Eswatini Country Presentation

Investment Opportunities in Eswatini

Hand-in-Hand Initiative

Food and Agriculture Organization of the United Nations

SIYINQABA

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1 Socio-Economic Indicators

A nation in conversation with itself - Renewal and the “Nkwe” mandate

Overview

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- **Domestic economic growth averaged 3.1%** for 2020, 2021 and 2022, strengthening from a previous 20-year average of around 2.5 %

- For 2024 it was 4.8 %, showing a strong resurgence post COVID-19 and other disturbances.

- The **Medium-Term Economic Outlook** is moderately favourable, with GDP growth stabilising at about 3 % over 2024-26.

- **Growth is expected to be driven by higher investments,** from the Eswatini Government **(due to higher SACU revenue),** and sustained improvements in industry and services.

- Eswatini is a lower middle-income country with a GDP per capita of USD 3,797
- **Headcount poverty rate is 58.9%**
- **Income distribution is skewed;** the highest 20% of the population share over 60% of the income –a need for “targeted” investments to promote job creation

(Source: World Bank, 2024)

Overview (cont.)

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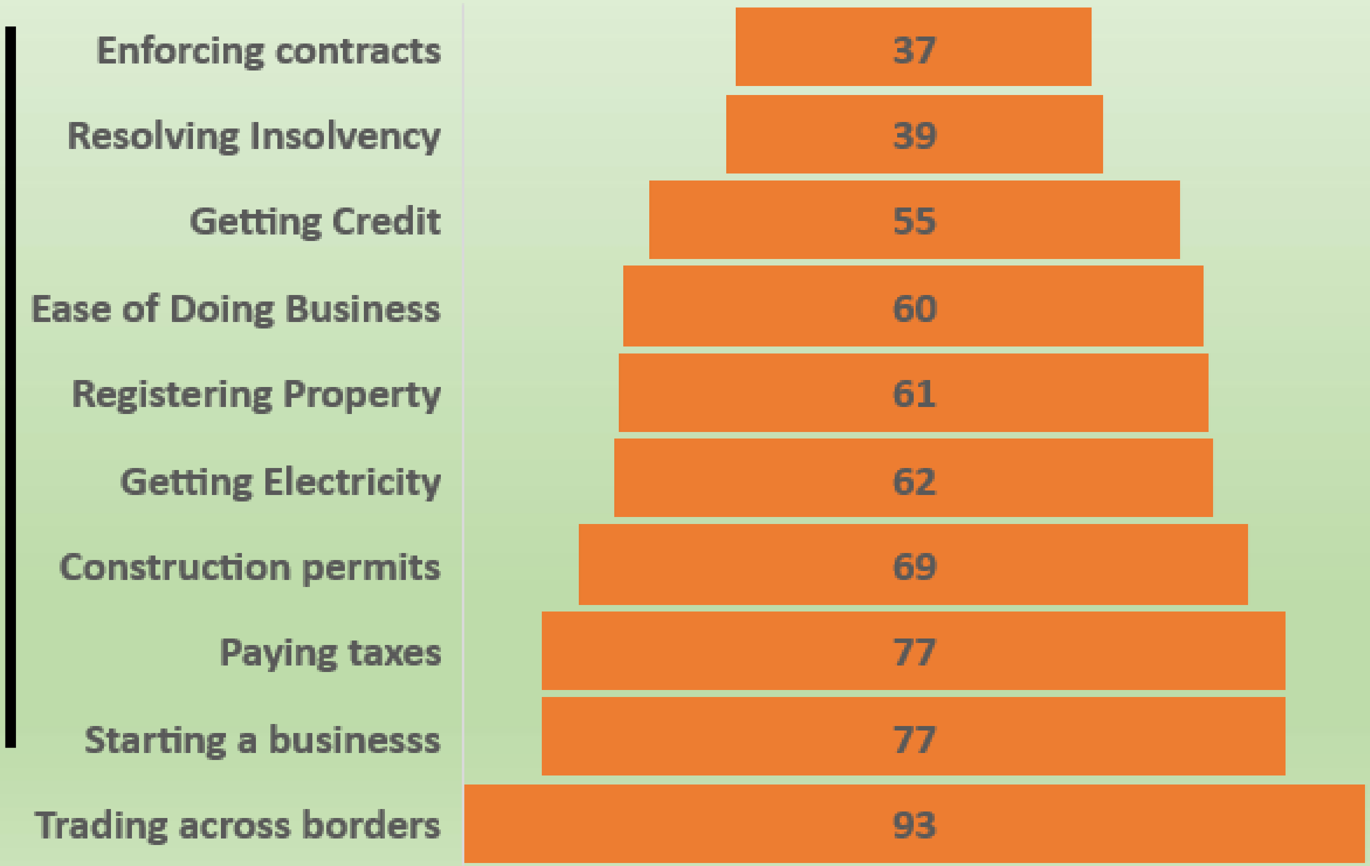
2023-Indicators

