

# Kingdom of Eswatini: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Kingdom of Eswatini



September 2025

# KINGDOM OF ESWATINI

## 2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR KINGDOM OF ESWATINI

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Kingdom of Eswatini, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 24, 2025 consideration of the staff report that concluded the Article IV consultation with Kingdom of Eswatini.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 24, 2025, following discussions that ended on August 6, 2025, with the officials of the Kingdom of Eswatini on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on September 9, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Kingdom of Eswatini.

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## IMF Executive Board Concludes 2025 Article IV Consultation with the Kingdom of Eswatini

FOR IMMEDIATE RELEASE

- Economic growth is expected to strengthen in the near term, up to 4.6 percent in 2026, supported by domestically financed investments.
- Continued fiscal consolidation to reduce financing pressure, complemented by calibrated monetary policy and financial sector reforms, is key to macroeconomic stability.
- Deep structural reforms to improve the business environment and address infrastructure and skills gaps are essential to unlocking growth potential and reducing unemployment and income inequality.

**Washington, DC – September 29, 2025:** The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for the Kingdom of Eswatini.<sup>1</sup>

Eswatini's economic growth moderated from 3.4 percent in 2023 to 2.8 percent in 2024. CPI inflation decelerated in 2024 to average 4 percent, led by easing housing and utilities costs and food and beverage prices. While the external current account surplus declined to 1.3 percent of GDP in 2024 from 2.4 percent of GDP the previous year, gross international reserves at end-2024 remained somewhat below the IMF's reserve adequacy metric. The overall fiscal deficit widened to 1.3 percent of GDP in 2024, up from 0.7 percent of GDP the previous year, despite historically high Southern African Customs Union revenues. While public debt remained moderate at 39.2 percent of GDP in FY24/25, Eswatini faces higher borrowing costs than neighboring countries, likely reflecting a higher risk premium.

Eswatini faces economic and social challenges. Unemployment is elevated at 34 percent, with youth unemployment reaching 58 percent in 2023. Income inequality is among the highest in the sub-Saharan African region, contributing to a poverty rate of 59 percent in 2023. Health outcomes are lower than those of middle-income peers.

Growth is projected to rise to 4.3 percent and 4.6 percent in 2025 and 2026, respectively, driven by domestically-funded public and private capital projects. As the impulse from this investment wanes and in the absence of decisive structural reforms, growth is expected to taper to 2.8 percent over the medium term. Annual average CPI inflation is projected to fall slightly in 2025 to 3.5 percent but is expected to edge up in 2026 due to negotiated increases in electricity tariffs. Risks to the outlook are tilted to the downside. Key downside risks include a global growth slowdown, particularly if it impacts South Africa, as well as a significant

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

increase in oil prices. Upside risks include an acceleration of global growth, increased FDI, and better-than-expected investment implementation.

### **Executive Board Assessment<sup>2</sup>**

Executive Directors welcomed the strengthened near-term economic outlook despite the difficult global environment, while noting that Eswatini continues to face serious economic and social challenges. Against this backdrop, Directors emphasized the importance of maintaining prudent macroeconomic policies and accelerating deep structural reforms, with technical assistance support, to foster stronger, inclusive, private sector-led growth.

Directors supported the planned fiscal consolidation and the authorities' commitment to contain public debt and reduce government financing pressures, emphasizing the need for fiscal discipline given volatile Southern African Customs Union revenues. They called for strengthening domestic revenue mobilization and for civil service and public enterprise reforms to contain public debt and create space for social and development spending. Directors welcomed the ongoing public financial management reforms and recommended accelerating them to improve the efficiency of public spending and investment, reduce arrears, and limit transfers to public enterprises.

Directors welcomed the narrowing of the interest rate differential with the South African Reserve Bank (SARB) to help stem capital outflows and support the pegged exchange rate regime. Looking ahead, they called for careful calibration of the policy rate against that of the SARB, for strengthening reserve buffers, and for modernizing the monetary policy framework. Directors also recommended strengthening central bank independence and limiting central bank cash advances to the government to lower pressure on foreign reserves.

Directors welcomed the ongoing financial sector initiatives to implement the recommendations of the Financial Sector Stability Review. They highlighted the importance of updating legislation related to financial sector oversight and operationalizing the Emergency Liquidity Assistance facility and the deposit insurance scheme.

To catalyze much-needed private sector-led growth and generate employment, Directors recommended improving the business environment and closing skill and infrastructure gaps. They welcomed the progress made on strengthening the AML/CFT and governance frameworks and called for continued efforts. Directors also encouraged further steps to improve data quality and timeliness.

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<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: <http://www.IMF.org/external/np/sec/misic/qualifiers.htm>.

### Eswatini: Selected Economic Indicators, 2022–30

Population (2024, millions):	1.2	Poverty (2016, percent, below national poverty line):						58.9		
Main exports:	Beverages, Sugar, and Textiles.									
Key export markets:	Republic of South Africa, Kenya, and Mozambique.									
	2022	2023	2024	2025	2026	2027	2028	2029		
	Est.						Proj.			
Year on year percent change, unless otherwise specified										
<b>Output</b>										
Real GDP growth	1.1	3.4	2.8	4.3	4.6	3.6	3.1	2.9		
Nominal GDP growth	9.6	9.5	6.7	5.6	7.5	6.8	6.1	6.0		
Nominal GDP (billions of USD)	4.7	4.6	4.9	5.2	5.5	5.7	5.9	6.1		
Nominal GDP per capita (USD)	4,147	3,985	4,235	4,410	4,610	4,752	4,870	4,982		
GDP Deflator	8.4	5.9	3.8	1.2	2.8	3.1	2.9	3.0		
<b>Prices</b>										
CPI Inflation, average	4.8	4.9	4.0	3.5	4.0	3.8	3.4	3.2		
CPI Inflation, end of period	5.6	4.3	3.9	3.5	4.0	3.8	3.4	3.2		
<b>Money and Credit</b>										
Broad money	3.6	6.3	4.5	1.8	4.5	4.3	3.6	3.4		
Credit to the private sector	12.0	9.6	5.9	4.5	6.0	5.6	5.4	5.2		
12-month time deposit rate (percent)	6.5	7.5	7.0	...	...	...	...	...		
Percent of fiscal year GDP, unless otherwise specified										
<b>Consolidated Government Finances 1/</b>										
Revenue 2/	23.7	30.8	31.5	28.5	28.6	29.2	29.1	29.1		
of which: SACU receipts	7.3	13.6	14.2	10.7	11.4	12.0	11.8	11.9		
Expenditure 3/	29.0	31.5	32.8	33.1	32.8	32.1	31.0	30.5		
Gross capital formation	4.5	6.2	6.0	6.2	6.4	6.1	5.4	5.5		
Foreign financed	1.9	3.5	2.4	3.0	4.0	3.3	2.1	2.1		
Domestically financed	2.7	2.6	3.6	3.2	2.4	2.9	3.3	3.4		
Primary balance	-3.2	2.1	1.6	-1.2	-0.7	0.5	1.3	1.6		
Overall fiscal balance	-5.3	-0.7	-1.3	-4.6	-4.2	-2.9	-1.9	-1.4		
Structural primary balance 4/	-10.5	-11.5	-12.6	-11.8	-12.0	-11.4	-10.4	-10.2		
Public debt, gross 5/	39.5	39.4	39.2	42.8	43.5	43.5	42.5	42.4		
Percent of GDP, unless otherwise specified										
<b>Balance of Payments</b>										
Current account balance	-2.7	2.4	1.3	-1.7	-1.4	-0.3	0.1	0.3		
of which: trade balance, goods	1.4	3.6	5.1	5.2	5.1	5.1	5.3	5.4		
Exports	42.9	44.1	46.9	48.8	49.5	50.1	50.7	51.2		
Imports	41.5	40.5	41.8	43.6	44.4	45.0	45.4	45.8		
Financial account balance	-1.6	1.7	0.3	-2.8	-2.1	-0.5	-0.7	0.0		
of which: FDI	-0.7	-1.1	-0.6	-0.6	-0.7	-1.6	-2.4	-2.4		
Reserves	9.9	10.4	11.2	11.8	11.8	11.7	12.0	12.0		
Reserves (in months of imports)	2.1	2.2	2.3	2.4	2.4	2.4	2.4	2.3		
Imports of goods and services 6/	2,285	2,354	2,604	2,830	3,018	3,153	3,291	3,424		
External debt	25.0	25.5	23.9	26.8	29.1	29.7	29.4	28.2		
<b>Exchange Rate</b>										
REER (percent, yoy)	-4.5	-5.9	1.0	...	...	...	...	...		
Average exchange rate (emalangeni per USD)	16.4	18.5	18.3	...	...	...	...	...		

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31. Example: 2025=April 1, 2025 to March 31, 2026.

2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, which are recorded as financing items according to the IMF's Government Finance Statistics Manual.

3/ Expenditure includes transactions in nonfinancial assets, in line with GFS.

4/ Overall balance excluding SACU receipts and interest payments.

5/ Central government.

6/ In millions of USD.



# KINGDOM OF ESWATINI

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

September 9, 2025

### KEY ISSUES

**Context.** Eswatini's economy expanded by 2.8 percent in 2024, driven by manufacturing and services, while a severe drought kept agricultural output flat. The country faces pressing needs to close critical gaps in infrastructure and address high unemployment (34 percent; 58 percent among youth) and high income inequality. While health and education spending exceed that of peers, outcomes are worse, indicating spending inefficiencies. A significant skill mismatch also constrains growth. The fiscal deficit was 1.3 percent of GDP in FY24/25, while SACU revenue was 3.9 percent of GDP above the historical average. Public debt is moderate at just under 40 percent of GDP; however, it more than doubled during 2014–2020, contributing to ongoing fiscal pressures and rising debt service costs. Looking ahead, SACU revenues are expected to decline significantly relative to the past two years, which could further strain the fiscal outlook. The authorities plan to consolidate over the medium-term to contain public debt to about 40 percent of GDP over the medium term. Eswatini's international reserves, at about 87 percent of the IMF's Assessing Reserve Adequacy (ARA) metric at end-2024, are below the recommended level. Banks are well capitalized and liquid; however, the non-performing loan (NPL) ratio remains elevated.

**Outlook and risks.** While growth in 2025–26 is forecast to pick up due to public and private investment, as the impulse from this investment wanes and in the absence of decisive structural reforms, growth is expected to slow to 2.8 percent over the medium term, slightly above the historical average of 2.6 percent. This is insufficient to meaningfully reduce unemployment, poverty, and inequality. Heightened global trade tensions and regional conflicts could weigh on Eswatini through weaker external demand, particularly from South Africa, and significant increases in oil prices. On the upside, an acceleration of global growth, increased FDI, and better-than-expected investment implementation could bolster growth.

#### Key Policy Recommendations:

- **Fiscal Policy.** Continue the fiscal consolidation efforts and structural reforms to achieve the government's goal of containing public debt to close to 40 percent of GDP and build fiscal buffers over the medium-term, while ensuring adequate spending on social programs, investment, and climate resilience. Reforms to improve

the efficiency and effectiveness of government spending are essential. Key consolidation measures include containing spending on the wage bill, goods and services, and transfers, as well as reducing tax gaps. Rationalizing the civil service and reforming the public enterprises (PEs) are essential for durable consolidation. These efforts will help address financing constraints, particularly given the volatility in SACU revenues and a shock-prone external environment, and safeguard the currency peg.

- **Monetary and financial policy.** Carefully calibrate the alignment of the policy rate with the South African Reserve Bank (SARB) to safeguard the peg, taking advantage of the SARB's easing cycle. This will also facilitate the alignment of the policy rate with the call rate to improve the clarity, transparency, and effectiveness of monetary policy. Remain vigilant to rising capital outflows and close the interest rate gap proactively if reserves come under pressure. Refine the monetary policy instruments and develop the money market. Continue implementing recommendations of the 2023 Financial Sector Stability Review (FSSR) and monitor vulnerabilities in the banking system and non-bank financial institutions.
- **Structural Reforms.** Deep structural reforms are essential to unlocking growth potential. Priorities include improving the business environment by continuing simplification of regulatory processes, advancing e-Government solutions, and broadening access to finance. Addressing skills and infrastructure gaps through education reform and well-targeted, effectively implemented investment is also critical. Additionally, reforming PEs and eliminating government arrears are vital to leveling the playing field and reducing business uncertainty.

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

An IMF team consisting of Xiangming Li (head), Thomas Dowling, Yumeng Gu, and Hajime Takizawa (all AFR) held discussions in Mbabane for the 2025 Article IV Consultation during July 24–August 6, 2025. Mr. Hlophe (OED) participated in the discussions. The team held discussions with the Minister of Finance Mr. Neal Rijkenberg, the Minister of Economy and Planning Mr. Tambo Gina, Central Bank Governor Mr. Phil Mnisi, and other senior government officials. The mission met with representatives of civil society, development partners, and the private sector. Ms. Goel and Ms. Eiermann (both AFR) provided research support. Ms. Paulaviciene and Mr. Trejo Guevara (both AFR) aided in the preparation of this report.

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## BACKGROUND AND CONTEXT

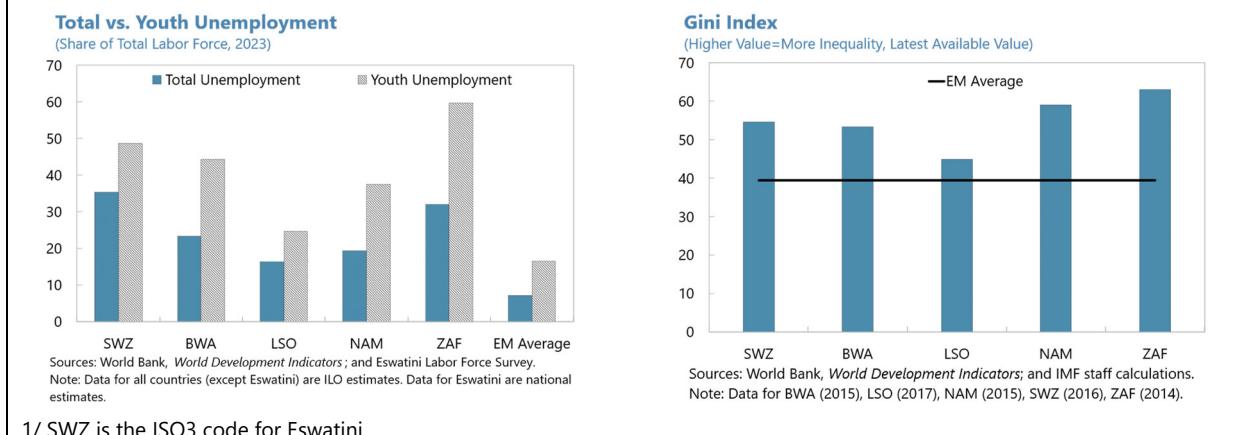
**1. While Eswatini has a fairly high income per capita, its social and health outcomes are lower than those of middle-income peers.** GDP per capita, at USD 4,251, is almost four times the sub-Saharan Africa (SSA) average. However, income inequality is among the highest in the region (Gini coefficient of 54.6 in 2016), contributing to a poverty rate of 59 percent (2023). Unemployment is also elevated at 34 percent, with youth unemployment reaching 58 percent (Figure 1). Life expectancy is below the middle-income average, while infant mortality rate is higher. Eswatini has the highest HIV infection rate in the world (Text Table 1. and Text Figure 1).<sup>1</sup> While health and education spending is higher than that of peers, outcomes are worse, indicating spending inefficiencies.<sup>2</sup> Official development assistance (ODA), mostly for HIV prevention, testing, and education, is projected to decline by close to 1 percent of GDP in 2025.<sup>3</sup>

Text Table 1. Selected Social and Health Indicators, 2023						
	Eswatini	Botswana	Lesotho	Namibia	South Africa	Middle income
GDP per capita (current USD)	<b>3,742</b>	7,826	916	4,188	6,023	6,347
Adolescent fertility rate (births per 1,000 women ages 15–19)	<b>68.7</b>	53.8	70.6	66.0	51.6	34.8
Life expectancy at birth, total (years)	<b>64.1</b>	69.2	57.4	67.4	66.1	72.8
Mortality rate, infant (per 1,000 live births)	<b>43.4</b>	38.2	55.4	38.4	24.4	26.0
Prevalence of HIV, total (% of population ages 15–49) 1/	<b>25.9</b>	16.4	19.3	11.0	17.8	0.9

1/ 2022 data.

Source: World Development Indicators.

Text Figure 1. Comparison of Selected Social Indicators 1/



1/ SWZ is the ISO3 code for Eswatini.

<sup>1</sup> While the prevalence of HIV is the highest in the world (UNAIDS, 2024), Eswatini has reached the 90-90-90 UNAIDS benchmark: 90 percent of people living with HIV (PLHIV) know their status, 90 percent of those diagnosed are on antiretroviral therapy (ART), and 90 percent of those on ART achieve viral suppression.

<sup>2</sup> The Eswatini Public Finance Review by the World Bank (2025) suggested that structural reforms to enhance efficiency are essential for improving outcomes.

<sup>3</sup> The United States is the main source of ODA to Eswatini in 2023, accounting for 69 percent, followed by the EU of 21 percent, according to the OECD.

**2. As a land-locked country of 1.2 million people, Eswatini is impacted significantly by economic and financial conditions in South Africa.** At the same time, ongoing global trade tensions and regional conflicts could impact Eswatini especially via South Africa and significant fluctuation in oil prices. Eswatini is also highly dependent on the volatile Southern African Customs Union (SACU) revenue transfers, which have averaged 39 percent of total revenue and fluctuated between 7.3 and 14.1 percent of GDP over the past five years.

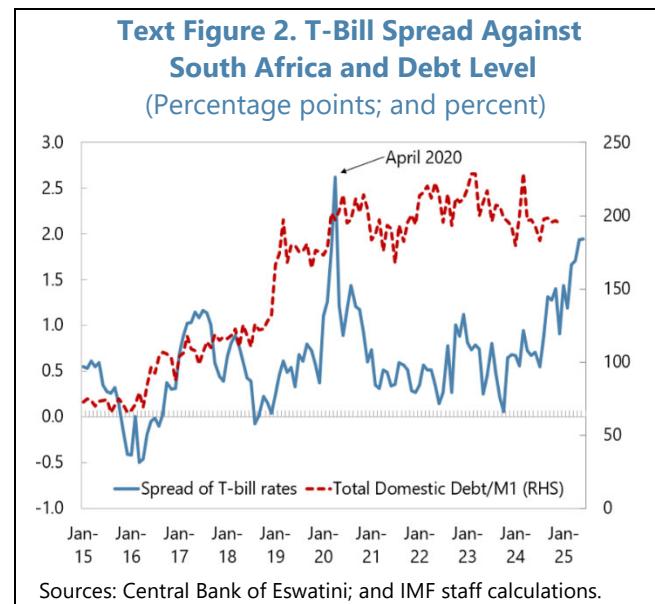
**3. Gaps in critical infrastructure weigh on economic potential.** For instance, Eswatini imports 70–80 percent of its electricity from South Africa and Mozambique, making it vulnerable to potential supply disruptions and price fluctuations. Additionally, gaps in transportation networks and digital infrastructure (ICT) limit connectivity and increase the costs of transportation and communications, ultimately hindering national and regional integration and economic development.

Text Table 2. Higher Interest Rates in Eswatini			
Country	YTM 1/ 1/	Real int. rate 1/	Public debt/ GDP 2/
<b>Eswatini</b>	<b>10.3</b>	<b>6.5</b>	<b>39.0</b>
South Africa	8.3	5.4	76.9
Namibia	8.0	4.6	66.2
Mauritius	4.4	1.5	88.3

1/ Yields to maturity (YTM) are based on 364-day Treasury Bill auction average yields on 31 January 2025 (or last available) and real interest rates are computed by deducting the CPI inflation (2024, end of period) from the YTM.  
 2/ Numbers are based on FY 2024/25 outturn or projections as of July 2025.  
 Sources: Country authorities; and IMF staff calculations.

**4. While public debt is moderate (39 percent of GDP), Eswatini faces higher borrowing costs than in neighboring countries, likely reflecting a higher risk premium** (Text Table 2). The spread of T-bills relative to South Africa have increased as debt level increased. (Text Figure 2). The World Bank's debt carrying capacity tool indicates a low capacity for Eswatini, largely due to institutional quality. Moody's upgraded Eswatini's global credit rating from B3 Positive to B2 Stable in November 2024, reflecting expectations that the government will sustain progress in addressing fiscal challenges while preserving macroeconomic stability.

**5. The authorities have made some progress on recommendations from the 2024 Article IV Consultation** (Annex I). The wage bill has been contained, and steps have been taken to strengthen public financial management (PFM) and budget credibility. The Central Bank of Eswatini (CBE) has narrowed the policy rate gap with the SARB to 25 bps from 75 bps. The government has sought financing from international financial institutions (IFIs) to reduce arrears and to



secure lower interest rates. Progress was made toward developing a five-year Medium-Term Fiscal Framework (MTFF) and further digitalizing Value-Added Tax (VAT) collection. In the financial sector, progress on implementing recommendations of the Financial Sector Stability Review (FSSR) regarding liquidity management and risk-based supervision for banks and non-bank financial institutions (NBFIs) is underway.

## RECENT DEVELOPMENTS

**6. Eswatini's economy expanded by 2.8 percent in 2024, moderating from 3.4 percent in 2023** (Table 1). Growth was primarily driven by manufacturing, notably beverages and services, especially information and communications. The drought brought on by the warming phase of El Niño (which ended in 2024) left agricultural output flat, with gains in sugar cane offset by declines in maize and cotton production. Exports increased strongly (17.3 percent), supported by higher sugar production and prices.

**7. Inflation remains moderate.** Average Consumer Price Index (CPI) inflation eased to 4.0 percent in 2024, down from 4.9 percent in 2023, led by easing housing and utilities and food and beverage prices. Core inflation remained subdued at 2.9 percent. The CPI further decelerated to 2.8 percent year-on-year (y-o-y) in July 2025. Inflation has remained lower than that of South Africa.<sup>4</sup>

**8. The external position in 2024 was weaker than implied by macroeconomic fundamentals and desirable policies** (Annex II). The current account surplus declined to 1.3 percent of GDP in 2024 from 2.4 percent in 2023, as the large deterioration in primary income by (5.9 ppts of GDP) outweighed improvements in goods trade and record-high SACU revenues (Figure 2, and Table 2). Primary income fell due to newly included transactions from large international companies.<sup>5</sup> Gross international reserves rose from 82.2 percent of the ARA metric for Emerging Markets (EMs) at end-2023, to 87.2 percent at end-2024. Eswatini remains a net creditor, with a Net International Investment Position (NIIP) of 22.4 percent of GDP in 2024. The lilangeni appreciated by 0.7 percent (average) against the US dollar in 2024, in line with the South African rand, and by 1.0 percent in real effective terms. The CBE engaged in an asset swap with the Public Sector Pension Fund (PSPF).

**9. Eswatini registered a fiscal deficit in FY24/25, and the risk of debt distress is assessed as moderate** (Annex III). Despite historically high SACU revenues of 14.2 percent of GDP (3.9 ppts higher than the historical average), the fiscal deficit widened to 1.3 percent of GDP, up from 0.7 percent of GDP the previous year. This was driven by significant increases in spending on goods and services, public enterprises (PEs) and statutory transfers, and other expenses (Text Figure 3). The structural primary balance (excluding SACU receipts) fell by 1.1 percent of GDP

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<sup>4</sup> Since 2021, lower transport price inflation in Eswatini has been the primary driver of lower inflation in Eswatini than in South Africa.

<sup>5</sup> Portfolio outflows, largely equity investments, have shrunk by 1.4 ppts of GDP in 2024, while outflows in currency and deposits—more sensitive to interest rates—widened by 1.3 ppts of GDP.

from the year before. Meanwhile, domestic tax revenue rose by 0.7 percent of GDP, mainly from VAT. The deficit was primarily financed by government bonds. Public debt eased to 39.2 percent of GDP in FY24/25 from 39.4 percent of GDP the previous year. Arrears were reduced by 1.3 percent of GDP to 2.5 percent of GDP by the end of FY24/25 (Table 3–4; Figure 3) and further to 0.8 percent of GDP by July 2025.<sup>6</sup>

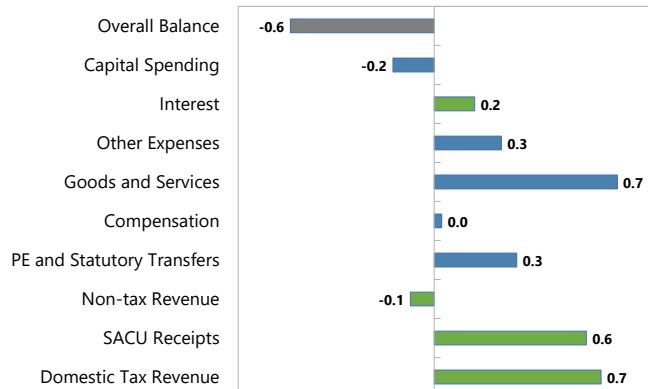
#### **10. The CBE has narrowed its negative policy rate differential with the SARB to 25 basis points**

(Figure 4). After the SARB cut its policy rate by 25 bps (to 7 percent) on July 31, on August 1, the CBE held its policy rate at 6.75 percent,

highlighting its consideration for the credibility of the peg and foreign reserves adequacy.

**Text Figure 3. Contribution in Changes in Fiscal Balances (FY24/25- FY23/24)**

(Percent of GDP)



Sources: National authorities; and IMF staff calculations.

**11. The banking sector is well capitalized and liquid, although asset quality risks have lingered.** The regulatory capital-to-risk-weighted assets ratio and the liquid-assets-to-total-assets ratio have remained high at 24.1 percent and 26.8 percent, respectively, at end-2024 (Table 5). The NPL ratio stands at 7.0 percent at end-June 2025, with an uneven distribution across banks. Banks' exposure to central government as a share of assets stood at 12.8 percent. Growth of credit to the private sector cooled to 5.9 percent in 2024 from 9.6 percent in the previous year (Table 6). Borrowing costs for the private sector may have increased as the interest rates for government securities rise.

