanism to handle expensive risk event (household illness and medical expenses) in previous 12 months

Source: The National Surveys Data (FinScope) 2018.

market are often seen as unsuitable in terms of price and coverage (i.e. do not adequately address the key risks – such as crop insurance that does not cover for hail damage); this is discussed below in the section on agriculture. Furthermore, the limited availability of the necessary support data (e.g. meteorological data) for agricultural insurance provider use is a concern.

Increased uptake of funeral plans suggests availability of channels for sale of lower-cost insurance. The introduction of funeral insurance products is a recent development in the industry and includes funeral cover through mobile money operators. For example, MTN’s MoMo offers funeral insurance cover ‘Likhandlela’, in partnership with Old Mutual, if money is sent through an MTN mobile account at least once a month, with a sliding scale of value between E500 and E2,000 based on how often it is sent.³²

ESRIC offers the ‘Wonkhe Wonke’ funeral plan, with premiums between E16 (for a E5,000 basic payout) and E152 (for a E40,000 family plan) depending on cover options, with different payment methods possible, including mobile money and the Post Office. This has had an impact on individuals: according to the National Surveys Data (FinScope), the number of individuals *saving* for funeral expenses has decreased since 2014; in 2018, burial societies and insurance services were used for assistance with funeral expenses.



Products sold through various channels. Insurers are partnering with a range of institutions to extend their reach. To this end, certain insurance products are being sold by financial institutions such as banks and SACCOs, and through the Post Office. There have also been attempts to create partnerships aimed at selling insurance in outlying areas. Various products are being sold and underwritten on a group rather than individual basis: for example, through church groupings.

Funeral plan innovation a positive development – but other insurance gaps remain. While the increase in uptake of funeral plans is important, particularly in the context of lower life expectancy as a result of the high prevalence of HIV, there is an urgent need to provide further types of insurance to the lower-income market. In particular, there is a need for insurance products that enable MSMEs to cope with shocks. There is also a stronger role for health plans to assist people to weather shocks as a result of adverse health events. Such insurance does not need to take the form of medical aid, as many people use government treatment, but could include products such as hospital cash plans, which would assist in defraying expenses while individuals are unable to work or assist with out-of-pocket payments.

Microinsurance legislation has still not been finalised. However, it is currently going through parliamentary approvals as it might require changes to be made to the Insurance Act of 2005.³³



There is an urgent need to provide further types of insurance to the lower-income market.



Summary

There has been significant progress in access to financial services since the previous MAP study. In particular, there have been large increases in usage – and depth of usage – of mobile money/e-money services, channels through which financial access is provided have increased (including through partnerships with retailers), there is increased interoperability between systems, and there is innovation from traditional banks in terms of digital products and remittances.

However, there are aspects of financial inclusion that can be enhanced further:

DFS and mobile money

Strong national digital payments infrastructure crucial for accelerating progress on DFS. There has been exceptional progress in meeting the MAP objectives in terms of mobile money. This is in part due to the fact that Eswatini has good infrastructure (in terms of ICT, payments and ID systems) and has improved interoperability.³⁴ Mobile money usage has increased.

There are now increased functionalities, including interoperability across banks and mobile money, the ability without bank account ownership to cash out money sent by another party at ATM networks, credit provision, and a much more developed and ubiquitous payments ecosystem.

But challenges remain, including illiquidity of agents and, importantly, the cost of using mobile money.

In terms of a way forward, there is the potential for mobile money to be used as a channel for deeper financial product usage, including savings products, and for a wider range of insurance products. A key issue, however, is the cost of transactions. Improving the affordability of DFS remains a key focal area.

A digitalised national switch would increase interoperability and allow for real-time transfers. This links to the importance of national digital payments infrastructure in enhancing the environment for DFS more generally.

Remittances

Cost of transactions remains barrier to inclusion. Domestic and cross-border remittances alike have increased in scope and reach, with an increased number of products being provided across channels such as banking, retail and now mobile money. The developments in cross-border remittances through retailers and mobile money in particular are important to note. For the future, a key area of remittances is *cost* – and it is hoped that more innovative remittance providers in the market will result in lower-cost solutions.

Insurance

Gaps in MSME and farmer insurance hold much potential. There have been improvements in channels and distribution of insurance. However, this has largely been limited to funeral insurance and there has been little expansion into lower-income markets outside of this. Interviews suggest this has largely been a result of unsuitable product offerings and a small potential customer pool, which makes insurance expensive, in addition to contraction in formal employment. There is a great deal of scope for insurance for MSMEs and agriculture in particular.

Credit

Likely a role for targeted credit provision. While there have been improvements in credit provision, with mobile money provision in particular and the formalisation of credit reporting and supervision of NBFIs, there is still a role for credit provision in the informal sector of the real economy. In terms of the next steps, as discussed below, there is likely a much stronger role for credit provision on a targeted basis: for example, to MSMEs in particular sectors (such as particular agricultural projects and manufacturing clusters) in the context of developmental projects.



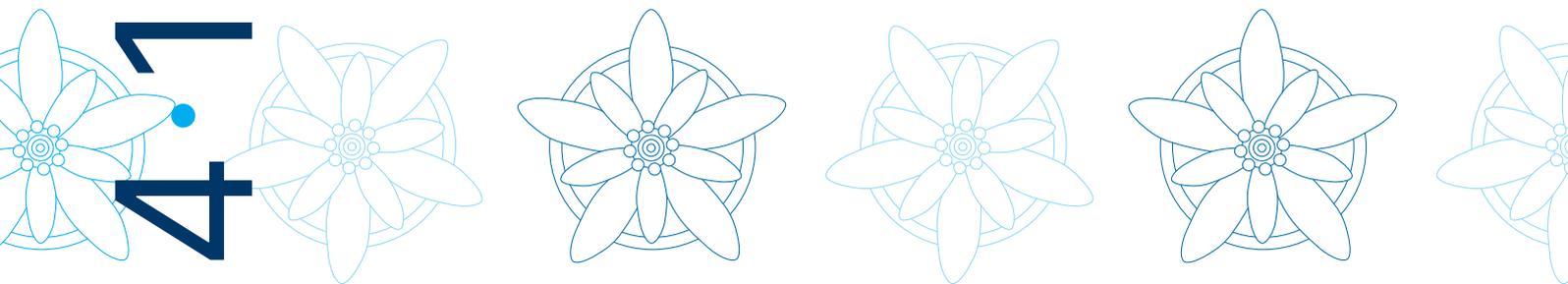
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4

Economic
sectors that
can drive
growth and
employment



Introduction

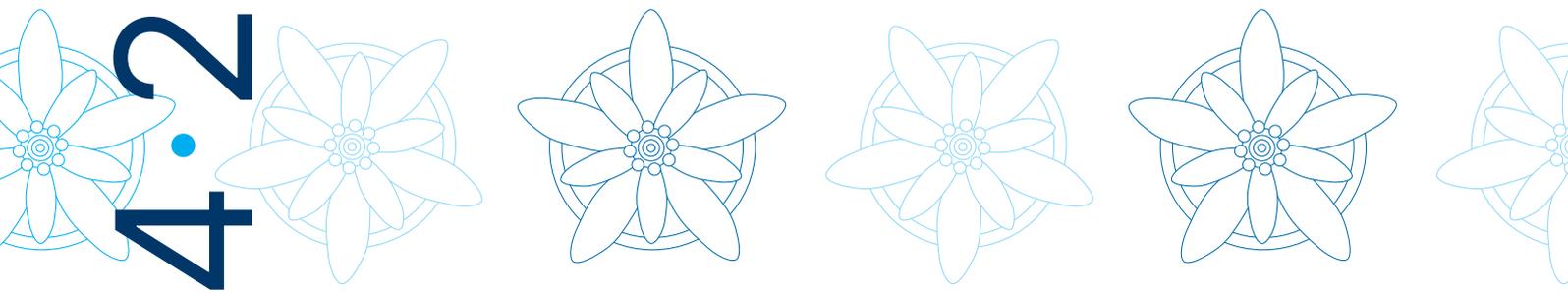
In order to increase the focus on the real economy within a context of stagnating growth, a declining formal sector and the destructive impacts of the COVID-19 pandemic, the MAP refresh project involved selecting three sectors for close analysis.