- **Population (million)** **1.2**
- **GDP (USD billion)** **4,6**
- **GDP per capita (USD)** **3,797**
- **GDP Growth Rate (%)** **4.8**
- **Share of Agriculture & Forestry to GDP (%)** **8.1**
- **Share of manufacturing to GDP (%)** **33**
- **Share of Tertiary Sector to GDP (%)** **53.5**
- **Key economic sectors:**
- Agriculture, Forestry, Mining, Manufacturing
- **Total GHG emissions (mtCO2e)** **3.1**

(Source: World Bank, 2024)

Ease of Doing Business Ranking - 2020

Eswatini Ranks 14th in Sub-Saharan Africa in the Ease of Doing Business



Source: Doing Business Legacy (Worldbank.org)

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2 Policy Framework and Enablers for Investment

Overview of the Agriculture Sector Policy Framework

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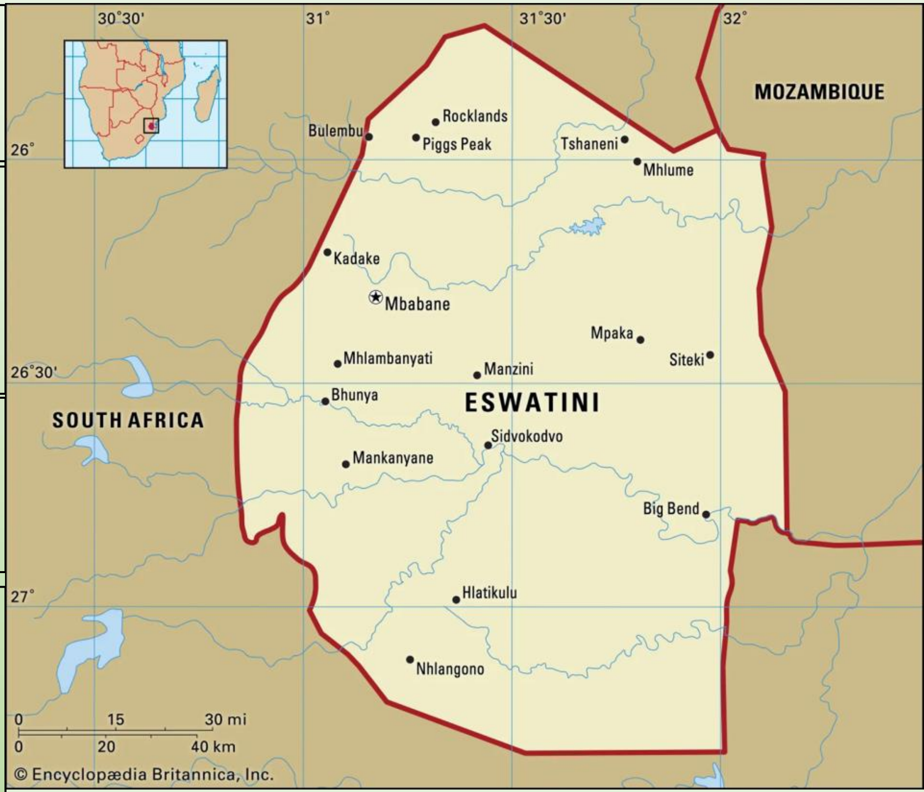
National Development Plan (2023-2028): Promotion of agriculture and high value crops, value addition and processing

Eswatini National Agricultural Investment Plan (ENAIP) (2023-2028): Increasing productivity and production, diversification and overall consumption.

Ministry of Agriculture Strategic Plan (2023-2028): Attain food abundance and create wealth: 10 strategic projects

Special Economic Zones (SEZ) Act 2018: Offers 20-year corporate tax exemption; reductions on customs duty & value added tax; unrestrictive foreign exchange controls or restrictions

Eswatini Food System Transformation Game Changing Pathways: value chain development, Eswatini **Agricultural Development Fund (EADF),** institutional reengineering, Information and Tech systems, specialised nutrition programmes



Eswatini Agricultural Development Fund (EADF)

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- **Established** through the **Public Finance Management Act of 2017,** in **July 2023**. **Started operating, 1 August 2024.**
- **Purpose**: To transform the agriculture sector by providing **catalytic investment**s for growth and private sector participation in agricultural value chains.
- Government injected USD 2.9M initially. Target is USD 56M in 4 years (USD 14M / year).
- EADF applies blended financing by crowding in other finance sources e.g. ongoing projects: EU, AfDB, IFAD and Climate Funds (GCF, GEF & AF).
- Local Development Bank to distribute funds to applicants (all Agricultural Stakeholders).
- **Max. single loan** of USD 268,800 (9% interest rate) to eligible applicants, then monitored.

