

KINGDOM OF ESWATINI

MINISTRY OF
COMMERCE
INDUSTRY
AND TRADE



ESWATINI NATIONAL POLICY FOR MICRO, SMALL & MEDIUM ENTERPRISE (MSME). 2024-2029



Copyright

Eswatini National Policy for Micro, Small and Medium Enterprises (2024)

Published by
The Ministry of Commerce Industry and Trade
P.O. Box 451
Mbabane
ESWATINI

ISBN:
©Copyright Government of the Kingdom of Eswatini 2024

Suggested reference
Eswatini National Policy for Micro, Small and Medium Enterprises (2024)

Copyright notwithstanding, this material may be reproduced, stored in a retrievable system or transmitted in any form for educational purposes without prior knowledge of the copyright owner provided appropriate acknowledgements are made. For any other uses, the copyright owner's express permission must be sought.

Any unauthorised copying could lead to civil liability and/or criminal sanctions.

Printing:

Copyright reserved. enpmsme.2024



Handicraft producer selling her wares at Manzini Market.
©UNDP

Preface



Ambassador Melusi Masuku
- Principal Secretary, Ministry of Commerce Industry and Trade

The successful review of the MSME National Policy is expected to reduce the burden on the government to create jobs and promote business ventures in the export market by fostering a conducive business environment and supporting the empowerment of the local private sector.

The Ministry has continued to provide financial support through various schemes, including the Informal Traders Revolving Fund, the E45 Million Micro, Small, and Medium Enterprises Revolving Fund, the Small-Scale Enterprise Loan Guarantee Scheme (SSELGS), and the Export Credit Guarantee Scheme (ECGS). These schemes have consistently assisted MSMEs in obtaining the necessary finance for their establishment and growth. However, challenges like loan repayment defaults, driven by sluggish economic growth and other socio-political factors, have persisted.

Government does not engage in trade; instead, the private sector is the key driver of economic growth and prosperity. Therefore, the government is responsible for creating an environment that enables businesses to thrive. Achieving this requires the right set of strategies and policies that clearly define the roles of each partner in ensuring the success of these initiatives. It is essential to foster an environment conducive to sustainable enterprises and establish the right mix of policies for business linkages, all of which will be fully supported by the reviewed MSME National Policy 2024–2029.

Acknowledgements

This National Policy Document for Micro, Small, and Medium Enterprises (MSMEs) would not have been possible without the valuable contributions of numerous individuals and institutions.

Sincere gratitude and appreciation go to all the individuals, ministries, agencies, institutions and enterprises who contributed and provided guidance and their invaluable time during the development and publishing of the Eswatini National Policy on Micro, Small and Medium Enterprises. Engagements with institutions such as Business Eswatini, the Federation of Eswatini Business Community, the Business Federation of Eswatini, Eswatini Commercial Amadoda, the National Agricultural Marketing Board (NAMBoard), and various private sector companies, who generously contributed their time and insights, played a crucial role in guiding the consultant in the development of this national policy.

Special thanks go to the consultant and my team in the MSME Unit within the Ministry of Commerce, Industry & Trade for their dedication and commitment throughout this process, including the time they devoted to it. I also thank our parent ministry for providing the necessary facilities and resources for stakeholder engagements. The various departments within the Ministry, including but not limited to Industry, Cooperatives Development, Regulation and Quality Infrastructure Development, and Registration of Trade Marks and Patents, offered valuable inputs during internal validations before engaging with external stakeholders, which greatly enriched the document and enhanced its focus.

Lastly, special and sincere appreciation goes to the UNDP Eswatini Country Office for their financial and technical support, without which the much-needed policy review would not have been possible. Special thanks also go to the Inclusive Growth team within UNDP, who provided input to the many drafts and documents that were shared with them in the development stages, and the UNDP Communications team for handling the design and publishing of the policy.



Mr. Mluleki Dlamini
- Director of MSME, Ministry of Commerce, Industry & Trade

Foreword

The vision of the Ministry of Commerce, Industry and Trade is to provide an enabling environment and support for the development and growth of business and industry for the attainment of economic development. In fulfilling its mandate and driving its vision forward, the Ministry houses various key institutions relating to industry, commerce and trade, including the development of MSMEs to be major contributors in the national economy.

The MSME policy review is informed by the 2018 MSME Policy of 2018, which aimed to create a modern, comprehensive, targeted and coherent framework that will create a highly profitable and entrepreneurial sector, characterized by innovative, competitive and sustainable businesses and supported by an enabling institutional and regulatory environment. The revised policy is informed by experiences, success and challenges faced in the implementation of the 2018 MSME Policy to ensure that MSME development is holistic and across the entire entrepreneurship ecosystem, covering issues relating to the enabling business environment; business support services, human capital development, access to finance, access to markets and value chains; entrepreneurial culture and infrastructure and technology, which have been identified as key to entrepreneurship development.

The review is driven by the changes at the domestic, regional and global level, including the need to see more export ready MSMEs taking advantage of the many export markets that Eswatini has access to, including the AfCFTA, whilst encouraging development of export ready MSMEs. Broad stakeholder consultations and roundtable discussions have informed the policy directives, which will inform government and key stakeholders, including consequential amendments required to effect this policy, with a view of creating more space and a favourable regime for MSMEs, especially the informal and micro enterprises.

The effective implementation of the revised MSME Policy of Eswatini cuts across various ministries and sectors and needs a “whole of government” approach to ensure deliberate and targeted interventions to support MSMEs in the country. The policy comes at the right time, as the Ministry has worked tirelessly in ensuring that the Citizen Economic Empowerment Act becomes law, which will go a long way in creating more space for our indigenous MSMEs. The revised policy thus draws on this new instrument and paves way for increased support and preferred procurement by both private and public sector, form within our domestic MSMEs.



Hon. Mangoba Khumalo (MP)
- Minister, Commerce, Industry & Trade

Table of Contents

1 Introduction	10
2 Review of previous MSME Policy of 2018	12
3 Problem Statement and Rationale	13
3.1 MSME Policy in context of Regional and International Commitments	14
3.2 MSME Policy and SDGs	14
3.3 The MSME Policy and African Union Agenda 2063	15
3.4 Relationship between MSME Policy and National Policies and Strategies	15
4 MSME Policy Development Process	16
4.1 Literature Review - International Best Practice	16
4.2 Literature Review - Domestic Research, Policies and Strategies	17
4.3 Stakeholder Consultations	17
5 Policy Vision and Objectives	18
5.1 Vision	18
5.2 Mission	18
5.3 Policy Objectives	18
5.4 Policy Framework	19
6 Data Analysis: Entrepreneurship Constraints	21
6.1 MSME Definition and Segmentation	21
6.2 Pillar 1: Business Enabling Environment	21
6.3 Pillar 2: Business Support	22
6.4 Pillar 3: Human Capital and Management	23
6.5 Pillar 4: Finance	24
6.6 Pillar 5: Markets and Value Chains	26
6.7 Pillar 6: Entrepreneurial Culture	27
6.8 Pillar 7: Technology and Infrastructure	28
7 Policy Actions	29
7.1 Policy Review Process	29
7.2 Key Crosscutting Issues	29
7.3 MSME Definition and Characteristics	30
7.4 Pillar 1: Business Enabling Environment	31
7.5 Pillar 2: Business Support	32
7.6 Pillar 3: Human Capital and Management	33
7.7 Pillar 4: Financing	35
7.8 Pillar 5: Markets and Value Chains	36
7.9 Pillar 6: Entrepreneurial Culture	38
7.10 Pillar 7: Technology and Infrastructure	39
8 Implementation Plan	40
8.1 MSME Institutional Framework	41
8.2 MSME Supporting Framework	42
8.3 MSME Policy Impact Monitoring and Evaluation	42
8.4 Legal and Regulatory Implications	42
8.5 Implementation Plan Log Frame	42



List of Figures

Figure 1: MSME Policy Development Process	17
Figure 2: Eswatini MSME Policy Strategic Pillars	19

List of Tables

Table 1: Eswatini MSME Definition	30
Table 2: Characteristics and Treatment of MSMEs	30
Table 3: Key Actors and Respective Roles	40
Table 4: MSME Policy Institutional Framework	41



A smallholder farmer who produces baby vegetables. ©EU

List of Abbreviations

AFA | Agri Fintech Accelerator
AfCFTA | Africa Continental Free Trade Area
AU | African Union
BDS | Business Development Support
BBSO | Business Support Organisation
BEEP | Balton Entrepreneurship Ecosystem Project
CEEB | Citizens Economic Empowerment Bill
CBE | Central Bank of Eswatini
CFI | Centre for Financial Inclusion
CPSD | Country Private Sector Diagnostics
DFIs | Development Finance Institutions
EIPA | Eswatini Investment Promotion Authority
ENAIP | Eswatini National Agricultural Investment Plan
ESE | Eswatini Stock Exchange
EU | Delegation of the European Union
FIs | Financial Institutions
FESBC | Federation of Eswatini Business Community
FSRA | Financial Services Regulatory Authority
FGDs | Focus Group Discussions
GDP | Gross Domestic Product
GOE | Government of Eswatini
IP | Intellectual Property
MCIT | Ministry of Commerce, Industry and Trade
MoE | Ministry of Education
MoSCYA | Ministry of Sports, Culture and Youth Affairs
MoF | Ministry of Finance
MoTAD | Ministry of Tinkhundla Administration and Development
MSME | Micro, Small and Medium Enterprises
NDP | National Development Plan
NDS | National Development Strategy
PPCU | Public Policy Coordination Unit
SDGs | Sustainable Development Goals
SDPAs | Sector Development Plan Agreements
SEDCO | Small Enterprise Development Company
TVET | Technical, Vocational Education and Training
UN | United Nations
UNDP | United Nations Development Programme
USAID | United States Agency for International Development
WTO | World Trade Organisation



Baby vegetables produced by local smallholder farmers.
©EU

1 | Introduction



Souvenirs produced by Ngwenya Glass. ©UNDP

Increasing the role of the private sector, in terms of a supporting a private sector led economy, is one of the key priorities of the Government of Eswatini. Over the years, owing to suppressed economic performance and activity, government's role in stimulating the economy has increased with most projects benefiting private sector, mostly in infrastructure development, being government driven.

The revised MSME Policy is expected to help reduce the burden on government to create jobs and export more through development of a conducive business climate and support towards local private sector. The lost opportunity, in terms of more than 70% of MSMEs being informal, must be addressed urgently to ensure increased output, jobs and ultimately national income, through increased tax.

To achieve these key objectives, the revised MSME Policy 2023 – 2028, advocates for a two-fold approach. First, understanding and improving the MSME ecosystem and secondly, pursuing a targeted approach to serving various MSME subsegments. According to McKinsey & Company, governments should focus on promoting three characteristics of a healthy and well-performing MSME ecosystem: boosting the business confidence of MSMEs, enabling the growth of MSMEs—in general and for high performers—and increasing the competitiveness of MSMEs.

This is the approach that informs our MSME Policy and direction of the Eswatini government, with regards to supporting MSMEs, which has further called for a review of our current definition of MSME to consider the different sub-segments of MSMEs, from informal to medium. The MSME Policy aims to holistically develop the entrepreneurial

ecosystem through deliberate actions to address the key constraints affecting MSMEs under each of the seven strategic pillars to achieve the following objectives:

1. Improve business environment for MSMEs, including measures to reduce red tape and reduce the cost of doing business.
2. Improve business support services and monitoring systems targeting entrepreneurs, including accreditation and development of business consultants, mentors, coaches, and incubators.
3. Improve access to skills and capabilities of existing and potential entrepreneurs to effectively start, grow and manage a business.
4. Improve entrepreneurs' ability to access finance required for business growth from various sources, including equity, debt, peer to peer lending and grants from public and private sources.
5. Expand access to domestic and export market opportunities for entrepreneurs, including holistic development of key value chains.
6. Improve key enabling infrastructure especially in the areas of standards and improve entrepreneurs' access to technologies, including internet and climate smart innovations for business growth and productivity.
7. Promote the culture of entrepreneurship and equitable access to business opportunities for all entrepreneurs, especially youth, women and people living with disabilities.



Women handicraft producers are a significant part of the MSME sector. ©EU

The revised MSME Policy consolidates the previous 8 pillars to a total of 7 pillars, built around the Balton Entrepreneurship Ecosystem Project (BEEP), which include:

Pillar 1: Business enabling environment aims to decrease the costs of starting and running a business, including the overall ease of doing business. This includes streamlining tax requirements for new firms to decrease business costs for new entrepreneurs and reduce informality.

Pillar 2: Business support focuses on improving the business support systems for entrepreneurs through access to tailored business consulting services, improving the availability of high-quality business consultants, supporting development of mentorship networks, piloting new models of business incubators (especially for rural areas), and strengthening linkages with international business support institutions.

Pillar 3: Human capital and management focuses on the factors that affect the quality of management at the firm level and of the workforce, including academic education, technical training, and people's general abilities and qualifications to enter the job market and start their own businesses.

Pillar 4: Finance is key to supporting entrepreneurs' ability to drive business growth. Access to finance from various sources, including equity, debt, and grants from public, private, and peer-to-peer sources helps supports a dynamic ecosystem.

Pillar 5: Markets and value chains focuses on expanding access to domestic and export market opportunities for entrepreneurs via improving cross-border trade; improving warehousing systems; making government procurement opportunities more accessible to newer, smaller companies;

improving access to market information; facilitating adoption of standards; and development of an MSME Cluster Strategy to improve competitiveness of MSMEs, including vibrant industry and sub-sector associations.

Pillar 6: Entrepreneurial Culture aims to motivate and encourage a culture of entrepreneurs. Entrepreneurial culture is the society that enhances the attributes, values, beliefs, and behaviours related to entrepreneurs.

Pillar 7: Infrastructure and Technology have a significant impact on how new business ventures are imagined and created. In fact, the level of digital technology is positively associated with the output of national entrepreneurial ecosystems, and this positive relationship is strengthened in nations with a supportive culture, high-quality institutions, supportive policies, accessible resources, and well-developed service industries.

The revised MSME Policy 2023 – 2-28 will be implemented using existing institutional frameworks. The Ministry of Commerce, Industry and Trade (MCIT), Small Enterprise Development Company (SEDCO), Eswatini Investment Promotion Authority (EIPA), Ministry of Education (MoE), Ministry of Sports, Culture and Youth Affairs (MoSCYA), Ministry of Finance (MoF) and Ministry of Tinkhundla Administration and Development (MoTAD), Centre for Financial Inclusion and ESEPARC are the key leading institutions implementing the seven pillars of the MSME Policy. MICT, as the overall policy lead, will play the role of coordinator and high-level policy supervisor.

