Overview

The Kingdom of Eswatini is a landlocked country covering an area of approximately 17,360km², with a population of approximately 1.451 million. According to the 2018 FinScope Consumer Survey, 54 percent of its population was 35 years old or younger and 34 percent had primary school education or less. The Kingdom of Eswatini is classified as a low middle income country with a gross domestic product (GDP) at market prices of US$3.43 billion. The country is predominantly rural with much of the development confined to its urban centres of Mbabane and Manzini. In 2018, 71 percent of the total population lived in rural areas and 29 percent lived in urban areas. Poverty levels have stagnated over the past five years with 58.9 percent of Swazis living below the national poverty line in 2017.

On average, a household comprises four members with an average of two members of the household being income-earners. Twenty percent of those surveyed in the 2018 FinScope Consumer Survey indicated that they received income from the formal sector; 12 percent from owning micro, small, and medium enterprises (non-farming); 15 percent from piece jobs; three percent from owning a farming-related business; 24 percent from remittances received from relatives or friends; and five percent noted government grants as their primary source of income.

The Kingdom of Eswatini is economically dependent on South Africa for 60 percent of its exports and for more than 90 percent of its imports. The economy is made up mostly of agriculture and forestry. Mining accounts for approximately 10 percent of GDP while manufacturing (textiles and food processing) represents 30 percent of GDP. Government services constitute approximately 20 percent of the GDP. In its Eswatini Economic Outlook for 2019, the African Development Bank reported that real GDP contracted by an estimated 0.5 percent in 2018 after 1.9 percent growth in 2017. However, real GDP growth is projected to recover to 1.7 percent over the course of 2019 and 2.3 percent in 2020. This growth will largely be driven by supply-side developments.

In addition, to stimulate GDP growth, boost local employment and generate higher, sustainable export revenues, the Minister of Finance noted these five priority areas in his 2019 Budget Speech: the development of a fiscal consolidation plan and arrears funding strategy; improvement of the ease of doing business rankings; delivery of improved socioeconomic impact; implementation of an infrastructure investment plan; and building a culture of excellence.

Access to finance

The Kingdom of Eswatini’s banking landscape is comprised of the Central Bank of Eswatini, four commercial banks and one building society, the Swaziland Building Society (SBS). Three of the four commercial banks operating in the country are subsidiaries of parent South African banks. These banks include Standard Bank, First National Bank and Nedbank. The fourth commercial bank is the Eswatini Development and Savings Bank, which is owned by the government.

The Kingdom of Eswatini has a dynamic microfinance sector with approximately 114 microfinance institutions (MFIs) registered with the Eswatini Financial Services Regulatory Authority (EFSRA). In addition, there are 52 registered Savings and Loans Associations (SLAs) with a combined membership of 133,000. These organizations deliver financial services to the informal sector and provide a platform for the Poor to save, access microfinance, and earn income from their savings. They also play a crucial role in improving access to primary health care, education, and water and sanitation services.

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In the National Financial Inclusion Strategy for Swaziland 2017-2022, the Kingdom of Eswatini’s Ministry of Finance highlights its financial inclusion strategic vision. The vision is to increase the depth of financial inclusion and grow the percentage of adults with access to two or more formal products from 43 percent to 75 percent. The strategic vision also includes reducing the number of adults unable to access formal products from 27 percent to 15 percent by 2022 through growing mobile money and remittances; deepening bank read; getting credit basics right; ensuring risk management products are available; and enabling alternative channels to serve the poor.10

The 2014 FinScope Consumer Survey indicated that 37 percent of the Swazi population that is 18 years or older is financially excluded; they do not have, nor do they use any financial products or services, formal or informal. The FinScope survey also notes that consumers generally use a combination of financial products and services to meet their financial needs. Only 5.8 percent of adults rely exclusively on banking services, while 24.3 percent use a combination of formal and informal mechanisms to manage their financial needs (suggesting that their needs are not fully met by the formal sector alone), and 8.6 percent of the adult population solely rely on informal mechanisms such as village savings and loan groups to save or borrow money.11

In its Private Sector Credit Report for June 2018 to June 2019, the Central Bank of Eswatini notes that outstanding loans related to housing amounted to E3 500 000 000 (US$24 773 270) as at June 2019.12 The main mortgage dispersing financial services providers include Standard Bank, First National Bank (FNB), Nedbank, Swaziland Building Society and Swazi Bank. Mortgage terms are generally 20 years, with Standard Bank offering mortgages for a 25-year period and FNB offering 100 percent mortgages. The prime interest rate is 10 percent, with the actual interest rate applied on a mortgage dependent on the applicant’s personal credit score.