## OUTLOOK AND RISKS

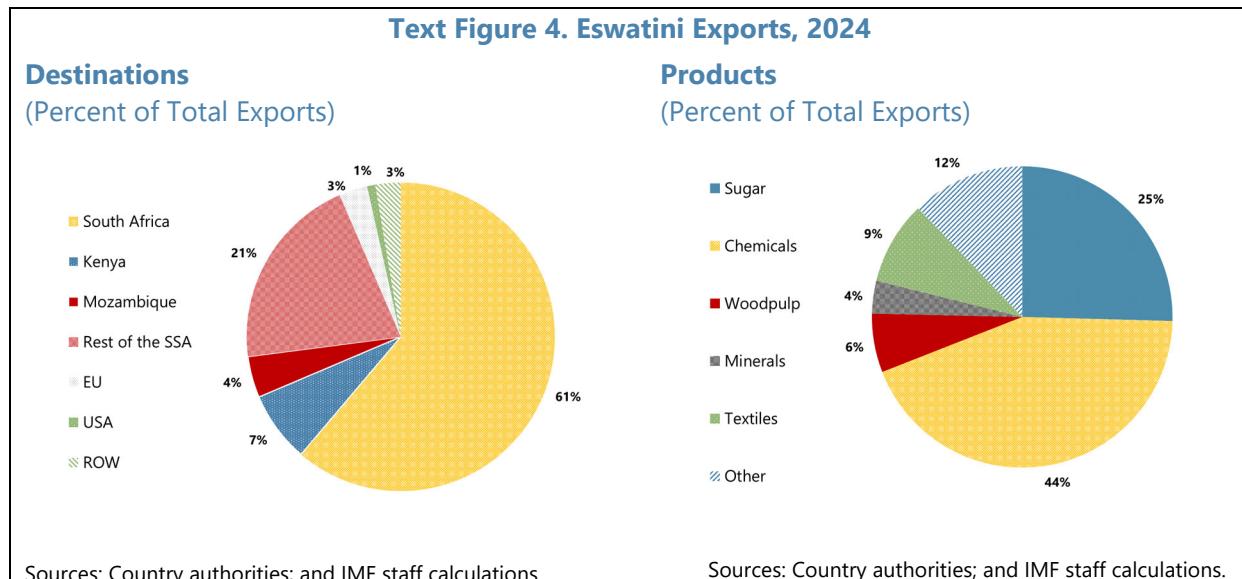
**12. Near-term growth is expected to strengthen, but slow thereafter as the growth impact of investment projects wanes.** Real GDP is projected to grow by 4.3 percent and 4.6 percent in 2025 and 2026, respectively, driven by domestically funded public and private capital projects.<sup>7</sup> After this boost, growth is projected to taper to 2.8 percent. While production for the domestic economy is expected to rise at the average GDP growth rate of the past 20 years (at around 2.6 percent), a new export processing zone will boost export production.<sup>8</sup> Growth opportunities are also constrained by Eswatini's small market size. The 10 percent bilateral U.S. tariff is not expected to

<sup>6</sup> Through both payment and reconciliation.

<sup>7</sup> Public projects include the International Conference Center and the Mpakeni Dam, while private projects include biomass and solar electricity.

<sup>8</sup> In late July 2025, the King approved an industrial park proposal, which will be financed and developed by the government of Taiwan, Province of China with investment of E6 billion (about 6 percent of GDP) in infrastructure. Meanwhile, forty Taiwanese firms proposed an additional E1.8 billion investment in new production capacities.

materially affect Eswatini given that only about 1 percent of its exports go to the United States (Text Figure 4; Text Table 3 and 4).<sup>9</sup> CPI inflation will fall slightly in 2025 to 3.5 percent and is expected to edge up in 2026 due to negotiated increases in electricity tariffs. It will then broadly follow South Africa's forecasted path.



**Text Table 3. Eswatini Exports, 2024**

**To the World**

	Million USD	Percent
<b>Total</b>	<b>2310</b>	<b>100.0</b>
Scented Mixtures	585	25.3
Foundry Binder	282	12.2
Raw Sugar	399	17.3
Sawn Wood	77.3	3.3
Coal Briquettes	75.3	3.3
Fuel Wood	38.8	1.7
Other	852.6	36.9

**To the United States**

	Million USD	Percent
<b>Total</b>	<b>32</b>	<b>100.0</b>
Raw Sugar	25.1	78.4
Other processed fruits and nuts	2.1	6.5
Other	4.8	15.0

Source: Observatory of Economic Complexity (OEC).

Source: Observatory of Economic Complexity (OEC).

**13. The current account is projected to move from a surplus to a small deficit due to import growth, while reserves remain below the ARA threshold.** It is forecast to temporarily decline to a deficit of around 1.7 percent of GDP in 2025 before gradually recovering to a small surplus over the medium term. Export growth is led by beverages while imports are boosted in the near-term by investments and the associated growth effect. The financial account is forecast to turn

<sup>9</sup> Staff's baseline is based on current policies, incorporates no further progress in structural reforms, and includes differentiated bilateral effective U.S. tariffs with its trading partners as of August 4, 2025. The baseline reflects the latest staff forecasts for South Africa updated in mid-July 2025.

to a moderate surplus in 2025–26 reflecting disbursements of loans from IFIs. Over the medium term, reserves are expected to remain below 100 percent of the ARA metric for EMs.

**14. Risks are tilted to the downside** (Annex IV). A global growth slowdown reflecting geopolitical, trade tensions, and global fiscal vulnerabilities, particularly if it impacts South Africa, represents the most significant risk, affecting exports. Since Eswatini is not a major commodity exporter, it is less vulnerable to commodity price swings, though a significant increase in oil prices could still have a meaningful impact on growth (Text Table 4). Shocks from climate change and social discontent could slow economic activity. While the direct impact on growth of the reduced ODA is likely to be limited, gaps in health services present risks of reversing progress on combating HIV, which could weaken the labor force and undermine long-run growth. Upside risks include an acceleration of global growth, increased FDI, and better-than-expected investment implementation. As illustrated in Section D of Policy Discussion, improved investment efficiency could also boost growth and generate additional revenues over the medium-term.

**Text Table 4. Channels of Transmission of Global Developments**

Channel	Impact	Mechanism	Contingency response
U.S. Tariffs	Low	Since only around 1.5 percent of exports go to the United States, the direct impact of higher U.S. tariffs would be negligible. A 10-percent tariff on Eswatini's exports to the United States is projected to lower exports by at most 0.1 percent of GDP, with a net zero impact on growth. Indirectly, a 10-percent tariff across the world could lower GDP growth by around 0.1 ppt compared with a no-tariff scenario, due to spillovers from a global slowdown, impacting primarily exports of textiles and agricultural products to South Africa.	Over the medium-term, create an enabling environment to support domestic production, particularly food processing, as much of what Eswatini exports to South Africa is reimported as processed food.
Global slowdown	Medium	A global slowdown could reduce exports, particularly through a decline in demand from South Africa (which is the destination for over 60 percent of Eswatini's exports). A 1-ppt slowdown in GDP growth in South Africa may lead to a 0.6-ppt decline in GDP growth in Eswatini. Banks have adequate buffers to withstand such a shock.	Accommodating the impact by maintaining nominal spending at the level consistent with the baseline, with the resulting higher deficit adjusted gradually over time.
Inflation from S. Africa	Low	Some inflation is imported, particularly from South Africa as the lilangeni is pegged to the rand, but in recent years passthrough has been low.	Continue to maintain fiscal discipline to contain the second-round effect.
Tightening global financing conditions	Low	External commercial borrowing by the government is small. In addition, the planned new debt issuance in this and next year is small at roughly 6 percent of GDP because of IFI disbursements and a small share of debt with residual maturity of less than 1 year. Therefore, a 1-ppt increase in the global interest rate is likely to have a negligible impact on the budget. Banks are well capitalized and liquid.	Continue to maintain fiscal discipline and increase borrowing from lower cost IFIs.
Commodity prices	Low	As Eswatini is not a commodity exporter, it is not very sensitive to commodity prices. The effect of oil prices is also low historically. A 10-percent increase in oil prices would cause a 0.15-ppt decline in GDP growth. Eswatini does face exposure to electricity prices as much of the electricity is imported.	Over the medium term, develop domestic green energy production to reduce dependency on energy imports.

Source: IMF staff analysis.

**15. Considering downside risks, while a growth shock could have long-lasting effects, Eswatini appears relatively resilient to an interest rate shock.** A one-time 2-ppt adverse shock to GDP growth in 2025 (if several external risk factors materialize)—close to one standard deviation of the 20-year annual growth rates—would reduce the fiscal balance by around 0.5 ppt of GDP per year, on average. Public debt would be 2.7 ppt of GDP above the baseline by the end of the medium term (Text Table 5). In contrast, a permanent shock to interest rates of 100 basis points that affects all future years would raise debt by 0.8 ppts by the end of the medium term. Nevertheless, if Eswatini's risk premium were to spike substantially above the assumed shock—due to, for example,

renewed rapid rise of the debt-to-GDP ratio—the impact on debt dynamics could be significantly larger. These scenarios highlight the need to strengthen the fiscal position and contain debt.

<b>Text Table 5. Simulation of Downside Scenario</b> (Percentage point deviation from the baseline)					
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
<b>Increase in</b>					
Real GDP (percent, CY)	-2.0	0.0	0.0	0.0	0.0
Fiscal balance (percent of GDP, FY)	-0.4	-0.4	-0.4	-0.5	-0.6
Public debt (percent of GDP, FY)	1.1	1.5	1.9	2.3	2.7
<b>(b) A permanent 100 basis point increase in interest rates (affecting all years)</b>					
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
<b>Increase in</b>					
Interest payments (percent of GDP)	0.2	0.2	0.2	0.2	0.2
Debt (percent of GDP)	0.2	0.3	0.5	0.6	0.8

Source: IMF staff calculations.

### **Authorities' Views**

**16. The authorities broadly concur with staff's outlook but expect higher growth in 2025, reflecting a more optimistic view of the short-run impact on growth from the large investment projects.** They share staff's concerns about the impact of climate risks, but noted that the country's two main agricultural products, sugar and forestry, are somewhat more climate resilient. Health risks are also a concern, particularly in the event of another global pandemic. Despite heightened external uncertainty, they remain optimistic, highlighting episodes where Eswatini's economy moved countercyclically to South Africa, and noting early signs of investor interest linked to Eswatini's relatively low U.S. tariffs compared with most countries.

## **POLICY DISCUSSION**

*Fiscal policies should focus on consolidation while implementing structural reforms to strengthen the public financial management (PFM) system, enhancing spending control and efficiency, and further mobilizing revenue. These efforts are critical for achieving the authorities' public debt target, reducing funding pressure, supporting the peg, and creating space for productive investment and social spending. In this regard, staff consider the authorities' public debt ceiling of 40 percent of GDP as an appropriate fiscal anchor. To ensure macroeconomic and financial stability and support the peg, it is important to align the policy rate with the SARB while continuing to implement recommendations from the FSSR and remaining vigilant in the oversight of the financial sector. Accelerating the*

*implementation of structural reforms will support private-sector development and raise long-term growth. Addressing data weakness is essential to support policy making.*

## A. Ensuring Fiscal Sustainability and Increasing Long-Run Growth

**17. In recent years, the authorities have successfully reversed the earlier trend of rapidly increasing public debt.** Between FY13/14 and FY20/21, the public debt-to-GDP ratio more than doubled—from 15.2 percent to 37.8 percent of GDP (Figure 3). This increase was largely driven by higher current expenditures, particularly transfers, which rose by an average of 2.4 percent of GDP compared with the previous decade (Text Table 6). Rising employee compensation and interest costs also contributed, while the investment-to-GDP ratio increased by only 1 percent of GDP. During FY21/22 to FY24/25, efforts to contain wage growth and lower investment levels have helped stabilize the debt trajectory.

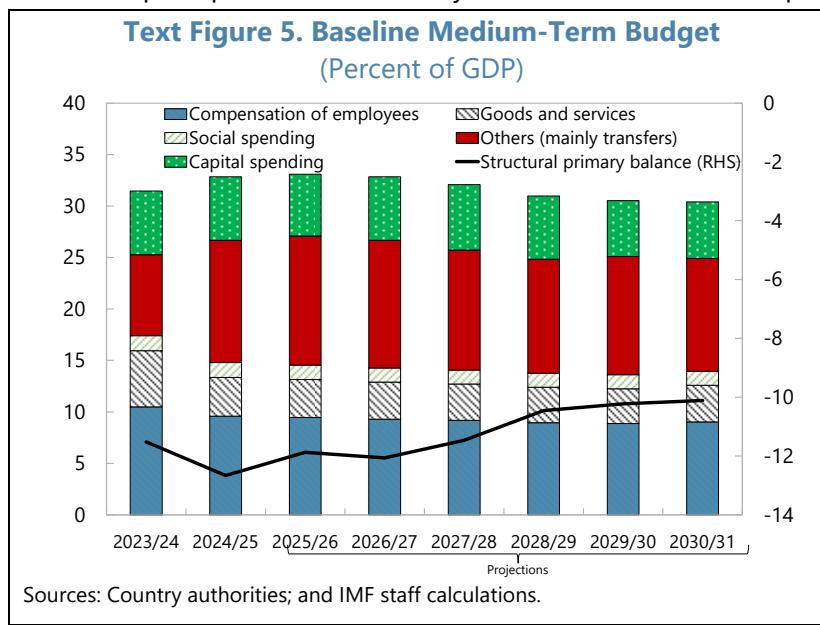
**Text Table 6. Fiscal Evolution**  
(In percent of GDP)

	FY13/14	FY20/21	FY24/25		
<b>Public Debt</b>	<b>15.2</b>	<b>37.8</b>	<b>39.2</b>		
		Average			
	FY04/05-13/14	FY14/15-20/21	FY21/22-24/25		
	A	B	C	B-A	C-A
<b>Total Revenue and Grants</b>	<b>29.2</b>	<b>27.6</b>	<b>27.7</b>	<b>-1.6</b>	<b>0.1</b>
of which: Domestic revenue	11.3	14.2	15.4	2.9	1.3
SACU	16.5	11.7	11.0	-4.8	-0.7
<b>Total expenditure</b>	<b>29.7</b>	<b>33.9</b>	<b>30.7</b>	<b>4.1</b>	<b>-3.2</b>
<b>Expense</b>	<b>23.5</b>	<b>26.7</b>	<b>25.2</b>	<b>3.2</b>	<b>-1.5</b>
Compensation of Employees	12.1	12.8	10.8	0.6	-2.0
Purchases/use of goods & services	5.9	5.0	4.7	-0.9	-0.3
Interest	0.8	1.3	2.4	0.5	1.1
Transfers	4.7	7.1	7.3	2.4	0.2
<b>Net acquisition of nonfinancial assets</b>	<b>6.2</b>	<b>7.2</b>	<b>5.5</b>	<b>1.0</b>	<b>-1.7</b>

Sources: Country authorities; and IMF staff calculations.

**18. The authorities plan to consolidate in FY25/26 and over the medium term to keep public debt close to the ceiling of 40 percent of GDP.** Based on the FY25/26 budget measures and the MTFF, and using staff's growth and revenue projections, staff project that the structural primary balance (primary balance less SACU revenues) will improve by 0.8 ppt of GDP in FY25/26, largely reversing the expansion in the previous year. A further 1.7 ppt of GDP improvement is targeted during FY26/27–FY30/31, stabilizing public debt at 41.3 percent of GDP over the medium term (Text Figure 5).

**19. Staff's baseline projections for expenditure are broadly in line with the authorities' budget.** Compensation of employees (the wage bill and social contributions) is projected in line with the budget for FY25/26–FY29/30, up 9.2 percent cumulatively in real terms, then subsequently projected to grow in line with GDP. This follows a 3 percent real decline in the public sector wages over the last five years amid an ongoing compensation review. Similarly, expenditure on goods and services is projected to broadly follow the budget and the MTFF through FY29/30, then grow in line with inflation over the remaining projection period. Additionally, staff assume an implementation rate for domestically financed capital expenditure of 75 percent in the outer years, based on the historical average execution rate, and 85 percent for FY25/26 and FY26/27, during which the authorities' plans include concrete projects.



**20. Staff support the authorities' plan to consolidate over the medium term, balancing development needs and financing constraints.** This is consistent with an output gap that is expected to close over the next year. Nearly three quarters of the consolidation during FY25/26–FY30/31 is expected to come from the spending side, given strong revenue performance. It requires containing the growth of spending on goods and services, transfers, and the wage bill, which accounts for two-thirds of expenditure. Meanwhile, health spending could be boosted to address gaps left by cuts in ODA. While development needs remain high, given weaknesses in investment project selection and implementation (as reflected in low returns from past government investment), spending on such projects should be done carefully. A contained deficit should also reduce pressure on domestic interest rates, making room for private sector credit growth.

**21. The authorities' planned adjustment path after FY25/26 is uneven, peaking at over 1 percent of GDP in FY28/29.** Staff recommends a smoother path—anchored by a structural primary adjustment of around 0.4 percent of GDP per year during FY26/27–FY30/31—to mitigate macroeconomic volatility. In addition, once public debt falls below 40 percent of GDP with a buffer (for example to 38 percent of GDP, with a margin equivalent to one standard deviation (2 ppt) of the structural primary balance), the budget should subsequently target a debt-stabilizing structural primary balance.

**22. The government should protect and prioritize social spending, including by using better-than-expected revenue.** The budget has included 0.2 percent of GDP to cover services previously funded by ODA, primarily focused on HIV prevention and testing. Continued vigilance is needed to identify other essential services for inclusion in the budget, including staffing needs. Improving the efficiency of the sector could also create space to cover these needs. As noted in Section D, improving education is essential to support growth. In addition, Eswatini allocates the lowest share of GDP to social protection expenditure in the region (1 percent of GDP).<sup>10</sup> Improving the targeting of social transfers could enhance their effectiveness in alleviating high levels of poverty and inequality. Additional resources could also be used to support establishing unemployment insurance, as discussed during the 2024 Article IV Consultation.

**23. If downside risks, primarily from global uncertainty, materialize in 2025, the authorities could accommodate the impact by maintaining nominal spending at the level consistent with the baseline.** The resulting higher deficit should be reduced gradually over time.

**24. External financing will alleviate the borrowing pressure this year** (Annex V). This includes less expensive budget support and project financing from IFIs,<sup>11</sup> as well as R750 million (0.8 percent of GDP) in commercial bonds issued on the Johannesburg Stock Exchange (JSE). Of this, R600 million (0.6 percent of GDP) in 5-year bonds at 12.175 percent was already issued in July 2025. An additional 1 percent of GDP in financing will come from the Stabilization Fund.<sup>12</sup> The government also plans to repay the outstanding stock of arrears.<sup>13</sup> The arrears clearance and the deficit can largely be financed by external sources, reducing the need for new net domestic financing, in line with staff's recommendation. This will also ease pressure on domestic interest rates and, thus, support lending to the private sector. Going forward, the authorities should monitor exchange rate risks, as the share of foreign currency debt is projected to increase from 44 percent of total debt in FY24/25 to 49 percent in FY25/26. Staff recommend that the CBE overdraft facility be used only in exceptional cases to avoid adverse effects on reserves and inflation (Annex VI).

**25. Deep fiscal structural reforms will be an essential complement to fiscal consolidation and help generate savings for social spending and infrastructure investment.** Priorities include:

- **Modernizing the public financial management framework to strengthen spending prioritization and control, recording and reporting, and, ultimately, efficiency and transparency.** The implementation of the Integrated Financial Management Information System (IFMIS) and International Public Sector Accounting Standards (IPSAS) is a welcome step. A holistic approach that incorporates an IPSAS-consistent Chart of Accounts, aligns with international standards, and covers comprehensively the needs of public entities—particularly

<sup>10</sup> Social Assistance Programs and Household Welfare in Eswatini, World Bank, 2021.

<sup>11</sup> The budget support is from WB (1.8 percent of GDP), AfDB (0.8 percent of GDP), and OPEC (0.9 percent of GDP). Project financing is 2.8 percent of GDP.

<sup>12</sup> This is close to the SACU revenues shortfall relative to the medium-term average.

<sup>13</sup> This is in advance of the commitment to reduce the stock of arrears to below 1 percent of GDP by end-FY25/26 under the World Bank-supported program.

the treasury, revenue service, and ministries and departments—are essential for the system's effectiveness (Annex VII). If well implemented throughout the broader public sector, these systems, combined with eProcurement, can enhance budget oversight and reduce expenditure leakage and arrears.

- **Ensuring that public investment contributes meaningfully to long-term growth.** The PFM Act should be updated to align the Public Investment Management framework with international standards and ensure it is consistent with other PFM reforms, such as PE reforms. It should require strengthened project selection through ex-ante appraisal, cost-benefit analysis, and ex-post evaluation.
- **Developing a more comprehensive and integrated MTFF to improve budget credibility, liquidity forecasting, and the management of cash and debt.<sup>14</sup>** The fiscal accounts should be integrated with other sectors with minimal delays, the forecast horizon extended from three to five years, and debt and financing elements incorporated to support more robust debt sustainability assessments and to inform the annual borrowing plan.
- **Implementing civil service reform is essential to create room for funding pressing social and development needs while ensuring efficient public service delivery and long-term fiscal sustainability.** While wage restraint has yielded savings, it should be complemented by a rationalization of public services to enable hiring in critical areas and attract skilled personnel, while also identifying opportunities to improve efficiency and enhance service delivery. The government has requested the IMF assistance on measures to contain the wage bill. Ongoing digitalization efforts also offer opportunities for rationalization. Such reforms would also help narrow the public wage premium and create space for private sector development.
- **Strengthening the financial oversight of PEs remains important.** Many PEs operate with ineffective governance and weak internal processes, inadequate financing, political interference, and unfunded public service obligations. The government's PE Reform Roadmap, developed with the World Bank's assistance, sets out a way to sustainably contain transfers.<sup>15</sup> The authorities expressed an interest in receiving IMF support on monitoring PEs' financial health.

#### **Authorities' Views**

**26. The authorities are committed to fiscal consolidation to put debt on a downward trajectory, while acknowledging the challenges in managing spending pressure, especially from wages.** They expressed concern about tight financing conditions and rising debt service, with

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<sup>14</sup> This is being supported by AFRITAC South.

<sup>15</sup> PE and Statutory transfers were 5 percent of GDP in FY25/26. Specific measures in the roadmap include (1) strengthening the institutional capacity of the Public Enterprise Unit to oversee and implement reforms (including the restructuring, merger, or liquidation of selected PEs), (2) improving governance and oversight through performance contracts, clarified mandates, and a more transparent board appointments process, (3) enhancing the legal framework by updating the Public Enterprise Act and regulations governing Public Enterprises (PEs) to clarify their roles, responsibilities, and reporting lines, and (4) institutionalizing reform monitoring.

interest payments estimated at 3 percent of GDP (9.4 percent of revenue) in FY24/25. They agree that smoothing the fiscal adjustment would be advisable. An amendment to the PFM Act is being prepared to improve the public investment management framework and require rigorous project preparation and selection. Legislation is underway to expand the oversight powers of the public enterprise unit. To improve health spending efficiency, the authorities plan to outsource pharmaceutical procurement and distribution. The authorities concur that CBE overdraft use should be minimized and are committed to regularizing it over time.

## B. Safeguarding the Peg

**27. The peg to the rand has served the economy well.** The peg provides a nominal anchor that helps keep CPI inflation in Eswatini closely in line with that of South Africa. It also facilitates cross-border trade and financial transactions with South Africa. The SARB indicated it will target the lower bound of its inflation range of 3–6 percent, which could lead to lower inflation in Eswatini.

**28. The CBE should carefully calibrate the alignment of the policy rate with the SARB to preserve the credibility of the peg, including taking advantage of the SARB's easing cycle.** During 2023–24, the rate gap reached as high as 75 bps, well above the pre-pandemic norm. This differential is mirrored in deposit rates, keeping monetary conditions loosened. It also led to the bifurcated monetary policy, with the policy rate decoupled from the call rates, the overnight deposit rate for banks, blurring the monetary policy signal (Annex VIII). The alignment will help mitigate capital outflows and protect the peg. The CBE should stand ready to foster the alignment proactively if reserves come under pressure. Staff caution the use of asset swap operations, as it cannot address the underlying cause for relatively low reserves.

**29. The alignment of policy rate with the SARB should also support Eswatini's international reserves.** As noted previously, at end-2024 reserves were below the ARA metric for EMs, which measures buffers for adequacy against risks from multiple sources (Annex IX). Import coverage was 2.1 months, notably below the 4-month threshold required by the Common Monetary Area (CMA). This low import coverage, however, is mitigated by the fact that the rand is a legal tender;<sup>16</sup> South African subsidiaries, which dominate in the economy, can access rand liquidity from parent companies; domestic banks hold net foreign assets equivalent to 18 percent of gross international reserves (end-2024); and some imports have external financing (e.g., IFI project loans). Nevertheless, adequate reserves are essential to sustain confidence in the peg, particularly amid heightened global uncertainty and volatile SACU revenues.

**30. The CBE should strengthen its monetary policy framework.** A key step would be aligning the policy rate with the SARB, which would effectively harmonize the policy rate with the overnight call rate and improve the clarity, transparency, and effectiveness of monetary policy.<sup>17</sup> Furthermore,

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<sup>16</sup> Merchants not only accept rand but often refund in rand. CBE sells and buys foreign exchange reserves at the request of authorized dealers, mostly commercial banks.