The sectors were chosen based on their (i) contributions to GDP, (ii) identification as high-growth or high-employment sectors in the 2018 MSME report, (iii) inclusion in policies developed through the political process, (iv) contribution to boosting SME development, as per the FinScope MSME study (2017) and MSME MAP (2018) and (v) links to the UN SDGs (see Table 10 and graphic below).



Table 10: Links between sectors selected and contribution to GDP: MSME MAP (2018), NDP and SDGs

	MSME MAP PROSPECTS FOR GROWTH, EMPLOYMENT	NDP 2019–2022	ROLE OF MSMEs	UN SUSTAINABLE DEVELOPMENT GOALS
Agriculture	Yes	Enhance agribusiness and agro-processing	High	 2 Zero hunger 8 Decent work and economic growth
Manufacturing	Yes	Enhance agroprocessing Revitalised manufacturing sector	Medium	 8 Decent work and economic growth 9 Industry, innovation and infrastructure
Wholesale and retail	Not noted		High	 8 Decent work and economic growth 9 Industry, innovation and infrastructure



Agriculture

Context

Agriculture key to poverty alleviation and economic development.

Agriculture in Eswatini comprises a smaller proportion of the GDP and exports than manufacture but plays a strong role in food security and rural employment. A study of food insecurity in Eswatini showed that households that relied on farm-generated income had better food security status than those that depended on remittances and non-farm activities.¹ Enhancing agribusiness and agro-processing is a key focus of the NDP,² given that agriculture is a contributor to both rural income and exports. In addition, a large number of MSMEs in what have been identified as high-impact sectors are situated in rural areas. For these reasons, agricultural development is a cornerstone of both poverty alleviation and economic development plans in Eswatini.

Agricultural activities include crop production for cash crops such as sugarcane and fruit (including pineapples, banana and citrus), subsistence crops e.g. grains (including maize), and livestock.

- **Sugarcane:** Sugarcane is the dominant cash crop in Eswatini and made up 20% of exports in 2018. Furthermore, it has upstream and downstream linkages to several other sectors, including manufacture of beverages, and power. It is a concentrated industry, with two large commercial estates dominating production. It is also farmed by private farmers, who sell their produce to mills owned by the large estates. The sugarcane sector has been supported by development projects aimed at getting smallholder farmers to farm sugarcane (as discussed further on). Sugarcane does not have the same quality requirements for export as many other agricultural products.
- **Maize:** Maize is also produced for subsistence. It has benefited from an input-subsidy programme since 2015. This has led to an increase in maize production, though it is still short of domestic requirements and thus the country still needs to import a part of its food requirements.
- **High-value crops:** Various fruits, horticultural products and cotton are grown. There are links with agroprocessing: for example, fruit is tinned etc.
- **Livestock:** Livestock generally contributes about half of the agriculture GDP in Eswatini. The livestock sector was decimated by a drought in 2015/2016 but is slowly being restocked.³ Of rural homesteads, 80% own livestock, while the proportion of homesteads owning cattle in Eswatini is between 40% and 50%.



Maize production has benefited from an input-subsidy programme since 2015. This has led to an increase in maize production, though it is still short of domestic requirements



and with the national cattle herd numbering around 600,000. However, cattle are to some extent used as a store of wealth; for this reason, there are often limited numbers of animals sold for slaughter. Historically, there have been beef exports, particularly to Norway until 2017 when concerns of foot and mouth disease arose.

Agriculture can be grouped into two main categories: while commercial agriculture predominantly produces cash crops (e.g. sugar) and makes use of modern technology and infrastructure, informal and subsistence agriculture includes the production of subsistence crops and livestock.

The country also has a forestry sector.

Agriculture represents the source of livelihood for 24% of households, while a further 34% use agriculture to supplement income or for subsistence purchases.⁴ The bulk of agricultural output is not sold, with only 11% of households that are involved in farming selling their farm produce.

Farmers in Eswatini, face various challenges and unpredictability:

- **Risk of weather-related catastrophe:** Drought and water shortages can create difficult circumstances for farmers in Eswatini. This was particularly evident with the 2015 El Niño drought.
- **Challenges in quality of products and accessing markets:** Markets and demand for products can present challenges: for example, falling sugar prices impact on the sugar sector, while concerns over foot and mouth disease led to a suspension of exports to Norway. For many smaller farmers, quality standards mean that a part of their crop is often found to be unsuitable for export, which increases their risk.
- **Access to basic services and infrastructure:** Productivity in rural areas is limited by lack of basic services and infrastructure such as good road access and market linkages, commercial land, and services such as ICT infrastructure and energy.⁵

Agricultural sector characterised by development challenges.

Development problems in agriculture include monoculture and inadequate product diversification (e.g. a high proportion of the country's vegetables are imported); poor quality and standards, which impacts on potential export markets; long value chains (i.e. numerous stages on the value chain); low levels of insurance and inadequate capital; poor knowledge management and information; and low technology adoption rates.⁶

Smallholder farmers face additional complications: limited access to capital; poverty; insecure land tenure; and inefficient extension services. They also often experience challenges in accessing markets. An additional challenge is that in rural areas agricultural land situated on Swazi National Land is under threat, due to human settlement development encroaching on agricultural space and difficulty in getting credit given the inability to use land as collateral.



Agriculture represents the source of livelihood for 24% of households, while a further 34% use agriculture to supplement income or for subsistence purchases.



Box 1: Studies of smallholder farmers

A 2019 study of 60 smallholder vegetable farmers in the Shiselweni region highlighted some of the challenges faced by farmers.⁷

Market access: The study showed that 82% of surveyed farmers had no formal market in which to sell vegetables and either sold it at a local village market (53%) or used door-to-door sales (22%). Transportation was also a challenge, with the majority of the vegetable farmers using public transport and wheelbarrows to deliver their products.

Financing: The surveyed farmers required funding for inputs and operational reasons. Lack of access to inputs was a problem for just over 68% of farmers. To fund businesses, 56% used savings, while 33% sourced capital from a farmers' association, 6.7% from a cooperative and only 3.3% from a bank. The reasons for low reliance on bank financing was fear of high interest rates (76%) and a lack of collateral.

Another study,⁸ of youth in agribusiness, showed similar patterns, with the biggest constraints noted by the youth including insufficient land and access to credit. Other challenges noted were low prices of products, theft of products, shortages of equipment, expensive outputs, and water scarcity (it can be noted that the study design grouped constraints, which conflated some of them). Market access was also limited, with a high proportion of the young farmers selling to community members (35%) – though this was also due to being able to extract higher prices through direct sales compared to selling to the centralised agriculture board. Funding for agribusiness for participants in the study was often obtained from SwaziBank (now Eswatini Bank), which had a range of products in agribusiness. A second source of funding was the YEF, which provided loans directly to the youth. The Swaziland National Agriculture Union also assists the youth with skills and promotion and with paying interest on inputs to Eswatini Bank. For farmers to be eligible for assistance, most institutions required collateral (45%) while many required a business plan (30%).

Challenges identified by the NDP in agriculture include the threats posed by climate change and increases in droughts, particularly in the absence of insurance; a lack of sufficient maize for local consumption; high food inflation (exacerbated by drought, import costs and production costs), and underutilisation of land.

