EVALUATION OF RETIREMENT SYSTEMS OF COUNTRIES WITHIN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

Country Profile: Swaziland

OPM

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Abbreviations

AIAS	Association of Insurance Supervisors
BOP	Basic Orphans Pension
BRP	Basic Retirement Pension
CSO	Central Statistics Office
DHS	Department of Homeland Security
DOTS	Directly Observed Treatment, Short-course
DOSW	Department of Social Welfare
SZL	Swaziland Emalangeni
EU	European Union
FAO	Food and Agriculture Organisation
FSC	Financial Services Commission
FSRA	Financial Services Regulatory Authority
GDP	Gross Domestic Product
GNI	Gross National Income
HDR	Human Development Report
IMF	International Monetary Fund
IOPS	International Organisation of Pensions Supervisors
ISSA	International Social Security Association
IUSSP	International Union for the Scientific Study of Population
LFS	Labour Force Survey
MTBPS	Medium Term Budget Policy Statement
MoSS	Ministry of Social Security, National Solidarity and Senior Citizens Welfare and Reform Institutions
NCP	Neighbourhood Care Points
NBFI	Non Bank Financial Institutions
NPF	National Pension Fund

NSF	National Savings Fund
OAG	Old Age Grant
OPM	Oxford Policy Management
OVC	Orphans and Vulnerable Children
PAYG	Pay As You Go
PPP	Public Private Partnership
RIRF	Registrar of Insurance and Retirement Fund
SACU	Southern African Customs Union
SCCOs	Savings and Credit Co-operatives
SICOM	State Insurance Company of Mauritius Limited
SNPF	Samwu National Provident Fund
SZL	Swaziland Lilangeni currency
UNDP	United Nations Development Programme
UNEP	United Nations Empowerment Programme
USD	United States Dollar
VAC	Vulnerability Assessment Committee
WB	World Bank
WFP	World Food Programme
WDI	World Development Indicators

1 Country and retirement system overview

Box 1.1 Country overview

Population 2007:	1,018,449 (CSO)
Proportion of population above 60 – 2007:	6.3% (DHS)
Proportion of population above 60 – 2030:	Not available
Proportion of population rural:	77.9% (CSO)
GNI per capita 2008 (World Bank Atlas method):	USD 2,520 (WDI)
Proportion of population below poverty line (USD 2 per day):	Not available
Labour force 2006:	337,200 (WB)
Labour force participation rate:	(no reliable information could be found)
Unemployment % 2006:	30.0% (IMF)
Employment in informal sector (% of total employment):	20.2% (IMF)
Employment in subsistence agriculture (%of total employment):	Not available

Box 1.2 Retirement systems overview

Formal systems

Social assistance

An old age pension grant is payable to those aged 60 and over, subject to a means test, and is estimated to cover 60,000 members (100% of the target group) receive SZL 200 per month (US$27). There is currently no legislation supporting the Old Age Pension Grant; however, a draft regulation has been submitted to the government for consideration. The administration of the programme and cash disbursement is undertaken by the Department of Social Welfare.

National social insurance

Established under the Swaziland National Providential Fund Order (1974), the Swaziland National Provident Fund has compulsory membership for formally employed workers. This is a DC scheme, set at 5% for employees and employers, covering 21% of the labour force (70,000 members), with a retirement age of 50. Governance and administration of the Fund is managed by a chief executive officer appointed by a board. The levels of contributions are determined by the Minister of Labour and Social Security subject to a ceiling. Benefits are paid through a lump sum arrangement.

Civil service occupational schemes

Established through the Public Service Pension Order (1993), the Public Service Pension Fund is a DB contributory scheme for civil servants. The operations and management of the Fund are supervised by a Public Service Pensions Board. The total number of pensionable officers in 2009 was 35,285, representing 3.5% of the population. Contributions are currently 5% for members and 15% for employers. The retirement age is 60 years and the scheme is 75% funded.

Private occupational schemes and voluntary schemes

Regulated by the Registrar of Insurance and Retirement Funds, and legislated by the Retirement Funds Act 2005, there are 44 retirement fund registered entities in Swaziland, comprising 33 local retirement funds and 11 foreign retirement funds.

Informal retirement systems

Long-term savings vehicles

There is a well-developed banking system with a recent review counting, in addition to 14 banking institutions, 56 credit cooperatives and more than 100 microfinance institutions (IMF Article IV Mission Report, 2008).

Asset accumulation

While asset acquisition is widespread, the most valuable assets (e.g. urban formal housing) are concentrated in the wealthiest households. Housing provides a rental income that supplements formal pension systems.

Other support systems

For rural Swaziland, Leliveld has identified three categories of social security provision: the ‘rural homestead as solidarity group’, ‘kinship relations’, and ‘neighbourhood, associations and chiefdoms’ (Leliveld 1994). Remittances provided US$86 per capita in 2007, significantly more than total Official Development Assistance (ODA).

2 Country background

2.1 Demography

The total population of Swaziland is 1.02 million (2007 population census) comprising of 481,428 (47%) male and 537,021 (53%) female. 78% live in rural areas and the remaining 22% are classified as urban (Table 2.1). The annualised population growth rate between 1997 and 2007 stood at 0.9%.

Table 2.1 Total Population, 2007 Census

Gender/Area	Urban	Rural	Total
Male	108,071	373,357	481,428
Female	117,222	419,799	537,021
Total	225,293	793,156	1,018,449
Source: Central Statistical Office, 2007 Census			

Currently, there is no breakdown of the 2007 census results. However, based on the 2007 Demographic and Health Survey (DHS), Swaziland is a young country with over 56% of the total population under the age of 20. Over 11.2% of the population is 50 years and above and 6.3% is above the age of 60 (Table 2.2).