Investment Environment

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- Agriculture products with huge potential for value addition.
- A range of supportive **policy instruments and incentives framework in place.**
- Agriculture sector supports agro-based industries and manufacturing which contributes about **33%** of Eswatini’s GDP.
- **Huge export potential** of most agricultural commodities.
- **Stable political system** peaceful, unified nation with single cultural identity, active youthful workforce entrepreneurial spirit.
- **A range of Pro-Agriculture Government policies and programs**.

Investment Environment

Tax Incentives

Unlimited Provision for Losses; may be carried forward indefinitely

Duty Free imports of Raw Material; for production of goods exported outside SACU

Employee Training Allowance; 100% of costs to be offset against tax liabilities

Duty-free imports of Capital Goods; intermediate goods

Full Repatriation of Profits and dividends for capital repayments, in any currency

Double Taxation Agreements; offering relief for taxes paid abroad on income

Investment Environment

Non-Tax Incentives

- Export credit guarantee scheme
- Legal protection of investments
- Eswatini is a member of Multi Investment Guarantee Agency (MIGA)
- Five-year work and residence permits
- Subsidised rental on government factory shells
- Bilateral and Unilateral Trade Agreements (SADC, SACU, COMESA, AGOA, AfCTA)
- Financial enablers: Availability of financing options; investment incentives (tax breaks, duty exemption)
- Special designated areas for agricultural development

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3 Presentation of Investment Cases

Investment Locations

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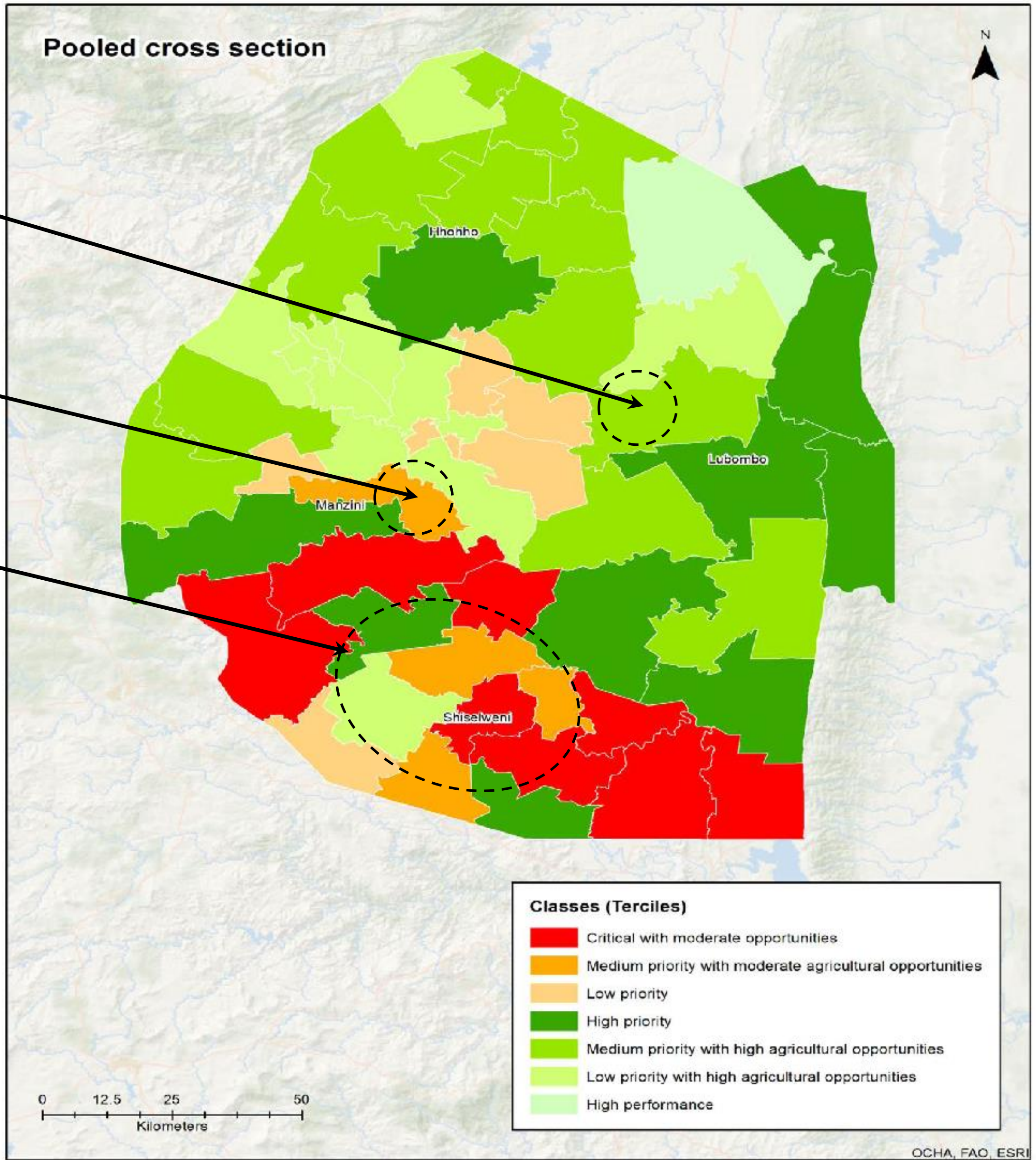
- **Sikhuphe (KM3 International Airport):** *Export hub facility*- (Beef, Chevon, baby vegetables, & Milk)
- **Manzini:** *Seed multiplication & grain storage facility* (Maize & Beans)
- **Mkhondvo-Ngwavuma:** *Agro-industrial zone*- (Aquaculture, Maize, Dry beans & Soya Beans