Interventions thus focus on a range of areas, including improving irrigation, exploring new products, supporting investment and cross-border linkages, and promoting the movement from subsistence to commercial farming.

There have been a range of projects in the agricultural sector (see Box 2), with various components, including providing irrigation, farming inputs, access to markets, access to capital and credit, and support through extension services. Parastatals such as ESWADE and NAMBoard offer a range of services to support and develop farmers, including several projects with a financial inclusion component.



Box 2: Government and donor-supported agricultural projects

A number of government-led agricultural projects, led by ESWADE, include initiatives aimed at enhancing agricultural output and sustainability, including the following:

High-value crop and horticulture project: This involves assisting with extension services (including the formulation of business and financial planning assistance), marketing strategy, irrigation schemes, facilitation of trade, transport and storage through the agricultural market board, and the development of pack houses. This project is funded with €16.6 million from the European Union. An Agricultural Marketing and Information System was also rolled out in 2017 to provide a means of disseminating information, though usage is still limited (only 52 active users).

Smallholder market-led project: This project, which began in 2015, targets smallholder farmers that are food-deficient but economically active, through access to irrigation, inputs, training and services.

Beef value chain development scheme: This is to provide capacity building, financial products and feedlot usage for smallholder beef cattle farmers.

Maize input subsidy scheme: The government maize subsidy programme, which started in 2014, registered farmers and provided a subsidy on the cost of seeds and fertiliser. A study showed that farmers that used it had an increase in productivity.⁹

LUSIP II: This is the second of the Lower Usutho Smallholder Irrigation Projects, which will create bulk water storage facilities to allow for irrigation and more efficient use of water for 2,300 smallholder households. The planted area will include sugarcane and cash crops.¹⁰

Similar interventions historically included the Komati Downstream Development Project, and the Lower Usutho Smallholder Irrigation Project (LUSIP I) and its extensions.

There has also been investment in irrigation projects, including dams.

The government's COVID-19 Economic Recovery Plan proposes 21 agricultural projects aimed at creating over 6,000 employment opportunities.¹¹ This includes the production of milk, baby vegetables, forestry, citrus, aquaponics and fish, among other products.



Linkage with financial inclusion

There are various ways in which agriculture is linked to financial inclusion and in which financial inclusion can assist.

Access to credit

Access to credit related to segment (farmers) and vulnerability (rurally located).

In agriculture, capital is required for a range of investments. This can range from the cost of payment for better inputs (e.g. seed, fertiliser and chemicals) to investment in equipment (e.g. tractors) to enable higher levels of productivity. Capital is also essential for agro-processing equipment that would allow farmers to vertically integrate and increase the value-add of their products. While there are input subsidies for some products, the reach appears to be limited. Current indications are that access to credit in rural areas and for farmers is limited. While some of the development projects assist farmers by providing extension services, which includes assistance with business plans and access to institutions, and provide funding, which can reduce risk and be collateralised, it is still difficult for many farmers to access sufficient credit. This is also true of investments required for downstream activities such as packaging and processing. There are various reasons why agricultural SMEs do not readily get access to credit. This includes a lack of formalisation of farming operations, which results in poor business plans and a lack of records.

Lack of formalisation of farming enterprises a barrier to accessing credit.

While there are currently products on the market for agribusiness (e.g. Eswatini Bank has a range of products), generally these require formalisation such as legal registration, submission of a business proposal, letters of confirmation of markets and supply, legal rights to use land and water (which might require proof of ownership and water rights depending on the type of loan) and, importantly, collateral. One of the issues specific to Eswatini is that the tenure system on Swazi National Land does not provide farmers with a title deed that can be used as collateral for loans.

Furthermore, interest rates are often seen to be high and the level of formalisation required for a loan from a bank can be onerous, resulting in agricultural SMEs seeking out loans from informal sources, and semi-formal institutions as they grow.¹²

High rate of default on loans among smallholder farmer segment.

While there are loan guarantee schemes that have been set up to assist export-oriented and small businesses (namely, the Export Guarantee Scheme and the Small Enterprise Development Scheme), these government loan guarantee schemes do not appear to have worked in this sector; and despite this mechanism banks are still not able to lend as much as would be expected. From



Capital is essential for agro-processing equipment that would allow farmers to vertically integrate and increase the value-add of their products.



the small enterprise loan guarantee scheme, only 1.7% went towards agriculture.¹³ The fact that international development financiers have at times provided loan guarantees for projects supports this contention. For example, ESWADE has arranged financing for farmers through Nedbank based on loan guarantees from the French Development Agency. Banks have noted that the process to claim for defaults was historically complex and long, which to some extent reduced the benefit of the guarantee from the provider's perspective. Furthermore, there is a very high risk of default from this segment of farmers. This is attributed to, firstly, the psychological impact of a loan guarantee, with some farmers allegedly believing that the loan guarantee scheme is money provided by the king and, secondly, poor business and financial management of the farms.

Stakeholders, including providers, are focusing their efforts on increasing farmer credit.

It is hoped that in the future there will be a greater focus on agricultural loans. The government loan guarantee scheme is undergoing review. Stakeholders in the industry are attempting to revive the Export Guarantee Scheme and adjust the Small Enterprise Development Scheme to better address risk for lenders in agriculture finance. A pilot project using one bank is being planned. It is also hoped that the inclusion of DFIs in the future will also increase access to finance for these farmers. There is also hope that Farmers Bank, which has been licensed but is not yet operational, will assist with financial inclusion; it is being supported with E500 million, with the expectation that it will support the agricultural sector as part of the COVID-19 economic recovery strategy.¹⁴

Developmental programmes and financial inclusion are closely linked.

Farmers that are part of schemes run by the government or ESWADE are more likely to benefit from access to finance, given the assistance provided with development of business plans and formalisation of documents, and the investment provided, which can be collateralised. In addition, ESWADE, for example, brings banks to present their options to farmers. This highlights the linkage between developmental programmes and financial inclusion.

Recommendation to focus efforts on solving challenge of providing farmer credit.

There is scope for intervention to assist farmers in seeking credit from more formal sources through the introduction of more entry-level, simplified products targeted at farmers. Part of the solution will be reducing risk to banks by replacing onerous documentary requirements with other methods of building a customer profile. This could include, for example, using digital means such as satellite imagery to assess a planted area (e.g. to assess whether there are planted areas that are under-irrigated etc.) and using mobile money credit history to assess risk. However, this kind of innovative approach requires good telecommunications infrastructure and low-cost data.



From the small enterprise loan guarantee scheme, only 1.7% went towards agriculture.



Recommendation to consider alternatives such as leasing.

Support for alternative financing mechanisms for farming equipment, such as leasing, should also be considered.



Risk reduction

Despite ubiquity of farming, market for agricultural insurance is small.

An additional challenge facing farmers in Eswatini is means of reducing risk from shocks. This can include the risks to production from death or illness, crop failure or other catastrophic harm. One of the most common mechanisms used for risk reduction is insurance. However, the use of insurance products by farmers in Eswatini is limited, particularly by SMEs. There may be different reasons for this. However, the FinScope MSME (2018) study found that in Eswatini insurance for agriculture was considered to be expensive. Of the three insurance companies that offer business insurance, one did target agriculture – but the insurance was not popular due to high premiums (only one farmer took it up). Furthermore, there is a perception that there are exclusions in the insurance products that do not provide protection from key farming risks (e.g. frost, hail in the absence of rain, foot and mouth disease). A key challenge is the size of the market.

Recommendation to innovate with group-focused products and untraditional channels.

Consideration should be given to the creation of simplified cover for farmers through mobile money and retail channels, and the use of group insurance schemes where there are natural collections of farmers (e.g. through a particular scheme or project).