Table 2.2 Percent distribution of the de facto household population by five year age groups, according to sex and residence, Swaziland 2006-2007

	Urban			Rural			Total		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total
<5	12	12	12	16.2	14.2	15.2	15.3	13.8	14.5
5-9	10	10.3	10.2	16.6	14	15.2	15.2	13.2	14.1
10-14	10.3	10.1	10.2	17.1	15.8	16.4	15.7	14.6	15.1
15-19	9.8	10.9	10.4	14.4	11.8	13	13.5	11.6	12.5
20-24	11.8	12.6	12.2	8.9	8.9	8.9	9.5	9.7	9.6
25-29	11.7	10.8	11.2	5.5	5.8	5.6	6.8	6.8	6.8
30-34	8.6	8.8	8.7	3.6	4.7	4.2	4.7	5.5	5.1
35-39	7.4	6.8	7.1	3.2	4.2	3.7	4.1	4.7	4.4
40-44	5.2	5.2	5.2	2.3	3.7	3	2.9	4	3.5
45-49	4.3	3.8	4	2.3	3.4	2.9	2.7	3.5	3.1
50-54	3.7	3	3.3	2.3	3.3	2.8	2.6	3.3	2.9
55-59	2.5	2.3	2.4	1.8	2.2	2	2	2.2	2.1
60-64	1.7	1.3	1.5	2.3	2.7	2.5	2.2	2.4	2.3
65-69	0.6	0.9	0.8	1.3	1.8	1.6	1.1	1.7	1.4
70-74	0.1	0.5	0.3	1.1	1.3	1.2	0.9	1.1	1
75-79	0.1	0.4	0.3	0.6	0.9	0.8	0.5	0.8	0.7
80+	0.3	0.3	0.3	0.5	1.3	0.9	0.5	1.1	0.8
Total	100	100	100	100	100	100	100	100	100
Number	2,259	2,488	4,747	8,345	9,520	17,865	10,604	12,008	22,612

Source: Swaziland Demographic and Health Survey (2007)

2.2 Labour market

Consistent longer-term labour market data for Swaziland are not freely available. – the 2007 Labour Force Survey (LFS) has been difficult to access and the World Bank and the International Labour Organisation (ILO), for example, do not carry labour market data for Swaziland.

Budget documents report that the 2007 LFS estimated the level of unemployment at 28.2% for the total population, with youth unemployment much higher at 40%.[1] The rate of unemployment is estimated at 21.9% in urban areas and 32.7% in rural areas. Women have a 31.2% unemployment rate compared to 25.7% for men.[2]

According to the Demographic Health Survey (DHS) 52% of women between the age of 15 and 49 were unemployed in the 12 months preceding the survey, whereas the equivalent figure for men stood at 44.1% (Table 2.3). There is significant variation between urban and rural areas, particularly for men, with 50.8% of those in rural areas unemployed compared to 27.2% for urban. These numbers although higher and nationally representative, are not comparable with the LFS data.

Table 2.3 Employment Level at Economic Active Age

Background characteristic	Employed in the 12 months preceding the survey: Currently employed	Employed in the 12 months preceding the survey: Not currently employed	Not employed in the 12 months preceeding the survey
Women			
Urban	56.2	2.4	38.9
Rural	33.8	4.8	57.8
Total 15-49	39.8	4.2	52.8
Men			
Urban	69.6	3.2	27.2
Rural	42.8	6.3	50.8
Total 15-49	50.4	5.4	44.1

Source: DHS 2007

The International Monetary Fund (IMF) (Selected Issues and Statistical Appendix 2008) reports that, in 2006, the labour force totalled 337,200 and that employment was 115,400. Of this, formal and informal employment was 92,100 and 23,300 respectively. The breakdown of formal employment was 27,500 in the public sector and 64,600 in the private sector.

The key drivers of employment in the formal sector are manufacturing at 19.5% followed by wholesale and retail with 15.4% and agriculture and forestry with 10% (Medium Term Budget Policy Statement 2010/11-2012/13). This is to an extent mirrored in the DHS where 37.7% of men are employed in skilled and unskilled manual work followed by 28.6% in sales and services. Over half of the women in the country are employed in sales and services.

[1] Medium Term Budget Policy Statement 2010/11- 2012/13

[2]http://www.africaneconomicoutlook.org/en/countries/southern-africa/swaziland/#/social_context_human_resource_dev

Table 2.4 Employment by Occupation

Gender	Professional/technical/managerial	Clerical	Sales and services	Skilled manual	Unskilled manual	Agriculture
Female 15-49	12.1	6.6	56.1	14.4	1.1	8.6
Male 15-49	12.8	3.2	28.6	32.3	5.4	17

Source: DHS 2007

According to research undertaken by Umchamanisi Link Action Research Network, the elderly bear the brunt of unemployment, poverty and HIV/AIDS. In addition, the elderly are often responsible for care of other family members (ULARN 2003).

DHS (2007) provides information on the employment status of individuals above the age of 50. Of women above the age of fifty 66% were unemployed with the figure increasing to 76% for woman above the age of 60. The unemployment figures are slightly lower for men with 54% of men above the age 50 and 67% for men above the age of 60 being unemployed. Comparison with Table 2.3 shows that the proportion of women in employment declines from 40% for those aged 15-49 to 20% for those aged 50 years and older, while for men it declines from 50% to 30%.

Table 2.5 Employment for Individuals above the age of 50 years

	Employed in the 12 months preceding the survey		
Background characteristic	Currently employed	Not currently employed	Not employed in the 12 months preceeding the survey
	WOMEN		
50-54	35.8	11.7	50.5
55-59	34.3	14.2	51.5
60+	9.9	12.6	76.4
Urban	37.7	7.9	54.4
Rural	17.8	13.4	67.5
Total 50+	**20.3**	**12.7**	**65.8**
	MEN		
50-54	53.9	15.6	29.2
55-59	38.5	10.8	49.7
60+	15.1	15.9	66.9
Urban	71.8	5.4	21.6
Rural	20.3	17	61
Total 50+	**29.4**	**14.9**	**54**

Source: DHS 2007

2.3 Socio-economic

Swaziland is a lower middle income country characterised by high levels of poverty. The latest data available from the World Development Indicators (World Bank) put 81% of Swazis below a USD 2 a day poverty line and 63% below a USD 1.25 a day poverty line.

This, together with recent challenges in the agriculture sector, has left large numbers of the population food insecure. However, the annual Vulnerability Assessment Committee (VAC) reports indicate that the number of people who are food insecure had declined to 256,383 in 2009, 25% lower than the 345,000 estimated in 2007 (MTBPS).

Another major challenge affecting the economy is the HIV/AIDS pandemic with the prevalence rate at 26% for men and 31% for women between the ages of 15 and 49 years. The effect of this can be seen in the life expectancy which has declined from 60 years in 1997 to 45.8 years in 2008 (Human Development Report 2008).

The Human Development Report 2009 calculates an index value of 0.572, giving Swaziland a rank of 142 out of 182 countries. This is based on life expectancy of 45.3 years, an adult literacy rate of 79.6%, a combined gross enrolment ratio of 60.1% and GDP per capita (in USD at purchasing power parity) of 4,789.