The institutional framework that supports implementation of the policy and the monitoring and evaluation (M&E) structure allow for a dynamic and responsive policy, which will enable its continuous updating and upgrading to reflect changes in the operating environment and incorporate lessons learned during implementation.

2 | Review of Previous MSME Policy of 2018

The aim of the 2018 MSME Policy was to create a modern, comprehensive, targeted and coherent framework that was to create a highly competitive, profitable and entrepreneurial sector, characterized by innovative, competitive and sustainable businesses and supported by an enabling institutional and regulatory environment. The main objectives of the 2018 policy were to:

- Facilitate increased access to financial products and services for MSMEs;
- Create an enabling institutional and legislative environment to strengthen the business development support for MSMEs;
- Support for the ease of doing business for the MSMEs through improved business start-up and growth;
- Facilitate and foster a culture of entrepreneurship, innovation and increase ICT usage in the MSME sector;
- Enact into law a legislative framework that will enable the promotion and co-ordination of the MSME sector;
- Facilitate and foster a culture of entrepreneurship, innovation and increase ICT usage in the MSME sector; and,
- Support and develop MSMEs owned by women, youth and disadvantaged groups and the informal sector.

The level of implementation was very low, owing to limited resources and stakeholder support and buy-in. Another issue was the language and clarity of the policy, as the policy issues were phrased more as policy objectives, i.e. increase access to finance, instead of the policy issue being access to finance. Over and above the issues raised above, the policy review was further prompted by the following emerging issues:

- Improving the current definition of MSMEs in the country to harmonise with other policies, whilst allowing for further segmentation of MSMEs;
- Ensuring gender mainstreaming and coverage of youth;
- Previous policy recognised the informal sector, but did not go into the proposed solutions for same;
- Stakeholder engagement was limited in the previous policy, which also impacted on its low implementation; and
- Developments on digitisation, ecommerce and climate change, which are impacting how MSMEs conduct their business.



Window frames produced by Mahlanya Panel beaters. ©UNDP

3 | Problem Statement and Rationale

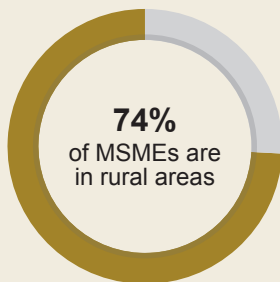
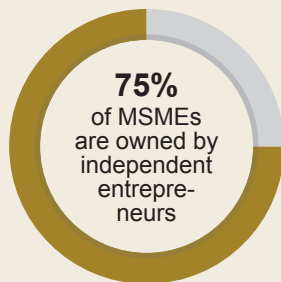
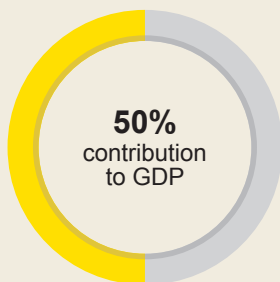
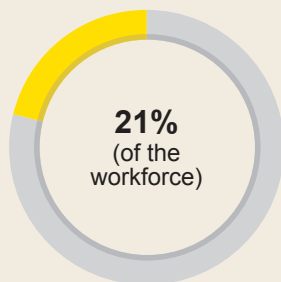


F - Female
M - Male

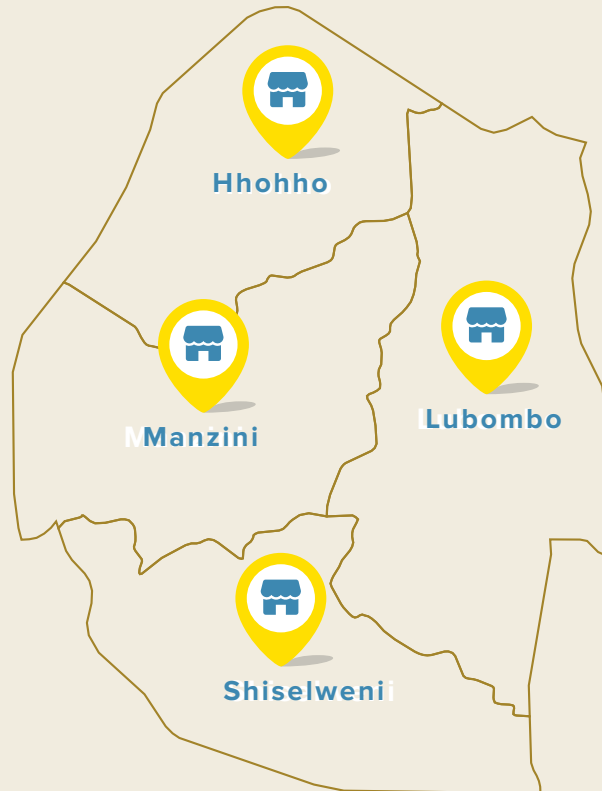


MSME

Over 90,000 people are employed by MSMEs



FINSCOPE study - There are about 70,000 MSMEs in Eswatini

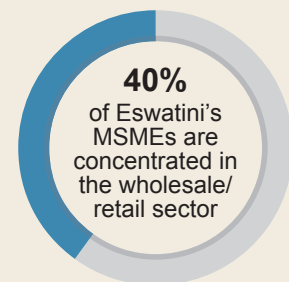
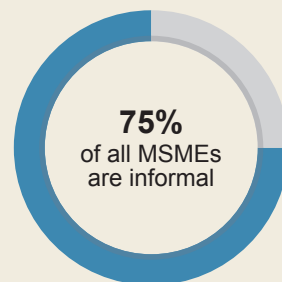


The Kingdom's entrepreneurship ecosystem is still underdeveloped, with a majority of MSMEs operating in the informal sector, mostly out of necessity, owing to the high unemployment rate and lack of job opportunities. The recent FINSCOPE study determined that there are about 70,000 MSMEs in Eswatini, employing over 90,000 people (21% of the workforce), with an estimated contribution of 50% contribution to GDP. However, 75% of MSMEs are owned by independent entrepreneurs, with no jobs created and 74% are in rural areas. According to the FinScope Survey, 75% of all MSMEs are informal. Among the reasons for not registering; the micro nature of the business and the lack of financial resources to meet registration costs are cited by 60% of the informal firms. A majority of Eswatini's MSMEs are concentrated in the wholesale/retail sector (40%), pointing to few enterprises adding value locally. In terms of employment, most are in the agriculture sector, with crop cultivation being the leading economic activity.

The government, with support from development partners, has put in place various MSME support programmes, yet local entrepreneurs still face several challenges that limit enterprise growth and survival, with few high-growth enterprises, and only about 1% of local enterprises being at the medium scale, clear indication of the missing middle. Access to finance remains a major challenge for most micro and small enterprises, especially during the early

formative/start-up stage. Cultural issues, including risk-aversion and a preference for employment security over an entrepreneurial "adventure," keep most of Eswatini's brightest minds in the corporate space as employees or results in "entrepreneurs" abandoning the venture when a job comes along.

Another key challenge, resulting in low productivity yet a major potential source of future tax revenue, is the issue of informality, estimated at 75% of MSMEs. Increased awareness on market opportunities and available support programs for entrepreneurs are some of the key policy actions in the MSME Policy that will motivate informal entrepreneurs to formalize to be able to take advantage of existing business opportunities.





Informal traders contribute to economic growth. ©UNDP

3.1 MSME Policy in context of Regional and International Commitments

Eswatini is a member of various regional and international configurations and agreements. The MSME Policy is Eswatini government's commitment towards the development of MSMEs as part of national development strategies, and to further access larger markets, considering the country's memberships and commitments to regional and global member bodies and blocs. The Policy thus draws from key regional and international development agendas, including the SDGs, WTO trade facilitation agreements and the AU Agenda 2063 amongst others. For countries like Eswatini to benefit from initiatives like the AfCFTA, Eswatini needs to foster the creation of an enabling environment for growth of vibrant and competitive private enterprises, entrepreneurship, and innovation as critical elements to achieving national aspirations, whilst contributing towards regional and global growth and development objectives.

3.2 MSME Policy and the SDGs

Dynamic and competitive private enterprises of all sizes and strong ecosystems for entrepreneurship are critical for achievement of all SDGs since private sector-led development is a foundation of economic growth, job creation, poverty alleviation, and increased prosperity. Entrepreneurs around the world drive innovation and development of solutions to the most intractable development problems and have a key role to play in advancing each of the 17 SDGs, with the MSME Policy contributing towards the following SDGs:

Goal 1: End poverty in all its forms everywhere.

Goal 2: End hunger, achieve food security, improve nutrition, and promote sustainable agriculture.

Goal 3: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 4: Achieve gender equality and empower all women and girls.

Goal 5: Ensure availability and sustainable management of water and sanitation for all.

Goal 6: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Goal 7: Promote inclusive and sustainable economic growth, full and productive employment, and decent work for all.

Goal 8: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Goal 9: Reduce inequality within and among countries.

3.3 The MSME Policy and African Union Agenda 2063

The AU Agenda 2063 sets out a framework for “an integrated, prosperous, and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena.” The first 10-year Implementation Plan of the Agenda (2014–2023) includes seven Priorities (“Aspirations”) and 20 Goals. Successful implementation of the MSME Policy will directly contribute to the achievement of the following goals:

Goal 1: A high standard of living, quality of life, and well-being for all citizens.

Goal 2: Well-educated citizens and skills revolution underpinned by science, technology, and innovation.

Goal 3: Transformed economies.

Goal 4: Modern agriculture for increased productivity and production.

Goal 5: Environmentally sustainable and climate-resilient economies and communities.

Goal 6: Full gender equality in all spheres of life.

Goal 7: Engaged and powerful youth.

3.4 Relationship between MSME Policy and National Policies and Strategies

The MSME policy is anchored on the National Development Strategy, which is the blueprint for Eswatini’s Development Vision. Furthermore, the MSME Policy seeks to draw on the recently passed Citizen Economic Empowerment Bill (CEEB), which seeks to create more space for citizen owned MSMEs in both private and private sector institutions and procurement.

The MSME Policy is closely aligned with all key Government of Eswatini policies and strategies across all line ministries and is grounded in the country’s strategic orientation articulated in NDP, 2023/24 - 2027/28. Particularly, it supports priorities of empowering youth and women entrepreneurship, improving access to finance for entrepreneurs, developing managerial and business skills, supporting innovation and technology firms, improving industry networks and business support services, developing competitive value chains and services sectors, reducing the cost of doing business and facilitating trade, increasing productivity and value addition in agriculture, and increasing entrepreneurial innovation and risk taking, among others.

The MSME Policy also draws from key sectors like agriculture, which are influenced by the main policy document for the agricultural sector, which is the Comprehensive Agricultural Sector Policy (CASP) of 2005. According to Eswatini’s Labour Force Survey (2021), agriculture is the country’s second-highest employment contributor after wholesale or retail; about 13.5% of working citizens are in the agricultural sector.¹

The MoA, recently revised the initial Eswatini National Agricultural Investment Plan (ENAIP), through the development of the Second-Generation Eswatini National Agricultural Investment Plan Strategic Framework (ENAIP 2.0), which is being finalised. The ENAIP 2.0 Strategic Framework consists of seven strategic axes, which include and about five (5) of the strategic axes relate directly to actions within the MSME Policy hence a need for proper coordination of plans and strategies within and amongst Ministries, which is key to the development of MSMEs in the country.

The Policy is also informed by the National Regulatory and Quality Policy of 2023, which seeks to amongst other key issues, assist Eswatini enterprises, including MSMEs and Co-operatives to become more competitive, and better integrated with local, regional and international value chains, through enhanced trade facilitation and sustainable industrialization. The policy thus aims at The Policy aims at strengthening the national quality infrastructure to achieve accelerated economic growth, amongst other key objectives.

Finally, the MSME Policy is informed by the **National Industrial Policy 2023 - 2033** (final draft), which has five key policy objectives, which are strongly aligned with the focus of the MSME Policy. These are:

- Objective 1: Maximising domestic benefits by strengthening national value chains and increasing domestic production capacities;
- Objective 2: Boosting value addition in resource-based sectors to ensure inclusive industrialisation;
- Objective 3: Enhancing economic resilience by diversifying production and export markets;
- Objective 4: Supporting decent wage sectors and build new sector for the creation of quality jobs; and
- Objective 5: Promote green industrialisation by supporting circular economy, waste management, and renewable energy and energy efficiency initiatives.

The ultimate coordination of the MSME Policy is key as some areas and activities sit across multiple Ministries and agencies to ensure deliberate development of MSMEs in the country.



Handicraft produced by MSMEs. ©UNDP

¹ LFS 2021.

4 | MSME Policy Development Process

The MSME Policy development approach has been informed by national guidelines relating to policy development and review as captured by the PPCU. From a practice point of view, the review process started with literature review, leading to stakeholder consultation and roundtable discussions, with the outcome being a draft MSME Policy to be presented to stakeholders for inputs and validation, which should inform the final policy document that has to be presented to key stakeholders and MCIT, prior to presentation and adoption by Cabinet.

4.1 Literature Review - International Best Practice

4.1.1 Chile

Chile has a rank of 19 on the Global Entrepreneurship Index and is recognised for its policies and programs for stimulating entrepreneurial growth. The country has liberal immigration policies for international entrepreneurs, a generous taxation program, and among the best business incubator programs in Latin America. The Chilean Economic Development Agency, Corporación de Fomento de la Producción de Chile (CORFO), is tasked with promoting economic growth in the country. It is the main driver of entrepreneurship policy, with more than 50 programs to support entrepreneurs, both domestic and international.

Major government-sponsored programs such as Start-Up Chile (SUP) have allowed the country to pull ahead in the growth of start-ups led by Chileans and by international



entrepreneurs. SUP offers a \$80,000 equity-free grant, a one-year visa, and six months of mentoring. SUP makes a distinction between a government policy and a state policy. Although it is run by the government and funded by taxpayers, SUP functions more like a start-up program and less like a government agency. It measures its success by its ability to change public perception of entrepreneurship and promote a cultural change that allows its citizens, particularly youth, to attempt to start a business without penalizing failure.

4.1.2 Singapore

A small country with few natural resources, Singapore took a deliberate approach to foster its economic growth trajectory. Through government support to entrepreneurship, Singapore has established itself as a world-class example and a destination for entrepreneurs from around the world. In a span of just five years, from 2010 to 2015, Singapore's entrepreneurial ecosystem has flourished. Singapore's success story in entrepreneurship began with strong government leadership that has passed business-friendly reforms, streamlined the process of business creation, facilitated access to overseas markets, improved the venture capital landscape, and modified the tax program to benefit start-ups.