<sup>17</sup> An IMF technical assistance (TA) mission in June 2025 introduced models to the CBE to calibrate the interest rate gap against SARB's key monetary policy rate.

the CBE should consider the monetary impact of cash advances to government in its analysis and policy deliberations, approving such requests only when they do not conflict with its monetary objectives, which is to maintain adequate international reserves to safeguard the peg. The CBE should also refine the monetary policy instruments, introduce liquidity forecasting, and develop the money market by implementing the recommendations of IMF technical assistance (TA), including introducing repo operations.

#### ***Authorities' Views***

**31. The authorities agree that safeguarding the peg requires careful calibration of the alignment of the CBE's policy rates with the SARB.** The authorities concurred that alignment would also effectively harmonize the policy rate with the overnight call window rate, improving the clarity and effectiveness of the monetary policy framework.

### **C. Strengthening Financial Sector Oversight**

**32. Reforms recommended by the 2023 FSSR are key to strengthening financial stability.**

IMF TA has been supporting bank supervision, systemic risk monitoring, crisis management and resolution framework for non-bank financial institutions (NBFIs), and risk-based supervision for both banks and NBFIs. The passage of key bills to enable reforms, including updates to the Central Bank Act and amendments to the Financial Services Regulatory Authority (FSRA) Act will help strengthen financial sector resilience as will operationalization of the deposit insurance scheme.<sup>18</sup> Additionally, operationalizing the Emergency Liquidity Assistance (ELA) framework is a key priority to strengthening the broader financial stability safety net. The CBE should establish an interdepartmental working group to revise the draft ELA regulation in line with IMF TA recommendations.

**33. Close supervision of banks and NBFIs is warranted.** While banks remain well-capitalized, the NPL-to-total gross loans ratio remains relatively elevated with variation across banks. The expected clearance of government arrears this year could ease pressure. Nevertheless, bank supervisors should maintain close monitoring of the situation. NBFIs are large, accounting for 78 percent of total financial sector assets. In addition to the FSRA Act, passing regulations for deposit-taking NBFIs (including building societies and saving and credit cooperative, accounting for 10 percent of financial sector assets) is essential to enable the FSRA to effectively carry out its supervisory mandate.

#### ***Authorities' Views***

**34. The authorities highlighted ongoing efforts to strengthen financial sector resilience.**

Preparation for updating the Central Bank Act and legislation aimed at strengthening NBFIs

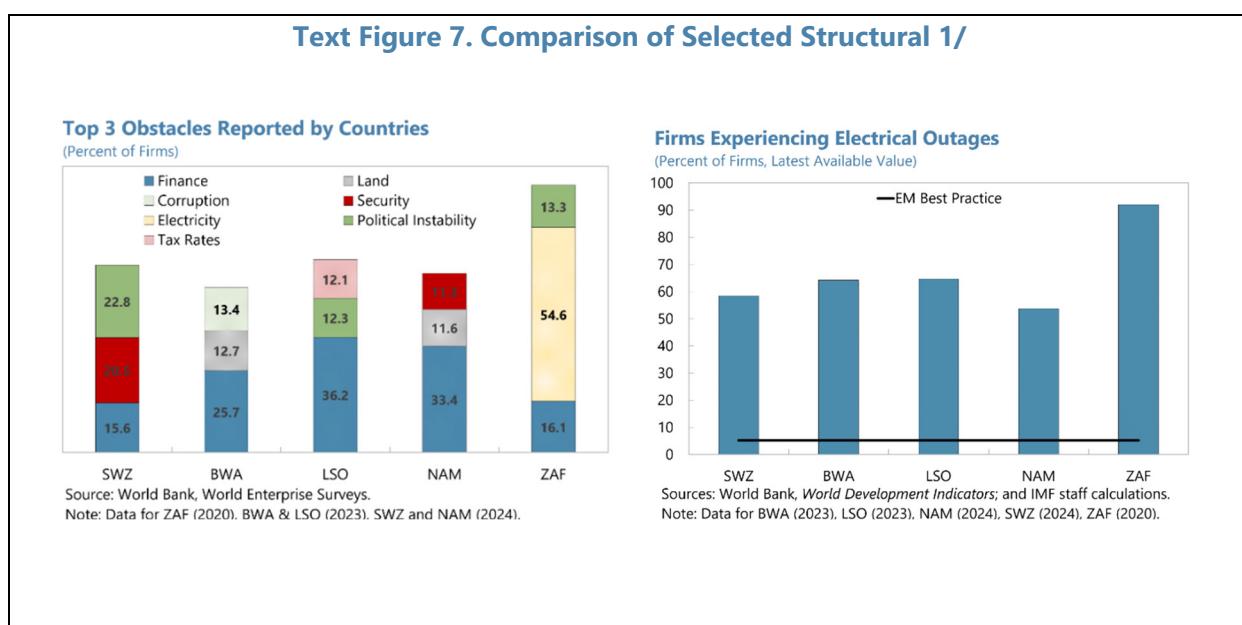
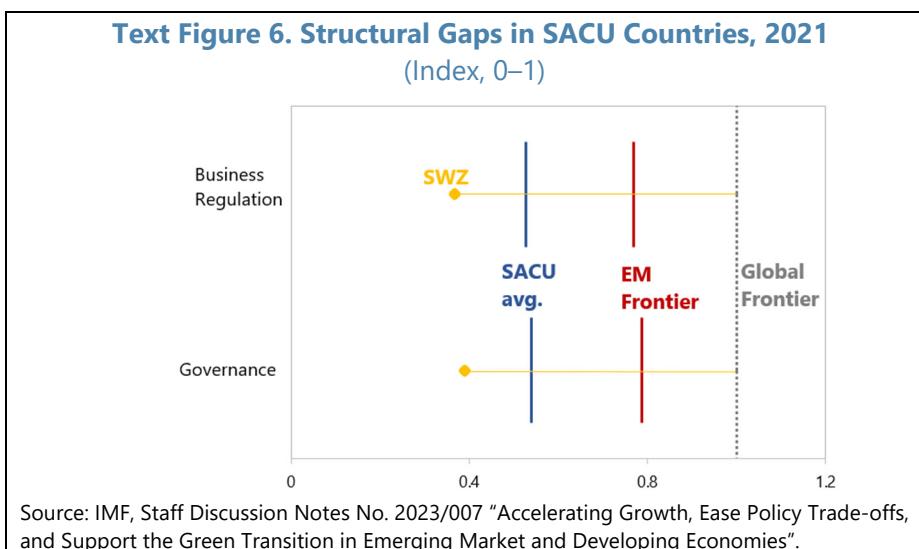
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<sup>18</sup> Other important legislation includes the Financial Stability Bill and Financial Institutions Act, the Insurance Act, Retirement Funds Act, Building Societies Act, Savings and Credit Cooperatives Bill, and Securities Act and corresponding regulations.

regulation has advanced. Additionally, efforts are underway to strengthen market conduct and prudential supervision of NBFIs. The authorities noted the need for strengthening risk-based prudential supervision and crisis management framework and emphasized the importance of continued support from IMF TA. They are closely monitoring the NPLs.

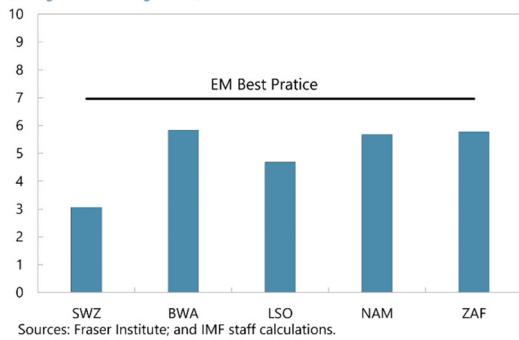
## D. Accelerating Structural Reforms to Foster Private Sector-Led Growth

**35. Eswatini's structural constraints are perceived as greater than those of middle-income peers** (Text Figure 6–7). Enterprise surveys and other sources indicate relative weaknesses in electricity provision, legal system and property rights, and freedom to enter markets. Moreover, the economy is highly vulnerable to weather shocks, which frequently damage agricultural output and livelihoods (Text Figure 8).

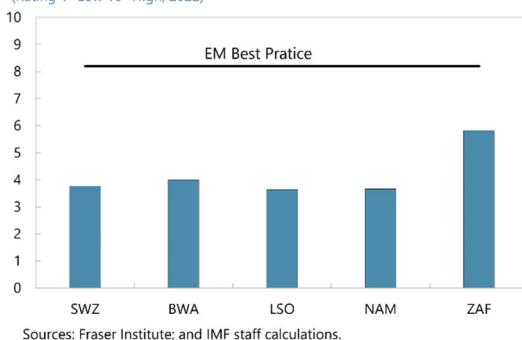


### Text Figure 7. Comparison of Selected Structural (concluded)

**Legal System and Property Rights**  
(Rating 1=Low 10=High, 2022)



**Freedom to Enter Markets and Compete**  
(Rating 1=Low 10=High, 2022)



1/ In the top left chart ("top three obstacles"), "security" refers to issues such as crime, theft, and disorder. Data on the legal system and property rights and the freedom to enter market and compete indicators are from the Fraser Institute. These perception-based indicators are subject to measurement uncertainty; while cross-country comparisons offer useful context, they should be interpreted with caution.

### 36. Accelerating structural reforms is essential to promote private sector-led growth.

World Bank's Enterprise Surveys in 2016 and 2024 show improved feedback in the labor market and infrastructure, but limited gains in governance, business regulation, and the external sector (Annex X). Text Table 7 illustrates a scenario of the potential growth impact if Eswatini's investment multiplier reaches the developing country average. This could be achieved through reforms in public investment described in Section A and structural reforms outlined below. These reforms could unlock growth potential and job creation, key to tackling high unemployment and harnessing the demographic dividend.

- **Closing infrastructure and skill gaps.** Eswatini faces significant gaps in power, transport, and ICT infrastructure, with rural roads and water systems particularly vulnerable to weather shocks. Addressing the shortage of skilled labor and aligning education with market needs will require comprehensive policy reform. The planned investment in internet connectivity led by the Ministry of ICT and efforts to bridge the shortage of employable skills in key sectors—particularly through strengthening technical and vocational education and training (TVET) systems—are positive developments.
- **Improving the business environment.** Regulatory inefficiencies hinder business development and market entry, especially for small and medium enterprises (SMEs), which face high compliance costs and burdensome procedures. The ongoing e-Government reforms such as "Government in Your Hand" and "Business One-Stop Shop" are positive steps. Reforming PEs is also vital for ensuring fair competition, as they maintain a strong presence in the economy, often benefit from subsidies and, in some cases, enjoy regulatory advantages.

- **Improving access to finance.** Bank credit to the private sector declined to 21 percent of GDP at end-2024, considerably lower than peers.<sup>19</sup> A key constraint is the lack of collateral, exacerbated by unclear property rights. While initiatives like credit guarantee schemes and a collateral registry have made progress, further expansion is needed for meaningful impact. Policy priorities should include securing and enforcing property rights, improving financial literacy to help firms navigate financing options, and promoting credit information sharing and digitalization to reduce information asymmetry.
- **Addressing governance challenges.** This is essential for unlocking growth potential as Eswatini continues to rank low on perception-based indicators of corruption control and rule of law. As a priority, the Anti-Corruption Commission is developing a national anti-corruption policy, to be followed by an implementation strategy (including asset declaration and whistleblower protection). The commission's effectiveness continues to be hampered by legislative limitations, including a lack of prosecutorial authority, which undermines accountability and enforcement, including regarding public spending. Strengthening fiscal transparency and control (see section A) are also important elements. On anti-money laundering and counter-terrorism financing (AML/CFT), updated laws were passed in October 2024, though a few elements related to CFT remain pending.<sup>20</sup> Implementation remains challenging. The Financial Intelligence Center requires parliamentary approval for regulations, as well as to fund adequate staffing and software. Memorandums of understanding with all stakeholders are needed to improve data flow.

### ***Authorities' Views***

**37. The authorities acknowledge the importance of structural reforms.** They highlighted ongoing efforts to address skills mismatches by expanding TVET and enhancing energy security with large investment. Support is provided for training SMEs on access to finance, export facilitation, loan guarantees, and expanded microfinance. They are also working with the Food and Agriculture Organization on micro-lending programs to improve farmers' access to finance, while enhancing climate resilience. They noted that legislative reforms of PEs are in progress. However, key challenges remain—particularly the need for a clearer legal definition and the separation of PEs from regulatory agencies. They also noted that updated AML/CFT legislation was passed in 2024 to address most of the recommendations from the 2022 Mutual Evaluation Report that assessed Eswatini's legal framework. They noted that governance reforms are also advancing, with planned

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<sup>19</sup> This compares with 24 percent in Lesotho, 48 percent in Namibia, 58 percent in South Africa, and 70 percent in Mauritius at end-2024.

<sup>20</sup> Eswatini's Mutual Evaluation Report highlighted pervasive deficiencies in understanding terrorism financing risks, including the absence of a national strategy and weak coordination and information sharing among agencies responsible for investigations. These gaps have undermined the effectiveness of law enforcement efforts.

cabinet approval of a national anti-corruption policy this year, followed by the development of its implementation strategy.

**Text Table 7. Upside Investment and Structural Reforms Scenario1/**

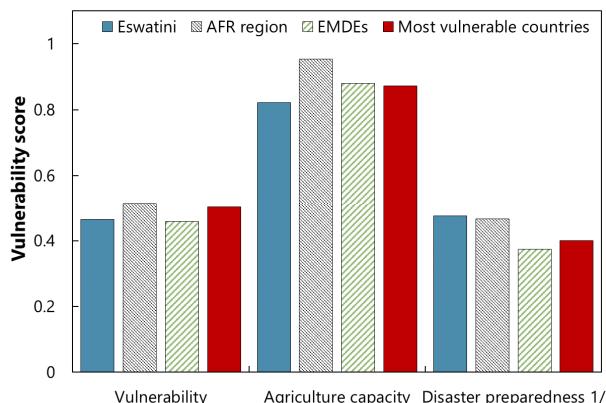
	FY25/26	FY27/28	FY28/29	FY29/30	FY30/31
<b>Improved-investment-impact scenario</b>					
<b>GDP growth</b> (percent)	4.6	5.1	4.7	4.8	4.8
<i>Difference from baseline, percentage points</i>	0.2	0.7	1.3	1.7	2.0
<b>Tax Revenues</b> (percent of 2024 GDP)	27.4	27.6	28.4	28.3	28.3
<i>Difference from baseline, percentage points</i>	0.1	0.2	0.4	0.5	0.5
<b>Nominal GDP</b> (million emalangeni)	980	1,056	1,132	1,205	1,278
<i>Difference from baseline, percent change</i>	0.5	0.9	1.4	1.8	2.0
<b>Per capita GDP</b> (emalangeni)	82,909	88,384	93,757	98,786	103,667
<i>Difference from baseline, percent change</i>	0.5	0.9	1.4	1.8	2.0
<b>Fiscal multiplier payoff calculations under improved-investment-impact scenario</b>					
Baseline investment (percent of GDP)	6.6	6.8	6.5	5.8	5.8
Difference from historical average (5.6 percent of GDP)	1.0	1.2	0.9	0.2	0.2
Developing country average fiscal multiplier assumption (WEO 2014)	0.25	0.45	0.55	0.65	0.65
FY25/26	0.2	0.4	0.5	0.6	0.6
FY27/28		0.3	0.5	0.6	0.7
FY28/29			0.2	0.4	0.5
FY29/30				0.0	0.1
FY30/31					0.1
<i>Total change in real growth</i>	0.2	0.7	1.3	1.7	2.0
<b>Assumptions</b>					
Baseline real GDP growth (percent)	4.4	4.3	3.5	3.0	2.8
Baseline tax revenues (percent of GDP)	27.2	27.4	28.0	27.8	27.7
Baseline per capita GDP (emelangeni)	82,464	87,588	92,443	97,024	101,676
Baseline nominal GDP (million emalangeni)	975	1047	1116	1183	1254
Baseline GDP deflator growth (percent)	2.0	3.2	3.4	3.2	3.1
Baseline population (million)	1.2	1.2	1.2	1.2	1.2

Source: World Economic Outlook, October 2014 and IMF staff calculations.

1/ Reforms include: improvements to PFM including governance and procurement; addressing weaknesses to the public investment framework by improving efficiency and quality of spending, implementation rate, and project selection; providing a more supportive business environment, and investment in human capital, among others.

### Text Figure 8. Climate Change Impact and Preparedness

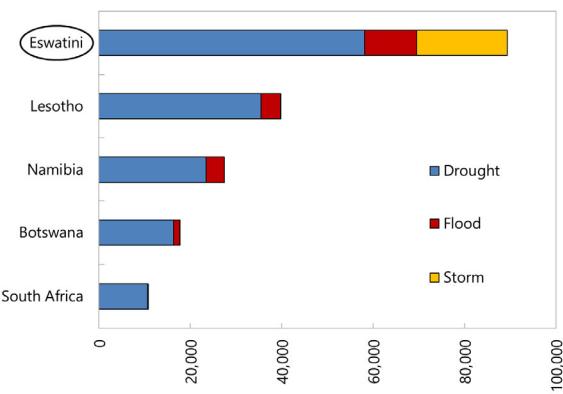
#### Climate Vulnerability and Adaptation



Sources: ND-GAIN Vulnerability Index; and subcomponents.

1/ Disaster preparedness is one element of the ND-GAIN Vulnerability Score. Specifically, disaster preparedness is an adaptive capacity indicator within the Vulnerability Score. Disaster preparedness is thus distinct from the ND-GAIN Readiness Score, which incorporates economic, governance, and social indicators. Higher scores indicate more preparedness and capacity, and higher vulnerability.

#### Affected People by Natural Disasters (1900–2023 average, per million population)



Sources: EM-DAT; World Bank; and IMF staff calculations.

## CAPACITY DEVELOPMENT AND DATA ISSUES

**38. Eswatini remains an intensive user of IMF TA** (Annex XI). Focus areas have included revenue administration, public financial management (including implementing IFMIS), managing macro-financial risks (including follow-up work on the FSSR), promoting fiscal transparency and governance, and improving the quality of macroeconomic statistics.

**39. Data limitations continue to constrain effective surveillance** (Annex XII). Notable weaknesses—reflected in a “C” rating—remain in areas such as fiscal reporting, budgeting, national accounts, balance of payments, labor force surveys, and social statistics. Additionally, public debt and foreign exchange data lack adequate detail. Enhancing the capacity of the data-producing agency will be essential to improving the quality of official statistics. The government should allocate dedicated funding for the upcoming economic census. Meanwhile, resource constraints within the Ministry of ICT are impeding the public dissemination of national data. Advancing digitalization efforts could support more efficient data collection.

**40. While the CBE has implemented most of the 2022 safeguards assessment recommendations, progress on legal reforms has been slow.** The current CBE Law contains provisions that offer limited legal safeguards for CBE’s autonomy. A draft bill that addresses many of these gaps has been prepared, but the timeline for the legal reforms remains unclear. It should be submitted to parliament for passage.

**41. Eswatini's capacity to repay the IMF is adequate.** Remaining credit outstanding under the RFI is projected to be fully repaid by end-2025.

#### **Authorities' Views**

**42. The authorities are in agreement on the importance of improving data quality and welcome IMF TA.** They appreciate continued IMF capacity development support, including on the risk-based supervision of banks and NBFIs, and Chart of Accounts for the IFMIS transition. Some work to include the Other Financial Corporations in Monetary and Financial Statistics has begun. They are making strong efforts to pass the CBE Law.

## **STAFF APPRAISAL**

**43. While Eswatini enjoys relatively high income per capita compared with the SSA average, it continues to face serious economic and social challenges.** These include persistent poverty, elevated unemployment, and poor health outcomes. Addressing these challenges will require raising potential growth and creating fiscal space. The authorities have renewed their efforts to encourage private sector development, which should be supported by appropriate policies and reforms.

**44. The growth outlook is favorable in the near term but is expected to weaken over the medium term in the absence of bold reforms, with risks tilted to the downside.** Large investment projects are supporting near-term growth, but persistent structural constraints suggest limited medium-term gains. Downside risks include a global growth slowdown driven by trade and geopolitical tensions, particularly if it impacts South Africa, and a significant rise in oil prices. Furthermore, shocks from climate change and social discontent could slow economic activity. Upside risks include an acceleration of global growth and better-than-expected investment implementation.

**45. The external position in 2024 was weaker than implied by macroeconomic fundamentals and desirable policies.** While the current account posted a surplus in 2024, it is projected to decline in 2025 due to lower SACU revenues and higher imports for the ongoing investment projects. Reserves were below the ARA metric for EMs at end-2024.

**46. Implementing planned fiscal consolidation is key to containing public debt while creating space for critical social and development spending.** The tightening of the structural primary balance in FY25/26 is appropriate to curb rising public debt, especially amid high financing costs and a closing output gap. Staff also support continued consolidation over the medium term to limit debt to close to 40 percent of GDP. Success depends critically on managing spending on the wage bill, goods and services, and transfers, as well as narrowing tax gaps. Meanwhile, it is important to carefully assess the gap in health services left by cuts of ODA to incorporate essential spending in the budget.

**47. Fiscal consolidation, sound financing strategies, and strengthened debt management could help reduce borrowing costs and support credit to the private sector.** Consolidation will ease financing constraints, build buffers against volatile SACU revenues and global uncertainty, and safeguard the currency peg. Broadening the investor base by issuing securities on the JSE could lower borrowing costs further over time. External financing will alleviate the borrowing pressure this year. Going forward, the authorities should monitor exchange rate risk as the share of foreign currency debt increases. Meanwhile, improved debt management and the development of the domestic debt market will not only reduce government borrowing costs over time but also help lower reference interest rates for bank lending to the private sector.

**48. Fiscal reforms are essential to support durable fiscal consolidation and generate savings for priority spending.** Implementing the IFMIS and expanding e-Government reforms will improve public spending efficiency through enhanced budget oversight and reduced leakage. The PFM Act should be amended to strengthen public investment management and support PE reforms. Civil service reform is key to free up resources for social and development needs while improving service delivery and efficiency. Executing the PE Reform Roadmap would strengthen financial oversight and reduce transfers durably. Better targeting of social protection spending could alleviate the high poverty and inequality, while improving spending efficiency in health and education would support better outcomes in these sectors.

**49. Careful calibration of the alignment of the CBE's policy rate with the SARB is advisable to stem capital outflows and preserve the credibility of the peg.** This in turn would harmonize the policy rate with the overnight call window rate, thereby helping improve the clarity and effectiveness of the monetary policy framework. Limiting cash advances to the government will also help support the peg.

**50. Efforts are needed to strengthen financial sector resilience.** Legislative actions, including updating the Central Bank Act and amending the FSRA Act, are key to bolstering financial sector resilience. Additionally, operationalization of the ELA framework and the deposit insurance scheme will strengthen financial stability.

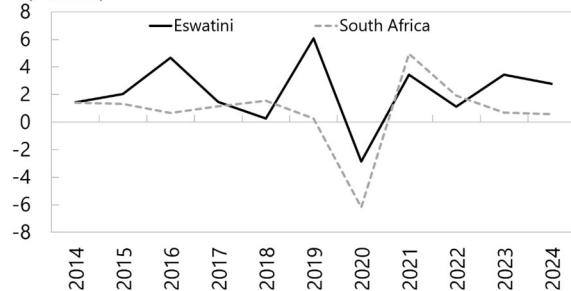
**51. Structural reforms are essential to unlocking private sector-led growth and enhancing long-term potential output.** The recent initiatives on infrastructure investment, aligning labor skills with market demands by strengthening technical and vocational training, the establishment of a One-stop Service Center, and the implementation of e-Government and online tax filing, are steps in the right direction. To foster a more enabling business environment and reduce market distortions, it is crucial to tackle regulatory inefficiencies, enforce financial discipline in PEs, and further enhance businesses' access to credit. Strengthening governance and enhancing digitalization can support these efforts. The recent update of the AML/CFT framework is a welcome step; however, a few elements related to CFT remain pending.

**52. Staff recommends that the next Article IV consultation with Eswatini be held on the standard 12-month cycle.**

### Figure 1. Eswatini: Real Sector Developments

*Economic growth in Eswatini has recently outperformed South Africa...*

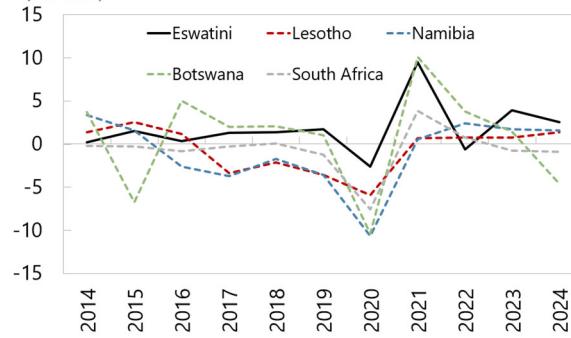
#### Real GDP Growth (Percent)



Sources: Central Statistical Office; IMF; and IMF staff estimates.

*...and all SACU peers in per capita terms.*

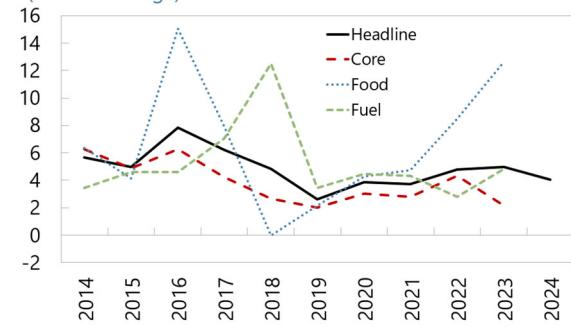
#### GDP Per Capita (Percent)



Source: IMF, *World Economic Outlook*.