Net school enrolment rates in the country in 2007 were 89.3% in primary school and 42.8% in secondary school as can be seen in Table 2.6, below.

Table 2.6 Enrolment Rates

	2004	2005	2006	2007
Primary Net	85	84.3	87.6	89.3
Gross	101.3	101	103.9	105.2
Secondary Net	37	38.7	40.9	42.8
Gross	48	51.3	58.8	63.3

Source: Medium Term Budget Policy Statement 2010/11-2012/13

2.4 Economy and finance

Economy

The real Gross Domestic Product (GDP) grew by 2.4% in 2008, lower than the previous year's growth rate of 3.5%. The annualised growth rate of real GDP between 2003 and 2008 was 2.9% and the growth forecast for 2009 and 2010 is 0.4% and 2.7% respectively.

The major contributors to the growth of the economy for the period 2003 to 2008 were wholesale trade, transport, storage and communication and hotels and restaurants with 5 year annualized growth rates of 8.3%, 7.3% and 6.8% respectively. However, the mining sector shrank by 12.7% annually between 2003 and 2008. The main contributors to the economy in 2008 were manufacturing, public administration, agriculture and construction, comprising 30%, 14%, 9% and 9% of the economy respectively.

Table 2.7 GDP by Industry at 2000 Prices (SZL Million)

Industry	2003	2004	2005	2006	2007	2008	5 year Avg Annual growth rate
Agriculture, hunting, forestry and fishing	1,072.70	1,042.10	1,098.10	1,071.40	1,099.60	1,098.80	0.5%
Mining	24.6	26.8	21.1	24.4	14.9	12.5	-12.7%
Manufacturing	3,527.50	3,562.70	3,594.80	3,648.70	3,743.60	3,803.50	1.5%
Electricity, gas and water supply	112.3	109.6	113.7	119.5	125.2	128.2	2.7%
Construction	332.1	389.5	411.3	425.7	411.3	399	3.7%
Wholesale	730.9	805	868.7	966	1,063.20	1,106.80	8.7%
Hotels and Restaurants	174.4	180.1	196.9	212.5	228.2	241.8	6.8%
Transport, storage and communications	732.2	787.9	893	942.8	971.1	1,041.30	7.3%
Financial intermediation	317.5	328.2	342.3	357	369.4	380.5	3.7%
Real estate, renting and business activities	634.2	641.8	656.1	673.7	697.9	730.3	2.9%
Public administration, defence, education, health and social care	1,563.60	1,614.60	1,545.00	1,634.40	1,705.80	1,737.20	2.1%
Total value added at basic prices	9,173.70	9,436.10	9,683.00	10,012.30	10,364.70	10,612.50	3.0%
Taxes on products	1,962.80	2,023.90	2,059.40	2,117.90	2,190.50	2,236.50	2.6%
GDP at market prices	11,136.40	11,460.10	11,742.40	12,130.20	12,555.20	12,851.20	2.9%

Source: Central Statistics Office

2.5 Finance

Revenue from the Southern African Customs Union (SACU) accounts for over 60% of Swaziland’s total revenue. This revenue stream has shown steady growth rising from 13.8% of GDP to 29.4% of GDP in 2006/07. However, it has declined in recent years as evident from the 2009/10 projections showing collections declining to just over 22% of GDP. There is a significant uncertainty related to this revenue stream resulting from talks of establishment of a SADC wide customs union to replace SACU and a general reduction in tariffs worldwide.

The decline and threat to the future of SACU has coincided with decline in both individual tax and company income tax. These two revenue streams in 2009/10 are projected at 4.1% and 2.2% of GDP respectively (Table 2.8).

Total government expenditure has increased substantially in recent years, rising from 32.4% of GDP in 2003/04 to 45% of GDP in 2009/10. The largest expenditure item was wages and salaries. This increased from 12.2% of GDP in 2003/04 to 17.8% in 2009/10 (Table 2.8).

Table 2.8 Government Fiscal Statistics, Economic Classification as a Percentage of GDP

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10*
Total Revenue & Grants	**28.5**	**32.7**	**34.5**	**44.4**	**38.9**	**39**	**36.8**
Revenue	27.6	31.9	33.4	43.5	38	38.4	35.5
Customs Union	13.8	18.8	19.5	29.4	24	24.9	22.1
Non- SACU Revenue	13.7	13.1	13.9	14	14	13.5	13.4
Company	2.4	2.2	2.5	2.9	2.2	2.2	2.3
Individual Tax	5	5	4.7	4.9	4.6	4.1	4.2
Sales Tax	4	3.7	4.1	3.4	3.5	4	4
Sugar Export Levy	0.1	0.1	0.1	0.2	0.2	0.1	0
Other Revenue	2.2	2.1	2.4	2.5	3.6	3.1	2.9
Grants	1	0.8	1.1	0.9	0.9	0.6	1.3
TOTAL Spending	**32.4**	**37.5**	**37.5**	**33.5**	**35.2**	**40.5**	**45**
Recurrent Expenditure	25.7	28.8	27.9	25.9	25.7	30.3	32.9
Personnel	12.2	13.2	15	14.3	13.3	16.3	17.8
Goods and Services	7.4	8.3	7.3	6.7	6.7	6.6	7.7
Transfers & Subsidies	4.7	6.2	4.4	4	4.9	6.4	6.3
Interest Payments	1.3	1.1	1.2	0.9	0.9	1	1
Capital & and Net Lending	6.7	8.7	9.6	7.6	9.4	10.2	12.1
Capital	5.9	8.7	8.8	7.9	9.4	10.2	12.1
Net lending	0.8	0.1	0.8	-0.3	0	0	0

* Estimate

Source: Medium Term Budget Policy Statement 2010/11-2012/13

2.5 Social protection

Government's Social Protection policies are articulated in the Social Development Policy produced by Deputy Prime Minister's Office. Prior to this, social policies and protection mechanisms were presented in a fragmented manner in a number of policy and strategy documents, including the: National Development Strategy, Poverty Reduction Strategy, National Food Security Policy, National Disaster Management Policy, National Policy on Orphans and Vulnerable Children, and National HIV/ AIDS Strategic Plan (Devereux 2006).