General requirements when applying for a mortgage include, among others, submitting proof of residence, a deed of sale and a confirmation letter from the chief’s krala declaring a right to occupy land if it is on Swazi National Land.13

The SBS offers construction loans for residential and commercial properties. Applicants are required to submit a building plan approved by the City Council or written consent from the Ministry of Housing and the local municipal council as well as a copy of the supervising architect or project manager’s professional fees and approval from the Eswatini Environmental Authority. Applicants are also required to submit proof of income. This can be in the form of a current payslip, a current lease agreement in cases where income is rental based, audited financial statements, cash flow projections or a six months bank statement for registered companies.14

Loans dispersed by the SBS must be covered under the Mortgage Protection Policy and House-Owner’s Insurance. In the event that the borrower’s insurer cancels such a policy, the SBS reserves the right to force insure the loan to protect its interests. The SBS is also a registered corporate insurance agent for Swaziland Royal Insurance Corporation in terms of the Insurance Act No. 7 of 2005.15 The Swaziland National Housing Board (SNHB) is mandated to provide housing loan finance to Swazis wishing to develop their own properties. The SNHB is currently investigating what resources and processes would enable it to meet this need.16

Affordability
Although secure tenure may be precarious on Swazi National Land, 93 percent of the adults who live on rural land consider themselves to have full ownership of the housing unit they live in, while four percent consider themselves to be tenants. As it relates to urban land, 47 percent of those surveyed in the FinScope Consumer Survey in 2014 indicated that they are tenants, while 40 percent indicated that they had full ownership of the housing unit they occupy.17

In 2014, only eight percent of adults surveyed indicated that they invested in property, while four percent indicated that they invested in improving, extending, or building their home. With short-term savings, nine percent indicated that they were saving towards buying or building a house. The greatest purpose for savings, at 56 percent, was for general living expenses, suggesting shortfalls in household income when measured against household financial needs.18 The greatest driver for household credit, at 31 percent, is general living expenses.19

The unemployment rate in the Kingdom of Eswatini remained unchanged at 26.40 percent in 2017 from 26.40 percent in 2016.20 The minimum wage rate is E531.6 (US$37.63) a month for a domestic worker; E420 (US$29.73) a month for an unskilled worker; and E600 (US$42.47) a month for a skilled worker. The minimum wage was revised in 2011.21 Assuming that up to 25 percent of a person’s income can be used for housing an individual earning a minimum wage would not be able to purchase a residential property through a mortgage. Standard Bank requires a mortgage applicant to earn a minimum monthly net salary of E5 000 (US$353.90). The maximum loan term across all the lenders is approximately 25 years. The SBS offers mortgages slightly below the prime rate at eight percent.

Housing supply
Housing delivery on behalf of the government of the Kingdom of Eswatini is delegated to the SNHB, a public enterprise set up in terms of the Swaziland National Housing Board Act No. 3 of 1988 with the core mandate of providing affordable housing for low and middle income Swazi citizens.22

Under the Institutional Housing Project, the SNHB was appointed by the government to implement a phased housing programme for civil servants. Under this programme, the SNHB is required to raise finance, and construct and manage the housing units to be leased to the government. Phase one of the programme is divided into two stages. The first stage involves the construction of units for three government agencies, namely the Royal Swaziland Police (132 housing units), His Majesty’s Correctional Services (160 housing units), and the Swaziland National Fire and Emergency Service (72 housing units). Phase two of the programme involves developing a total of 236 housing units, ranging from two to three bedroom semi-detached housing units. A total of 196 housing units are allocated to Ministry of Health employees, while 40 are allocated to Swaziland Civil Aviation Authority employees.23

Property markets
The SNHB manages and leases residential estates in Matsapha and Mbabane. The Matsapha Estate comprises two developments that can accommodate 580 households. The cheapest housing unit is located in the Matsapha Old Mlobeni Estate development; the unit has two bedrooms, a shared bathroom, kitchen and living room. The monthly rental for this unit is E1 510 (US$106.88). The estate is conveniently located between Mbabane and Manzini. The six estates across Mbabane accommodate 505 households. The cheapest housing unit is in the Old Mlobeni Estate development; the unit has two bedrooms, a shared bathroom, kitchen and living room. The monthly rental for this unit is E1 510 (US$106.88). The development is in Msunduza, Mbabane.24

The sales portfolio of the SNHB consists of properties developed by the SNHB, some of which are in Woodlands, Nkhanini, Mlobodeni and Thembelela.25 The Mlobodeni township development has 18 plots which are each 400 square metres, and the units range from one to three bedrooms. The cheapest housing unit in the development is a one bedroom and one bathroom 52.83 square metre unit, with a sale price of E406 315 (US$28 759.29).26
**ESWATINI**

### Annual income profile for rural and urban households based on consumption (PPP$)

- **PPP$40 001 – PPP$50 000**
- **PPP$50 001 – PPP$100 000**
- **PPP$100 001 – PPP$200 000**
- **PPP$200 001 – PPP$300 000**
- **PPP$300 001 – PPP$500 000**
- **PPP$500 001 – PPP$750 000**
- **PPP$750 001 – PPP$1 000 000**
- **PPP$1 000 001 – PPP$2 000 000**
- **PPP$2 000 001 – PPP$3 000 000**
- **PPP$3 000 001 – PPP$5 000 000**
- **PPP$5 000 001 – PPP$8 000 000**
- **PPP$8 000 001 – PPP$12 000 000**
- **PPP$12 000 001 – PPP$23 000 000**
- **PPP$23 000 001 – PPP$40 000 000**

**Source**: [https://www.cidade.com/C-GDO, 2019](https://www.cidade.com/C-GDO, 2019)

**On average, the cost of construction labour per square metre is reported as E1 900 (US$34.48), while the cost of construction for a basic residential property is E1 200 (US$84.94) per square metre. The construction period is noted as 30 to 60 working days depending on the complexity of the site and the services available and required.**

The Kingdom of Eswatini’s Ministry of Housing and Urban Development has three approval from the tax authority, and a land board exemption certificate. Certificate, a certificate of payment of dues from the town council, a tax clearance cost statement. In addition, the purchaser is required to obtain a rates clearance to 60 working days depending on the complexity of the site and the services available and required.