*Inflation peaked in 2023 and has been easing since.*

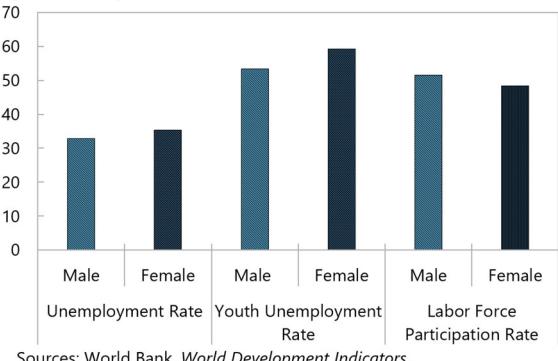
#### Inflation (Annual Average)



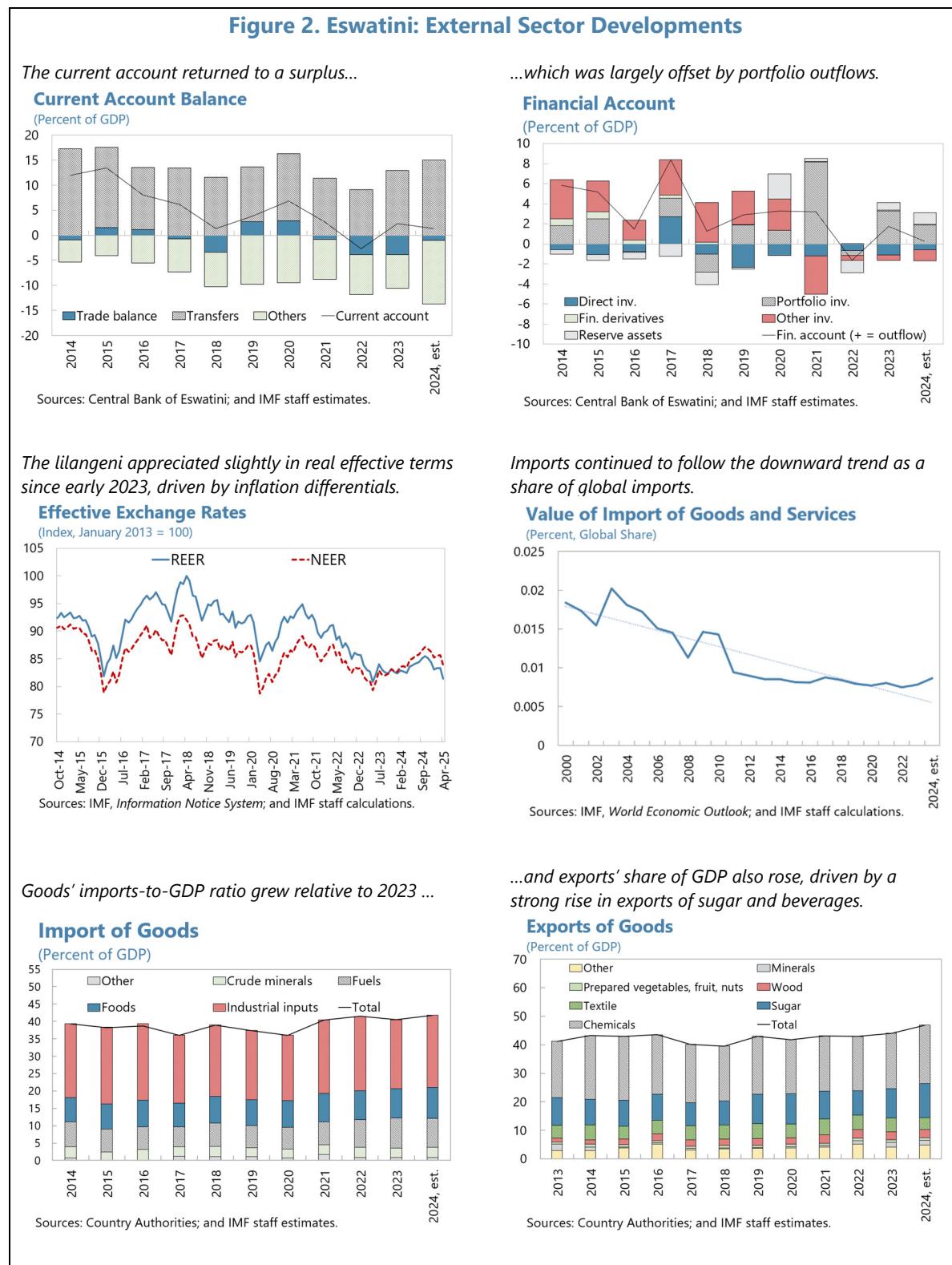
Sources: Central Statistical Office; and IMF staff calculations.

*Unemployment remains a central problem; especially for women and the youth.*

#### Unemployment and Labor Force Participation (Percent, 2021)

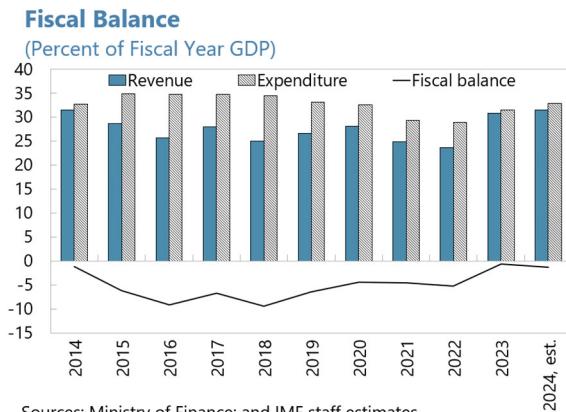


Sources: World Bank, *World Development Indicators*.

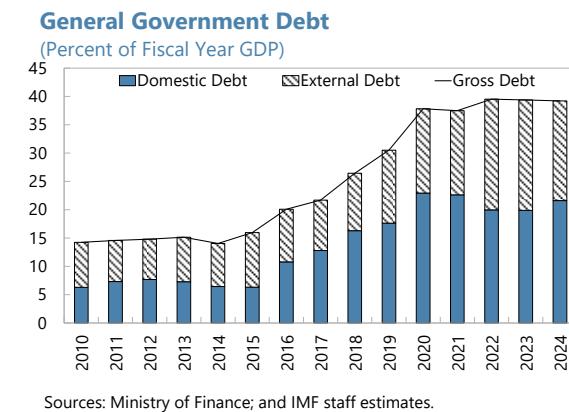


### Figure 3. Eswatini: Fiscal Developments

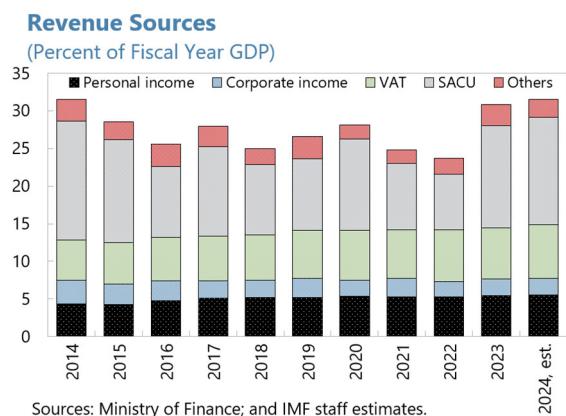
The fiscal deficit has narrowed in recent years ...



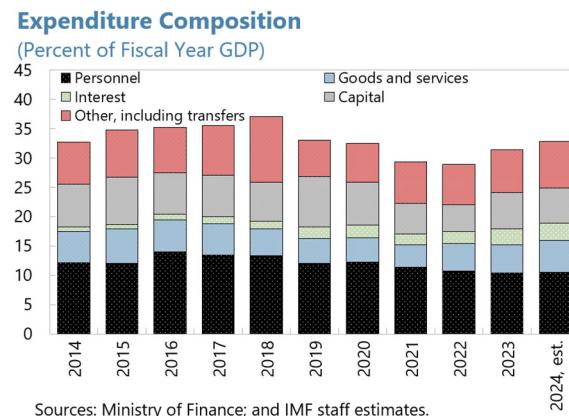
...and public debt remains stable.



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

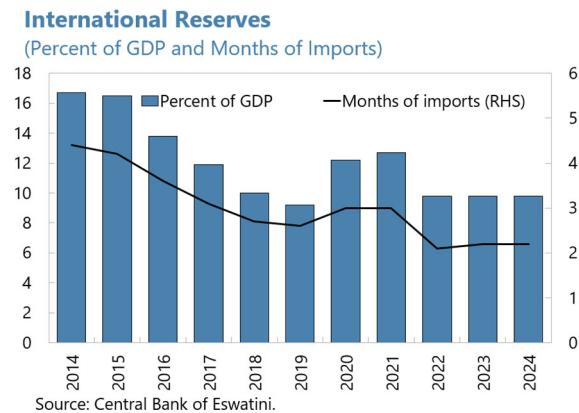


...while expenditure edging up.

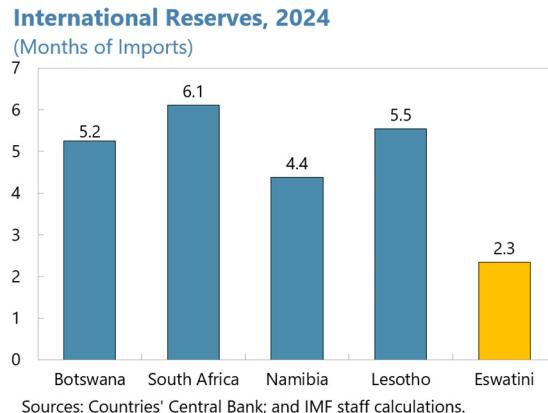


### Figure 4. Eswatini: Monetary and Financial Sector Developments

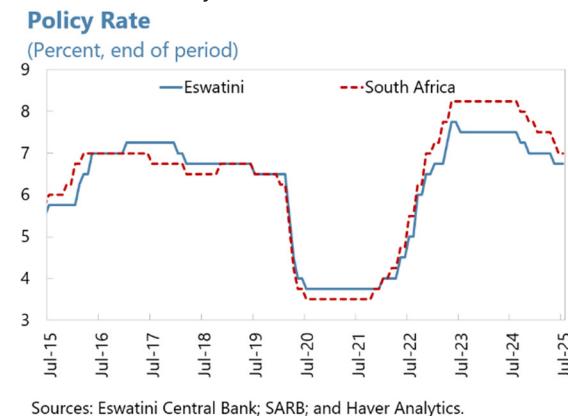
*International reserves stagnated despite higher SACU revenues...*



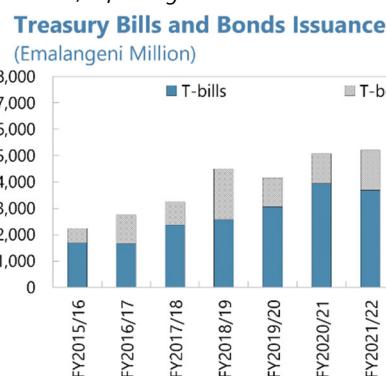
*...and remain the lowest in the region in terms of months of imports.*



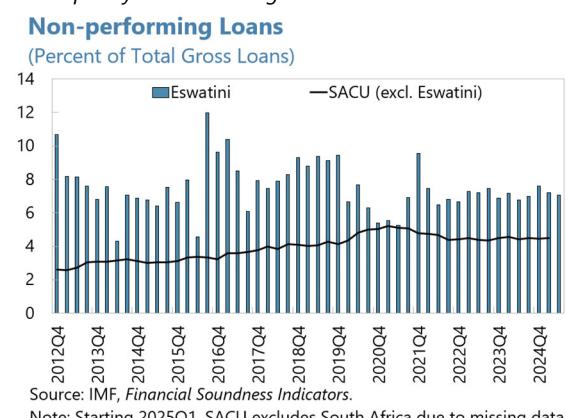
*The policy rate differential, a source of pressure on reserves, has recently been narrowed...*



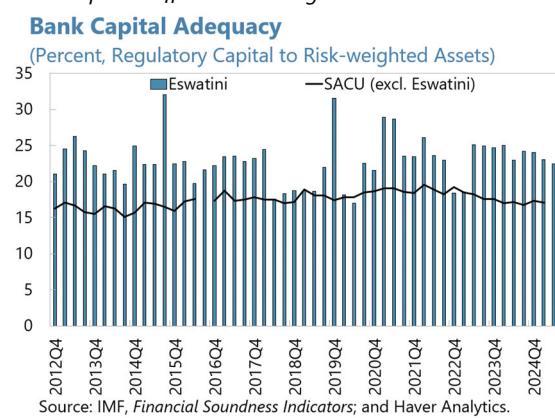
*...while the government has shifted toward longer term securities, reflecting market demand.*



*Asset quality risks have lingered...*



*...but capital buffers remain high.*



**Table 1. Eswatini: Selected Economic Indicators, 2022–30**

Population (2024, millions):	1.2	Poverty (2016, percent, below national poverty line):	58.9					
Main exports:		Beverages, Sugar, and Textiles.						
Key export markets:		Republic of South Africa, Kenya, and Mozambique						
	2022	2023	2024	2025	2026	2027	2028	2029
Est.								Proj.
<b>Output</b>	Year on year percent change, unless otherwise specified							
Real GDP growth	1.1	3.4	2.8	4.3	4.6	3.6	3.1	2.9
Nominal GDP growth	9.6	9.5	6.7	5.6	7.5	6.8	6.1	6.0
Nominal GDP (billions of USD)	4.7	4.6	4.9	5.2	5.5	5.7	5.9	6.1
Nominal GDP per capita (USD)	4,147	3,985	4,235	4,410	4,610	4,752	4,870	4,982
GDP Deflator	8.4	5.9	3.8	1.2	2.8	3.1	2.9	3.0
<b>Prices</b>								
CPI Inflation, average	4.8	4.9	4.0	3.5	4.0	3.8	3.4	3.2
CPI Inflation, end of period	5.6	4.3	3.9	3.5	4.0	3.8	3.4	3.0
<b>Money and Credit</b>								
Broad money	3.6	6.3	4.5	1.8	4.5	4.3	3.6	3.4
Credit to the private sector	12.0	9.6	5.9	4.5	6.0	5.6	5.4	5.2
12-month time deposit rate (percent)	6.5	7.5	7.0	...	...	...	...	...
<b>Consolidated Government Finances 1/</b>	Percent of fiscal year GDP, unless otherwise specified							
Revenue 2/	23.7	30.8	31.5	28.5	28.6	29.2	29.1	29.1
of which: SACU receipts	7.3	13.6	14.2	10.7	11.4	12.0	11.8	11.9
Expenditure 3/	29.0	31.5	32.8	33.1	32.8	32.1	31.0	30.5
Gross capital formation	4.5	6.2	6.0	6.2	6.4	6.1	5.4	5.5
Foreign financed	1.9	3.5	2.4	3.0	4.0	3.3	2.1	2.1
Domestically financed	2.7	2.6	3.6	3.2	2.4	2.9	3.3	3.4
Primary balance	-3.2	2.1	1.6	-1.2	-0.7	0.5	1.3	1.6
Overall fiscal balance	-5.3	-0.7	-1.3	-4.6	-4.2	-2.9	-1.9	-1.4
Structural primary balance 4/	-10.5	-11.5	-12.6	-11.8	-12.0	-11.4	-10.4	-10.2
Public debt, gross 5/	39.5	39.4	39.2	42.8	43.5	43.5	42.5	42.4
<b>Balance of Payments</b>	Percent of GDP, unless otherwise specified							
Current account balance	-2.7	2.4	1.3	-1.7	-1.4	-0.3	0.1	0.3
of which: trade balance, goods	1.4	3.6	5.1	5.2	5.1	5.1	5.3	5.4
Exports	42.9	44.1	46.9	48.8	49.5	50.1	50.7	51.2
Imports	41.5	40.5	41.8	43.6	44.4	45.0	45.4	45.8
Financial account balance	-1.6	1.7	0.3	-2.8	-2.1	-0.5	-0.7	0.0
of which: FDI	-0.7	-1.1	-0.6	-0.6	-0.7	-1.6	-2.4	-1.2
Reserves	9.9	10.4	11.2	11.8	11.8	11.7	12.0	12.0
Reserves (in months of imports)	2.1	2.2	2.3	2.4	2.4	2.4	2.4	2.3
Imports of goods and services 6/	2,285	2,354	2,604	2,830	3,018	3,153	3,291	3,424
External debt	25.0	25.5	23.9	26.8	29.1	29.7	29.4	28.2
<b>Exchange Rate</b>								
REER (percent, yoy)	-4.5	-5.9	1.0	...	...	...	...	...
Average exchange rate (emalangeni per USD)	16.4	18.5	18.3	...	...	...	...	...

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31. Example: 2025=April 1, 2025 to March 31, 2026.

2/ Revenue excludes the line "transactions in assets and liabilities" classified as part of revenue in budget documents. It captures proceeds from asset sales, realized valuation gains from holdings of foreign currency deposits, which are recorded as financing items according to the IMF's Government Finance Statistics Manual.

3/ Expenditure includes transactions in nonfinancial assets, in line with GFS.

4/ Overall balance excluding SACU receipts and interest payments.

5/ Central government.

6/ In millions of USD.

**Table 2. Eswatini: Balance of Payments, 2022–30**

	2022	2023	2024	2025 Est.	2026	2027	2028	2029	2030 Proj.
Millions of USD, unless otherwise specified									
<b>Current Account</b>									
Current account balance	-129	109	67	-86	-75	-19	9	16	33
Goods trade balance	68	167	253	271	281	293	313	328	344
Exports, f.o.b.	2,035	2,029	2,319	2,537	2,722	2,869	3,006	3,136	3,265
Imports, f.o.b.	1,967	1,863	2,066	2,266	2,441	2,577	2,693	2,808	2,921
Services trade, net	-253	-345	-305	-327	-334	-352	-369	-370	-386
Primary income, net	-377	-308	-623	-664	-677	-683	-691	-722	-729
of which: interest on public debt	-18	-38	-54	-66	-77	-82	-82	-76	-67
Secondary income, net	432	596	742	633	655	724	756	779	804
of which: SACU revenue transfers	364	556	695	601	615	676	702	725	750
<b>Capital and Financial Account</b>									
Capital account	-3	0	-1	-1	3	3	3	3	2
Financial account	-78	80	13	-145	-115	-31	-42	0	39
Foreign direct investment, net	-32	-51	-30	-32	-36	-92	-144	-145	-73
Portfolio investment, net	-23	152	92	73	57	82	111	121	120
Other investment, net	-23	-25	-53	-191	-140	-26	-13	20	-13
Public, net	-53	-67	-44	-271	-260	-160	-110	-59	-32
Disbursements	70	119	120	319	322	249	188	153	131
Amortization	-17	-51	-76	-48	-62	-89	-78	-94	-99
Currency and deposits of non-bank private sector, net	176	-11	54	114	154	143	107	110	51
Other investment, other	-146	54	-63	-34	-34	-9	-9	-32	-32
Errors and omissions	-4	4	2	0	0	0	0	0	0
Overall balance	-59	33	55	57	43	14	53	18	-3
<b>Financing</b>									
Change in international reserves (- = increase)	59	-33	-57	-57	-43	-14	-53	-18	15
Multilateral	40	40	0	5	4	12	10	12	12
Percent of GDP, unless otherwise specified									
<b>Current Account</b>									
Current account balance	-2.7	2.4	1.3	-1.7	-1.4	-0.3	0.1	0.3	0.5
Goods trade balance	1.4	3.6	5.1	5.2	5.1	5.1	5.3	5.4	5.4
Exports, f.o.b.	42.9	44.1	46.9	48.8	49.5	50.1	50.7	51.2	51.7
Imports, f.o.b.	41.5	40.5	41.8	43.6	44.4	45.0	45.4	45.8	46.2
Services trade, net	-5.3	-7.5	-6.2	-6.3	-6.1	-6.2	-6.2	-6.0	-6.1
Primary income, net	-7.9	-6.7	-12.6	-12.8	-12.3	-11.9	-11.7	-11.8	-11.5
of which: interest on public debt	-0.4	-0.8	-1.1	-1.3	-1.4	-1.4	-1.4	-1.2	-1.1
Secondary income, net	9.1	12.9	15.0	12.2	11.9	12.6	12.8	12.7	12.7
of which: SACU revenue transfers	7.7	12.1	14.1	11.6	11.2	11.8	11.8	11.8	11.9
<b>Capital and Financial Account</b>									
Capital account	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-1.6	1.7	0.3	-2.8	-2.1	-0.5	-0.7	0.0	0.6
Foreign direct investment, net	-0.7	-1.1	-0.6	-0.6	-0.7	-1.6	-2.4	-2.4	-1.2
Portfolio investment, net	-0.5	3.3	1.9	1.4	1.0	1.4	1.9	2.0	1.9
Other investment, net	-0.5	-0.5	-1.1	-3.7	-2.6	-0.5	-0.2	0.3	-0.2
Public, net	-1.1	-1.5	-0.9	-5.2	-4.7	-2.8	-1.9	-1.0	-0.5
Disbursements	1.5	2.6	2.4	6.1	5.9	4.3	3.2	2.5	2.1
Amortization	-0.4	-1.1	-1.5	-0.9	-1.1	-1.6	-1.3	-1.5	-1.6
Currency and deposits of non-bank private sector, net	3.7	-0.2	1.1	2.2	2.8	2.5	1.8	1.8	0.8
Other investment, other	-3.1	1.2	-1.3	-0.7	-0.6	-0.2	-0.2	-0.5	-0.5
Errors and omissions	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.3	0.7	1.1	1.1	0.8	0.3	0.9	0.3	0.0
<b>Memorandum</b>									
Total imports of goods and services (millions of USD)	2,285	2,354	2,604	2,830	3,018	3,153	3,291	3,424	3,546
Gross international reserves (millions of USD)	451	476	542	606	648	656	708	723	705
in months of imports	2.1	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.3
in percent of GDP	9.9	10.4	11.2	11.8	11.8	11.7	12.0	12.0	11.4
External debt (millions of USD)	1,184	1,174	1,180	1,392	1,600	1,699	1,743	1,725	1,687
Short-term debt (millions of USD)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National currency per USD (average)	16.4	18.5	18.3	...	...	...	...	...	...
National currency per USD (eop)	17.0	18.5	18.7	...	...	...	...	...	...
GDP at market prices (millions of USD)	4,741	4,604	4,944	5,201	5,495	5,724	5,927	6,127	6,317

Sources: Eswatini authorities; and IMF staff calculations.

**Table 3. Eswatini: Fiscal Operations of the Central Government, 2022/23–2030/31 1/**  
(Millions of Emalangeni)

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
			Est.			Proj.			
Millions of emalangeni, unless otherwise specified									
<b>Revenue</b>									
Total revenue	18,806	26,605	28,949	27,750	29,970	32,636	34,418	36,515	38,666
Tax revenue	17,983	25,021	27,816	26,548	28,680	31,260	32,959	34,970	37,030
Taxes on income, profits, and capital gains	6,568	7,381	8,083	9,077	9,206	9,818	10,412	11,026	11,676
of which: Corporate income tax	1,593	1,969	2,038	2,162	2,321	2,475	2,625	2,780	2,943
of which: Personal income tax	4,224	4,679	5,089	5,401	5,796	6,182	6,556	6,942	7,351
Taxes on property	39	40	43	46	49	53	56	59	63
Taxes on international trade and transactions	5,825	11,760	13,085	10,416	11,903	13,367	13,983	14,875	15,752
of which: SACU receipts 2/	5,818	11,750	13,072	10,402	11,887	13,351	13,966	14,857	15,733
Domestic taxes on goods and services	5,491	5,811	6,573	6,976	7,487	7,984	8,468	8,967	9,495
Other taxes	60	29	31	33	35	38	40	42	45
Non-tax revenue	652	1,017	992	1,052	1,129	1,204	1,277	1,353	1,432
Grants	171	568	141	150	161	171	182	192	204
<b>Expense</b>									
Total expense (current)	19,408	21,831	24,655	26,255	27,704	28,978	30,235	31,394	33,066
Primary expense	24,990	27,096	30,137	32,142	33,743	35,425	36,999	38,615	40,735
Compensation of employees	8,534	9,036	9,642	10,478	11,002	11,552	12,041	12,523	13,261
of which, wages and salaries	7,248	7,674	8,196	9,293	9,758	10,246	10,656	11,082	11,735
Purchases or use of goods and services	3,699	4,070	5,016	4,439	4,661	4,894	5,139	5,396	5,558
Social spending	1,265	1,422	1,339	1,398	1,468	1,541	1,618	1,699	1,799
Other expense	4,244	4,895	5,943	6,534	6,855	7,192	7,545	7,916	8,382
of which: PEs and Statutory Transfers	3,705	4,562	5,163	5,339	5,600	5,874	6,161	6,463	6,843
Interest	1,666	2,409	2,714	3,406	3,718	3,799	3,892	3,861	4,067
Domestic	1,343	1,584	1,677	2,123	2,215	2,207	2,276	2,345	2,728
Foreign	323	824	1,037	1,283	1,503	1,592	1,616	1,516	1,338
<b>Transactions in Nonfinancial Assets</b>									
Net acquisition of nonfinancial assets	3,588	5,342	5,528	6,026	6,670	6,845	6,423	6,880	7,285
Foreign financed	1,469	3,059	2,246	2,921	4,189	3,630	2,518	2,666	2,823
Domestically financed	2,119	2,282	3,282	3,105	2,482	3,215	3,906	4,214	4,462
<b>Total Expenditure</b>	22,996	27,172	30,183	32,281	34,374	35,823	36,659	38,274	40,351
<b>Balances</b>									
Gross operating balance	-602	4,775	4,294	1,495	2,266	3,658	4,183	5,121	5,600
Primary balance	-2,524	1,842	1,480	-1,125	-686	612	1,652	2,101	2,381
Structural primary balance 2/	-8,342	-9,909	-11,592	-11,527	-12,573	-12,739	-12,314	-12,756	-13,351
Overall balance	-4,190	-567	-1,234	-4,531	-4,404	-3,187	-2,240	-1,759	-1,685
<b>Transactions in Financial Assets and Liabilities</b>									
Balance of financial assets and liabilities	3,655	2,262	3,741	6,817	4,404	3,187	2,240	1,759	1,685
Net acquisition of financial assets	667	-867	-1,430	1,069	693	148	417	-1,062	60
of which: SACU stabilization fund	0	-875	-1,500	1,000	620	59	323	-1,122	0
Net incurrence of liabilities	2,988	3,129	5,171	5,748	3,712	3,039	1,824	2,821	1,625
Domestic	1,160	1,836	4,409	380	-101	944	499	2,818	1,702
Foreign	1,828	1,293	762	5,367	3,812	2,095	1,324	3	-77
Financing gap	535	-1,695	-2,507	-2,286	0	0	0	0	0
<b>Memorandum</b>									
Gross public debt	31,395	34,008	36,029	41,777	45,488	48,527	50,351	53,172	54,798
Domestic	15,862	17,182	19,857	20,238	20,137	21,081	21,580	24,398	26,100
External	15,533	16,826	16,172	21,539	25,351	27,446	28,771	28,774	28,697
Stock-flow adjustor	715	1,178	-643	2,286	0	0	0	0	0
Stock of arrears	3,068	3,263	2,286	0	0	0	0	0	0
Overall balance ex. SACU	-10,008	-12,317	-14,306	-14,933	-16,291	-16,538	-16,206	-16,616	-17,418

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31. Example: 2025/26=April 1, 2025 to March 31, 2026.