- The Poverty Reduction Strategy and Action Plan (2005) identifies the most vulnerable groups in Swaziland as orphans, the elderly, street children, widows and people with disabilities. Devereux (2006) highlights the following social protection mechanisms:
- A Public Assistance Programme operated by the Department of Social Welfare that delivers regular cash transfers to vulnerable groups – including people with disabilities, older people, and the terminally ill.
- A set of food-based interventions operated by the World Food Programme (WFP) that is fairly standard across all countries in the region. These include general food distribution, food-for-work, and food assistance to food insecure households where the breadwinner is on Anti-Retroviral Treatment and/or Directly Observed Treatment, Short-course (DOTS), wet feeding of school children and OVC, and clinic feeding (WFP 2005).
- Several Ministry of Agriculture projects that are targeted at Orphans and Vulnerable Children (OVC) – Neighbourhood Care Points (NCP), chiefs fields (Indlunkhulu), primary school gardens and 'OVC fields' – transfer productive inputs (seeds, fertiliser, tools) to promote self sufficiency through agricultural livelihoods, with support from the Food and Agriculture Organisation (FAO).

3 Formal retirement systems – Social Assistance

The social assistance mechanism for elderly in Swaziland is the Old Age Grant.

3.1 Legal and institutional

There is currently no legislation supporting the OAG; however a draft regulation has been submitted to the Cabinet for consideration, which together with the Social Welfare Policy provide the underpinning for the OAG.

The administration of the programme together with the cash disbursement is undertaken by the Department of Social Welfare (DSW) in the office of Deputy Prime Minister. Previously cash disbursements were made through the SwaziPost post offices, however problems with this mechanism led to DSW taking over in 2007. The DSW has recently introduced electronic disbursements in partnership with five major financial institutions operating in Swaziland – Swazi Bank, the Swazi Building Society, First National Bank, Nedbank and Standard Bank – and the SwaziPost post office. Recipients are encouraged to open a cost free bank account and to receive their transfer electronically. Those receiving benefits electronically can access their pensions on a monthly basis whereas those receiving cash payments will only receive their payments every quarter (Wahenga 2009).

3.2 Eligibility, access and coverage

Although published information on the scheme is limited, the Director of the Department of Social Welfare indicated that the target group for the Old Age Grant (OAG) is persons above the age of 60 with a pension income below SZL 1,000 per month. At inception in 2005 a National Survey of elderly persons was conducted and as a result 45,000 individuals were classified as 60 years of age and above. Currently, the budget makes provision for approximately 60,000 beneficiaries. This is equal to 5.9% of total population and is somewhat higher than the proportion of those aged 60 years and older as measured by the DHS 2007 (5.6%), suggesting somewhat more than 100% coverage of the targeted age group.

3.3 Financing

The OAG is funded through current taxes. In 2009/10 E144 million was budgeted for the OAG, representing 1.3% of total budget, (equal to 0.6% of estimated GDP). This amount excludes the administrative costs of the programme.

Income of up to SZL 14,000 per annum is not liable to income tax so the recipients of the OAP are unlikely to incur any tax liability. In addition, war pensions and gratuities are explicitly exempt from income tax.

3.4 Contingencies covered

The grant only covers old age (sixty years plus).

3.5 Benefit type and levels

Payments to beneficiaries are either made manually or electronically. Under the manual mechanism SZL 600 is paid on a quarterly basis and under the electronic system, which people are encouraged to use, a monthly payment of SZL 200 is made.

According to the 2003 Household Income and Expenditure Survey the food poverty line for 2001 stood at SZL 68.3 and the general poverty line (food and non food consumption) was SZL 128.6 per person per month. Assuming an inflation rate of 8% per annum between 2001 and 2009, the food and general poverty line are estimated at SZL 127 and SZL 239 per person per month in 2009. Therefore, although the pension is above the food poverty line, it is below an individual's food and non food basic monthly consumption requirements and it will make a very limited contribution to satisfying the needs of any dependents of the pensioner.

3.6 Administrative cost

Administrative costs of this programme are not provided explicitly through the budget but are included under the operating expense of the Department of Social Welfare. The Department of Social Welfare has now been advised to include the cost of administration through their budget. The cost includes hire of staff, vehicles to go to the payment centres together with police force engagement.

3.7 Financial and social sustainability

Currently no analysis of the OAG has been undertaken. As mentioned in previous sections the cost of the OAG, (excluding administrative costs,) in 2009/10 was SZL 144 million or 1.3% of total expenditure. Whilst it appears to be a relatively cost-effective way of reaching a major vulnerable group, the fiscal costs may be difficult to sustain if Swaziland experiences a sustained decline in SACU revenues.

3.8 Reform initiatives

Recently a draft regulation and proposals for creation of a fund have been submitted to the Cabinet for consideration.

4 Formal retirement systems - National Social Insurance (Swaziland National Provident Fund)

4.1 Legal and institutional

This fund was established under the Swaziland National Providential Fund Order 1974, as a mandatory scheme for all individuals formally employed with the exception of non-Swazi nationals, casual employees or persons in employment categories that are currently exempt.

Governance and administration of the Fund is vested in a Board with day-to-day operations delegated to a Chief Executive Officer who is responsible for direction of persons appointed by the Board and the management of the Fund.

The level of statutory contributions by employees and employers are determined by the Minister of Labour and Public Service in consultation with the Minister for Finance and Economic Planning by order published in the Gazette.

4.2 Eligibility, access and coverage

Clause 7 of the Provident Fund Order of 1974 states that: “Any person employed under a contract of service shall be an eligible employee for the purposes of this Order: Provided that a casual employee, or a person who is not a citizen of Swaziland or a person who is an employee in an excepted employment mentioned in the second Schedule shall not be so eligible”.

In 2008 there were 4,976 active employers that were registered with the SNPF of which 2,631 were complying by paying statutory contributions and submitting monthly returns, resulting in a compliance rate of 52% (Table 4.1). Total number of active employees is estimated at 70,000 people (6.9% of total population).

Table 4.1 SNPF Compliance Position

Compliance Position

Year	Active Employers	Employer Accounts	Defaulters	% Compliance	% Delinquency
2007	4284	3061	1223	72	28
2008	4976	2631	2345	52	48

4.3 Financing

Financing of the Fund is through contributions made by employees and employers, together with returns from investments made by the Fund. According to the latest SNPF Regulations, the compulsory contribution is 10% of an employee’s wage subject to a maximum wage of SZL 1, 300. Of this, 5% is deducted from the employee’s monthly wages and 5% is paid by the employer.

Statutory Contributions for 2010 are payable by a contributing employer in respect of wages of SZL 1,300 or less during any calendar month, and wages of eligible employees in excess of SZL 1,300 during any such month shall be disregarded for the purpose of statutory contributions. This amount will increase by SZL 10 every year between 2011-2014 (SNPF 2010 Regulations). There is also provision for a supplementary contribution but uptake of this is very low, approximately 3,000.