4.1.3 South Africa

South Africa is next door to Eswatini and a major trading partner with many influences on the local economy. The SA SME Fund was established by members of the CEO Initiative – a collaboration between government, Labour, and business as an avenue of support for the SME sector. The Fund allocates investment capital to accredited fund managers – venture capital or growth-oriented equity funds – that invest directly in scalable small and medium enterprises with the best potential for growth and sustainable employment creation in the South African economy. The Fund is mandated to invest 50% of its capital into black-African owned and managed businesses. Other initiatives include a six-month debt relief finance scheme for SMMEs that was launched by the South African government, along with a spaza support scheme and an agricultural disaster support fund for smallholder and communal farmers.



4.2 Literature Review - Domestic research, policies, and strategies

The EDP also draws extensively on the review of prior research and assessment, which was part of the literature review, including the ITC's Financing Models for MSMEs in Eswatini, World Bank's CPSD 2022, National Development Plan, Industrial Policy, the National Poverty Reduction Strategy and Action Plan, and the Swaziland National Agricultural Investment Plan (SNAIP) amongst others.

4.3 Stakeholder Consultations

The MSME Policy development process, in keeping with PPCU Policy development guidelines, followed a thorough consultative process, engaging private sector,

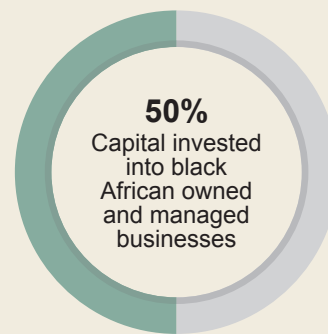


Figure 1: MSME Policy Development Process



academia, Banks, non-bank financial institutions, business associations, women groups, and youth groups, to ensure that the policy is responsive to challenges facing MSMEs, especially women, youth and those living with disabilities.

to entrepreneurship in the Kingdom of Eswatini and develop clear and realistic MSME Policy actions.

The process followed during the MSME Policy development and review process is detailed above. The extensive consultations were aimed at identifying the key constraints

5 | Policy Vision and Objectives



Fruit and vegetable vendors at Lobamba Lomdzala Market, Mahlanya. ©UNDP

5.1 Vision

“Contribute towards the development of a vibrant entrepreneurial MSME sector that contributes to the economic development of Eswatini through innovative and creative business practices supported by an enabling environment, which fuels transformation of rural households and other communities in productive economic structures.”

5.2 Mission

To enhance and promote an entrepreneurial ecosystem that stimulates domestic production, competitiveness, innovation, diversification and economic inclusion of MSMEs through targeted and deliberate support towards climate change, capacity building, access to opportunities and improved access to markets and finance.

5.3 Policy Objectives

The main goal of the MSME Policy is to holistically develop the entrepreneurial ecosystem through deliberate actions to address the key constraints affecting MSMEs under each of the seven strategic pillars to achieve the following objectives:

1. Improve business environment for MSMEs, including measures to reduce red tape and reduce the cost of doing business.
2. Improve business support services and monitoring systems targeting entrepreneurs, including accreditation and development of business consultants, mentors,

coaches, and incubators.

3. Improve access to skills and capabilities of existing and potential entrepreneurs to effectively start, grow and manage a business.
4. Improve entrepreneurs' ability to access finance required for business growth from various sources, including equity, debt, peer to peer lending and grants from public and private sources.
5. Expand access to domestic and export market opportunities for entrepreneurs, including holistic development of key value chains.
6. Improve key enabling infrastructure especially in the areas of standards and improve entrepreneurs' access to technologies, including internet and climate smart innovations for business growth and productivity.
7. Promote the culture of entrepreneurship and equitable access to business opportunities for all entrepreneurs, especially youth, women and people living with disabilities.

For small businesses to sustainably contribute to job creation, government and the private sector need to work together to solve two of the main constraints hindering MSME development: access to finance and access to markets. To return to an export-led growth model, Eswatini needs to increase export competitiveness by advancing regulatory reforms, increasing national output, and improving trade supporting infrastructure and logistics, including regional collaboration to address trade facilitation constraints, access to markets and access to finance.

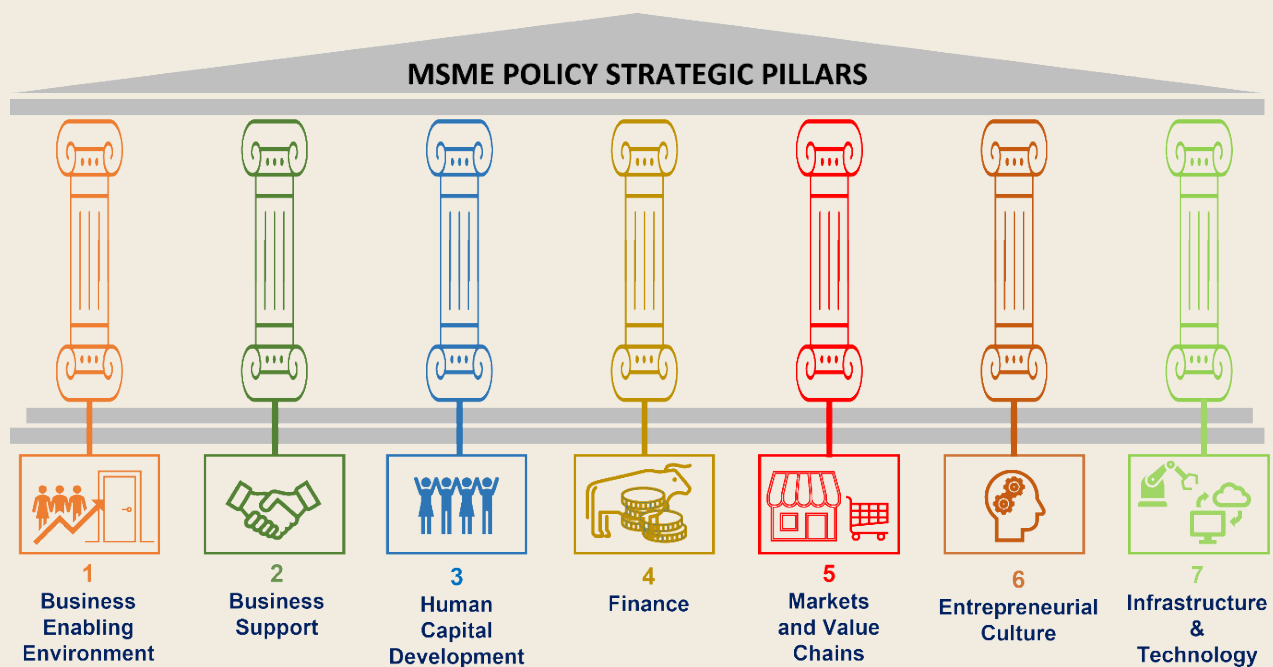
5.4 Policy Framework

The World Economic Forum (2013) defines the entrepreneurship ecosystem to include eight pillars, namely accessible markets; human capital/workforce; funding and finance; support systems/mentors; government and regulatory framework; education and training; major universities as catalysts; and cultural support. The ecosystem pillar framework developed by Professor Daniel Isenberg is built around six pillars of the Babson Entrepreneurship Ecosystem Project (BEEP), which include policy, finance, culture, support, human capital, and markets.

The proposed entrepreneurship ecosystem model draws from both the WEF and BEEP, adding a seventh pillar of infrastructure and technology. The Eswatini MSME Policy has seven (7) pillars as per figure 2 below, being: **Business Enabling Environment; Business Support; Human Capital and Management; Finance; Markets and Value Chains; Entrepreneurial Culture ; and Infrastructure & Technology.**



Figure 2: Eswatini MSME Policy Strategic Pillars



Pillar 1: Business enabling environment aims to decrease the costs of starting and running a business, including the overall ease of doing business. This includes streamlining tax requirements for new firms to decrease business costs for new entrepreneurs. Proposed policy actions include reviewing and modifying tax requirements for start-ups and MSMEs, increasing awareness for entrepreneurs about the benefits of formality, and increasing the awareness of tax requirements, decentralizing business registration and renewal services, and driving eGovernment initiatives, including digital services to improve public service delivery.

Pillar 2: Business support focuses on improving the business support systems for entrepreneurs through access to tailored business consulting services, improving the availability of high-quality business consultants, supporting development of mentorship networks, piloting

new models of business incubators (especially for rural areas), and strengthening linkages with international business support institutions.

Pillar 3: Human capital and management focuses on the factors that affect the quality of management at the firm level and of the workforce, including academic education, technical training, and people's general abilities and qualifications to enter the job market and start their own businesses. Policy actions focus on improving the marketability of tertiary academic programs, strengthening applied skills in secondary school entrepreneurship curriculum, improving availability of technical skills training outside of formal education, improving business governance, and strengthening service delivery across all sectors.

Pillar 4: Finance is key to supporting entrepreneurs' ability to drive business growth. Access to finance from various sources, including equity, debt, and grants from public, private, and peer-to-peer sources helps supports a dynamic ecosystem. Policy actions increase entrepreneurs' awareness of information on financial products, improve the effectiveness of the Credit Guarantee and Export Guarantee Schemes, help financial institutions develop industry-specific financial products, supports development of movable assets register, promote learning and exchange of best practices in financing, build a private capital investor culture, create a start-up matching fund and a fellowship fund for entrepreneurs and promote crowdfunding.

Pillar 5: Markets and Value Chains focuses on expanding access to domestic and export market opportunities for entrepreneurs via improving cross-border trade; improving warehousing systems; making government procurement opportunities more accessible to newer, smaller companies; improving access to market information; facilitating adoption of standards; and development of an MSME Cluster Strategy to improve competitiveness of MSMEs, including vibrant industry and sub-sector associations.

Pillar 6: Entrepreneurial Culture aims to motivate and encourage a culture of entrepreneurs. Entrepreneurial culture is the society that enhances the attributes, values, beliefs, and behaviours related to entrepreneurs. Eswatini's entrepreneurs have been cited as having a copy-cat syndrome and weak entrepreneurial culture, with about 75% of MSMEs operating an informal enterprise.

Pillar 7: Infrastructure and Technology have a significant impact on how new business ventures are imagined and created. In fact, the level of digital technology is positively associated with the output of national entrepreneurial ecosystems, and this positive relationship is strengthened in nations with a supportive culture, high-quality institutions, supportive policies, accessible resources, and well-developed service industries. Eswatini has invested well on its road, rail, and air infrastructure, allowing for easier linkages to major ports and markets. Investments on the internet side however have been slow, with broadband internet still being planned for roll-out.



Metal products on display at Lobamba Lomdzala Market, Mahlanga. ©UNDP

6 | Data Analysis: Entrepreneurship Constraints

Extensive stakeholder interviews and consultations were undertaken with an initial national stakeholder forum, followed by one-on-one meetings and round table discussions to inform the policy revision. The MSME Policy review identifies key gaps under each of the eight pillars of the 2018 MSME Policy and includes corrective measures to address them, based on domestic experiences and evidence from implementation and international best practices. The issues raised below are not exhaustive, but merely reflect issues that emerged from the stakeholder interviews, focus group discussions, and document reviews. The basis for inclusion is informed by consensus from stakeholders, regarding key priorities in terms of their direct impact on entrepreneurial ecosystem and potential positive spill-over effects, such as inclusive economic growth and job creation; and are deemed within the control of government, with available solutions and actionable in the short, medium, or long term.

6.1 MSME Definition and Segmentation

The previous policy defined MSMEs according to three criteria, being number of employees; turnover; and value of assets. The revised policy only uses two defining criteria, being number of employees and turnover, as value of assets is not easy to measure and tends to be industry related, e. g. IT company with billions in turnover and only a few employees.

6.2 Pillar 1: Business Enabling Environment

A country's business and investment climate is influenced

by several factors including ease of doing business conditions, the quality of institutions and infrastructure, political and economic stability, and the effectiveness of regulatory frameworks, as well as the low levels of corruption. Investors prefer a transparent, predictable, and automatic regime, build around clear and automatic approval processes and policies.

Eswatini has a weak and deteriorating business climate as captured by World Bank Ease of Doing Business and other reports. The table above shows Eswatini's rankings in various international benchmarks that cover the investment climate, competitiveness, and governance issues of countries at global and regional level. From stakeholder engagement, the major constraints that hinder entrepreneurial development, include:

6.2.1 Burdensome taxation - Corporate income tax does not differentiate between larger, established companies and new firms (start-ups and MSMEs), remaining too burdensome for new firms. New firms are subject to the same 27% corporate income tax as established companies and do not benefit from tax grace periods or progressive taxation to ease the burden on new businesses and accommodate the business challenges at early stages of growth.

6.2.2 High operating costs - high input costs and operating costs, especially rent, utilities, and international road transport, are high in Eswatini, as a landlocked small economy relying heavily on imports.



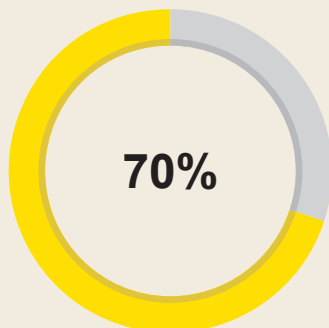
Farm To Table, a youth-led small business. ©UNDP



Products produced by local MSMEs. ©UNDP

6.2.3 High costs of starting and running a business, which are further compounded by high levels of bureaucracy. The costs of registering a company, including trading licenses and annual renewals of same are high in Eswatini compared to regional comparators. In Rwanda, company registration is free, whilst in South Africa, entrepreneurs pay E125.00 for registration and E50.00 for reservation.

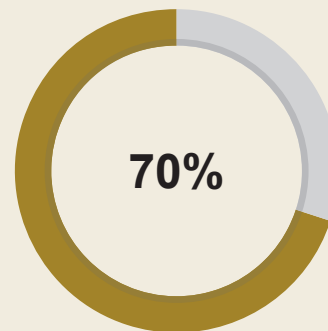
6.2.4 High rate of business informality - Financial institutions identify informality as a major barrier to credit for MSMEs. Informal enterprises are unable to produce the documents that banks typically require for a loan application. According to the FINSCOPE MSME Survey, the share of informal businesses in Eswatini (i.e., businesses operating without formal registration) can be as high as 70%.