Sikhuphe: KM3 is an existing international airport
Manzini: Central distribution, high bean producing area, existing infrastructure and close proximity to high maize producing areas (Sigangeni, Madulini)
Mkhondvo-Ngwavuma: Epicentre of poverty and drought striken parts of Eswatini, big dam being constructed.



Source: Stochastic frontier analysis FAO-HiHi task force (2024)

Potential Markets for Selected Commodities

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Beef

- Preferential tariff-free access into EU through the Economic Partnership Agreement
- **Currently exports well below the quota**.
- In 2008, quota was 10,000t, currently **no limit and no tax levy**
- Current export markets: Norway (57%), rest to South Africa, Mozambique, Asia
- Potential Export Market through the African Continental Free Trade Area (AfCFTA)

Baby Vegetables

Current export market: South Africa
Potential: EU, Taiwan

Milk

Current export markets: Botswana, Mozambique
Current import quantity: 66 M litres
Potential: Taiwan

Chevon

Current export market: South Africa
Potential: South Africa (150,000-1M live animals), Kuwait (USD 144M), Taiwan, South Korea

Annual imports by selected target markets (000 USD)

Country/Region	Product	Value (000 (USD)	Tonnage	CAGR (2016-2022) – for value
European Union	Beef	667,648	288,987	8%
	Milk	375,242	1,172,558	11%
	Baby vegetables	420,251	147,000	17%
South Africa	Milk	3,555	48,469	30%
	Baby vegetables	564	94	18%
Mozambique	Beef	380	217	15%
	Milk	185	64	32%
	Baby vegetables	115	17	27%

Source: FAOSTAT (2024);World Bank (2022); OEC World (2022)

1 - Export Hub Facility: Food Processing Facility

Targeted Products: Dairy (Cheese, Yoghurt, Butter, Fresh and Skimmed Milk, Juice; **Baby Vegetables** (Fresh and Frozen); **Beef** (fresh, sausages, dried meat; **Goat** (Chevon) – for local and export market

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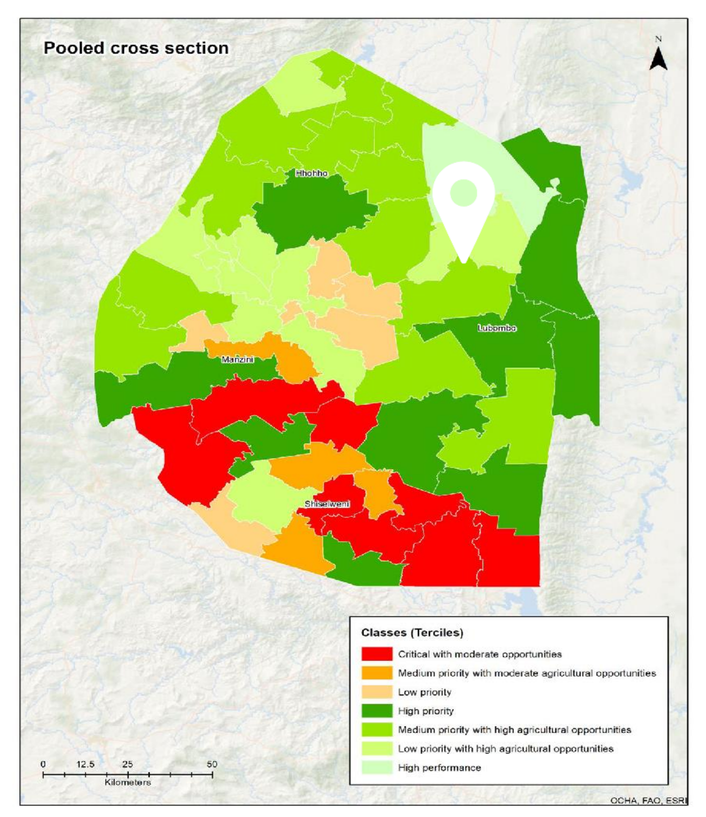