4.4 Contingencies covered

Contingencies covered are age benefit, invalidity benefit, emigration benefit and survivors benefit; these are briefly explained in the next section.

4.5 Benefit type and levels

The SNPF is based on defined contributions. Benefits are paid under the following circumstances:

- Age benefit – at the age of 50 (or 45 in case of early retirement).
- Invalidity benefit – when a member is subject to a permanent total incapacity or partial incapacity of a permanent nature.
- Emigration benefit – for members of the Fund who emigrate permanently or who have no present intention of returning.
- Survivor's benefit – in the event of member's death.

During the period 2004-2008 around 55% of beneficiaries were individuals who had reached the qualifying age of 50 years and 14% were individuals who had taken early retirement between the age of 45 and 50 years. 23% of the claims made during the same period were for survivors' benefits.

The interest to be paid on the accounts of members is determined by the board. "In determining the rate of interest, the Board shall have regard to the net income of the Fund for the said financial year after allowing for such expenses of administration of the Fund as have been properly incurred under this Order, and the rate shall be fixed so that the total amount allocated by way of interest shall not exceed the net income of the Fund for that financial year"[3].

Table 4.2 Claims paid to SNPF members

Numbers Claims Paid 2004-2008

Year	Survivors	Retired	Age	Invalidity	Emigration	Supplementary	Refund	Total	Value of Benefits (E)
2004	1261	684	2770	192	12	35	160	5114	26,674,258
2005	1376	669	2806	272	10	84	127	5344	29,153,268
2006	1120	801	3088	417	14	51	70	5561	34,324,929
2007	1292	848	3337	293	14	198	67	6049	39,793,790
2008	1297	894	3492	195	10	143	60	6091	45,352,164

Source: SNPF 2008 Annual Report

4.6 Preservation, withdrawal and protection of rights

As stated in the Swaziland National Provident Fund (SNPF) Order 1974, no person registered as a member of the fund shall cease to be a member by reason only of the fact that since registration he has:

- ceased to be an employee or to be a person to whom an order made under section 8(1)(b) relates.

[3] SNPF Order 1974

- become an employee ineligible for membership of the fund.
- become an employee in an excepted employment listed in the Second Schedule.

4.7 Administrative cost

Administrative costs should not exceed 6% of member's funds and SNPF has always been within this target. The administration cost for 2008 stood at SZL 49.5 million for the year.

4.8 Financial and social sustainability

Despite the financial crises, there was an operating surplus of SZL 52 million in 2008 (compared with SZL 183 million in 2007), resulting in a deficit of SZL 26 million after accruing members' interest of SZL 79 million.

4.9 Reform initiatives

Following numerous studies commissioned over the years on the feasibility of establishing a pension fund, SNPF has recently put forward proposals to convert the current provident fund into a pension fund. However, this would require a significantly higher contribution rate, which might have an adverse impact on employment creation.

5 Formal retirement systems – Occupational and Voluntary Funds

5.1 Overview

According to the 2009 Registrar of Insurance and Retirement Fund (RIRF) annual report there are 44 retirement fund registered entities in Swaziland consisting of 33 local retirement funds and 11 foreign retirement funds. It is estimated that around 104,000 Swazis (10% of population) are members of retirement funds.

As shown in Table 5.1 the retirement funds industry made a loss of SZL 1.4 billion in 2008. In terms of the breakdown of expenditure, 75% of total expenses were for benefits paid, 11% for administrative costs, 8% for professional fees and 5% for payment of premiums.

Table 5.1 Retirement Funds Industry Summary - Income Sheet (2008)

Income	Q1	Q2	Q3	Q4	Total	Percentage of Total Expense
Contributions	149,075,199	333,178,269	483,163,029	728,782,603	1,694,199,100	-
Inestment income (losses)	- 147,266,646	- 333,932,182	- 377,350,528	- 575,376,082	- 1,433,925,438	-
Other Income	9,895,527	16,379,787	23,131,204	67,056,285	116,462,803	-
Total Income	11,704,080	15,625,874	128,943,705	220,462,806	376,736,465	-
Expense						
Benefit paid	69,178,597	165,118,801	289,216,363	472,933,087	996,446,848	75%
Premiums paid	7,791,375	12,495,212	20,053,628	26,294,248	66,634,463	5%
Professional fee paid	11,130,420	21,570,951	31,918,666	42,026,633	106,646,670	8%
Regulatry levies and services fees		5,809,311	5,816,311	6,627,120	18,252,742	1%
Administration expenses	13,946,564	28,476,833	44,125,504	55,929,218	142,478,119	11%
Total expenses	102,046,956	233,471,108	391,130,472	603,810,306	1,330,458,842	100%
Excess of expense over income	- 90,342,876	- 217,845,234	- 262,186,767	- 383,347,500	- 953,722,377	

Source: Registrar of Insurance and Retirement Fund 2009 Annual Report

Table 5.2 provides an industry summary of type of benefits paid in 2008. Almost 48% of the payments were due to annuities and the remainder was due to lump sum payments. Over 25% of the lump sum payments were on retirement and 15% on death and disability.

Table 5.2 Retirement Funds Industry Summary – Benefits Paid (2008)

	Q1	Q2	Q3	Q4	Total	Percentage of Total Benefits
Retirement benefit paid (pension/annuity)	42,750,635	93,182,273	143,571,757	195,724,345	475,229,010	47.7%
Lump sum benefit paid:						
On death and disability	9,356,834	24,339,357	31,710,245	81,507,469	146,913,905	14.7%
On retirement	10,608,089	32,735,767	66,855,857	141,446,948	251,646,661	25.3%
On withdrawal	5,576,213	13,148,783	21,783,373	25,662,427	66,170,796	6.6%
Transfers to other funds		287,336	287,336	335,954	910,626	0.1%
Periodic payments to beneficiaries	886,826	1,425,285	25,007,795	28,255,944	55,575,850	5.6%
Total	69,178,597	165,118,801	289,216,363	472,933,087	996,446,848	100%

Source: Registrar of Insurance and Retirement Fund 2009 Annual Report

Professional fees account for 8% of total expenses of the fund of which 80% is due to investment management fees and over 14% due to fund administration fees (Table 5.3).