6.3 Pillar 2: Business Support

Eswatini's MSME's have a longstanding challenge with survival, productivity, access to markets, growth, and access to finance. There is strong evidence from various

studies that point to leadership, entrepreneurial and management skills are weak for most of Eswatini's small and micro enterprises and according to the FinScope MSME Eswatini Report, 2017, a large number operate as informal enterprises (70%).



While business support has been gradually improving in Eswatini, key challenges remain, including:

6.3.1 Consultant shortage - There is an insufficient number of high-quality consultants with sector and business stage expertise and solid business management skills in both the public and private sectors. Business support organisations throughout the country need to be supported in improving their advisory programs. Start-ups, MSMEs, cooperatives, and individuals (youth and women) need assistance in financial management, business plan development and mentorship to ensure sustainability and business growth in the long run.

6.3.2 Low demand for advisory services - Demand for advisory services from businesses of all sizes is also low due to little perceived value of consulting.

6.3.3 Mentor deficit - No mentorship culture or formal mentorship networks exist in Eswatini; experienced entrepreneurs and businesspeople do not make themselves available to coach and mentor start-ups and MSMEs and there is no system to identify and manage mentors.

6.3.4 Incubator/accelerator deficit - There are not enough business incubators and accelerators available to provide overall infrastructure and business support based on international best practices and benchmarks. Simultaneously, there is limited demand for these services due to the low number of entrepreneurs and start-ups.

6.4 Pillar 3: Human Capital and Management

No entrepreneurial ecosystem can flourish if entrepreneurs do not have the adequate support to build the skills and know-how required to start companies and run them effectively, as well as to operate the key functions of the companies. In Eswatini, the human capital hurdles in the educational system and applied management spheres include:

6.4.1 Education Challenge

6.4.1.1 Skills Mismatch and weak tertiary institutions - The National Skills Audit Report established that the main challenge faced by the Eswatini economy was the chronic mismatch of skills supply and demand which perpetuate unemployment, the skills deficit, and the brain drain that occur in the country. The tertiary education system is said to be producing skills that are not required by industry.

6.4.1.2 Weak linkages between education and industry/market - Linkages between tertiary institutions with

industry for skills development and practical training are weak, deterring both sides from benefiting from each other. According to the Technical, Vocational Education and Training (TVET) Institution Survey the inability of training institutions in the country to produce competent graduates is attributed to the lack of cohesion between training institutions and companies. Most companies are not involved or engaged in the processes of curriculum development.

6.4.1.3 Shortage/lack of Entrepreneurship curriculum - there is no formal entrepreneurship curriculum in Eswatini's secondary schools. Government and stakeholders should work towards introducing entrepreneurship and practical skills training in the education curriculum, targeting secondary schools across the country.

6.4.2 Management Challenge

6.4.2.1 Poor business governance - Separation between business and family matters in firms is usually weak, resulting in poor governance, with mixed bank accounts and transactions, joint liabilities, and conflicting management practices.

6.4.2.2 Poor Business Management skills - General management skills across the start-up and MSME spectrum are usually poor, with entrepreneurs lacking the basic knowledge of business disciplines such as accounting, marketing, strategy, and finance.

6.4.2.3 Limited understanding of tax - Entrepreneurs are not educated about the tax system and often do not pay taxes correctly, incurring additional costs and penalty fees, with most being black-listed and not able to get tax clearance and inter-alia, cannot bid for most tenders.



An MSME briefs Hon. Minister Mangoba Khumalo about the sauces she produces. ©MCIT



Hon. Minister Manqoba Khumalo and UNDP Resident Representative Henrik Franklin chatting with a local coffee producer. ©UNDP

6.4.2.4 Poor recordkeeping and bookkeeping - Most micro and small businesses do not maintain proper records and don't undertake proper and basic bookkeeping, which limits their capacity to plan efficiently and raise financing.

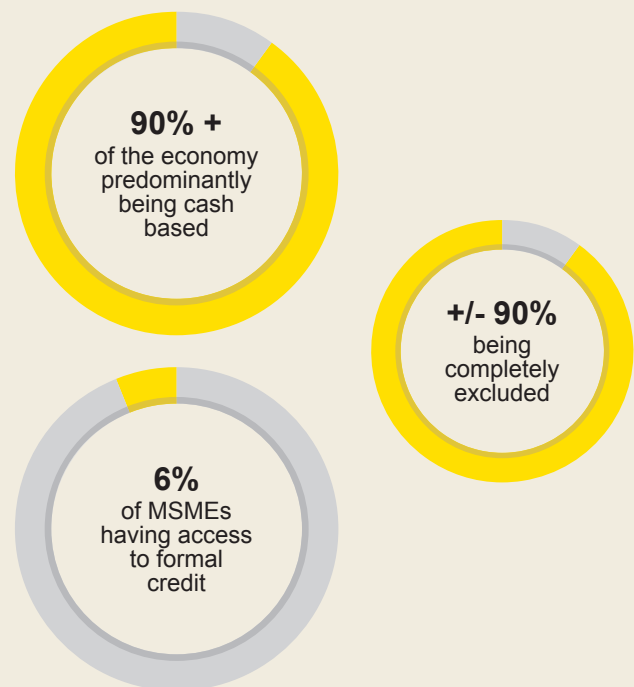
6.4.2.5 Poor customer service and delivery - General customer care and client relations are still low across all sectors of the economy. Development and encouragement of a customer-oriented service culture is key for sectors such as retail, hospitality, and tourism to flourish.

6.5 Pillar 4: Finance

MSMEs generally hold the view that banks are unnecessarily harsh in assessing their loan applications, asking for financial accounts, business plans and cash flow projections that few can submit. Banks also ask for collateral and a share of owner's contribution to the project cost, which is onerous for some MSMEs, especially the microenterprises. Local banks see the problem not so much as lack of finance but rather a shortage of effective demand for credit. Banks are inundated with loan applications that are poorly motivated, lacking in information and not supported by required documents (such as financial statements).

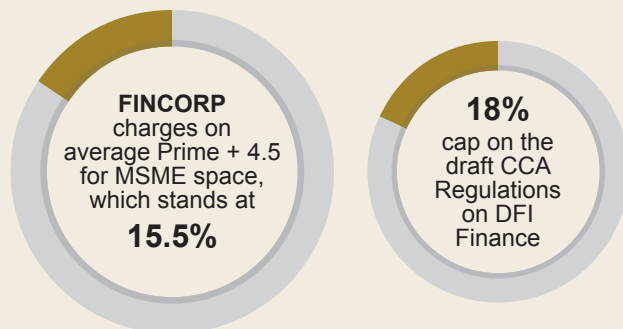
The other challenge with regards to accessing finance, is that the Eswatini payments system is relatively underdeveloped, with over 90 per cent of the economy predominantly being cash based (FINScope MSME Survey, 2018). This makes it harder for financial institutions to monitor their client's business and to build their credit

history, which can be addressed through the development of proper digital platforms and FINTECH solutions to improve KYC issues. This contributes to the statistic of only 6 percent of MSMEs having access to formal credit and close to 90 percent being completely excluded, according to the FINScope 2017 MSME Survey.



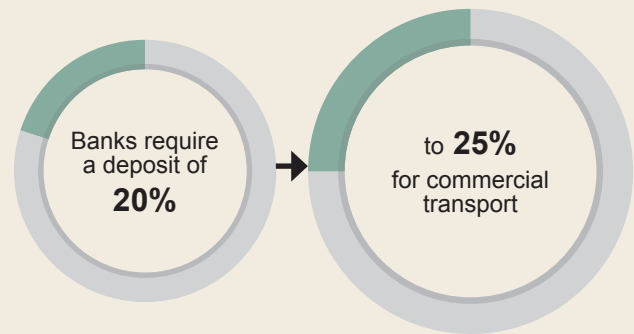
The main hurdles that businesses of all sizes face in raising capital stem from market inefficiencies that, once fixed, should unleash financing, including:

6.5.1 Lack of development finance - Eswatini does not have any development finance institutions that can support MSMEs with inexpensive financing. Commercially, MSMEs rely on the four commercial banks operating in Eswatini, three of which are South African (SA). According to the Financing Models for MSMEs, local entrepreneurs feel that the SA owned banks are disconnected from the economic reality of Eswatini, and their mindset is not adapted to the local context. This leaves them with Eswatini Bank, the only local bank which has however, shifted focus and now operates as a commercial bank, which does not help alleviate the access to finance constraint facing MSMEs. FinCorp, Eswatini's de facto development bank, focuses more on the MSME space, and charges on average Prime + 4.5, which currently stands at 15.5%,² against the draft CCA Regulations which have a cap of 18% on DFI Finance, making FINCORP relatively affordable and accessible to MSMEs. The Industrial Development Corporation of Eswatini (IDCE) and Eswatini National Industrial Development Corporation (ENIDC) focus on large loans for large firms, and their modes of financing (usually through equity stakes) are unfit for MSMEs.

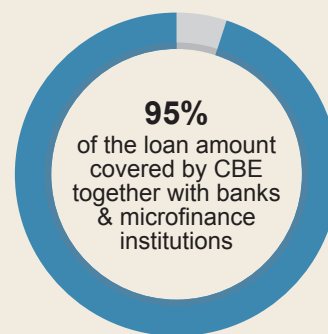


6.5.2 Wholesale Approach - The lack of segregation of MSMEs to consider age, size, and other factors, assumes MSMEs face the same challenges and it is this wholesale approach that adds to making access to finance difficult. The MSME Policy recognises the need to define the nature of the problem and attribute it to the types of MSME participating in the Eswatini economy, rather than a wholesale approach. Data was collected to inform the policy on the problem as well as how it affects the different types of MSME and at the levels from micro to large MSMEs.

6.5.3 High security/collateral requirements - Banks have high collateral requirements and are therefore often inaccessible for start-ups and MSMEs. One area of key investment for MSMEs considering Eswatini's landlocked status, is transport services and logistics. Banks require a deposit of 20%-25% for commercial transport, with personal surety's and the truck as collateral. Commercial property also requires high deposits.



6.5.4 Underutilized loan guarantee scheme - Central Bank of Eswatini (CBE) works with banks and microfinance institutions, to cover up to 95% of the required loan amount by way of providing a guarantee. It remains underutilized by both entrepreneurs and banks.



6.5.5 Limited alternatives for collateral - Lack of movable assets register precludes usage of movable assets as collateral. Trade/inventory, finance/factoring, and leasing are available to MSMEs and large enterprises. However, most macro enterprises tend to rely on micro-finance institutions, with established enterprises using commercial bank trade finance.

6.5.6 High interest rates - Owing to the lack of development finance and grants for MSMEs, especially start-ups, the interest rates charged by lenders are too high, due to the high cost of capital coupled with limited competition in the banking sector, making borrowing prohibitive for low-growth businesses.

6.5.7 Unfavourable payment terms - Payment for supplies to the private sector (medium and large corporations) and government to MSMEs tend to be delayed, affecting attractiveness of MSMEs to commercial credit. In some cases, payments by government can take months. Most of the MSMEs sometimes rely on order financing against cessions from the buyer, as a requirement by most micro-finance institutions, as banks tend to be reluctant to fund micro and small enterprises. Government can consider alternatives considering the lack of cessions for government payments. Inviting micro-finance institutions to bid for matching funds targeted towards supporting MSMEs would help improve this situation.



Hon. Minister Manqoba Khumalo and UNDP Resident Representative Henrik Franklin interact with Ingelo Local Certification Scheme participants. ©UNDP

6.5.8 Under-developed equity markets - This is partly because Eswatini Stock Exchange (ESE) only has about 8 listed companies, coupled with most MSMEs not being familiar with equity investments. Few companies see capital markets as a potential avenue for raising capital and see it as a platform for larger firms. Even the larger firms, partly due to foreign control, don't use the local ESE for capital raising.

6.5.9 Lack of Seed Capital - There are limited financial resources available from family and friends and limited other early-stage equity funding options for start-ups, such as seed funds and angel investors.

6.5.10 Limited Private equity and venture capital funds - There is limited private equity and venture capital funding available for growth-stage companies. This is due, in part, to limited exit options, which in most cases are restricted to founder's buy-back and acquisitions. The very few private equity and venture capital deals taking place, usually come from locally managed funds investing for their own balance sheet or clients mandate, usually, an institutional/pension fund investor.

6.5.11 Lack of Grants to support start up and growth - Grant and prize programs are available through select incubators and accelerators, donors, and events/competitions. However, they are not tied to follow-up financing and business growth targets. These one-off grants have no know timing periods and thus not predictable, with a majority if supported start-ups, failing to survive beyond the initial grant.

6.5.12. Lack of innovative financing schemes like crowdfunding and crowd farming - Despite an explosion in crowd funding and crowd funding platforms, Eswatini, remains one of the few countries, lagging this global trend. Emergence of platforms such as Kiva, Global Giving and Better Place have seen MSMEs leveraging technology to raise funding. Increased awareness of these mechanisms among entrepreneurs and funders is needed for Eswatini to expand available funding sources.

6.6 Pillar 5: Markets and Value Chains

Start-ups, MSMEs, and large enterprises cannot prosper in silos. They need to be connected to domestic, regional, and global value chains in a way that they can source inputs and sell their products and services efficiently, maximizing profits, growth, and job creation. Given the size of Eswatini's economy and geographic disadvantages as a landlocked country, Eswatini's businesses face important challenges, including:

6.6.1 Limited domestic market - Eswatini's domestic market is small and has low purchasing power. Businesses need to take advantage of existing regional and international trade agreements to better connect to export markets for growth. At the same time, domestic demand, especially for food products, is bound to increase with continuous economic growth, urbanization, and trends like the "Supermarket Revolution" already experienced in other African countries. Businesses need to improve integration into local, regional, and international value chains.

6.6.2 Low value-addition in domestic and export markets - MSMEs are only able to export buy-for-sell commodities and low-value-added products, limiting their potential in terms of value creation, higher margins, and job creation. Furthermore, MSMEs and cooperatives are not adequately integrated into value chains, especially in food processing. There is a lack of large-scale domestic buyers for manufacturing (value addition) and exporting in bulk (wholesale).

6.6.3 Limited compliance with standards - The capacity of Eswatini's businesses to export, and often to sell domestically, is limited by frequent lack of compliance with standards (sanitary and phytosanitary, quality, environmental). On the supply side, there is limited availability of suitably accredited laboratories and inadequately developed conformity assessment services. Currently the Kingdom has approximately 120 laboratories of which only 12 are accredited. The 2023 National Regulatory and Quality Policy proposes specific interventions that will help address this challenge.