Source: Stochastic frontier analysis FAO-HiHi task force (2024)

Current situation

Beef

Demand 19,094 MT

Production 16,353 MT

GAP 2,741 MT

IMPORTS 2,014 MT

Source: FAOSTAT 2024

Milk

Production: 22M litres

Demand: 88M litres

GAP 66 M litres

Imports: 66M litres

Source: (ERA, 2023; SDB, 2023)

Baby Vegetables

Demand 39,146 MT

Production 7,647 MT

GAP 31,499 MT

Imports 2,994 MT

Source: FAOSTAT,2024

Profitability Indicators

Investment Outlay	Internal Rate of Return(IRR)	Net Present Value(NPV)
USD 28.42M	13.90%	USD 19.34M

Social- Economic Indicators

Direct Beneficiaries	Indirect Beneficiaries	Income Increase Per Capita
15,100	137,500	USD 248.32

Government Support – Fiscal & Policy Incentives

1. KM3 designated Special Economic Zone (SEZ)
2. 2,300 ha of land is earmarked for industrial development
3. 67 ha fully serviced and ready to welcome new investment

1 - Export Hub Facility: Food Processing Facility

Targeted Products: Dairy (Cheese, Yoghurt, Butter, Fresh and Skimmed Milk, Juice; **Baby Vegetables** (Fresh and Frozen)**; Beef** (fresh, sausages, dried meat; **Goat** (Chevon) – for local and export market

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Key Bottlenecks

- Low livestock value addition - inadequate infrastructure, technologies and equipment.
- Limited technical and management skills
- High transportation costs for imputs and goods.
- Lack of modern quality control and certification systems
- Limited marketing and branding initiatives

Key Investment Needed

1: Establish climate smart, cost-effective food processing facility (USD 13.97)

(i) Transport and cold chain infrastructure (USD 3.25M) – private sector

(ii) Collection centres (USD 6.5M) – private sector

(iii) Sorting, packaging, & branding system – (USD 4.22M) – private sector

2: Outgrower production system (USD 2.5M) – private sector

3: Breeding & artificial insemination services (USD 1.6M) –government

4: Digital marketing system & collective marketing (USD 1.5M) – private sector

5: Establish accredited laboratory (USD 7.6M) - government

6: Deploy internationally accredited certified agents - USD 1.25M – private sector

Risks & Mitigation

- Supply of raw materials

Mobilize critical mass of raw materials from farmers & cooperatives, bulk purchasing through outgrower schemes

- Market linkages and price volatility

Promote digital marketing system

- Quality control and certification infrastructure

Enforce quality standards & strengthen certification system

2(a) Agro-Industrial Zone - Eswatini Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP)
Targeted Products: Intensive climate-smart aquaculture (tilapia. Salmon and catfish) – for local and export market

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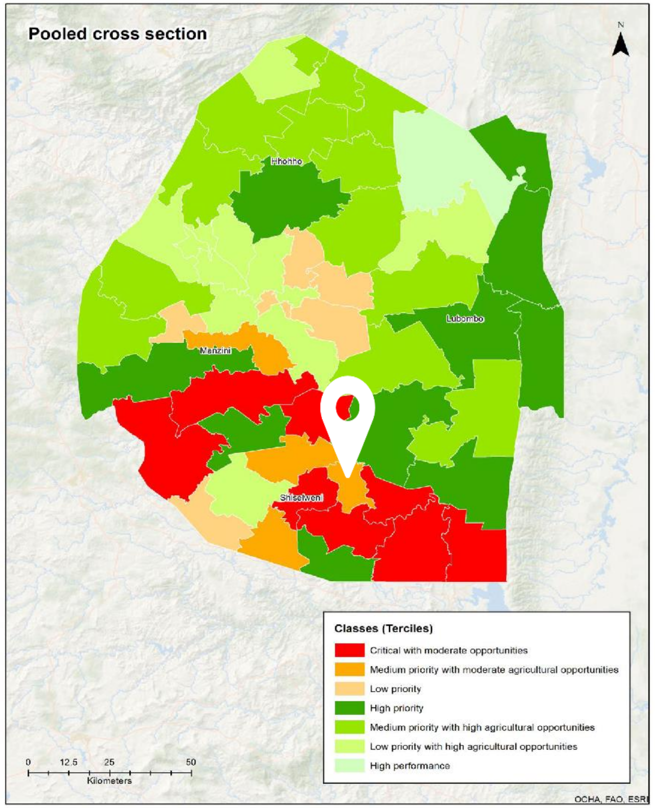