Table 5.3 Retirement Funds Industry Summary – Professional Fees (2008)

	Q1	Q2	Q3	Q4	Total	Perenctage of total Expense
Actuarial fees	142,610	330,728	453,458	607,331	1,534,127	1.4%
Audit fees	270,912	971,903	761,604	958,405	2,962,824	2.8%
Fund administration fees	1,874,242	3,041,119	4,747,477	5,711,498	15,374,336	14.4%
Investment management fees	8,733,426	17,064,488	25,732,246	34,258,170	85,788,330	80.4%
Legal fees	109,230	162,713	223,881	491,229	987,053	0.9%
Total	11,130,420	21,570,951	31,918,666	42,026,633	106,646,670	100%

Source: Registrar of Insurance and Retirement Fund 2009 Annual Report

5.2 Legal and institutional

The Office of the Registrar of Insurance and Retirement Funds (RIRF is mandated through the Insurance Act of 2005 and the Retirement Funds Act of 2005 to supervise and exercise control over the activities of insurers and retirement funds to ensure their compliance with the relevant legislation. RIRF is a member of the International Association of Insurance Supervisors (IAIS) and International Organisation of Pensions Supervisors (IOPS). In future, RIRF will become a department within the proposed Financial Services Regulatory Authority (FSRA).

The key legislation governing regulation of pensions is the Retirement Funds Act of 2005. In addition, there is also specific legislation and subsequent regulations for both the Public Service Pension Fund (Public Service Pensions Order of 1993) and the National Provident Fund (Swaziland National Provident Fund of 1974).

RIRF initiated the alignment of the Retirement Act with the Financial Services Regulatory Authority (FSRA) Bill. This Bill will pave the way for the establishment of single regulatory authority for the non-bank financial services sector.

5.3 Occupational Schemes – Public Service Pension Fund (PSPF)

5.3.1 Legal and institutional

The Public Service Pension Fund (PSFP) of Swaziland was established through the Public Service Pension Order of 1993 for pensionable officers in the public service. The operations and management of the Fund are supervised by a Public Service Pensions Board that decides on the financing and financing position of the Fund together with decisions on investment of the assets of the Fund.

The Board consists of 9 members; four members representing employees and four members representing the Government and one member with expertise in a field deemed desirable for policing of the Fund by the Minister. The day-to-day operations of the board are delegated to the Chief Executive Officer who is also the Secretary to the Board.

5.3.2 Eligibility, access and coverage

This Fund is established for individuals holding or appointed to a pensionable office under the public service.

Pensionable office means:

- A position in the Public Service in which the holder of that office is employed on a permanent basis and includes the probation period.

Public service means:

- Service in a civil capacity in the government notwithstanding that such service is permanent or probational;
- Service as a member of the teaching service;
- Service as a member of the Police Force, Fire Service, Prison Service or Defence Force;
- Any other service which the Minister, in consultation with the Public Service Pensions Fund Board, may determine to be public service for the purpose of this Order.

The total number of pensionable officers in 2009 was 35,285 representing 3.5% of the population. Table 5.1 presents the size and average salary of pensionable officers for the period 2005-2009.

Table 5.4 Membership Size

Active Membership	2005	2006	2007	2008	2009
Pensionable Officers	26,963	28,378	29,576	32,447	35,285
Annual Pensionable Salary (E 000's)	1,644,398	1,716,608	1,807,849	1,968,569	2,412,947
Average Salary (E)	60,987	62,371	61,126	65,191	73,960

Source: Public Service Pensions Fund, 2009 Annual Report

Members qualify for fund benefits only if they have completed more than 10 years' continuous service. The standard compulsory retirement age for members is 60. However, members holding the office of judge shall retire at the age of sixty five, while those holding the ranks of Private and Senior Sergeant shall retire at the age of fifty and fifty five respectively.

As shown in Table 5.2 there were 16,434 active beneficiaries in 2009 with an additional 4,577 individuals whose payments are currently withheld pending proof of eligibility.

Table 5.5 Breakdown of Beneficiaries

Pensioners Membership Statistics	2008	2009
Retired Members	**4,609**	**4,916**
Active	4,142	4,505
Suspended*	467	411
Spouses	**3,641**	**3,992**
Active	3,324	3,575
Suspended	317	417
Dependants	**11,396**	**12,590**
Active	8,125	8,366
Suspended	3,271	4,224
Total	**19,646**	**21,011**
Active	15,591	16,434
Suspended	4,055	4,577

*Pensioners whose annuity payment is temporarily withheld pending proof of eligibility
Source: Public Service Pensions Fund, 2009 Annual Report

5.3.3 Financing

The Fund is financed through members' contributions, Government contributions and returns from investments made by the fund.

Members' contribution to the Fund is 5% of pensionable salary (basic salary) with the exception of members holding the ranks of Private and Senior Sergeant who shall pay 8% and 6.5% of their pensionable salary respectively.

The Government contributes 15% of a member's pensionable salary. On the basis of a total annual wage bill of just over SZL 5,030 million, this would be approximately SZL 750 million a year. This amount is accumulated in an unallocated fund and used to meet the cost of benefits that exceed value of member's own contributions.

The regulations of the Public Service Pension Order 1993 state that the provisions of the Income Tax Act shall apply to the contributions. The tax system adheres to the principles of exempt, exempt and taxable to all qualifying pension schemes.

This means:

- Employee contributions and employer contributions up to 20% of salary, subject to a maximum of SZL 1,750 per employee, are tax deductible.
- Earnings by the fund, receipts, accruals and investments of life insurance companies, pension benefits or provident funds, are exempted.
- Pensions are taxed at the prevailing rate.
- Commuted amounts (other than commuted amounts of less than one-third of the total value of the annuity) are exempt.

An actuarial evaluation is required at least once every 3 years which determines whether changes need to be made to benefit rates, contribution rates or any matter relating to the Fund to ensure its solvency.

It is understood that currently the fund is only 75% funded. This is due to the poor performance of the Fund during 2009.

Table 5.3 provides a summary of the income statement for 2008 and 2009.

The Fund incurred a deficit of SZL 324 million in 2009 compared to a surplus of SZL 749 million in 2008.