Support and coordination between development and financial inclusion projects

The potential value of integrating financial inclusion with other support.

Some of the agriculture programmes and interventions identified in the NDP or by the Ministry of Agriculture and currently mooted include financial inclusion components. For example, one of the interventions suggested is to review the single industry borrower limit regulations, to allow for more credit to agriculture. Another is to consider a range of ways in which to extend support measures to exporters, including: financial products and export insurance models; promoting cooperatives to increase access to finance; engaging financial institutions to establish minimum-risk credit products; enhancing the public's and self-employed people's awareness of funding of government schemes for financing MSMEs; and improving small-scale loan guarantee schemes. In other words, there are numerous ways in which financial inclusion can benefit the agricultural sector.



One of the most common mechanisms used for risk reduction is insurance. However, the use of insurance products by farmers in Eswatini is limited.



Recommendation to consider how financial inclusion can piggyback on other support services/projects.

Given the types of farmer support projects currently engaged in, there is the potential for financial education and inclusion efforts to be integrated and to piggyback on these projects. Integrating efforts in this way would offer further, related benefits: for instance, an integrated programme that combines market access, extension services and access to credit by grouping together related clusters is also likely to play an important role in reducing the risk faced by borrowers. Existing development schemes whereby farmers are benefiting from the integration of financial inclusion with market access and agricultural extension services could act as a template. One challenge, however, is to ensure that these services support the development of a market for financial services with multiple, competing institutions as opposed to crowding any of them out.

Holistic approach crucial for integration and synergies.

Where such integrated projects are developed, their financial inclusion components must be integrated with the wider financial inclusion strategy and framework. This will allow for synergies to develop, creating a broader role for private financial services providers, outside of the project itself, to serve the needs of participating farmers.

Use of digital tools

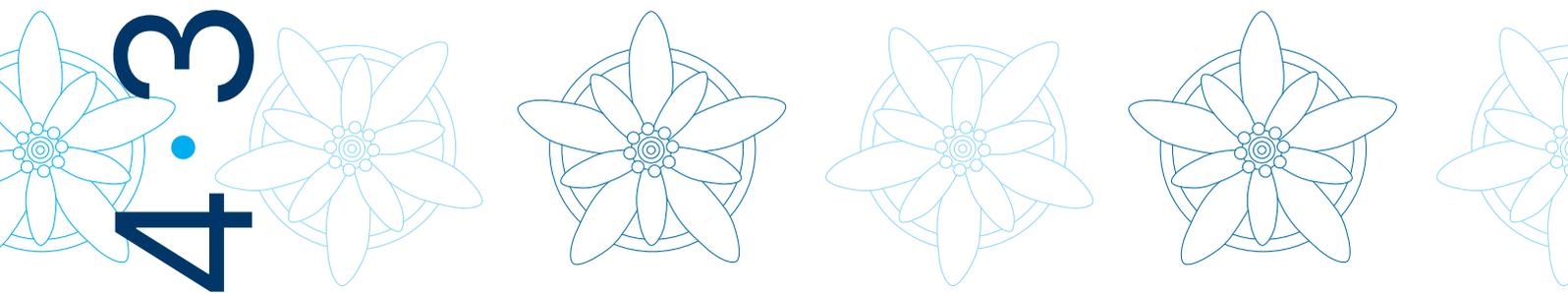
Digital tools could help combat disadvantages of remote geographic location.

Digital inclusion in rural areas should be supported as it could provide a range of benefits. These include increased access to and awareness of prices, and improved financial and agricultural management, which would also reduce risk to lenders. The Agricultural Marketing Information System is a tool developed for the Ministry of Agriculture that assists in disseminating market and product information. There is a possibility that, in time, this could include certain other financial information.

The reality of mobile network limitations is a constraint on innovation. At present, limited mobile network coverage and high costs of access limit the extent to which some of the otherwise-available novel technologies can be used.



An integrated programme that combines market access, extension services and access to credit by grouping together related clusters is also likely to play an important role in reducing the risk faced by borrowers.



Manufacturing

Context

Manufacturing is main contributor to GDP.

Comprising 32% of GDP, manufacturing is a crucial economic sector. The main sector within manufacturing is food and beverages, with some manufacture of textiles and wearing apparel. Another key manufacturing sector is the manufacture of food and sugar processing. Enhancing agro-processing is a key area of the NDP.

Diversity of manufacture has fallen over past decades.

Currently, 90% of exports are concentrated on four manufacturing sectors: soft drink concentrate, sugar, textiles, and wood manufacturing, with the proportion of soft drink concentrate increasing.¹⁵ Furthermore, manufacturing products have become concentrated in fewer firms: sugar processing is fairly concentrated, with the Royal Swaziland Sugar Corporation producing two-thirds of the country's sugar, while soft drink concentrate production is dominated by Coca Cola.

Productivity in manufacturing and agro-processing has been high and has increased by 30% in the past decade.¹⁶ Textile and apparel is also an important manufacturing sector and both contributes to employment creation and comprises a significant share of exports (almost 11% in 2019). While, historically, Eswatini supplied a large amount of clothing to the US under the AGOA agreement, it has shifted a large component of exports to South Africa over the past few years.¹⁷

MSME involvement in manufacturing is low.

There is scope for increased MSME participation in the manufacturing sector. Currently, manufacturers make up 13% of MSMEs and are predominantly rurally based. Such MSMEs are fairly unsophisticated, with 88% having the owner as the only employee and only 6% falling into the category of 'most developed businesses'. A large proportion of these are involved in manufacturing clothing (such as school uniforms). The MAP MSME diagnostic report¹⁸ notes that financial institutions are often hesitant to lend to MSMEs, with institutions interviewed noting that often MSMEs do not have bankable business proposals. Only 4.7% of the government enterprise loan guarantee scheme went to manufacture as of June 2020.



Productivity in manufacturing and agro-processing has been high and has increased by 30% in the past decade.



The COVID-19 Economic Recovery Plan includes proposed investment of E6bn in manufacturing, leading to the creation of 4,610 jobs in value addition of sugar products, manufacturing of pharmaceuticals and fridge components, food, leather and paper, among others. MSMEs will feed into manufacturing through the supply of inputs (such as flour for noodles). These investments are projected to be worth about E1,092,300,000 in terms of benefit to MSMEs. The Plan also anticipates investment in the textile sector, which will increase jobs; this is to be focused on clusters of manufacturers surrounded by cottage industries (community and household businesses) that feed into them.¹⁹ A potential means of expansion of financial services provision into the MSME sector would be to identify value chains that provide MSMEs with clear buyers and potentially allow for inclusion in the loan guarantee scheme, where a clear value chain proposition reduces the risk of lending.

Basic services and infrastructure access are challenges to manufacturing sector.

A key issue for manufacturing is electricity, which is both expensive and unreliable. Interruptions to the energy supply as a result of scarcity and imported energy from South Africa facing supply constraints have created a measure of risk for manufacturing.²⁰ As discussed previously, the development of off-grid pay-as-go solutions might assist in provision of electricity to smaller manufacturers by reducing dependence on the unreliable and expensive grid. ICT infrastructure and the associated costs is another challenge for manufacturing, while other risks include changes within export markets.

Linkage with financial inclusion

High rate of default on SME loans.

Access to credit is still a challenge for manufacturing MSMEs. This is largely due to their risk profile, with SME default rates at 12%–40%.²¹ While banks provide credit to some businesses, this service is negligible and also requires a level of formality on the part of the applicant business as requirements include various documents and licences. DFIs and microlenders do not serve MSMEs.

Recommendation to consider extending existing loan guarantee scheme.

The government loan guarantee scheme could be extended to DFIs and microlenders, who might have alternative mechanisms for assessing risk; a greater appetite for risk, in turn, would assist with credit extension.