2/ Overall balance excluding SACU receipts and interest payments.

**Table 4. Eswatini: Fiscal Operations of the Central Government, 2022/23–2030/31 1/**  
 (Percent of GDP)

	2022/23	2023/24	2024/25 Est.	2025/26 Proj.	2026/27	2027/28	2028/29	2029/30	2030/31
Percent of GDP, unless otherwise specified									
<b>Revenue</b>									
Total revenue	23.7	30.8	31.5	28.5	28.6	29.2	29.1	29.1	29.2
Tax revenue	22.6	29.0	30.3	27.2	27.4	28.0	27.8	27.9	27.9
Taxes on income, profits, and capital gains	8.3	8.5	8.8	9.3	8.8	8.8	8.8	8.8	8.8
of which: Corporate income tax	2.0	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2
of which: Personal income tax	5.3	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Taxes on property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on international trade and transactions	7.3	13.6	14.2	10.7	11.4	12.0	11.8	11.9	11.9
of which: SACU receipts	7.3	13.6	14.2	10.7	11.4	12.0	11.8	11.9	11.9
Domestic taxes on goods and services	6.9	6.7	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Other taxes	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax revenue	0.8	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Grants	0.2	0.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Expense</b>									
Total expense (current)	24.4	25.3	26.8	26.9	26.5	26.0	25.5	25.0	25.0
Primary expense	22.3	22.5	23.9	23.4	22.9	22.6	22.3	22.0	21.9
Compensation of employees	10.7	10.5	10.5	10.7	10.5	10.3	10.2	10.0	10.0
of which, wages and salaries	9.1	8.9	8.9	9.5	9.3	9.2	9.0	8.8	8.9
Goods and services	4.7	4.7	5.5	4.6	4.5	4.4	4.3	4.3	4.2
Social spending	1.6	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Other expense	5.3	5.7	6.5	6.7	6.5	6.4	6.4	6.3	6.3
of which: PEs and Statutory Transfers	4.7	5.3	5.6	5.5	5.4	5.3	5.2	5.2	5.2
Interest	2.1	2.8	3.0	3.5	3.6	3.4	3.3	3.1	3.1
Domestic	1.7	1.8	1.8	2.2	2.1	2.0	1.9	1.9	2.1
Foreign	0.4	1.0	1.1	1.3	1.4	1.4	1.4	1.2	1.0
<b>Transactions in Nonfinancial Assets</b>									
Net acquisition of nonfinancial assets	4.5	6.2	6.0	6.2	6.4	6.1	5.4	5.5	5.5
Foreign financed	1.9	3.5	2.4	3.0	4.0	3.3	2.1	2.1	2.1
Domestically financed	2.7	2.6	3.6	3.2	2.4	2.9	3.3	3.4	3.4
<b>Total Expenditure</b>	<b>29.0</b>	<b>31.5</b>	<b>32.8</b>	<b>33.1</b>	<b>32.8</b>	<b>32.1</b>	<b>31.0</b>	<b>30.5</b>	<b>30.5</b>
<b>Balances</b>									
Gross operating balance	-0.8	5.5	4.7	1.5	2.2	3.3	3.5	4.1	4.2
Primary balance	-3.2	2.1	1.6	-1.2	-0.7	0.5	1.4	1.7	1.8
Structural primary balance 2/	-10.5	-11.5	-12.6	-11.8	-12.0	-11.4	-10.4	-10.2	-10.1
Overall balance	-5.3	-0.7	-1.3	-4.6	-4.2	-2.9	-1.9	-1.4	-1.3
<b>Transactions in Financial Assets and Liabilities</b>									
Balance of financial assets and liabilities	4.6	2.6	4.1	7.0	4.2	2.9	1.9	1.4	1.3
Net acquisition of financial assets	0.8	-1.0	-1.6	1.1	0.7	0.1	0.4	-0.8	0.0
of which: SACU stabilization fund	0.0	-1.0	-1.6	1.0	0.6	0.1	0.3	-0.9	0.0
Net incurrence of liabilities	3.8	3.6	5.6	5.9	3.5	2.7	1.5	2.3	1.2
Domestic	1.5	2.1	4.8	0.4	-0.1	0.8	0.4	2.2	1.3
Foreign	2.3	1.5	0.8	5.5	3.6	1.9	1.1	0.0	-0.1
Financing gap	0.7	-2.0	-2.7	-2.3	0.0	0.0	0.0	0.0	0.0
<b>Memorandum</b>									
Gross public debt	39.5	39.4	39.2	42.8	43.5	43.5	42.5	42.4	41.3
Domestic	20.0	19.9	21.6	20.8	19.2	18.9	18.2	19.5	19.7
External	19.6	19.5	17.6	22.1	24.2	24.6	24.3	23.0	21.7
Stock-flow adjustor	0.9	1.4	-0.7	2.3	0.0	0.0	0.0	0.0	0.0
Stock of arrears	3.9	3.8	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance ex. SACU	-12.6	-14.3	-15.6	-15.3	-15.6	-14.8	-13.7	-13.3	-13.1

Sources: Eswatini authorities; and IMF staff calculations.

1/ The fiscal year runs from April 1 to March 31. Example: 2025/26=April 1, 2025 to March 31, 2026.

2/ Overall balance excluding SACU receipts and interest payments.

**Table 5. Eswatini: Financial Soundness Indicators, 2017–24**

	2017	2018	2019	2020	2021	2022	2023	2024
	Ratios, in percent							
<b>Capital Adequacy</b>								
Capital to assets	13.4	13.1	4.5	11.7	17.5	12.6	12.9	13.0
Regulatory capital to risk-weighted assets	23.2	18.8	31.6	21.5	23.5	18.4	24.7	24.1
Regulatory Tier 1 capital to risk-weighted assets	20.8	16.0	22.2	18.5	20.5	16.2	22.0	21.4
Nonperforming loans net of provisions to capital	21.6	27.2	54.2	2.7	10.6	11.1	11.6	16.4
<b>Asset Quality</b>								
Large exposure to capital	117.4	97.3	228.4	61.8	41.4	46.9	57.1	49.2
Nonperforming loans to total gross loans	7.9	9.3	9.4	5.4	9.6	6.7	6.9	7.6
Provisioning ratio	21.6	27.2	54.2	2.7	10.6	11.1	11.6	16.4
<b>Earnings and Profitability</b>								
Return on assets	3.2	2.5	3.8	2.1	2.6	3.0	3.4	3.4
Return on equity	15.3	11.1	15.9	8.8	13.8	15.3	16.8	15.9
Interest margin to gross income	57.6	56.9	54.5	52.3	52.1	55.8	58.1	57.8
Noninterest expenses to gross income	63.5	67.9	60.2	71.1	64.7	66.0	63.1	65.0
Personnel expenses to noninterest expenses	47.8	44.5	48.4	42.8	45.5	44.3	44.1	44.2
<b>Liquidity</b>								
Liquid assets to total assets	21.8	25.1	28.4	32.4	44.1	28.8	26.5	26.8
Liquid assets to short-term liabilities	32.5	36.9	41.5	44.5	42.3	42.9	35.4	36.5
Customer deposits to total (non-interbank) loans	139.5	139.2	133.6	132.0	133.5	122.2	122.0	116.0
<b>Exposure to Foreign Exchange Risk</b>								
Net open position in foreign exchange to capital	80.7	71.7	144.9	86.0	74.3	117.1	21.5	17.4
Foreign currency liabilities to total liabilities	11.0	5.2	7.7	4.3	11.3	5.8	15.3	14.0

Sources: Eswatini authorities; and IMF staff calculations.

**Table 6. Eswatini: Monetary Accounts, 2022–30**

	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.					Proj.
Millions of emalangeni, unless otherwise specified									
<b>Depository Corporation Survey</b>									
Net foreign assets	5,791	6,612	8,201	9,025	9,511	9,580	10,449	10,935	10,586
Net domestic assets	16,242	16,808	16,283	16,004	16,641	17,680	17,797	18,331	19,679
Claims on central government, net	3,596	2,590	1,803	1,953	1,814	2,151	2,384	3,626	4,375
Claims on other sectors of which: claims on private sector	17,272	19,159	20,409	20,662	22,093	23,368	24,717	26,014	27,360
	16,576	18,172	19,245	20,104	21,320	22,520	23,743	24,981	26,265
Broad money	22,034	23,421	24,484	24,929	26,052	27,160	28,146	29,166	30,165
Currency in circulation	771	865	826	810	954	979	935	922	884
Deposits	21,263	22,556	23,658	24,119	25,097	26,181	27,211	28,245	29,282
<b>Central Bank</b>									
Net foreign assets 1/	3,055	4,020	6,335	7,158	7,645	7,714	8,583	9,069	8,720
Gross reserves	7,667	8,814	10,158	11,303	12,166	12,833	14,028	14,846	14,834
Net domestic assets	1,183	586	-677	-1,375	-1,602	-1,414	-2,056	-2,306	-1,726
Reserve money	4,238	4,606	5,658	5,784	6,043	6,299	6,527	6,763	6,994
Percent of GDP, unless otherwise specified									
<b>Depository Corporation Survey</b>									
Net foreign assets	7.5	7.8	9.0	9.4	9.2	8.7	9.0	8.8	8.1
Net domestic assets	20.9	19.8	18.0	16.7	16.2	16.1	15.3	14.8	15.1
Claims on central government, net	4.6	3.0	2.0	2.0	1.8	2.0	2.0	2.9	3.3
Claims on other sectors of which: claims on private sector	22.3	22.5	22.5	21.6	21.5	21.3	21.2	21.0	20.9
	21.4	21.4	21.2	21.0	20.7	20.5	20.4	20.2	20.1
Broad money	28.4	27.6	27.0	26.0	25.3	24.7	24.1	23.6	23.1
Currency in circulation	1.0	1.0	0.9	0.8	0.9	0.9	0.8	0.7	0.7
Deposits	27.4	26.5	26.1	25.2	24.4	23.8	23.3	22.9	22.4
<b>Central Bank</b>									
Net foreign assets 1/	3.9	4.7	7.0	7.5	7.4	7.0	7.4	7.3	6.7
Gross reserves	9.9	10.4	11.2	11.8	11.8	11.7	12.0	12.0	11.4
Net domestic assets	1.5	0.7	-0.7	-1.4	-1.6	-1.3	-1.8	-1.9	-1.3
Reserve money	5.5	5.4	6.2	6.0	5.9	5.7	5.6	5.5	5.4
12-month percent change, unless otherwise specified									
<b>Memorandum</b>									
Reserve money	-12.9	8.7	22.8	2.2	4.5	4.2	3.6	3.6	3.4
M2	3.6	6.3	4.5	1.8	4.5	4.3	3.6	3.6	3.4
Credit to the private sector	12.0	9.6	5.9	4.5	6.0	5.6	5.4	5.2	5.1
Money multiplier (broad money/reserve money)	5.2	5.1	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Velocity (GDP/broad money)	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3

Sources: Eswatini authorities; and IMF staff calculations.

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

## Annex I. Past IMF Advice

	<b>Recommendation</b>	<b>Status</b>
<b>Fiscal Policy</b>	Strengthen public financial management (PFM) and budget credibility; clear arrears and prevent their recurrence	<ul style="list-style-type: none"> <li>Some improvements were made, including invoice control systems and progress toward IFMIS and IPSAS.</li> <li>Pending: domestic payment arrears have been reduced and planned to be repaid in full this year, however, weaknesses in expenditure controls and liquidity management persist.</li> </ul>
	Implement the 2020 Fiscal Adjustment Plan (FAP), including measures to reduce the wage bill and transfers to PEs. Advance tax administration, debt management, PEs, and civil service reform	<ul style="list-style-type: none"> <li>The 2020 FAP met its overall objectives, with 3.7 percent of GDP in expenditure restraint and 3.6 percent of GDP increase in SACU revenues.</li> <li>However, efforts to reduce the wage bill and PE transfers have stalled. A new FAP has not yet been adopted.</li> <li>Some improvements in tax and debt management were made.</li> </ul>
<b>Monetary and Exchange Rate</b>	Align monetary policy with the SARB to preserve the peg and avoid capital outflows	<ul style="list-style-type: none"> <li>The policy rate gap with the SARB has narrowed from 75 bps to 25 bps.</li> </ul>
	Build external buffers by improving SACU revenues management and strengthening reserve adequacy	<ul style="list-style-type: none"> <li>SACU windfalls supported the current account, but their impact on reserves was limited, with the level remaining below the IMF ARA metric (at 87.2 percent at end-2024). The windfalls were spent on net, after accounting for new borrowing.</li> </ul>
	Enhance the social safety net, including unemployment insurance, and address unemployment and food insecurity	<ul style="list-style-type: none"> <li>Unemployment remains high (34 percent overall; 58 percent youth). No major new social protection initiatives have been implemented.</li> </ul>

	<b>Recommendation</b>	<b>Status</b>
<b>Financial Sector Policy</b>	FSSR sets roadmap for financial sector reforms	Some TA missions have been delivered such as insurance supervision, risk-based supervision of NBFIs, and emergency liquidity assistance. Further work is needed on financial stability and macroprudential frameworks, risk-based supervision of banks, financial safety net and crisis management, and statistics.
	Monitor asset quality and liquidity	Authorities have been closely monitoring asset quality, but risks have lingered, reflected in the persistent NPL ratio for banks.
	Omnibus financial package	Bills for the package are at various preparatory stages before being submitted to the Parliament.
<b>Supply-Side and Governance Reforms</b>	Strengthen governance and anti-corruption efforts	<ul style="list-style-type: none"> <li>The Anti-Corruption Commission resumed investigations, and a National Risk Assessment for money laundering and terrorist financing was completed. An updated AML/CFT law has been passed. Work is underway to develop a national anti-corruption policy.</li> <li>Pending: adoption of an updated national anti-corruption strategy, including whistleblower protection and asset declaration.</li> </ul>
	Address critical data gaps and build capacity in statistical and fiscal institutions	<ul style="list-style-type: none"> <li>Data weaknesses persist, notably in labor, social, and fiscal statistics.</li> </ul>

## Annex II. External Sector Assessment

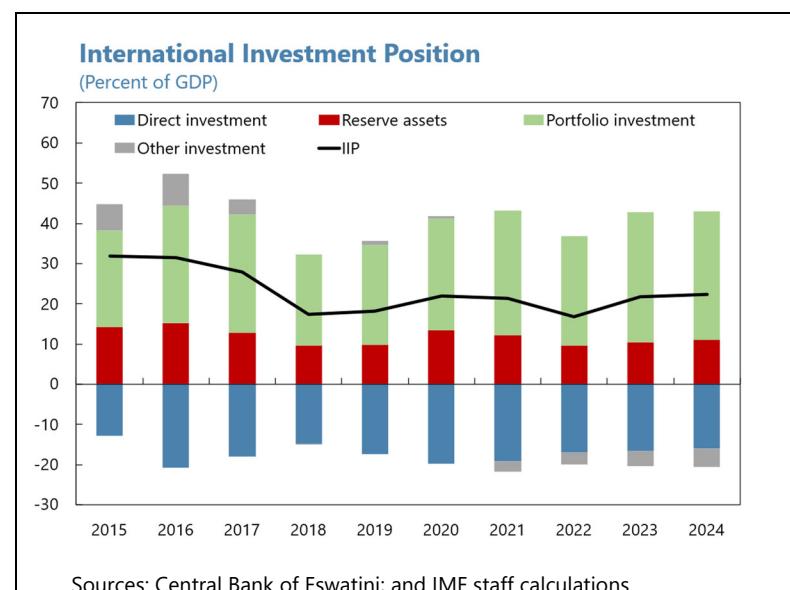
**Overall Assessment:** The external position of Eswatini in 2024 was weaker than the level implied by macroeconomic fundamentals and desirable policies. The current account (CA) surplus narrowed to 1.3 percent of GDP, down from 2.4 percent in 2023, driven by a sharp increase in the primary income deficit. This deterioration more than offsets record-high SACU receipts and an improved goods trade balance. The financial account recorded a small deficit of 0.3 percent of GDP driven by portfolio outflows. International reserves increased in 2024 but remained below ARA metric and 3 months of imports. The CA is projected to decline, driven by lower SACU revenues and higher imports for the ongoing investment projects in the near term before recovering in the medium term. International reserves are projected to increase temporarily in the near term driven by disbursements of IFI financing. Over the medium-term, the reserves will be boosted by foreign direct investment but remain below the lower bound of the IMF's reserve adequacy metric, reaching 84.8 percent of the ARA metric by 2030. The assessment is subject to uncertainty due to data limitations noted in Annex XII and the 'C' rating for external sector statistics.

**Potential Policy Responses:** Going forward, continued fiscal consolidation efforts should be supported by structural reforms to enhance the efficiency and effectiveness of government spending while protecting and creating space for social protection and infrastructure investment. Deep structural reforms, including improving governance and the business environment, can increase export competitiveness, attract foreign direct investment, boost growth prospects, and mitigate capital outflows while creating job opportunities. These reforms are essential to maintain the authorities' debt-to-GDP ceiling of 40 percent, preserve external stability, and build adequate buffers to manage the volatility of SACU revenues and other risks in a shock-prone world. Additionally, maintaining close alignment of monetary policy with the South African Reserve Bank (SARB) could support reserve adequacy by reducing capital outflow pressures.

### Foreign Assets and Liabilities: Position and Trajectory

**Background. In 2024, the net international investment position (NIIP) grew relative to 2023.** Eswatini remained a net creditor to the world, with an NIIP of 22.4 percent of GDP in 2024. The NIIP increased in 2024 mainly due to the central bank's reserve assets increasing from 10.3 to 11.0 percent of GDP. The largest share of external assets are portfolio investments mainly owned by the non-bank financial and corporate sectors.

**Assessment. Eswatini's NIIP is assessed as broadly sustainable and is expected to decrease and stabilize at around 15.0 percent of GDP over the medium term.** The principal

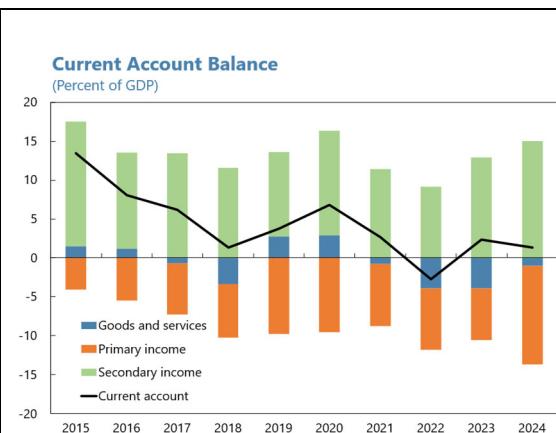


drivers of the projected decrease in NIIP will continue to be direct investment inflows and other investment inflows, partially offset by portfolio investment outflows and accumulation of reserve assets.

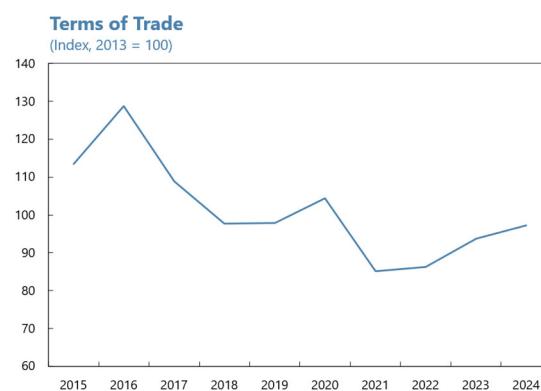
2024 (% GDP)	NIIP: 22.4	Gross Assets: 76.6	Debt Assets:	Gross Liab.: 54.2	Debt Liab.:
--------------	------------	--------------------	--------------	-------------------	-------------

## Current Account

**Background.** The CA balance posted a surplus of 1.3 percent of GDP, narrowing from a surplus of 2.4 percent in 2023. The change was primarily driven by a sharp deterioration in the primary income, which widened from -6.7 to -12.6 percent of GDP, reflecting newly included transactions by large international companies. This more than offset a strong increase in secondary income (from 12.9 to 15.0 percent of GDP) supported by elevated revenue transfers from the Southern African Customs Union (SACU), as well as an improvement in the goods trade balance, which rose from 3.6 to 5.1 percent of GDP due to higher exports of soft drink concentrates. Between 2015 and 2023, Eswatini's CA remained volatile and on a downward trend but still averaged a surplus of about 4.7 percent of GDP. In 2024, the surplus narrowed further, reflecting a worsening primary income, despite an improved trade deficit, which decreased from 3.9 to 1.1 percent of GDP. Looking ahead, the CA is projected to shift into a deficit in the near term, as SACU revenues decline and imports rise in connection with the ongoing investment projects. However, a moderate surplus is expected to return over the medium term as these projects wind down and import demand and GDP growth soften.



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



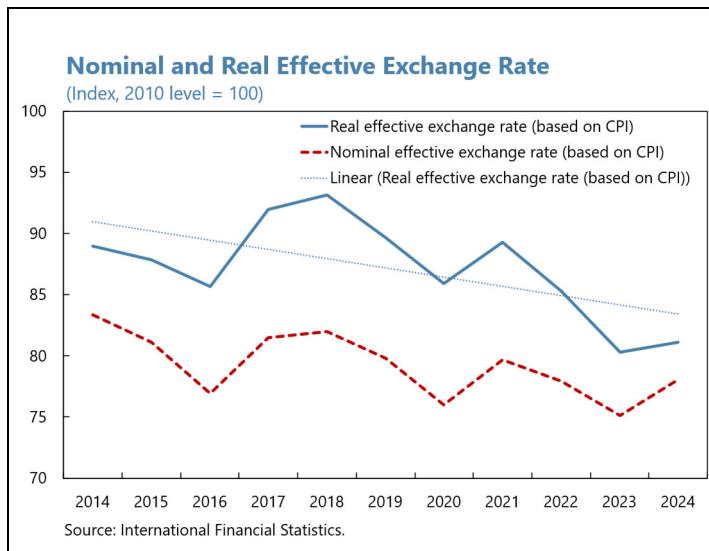
Sources: Central Bank of Eswatini; and IMF staff calculations.

**Assessment.** The external position in 2024 was weaker than the level implied by macroeconomic fundamentals and desirable policies. The IMF's revised EBA-Lite CA methodology estimated a CA gap of 2.3 percent of GDP and a real effective exchange rate gap of 7.3 percent of GDP. Adjustments have been applied to the CA balance to cyclically adjust for a one-off correction of the SACU revenues (3.9 percentage points of GDP higher than the 5-year historical average). The 2024 cyclically adjusted CA (-2.8 percent of GDP) was below the model's CA norm of -0.5 percent of GDP. The CA gap includes a policy gap of 1.9 percent of GDP mainly reflecting a tighter fiscal stance relative to the rest of the world. Against this backdrop, the external position for 2024 is weaker than the level implied by fundamentals and desirable policies. The external position is expected to worsen once the SACU revenues decline to the baseline projection. Structural reforms to improve external competitiveness and attract FDI will help better align the external position with fundamentals.

EBA-lite Model Results, 2024		
	CA model 1/	REER model 1/
	(in percent of GDP)	
<b>CA-Actual</b>	<b>1.3</b>	
Cyclical contributions (from model) (-)	0.2	
Additional temporary/statistical factors (-) 2/	3.9	
Natural disasters and conflicts (-)	0.0	
<b>Adjusted CA</b>	<b>-2.8</b>	
<b>CA Norm (from model) 3/</b>	<b>-0.5</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>-0.5</b>	
<b>CA Gap</b>	<b>-2.3</b>	<b>3.5</b>
o/w Relative policy gap	1.9	
Elasticity	-0.3	
<b>REER Gap (in percent)</b>	<b>7.3</b>	<b>-11.2</b>

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

## Real Exchange Rate



**Background.** The real effective exchange rate (REER) appreciated in 2024 by 1.0 percent. The lilangeni is pegged to the South African rand, which has appreciated against the USD by 0.7 percent over the same period. The REER slightly reversed its depreciation trend since 2022 (by 4.5 percent in 2022 and a further 5.8 percent in 2023).