Table 5.6 PSPF Income Statement

Income Statement	2009	2008
Contributions received	632,265,000	422,428,000
Benefits awarded	- 390,721,000	- 298,932,000
Gross surplus	241,544,000	123,496,000
Investment, rental and sundry income	955,131,000	1,459,458,000
Revaluation losses	- 1,493,840,000	- 782,513,000
Other expenses	- 23,157,000	- 19,663,000
Investment management fees	- 28,848,000	- 31,819,000
Registrar's levy	- 5,694,000	-
Net (deficit) / surplus	- 354,864,000	-
Provision for tax	30,885,000	-
Accumulated (deficit)/ funds for the year after tax	- 323,979,000	748,959,000

Source: Public Service Pensions Fund, 2009 Annual Report

5.3.4 Contingencies covered

The scheme is primarily intended to provide a pension for all eligible public servants after they have reached their designated retirement age. In addition, the scheme provides benefits for death in service, disability and for survivors.

5.3.5 Benefit type and levels

Members entitled to benefits will receive a pension equal to 2% of their final pensionable salary for each completed year of his pensionable service or part thereof and the minimum pension of which a member is entitled to shall not be less than SZL 600.00 per month or any other amount that the Board establishes with approval of the Minister by publication in the Gazette.

A member can commute up to 25% of their pension and will receive the following benefits:

- Lump-sum gratuity equal to fifteen times the amount of pension which is being commute.
- Reduced pension equal to the amount which has not been commuted.

There are also provisions for early retirement, however the pension is reduced by one-third of one percent for each month by which the commencement date of the member's pension precedes his compulsory retirement age.

The regulation also provides pensions in case of deferment, forced retirement, abolition of office.

Other Benefits

Disability Benefits

The Fund makes provision for disability in case of injury or disease due to or whilst undertaking their duties. Eligible individuals will receive an additional pension, at the annual rate of the proportion of their actual pensionable salary at the date of their injury and in accordance with the following list:

When his capacity to contribute to his own support is:

- Slightly impaired = five-sixtieths.
- Impaired = ten-sixtieths.
- Materially impaired = fifteen-sixtieths.
- Totally destroyed = twenty-sixtieths.

Death Benefits

In the event of death of a member who is entitled to, or receiving a pension from the Fund, that member's trust fund is also entitled to one or more of the following benefits:

- Death benefit equal to two years' salary based upon the member's pay scale at day of member's death.
- Surviving spouse's pension, equal to one-half of the amount of pension which the member was receiving, or is entitled to.
- Children's pensions, equal to 10% of the pension per child with a maximum amount of 50% if there are 5 children or more to be divided by the number of children.
- Residual settlement (gratuity).

Table 5.4 shows:

- 49% of total benefits awarded were pension annuities.
- 21% of total benefits awarded were gratuities.
- 18% of total benefits awarded were death benefits.

Table 5.7 Breakdown of Benefits Awarded

Benefits Awarded (% of Total)	2009	2008
Annuity	49	53
Death benefit	18	21
Gratuity	21	23
Other	12	3

Source: Public Service Pensions Fund, 2009 Annual Report

5.3.6 Preservation, withdrawal and protection of rights

Any member retiring or resigning for reasons other than disability and before completion of 10 years or more of service is entitled to refund of their contributions together with any interest accrued.

5.3.7 Administrative cost

The legislation states that all expenses incurred in the administration and management of the Fund will be charged to the Fund. There are currently no caps or targets on the level that can be charged for the administration and management of the Fund. As shown in Table 5.5 administration expenses were around 5% of total contributions and 6.3% of total expenses during the period 2004-2009.

The Fund performed well up to 2007, benefiting from the high returns achieved in the South African money markets. However, the income Statement for 2008 and 2009 (Table 5.5) shows that performance has deteriorated significantly and it is likely that the assets do not currently cover actuarial liabilities.

The asset managers are required to hold at least 30% of the fund assets in the domestic economy. This is problematic as the stock exchange is very small (only five listed companies in 2008) and there is limited trading. Some funds put themselves directly into competition with the financial sector by lending at market rates directly to industrial firms, particularly in the sugar and electricity sectors.

Table 5.8 Summary of Key Performance Indicators

Key Ratios (%)	2004	2005	2006	2007	2008	2009
Member benefits / contributions	62	55	52	60	71	62
Administration expense / Contributions	4	4	5	4	5	5
Admin expense / Total expense	6	7	7	6	6	6
Inflation	0	3	3	6	11	9
ROI	28	34	33	30	9	-7
Real rate of return	27	31	30	24	- 2	-16

Source: Public Service Pensions Fund, 2009 Annual Report

5.3.8 Financial and social sustainability

During interviews and discussions held with various officials of the PSPF during February 2010 the following challenges emerged:

- There is no effective oversight and monitoring of funds paid into trusts for survivors of the employee/pensioner. Previously such trust funds were transferred to the office of the Master of the High Court for distribution. This office employed around 20 staff, whereas the Pension Fund has 6 individuals working in this area. 20% of payments are made in the event of death. Oversight and monitoring of this trust becomes important.
- Legal requirement of investing 30% in the country together with the annual fees for registration with the registrar (0.7% of assets). The latter is an opportunity cost to the fund of forgoing higher interest earnings elsewhere and is highlighted as such in IMF’s 2008 Article IV Mission Report.
- Privatisation by the Government. Privatised entities of Government cannot join the Public Service Pension Scheme, therefore affecting the membership of and contributions to the fund.
- Inability of non civil servants to join this scheme. Many private firms and individuals would like to join this fund due to its good performance but are not able to do so. This would enable the PSPF to expand and spread the administrative costs through private employer contributions.
- The recent poor performance of the fund demonstrates the vulnerability of funded schemes to two main risks: A decline in asset coverage may require an increase in contribution rates and a member is forced to purchase an annuity in the current

investment climate and that member will receive substantially less than someone with an equivalent trust fund who retired in 2007.

- The Minister for Finance in successive Budget Speeches has flagged his concern at the high cost of the wage bill, over 50% of total expenditure[4]. The employer pension contributions add significantly to the total expense. Continuing large fiscal deficits will put increasing pressure on this item and may force retrenchment of staff and/or a reduction in the contribution rate and a consequential decrease in the defined benefits or a switch to a defined contribution scheme.

5.3.9 Reform initiatives

The challenges describes above will necessitate substantive reforms over the next few years but no specific proposals have been put into the public domain.

[4] In the 2010/11 Budget Speech, he stated "Mr. Speaker, I am aware that many people, for a variety of reasons, are tired of hearing me express the concern about our wage bill. Unfortunately I can't help it as it will be impossible to attain fiscal sustainability without addressing this item of expenditure."

6 Informal retirement systems

6.1 Long-term savings vehicles

Pension funds and the size of the sector were discussed in the previous section and the prevailing question here is to what extent do individuals revert to other long term savings mechanisms as alternatives to formal pension and providential funds? This depends on the availability of suitable instruments, their market penetration and rules for access and targeting.