Source: Stochastic frontier analysis FAO-HiHi task force (2024)

Current situation

- Demand 5,025 MT
- Production 165 MT
- **GAP 4,860 MT**
- Imports 169 MT

Source: FAOSTAT 2024

- Decline in per capita fish supply from 6.8 kg in 2005 to 3.2 kg in 2017 (Source: FAO 2019)
- No fish hatchery
- EWADE piloting cage farming at LUSIP II
- **Market:** Africa Growth Opportunity Act (AGOA) duty-free and quota-free fresh fish market

Profitability Indicators 15

Investment Outlay	IRR	NPV
USD 18.97M	14.10%	USD 12.43M

Social- Economic Indicators

Direct Beneficiaries	Indirect Beneficiaries	Income Increase Per Capita
18,000	99,000	USD 169.32

This investment will benefit from and build on the investments in the Mkhondvo-Ngwavuma Dam.

Government Support – Fiscal & Policy Incentives

- Approved by Cabinet as a priority project
- USD 139M approved & ongoing African Development Bank (AfDB) Loan for Mpakeni Dam
- USD 111M going through parliamentary approval for AfDB Loan
- USD 19M going through parliament approval for OPEC Loan

2(a) Agro-Industrial Zone - Eswatini Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP)

Targeted Products: Intensive climate-smart aquaculture (tilapia. Salmon and catfish) – for local and export market

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Key Bottlenecks

- No facility for production of aquaculture in Eswatini, no supportive infrastructure
- Limited breeding facilities
- Limited technical and management skills
- Limited quality control and certification infrastructure

Key Investment Needed

1: Establish climate-smart intensive aquaculture production facility (USD 8.15M)

(i) Farm infrastructure 20,000 tons capacity – USD 5.7M – private sector (20 cages – 1000 capacity)

(ii) Fish feed facility – USD 2.45M – private sector

2: Technical services (USD 1.64M) – private sector

3: Breeding programme (USD 2.7M) – private sector

(i) Hatchery - USD 1.36M- private sector

(ii) Source raw materials - Mpakeni dam – (USD 1.34M)

4: Quality control infrastructure – amenities, laboratories and certification services (USD 1.85M)

5: Marketing efforts to promote local consumption

(i) Awareness program – (USD 780,000)

(ii) Branding and Marketing (USD 1.15M - private sector

Risks & Mitigation

- Supply of raw materials

Establish breeding programme

Introduce climate smart production techniques

- Quality and certification standards

Invest in quality control and certification infrastructure

- Domestic market

Targeted marketing efforts to promote fish consumption locally

Targeted awareness program

2(b) Agro-Industrial Zone - Eswatini Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP)

Targeted Products: Integrated climate smart grain production (Maize, Beans and Livestock feed) – for local and export market

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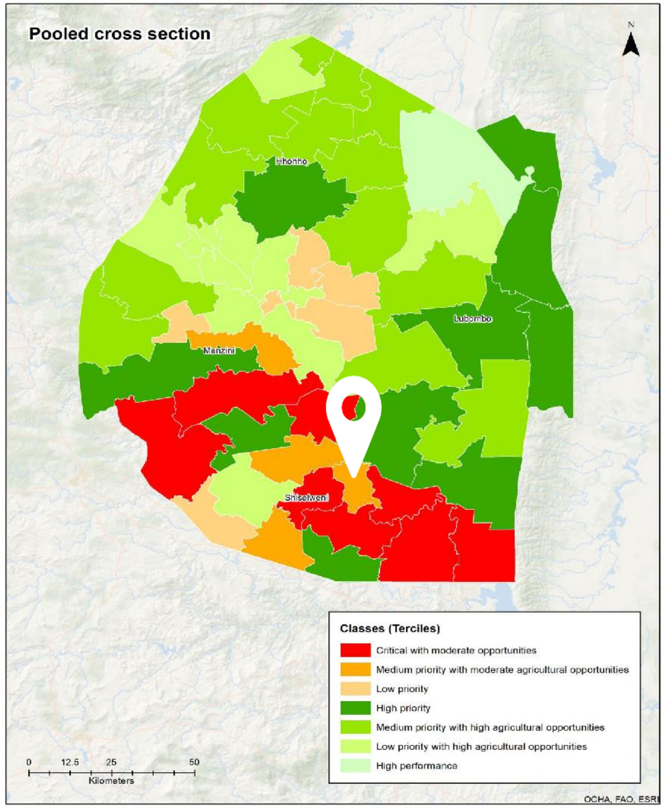