DFS could be harnessed to help reduce credit risk for providers.

Furthermore, other means of reducing risk should be considered. Use of mobile money records and utility payment patterns to assess credit risk may also be a means of increasing credit provision. Products to facilitate and factor in types of manufacturing equipment should also be considered. However, this needs to evolve along with supportive structures to assist manufacturers with accessing markets.



Access to credit is still a challenge for manufacturing MSMEs. This is largely due to their risk profile, with SME default rates at 12%–40%



Recommendation to improve manufacturers' access to online markets, ordering and payments.

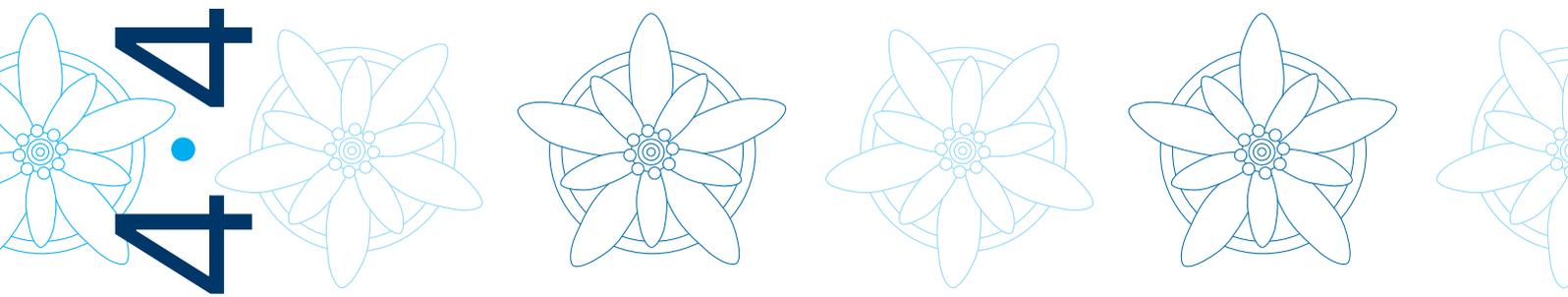
Support for digitalisation that would allow for access to online markets along with the infrastructure to support online ordering and payments should be built up at a national level, to allow manufacturers to access a broader customer base. This can be built off initiatives being developed through AcFTA (African Continental Free Trade Area) and COMESA. Access to such platforms will require and incentivise financial inclusion.

Recommendation to piggyback on industrial development clustering approach.

Means of generating products to assist with financing self-generation (e.g. through solar energy) and financing the development of mini-grids in rural areas where manufacture is occurring would assist in reducing challenges to manufacturing as a result of energy shortages. Furthermore, access to credit for equipment should be further investigated to understand manufacturing needs. The clustering approach being undertaken to industrial development holds much promise and can be used as a platform for targeted financial inclusion through products developed for those that feed into the value chain, given the risk reduction due to having a clear value chain and the potential for manufacturers to act as guarantors.



Support for digitalisation that would allow for access to online markets along with the infrastructure to support online ordering and payments.



Wholesale and retail trade

Wholesale and retail trade is not only an important economic sector in Eswatini, accounting for 13% of GDP, but also plays an important role in employment creation: a large number of the country's MSMEs (41%) are in the wholesale and retail trade sector.²²

This sector has benefited from the small-scale enterprise loan guarantee scheme provided by the government comprising 58% of loans in June 2020.

Sector has been contracting.

However, currently the wholesale and retail sector is projected to be contracting by 2.6% a year on average in the three-year period 2019–2022 (i.e. the period of the NDP).²³ In terms of the future, as part of the COVID-19 Economic Recovery Plan the government is aiming to pursue six projects worth over E2bn; this includes the construction of shopping centres and filling stations.²⁴

Linkage with financial inclusion

Financial inclusion can assist in expanding wholesale and retail trade.

Wholesale and retail businesses stand to benefit significantly from financial inclusion through a range of mechanisms. Firstly, access to short-term credit can provide wholesale and retail businesses with working capital that can be used to purchase stock that can be sold on. Secondly, access to low-cost payment mechanisms such as mobile money can assist in providing alternatives for customers as well as diversifying payment streams, which provides a measure of security in comparison to cash. Thirdly, access to credit can be used to finance investments (e.g. in-store facilities or transportation).

Digitalisation offers benefits for wholesale and retail trade sector.

The digitalisation inherent in mobile money systems also provides data that can assist with managing cash flows in the long term. Digital records from mobile money payment systems and other digital management processes can assist a less sophisticated business to provide potential lenders with a record of cash flows. This may in time also open financing options up to fintechs and other investors that can innovatively use these records as a measure of business feasibility. Increased access to digital payments, in particular, can decrease certain risks in the wholesale and retail trade sector and reduce the costs that are inherent to cash businesses.



Currently the wholesale and retail sector is projected to be contracting by 2.6% a year on average in the three-year period 2019–2022.

4.5

Summary

Tailormade, targeted interventions appear key.

In terms of development of the real economy on a sectoral basis, it appears that there is significant scope to improve the level of financial inclusion using specific targeted interventions. This includes access to credit for working capital, for productivity-enhancing machinery and for inputs and stock, and insurance to protect against unforeseen losses. Historically there are limitations on both the amount of credit provided and insurance offerings due to the risk of non-payment.

Recommendation for integration of financial improvement with existing development programmes.

In terms of an integrated approach, product development would be tied to broader projects and objectives, and this would reduce risk to lenders. This has been successful in instances in which a value chain approach has been used to reduce risk and improve guarantees (e.g. in projects in the sugarcane value chain that assist in providing farmers with markets for their products and buyers guaranteeing their loans). Existing initiatives like this should be enhanced and a similar model used in other areas. This can include other agricultural products, manufacturing input chains and retail activities. While there are many programmes and schemes that are focused on developing small businesses, there are great synergies between these programmes and financial inclusion strategies. For this reason, improved coordination and engagement is crucial towards improved integration.



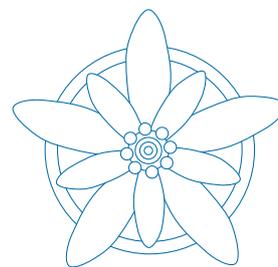
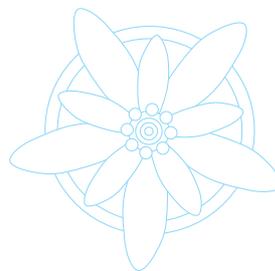
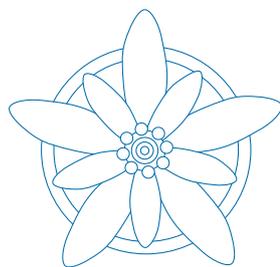
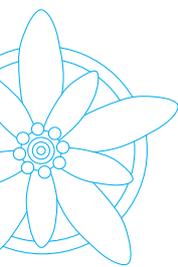
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5

Conclusions and recommendations



Conclusions and recommendations

Eswatini has a small economy, with a strong rural base that is dependent on agriculture and significantly underserved. However, the country has a clear commitment to and focus on financial inclusion; since the previous MAP the country has made significant progress in inclusion, particularly in mobile money and remittances.

The country's policymakers have adapted the policy framework with a range of guidelines and processes that have been developed or are being developed.

In terms of the future, though, there is room for further improvements.

In order to increase financial inclusion in a manner that boosts the real economy, the following recommendations are made:

Expand the reach of financial service providers

- Reducing fees for products, including mobile money, through enhancing competition and the potential for competition.
- Addressing the lack of liquidity and agent availability in rural areas.
- Increasing the 'breadth' of mobile money products on offer (e.g. savings wallets).
- Integrating financial services with a greater number of providers, as well as with other providers such as agents.
- Creating greater integration and partnership with SACCOs, and with informal providers that have reach within currently underserved population groups.