Swaziland has a well developed banking system with a recent review counting, in addition to 14 banking institutions, 56 credit co-operatives and more than 100 micro finance institutions (IMF Article IV Mission, 2008).

However, the commercial banking sector is very narrow in terms of coverage and it is estimated that only 52% of households have a member with a bank account. Access to formal monetary services varies by residence; 69 percent in urban areas compared with 43 percent in rural areas (DHS 2007).

Many people therefore utilise Non Banking Financial Institutions (NBFI) and in particular Savings and Credit Co-operatives (SCCOs) as a means of access to finance. It is estimated that between 2002 and 2006 lending by SCCOs has grown 116%, compared with 26% for banks (IMF Survey Magazine 2008)[5].

Although people are using the SCCOs as alternatives to financial institutions, it is also important to note that in Swaziland (and more generally in the BLNS countries of Botswana, Lesotho, Namibia and Swaziland) the NBFIs are dominated by the contractual savings institutions such as pension funds and insurance companies (IMF Article IV Mission, 2008).

Table 6.1 Total Assets of Banks and Non Bank Financial Institutions Southern African Customs Union Countries

	Banks	Non-Banking	Insurance	Pension Funds	Investment Funds	Building societies	Savings / credit unions	Other
	Total Assets in Percent of GDP as of end-2006							
Botswana	60	81	21	48	-	2	4	6
Lesotho	42	23	18	5	-	-	-	0.2
Namibia	85	90	36	54	-	-	-	1
Swaziland	31	54	2	41	-	3	2	6
South Africa	120	208	79	95	35	-	-	-

Source: Various IMF reports and country authorities.

[5] http://www.imf.org/external/pubs/ft/survey/so/2008/CAR072508A.htm

Anecdotal evidence and statements in previous reports (Genesis 2003) allude to the fact that most of the financial instruments including Savings and Credit Cooperatives (SCCOs) are targeted at individuals with regular income stream and often in urban areas.

6.1.2 Legal and institutional

The Banking Financial Institutions are regulated by the Central Bank of Swaziland and through the Financial Institutions Order 1975 while the Savings and Credit Co-operatives are governed through the Co-operative Societies Act of 1964 and are currently supervised by the Ministry of Agriculture and Co-operatives.

A draft Financial Services Regulatory Authority (FSRA) Bill is under consideration which will incorporate the regulation of all Non Bank Financial Institutions (NBFI).

6.2 Asset accumulation

Asset accumulation is a widespread mechanism used by people in Swaziland and the region for consumption smoothing against unforeseen circumstances and for use in major life events (birth, death, marriage, etc.).

As shown in Table 6.2, 59% of households (21.6% of population) have ownership of agriculture land and 53% (15.2% of population) own farm animals. These figures are much higher for rural areas where 79.5% of household (86% of rural population) own agriculture land and 74.2% (84.3% of rural population) own farm animals. This is particularly important since other financial mechanisms, particularly SCCOs, are targeted at formally employed people who are more highly concentrated in urban areas.

Table 6.2 Household Possessions, DHS 2007

Possession	**Households**			**Population**		
Household effects	**Urban**	**Rural**	**Total**	**Urban**	**Rural**	**Total**
Radio	82.1	73.7	76.5	84	75.7	77.4
Television	54.4	26.4	35.4	62.1	28	35.2
Mobile telephone	75.1	53.3	60.3	78	58.1	62.3
Non-mobile telephone	20.1	8.7	12.4	28	9.8	13.6
Refrigerator	51.1	26.4	34.4	58.8	28.4	34.8
Stove	87.8	49.7	62	88.4	49.8	57.9
Watch/clock	83.8	73.5	76.9	87.9	77.4	79.6
Means of transport						
Bicycle	9.4	9.5	9.5	12.4	10.9	11.2
Motorcycle/scooter	1.6	0.5	0.9	1.7	0.5	0.8
Animal drawn cart	0.3	2.9	2.1	0.2	4.3	3.4
Car/truck	24.5	15.6	18.5	32.2	17.1	20.3
Tractor	0.6	4.9	3.5	0.7	6.7	5.5
Ownership of agriculture land	16.5	79.5	59.1	21.6	86.1	72.5
Ownership of farm animals (1)	8.8	74.2	53.1	15.2	84.3	69.7
Household member with bank						
account	69.3	43.3	51.7	72.4	44.6	50.4
Number	1,565	3,278	4,843	4,705	17,598	22,302

(1) Cattle, cows, bulls, horses, donkeys, goats, sheep, or chickens

Source: Demographic Health Survey 2007

"One of the most common ways of acquiring land is through the Kukhonta system, whereby the male head of a household pledges allegiance to one of 350 palace-appointed chiefs. In return, he is given a piece of land to build homestead structures, a field to cultivate crops and free grazing land for cattle.

Four out of five Swazi families live under this latter day feudal system. Until recently, women were not permitted to undergo the Kukhonta rituals and receive Swazi Nation Land. By custom, when a husband dies, his property is taken over by his brother (Hall, 2002b). Individual can also buy land and property in SNL urban areas.

The purchase or own-construction of formal housing, especially in the main urban and peri-urban areas, is also an important form of asset acquisition, as shown by the success of the Urban Development Project in delivering new and improved services plots in informally settled areas of Mbabane and Manzini since 1994.

No quantified evidence is available on the extent of rental income for households in general or for elderly-headed households but it is likely to be a significant source of income. The twin issues of lack of available land for low-cost development within the urban areas, and insecure (unbankable) land tenure on SNL have been major challenges in provision of adequate land for the growing urban population.

Although the Swaziland Building Society is able to provide mortgage finance for high income households, there are limited sources of finance for low-income households and many families rely on access to ad hoc lump-sum resources to build and extend their houses.

6.3 Other informal support mechanisms

Other identified support mechanisms (social security provision) for rural Swaziland are the “rural homestead as solidarity group”, “kinship relations”, and “neighbourhood associations and chiefdoms” (Leliveld 1994).

However, these have recently come under increasing pressure due to factors such as unemployment, migration, disintegration of the extended family and HIV/AIDS which have put more demands on the elderly with diminishing support from the younger generation (ULARN 2003).

In 2007, the UNDP 2009 (HDR) recorded that Swaziland has 38,600 emigrants who provided USD 99 million as remittances, equal to USD 86 per capita. This is likely to be a significant source of income for poor households and of finance for occasional asset acquisition.

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