6.6.4 Cross-border trader challenges - Cross-border trade affects the livelihoods, food security, and employment of small-scale traders, especially women. The Eswatini Revenue Services has been making continuous improvements regarding cross-border trade. However, cross-border traders continue to face challenges such as lack of support with export requirements and documents, limited access to credit, lack of information on regional trading protocols and services, robbery, gender-based violence, and confiscation of goods.

6.6.5 High price fluctuations - Prices of products and inputs fluctuate significantly, mainly due to seasonal cropping and lack of appropriate storage, warehousing

systems, reliance on imported inputs and a concentrated wholesale market, with few players.

6.6.6 Limited MSME access to government procurements - Government procurement opportunities tend to benefit well-established firms and there is no mechanism to help newer, smaller firms take advantage of government procurement opportunities.

6.6.7 Market information deficit - There is no appropriate institution or one-stop shop to provide entrepreneurs with necessary market information, including available financing options, standards, tax information, commodity prices, business-to-business (B2B) sales, and partnership opportunities (industry events, grants, and prizes, etc.). Institutions like SEDCO provide support with registration, training, and capacity building, with most of the programs being available at a fee.

6.7 Pillar 6: Entrepreneurial Culture

Eswatini's entrepreneurs have been cited as having a copycat syndrome and weak entrepreneurial culture, with about 75% of MSMEs operating an informal enterprise. Challenges to a dynamic entrepreneurial culture include the following:

6.7.1 Entrepreneurship not well perceived - Most entrepreneurs start ventures out of lack of jobs (necessity), rather than based on scalable ideas, sound business plans, or passion for becoming an entrepreneur. Entrepreneurship, therefore, is still seen as an alternative to unemployment, not a career choice. It lacks the "glamour" it enjoys in most western societies, and therefore receives limited family support. When job openings arise, they easily ditch the business for work.



Confectionary products produced by a local MSME. ©UNDP



Handicraft products by women MSMEs. ©EU

6.7.2 Limited risk-taking attitude - Youth, particularly university graduates, lack entrepreneurial mindset and are extremely risk averse. Families encourage well-trained graduates to pursue government or large company jobs due to their reliability and stability. A few Swati leave the country for better opportunities, with most staying closer to home, symptoms of a risk-averse culture.

6.7.3 Low acceptance of failure - failure is not perceived as a natural part of entrepreneurship, bringing stigma and low self-esteem to those who have tried and failed, and keeping others from trying. Even our media thrives on selling news about failed well known enterprises or entrepreneurs.

6.7.4 High barriers for women, youth, and people living with disabilities to become successful entrepreneurs - In addition to the barriers detailed above, these groups face barriers, including access to finance, which result in lower business survival rates for these disadvantaged entrepreneurs.

6.8 Pillar 7: Technology and Infrastructure

Eswatini has invested well on its road, rail, and air infrastructure, allowing for easier linkages to major ports and markets. Investments on the internet side however have been slow, with broadband internet still being planned for roll-out. The average MSME suffers from slow internet speed and high costs of internet. The recent Financing Models for MSMEs study raised several issues that relate to the development of MSME supporting infrastructure. Amongst these is the establishment of women-friendly infrastructure and business environment, such as a publicly funded women entrepreneurs' association; implementation of a performance-driven incubation programme, including

private sector- led initiatives; and support to strengthen the innovation culture through a National Innovation Policy.

The principal remaining challenges are:

6.8.1 Expensive utility services - The high cost of basic services, such as internet, electricity, water, and sanitation, affects overall business operating costs.

6.8.2 Low internet speed - According to the Integrated Business Enterprise Survey, 31.5 percent of firms stated that reliable internet is a major challenge in the country.

6.8.3 High transportation and logistics costs - Transportation and general logistics are expensive and there is a lack of alternatives to road or rail transportation for bringing in inputs/raw materials and getting same to market. Road is the most preferred mode of transport in Eswatini.

6.8.4 Restricted intellectual property (IP) laws - Eswatini is investing in Science & Technology Parks to drive the knowledge economy. There is, however, still limited IP protection laws, hindering firm-level R&D and innovation. There is limited knowledge by MSMEs of the IP regime and supporting institutions, but the country continues to work with partners like WIPO to build domestic capacity.

6.8.5. Low-tech agriculture - Agriculture is by far the most important sector for the Eswatini economy, contributing more than 70 percent of rural employment. The country continues to have high impact of climate change, resulting in increased risk in primary agriculture. However, despite remarkable improvements in the past couple of decades, the sector still operates at low productivity levels.

7 | Policy Actions



Honey produced by Magele Farmers. ©UNDP

7.1 Policy Review Process

- Policy development and review in Eswatini is done under the Policy Development Guidelines developed by the Public Policy Coordinating Unit (PPCU).
- The MSME Policy falls under the Ministry of Commerce, Industry and Trade (MCIT). In this regard, the MCIT together with relevant government ministries and agencies, including MoF, MoA, FINCORP, NAMBOARD, SEDCO and EIPA will implement a set of policy actions under each policy pillar.
- To be effective in terms of the policy recommendations and strategies, the following were the key guiding principles in terms of defining and selecting strategy options, including:
 1. **Leverage existing MSME initiatives in the country** - For solutions that are already being implemented, either by MCIT, SEDCO, EIPA or other Government of Eswatini ministries and or agencies, MCIT's SME Unit will play a coordinating role, ensuring complementarity and alignment among existing programs, and will suggest refinements and adaptations to the existing initiatives when needed.
 2. **Model new policy action on international best practices** - When no ongoing initiative is in place, the policy actions draw on existing and relevant international best practices, case studies and evidence adapted, which must be adapted to the local Eswatini context.

3. **Small-scale Pilot for novel solutions** - When no existing evidence or best practice examples locally or globally, MCIT will pilot innovative new initiatives tailored that have the potential to make a strong impact, before scaling up.

7.2 Key Crosscutting Issues

There are several key enablers that will have to be put in place in terms of effective implementation of this MSME Policy, which include:

7.2.1 Data collection and dissemination around MSMEs. Collected data could include characteristics like size, behaviour, output, and location to inform a national MSME information portal. The portal will serve as a one-stop shop for MSMEs from different sectors and stages of development, with a specific interest in expanding access for MSMEs in rural communities.

7.2.2 Active Policy dissemination and public engagement. The 2018 MSME Policy, was poorly implemented, owing to lack of awareness by some of the implementers, which was driven by lack of resources for proper publicity campaign on the Policy. MCIT must have in place adequate resources to run a national campaign that promotes entrepreneurship and further aims to increase MSME awareness of the MSME Policy, MSME Portal and the various tools and support available to MSMEs in the country. The portal will also host an online learning management system (LMS) offering various free training for MSMEs.

7.2.3 Outward study missions: Eswatini's neighbour, South Africa, has several great initiatives centred around MSMEs, that Eswatini can learn from, including SETA's, the SA SME Fund, BEE (having guaranteed participation of MSMEs in corporate and state opportunities in SA). Beyond SA, government must undertake missions to countries that have leading MSME and entrepreneurship programmes to learn best practice that could be modelled to local context.

7.3 MSME Definition and Characteristics

The policy defines MSMEs according to two criteria, being number of employees and turnover, as value of assets is not easy to measure and tends to be industry related, e. g. IT company with billions in turnover and only a few employees. Furthermore, MSMEs are not one homogeneous group but have different needs and are of different sizes, with differing capabilities. Informal and micro enterprises are disproportionately affected by costs compared to medium and large established firms. Table 1 provides a summary of the classification of MSMEs from informal to medium sized entities.



Table 1: Eswatini MSME Definition

Category	Sub-category	Employees	Turn-over
Micro-Enterprise	Informal	0	0
Micro-Enterprise newly established	Formal	0 to 10	Up to E50,000
Micro-Enterprise local market focused	Formal	0 to 10	Up to E60,000
Small Enterprise local market focused	Formal	11 to 20	Up to E500,000
Small Enterprise export ready	Formal	11 to 20	Up to E3 million
Medium Enterprise	Formal	21 to 60	Up to E8 million

The definition above, should be taken in the context of the different characteristics and requirements of MSMEs, in ensuring that interventions and support considers their

different needs and challenges. Table 2 below provides a summary of the different MSME characteristics, across the continuum.

Table 2: Characteristics and Treatment of MSMEs

SME Type	Core Characteristics	Support Required	Company Registration	Tax Status
Micro - Informal	Independent workers in various fields (e.g., one person operation, freelancer, vendor, mechanic, farmer, welder, photographers, etc. Major source of employment. Low wages, low productivity, and minimal contribution to tax.	Support for workers (e.g., childcare centres) and customers. Grants and inexpensive formal lending to help them formalise. Strong business development services.	Nominal	Exempt

Micro - Formal	Entrepreneur at early stage of enterprise or with business idea, newly registered or few years old. Groups with innovative ideas at proof-of-concept stage.	Cultural and educational ecosystem that encourages entrepreneurship. Access to business development services and development of entrepreneur capabilities.	Nominal	Exempt
Small - Locally focused	Most at this stage are in the supply of goods and services. Limited value addition on goods with most relying on government as main client. Growth potential constrained by domestic income levels, small market and limited investments in technology and skills development.	Limited value adds to the local economy. As job creators and suppliers, can benefit from trade finance, border improvements. Increases in economic activity can expand demand for these entities. Improvements in logistics for cross border movement of goods is key. Working capital and delayed payments from clients are major challenge financially.	Nominal	Non-exempt
Small - Exporting / Export Ready	Small exporter, with fewer than 50 employees, targeting few markets. Most of the entities in this space are foreign owned and those in agro processing have in place out grower schemes supporting community farmers.	Support to the entity to scale and create more jobs and out growers. Support to out growers to improve productivity and quality.	Nominal	Non-exempt
Medium			Nominal	Non-exempt

7.4 Pillar 1: Business Enabling Environment

Objective: Provision of conducive legislative and regulatory reforms to make it easy and cost effective to start and run a business, whilst improving MSME dialogue platforms and streamlining tax requirements for new firms (both start-ups and MSMEs) to decrease business costs for new entrepreneurs.

Constraints addressed: Excessive cost, time and processes relating to starting and running a business, including burdensome taxation requirements for start-ups, low understanding of the tax requirements, and elevated levels of informality.

Policy Actions:

7.4.1 Improve coordination of MSME issues within government through development and enactment of **Small Business/MSME Act** which will ensure that issues relating to MSMEs are captured in law and enforceable.

7.4.2 Reduce cost and time for registering and renewing business through implementing a full online company registration and renewal system, including decentralisation of some functions under MCIT, MSME Unit and SEDCO.

7.4.3 Undertake education and promotion campaign on presumptive tax provisions for small businesses that aim to encourage informal enterprises to formalise and further encourage entrepreneurship. Under presumptive tax, small businesses with turnover of up to E50,000 per year are exempt from tax, whilst those with a turnover of up to E500,000 pay tax of 1.75%. Government agencies should provide tax education workshops. Agencies should also consider providing tax support to MSMEs, including development of online accounting system and tax guidance booklet to be distributed to MSMEs and available for download on the MSME Portal.

7.4.4 Development of services sector strategy to increase share of trade in services and support MSMEs in trade in services through a proactive national strategy. The services sector is one where most youth are active (music, design, art, architecture etc), yet the supporting framework is not developed. The services sector is one of the sectors that have been liberalised under the AfCFTA and it is important that proper legal frameworks and strategies are put in place to develop, promote and support trade in services.

7.4.5 Launch national campaign to inspire and encourage entrepreneurs and ecosystem players:

Promote a “vibrant entrepreneurial MSME sector” by facilitating access to financial products and services for MSMEs and making banks see the contribution MSMEs make to the economy. This will include developing a national programme (TV, Radio, YouTube) to showcase successful entrepreneurs locally and within the region, to encourage aspiring entrepreneurs.

7.4.6 Increase awareness for entrepreneurs about the benefits of formality and disadvantages of operating informally, including development of incentives to reduce informalities, for example, reducing the costs associated with business registration and operation like having a tax-free threshold for entities with annual turnover of E60,000, i.e., informal micro enterprises.

7.4.7 Capacitate and fully operationalise Small Claims and Commercial Courts to help reduce legal costs and contract enforcement for MSMEs, seeking legal redress.

7.4.8 Improve image and perception of SEDCO incubation program, which is seen primarily as a low-cost space for a start-up to operate rather than an incubator.

7.5 Pillar 2: Business Support

Objective: Improve the business support system for entrepreneurs, including business consultants, mentors, incubators, and accelerators.

Constraints addressed: A limited number of qualified consultants, mentors, and incubators/ accelerators and low

perceived value of consulting services.

Policy Actions:**7.5.1 Provide free BDS Services through SEDCO.**

Improve SEDCOs budget and resources so that SEDCO can provide free BDS to MSMEs. Most MSMEs requiring SEDCO support are start-ups with no access to credit and limited resources, which can be easily depleted by support that should be otherwise provided free of charge as per international best practice.

7.5.2 Expand EIPA's Trade Promotion department to an Export Promotion Unit, operating under an export council led by ITD to grow MSMEs exports and further take advantage of the AfCFTA.

7.5.3 Development of MSME Payment Policy which will help alleviate challenges of poor cashflow that emanate from delayed payments to MSMEs by established enterprises. Retail supermarket chains, meat processors, construction firms and various other areas where MSME provide services tend to pay after 30 days, with some stretching as far as 90 days, including government. Government must put in place a policy that enforces payment of micro and small enterprises within 14 days of supply of goods or service.

7.5.4 Setting up of Citizen Empowerment Council which will be responsible for the development of a strategy for broad-based economic empowerment, including providing an integrated, co-ordinated, and uniform approach to broad-based economic empowerment to effect the requirements of the Citizen Economic Empowerment Act;



Locally produced honey. ©UNDP

7.5.5 Develop Code of Conduct for Public and Private institutions to guide the implementation of the Citizen Economic Empowerment Act in ensuring equitable access of MSMEs to government and public procurement of goods and services, including linkages with other regulations like the Public Procurement Regulations of 2020.

7.5.6 Improve access to tailored business consulting service. To improve access to business services for entrepreneurs in different sectors and stages of development, particularly those in rural areas, and in line with the PSDYE, review the roles and responsibilities of BDAs and develop recommendations to improve the outreach and effectiveness of BDA services for all types of rural entrepreneurs, including those who are semi-educated. For established formal businesses, create a program like Brazil's PEIEX,⁷ a program by the Brazilian Export Promotion Agency that focuses on enhancing the competitiveness of Brazilian SMEs by providing coaching and consulting on management and production best practices. Firms receive a standard competitive strength assessment covering different areas.