Develop linkages to the agriculture and manufacturing value chains

- Developing credit and insurance products that service MSMEs in agriculture and manufacturing.
- Linking financial inclusion to development products that are focused on building up value chains/clusters within priority projects or sectors (including particular agricultural commodities and manufacturing hubs).



The country's policymakers have adapted the policy framework with a range of guidelines and processes that have been developed or are being developed.



Improve credit reporting and encourage use of digital innovation

- Building up the reporting of both positive and negative information by stakeholders such as providers of basic services/utilities, SACCOs, and mobile money operators.
- Developing means of using data – such as mobile money transaction data – to generate behavioural inputs that can be used for credit scores for individuals as well as MSMEs.

Expand the payments ecosystem and increase competition

- Encouraging NBFIs participation and innovation in the payments space.
- Encouraging better interoperability between providers (e.g. through a national switch), including interoperability between banks and mobile money.
- Investing in real-time settlement channels for EFT, which would allow for greater competition in real-time payments for bank payment products, which would improve the ecosystem.

Address the low uptake of the government loan guarantee scheme

- Developing the structure and processes to facilitate lending.
- Adopting best practices from schemes that have been successful in the region.
- Streamlining administration and paperwork to encourage use.

Support mechanisms to deepen usage of products and facilitate savings and credit risk reduction

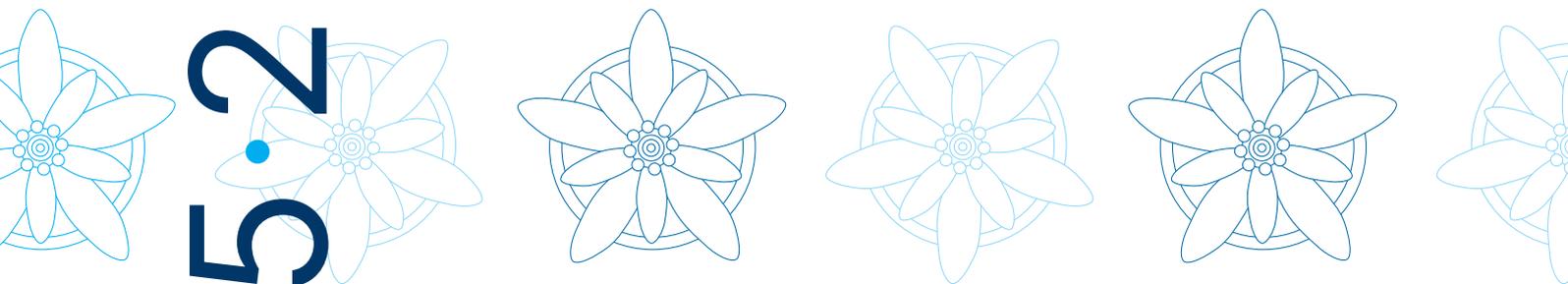
- Creating low-cost insurance products such as hospital cash plans.
- Creating specific products to target microsavings, which will assist lower-income markets with financial inclusion. These products can also be specifically targeted: for example, to areas such as education.
- Providing incentives to save and earn interest on mobile money and e-wallets.

Support infrastructure development in order to deliver financial services and develop the economy

- Addressing high prices, and inadequate mobile network and Internet access in rural areas. Going forward it is important that competition in mobile networks be encouraged, with a view to stimulating price competition.
- Supporting off-grid electrification solutions such as pay-as-you-go and solar electricity systems, at the intersection of energy and financial services.

Harness stakeholders' support in financial inclusion

- Providing greater integration with aspects of the real economy focused on improving economic growth to counter stagnation. This should involve the CFI liaising in areas such as energy (e.g. where there are prepaid off-grid solutions), agriculture (e.g. integrating financial inclusion projects with groups of farmers with value chain integration and extension services), and manufacturing (e.g. integrating financial inclusion with MSMEs that are feeding into industrial development strategies).



Implementation and evaluation

In terms of next steps, it is clear that while many aspects of the 2015 MAP financial inclusion roadmap have been achieved, others have not yet been implemented.

Based on the five original themes already discussed and the recommendations i–viii set out above, a number of further interventions are recommended (see Table 11).

Table 11: Implementation gaps from 2015 MAP, and proposed additions (2020)

1. GROWTH IN THE USE OF E-MONEY TO TRANSACT AND SAVE

2015 recommendations still relevant/outstanding:

- Introduce roaming ‘super-agents’ and partner with banks to help overcome illiquidity problems.
- Encourage use of e-money transaction history by other providers to extend credit.

2020 proposed addition:

- Increase breadth of usage of e-money products (such as interest-bearing savings products, educational savings products) [*Recommendation (i) expand the reach of financial service providers*]
- Increasing the competition between bank e-wallets (and similar digital products) and mobile money. For example, create competition between EFT and mobile money by ensuring the new switch supports real-time EFT payments. [*Recommendation (iv) increase competition*]
- Increasing the competitive ecosystem and improving infrastructure to increase rivalry between competing mobile money providers and between mobile money providers, other digital financial providers and banks, thereby decreasing prices and/or increasing variety and innovation. [*Recommendation (iv) increase competition*]

2. THE DEVELOPMENT OF FORMAL DOMESTIC AND CROSS-BORDER REMITTANCE PRODUCTS TO SUPPORT VULNERABLE DEPENDANT GROUPS

2015 recommendations still relevant/outstanding:

- Develop specific financial services targeted at expatriates, such as education savings or health insurance products for their dependants that they can directly contribute towards.
- Risk-based approach to documented and undocumented migrants.

2020 proposed additions:

- Support competition by encouraging and supporting entry by NBFIs, for example, by creating clear processes and mechanisms for applying for authorisation and licensing. [*Recommendation (iv) increase competition*]



3. EXPANDING INSURANCE TO BETTER MANAGE THE IMPACT OF RISKS

2015 recommendations still relevant/outstanding:

- Entrench and encourage innovation in insurance.
- Finalise and implement microinsurance regulation.
- Reconsider KYC requirements for insurance, building on the existing bank exemptions precedents.
- Maintain existing emphasis on 'as and when' commissions over the lifespan of the policy but explicitly allow a transparent policy origination fee upfront to provide sufficient incentive to sell low-premium policies.
- Develop a streamlined, facilitative framework for medical schemes.

2020 proposed additions:

- Work to create products that have synergies with existing projects (e.g. agricultural development products) to lower risk and create a base for the introduction of financial products. [*Recommendation (ii): develop linkages to the agriculture and manufacturing value chains*]
- Support diversification of funeral policies to those that include hospital cash plans etc. [*Recommendation (v) deepen usage of products and facilitate savings and credit risk reduction*]
- Support the integration of more insurance products on mobile money platforms. [*Recommendation (i) expand reach of financial service providers*]

4. DEEPENING BANK REACH TO BETTER MEET NEEDS

2015 recommendations still relevant/outstanding:

- Bank innovation (including communication, using data to target specific groups):
 - Use incentives and increased communication and awareness to increase transaction volumes and balances.
 - Use data to better understand and target specific clients and client groups.
 - Encourage goal-oriented savings.
 - Extend credit to larger group of employed.
 - Play a larger role as a distribution channel for insurance.
- Proactive regulation on costs, and on targets to extend services to the poor.
- Leverage relationship to educate consumers e.g. how to change behaviour to minimise costs.