Source: Stochastic frontier analysis FAO-HiHi task force (2024)

Current situation

- Annual legume production: 924 T, national demand 14,000 T
- Livestock feed manufacturers (Soya) - 40,000T/annum
- Annual maize production ≈ 75,000 MT whilst national demand is about 140,000MT
- Average bean imports 5 780 MT
- **Target market:** Angola, Botswana, Malawi & Zimbabwe

Profitability Indicators

Investment Outlay	IRR	NPV
USD 17.20M	15.00%	USD 16.56M

Social- Economic Indicators

Direct Beneficiaries	Indirect Beneficiaries	Income Increase Per Capita
26,000	143,000	USD 131.60

This investment will benefit from and build on the investments in the Mkhondo-Ngwavuma Dam.

Government Support – Fiscal and Policy Incentives

- Approved by Cabinet as a priority project
- USD 139M approved and ongoing AfDB Loan for the dam (Mpakeni)
- USD 111M going through parliamentary approval for AfDB Loan

2(b). Agro-Industrial Zone - Eswatini Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP)

Targeted Products: Integrated climate smart grain production (maize, beans and livestock feed) – for local and export market

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Key Bottlenecks

- Insufficient land for modern farming and infrastructure
- Over-dependence on imported grains – e.g. annual maize production is 75,000 MT whilst national demand is 140,000 MT
- Low technical and managerial skills
- Inadequate marketing infrastructure & skills

Key Investment Needed

1: Establish integrated grains production & processing facilities - (USD 9.21M)

- Farm infrastructure for maize – USD 3M – private sector
- Farm infrastructure for dry beans USD 3.30M private sector
- Collection centres – USD 1.41M –private sector
- Transport infrastructure – USD 1.5M – private sector

2: Technical services for climate smart production practices & management (USD 3.99M)

- GAP - (USD 1.56M) – private sector
- Incubation programme - USD 2.43M - government

3: Outgrower production system (USD 2.5M) – private sector

4: Digital and Collective marketing systems (USD 1.5M) – private sector

Risks & Mitigation

- Supply of raw materials

Mobilize materials – bulk purchasing through outgrower schemes

Reduce post harvest losses through climate smart production techniques

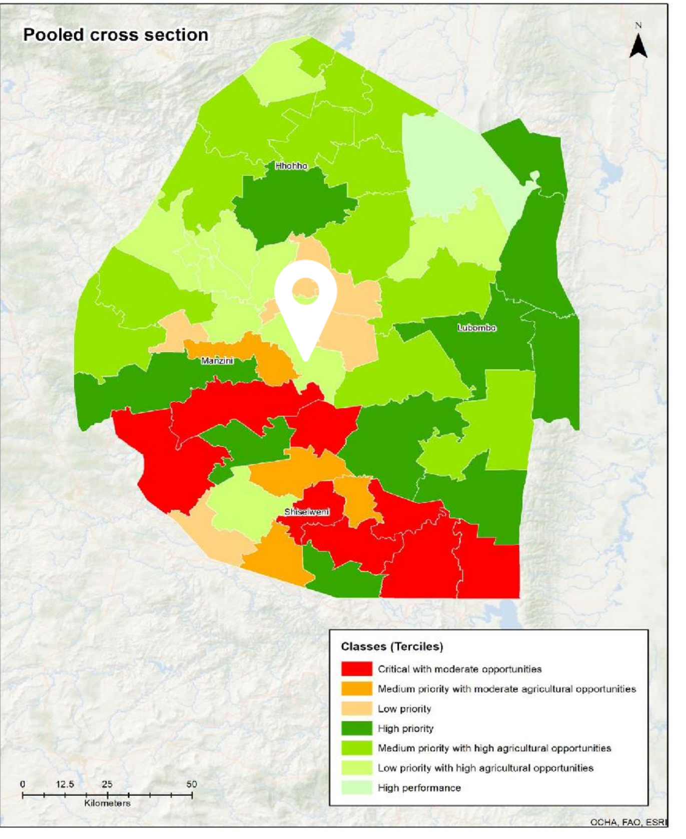
- Competition from major producers – e.g South Africa