7.5.7 Develop accreditation framework for consultants to improve quality of consultants. Develop training-of-trainers courses for business consultants in top business schools and in partnership with consultancies, where the certificates of completion become a market standard for quality.

7.5.8 Support development of mentorship networks and mentor's database. Build mentor networks, primarily in partnership with existing incubators and accelerators, academia, and start-ups, MSMEs, and large enterprises, including accreditation systems and KPI driven systems to M&E of mentors.

7.5.9 Improve coordination between MICT and MCIT to leverage facilities like the RSTP as accelerators and incubators of a dynamic tech driven entrepreneur, with potential to contribute to country's entrepreneurship

ecosystem. RSTP though Central Bank of Eswatini's FINTECH Unit can also support development of peer to peer (P2P) lending platforms to help improve access to finance, especially for start-ups and high growth investment hungry ventures.

7.5.10 Strengthen SEDCOs regional incubators to provide better services and acceleration of MSMEs in rural Eswatini, where most are located, targeting initially, the four (4) regions.

7.6 Pillar 3: Human Capital and Management

Objective: Improve relevance of skills produced by academia, improve access to technical, management skills and know-how for existing and potential entrepreneurs and employees that are necessary to effectively start and run a business.

Constraints addressed: A tertiary education deficit, weak academia-market link, lack of entrepreneurship curriculum, poor business governance, lack of management skills, and poor recordkeeping and bookkeeping.

Policy Actions:

7.6.1 Improve relevance and marketability of tertiary academic programs. This pillar seeks to close the gap between academia and industry, which has contributed towards the skills mismatch as identified by the recent skills audit by ESEPARC. The audit confirmed that skills deficiencies - gaps, shortages, and mismatches - are present in all three sectors (parastatals, private, and public). Furthermore, academia needs to focus on areas that have been found as shortcomings with regards to local entrepreneurship and business success. There is clearly a need to design courses focused on management and technical needs of firms in targeted sectors, led by MoE and key ministries and affiliated agencies and further create a plan for tertiary institutions to develop and foster better industry linkages and practice in their curricula.



Ice cream produced by Scoops and Giggles. ©UNDP



Glassware produced by Ngwenya Glass. ©UNDP

Actions could include for example, inclusion of industry leaders in academic boards; invite industry professionals to teach and provide guest lectures and seminars; invite businesses to submit industry problems for solution by science and business students; integrate paid internship programs in curricula requirements for graduation in business and engineering degrees; support active alumni associations; and integrate e-learning as well as introduce workplace learning, a model that includes practical training. Government should consider review and revival of the training rebate policy, as a financing instrument for ongoing education.

7.6.2 Introduce entrepreneurship curriculum in Secondary Schools. In collaboration with MoE and affiliated agencies, including UNICEF, develop an entrepreneurship course with a view to introducing an entrepreneurship curriculum in secondary schools and create a plan to strengthen applied topics, such as business plan writing, marketing, basic financial modelling, and SWOT analysis. Government should continue supporting initiatives like Junior Achievement (JA), an organization that teaches entrepreneurship to in-school youth.

7.6.3 Improve availability of technical and vocational skills training. Technical skills are not just learned in the formal educational system. Private sector providers can also play a big role in delivering technical training to out-of-school populations, potentially helping to provide training opportunities to disadvantaged groups, including women, youth, and people with disabilities. In Latin America, Laboratoria uses data-driven models to identify young women with high potential, but who are unable to access good education. It then takes these women through an intensive six-month technology boot camp, where they

learn to code, and connects them with companies for immediate hiring. Results are impressive, with 75 percent of women finding permanent jobs and tripling their income upon graduation.

7.6.4 Improve business governance. Develop short guides and courses on basic business governance and disseminate the information via the Entrepreneurship Portal, PSF and its chambers, business schools, and other relevant agencies. Providing concise, relevant information to start-ups, MSMEs, and large enterprises in the form of electronic or paper brochures has proven effective. For example, the **Inter-American Investment Corporation**, part of the Inter-American Development Bank, launched the **FINPYME App**, which included several such guides on basic accounting, marketing, and governance, and helped thousands of entrepreneurs improve.

7.6.5 Strengthen customer service and service delivery across all sectors. In coordination with MCIT and MoE, BE, FESBC, UNESWA, and other relevant agencies, develop awareness-raising and training programs to instill the culture of customer service orientation among both youth preparing to enter the workforce and existing businesses. Conduct training on customer service, client satisfaction, and market research for tourism and other service-oriented businesses to raise awareness on the importance of satisfying and retaining customers for business long-term growth and success, including provision of online training resources via the one-stop-shop portal. Support should be given towards creation of a business forum to recognise and promote customer service professionalism, support business competitions on customer service, and host learning and exchange events to increase the profile of the importance of customer service across all sectors.



MSMEs need to be supported to access funding. ©Pixabay

7.7 Pillar 4: Financing

Any attempt to address the access-to-finance constraint of MSMEs must treat microenterprises separately from SMEs. In addition to incentivizing microenterprises to formalize, the Government must support the development of an efficient microfinance market by providing a conducive regulatory framework, initial capital, and low-cost lines of credit for on-lending. FinCorp, for example, while fundamentally a microfinance institution has a very high cost of capital for the segment of the market they serve.

Objective: Improve entrepreneur ability in terms of better governance and BDS to increase access finance for business growth from various sources, including equity, debt, and grants from public, private, and peer-to-peer lending sources.

Constraints addressed: High collateral requirements, limited investment products for early-stage businesses, short lending tenors and grace periods, seed capital deficit, venture capital and private equity deficit, isolated grant programs, and limited use of crowdfunding.

Policy Actions:

7.7.1 Review the functioning of the SSELGS to help improve uptake, including setting up of minimum quotas for banks regarding submission of projects under the scheme. Caution should be practiced in ensuring that financial institutions do not use the scheme to cover bad performing loans as new applications to reduce defaults on their own loans not covered by scheme.

7.7.2 Set up dedicated concessional finance schemes for micro finance enterprises and SMEs, including provision of modern MSME financing instruments (factoring, leasing, venture capital funds). Government should consider channelling development loans through micro-finance institutions who in turn will provide matching

funds and order financing of government clients who may take longer in making payments. Government should be wary of having too many institutions, with minimal funding, all managing government funds to channel to private sector. The costs of administration and the learning curve does affect success. Instead, focus should be on building capacity of existing institutions and provision of cheaper capital to institutions with a development finance mandate.

7.7.3 Set up a joint advisory Risk Assessment Working Group comprised of industry experts and stakeholders to consider the adoption and diffusion of modern best practices in MSME risk assessment, and to encourage relationship lending. This will help is reforming the current credit scoring approaches and risk assessment towards behavioral analysis, use of artificial intelligence (AI) and relationship lending.

7.7.4 Help financial institutions develop industry-specific financial products. Tailoring products to specific industries will allow financial institutions to more deeply understand the lending risks associated with different industries and products and explore options to meet MSME investment needs. Together with the BNR, carry out a study to assess existing financial products in the market and provide recommendations.

7.7.5 Set up a publicly funded women entrepreneurs 'association' dedicated to promoting women entrepreneurship through capacity-building, networking and related support, and collaboration with other institutions in the MSME ecosystem. According to the MSME Financing Models, Uganda, Kenya, and the United Republic of Tanzania, have for example, the Women's Microfinance Initiative, which has helped aspiring women entrepreneurs to build an income-generating business to improve household living standards. The initiative has been a great success, resulting in a fivefold increase in clients' incomes in some cases within a relatively short period of time (World Bank, 2018).

7.7.6 Promote learning and exchange of best practices in financing.

Work with the Eswatini Bankers Association (EBA), Bank and Non-Bank Financial Institutions, and financial regulators to promote learnings and events where start-up and MSME-specialized local and international financial institutions share their experience in providing and regulating debt and quasi-equity products to MSMEs and start-ups. Create clear targets for during and after events, such as creation of lessons learned reports, ongoing dialogue and exchange platforms, piloting of certain products, and partnerships. Focus on the issues of collateral requirements, high interest rates, tenors and grace periods, transaction speed/processes, and regulations governing anti-money laundering and other financial good governance requirements.

7.7.7 Development of local credit bureau to help improve data collection and sharing to allow financial institutions to have a 360-degree view on clients, through for example linking payments systems to reflect payments to utilities, store accounts, micro and cooperative loans etc. In this regard, local financial institutions working with RSTP, and key ministries should work together towards setting up of national credit bureau.

7.7.8 Introduce credit scoring, to increase volume and lower costs. Credit scoring is a statistical method of evaluating the probability that a prospective borrower will fulfil its financial obligations in respect of a loan. The predictive value of credit scores is generally higher than that of assessments based on credit histories (IFC, 2011). Hence, credit scoring as a technique corrects the downward bias inherent in MSME loan evaluations, enhancing the likelihood that the loan will be approved.

7.7.9 Promote competition in the fintech industry and develop cooperation with interested fintech firms to better serve the start-ups and SMEs. This should include strengthening of the legal and regulatory framework to pave the way for crowdfunding and other innovative FINTECH solutions leveraging sandbox regulations within the Central Bank, which has set-up a dedicated FINTECH Unit. UNDP for example is working on piloting an Agri Fintech platform, which is a supply chain financing platform for the agriculture sector, the Agri-Fintech Accelerator (AFA).

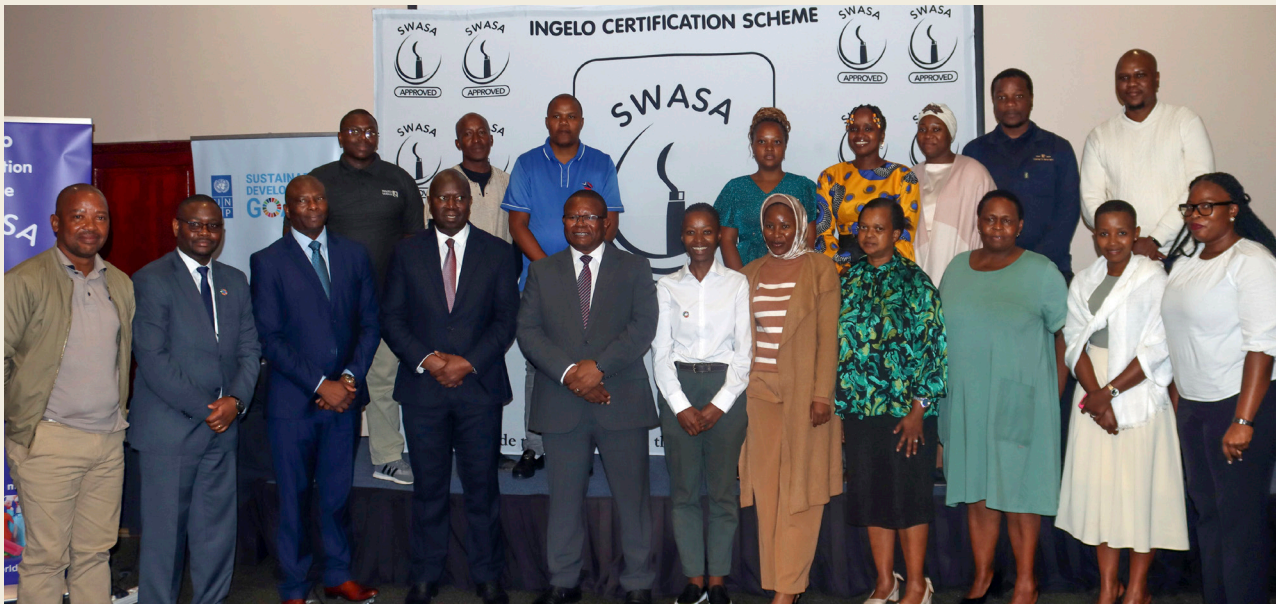
7.8 Pillar 5: Markets and Value Chains

Objective: Expand access to domestic and export market opportunities for entrepreneurs, including access to domestic and regional value chains.

Constraints addressed: A limited domestic market, low value-added exports, constraints to operation of cross-border traders, high commodity price fluctuations due to inefficient warehousing and inventory management, limited access to government procurement, market information deficit, and low compliance with standards.

Policy Actions:

7.8.1 Revise National Export Strategy to consider emerging issues, including the AfCFTA. The strategy should ensure that challenges faced by small-scale cross-border traders are properly addressed. These include access to finance, security, access to information on taxes/duties and standards, and having help desks to assist with custom formalities.



Hon. Minister Manqoba Khumalo poses with Ingelo Local Certification participants. ©MCIT

7.8.2 Review Agriculture Export Strategy to investigate the key value chains with potential for domestic and export markets, including value addition of key produce.

7.8.3 Make government procurement programmes more accessible to MSMEs. Government as one of the major markets for MSMEs is better placed than private sector to foster development and capacity building of MSMEs through preferred procurement arrangements. E.g., using MSMEs (fruit & vegetables and butcheries) to supply fresh vegetables and meat for events, instead of awarding large established entities.

7.8.4 Development and management of export market channels, including online marketing and e-commerce portal for MSMEs to access markets beyond Eswatini, especially in the advent of the AfCFTA. Electronic commerce (EC) has gained remarkable importance as a technology medium for firms to serve their consumers, increase their geographic reach.

7.8.5 Foster the development of an MSME - FDI Linkages Strategy through the Code of Conduct within the Citizen Empowerment Act, which seeks to influence the behaviour of government and private sector, with regards to providing access to their supply chain to MSMEs. The Codes of Conduct should aim to deliberately make government procurement opportunities more accessible to newer, smaller companies, which are more in need of support in the early stages.

7.8.6 Develop an MSME Dialogue platform to improve coordination and communication on issues relating to MSME competitiveness and business climate improvements.

7.8.7 Set-up Fund to support MSMEs attend regional trade fairs in a bid to increase awareness on local products and suppliers, whilst helping expand markets for MSMEs beyond the 1.2 million domestic market.

7.8.8 Improve access to market information. Leverage institutions like SEDCO, EIPA, government website and the one-stop-shop portal to disseminate information to MSMEs. The priority being to ensure that MSMEs are provided with relevant market information at the different stages of development, i.e., for start-ups, micro, medium and large enterprises to decrease market information asymmetries and business costs, promote B2B opportunities between buyers and sellers, including support to the Citizen Economic Empowerment Act, and strengthen MSME-FDI linkages by connecting businesses with input providers and anchor firms in relevant value chains.