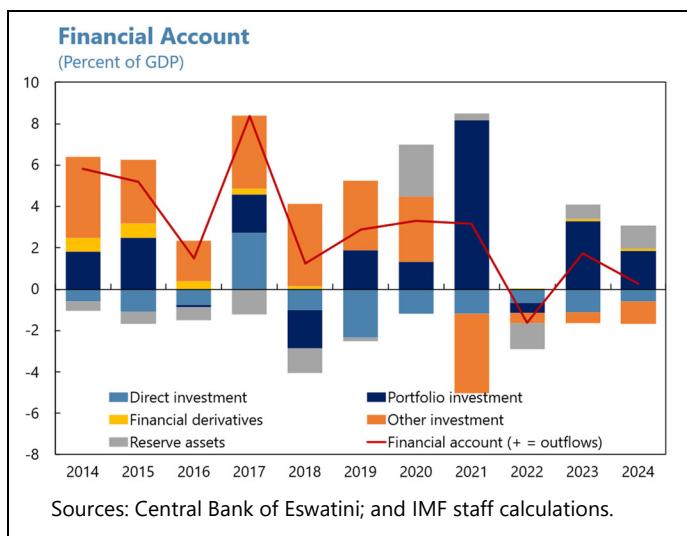
### Assessment. The REER approach suggests an undervaluation of

**11.2 percent.** The REER gap as calculated using the IMF's revised EBA-Lite CA methodology indicates that Eswatini has acquired a slight competitive edge against trading partners. However, this depreciation appears to have merely resulted in import

compression and has not translated into strong export performance. The latter appears to be hindered by low levels of FDI, the presence of a large and inefficient public sector, and the lack of bankable export-oriented projects. Structural policies that increase productivity can help foster a dynamic private sector and boost export performance.

## Capital and Financial Accounts: Flows and Policy Measures

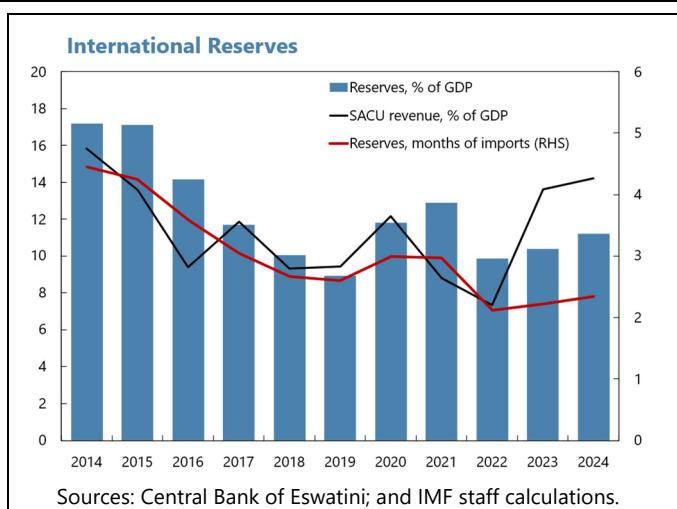
**Background.** The capital and financial account recorded outflows in 2024, a continuation of the outflows in 2023 and in line with the persistent outflows during 2015–21. In 2024, the outflows of 0.3 percent of GDP were driven by portfolio investment. The capital and financial accounts are expected to improve in the near term from inflows to finance investment projects but normalize at about 0.6 percent of GDP in the medium term.



### Assessment. Alignment of policy rates with the SARB is key to managing capital outflows.

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

## FX Intervention and Reserves Level



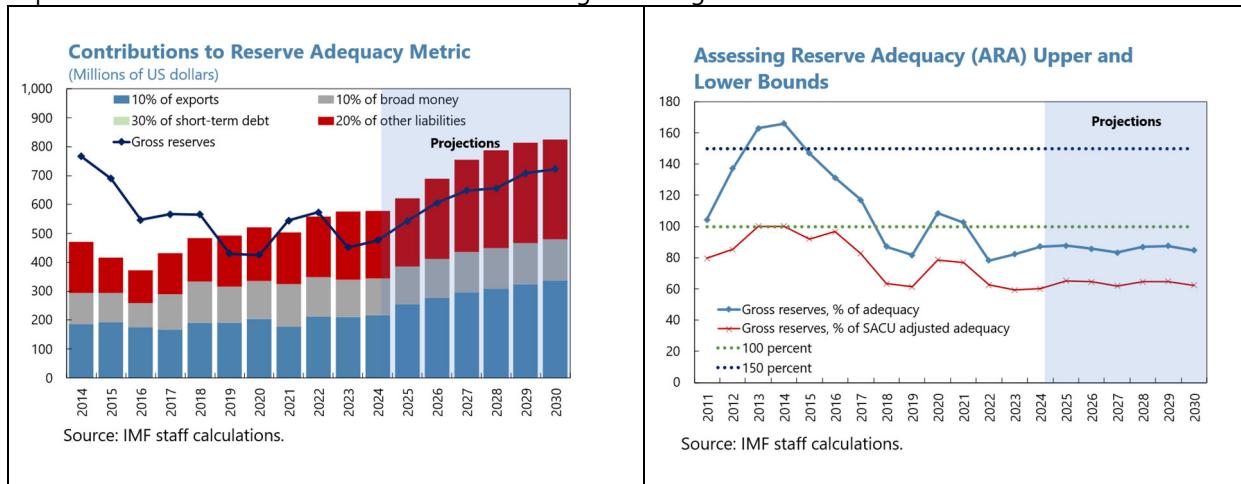
### Background. Eswatini's international reserves increased in 2024.

Reserve levels in Eswatini experienced large fluctuations largely driven by SACU revenues transfers. During 2024, official reserves rose by 13.9 percent to \$542 million, representing about 87.2 percent of the ARA metric, or 2.3 months of imports, and 11.2 percent of GDP. The increase can be explained by the record-high SACU revenues, while the import coverage was largely unchanged as prospective imports rose by 8.7 percent in 2025.

### Assessment. Eswatini's international reserves are below adequate levels.

The IMF Assessing Reserve Adequacy (ARA) metric captures vulnerabilities from multiple sources and is a

composite measure of reserve need in terms of exports, broad money, short-term debt, and other liabilities. At end-2024, reserves reached 87.2 percent of the metric (compared with 82.2 percent at end-2023).<sup>1</sup> In 2025, reserves are projected to increase moderately and reach 87.8 percent of the ARA metric, supported by projected portfolio inflows and disbursements of IFI loans, though partially offset by a sharp decline in SACU revenues.<sup>2</sup> Over the medium term, reserves are projected to be supported by FDI, while IFI inflows wind down. Reserves are expected to stabilize around 2.3 months of imports, or at 84.8 percent of the ARA. Furthermore, once the adequacy criteria adjust for SACU windfalls, making the adequacy requirement more stringent, the ARA indicator falls to 62.3 percent of the lower bound at end-2030.<sup>3</sup> The current reserve adequacy shortfall, despite high SACU revenues, suggests potential foreign exchange leakage and warrants attention from the central bank. Structural reforms are needed to promote FDI inflows, strengthen export performance, and reduce dependence on SACU revenues as a source of foreign exchange.



<sup>1</sup> The lower bound is 100 percent and the upper bound is 150 percent.

<sup>2</sup> Portfolio investment inflows projected for 2025 are primarily driven by the planned Johannesburg Stock Exchange (JSE) listing.

<sup>3</sup> A 40 percent SACU adjustor was applied to reflect a two-standard deviation from the mean, based on actual outturns over the past ten years.

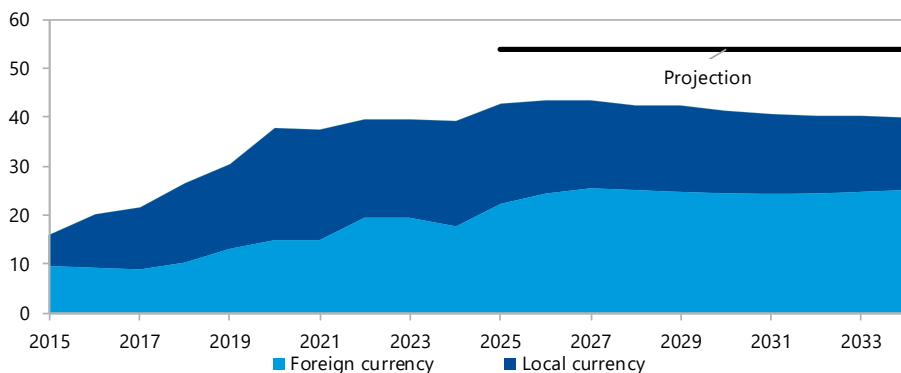
### Annex III. Sovereign Risk and Debt Sustainability Analysis

**Figure 1. Eswatini: Risk of Sovereign Stress**

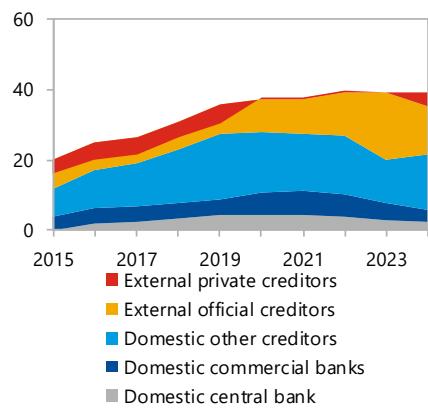
Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Moderate</b>	Overall risk of sovereign stress is assessed as moderate reflecting rising debt levels, fiscal pressures, and medium-term vulnerabilities. These include elevated GFN and risks around the quality of institutions and SACU revenues.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>Moderate</b>	<b>Moderate</b>	The medium-term risk of sovereign stress is assessed as moderate. The fan chart shows moderate risk due to the wide confidence intervals and institutional quality. The GFN module reflects elevated GFNs in the medium term and significant banks' exposure to the sovereign.
Fanchart	<b>Moderate</b>	...	
GFN	<b>Moderate</b>	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
<b>Long term</b>	...	<b>Moderate</b>	Long-term risks are assessed as moderate. The institutional quality and volatility of SACU revenues generate risk that could raise the debt to GDP in the long run.
<b>Sustainability assessment 2/</b>	Not required for surveillance countries	Not required for surveillance countries	
<b>Debt stabilization in the baseline</b>			Yes
<b>DSA Summary Assessment</b>			
<p>Commentary: Eswatini's risk of sovereign stress is moderate overall, and in the medium, and long term. The public debt-to-GDP ratio is estimated at 39 percent of GDP in FY24/25, about 3 times its level 10 years ago, due to elevated fiscal deficits, including through the COVID-19 pandemic. However, the rate of increase in public debt has slowed since 2020 and the level edged down in the last fiscal year, reflecting SACU revenue windfall and expenditure restraint. Under staff's baseline scenario, following SACU revenue windfalls in FY23/24 and FY24/25, SACU inflows are expected to drop in FY25/26 and debt to rise above the 40 percent of GDP ceiling. With no significant policy adjustment, GFNs would remain moderate due to rollover. The authorities' medium-term consolidation will put debt on a downward path within the forecast horizon. Eswatini is exposed to climate risks which could raise debt above the baseline if shocks are realized.</p>			
<p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p>			
<p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p>			
<p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

**Figure 2. Eswatini: Debt Coverage and Disclosures**

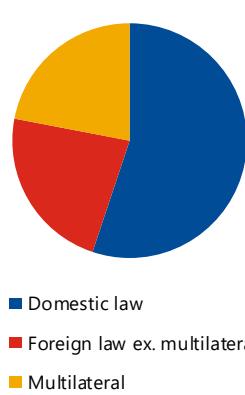
					Comments						
<b>1. Debt coverage in the DSA: 1/</b>	CG	GG	NFPS	CPS	Other						
<b>1a. If central government, are non-central government entities insignificant?</b>					No						
<b>2. Subsectors included in the chosen coverage in (1) above:</b>											
Subsectors captured in the baseline					Inclusion						
CPS	NFPS	GG: expected	CG	1 Budgetary central government	Yes						
				2 Extra budgetary funds (EBFs)	No						
				3 Social security funds (SSFs)	No						
				4 State governments	No						
				5 Local governments	No						
				6 Public nonfinancial corporations	No						
				7 Central bank	No						
				8 Other public financial corporations	No						
<b>3. Instrument coverage:</b>	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/						
<b>4. Accounting principles:</b>	Basis of recording	Valuation of debt stock									
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/						
<b>5. Debt consolidation across sectors:</b>	Consolidated	Non-consolidated									
Color code: <span style="background-color: #6aa84f; color: white; padding: 2px;">chosen coverage</span> <span style="background-color: #e67e22; color: white; padding: 2px;">Missing from recommended coverage</span> <span style="background-color: #cccccc; color: black; padding: 2px;">Not applicable</span>											
<b>Reporting on Intra-Government Debt Holdings</b>											
Holder		Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt. Local govt. Nonfin. pub. corp. Central bank Oth. pub. fin corp Total						
Issuer											
CPS	NFPS	GG: expected	CG	1 Budget. central govt	0	0	0	0	0	0	0
				2 Extra-budget. funds	0	0	0	0	0	0	0
				3 Social security funds	0	0	0	0	0	0	0
				4 State govt.	0	0	0	0	0	0	0
				5 Local govt.	0	0	0	0	0	0	0
				6 Nonfin pub. corp.	0	0	0	0	0	0	0
				7 Central bank	0	0	0	0	0	0	0
				8 Oth. pub. fin. corp	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.											
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.											
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.											
4/ Includes accrual recording, commitment basis, due for payment, etc.											
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).											
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.											
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.											
Commentary: The coverage in this DSA is debt issued by the budgetary central government. Debt by public enterprises is not included. Work is underway to bring the coverage up to full central government. The authorities do not have reliable data on arrears, contingent liabilities, extra budgetary funds, or the wider public sector.											

**Figure 3. Eswatini: Public Debt Structure Indicators****Debt by Currency (Percent of GDP)**

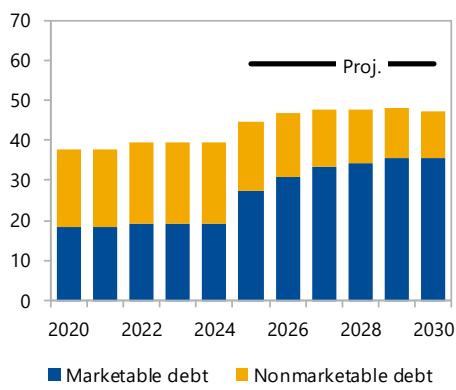
Note: The perimeter shown is central government.

**Public Debt by Holder (Percent of GDP)**

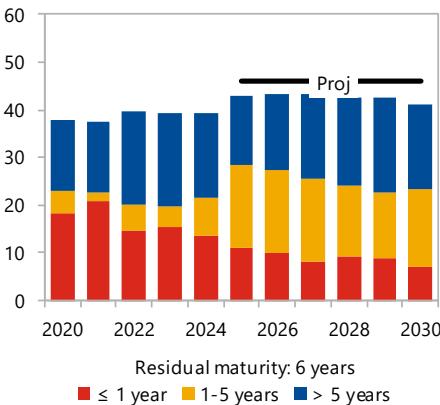
Note: The perimeter shown is general government.

**Public Debt by Governing Law, 2024 (percent)**

Note: The perimeter shown is general government.

**Debt by Instruments (Percent of GDP)**

Note: The perimeter shown is general government.

**Public Debt by Maturity (Percent of GDP)**

Note: The perimeter shown is general government.

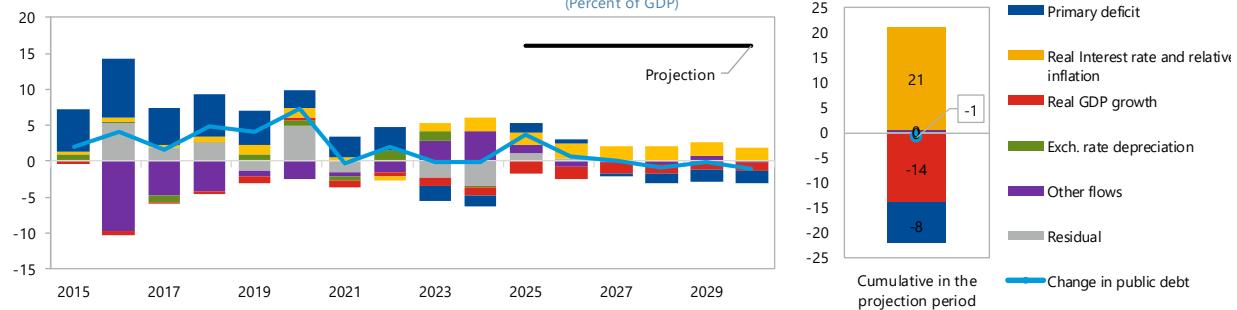
**Commentary:** Eswatini's public debt increased threefold over the past ten years to 39 percent of GDP in FY24/25. Domestic debt accounted for about 52 percent of the debt stock but the authorities are increasing the recourse to external borrowing and moving to longer maturities. External debt is owed largely to official creditors and has increased as Eswatini has looked to IFIs for less expensive credit. All figures refer to budgetary central government.

**Figure 4. Eswatini: Baseline Scenario**  
 (Percent of GDP, unless otherwise stated, indicators are in FY)

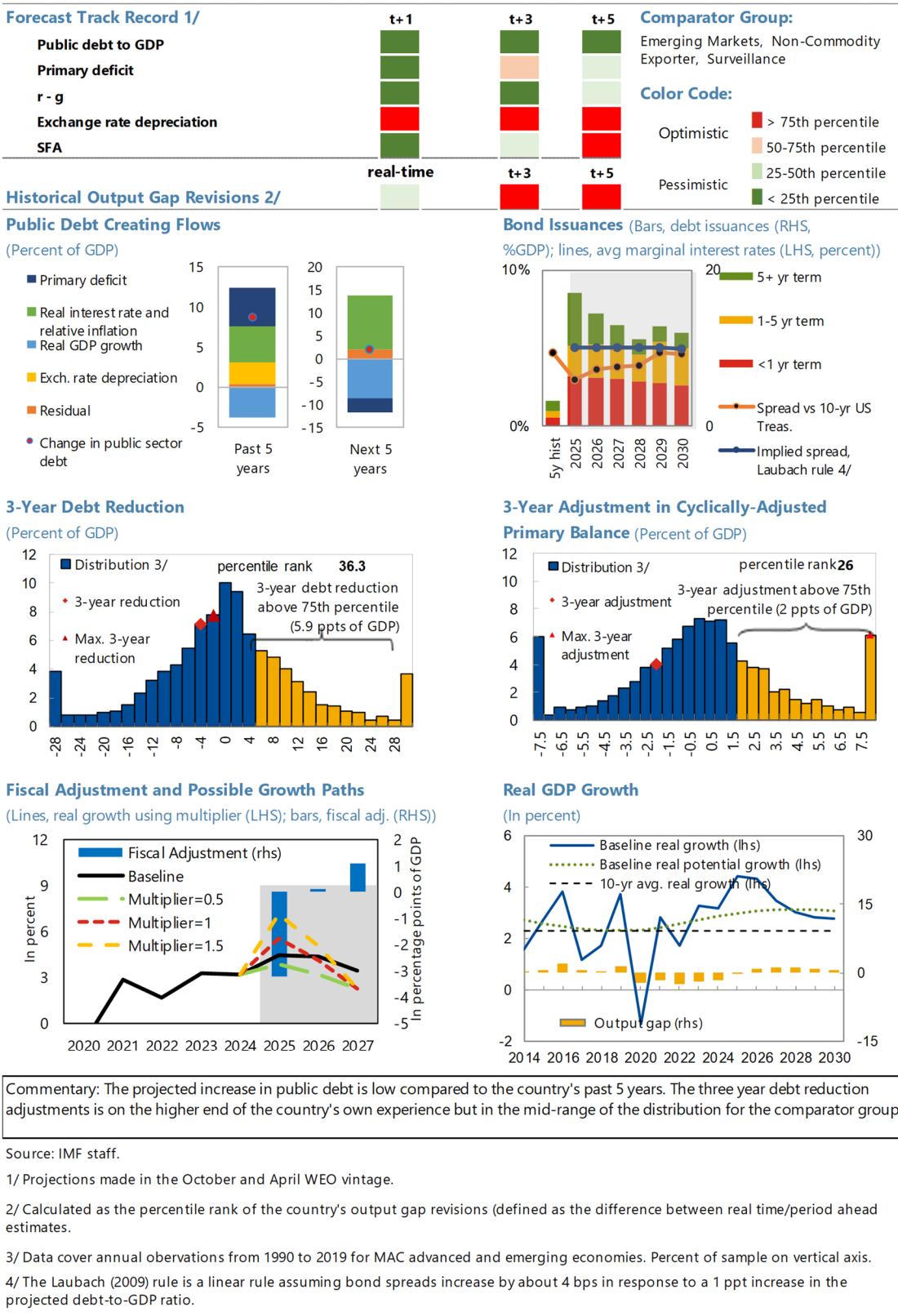
	Actual 2024	Medium-term projection						Extended projection			
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	39.2	42.8	43.5	43.5	42.5	42.4	41.3	40.6	40.4	40.2	40.0
Change in public debt	-0.2	3.6	0.6	0.0	-0.9	-0.1	-1.1	-0.7	-0.2	-0.2	-0.1
Contribution of identified flows	3.2	2.5	0.3	0.0	-1.0	-0.1	-1.1	-0.8	-0.4	-0.5	-0.2
Primary deficit	-1.6	1.2	0.7	-0.5	-1.3	-1.6	-1.7	-1.4	-1.0	-1.1	-0.7
Noninterest revenues	31.5	28.4	28.6	29.2	29.0	29.1	29.1	29.2	29.3	29.3	29.4
Noninterest expenditures	29.9	29.6	29.3	28.7	27.7	27.5	27.4	27.9	28.3	28.3	28.7
Automatic debt dynamics	0.5	0.1	0.3	0.7	0.8	0.8	0.8	0.7	0.7	0.6	0.6
Real interest rate and relative inflation	1.9	1.8	2.1	2.2	2.1	1.9	1.9	1.8	1.8	1.7	1.7
Real interest rate	1.8	2.0	2.0	1.9	1.9	1.7	1.7	1.6	1.5	1.5	1.5
Relative inflation	0.1	-0.2	0.1	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Real growth rate	-1.2	-1.7	-1.8	-1.5	-1.3	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1
Real exchange rate	-0.2	...	...	...	...	...	...	...	...	...	...
Other identified flows	4.2	1.2	-0.7	-0.2	-0.4	0.8	-0.1	-0.1	-0.1	-0.1	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other transactions	4.3	1.2	-0.7	-0.1	-0.4	0.8	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-3.3	1.1	0.3	0.0	0.0	-0.1	-0.1	0.1	0.2	0.3	0.0
Gross financing needs	9.4	14.9	14.9	13.6	11.7	12.5	12.3	11.1	10.6	10.1	10.1
of which: debt service	11.0	13.7	14.2	14.2	13.1	14.2	14.1	12.5	11.6	11.2	10.8
Local currency	8.0	11.0	11.3	10.5	9.6	10.8	11.6	10.3	9.9	9.8	9.5
Foreign currency	3.0	2.7	3.0	3.7	3.5	3.3	2.5	2.2	1.7	1.5	1.4
Memo:											
Real GDP growth (percent)	3.2	4.4	4.3	3.5	3.0	2.8	2.8	2.8	2.8	2.8	2.8
Inflation (GDP deflator; percent)	3.1	1.6	2.9	3.1	2.9	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP growth (percent)	6.4	6.1	7.3	6.6	6.1	5.9	5.7	5.6	5.7	5.7	5.7
Effective interest rate (percent)	8.0	6.9	7.8	7.7	7.5	7.2	7.1	7.0	6.9	6.9	6.8

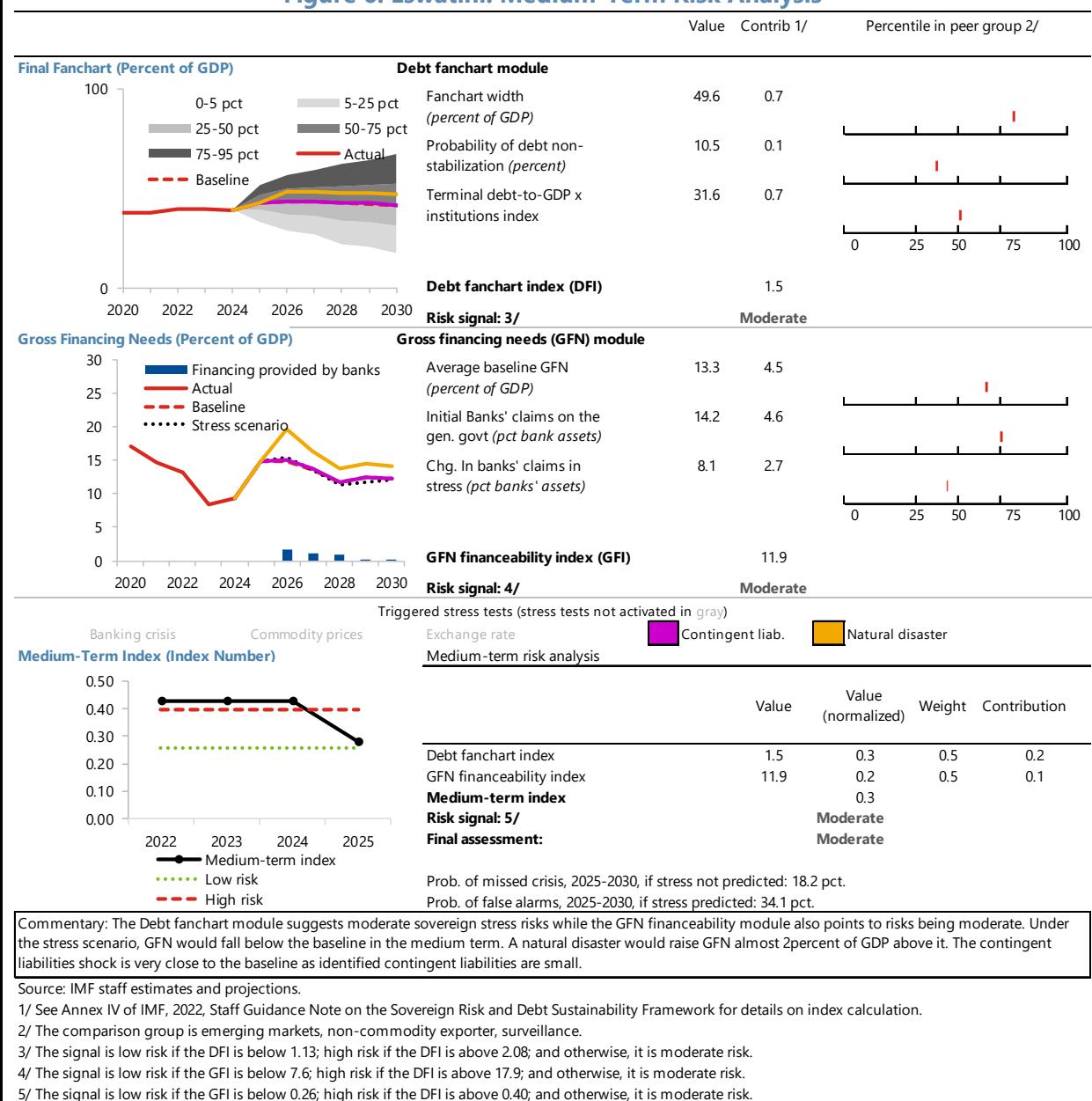
#### Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Public debt-to-GDP ratio is expected to rise as SACU revenue falls, then return to below the target as fiscal responsibility and SACU revenues rise through the medium term. The primary surplus is projected to return to balance in the long term but remain below 2 percent of GDP in the medium term. Other transactions are a combination of regularizing arrears and drawdowns from the stabilization fund.