Competitive pricing through improved production, processing and marketing interventions

Effective digital marketing system

Strengthen collective marketing through producer associations

3. Seed Multiplication and Grain Reserve Facility
Targeted Products: Maize and Beans – for local market



Source: Stochastic frontier analysis FAO-HiHi task force (2024)

Current situation

- Imports: USD1.02M of maize seed
- **Market: Angola, Botswana, Malawi & Zimbabwe**
- Availability of small scale millers and commercial silos; capacity 54,000 MT
- The National Maize Corporation (NMC) provides market, maize aggregation & storage. NAMBoard regulates grain imports & exports

Government Support – Fiscal & Policy Incentives

- Legal framework: The Seeds and Plant Varieties Act of 2000
- Approved by Cabinet as a priority
- Seed Multiplication Project (SMP) & contracted commercial seed-producers

Profitability Indicators

Investment Outlay	IRR	NPV
USD 21.27M	14.80%	USD 18.44M

Social- Economic Indicators

Direct Beneficiaries	Indirect Beneficiaries	Income Increase Per Capita
27,200	149,600	148.59

3. Seed Multiplication and Grain Reserve Facility
Targeted Products: Maize and Beans – for local market

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Key Bottlenecks

- Insufficient land for modern farming and infrastructure
- High transportation costs
- Overreliance on seed imports (maize & dry beans).
- High grain imports for food Maize: 143,000 MT; USD 64M
- Competition from major producers in the region – e.g. South Africa

Key Investment Needed

1: Establish climate smart seed multiplication facility – (USD 12.77M)

(i) Farm Infrastructure – USD 5.35M – private sector

(ii) Satellite collection centres for maize and beans –USD 2.5M –private sector

(iii) Transport infrastructure – USD 1.32M – private sector

(iv) Existing land 40 ha -USD 3.6M – government

2: Out grower production system (USD 2.5M) – private sector

3: Digital marketing system & collective marketing (USD 1.5M) – private sector

4: Construct 160,000-ton physical grain silo – (USD 4.5M) –government

Risks & Mitigation

- Supply of raw materials

Mobilize raw materials from farmers & cooperatives

- Competition from major regional producers, particularly South Africa

Promote digital and collective marketing

- High cost of construction and management of storage facilities could discourage private sector

Operation arrangements to be based on PPP model, e.g. build operate & transfer option

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4 Summary of Investment Plan

Summary of Investment Plans

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Total Investment	Overall Average IRR	Direct Beneficiaries	Indirect Beneficiaries	Income Increase Per Capita	CO_2 Emission Reduction Per ha/year
Total Investment: **USD 85.86 M** Government **USD 21.85 M** GAP: **64.01M**	**16.82%** Overall Average IRR	**86,900** Direct Beneficiaries	**529,100** Indirect Beneficiaries	Income Increase Per Capita: **USD 174.50**	**MT =732,193** CO_2 Emission Reduction Per ha/year

Intervention 1

Food Processing Facility

Cost (USD)
28.42M

IRR (%)
16.20%

NPV
USD 19.45M

Sustainability Benefits

Direct Beneficiaries: 15,100

Indirect Beneficiaries: 137,500

Income increase per capita: **USD 248.49**

CO_2 Emission reduction per ha/year: **54,828t**

Intervention 2

Aquaculture Production

Cost (USD)
18.97M

IRR (%)
14.98 %

NPV
USD 12.43M

Sustainability Benefits

Direct Beneficiaries: 18,000
Indirect Beneficiaries: 99,000
Income increase per capita: **USD 169.32**

CO_2 Emission reduction per ha/year: **246,318t**

Intervention 3

Grain Production

Cost (USD)
17.20

IRR (%)
16.04%

NPV
USD 16.54M

Sustainability Benefits

Direct Beneficiaries: 26,000

Indirect Beneficiaries: 143,000

Income increase per capita: **USD 131.60**

CO_2 Emission reduction per ha/year: **787,145t**

Intervention 4

Seed Multiplication Facility

Cost (USD)
21.27M

IRR (%)
20.05%

NPV
USD 18.45M

Sustainability Benefits

Direct Beneficiaries: 27,200

Indirect Beneficiaries: 149,600

Income increase per capita: **USD 148.59**

CO_2 Emission reduction per ha/year: **246,194t**