

The Kingdom of Swaziland: 2006 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2006 Article IV consultation with the Kingdom of Swaziland, the following documents have been released and are included in this package:

- the staff report for the 2006 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on November 27, 2006 with the officials of the Kingdom of Swaziland on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 16, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;
- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its January 31, 2007 discussion of the staff report that concluded the Article IV consultation; and
- a statement by the Executive Director for the Kingdom of Swaziland.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

THE KINGDOM OF SWAZILAND

Staff Report for the 2006 Article IV Consultation

Prepared by the Staff Representatives for
the 2006 Consultation with The Kingdom of Swaziland

Approved by David Andrews and Adrienne Cheasty

January 16, 2007

- Streamlined 2006 Article IV consultation discussions were held in Mbabane November 16–27, 2006. The mission team comprised Ms. Soonthornsima (head), Mr. Fontaine, and Ms. Masha (all AFR). Mr. Mamba (Executive Director's office) also participated. Staff met with Finance Minister Sithole, Central Bank Governor Dlamini, and representatives of the private sector, unions, and the donor community. Staff presented key findings to the Cabinet.
- The Executive Board concluded the 2005 Article IV consultation on February 8, 2006. Directors noted that Swaziland's economic performance had deteriorated over the past two years, and considered that the key policy challenges facing the authorities were to restore fiscal sustainability and external competitiveness to reduce poverty. With the exchange rate of the lilangeni pegged at par to the South African rand under the Common Monetary Area arrangement, Directors welcomed Swaziland's efforts to strengthen reserve management, but stressed that strengthening the official foreign position would depend critically on a prudent fiscal policy stance.
- Implementation of Fund advice has been slow, particularly with respect to fiscal adjustment and structural reforms to strengthen the business environment and promote competition in product markets. Swaziland has, however, benefited from Fund technical assistance in financial management and statistics.
- Swaziland has no outstanding use of Fund resources. It is not eligible for debt relief under the HIPC Initiative. It has accepted the obligations of Article VIII, Sections 2–4 and maintains an exchange restriction arising from a 33.33 percent limit on advance payments for imports of capital goods.

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