**Figure 5. Eswatini: Realism of Baseline Assumptions**

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

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

**Large amortizations**

## Pensions

**Climate change: Adaptation**

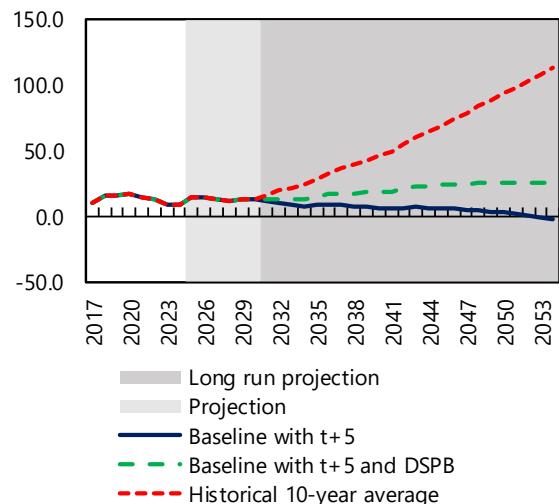
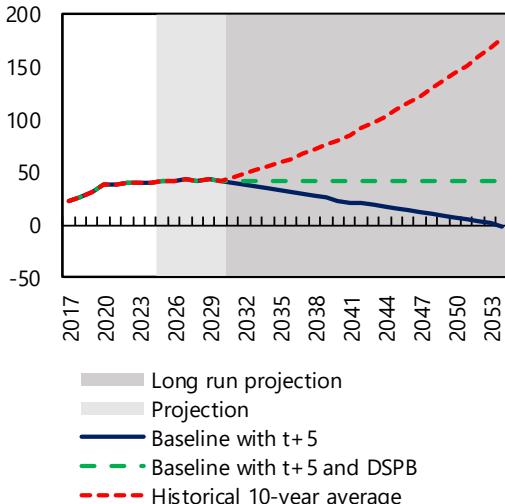
## Natural Resources

## Health

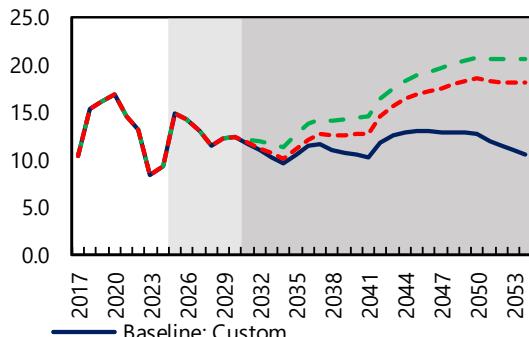
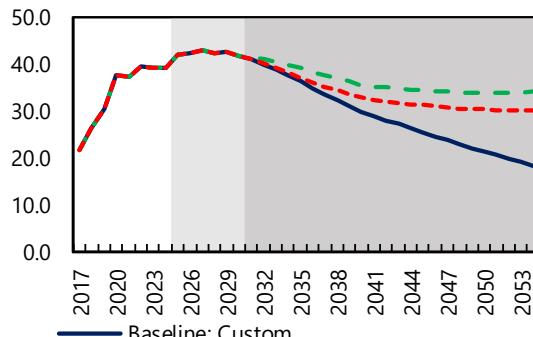
## Climate change: Mitigation

#### Eswatini: Long-Term Risk Assessment: Large Amortization

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

**GFN-to-GDP Ratio****Total Public Debt-to-GDP Ratio**

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

**Figure 8. Eswatini: Long-Term Risk Analysis with Climate Change Scenario****GFN-to-GDP Ratio****Total Public Debt-to-GDP Ratio**

**Commentary:** Eswatini is exposed to climate change risks, most recently experiencing drought and hail that damaged agricultural production. Some investments have been made for irrigation, largely in the sugar industry, but more is needed for food production and subsistence farming. An initiative for hail protection has been started with the U.N. Food and Agricultural Organization. Most scenarios envision an uptick in the debt to GDP and GFN ratios.

## Annex IV. Risk Assessment Matrix<sup>1</sup>

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
<b>Conjunctural risks</b>			
<b>Geopolitical Tensions.</b> Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	<b>High.</b> A combination of global slowdown and sharp spike in oil and food prices could have a significant impact on the economy through reduced exports, particularly through a decline in demand from South Africa, and imported inflationary pressure.	Accommodating the impact by maintaining nominal spending at the level consistent with the baseline, with the resulting higher deficit adjusted gradually over time.  Over the medium term, continue consolidation to build buffer.  Strengthen, expand, and better target social protection.  Provide targeted support to mitigate the impact of the crisis on vulnerable households.
<b>Escalating Trade Measures and Prolonged Uncertainty.</b> Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	<b>Medium.</b> Deteriorating terms of trade could add to inflationary pressure, worsen the external position, and undermine growth through higher-priced intermediate goods.	Continue consolidation and implement structural reforms to preserve the debt target.  Strengthen, expand, and better target social protection.  Provide targeted support to mitigate the impact of the crisis on vulnerable households.
<b>Commodity Price Volatility.</b> Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	<b>Medium.</b> Energy prices hikes could drag on growth and cause inflation. Volatility hampers long-run planning.	Continue consolidation supported by structural reforms to build buffers to absorb short-term fluctuations.  Targeted social protection to protect the most vulnerable.

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

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
<b>Conjunctural risks</b>			
<b>Financial Market Volatility and Correction.</b> Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	High	<b>Medium.</b> The impact on the financial sector is low, as the latter is not well integrated in the global market and banks are relatively resilient. This could raise financing costs of the government, discourage investment, lower external demand, and increase costs of imports.	Implement structural reforms to improve spending efficiency and effectiveness and raise additional revenue to support consolidation efforts and build buffers.  Align policy interest rate with SARB to protect the peg.  Remain vigilant to risks in the financial sector.
<b>Fiscal Vulnerabilities and Higher Long-Term Interest Rates.</b> Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers.	High	<b>Medium.</b> Global fiscal vulnerabilities could raise external long-term interest rate and dampen global growth, which, in turn, would raise government financing costs, discourage investment, and reduce external demand.	Implement structural reforms to improve spending efficiency and effectiveness and raise additional revenue to support consolidation efforts and build buffers.  Align policy interest rate with SARB to protect the peg.  Remain vigilant to risks in the financial sector.
<b>Decline in International Aid.</b> A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen CA, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security.	High	<b>Low.</b> Internarial aid is mainly from the U.S. on HIV prevention and testing (about 1½ percent of GDP in 2024), which has already been reduced. Its second largest donor EU provided support of about ½ percent of GDP on skills development, agriculture, and social issues.	Implement structural reforms to improve spending efficiency and effectiveness to create room for investment in resilience in agriculture, health, skills development, and social protection. Better target social spending and improve delivery of health services to improve outcomes.
<b>Rising Social Discontent.</b> High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.	Medium	<b>High.</b> Civil unrest leads to uncertainty which can hamper growth and put off investment decisions.	Advance structural reforms to improve the business environment and support entrepreneurship to foster private sector-led growth and generate economic opportunities.  Enhance social protections to help the most vulnerable.  Invest in education, health, and infrastructure.

Risks	Likelihood	Expected Impact on Economy	Recommended Policy Response
<b>Conjunctural risks</b>			
<b>New Trade Agreements.</b> A breakthrough in trade talks could reduce uncertainty and protectionism, boost investment and productivity, and support broader reforms to lift medium-term growth.	Low	<b>Low.</b> Positive surprises can bolster domestic investment projects. Monetary easing may provide an opportunity to further align interest rates with South Africa.	Continue consolidation, supported by structural reforms to build buffers to absorb short-term fluctuations.  Advance structural reforms to improve the business environment, enable entrepreneurship, and foster private sector-led growth.  Strengthen, expand, and better target social protection.
<b>Climate Change.</b> Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	<b>Medium.</b> Higher frequency of adverse climate events would negatively affect economic growth, increase poverty and inequality, and exacerbate food insecurity.	Develop contingency plans for drought and flood conditions.  Build fiscal and external buffers.  Develop a national adaptation plan to address key climate vulnerabilities.  Facilitate the financing of green projects.
<b>Regional and domestic risks</b>			
<b>Lower than anticipated SACU revenues.</b> These have been volatile and there is a risk of lower SACU receipts in the medium term.	Medium	<b>High.</b> Prolonged lower SACU revenues transfers will worsen the fiscal position and put pressure on foreign reserves.	Implement structural reforms to improve spending efficiency and effectiveness and raise additional revenue to support consolidation efforts and build buffers.  Align policy interest rate with SARB to protect the peg.
<b>Effective implementation of public investment plan.</b> This could raise long-run private sector-led and job-rich growth, reducing unemployment and inequality/poverty.	Medium	<b>High.</b> Higher potential growth will lead to better social outcomes and generate fiscal space for much needed investment and social spending.	Continue to build institutional capacity especially PFM and digitalization to improve the efficiency and effectiveness of public investment.

## Annex V. Eswatini's Public Debt Finance

**1. Government's borrowing costs are higher than for regional peers despite Eswatini's moderate level of public debt.** For example, Eswatini issued its first bond on the Johannesburg Stock Exchange (JSE) on May 21, 2024, placing a R 400 million, 3-year bond at a yield of 11.875 percent. This yield was comparable with the average Eswatini market yield for a 3-year government bond (11.25 percent), but significantly higher than the 9.313 percent yield on South African government bonds of similar maturity on the same day. A second bond was issued on the JSE in July 2025—R 600 million in 5-year bonds at 12.175 percent. While this is close to the rate on similar maturities in the Eswatini market, it is 385 basis points above equivalent South African bonds. The higher financing costs likely reflect a higher risk premium. Staff's analysis using the World Bank tool suggests that Eswatini has a weak debt-carrying capacity due largely to institutional quality.

**2. Financing pressures in the domestic market are high.** Government securities auctions are often not fully fulfilled, with bids at higher interest rates being excluded. The authorities believe that borrowing costs are unjustifiably high because the market is dominated by a small number of players. These players perceive limited opportunity costs of being cut off due to their high-rate bids as the government would often resort to private placements at the prevailing market rate. The authorities have stopped the practice of private placement and expect the rate to regularize over time. The rejection of high-rate bids suggests that the underlying market interest rates may potentially be higher than the realized rates. The resulting shortage in liquidity has contributed to arrears in the past, although IFI financing has helped ease the pressures this year. The government also continues to use the revolving quarterly cash advance at the central bank for its liquidity needs at the rate that is significantly lower than the cost of securities. At about 3 percent of GDP, the balance of this facility is approaching the legal limit.

**3. The government is shifting to external markets for financing.** The external debt-to-GDP ratio is projected to rise by 4.5 ppts while the domestic debt-to-GDP ratio declines by 0.8 ppts in FY25/26. External borrowing in FY25/26 includes less expensive budget support from the World Bank (1.8 percent of GDP), AfDB (0.8 percent of GDP), and OPEC (0.9 percent of GDP, as well as project financing of 2.8 percent of GDP). In addition, the government also plans to borrow 0.8 percent of GDP on the JSE, to broaden its investor base. As one of the prior actions of the World Bank-supported program, the government has agreed to reduce arrears by 2.7 percent of GDP, leaving the stock below 1 percent of GDP by end-FY25/26.

**4. The welcome increase in external borrowing should be complemented by efforts to develop the domestic market over time.** Borrowing from IFIs, which is less expensive than domestic financing, can meet the arrears clearance and the overall deficit of 4.6 percent of GDP in FY25/26 without resorting to large new net domestic financing. Going forward, however, the authorities should monitor exchange rate risk as the size of foreign currency debt increases. Regular placements on the JSE are encouraged, as it involves no currency risk and expands a new investor base, which could lead to lower financing costs once the country establishes a good track record. Accumulating arrears should be avoided given their adverse effects on business activities, so are

cash advances from the central bank to maintain adequate international reserves to safeguard the peg. The government should strengthen efforts to deepen the domestic market, including through developing the repo market, and gradually phase out the practice of cutting out bids in domestic securities auctions. Further IMF support for capacity development in debt management and the medium-term debt strategy could also help develop the market and reduce the risk premiums. Key past IMF recommendations included regular engagement with market participants, timely and frequent publication of fiscal data, and a published annual borrowing plan.

## Annex VI. CBE Advances Drain FX Reserves

**1. Central Bank of Eswatini (CBE) advances have been used by the government to bridge SACU revenues disbursement.** With the interest rate tied to the discount rate, also known as the policy rate, advances are much cheaper than government securities. The increase in CBE advances' usage appears to coincide with the increase in the stock of treasury securities (Figure 1). Typically, SACU revenues received at the beginning of each quarter are used to repay the existing stock of CBE advances. Almost immediately after repayment, the government resumes borrowing. The stock of advances typically peaks at the end of each quarter.

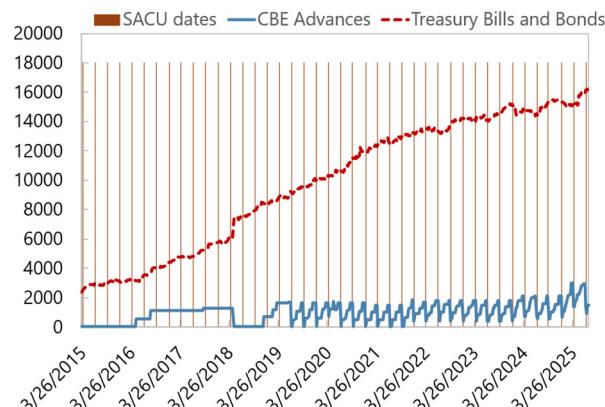
**2. CBE advances contribute to foreign exchange reserves outflows.**

These advances are initially injected into the economy through government salary payments and other spending, and then subsequently multiplied through the banking system, resulting in liquidity that exceeds the original amounts. In an import-dependent country, this increased liquidity drives higher import demand, leading to greater foreign exchange outflows.

**3. Regression analysis using weekly data from March 2015 to July 2025 supports the hypothesis of a negative relationship between CBE advances and FX reserves.**

An ordinary-least-squares (OLS) regression reveals a statistically significant negative correlation between changes in the stock of CBE advances and changes in gross foreign exchange reserves. Specifically, a one million increase in CBE advances is associated with a 1.15 million decrease in foreign exchange reserves (Table 1). Importantly, no such correlation is observed with other government debt instruments such as Treasury bills, Treasury bonds, or domestic loans. The result underscores the unique role of CBE advances in influencing reserve dynamics and the importance of limiting their use.

**Figure 1. Eswatini: Treasury Securities and CBE Advances**  
(Millions of Emalangeni)



Sources: Central Bank of Eswatini, and IMF Staff calculations.

**Table 1. Eswatini: Factors of Foreign Exchange Reserves Outflows**  
Ordinary Least Squares Regression

<b>Dependent variable</b>	<b>Preferred Specification</b>
	Change in Reserves
Change in CBE Advance	-1.15*** (0.15)
Change in Treasury Bills and Bonds	-0.21 (0.31)
SACU Date	750.18** (178.36)
Constant	-50.07 (33.93)
Observations	522
Lags of Control Variables	Yes

Notes: Standard errors in parentheses

• p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01

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

## Annex VII. Public Financial Management Reform

*Eswatini is in the process of implementing an Integrated Financial Management Information System (IFMIS) as part of its reform efforts to improve public financial management (PFM). IFMIS systems are used to improve expenditure control, fiscal reporting and transparency, procurement, budget planning and execution, and fiscal governance. In addition to the IT infrastructure and technical support, effective coordination across government and recording and reporting in conformity with the international standards are essential. An IMF TA mission to Eswatini in March 2025 supported the authorities to develop an Asset Management Policy to align with the new IFMIS and planned migration to accrual-basis International Public Sector Accounting Standards (IPSAS).*

**1. An IFMIS system is currently being developed and implemented in Eswatini.** With the assistance of the Rwanda Corporation, the authorities are developing a system tailored to its needs. There is a 4-year plan for implementation. The first module to be rolled out is the budget module, which is expected to underpin the FY26/27 budget preparation process that begins in September 2025. Also under development is a multidimensional Chart of Accounts (CoA) which should be in line with the Government Financial Statistics Manual (GFSM) 2014. Eswatini also plans to transition to accrual accounting through the adoption of the IPSAS.

**2. The implementation of IFMIS can have many benefits and can be a catalyst for digitalization.** Nose (2023) finds that digitalization has positive effects on budget transparency and execution, expenditure efficiency, inclusive growth, and can help reduce income inequality. E-procurement has been found to raise the quality of public investment (Lewis-Faupel and others, 2016). The reduction of bureaucratic discretion that digitalization brings can produce more equitable economic outcomes (Zouhar and others, 2021). Moving such a key piece of government finance infrastructure to a digital platform can increase the need for other parts of the public sector to adapt through digitalization of their own internal systems.

**3. Government digitalization could mitigate corruption risks and improve governance.** Nose (2023) finds a positive correlation of improvements in the adoption of digitalization with reductions in the Corruption Perception Index and improvement in the Quality of Government Index. Studies by Abidou and others (2022) and Lewis-Faupel and others (2016) find that adoption of e-procurement can reduce the risk of corruption, while a cross-country study by Ouedraogo and Sy (2020) finds that digitalization is correlated with lowering of the perception of corruption.

**4. The adoption of PFM reforms—such as IFMIS and IPSAS—alone are unlikely to produce sustained improvements in fiscal governance without addressing economy-wide constraints.** Evidence shows that where informal influence networks are active, PFM frameworks may be circumvented or undermined. In addition, the concentration of executive power and limited institutional independence may pose risks to the consistent enforcement of budgetary controls, audit mechanisms, and procurement safeguards—particularly in sectors with significant spending. Therefore, the effectiveness of PFM reforms hinges not only on their technical design but also on

the broader governance context, including the robustness of accountability mechanisms at senior levels.

**5. In Eswatini, expenditure leakage is an ongoing issue evidenced by overfinancing and arrears.** The authorities have instituted a new invoicing system to help decrease expenditure leakage, but there are still weaknesses in the current framework. Moving to IFMIS will help decrease these pressures on the government's finances but IFMIS is only as good as the data that it receives, and a broader set of coverage, controls, and support (including technical skill and capacity) will be needed to maximize its effectiveness.

**6. IFMIS will not improve PFM on its own.** Broader PFM structures and institutions are also needed to support the move to IFMIS. Key elements for its success include:

- **Coordination across government.** Comprehensive coordination and buy-in by all government entities, with the Ministry of Finance leading this process, are essential for successful IFMIS implementation. Adoption of the IFMIS across government is important because excluded entities could create gaps that could lead to expenditure leakage.
- **Strong controls are still needed.** IFMIS cannot function effectively if users do not adhere to the set procedures. To ensure effective governance of the system, different types of controls can be embedded into an IFMIS, such as access controls to limit access to authorized users; workflow controls to ensure proper approvals before transactions; commitment controls to prevent government entities from spending beyond the available budget; and audit controls to ensure that all transactions are tracked for accountability.
- **Integration and coverage across government.** IFMIS should incorporate as many parts of government as possible and integrate with the existing systems, especially in the CBE and the Treasury. The wider the coverage, the more financial integrity is enhanced as the majority of transactions will be captured and processed in the system to prevent leakages and fraud, enhancing financial oversight and more comprehensive reporting. These systems must interoperate to ensure seamless data transfer and provide IFMIS with the comprehensive information it needs to function optimally.
- **Asset management.** The development of the IFMIS system should incorporate the recommendations from the March 2025 TA mission on asset management. This includes implementing the asset management policy and the four-year asset management reform action plan.
- **International recording and reporting standards.** Eswatini should ensure that the CoA, IPSAS, and accrual accounting implementation as embedded in the IFMIS are in line with international standards and applied consistently across government. Fiscal data recording and reporting should follow GFSM 2014, which will help eliminate redundancies or mapping errors, and facilitate reporting to international organizations.

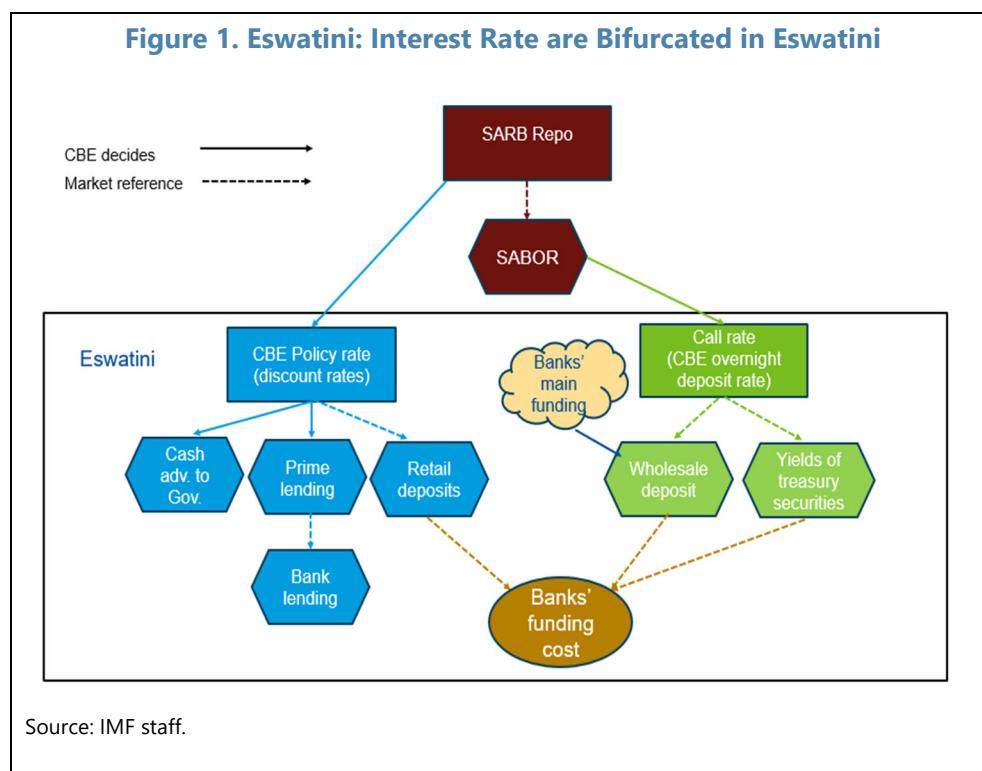
- **IT support.** Having proper IT hardware and software is essential to the success of the rollout of the new IFMIS. Adequate funding, staffing, and training are necessary for maintaining the system. Building in-house capacity to handle modifications to the system or deal with system failures is preferable, as contracted support may be less responsive and may not fully understand the evolving needs of the government.
- **Technical capacity and training.** Training is essential for all IFMIS users, and training manuals should be developed to reduce the impact of staff turnover.
- **Regulations.** A legal framework is needed to support the implementation and functioning of IFMIS. The legal framework should clarify roles and responsibilities for the management and operationalization of the IFMIS and include updated business process reengineering.
- **Associated digital governance systems.** In addition to strengthening expenditure controls, IFMIS offers significant potential for developing tools to better track and target social benefits. Integrating IFMIS with digitalized beneficiary databases and labor market data can enhance the efficiency of social spending and support efforts to reduce inequality and poverty.

**7. To support the effectiveness of PFM reforms in Eswatini, complementary anti-corruption safeguards are essential.** Key areas include: (i) mandatory public asset declarations for senior officials, supported by independent verification mechanisms; (ii) stronger access to information laws and their enforcement to empower civil society and media scrutiny; and (iii) the establishment of a robust conflict of interest regime for public office holders. These measures can help build accountability around the highest risk aspects of the public sector and disincentivize top-level circumvention of financial controls.

## Annex VIII. Selected Interest Rate Transmissions in Eswatini

**1. Eswatini's interest rate policy is bifurcated.** The CBE sets the discount rate—its official policy rate—during Monetary Policy Committee meetings. It sets the prime lending rate at 350 bps above the discount rate. The discount rate is also used by banks as a reference for retail deposit rates. In contrast to the discount rate, the CBE's call rate for overnight bank deposits is aligned with the SARB's policy rate. The CBE's Financial Market Department sets the call rate every Monday at 2–10 bps (adjusted based on market conditions) above the South Africa Benchmark Overnight Rate (SABOR), which is market-based and moves with the SARB policy rate. The call rate is used to steer banks' allocation of liquidity buffers between Eswatini and South Africa. It also strongly influences the deposit rates negotiated with large corporates and the yields of government securities, priced at a premium over the call rate (about 95 bps for a 91-day T-bill on June 18).

**2. The current divergence blurs policy signals and exposes banks to interest basis risks, contributing to wider bank interest rate margins.** It also overlooks important transmission mechanisms. Banks' deposit and lending rates that the CBE seeks to steer via the discount rate are important to safeguard the peg. These rates affect corporate decisions on whether to borrow domestically or internationally and whether to keep their cash balances domestically or in South Africa. They also affect decisions on investment, savings, and consumption, and thereby the trade balance. The CBE's policy rate should therefore be set with the objective of stabilizing foreign exchange reserves to fulfill its primary mandate of safeguarding the peg.