7.8.9 Development of farmer database. Eswatini's challenges with managing agro-produce supplies is fueled by limited data on who is farming and what they are farming and when will their produce get to market and in what quantities? These unanswered questions always result in either over-supply or under-supply. The development of a farmer database would thus go a long way in helping institutions manage farmers and farmer scheduling better. Furthermore, such a database would help with farmer aggregation to build competitiveness of otherwise smaller farmers.

7.8.10 Facilitate adoption of standards amongst MSMEs. To ensure that start-ups, MSMEs, and large enterprises adhere to relevant standards, conduct a study on how to ease and prioritize standards development across firm sizes in priority sectors. Ensuring that MSMEs have the requisite support regarding the costs and facilities for ensuring compliance would help increase export ready entities and ultimately exports. This will initially include ensuring that only relevant standards are required from MSMEs, which will diminish the costs of adopting them and promote compliance. The study will also be accompanied by a publicity campaign through the One-stop-shop portal to ensure that entrepreneurs are aware of the standards that apply to their businesses and how they can comply.



Jam and sauces produced by Eswatini Kitchen. ©UNDP



A young handicraft producer displaying her wares at Swazi Candles. ©UNDP

7.8.11 Develop an MSME Cluster Strategy. Conduct thorough value chain analyses for targeted clusters and identify opportunities for entrepreneurs in each region. When clusters are applied to entrepreneurship, experts agree governments should not seek to create new clusters, but rather reinforce existing ones.³ Organize entrepreneurship forums in each region to increase awareness of business opportunities among entrepreneurs. MSMEs should be encouraged to form associations and partnerships with key providers within their supply chain to help improve efficiencies and competitiveness.

7.9 Pillar 6: Entrepreneurial Culture

Risk aversion, fear of failure, and lack of capabilities can be just as significant barriers as lacking the regulatory and institutional support.

Objective: Promote the culture of entrepreneurship and access to business opportunities for youth, women, and people living with disabilities.

Constraints addressed: Risk-averse attitude; copy-cat syndrome; entrepreneurship not well perceived; low acceptance of failure; and women, youth, and people living with disabilities do not always enjoy equal opportunities in entrepreneurship landscape.

7.9.1 Develop MSME One Stop Shop Portal (Entrepreneurship Portal) which seeks to communicate, educate, and inform MSMEs in the country about the contribution of entrepreneurship to the national economy,

support available to MSMEs and online training on entrepreneurship, business management, finance, and governance.

7.9.2 Encourage sharing of best practice on entrepreneurship. Exposing Swati entrepreneurs to other dynamic cultures and promoting a culture of excellence amongst MSMEs is key in building innovative enterprises.

7.9.3 Ensure equal opportunities and support for all entrepreneurs. Entrepreneurship-support organizations should ensure that women, youth, and people living with disabilities, as well as entrepreneurs of all backgrounds, are offered the same treatment and opportunities. Stakeholders must create awareness on opportunities, entrepreneurship, and access to finance, especially among women, youth, and people living with disabilities using national and community-based mechanisms, for example, women business associations and at community and Inkhundla meetings.

7.9.4 Provide self-awareness training for local entrepreneurs to boost confidence, personal brand awareness and other soft skills, aimed at improving the dynamism of local MSMEs.

³ "Clusters and the New Economics of Competition," Harvard Business Review. Retrieved 1 November 1998.

7.9.5 Encourage entrepreneur networking and cross sharing experiences. Government and private sector business support organisations (BSOs) should organise networking events and out-of-country missions to engage with successful entrepreneurs regionally and internationally. Events like YouthConnekt for youth entrepreneurs and participation in regional and international expos and trade fairs would enhance visibility and dynamism of local MSMEs.

7.9.6 Encourage innovation and creativity. Eswatini's entrepreneurs have been classified as having a "copy-cat" syndrome, with most in wholesale and retail, targeting primarily government supplies. There is need to come up with programmes to drive innovation and creativity, leveraging facilities like the RSTP and development partners to support STEM in schools, science fairs, innovation challenges and competitions to deliver local solutions.

7.10 Pillar 7: Technology and Infrastructure

Objective: Improve entrepreneur access to technologies, infrastructure and innovations required for business growth and productivity, taking into account issues of Digitisation and Climate change.

Constraints addressed: Unreliable internet, high cost of irrigation, lack of quality assurance infrastructure and low-tech agriculture.

Policy Actions:

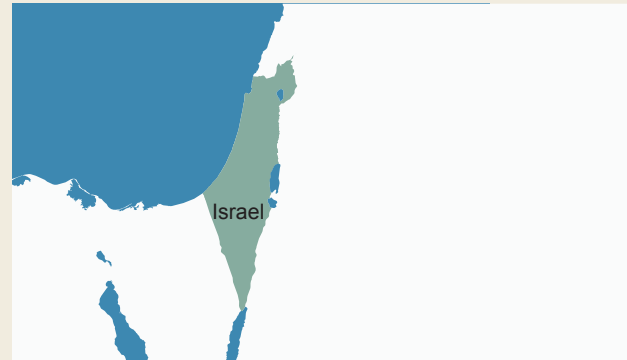
7.10.1 Invest in quality assurance infrastructure for target value chains. Lack of proper testing facilities relating to compliance with standards, limits potential for MSMEs to export. Eswatini has fewer exporting or export ready MSMEs. Prioritising investments in quality assurance infrastructure would help reduce the costs and further increase access of MSME produce in local retailers, whilst increasing the number of local products ready for international markets.

7.10.2 Improve post-harvest handling and storage infrastructure. Enhancing the business environment for smallholder-inclusive and private sector-led agri-food systems and value chains through rehabilitating or constructing of processing and storage facilities at strategic locations in the country amongst other proposed initiatives under the 2nd Generation Eswatini National Agricultural Investment Plan (ENAIP). These facilities can help in enhancing quality of produce, improving cost-efficiency of existing warehousing systems; building trust between farmers, transporters, and warehouse owners; improving farmer delivery on pre-season contracts; and further build the capacity of farmer cooperatives to utilize existing storage facilities and systems. Improved storage and warehousing systems will also help stabilise prices and avoid product waste.

7.10.3 Facilitate provision of fast, reliable, and affordable internet for MSMEs. The cost, speed and reliability of internet is challenge in Eswatini, with most MSMEs citing slow internet and high costs. Mobile entities like MTN and Eswatini Mobile have come up with social

media and education packages. There is need to explore business packages to support start-ups and innovative MSMEs, e.g., FINTECH developers.

7.10.4 Promote public and private sector investment in improved agricultural technologies. Strengthen technology transfer efforts, for example, in irrigation, from world leaders in agricultural technologies such as **Israel, the United States, and Brazil (Embrapa)**. Partner with private sector and development agencies to support MSMEs with climate smart technologies to mitigate climate change and improve reliability.



7.10.5 Improve digital literacy and uptake. The MCIT in collaboration with development partners, will increase training and promotion of digital literacy to youth, women, people living with disabilities, and MSMEs in required digital skills to support the growth of entrepreneurship and technology adoption and support in promotion of data storage solutions.

8 | Implementation Plan

The custodian of issues relating to support of MSMEs in the country is the Ministry of Commerce, Industry & Trade, yet the implementation of interventions to support entrepreneurship development are scattered across different ministries, institutions, and agencies, making coordination efforts quite challenging. Much as the MCIT is the responsible ministry, collaboration and commitment of other ministries and agencies is very important for the successful implementation of the MSME Policy and development of a vibrant entrepreneur ecosystem.

The key actors are MCIT, MoF, MoA, MoSCYA, SEDCO, EIPA, ERS, SWASA, NAMBOARD, ESEPARC, Eswatini Bankers Association, Eswatini Development Bank, NIDCS, ENIDC, MICT and RSTP.

The respective roles of the key actors are summarised in the table below.



Table 3: Key Actors and Respective Roles

Ministry/Institution	Role
MCIT	Line ministry responsible for commerce, industry and trade. Amongst its key objectives, is the creation of an enabling environment through streamlined and focused policies and legal instruments that will compliment Government's effort to stimulate growth of small and medium enterprises.
MoF	Ministry of Finance is responsible for promoting macroeconomic stability and optimising economic growth. Amongst such policies are budget, tax, and incentives issues for MSMEs.
MoA	Ministry tasked with primary goal of increasing the contribution of agriculture sector to economic development. Ministry has various programmes targeting MSMEs in agriculture.
MoE	Mandate is to provide access to relevant quality education at all levels to all Swazi citizens; considering all issues of efficacy, equity, and special needs.
MICT	Ministry tasked with provision of an efficient national ICT delivery framework for Swazi citizens, the public and private sector, including supporting national innovative systems.
MTAD	Seeks to create an enabling environment for effective service delivery at Regional and Tinkhundla level. Administers Regional Development Fund (RDF).
SME Unit	To promote and stimulate SMME development and growth through effective service provision and establishment of legal and institutional framework to achieve competitiveness.
SEDCO	A state-owned organization established to create, develop, and promote MSMEs through entrepreneurship development and growth, including training, incubation, and business development support.
EIPA	Government agency mandated is to attract, encourage, facilitate, and promote local and foreign trade and investment in Eswatini.
DCD	The Department of Cooperative Development is mandated to support and facilitate the development of Cooperative Societies through promotion, business training and supervision.
ESASCCO	Eswatini Association of Savings and Credit Cooperatives, is an apex body for the Savings and Credit Cooperatives of Eswatini.

IRM Unit	Tasked with creating a conducive environment for business by eliminating impediments and procedures to reduce time and costs involved in doing business.
ERS	Collects taxes, oversees, and implements regulations related to taxes and customs duties, and ensures compliance with national tax laws.
YERF	The Youth Enterprise Revolving Fund provides development finance and support to Eswatini's youth.
SWASA	Seeks to provide internationally recognized quality standards and conformity assessment services to improve business performance and promote trade.
NAMBOARD	Facilitates markets for farmers and supports farmers with production, storage, transportation, and distribution/sale of produce, including regulation of scheduled produce.
MICT and RSTP	MICT is the Ministry responsible for the development of an efficient national information, communications and technology delivery framework and the parent ministry for RSTP. The aim of the RSTP is to provide steadfast support for basic research and innovation and houses an IT Park and a Biotechnology Park.

We do not have to reinvent the wheel and to a great extent, the MSME Policy must leverage on existing frameworks. In this regard, the Policy will be implemented using existing institutional frameworks, with the addition of the Council and Codes of Conduct to effect provisions of Citizen Empowerment Act. The institutional framework that supports implementation of the policy and the M&E structure have thus been designed to reflect this and to allow for a dynamic and responsive policy, which will enable continuous updating to reflect changes in the operating environment and to incorporate lessons learned during implementation. **MICT, SEDCO, MoE, MoF, EIPA, RSTP, and SWASA are the key leading institutions implementing the seven pillars of the MSME Policy.**

Ensuring the capacity of these lead institutions is, therefore, crucial for the success of this policy, and MSME issues need to be owned by each stakeholder at the most senior level. MICT as the lead Ministry and overall policy lead, will play the role of coordinator and high-level policy supervisor to ensure traction and implementation. Periodic meetings

will have to be convened to update stakeholders in the public, private and civil society space regarding delivery challenges and success and lessons learned, to allow for evidence-based reviews.

8.1 MSME Institutional Framework

MICT - SME Unit

Given the cross-cutting nature and complexity of required work to implement MSME Policy, the SMU Unit within MICT will technically coordinate the implementation and monitoring of the MSME Council, with periodic guidance from the Citizens Economic Empowerment Council. The SME Unit will further provide support to implementing institutions, partners, and development agencies to play their respective roles to ensure adequate implementation. Institutions like EIPA, who looks after trade promotion and NAMBOARD on markets agro produce, need to be active in making this policy alive through active programmes targeting export readiness, productivity, and production.

Table 4: MSME Policy Institutional Framework

Ministry of Commerce, Industry & Trade - SMU Unit: Policy Lead						
Business Enabling Environment	Business Support	Finance	Human Capital Development	Markets & Value Chains	Entrepreneurship Culture	Infrastructure & Technology
1	2	3	4	5	6	7
MICT (IRM Unit) MoF: Tax & Incentives ERS: Tax Awareness	SEDCO Access to BDS Mentorship Incubation Coaching	MOF Budget Tax Incentives MICT Info on Financial Products New products	MOE Secondary Tertiary Technical Management MICT Business Governance Stipends	EIPA Export readiness Markets NAMBOARD Markets Value Chains RQID Promoting Standards	RSTP Accelerator Programs Grant Support Innovation MICT Cultural Exchanges Equal Access to Opportunity	SWASA Quality Assurance Labs MoA Climate Smart Technologies CFI Financial Literacy ESCCOM Internet



8.2 MSME Supporting Frameworks

8.2.1 Eswatini Quality Awards - Through SWASA, the Ministry of Commerce, Industry and Trade also has a national programme to encourage quality amongst local entities through the **Eswatini Quality Awards** are meant to promote business excellence in businesses and organisations across all sectors in the country.

8.2.2 Entrepreneurship of the Year Awards - Government should maintain and upgrade the awards to also encourage grass roots, formalisation, customer service, and women amongst other key motivators for MSMEs.

8.2.3 Creation of Private Sector /MSME Working Group - This group will be a smaller coordinating forum, where government, private sector development and organised labour actors coordinate with development partners, civil society, and academia on issues relating to private sector and MSME development. The group can create various sub-sector working groups like working group on informality or on youth employment or an MSME Finance Working Group. The forum could be key in the successful implementation of the MSME Policy by leveraging development partner support and expertise. Given the low implementation rate on the previous policy, coordination and resources are critical success factors.

8.3 MSME Policy Impact Monitoring and Evaluation

The Government of the Kingdom of Eswatini, through the Ministry of Commerce, Industry and Trade (MCIT) will put significant effort into monitoring the implementation of this policy and taking appropriate actions when expectations are not met.

Moving forward, it's crucial that the Government puts in place, mechanisms to measure the performance of the entrepreneurship development ecosystem in Eswatini. This will help in monitoring the status of the domestic entrepreneurship ecosystem and allow for benchmarking of Eswatini in terms of regional and global performance. MICT, in collaboration with the ESEPARC and RSTP, will develop an impact M&E tool benchmarked against international best practices such as the Global Entrepreneurship Development Index (GEDI) and Global

Entrepreneurship Monitor (GEM), which measure the quality and dynamics of entrepreneurship ecosystems at national and regional levels.