2020 proposed additions:

- Develop national switch in a manner supportive of bank rails such as EFT, allowing for competition between payment types. [*Recommendation (iv) increase competition*]

REDUCING CREDIT COSTS AND PROTECTING CONSUMERS

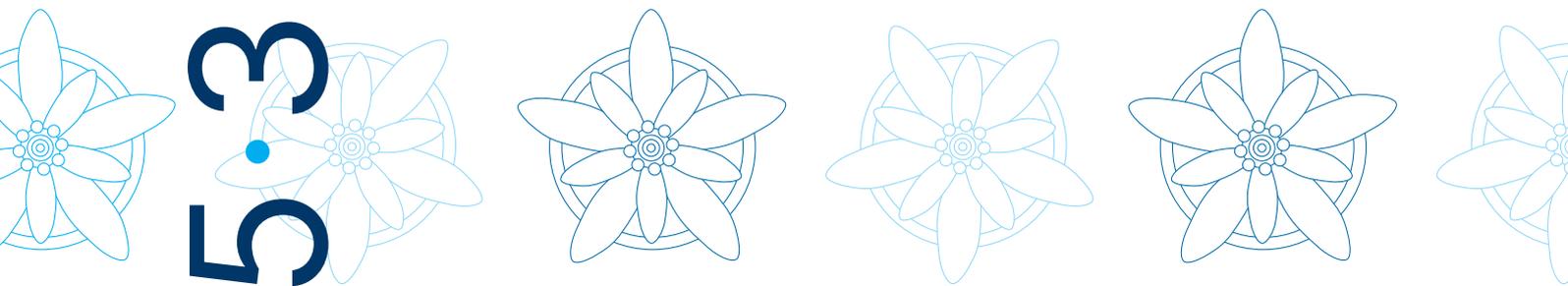
2015 recommendations still relevant/outstanding:

- Apply a financial inclusion lens to the finalisation of the credit bill.
- Increase and clarify the interest rate cap, informed by market research.
- Promote the establishment of a credit bureau and the submission of positive and negative credit information by credit providers to reduce costs and increase entry into the market.
- Coordinate and recapitalise DCPs and related government bodies; improve scale through consolidation of systems, allow the credit guarantee scheme to earn interest.
- Encourage expatriate investment (e.g. the Micro Finance SMME Investment Fund envisaged in the Micro Finance policy of 2018).
- Explore alternative credit evaluation methods, including mobile money transaction history.
- Support donor initiatives to promote savings groups as alternative to informal moneylenders.
- Target civil servants to start businesses.
- Broader policy intervention that focuses on the fundamentals of MSME development.

2020 proposed additions:

- Improve the processes and turnaround times on the government loan guarantee scheme. Expand loan guarantee scheme to NBFIs. [*Recommendation (iii): improve credit reporting and encourage use of digital innovation*]
- Encourage positive and negative credit reporting by utilities, NBFIs. [*Recommendation (iii): improve credit reporting and encourage use of digital innovation*]
- Develop mechanisms for credit reporting by mobile money operators and DFS providers for short-term loans. [*Recommendation (iii): improve credit reporting and encourage use of digital innovation*]
- Consider impact of interest rate caps and ensure that the cap set is not set so low as to discourage credit extension to risky customers. [*Recommendation (iv): expand the reach of financial service providers*]

Going forward, proposed additions should be incorporated into the review of the NFIS; this makes sense given that the CFI is tasked with the implementation of the NFIS and its staff are ideally situated to encourage implementation and to play a role in evaluation.



Governance structure/ implementation

As noted previously, the NFIS is to be implemented by the CFI working with a Technical Committee set up to include the Ministry of Finance, CBE, FSRA, and various government agencies and private-sector representatives.

What was envisioned was the Secretariat (which is currently the CFI), a Council, and a Technical Committee comprising all the key partners. However, as things stand, the Council and Technical Committee have not been set up, and the CFI has taken the role of the Council and Technical Committee in the interim. The CFI has played an integral role in taking forward the financial inclusion strategy and bringing financial inclusion onto the country agenda.

While there is interaction between different stakeholders, and coordination across ministries, one important issue is that in its current form, certain stakeholders believe, there is still insufficient coordination between the CFI, line ministries such as agriculture or gender, and parastatals involved in projects in these areas. Given these stakeholder concerns, greater representation by and interaction with these ministries and large development projects is likely to be an important part of future reforms.

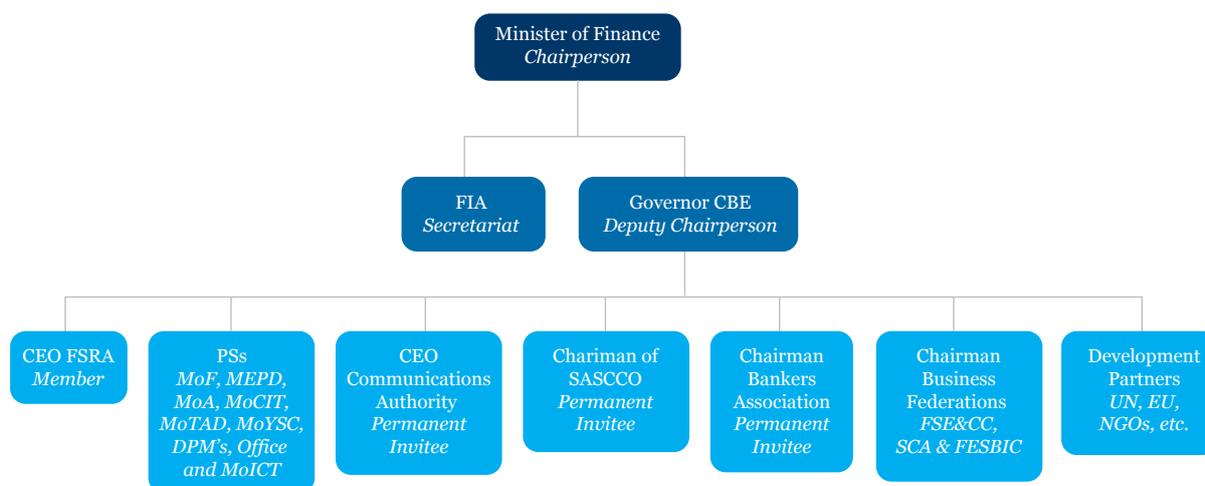


Figure 32: Proposed implementation structure from NFIS



Stakeholders have raised concerns over the fact that the CFI funding mechanism is situated within the Ministry of Finance, presenting the danger of funding shifting if and when fiscal priorities are reconsidered. Other means of funding the CFI should thus probably be considered to protect it from funding threats, with one possible suggestion being a small industry levy ringfenced for financial inclusion purposes.

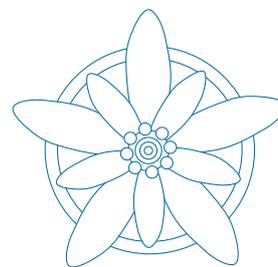
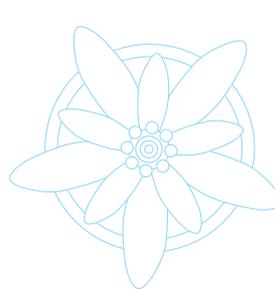
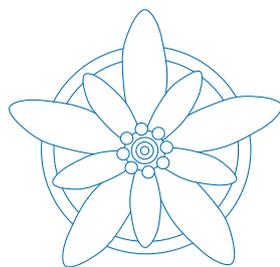
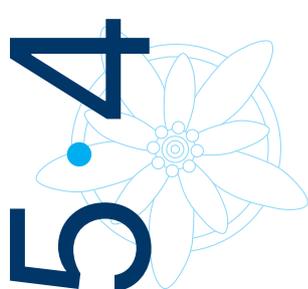
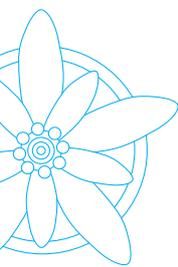
With regard to future financial inclusion efforts, it is imperative that the different financial inclusion stakeholders be actively drawn in and involved. One area for improvement would be focusing on greater integration of financial inclusion with aspects of the real economy, which would entail the CFI liaising in areas such as energy (e.g. where there are prepaid off-grid solutions), agriculture (e.g. integrating financial inclusion projects with groups of farmers with value chain integration and extension services), and manufacturing (e.g. integrating financial inclusion with MSMEs that are feeding into industrial development strategies).