## Annex IX. Eswatini's Reserve Adequacy

*International reserves are essential for countries to manage external shocks—such as sudden capital outflows or commodity price swings—by providing liquidity to support the balance of payments. Reserves also reinforce confidence in a country's monetary and exchange rate policies, reduce the risk of financial crises, and can lower borrowing costs. For countries with strong fundamentals, reserves offer flexibility to respond to temporary shocks without resorting to abrupt policy changes.*

### Traditional Metrics of Reserve Adequacy Include:

- **Import Coverage Ratio.** Measures how many months of import the reserve can finance. While Eswatini's reserves appear inadequate under this measure, with a coverage of only 2.3 months, the metric is sensitive to import valuation and may not fully capture Eswatini-specific mitigating factors, such as the structure of trade financing and the role of private sector foreign exchange buffers.
- **Reserve coverage of monetary base (M1).** Full or near-full backing is required under a currency board arrangement. At a ratio of 102, Eswatini's reserves are adequate by this metric.
- **Reserve coverage of maturing external debt obligations** stood at 365 percent, well above the 100 percent benchmark under the "Greenspan-Guidotti" rule.
- **Reserve coverage of broad money (typically M2)** was 41.5 percent, comfortably above the 20 percent often cited as the upper end of a prudent range for reserve holdings in EMs.

**Table 1. Eswatini: Reserve Adequacy, 2024**

	Reserve Coverage	Adequacy	CMA Requirement
ARA 1/	87.2	100-150	
Month of imports	2.3	3.2 (mid-point)	4
M1 (percent)	102		
Maturing external debt payment (percent)	365	100 "Greenspan-Guidotti" rule	
M1+Maturing external debt payment (percent)	79.8		
M2 (percent)	41.5	5-20 percent	

1/ ARA is calculated as reserves expressed as a percentage of a composite measure comprising exports, broad money, short-term debt, and other liabilities.

Sources: Country authorities; and IMF staff calculations.

1. **While useful and simple to compute, these traditional metrics focus on one aspect of vulnerability.** They fail to account for the diversity of external risks (e.g., capital flow volatility, sudden stops, trade shocks) and country-specific vulnerabilities or institutional characteristics.

**2. IMF's Assessing Reserve Adequacy (ARA) metric for emerging markets was the main metric used for staff's assessment.** It captures a broad range of external vulnerabilities, including export volatility, short-term debt, and broad money liabilities. As of end-2024, Eswatini's reserves stood at approximately 87 percent of the ARA metric—below the recommended threshold of 100 percent. This shortfall becomes more pronounced when the metric is adjusted to reflect Eswatini's vulnerability to volatile SACU revenues.

**3. To bolster reserve adequacy, staff recommend carefully calibrating the alignment of the policy rate with the SARB, strengthening the monetary policy framework, adopting prudent fiscal management to reduce reliance on volatile SACU revenues, and enhancing monitoring of external liquidity risks.**

## Annex X. Obstacles to Private Sector Growth in Eswatini, 2016–24

**1. IMF (2023) highlights three first-generation structural reform priorities—business regulation, governance, and the external sector—and two second-generation areas: the labor and credit markets.**<sup>1</sup> It underscores that prioritizing first-generation reforms is critical for maximizing growth impact. Eswatini lags its peers in all three first-generation areas (see Text Figure 6). Closing 25 percent of the structural gap for the three areas relative to the EM frontier could yield an estimated output gain of 8.8 percent over four years.<sup>2</sup>

**2. Firm-level evidence aligns with this assessment based on aggregate-level data: despite progress in second-generation reforms, particularly in the labor market, overall growth remains subdued due to limited—and in some cases deteriorating—advancements in first-generation reforms.** The finding is based on the World Bank's Enterprise Surveys conducted in Eswatini in 2016 and 2024, covering a representative sample of the country's private sector. The surveys employed a stratified random sampling methodology, with probability weights provided to correct for sampling bias. They offer valuable insights into the obstacles Eswatini firms perceive as hindering growth, as well as how these perceptions have evolved over time.

**Table 1. Eswatini: Firms' Perceived Obstacles: 2016–24**

Reform Areas	Obstacles	2016 1/	2024 1/	Change in share of firms
Governance	Political Instability	0.59	0.84	0.26
	Courts	0.58	0.64	0.06
	Crimes, Theft, and Disorder	0.73	0.90	0.17
	Corruption	0.65	0.81	0.16
Business Environment	Customs and Trade Regulations	0.79	0.65	-0.14
	Tax Rates	0.87	0.90	0.03
	Tax Admin	0.76	0.77	0.01
	Business Licensing and Permits	0.67	0.70	0.03
	Competition from Informal Sector	0.80	0.75	-0.05
Labor Market	Labor Regulation	0.79	0.71	-0.08
	Inadequately educated workforce	0.88	0.48	-0.40
Credit Market	Access to Finance	0.79	0.71	-0.08
Infrastructure Gaps	Electricity	0.82	0.51	-0.31
	Transport	0.64	0.58	-0.06
	Access to Land	0.70	0.58	-0.12

Sources: World Bank Enterprise Survey; and IMF staff calculations.

1/ Shares of firms that consider respective category as an obstacle. Since the Enterprise Surveys methodology is stratified random sampling, individual observations are weighted using probability weights when these shares are calculated.

<sup>1</sup> "Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies". Staff Discussion Note SDN/2023/007. International Monetary Fund, Washington D.C.

<sup>2</sup> 2024 Southern Africa Workshop – Macrostructural Reforms. International Monetary Fund, Washington D.C.

**3. A comparison of results across the two waves indicates progress in reform areas such as the labor market and infrastructure gaps.** Notably, the share of firms citing an inadequately educated workforce as a major obstacle declined by 40 percent, while those identifying access to electricity as a constraint fell by 31 percent.

**4. At the same time, the business environment continues to present challenges, with tax rates remaining the most frequently cited concern among firms (90 percent),<sup>3</sup> along with burdensome regulations and inefficiencies in tax administration.** Governance-related issues—including political instability, crime, theft, disorder, and corruption—were more commonly reported in 2024 than in 2016. This shift likely reflects heightened sensitivities following the 2021 social unrest. Addressing these institutional weaknesses offers a critical opportunity to build investor confidence and unlock the full potential of private-sector-led growth.

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<sup>3</sup> As of the 2025 tax year, Eswatini's statutory corporate income tax rate is 25 percent, reduced from the previous rate of 27.5 percent.

## Annex XI. Capacity Development Strategy

### A. Context

**1. Eswatini has low fiscal buffers and large gaps in public financial management and financial sector oversight.** Expansionary budget spending policies prior to the COVID-19 Pandemic and volatile SACU revenues raised public debt rapidly. While the fiscal balance has eased in FY2024/25 due to high SACU revenues, the domestic arrears persisted. A fiscal adjustment plan (FAP) was launched in FY2020/21 and has yielded some savings—even during the pandemic—but has also encountered delays in implementation, particularly in the reform of the public enterprises. Progress has been made on reducing the wage bill, but savings from the public enterprise reform are yet to materialize, and further progress is needed on rationalizing the civil service. Unprecedented social unrest struck the Kingdom in 2021, and the related social pressure lingers. It is key to prioritizing spending on social protection. The country is vulnerable to sharp economic downturns in neighboring South Africa and significant spikes in oil price.

### B. Strategy

**2. Eswatini faces five key policy challenges and surveillance priorities:** (i) fiscal adjustment (through prioritizing expenditure and revenue enhancement) to preserve debt sustainability and build fiscal and external buffers; (ii) public financial management reform to support stronger fiscal governance and the efficiency of public investment; (iii) financial sector reforms to better manage macro-financial risks; (iv) structural reforms to boost private investment, create opportunities for private-sector led growth and employment generation; (v) legal and regulatory reforms to strengthen AML/CFT compliance and effectiveness; and (vi) statistics to inform policy decisions. The IMF stands ready to provide CD on governance to improve the business environment, particularly for FDI, should the authorities request it.

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

## C. Key Overall CD Priorities Going Forward

Priorities	Objectives
Public Financial Management: MTFF, budget preparation, execution, and controls	Strengthen annual budget and medium-term budget frameworks; strengthen budget execution and commitment control systems to deliver budget objectives and prevent the accumulation of domestic arrears; strengthen public investment management processes; improve the governance framework, monitoring, and risk management of large extrabudgetary entities, including public enterprises; rationalize public services to restrain wage bill growth; add consistently and transparently to the SACU revenues stabilization fund and integrate it with the medium-term fiscal framework. IFMIS implementation is in the pipeline to begin operation in FY25/26.
Domestic revenue mobilization: revenue administration and tax policy	Enhance domestic revenue collection by reducing tax gaps through strengthening tax administration, introducing reforms to improve VAT administration, and minimizing exemptions.
Financial sector oversight and capital flows framework	Implement policy advice given under the comprehensive financial sector assessment to detect risks and vulnerabilities (FSSR Q2, 2023); complete the overhaul of key financial sector legislation; implement recommendations under the recent TA on liquidity management, including developing repo and interbank market, refining monetary policy instruments, and building CBE's liquidity forecasting capacity; continue to support the adoption of advanced Basel core principles; enhance regulation and risk-based supervision of non-bank financial institutions; develop the macroprudential framework and toolkit; advance the creation of a crisis preparedness framework; refocus the exchange control regime to a Capital Flows Management Regime in line with the Institutional View on the liberalization and management of capital flows, and establish guidance on how to facilitate and monitor special economic zones.
AML/CFT	Strengthen the AML/CFT legal and regulatory framework in line with the 2012 FATF revised recommendations and the recent TA on anti-smuggling, and address technical gaps and low levels of effectiveness identified in the Eastern and Southern Africa AML Group's 2022 Mutual Evaluation Report; develop capacity in the CBE on ultimate beneficial ownership as well as a guidance note for the industry; develop a regulatory framework for cross-border forex bureaus, money transfer providers, and virtual asset service providers; strengthen application of risk-based supervisory and sanctions regime.
Fiscal, national accounts, and balance of payments statistics	Strengthen quality, consistency, timeliness, and dissemination of core macroeconomic statistics, including fiscal, national accounts, social and labor indicators, and balance of payments data, to support policy making and surveillance activities.

## D. Main Risks and Mitigation

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

## Annex XII. Data Issues

**Figure 1. Eswatini: Data Adequacy for Surveillance**

Data Adequacy Assessment Rating 1/														
Assessment	C													
	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating							
Questionnaire Results 2/														
Detailed Questionnaire Results														
<b>Data Quality Characteristics</b>														
Coverage	C	B	C	B	C									
Granularity 3/	C		C	C	C									
Consistency			C	C			C							
Frequency and Timeliness	C	B	C	B	B									
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>														
A	The data provided to the Fund is adequate for surveillance.													
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.													
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.													
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.													
<p><b>Rationale for staff assessment.</b> Data are generally shared with the country team, sometimes with a lag, but questions around data quality persist. The shortcomings are primarily in the more granular data which are either not provided or are of insufficient quality. National accounts have weaknesses in compilation and source data which generates large revisions especially from quarterly to annual. Price data are generally good, but the weights and the reference period need updating. Government finance and debt statistics have consistency issues including financing gaps in projections and inconsistencies occurring among data from different sources (e.g., government agencies). The authorities do not have reliable data on arrears, the wider public sector, or contingent liabilities. The debt data provided lacked the sufficient granularity needed to analyze the sustainability. External sector statistics have large residuals and the BOP and IIP are not fully aligned. Neither deposit nor lending rates are collected by the authorities.</p>														
<p><b>Changes since the last Article IV consultation.</b> The national accounts were last rebased to 2019 prices, but are still out of date and the CSO is trying to implement another rebasing exercise once the household budget survey has been completed, but the CSO faces resource constraints that interrupted the production of both annual and quarterly GDP in 2024 to complete the rebasing of GDP. While the household income and expenditure survey needed for rebasing is almost completed, the CSO is concerned about not having enough resources to complete the compilation. The authorities have begun installing an IFMIS system in Ministry of Finance and IPSAS in the Treasury which should help improve government finance statistics but implementation was delayed. TA was provided to give an assessment of the system, help guide the reporting standards, and ensure synchronicity between the Treasury and Finance, but further missions are needed.</p>														
<p><b>Corrective actions and capacity development priorities.</b> The mission discussed data issues with the authorities and the data issues were also a topic at the 2025 Spring Meetings. Meetings were held with the debt management team to ensure debt data meet the team's data needs and to identify and provide for the authorities' needs for training to use the new debt sustainability assessment tool. Staff advocated for additional resources to improve data quality.</p>														
<p><b>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.</b> Staff do not use any data and/or estimates in the staff report in lieu of official statistics.</p>														
<p><b>Other data gaps.</b> Social indicators (for example on poverty, food insecurity, and inequality) are very sparse and out of date. They are expected to be updated when the next economic census and household income and expenditure survey is completed. Data on the labor force is available only every few years. More frequent labor data is important given the high unemployment in the country. It would also be good to collect information on the informal sector. Improvement in data on social and labor indicators is also important to monitor gender gaps, poverty, and inequality in the country (which are stark).</p>														

**Figure 2. Eswatini: Data Standards Initiative**

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

**Figure 3. Eswatini: Table of Common Indicators Required for Surveillance  
(as of August 17, 2025)**

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>6,7</sup>	Eswatini <sup>8</sup>	Expected Timeliness <sup>6,7</sup>	Eswatini <sup>8</sup>
Exchange Rates	Aug-25	Aug-25	D	D	D	30	...	60
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Aug-25	Aug-25	W	W	M	30	1M	30
Reserve/Base Money	Jun-25	Aug-25	M	M	M	30	2M	30
Broad Money	Jun-25	Aug-25	M	M	M	30	1Q	30
Central Bank Balance Sheet	Jun-25	Jun-25	M	M	M	30	2M	30
Consolidated Balance Sheet of the Banking System	Jun-25	Aug-25	M	M	M	30	1Q	30
Interest Rates <sup>2</sup>	Jul-25	Aug-25	M	M	M	90	...	60
Consumer Price Index	Jul-25	Aug-25	M	M	M	30	2M	14
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> —General Government <sup>4</sup>	N/A	N/A	...	...	A	365	3Q	360
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> —Central Government	Mar-24	May-24	A	A	Q	365	1Q	90
Stocks of Central Government and Central Government–Guaranteed Debt <sup>5</sup>	Mar-25	Aug-25	Q	A	Q	365	2Q	90
External Current Account Balance	Mar-25	Jun-25	Q	Q	Q	365	1Q	90
Exports and Imports of Goods and Services	Mar-25	Jun-25	M	Q	M	90	12W	30
GDP/GNP	Mar-25	Jun-25	Q	Q	Q	365	1Q	210
Gross External Debt	Mar-25	Jun-25	Q	Q	Q	90	2Q	90
International Investment Position	Mar-25	Jun-25	Q	Q	A	365	3Q	180

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

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

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

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



# KINGDOM OF ESWATINI

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

September 9, 2025

Prepared By

The African Department in collaboration with other  
Departments

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# RELATIONS WITH THE IMF

As of August 31, 2025

## Membership Status

Joined: September 22, 1969

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

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Quota	78.50	100.00
Fund holdings of currency	81.76	104.15
Reserve position	6.56	8.36
<b>SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	123.52	100.00
Holdings	3.88	3.14
<b>Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Emergency assistance	9.81	12.50
<b>Financial Arrangements:</b>		None

## Projected Payments to Fund

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

	2025	2026	2027	2028	2029
Principal	9.81				
Charges/Interest	0.92	3.46	3.46	3.47	3.46
Total	10.73	3.46	3.46	3.47	3.46

**Implementation of HIPC Initiative** Not Applicable

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

except for restrictions in place for security reasons notified to the Fund pursuant to Decision No. 144-(52/51).

**Technical Assistance.** Eswatini benefits from a significant amount of technical assistance (TA) in critical areas such as public financial management, statistics, and financial sector supervision. The FSSR follow-up missions have been particularly well received. TA has resulted in tangible improvements such as the progress towards the implementation of IFMIS.

**Article IV Consultation.** Eswatini is on a standard 12-month consultation cycle. The last Article IV Consultation was concluded by the Executive Board on September 30, 2024.

### Technical Assistance, 2018–2025

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

<b>Department</b>	<b>Date of Delivery</b>	<b>Purpose</b>	<b>Beneficiary Agency</b>
<b>Monetary and Capital Markets Department (MCM)</b>	February 2024	Anti-Smuggling [AFRITAC]	ERA
	April 2024	Public Investment Management [AFRITAC]	MEPD
	June 2024	Compliance Risk Management	CBE
	December 2024	Assessing Tax Incentives	MoF
	April 2025	Public Financial Management	MoF
<b>Statistics Department (STA)</b>			
	March, May, October 2018	National Accounts [AFRITAC]	CSO
	April 2018	Monetary and Financial Statistics	CBE
	May 2018	Government Finance Statistics	MoF
	July 2018	Price Statistics [AFRITAC]	CSO
	August 2018	External Sector Statistics	CBE
	April, July, October 2019	National Accounts [AFRITAC]	CSO
	July 2019	Government Finance Statistics	MoF
	July, November 2019	Price Statistics [AFRITAC]	CSO
	January 2020	Residential Property Price Indices	CBE

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

## RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

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

**Statement by Mr. Adriano Isaias Ubbie, Executive Director  
for the Kingdom of Eswatini, Mr. Pedro Rodrigo Silva,  
Alternate Executive Director, and Mr. Linda Hlophe,  
Advisor to Executive Director**  
**September 24, 2025**

**Introduction**

**1. On behalf of our Eswatini authorities, we would like to express our gratitude to the mission team, led by Ms. Xiangming Li, for their constructive engagement and insightful discussions during the 2025 Article IV Consultations.** The authorities broadly concur with staff's assessment and policy recommendations, while maintaining a more optimistic outlook on Eswatini's economic prospects. They acknowledged the challenges posed by both domestic and global factors yet remain firmly committed to advancing reforms that promote economic transformation and strengthen long-term resilience. These efforts are aligned with the Programme of Action (PoA) and the National Development Plan (NDP) 2023/24 – 2027/28.

**2. Eswatini has demonstrated remarkable economic resilience in the face of multiple shocks, including the COVID-19 pandemic, volatile commodity prices, and recurring droughts.** To restore macroeconomic stability, the authorities have actively implemented policy measures, supported by technical assistance and capacity development from the Fund. In October 2024, they adopted the Program of Action (PoA), a comprehensive short- to medium-term policy framework grounded in the 2023 Sibaya People's Parliament submissions and the NDP. The PoA sets out strategic objectives, including accelerated and inclusive growth, poverty eradication, anti-corruption, job creation, infrastructure development, and improvements in health and education. Key PoA objectives to be achieved by the end of 2029, include:

- Achieve inclusive economic growth of up to 12%.
- Advance infrastructure development and ICT integration.
- Strengthening human capital through improvements in health and education.
- Promote food sovereignty and sustainable development.
- Enhance social protection and security; and
- Bolster national security and law enforcement institutions.

**3. Implementing the PoA will require SZL 223.9 billion (about USD 12.75 billion).**

The authorities are exploring diverse financing options, including external and domestic borrowing, partial privatization of state-owned enterprises, development partner support, bilateral investments, and public-private partnership-oriented foreign direct investment. Risk management practices will be mainstreamed throughout the implementation period of the PoA, supported by a comprehensive risk register to ensure continuous monitoring and mitigation of potential fiscal risks.

## **Recent Developments and Outlook**

**4. Eswatini's economy grew by 2.8 percent in 2024, compared with 3.4 percent in 2023, driven by manufacturing and services, while drought conditions kept agricultural output flat.** Despite this moderation, near-term growth is expected to strengthen, but slow thereafter as the growth impact of investment projects wanes. In 2025, real GDP is projected to grow by 4.3 percent and 4.6 percent in 2026, owing to major public and private investment projects, including road infrastructure, dam construction, and energy sector. These projects are expected to generate positive spillovers across related industries and boost domestic demand.

**5. Inflation eased from 4.7 percent in 2023/24 fiscal year to 4.0 percent in 2024/25 fiscal year, helped by stable food and fuel prices, a favorable exchange rate, and reduced imported inflation.** By June 2025, inflation fell further to 2.9 percent, with notable moderation across key categories such as food, beverages, transport, and other consumer goods and services.

**6. The current account surplus narrowed to 1.3 percent of GDP in 2024 from 2.4 percent in 2023, primarily due to higher dividend remittances to multinational corporations and interest payments on external public debt.** Gross international reserves increased by 16.5 percent, from E7.8 billion in March 2024 to E9.1 billion in March 2025. Nonetheless, the import cover ratio declined from 2.2 months to 2.1 months, driven by higher levels of imports.

## **Fiscal Policy and Debt Management**

**7. The authorities are strongly committed to sustaining fiscal consolidation, aimed at reinforcing macroeconomic stability, creating space for inclusive medium-term growth, and limiting borrowing needs to ensure prudent public debt management.** Accordingly, the 2025/26 fiscal year budget is designed to reverse previous expansionary trends, improve

the structural primary balance by 1.8 percentage points of GDP, and keep debt around 42.9 percent of GDP. Preliminary results for the 2024/25 fiscal year indicate a budget deficit of 1.3 percent of GDP, better than the original budget estimate of 2.5 percent of GDP, thanks to prudent recurrent spending, improved revenue mobilization, and slower pace of capital project implementation. Public debt was relatively stable at 39.2 percent of GDP, comprising roughly 55 percent external borrowing and 45 percent domestic borrowing.

**8. Over the medium-term, the authorities are committed to enhance revenue mobilization and contain public spending amid rising public investment, particularly to advance the PoA projects.** To preserve fiscal sustainability, they are implementing measures to avoid budget overruns and stand firm to improve public financial management through the implementation of the integrated medium-term fiscal framework and improved budget control through the Integrated Financial Management Information System (IFMIS). They are also determined to contain public debt to about 40 percent of GDP over the medium term.

#### **Monetary and Financial Sector Policies**

**9. In 2024, the Central Bank of Eswatini (CBE) adopted a cautiously accommodative monetary policy stance, easing from the restrictive approach maintained since 2022.** The discount rate was lowered by a cumulative 50 basis points to 7.0 percent, down from 7.5 percent in 2023. This policy adjustment aligned with global and regional monetary easing, lower domestic inflation, and an improved inflation outlook. Eswatini's financial system continues to demonstrate resilience, supported by robust capital adequacy and liquidity. As of March 2025, both the Capital Adequacy Ratio (CAR) and the Common Equity Tier 1 Ratio (CET 1) remained comfortably above regulatory minimums, at 17.41 percent and 15.44 percent, respectively. The ratio of Non-Performing Loans (NPLs) edged upward to 7.0 percent, reflecting steady credit risk. The authorities are determined to closely monitor the trajectory of NPLs to safeguard financial stability. To this end, they are prioritizing efforts to enhance the quality of assets held by financial institutions and to strengthen credit risk management practices. These actions form a key part of the broader financial sector strategy aimed at maintaining resilience and mitigating systemic risks.

**10. The authorities remain committed to advancing financial sector reforms in line with IMF staff recommendations.** Several initiatives are currently underway to strengthen the resilience of the country's financial system, including modernizing financial legislation, operationalizing a deposit insurance scheme, and developing emergency liquidity assistance framework. They also recognize that maintaining the currency peg to the South Africa Rand

requires careful alignment of the Central Bank's policy rate with that of the South Africa Reserve Bank. Such measures aim to reinforce the stability and reliability of the financial system, ensuring its ability to absorb shocks and function effectively.

## **Structural Reforms and Governance**

**11. To foster private sector-led growth, the authorities are implementing key reforms aimed at closing infrastructure and skills gaps, improving the business environment, enhancing access to finance, and addressing governance challenges.** These efforts include strengthening anti-corruption measures and promoting fiscal transparency to create more enabling environment for investment and entrepreneurship. A central focus is the modernization of public financial management by rolling out an integrated medium-term fiscal framework and improving budget control through the Integrated Financial Management Information System (IFMIS). Oversight of public enterprises is also being enhanced. A reform roadmap has been developed with support from the World Bank, and its aim is to strengthen institutional capacity of the Public Enterprise Unit to oversee and implement reforms, including restructuring, merger, or liquidation of selected state-owned enterprises. These reforms are essential to prevent budget overruns and to improve public investment efficiency.

**12. The authorities are also actively engaged in risk and contingency planning.** They recognize several downside risks, including a global economic slowdown, oil price shocks, climate change, and social unrest. In response, they aim to smooth fiscal adjustments and build buffers, guided by IMF recommendations to manage potential shocks while safeguarding macroeconomic stability.

**13. The authorities recognize the critical importance of building institutional capacity to ensure the availability of timely and high-quality data for informed policymaking.** To this end, they are investing in capacity development across key areas, including statistics, public financial management, and financial sector oversight. They also welcome continued technical assistance from the IMF to strengthen data systems and institutional frameworks, which are essential for effective surveillance and policy implementation.

**14. The authorities are also actively addressing regulatory inefficiencies and leveraging technology to improve the business environment.** Notable progress has been made in advancing e-Government reforms, including initiatives such as “*Government in Your Hand*” and the “*Business One-Stop-Shop*”, which aim to streamline public service delivery

and facilitate private sector engagement.

## **Conclusion**

**15. The authorities re-affirm their strong commitment to preserving macroeconomic stability, ensuring fiscal and debt sustainability, and rebuilding policy buffers.** They remain resolute in addressing current challenges and continuing close engagement with development partners to realize a national vision of prosperity, equity, and sustainability for all citizens, as outlined in the Programme of Action. They deeply value the Fund's technical support and look forward to the Executive Directors' endorsement in concluding the 2025 Article IV Consultation for the Kingdom of Eswatini.