The Eswatini Deeds Registry is situated under the Ministry of Natural Resources and Energy. It was established under Section 3 of the Deeds Registry Act No. 37 of 1968 and was situated in Pretoria, South Africa, until 25 June 1973. The Deeds Registry publishes quarterly performance reports. For the period April to June 2019, the Deeds Registry reported 296 deed transfers and 224 mortgage bond registrations. On average, Mbabane accounted for 25 percent of all deed transfers and 35 percent of mortgage bonds registered between April to June 2019. Comparatively, for the period January to March 2019, the Deeds Registry reported 286 deed transfers and 261 mortgage bond registrations. On average, Mbabane accounted for 25 percent of all deed transfers and 35 percent of mortgage bonds registered between January to March 2019.

There is currently no legislation governing real estate agents in the Kingdom of Eswatini. However, the government is drafting the Estate Agents Registration, Licensing and Professional Indemnity Regulation Act, which is aimed at safeguarding the interests of estate agents and setting industry standards in the real estate market. There is also no established real estate agency affairs board or council at present. In September 2018 local real estate agents met to deliberate the formation of Eswatini Realtors Association, but the association is yet to be registered.

It takes 21 days to register a property in the Kingdom of Eswatini, much less than the Sub-Saharan Africa average of 539 days. Nine procedures are required, and the overall process is estimated to cost approximately 7.1 percent of the property value. The procedures include the preparation of the deed of sale and transfer cost statement. In addition, the purchaser is required to obtain a rates clearance certificate, a certificate of payment of dues from the town council, a tax clearance from the tax authority, and a land board exemption certificate.

### Policy and legislation

Seven key policy and legislation documents guide how land and real estate is treated in the Kingdom of Eswatini, namely the Housing Policy, the Physical Planning Policy, the Sectional Tites Act of 2003, the Human Settlements Authority Act of 1988 as amended in 1992 (Act No. 13 of 1992), the Crown Lands Disposal Regulations of 2003, Vesting of Land in Kings Order (1973) and the Crown Lands Disposal Act No. 13 of 1911. The Sectional Tites Act of 2003 is still awaiting approval from the King.

The Kingdom of Eswatini’s Ministry of Housing and Urban Development has three primary functions, namely physical planning, land administration and housing. The Ministry is mandated to co-ordinate and facilitate urban development as well as provide housing throughout the country through effective physical planning, housing research and development, and land administration. Despite the provision of housing being noted in its mandate, its core objectives do not detail the construction or delivery of affordable housing. This task is delegated to the SNHB.

The Constitution of the Kingdom of Swaziland formally recognises a dual land tenure system. The King holds more than half of the land, called Swazi Nation Land, “in trust” for the Swazi people. The remainder is privately owned Title Deed Land. In 2013 a draft Land Bill was introduced. While steps had been taken to finalise both the draft Land Policy and the draft Land Bill, neither had been passed by the time Parliament was dissolved in June 2018 for the national elections scheduled for September 2018.

The Human Settlements Authority Act of 1988 as amended in 1992 (Act No. 13 of 1992) outlines the functions and objectives of the Human Settlements Authority. Its functions and objectives are the following:

- To assist the government in formulating policy relating to human settlements as well as to assist with upholding and giving effect to such policy;
- To ensure the orderly development of existing and future urban and rural settlements;
- To establish a finance mechanism for ensuring the supply and maintenance of approved shelter and infrastructure throughout the Kingdom of Eswatini, which shall include a system of revenue recovery;
- To prepare appropriate standards for the provision of land, shelter and infrastructure by both private and public developers;
- To regulate real estate transactions including the standardisation of lease agreements, rent control and sale of land and buildings; and
- To encourage and support research in appropriate methods of providing shelter and infrastructure.

### Opportunities

There is great opportunity to either partner with, or invest in, institutions like the SNHB and the SBS. These two institutions have an intricate understanding of the housing needs and demands of the Kingdom of Eswatini. In addition, the institutions are well-positioned to navigate the economic and political terrain.

Even though the SNHB is mandated to provide housing finance it is unable to do so due to financial constraints. There are various ways in which investors could support this function, specifically for housing developed for civil servants who have long-term stable incomes.

The Kingdom of Eswatini has a high number of MFIs and SACCOS, as well as great participation in these sectors, specifically by those residing in rural areas. There is potential to use MFIs and SACCOS to finance incremental housing.