In terms of the implementation plan, suggested steps to improve the functioning and governance of the NFIS include the following:

1. Operationalise the committees as intended in the NFIS.
2. Consider additional stakeholders that should be included overall or at the level of a specific working group. The analysis undertaken for this refresh report suggests there are additional areas in which liaison and incorporation of stakeholders might be useful. This should include:
 - Agencies such as ESWADE and NAMBoard in working groups related to agriculture or financial services in rural areas.
 - Agencies such as SEDCO for MSMEs.
 - Representatives from the Gender Coordination Unit in the Deputy Prime Minister's Office in the Council and Technical Committee.
 - NGOs in clean energy, healthcare etc. in consultations, in the interests of cross-fertilisation of ideas.
3. Include a breadth of financial institutions: it is important that, in addition to banks, other institutions – including NBFIs such as SACCOs, development finance, credit agencies and bureaus and potential MFIs – be included in working groups. In addition, given increases in digitalisation, it will be important to include interested fintechs.
4. Coordinate information-sharing across donors and stakeholders: in the interests of avoiding overlap, the CFI should play a role in coordinating information-sharing on projects envisioned or engaged in across donors.
5. Create a greater number of narrow working groups: currently, a technical working group is as wide as 'access to finance'; thus, such groups should be broken up to address specific areas. For example, topics such as loan guarantees, gender dimensions of financial inclusion, and agricultural finance should have specific working groups.



It is imperative that the different financial inclusion stakeholders be actively drawn in and involved. One area for improvement would be focusing on greater integration of financial inclusion with aspects of the real economy.



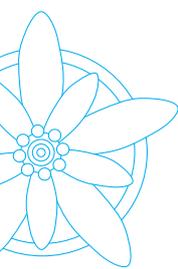
Measurement

The main measurement aspects of the MAP refresh outcomes in Eswatini are suggested in Table 12.

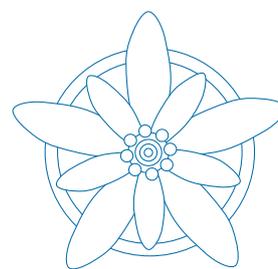
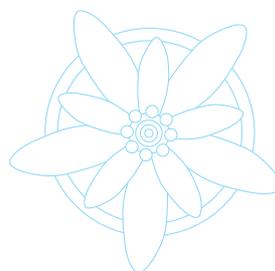
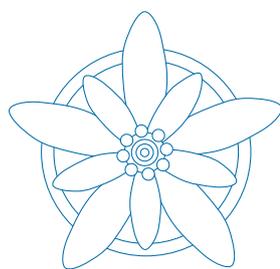
Note that the theme ‘Deepening bank reach to better meet needs’ does not have separate suggested measurement metrics, its measurement being entwined with that of the other four themes.

Table 12: Measurement of outcomes

ACTIVITY MEASUREMENT (2015)	DATASOURCE
1. E-MONEY	
<ul style="list-style-type: none"> • Mobile money transaction prices • Bank e-money and wallet prices • Number of active mobile money accounts • Number of mobile money accounts owned by woman • Number of mobile money products • Number of super-agents • Number of agents (split by male/female, rural/urban) • Number of third-party digital financial service providers • Number of pay-as-you go renewable or energy products on the market • Volumes of grants disbursed through mobile money • Number of MSME retail merchants accepting mobile money payment • Proportion of payments through mobile money for a sample of MSME retailers • 4G coverage 	CBE, to be collected by CFI
2. REMITTANCES	
<ul style="list-style-type: none"> • Volume of remittances • Number of new remittance products and agents • Remittance costs for different-sized transactions 	CBE To be collected by CFI To be collected by CFI
3. INSURANCE	
<ul style="list-style-type: none"> • Number of products targeted at specific sectors (including specifically health and education insurance policies) • Number of insurance products sold to women • Number of non-funeral products sold through banks, mobile money • Number of agricultural insurance products in market 	FSRA/CFI
4. CREDIT	
<ul style="list-style-type: none"> • Number of institutions reporting positive information to credit bureaus • Number of credit bureau records accessed • Number of SACCOs registered on credit bureaus for positive information • Number of MSME loans • Number of MSME loans to agricultural sector 	CBE/CFI



Risks



There are various risks to the NFIS as described below.

Macroeconomic threats

Slow growth as a result of global events may limit the extent to which GDP, employment and earnings grow, which will have a resultant impact on use of financial services. In particular, the COVID-19 pandemic, which has led to partial lockdown, has impacted significantly on the economy and will likely have knock-on effects on growth, employment and business and, as a result, on people's ability to afford financial services.

Coordination difficulties

With various projects engaged in by line ministries relating the development of agriculture and small business with financial inclusion synergies, another threat relates to inadequate communication and integration between the financial inclusion efforts and those undertaken by line ministries, which could undermine potential opportunities for extension of services (e.g. credit) to a lower-risk group of customers.

Lack of cooperation from industry stakeholders

For various reasons a lack of cooperation from independent financial institutions could impact on the NFIS outcomes. For instance, if SACCOs did not want to report positive data to credit bureaus, or mobile money operators did not wish to share transaction data (for reasons that could include technical complexity or guarding intellectual property), some recommendations might not be easily implemented.

Lack of demand or affordability of products

If there is insufficient demand for products due to a lack of affordability, and at the same time limited ability to further reduce prices, it could be difficult to create or expand markets for particular products. The key solution is inclusive economic growth – which then links back to concerns over the macroeconomic climate.

Acronyms and abbreviations

2G, 3G, 4G	second, third, fourth generation [of wireless telephone technology]	KYC	know your customer
AfCFTA	African Continental Free Trade Area	LTE	long term evolution
AFI	Alliance for Financial Inclusion	LUSIP	Lower Usutho Smallholder Irrigation Project
AIDS	acquired immunodeficiency syndrome	MAP	Making Access to Financial Services Possible
ATM	automatic teller machine	MFI	microfinance institution
CBE	Central Bank of Eswatini	MoF	Ministry of Finance
CFI	Centre for Financial Inclusion	MSME	micro, small and medium enterprise
CMA	Common Monetary Area	NAMBoard	National Agricultural Marketing Board
DCP	domestic credit to private sector	NBFI	non-bank financial institution
DFI	development finance institution	NDP	National Development Plan
DFS	digital financial services	NFIS	National Financial Inclusion Strategy
E	Emalangen	NGO	non-government organisation
EFT	electronic fund transfer	NPS	National Payment Systems
ESRIC	Eswatini Royal Insurance	OVC	orphaned and vulnerable children
ESWADE	Eswatini Water and Agricultural Development Enterprise	SACCO	savings and credit cooperative
EU	European Union	SACU	South African Customs Union
fintech	financial technology	SDG	Sustainable Development Goal
FNB	First National Bank	SEDCO	Small Enterprise Development Company
FSRA	Financial Services Regulatory Authority	TB	Tuberculosis
GDP	gross domestic product	telco	telecommunications operator
GNI	gross national income	UNCDF	United Nations Capital Development Fund
GSM	Global System for Mobile [communication]	UNDP	United Nations Development Programme
HIV	human immunodeficiency virus	US\$	United States Dollar
ICT	information and communications technology	YEF	Youth Enterprise Fund
ILO	International Labour Organization	ZAR	South African Rand
		UNICEF	United Nations Children's Fund