8.4 Legal and Regulatory Implications

The MSME Policy will require further legal and regulatory reforms for proper implementation and development of conducive entrepreneurial ecosystem. Implementation of some of the policy actions will require a review of the current legal framework, including:

- Review of tax and related tax incentives for MSMEs
- Regulations for public and private procurement, private capital investors (angel investors, venture capitalists, equity investors, social impact investors, family foundations, and high net-worth individuals);
- Digital trade regulations covering eCommerce and crowdfunding, peer to peer lending and start-up matching funds.
- Setting up of Citizen Empowerment Council
- Development of Corporate Governance Guidelines
- Development of CEEA Codes of Conduct
- Development of MSME Payment Policy
- Development of national Private Sector Strategy
- Enactment of an MSME Business Act.

The aim for a country like Eswatini with only less than 30% of registered entities paying tax, is to reduce informality through a programme that encourages entities to be formal and putting in place incentives to stay formal and grow to taxpayer status.

8.5 Implementation Plan Log Frame

The Implementation Action Plan Log Frame, with details of the output, outcomes, indicators, and responsible agencies organized by pillar is attached as annexure to this policy document.



Hon. Minister Manqoba Khumalo poses with Ministry of Commerce and Industry and Trade officials. ©MCIT



ANNEXURE A

MSME ACTION PLAN 2023/24 – 2028/29

ESWATINI MSME NATIONAL POLICY

VISION

“To support the development of a vibrant entrepreneurial MSME sector that contributes to the economic development of Eswatini through innovative and creative business practices supported by an enabling environment, which fuels transformation of rural households and other communities in productive economic structures”.

MISSION

To promote and stimulate a deep-seated entrepreneurial culture in the MSME sector, build capacity, improve opportunities and supportive trade relations for MSMEs, reduce bureaucracy, provide for adequate financial and other support by building strategic partnerships, so as to achieve competitiveness of the sector.

POLICY OBJECTIVES

1. Improve business environment for MSMEs, including measures to reduce red tape and reduce the cost of doing business.
2. Improve business support services and monitoring systems targeting entrepreneurs.
3. Improve access to skills and capabilities of existing and potential entrepreneurs to effectively start, grow and manage a business.
4. Improve entrepreneurs' ability to access finance, including equity, debt, peer to peer lending and grants..
5. Expand access to domestic and export market opportunities for entrepreneurs, including holistic development of key value chains.
6. Improve key enabling infrastructure especially in the areas of standards and improve entrepreneurs' access to technologies, including internet and climate smart innovations for business growth and productivity.
7. Promote the culture of entrepreneurship and equitable access to business opportunities for all entrepreneurs, especially youth, women and people living with disabilities.

Outcome	Output	Indicator	Baseline	Activity	Responsible Entity	Timeframe
Pillar 1: Enabling Business Environment						
Predictable business environment including reduced cost and time for registering, running, or renewing company and licenses	Easy enforcement of support initiatives and policies through sound legal framework.	Enactment of Small Business Act.	Currently no legislation to support growth of MSMEs in the country.	1. Study to consider development of legislation to support MSME development in the country. 2. Development of Small Business Act.	MCIT (lead), AG's Office, MoF, MP's, SEDCO, EIPA, ESEPARC, FESBC, BE.	Medium-term
	Modern Trading Licence regime and clarity on definition of MSME.	New Trading Licence regime.	Trading Licence Order No. 20 of 1975 and Trading Licence Amendment Act No. 9 of 2011.	1. Develop regulations for the Trading License Act.	MCIT (lead), MoF, MP's, SEDCO, EIPA, FESBC, BE.	Short-term
	Company registration simplified and costs reduced for micro and small enterprises.	Online business registration system operational. Online payment operational. Benchmark study on costs of starting and running a business between Eswatini and comparator countries. Study on opportunity costs of cancelling company registration and licencing fees.	Current business reservation and registration process.	1. Revise Companies Act of 2009. 2. Develop online registration form for companies. 3. Provide downloadable Mem & Arts template online. 4. Allow for online payment for local and FDI. 5. Conduct benchmark study on costs of registration for MSMEs to set local registration fees. 6. Conduct study to look at foregone revenue by government if we scrap company registration fees and trading licence vs potential benefits.	MCIT (lead), ESEPARC, SEDCO, EIPA.	Short-term
	Decentralised government services to business.	Regional office opened in one region outside Hhohho.	Current approach where renewals are done in Mbabane, with some activities in Manzini.	1. Set-up company and trading licence registration and renewal services in all four regions.	MCIT (lead), SEDCO, Tinkhundla Ministry	Short-term
	Reduced costs and time for contract/Legal	Small claims court and commercial	No. of days for commercial	1. Implementation of electronic case	MoJCA (lead), AGs Office,	Short-term

	issues and mitigation for MSMEs	courts properly resourced.	case to get attended.	management system. 2. Service charter regarding days and procedure.	MCIT, IRM Unit.	
	Relevant, dynamic and improved SEDCO incubation programme.	Number of campaigns to enhance SEDCO image as incubator.	Increased number of entities graduating from SEDCO programmes after incubation period. Number of entities leaving SEDCO Incubation.	1. Study on current market needs, including study tours to regional and best practice MSME incubators. 2. Implementation of study regarding improvement of SEDCOs incubation programme.	MCIT (lead), SEDCO, ESEPARC, UNESWA (Research Centre).	Medium-term
	Harmonised by-laws amongst municipalities regarding permits for small traders.	Small traders provided fair and equitable treatment within municipal trading spaces.	Current municipal by-laws, fees and access rights.	1. Stakeholder forum between municipality, MSME Unit, Home Affairs and other key stakeholders to discuss on issues of inner-city traders and cross border traders. 2. Review of current approaches within various municipalities regarding fees and treatment of traders, with a view towards harmonising treatment at local government level and alignment with national laws and policies.	SME Unit, Municipalities, CIEAS, MoHA, MHUD.	Short-term
	Reviewed tax requirements for start-ups and MSMEs to reduce informality and encourage MSMEs.	Conducive tax regime for start-ups and MSMEs in place, including tax-free thresholds to reduce informality.	To be determined.	1. Public awareness campaign on Presumptive Tax to MSMEs, including publishing of tax-free thresholds to encourage formality. 2. Implement a simplified tax regime for start-ups and MSMEs.	MoF (lead), MCIT, SEDCO, ESEPARC.	Medium-term

	Increased awareness on benefits of being formal.	Communication strategy to address informality. Campaign to encourage formality and communicate benefits of formality.	Current levels of informality. Current budget towards addressing informality.	1. Organise national awareness campaigns on formality. 2. Develop coordination structure that includes informal workers and MSMEs and the government. 3. Media sensitisation and ambassadors on formality. 4. Communication of packages available to formal entities.	MCIT (lead), MoF, ERS, EIPA, SEDCO.	Short-term
	Increased awareness on benefits paying taxes	Communication strategy to improve tax compliance amongst MSMEs. Survey on perception of MSMEs around paying taxes.	% of MSMEs aware of tax requirements. (To be determined) New tax registrations by MSMEs.	1. Organize awareness campaigns at Tinkhundla level on role of taxes and programmes available to formal enterprises. 2. Conduct quarterly media campaigns to sensitise and encourage MSMEs. 3. Consider approaches and strategies to improve benefits of formality.	ERS (lead), MoF, MCIT, SEDCO, MTCA .	Short-term
	Improved culture and perception of entrepreneurship as career option.	Motivational events hosted. Strategy/proposal to encourage private investment around incubation. Inclusion of entrepreneurship in most academic streams.	To be determined.	1. Organise motivational sessions with successful entrepreneurs. 2. Support development of private incubators to drive entrepreneurial culture. 3. Include entrepreneurship in most technical skills training.	MCIT (lead), MoE, SEDCO, EIPA, FESBC, BE, JA, Enactus.	Short-term
Pillar 2: Business Support						
Vibrant business support	Improved access tailored to	Database of BDS providers.	No list currently exists.	1. Identify existing BDS providers and	MCIT (lead), ESEPARC, EIPA, SEDCO.	Short-term

organisation s and systems for entrepreneur s and MSMEs.	consulting services and provision of free Business Development Support services (BDS) to MSMEs	National accreditation framework for BSOs, consultants, coaches and mentors. KPIs for BSOs, consultants, coaches and mentors. Study on SEDCO approach and impact and recommendations for improvement . Capacity building programme for BSOs. Sub-committee within the MSME Dialogue platform to encourage dialogue between BSOs and government.	No framework in place. To be determined. No KPIs for consultants and coaches in place. SEDCO profiles, brochures and website.	develop BDS Database. 2. Development of accreditation framework for Business Support Organisations (BSOs), with standardised MEL frameworks. 3. Create a performance-based framework to engage professional BDS providers. 4. Review the role of SEDCO, including the costing of their services and develop recommendations to improve their MSME support services across the country. 5. Consult with private BSOs along with banks and other development partners on issues relating to MSME support. 6. Ensure continuous capacity building & professionalization of active BSOs. 7. Establish a coordination platform for BSOs across the country to improve efficiency and effectiveness in service delivery.		
	Expanded export promotion and support programme under EIPA	Physical and online based export training programme developed.	Current EIPA Export readiness programme and training approach.	1. Working closely with MCIT, MoF, ITD to identify exporting MSMEs in the country.	EIPA (lead), MCIT, MoF, MoA, SEDCO, SWASA.	Short-term

	Survey of entities ready to be supported towards export readiness. Public campaign to encourage exports vs domestic market.		2. Development of programme to increase number of export ready MSMEs over time. 3. Development of export promotion fund for MSMEs to participate in trade fairs and exhibitions.		
Improved MSME cashflow through development of MSME Payment Policy	MSME Payment Policy approved and implemented .	Currently no payment policy in place.	1. Feasibility study to investigate introduction of MSME payment policy. 2. Development of MSME Payment Policy, including model contract text for MSMEs. 3. Approval and implementation of the MSME Payment Policy.	MCIT (lead), MoF, FESBC, BE.	Medium-term
Increased financial inclusion of the informal workers and MSMEs.	Digital onboarding policy for MSMEs in place.	To be determined.	1. Support development of digital tools like mobile money, which have potential for reaching the last mile and ensure inclusion. 2. Technology adoption loans and grants for MSMEs.	CFI, MoF, MCIT, RSTP.	Medium-term
Increased share of MSMEs in public and private procurement.	Citizen Empowerment Council in place and operations, including related code of conduct.	Citizen Economic Empowerment Act.	1. Setting up of Citizen Empowerment Council. 2. Development of codes of conduct to support procurement from MSMEs. 3. Review of sectors that can benefit from such codes, e.g., using local transporters to bring fuel into the country; having a set minimum % of	MCIT (lead), MoF, AGs office.	Short-term

				produce to be sourced locally by wholesalers, retailers, and hospitality sectors. 4. Development of incentives for private sector offtakers.		
	Availability of high-quality business consultants improved .	Number of consultants that provide high quality business consultancy services.	No programme to identify and develop consultants in place.	1. Identify and capacitate existing consultants providing business services. 2. Develop training-of-trainers courses for business consultants in partnership with local universities and consultancies. 3. Offer tax write-offs for consulting firms that provide services pro-bono to start-ups and MSMEs.	MCIT, ESEPARC, BE, FESBC, BSOs	Continuous
	Development of mentorship networks supported	Number of entrepreneurs who benefited from mentorship networks.	No programme to identify and develop mentors in place.	1. Identify mentorship networks. 2. Promote mentorship from successful entrepreneurs and business leaders and encourage investment from same as potential angel investors. 3. Develop national campaign to encourage mentorship and the importance of mentorship to MSME growth. 4. Introduce incentives for mentors such as opportunities to attend special events.	MCIT, ESEPARC, BE, FESBC, BSOs	Continuous

				5. Identify MSMEs with high growth potential and support them to graduate to the next stage through mentorship support. 6. Set-up fund to pay part of the mentorship costs on behalf of MSMEs.		
	Improved coordination between MICT and MCIT, MoA and MoF.	MSME Dialogue Platform operational.	Annual MSME Dialogue Platform workplan.	1. Set up MSME Dialogue platform to improve entrepreneurial ecosystem. 2. Ensure platform convenes at least once per quarter.	MCIT, SEDCO, IRM Unit	Short-term
	Improved support to MSMEs through regional incubation/ acceleration programs.	Number of new models of business incubators piloted at regional business level.	Current SEDCO incubation model.	1. Identify and assess performance of existing incubation programmes and institutions. 2. Foster the development of start-up incubators, reinforcing start-ups link to RSTP and universities. 3. Partner with private sector, academia, and development partners to Pilot and Launch business incubators in regions (focused primarily on agro-industries and Agri-tech)	SEDCO (lead), MCIT, EIPA, RSTP.	Medium-term
Pillar 3: Human Capital Development						
Improved relevance of skills produced by academia, and improve access to technical, management skills &	Relevance and marketability of tertiary academic programs improved.	Business/ entrepreneurial graduates % of tertiary graduated employed within a year after graduation.	Current rate of employment of graduates from various institutions. Graduate unemployment rate.	1. Provide web-based training or webinars on digital marketing, service delivery and other essential courses to improve and increase online	SEDCO (lead), Academia (UNESWA, Limkokwing, MICT, SCOT etc), MCIT, RSTP, EIPA, FESBC, BE.	Continuous

know-how for MSMEs.		Increase risk affinity of SMMs.		capabilities for entrepreneurs. - Facilitate appointment of industry leaders to academic boards. - Create a plan for tertiary institutions to better integrate industry linkages in their curricula. - Organize guest-lecture workshops with industry leaders and professionals to teach and provide guest lectures and seminars to tertiary students. - Organize competitions amongst tertiary institutions on local case studies or industry problems where students come with solutions. - Create an action plan to introduce workplace learning, a model that includes practical training.		
	Availability of technical and vocational skills training.	TVET colleges revamped and capacitated. Development of incentives for private sector to invest in TVET and accredited on the job training.	Status of TVET Colleges. Current incentives programme.	- Revamp and build capacity of existing government TVet centres and colleges. - Support the development of private technical skills training institutions targeting out of school youth. - Create a network of public and private training institutions to	MoE (Lead), MoLSS, MoF, MICT, Academia, USAID, EU, UNDP.	Medium-term

		E-learning platforms for technical skills training in place in most colleges and institutions. Action plan for expanding TVET training to persons living with disabilities, women, and youth.		share experiences and effectively coordinate activities. 4. Partner with development agencies and private sector to develop subsidised and funded programmes. 5. Encourage institutions to adopt digital approaches like e-learning platforms and entrepreneurship. 6. Develop incentives for private sector to fund training and support on the job training of locals through schemes like the Training Rebate Policy. 7. Create an action plan to provide training opportunities to disadvantaged groups, including women, youth, and persons with disabilities.		
	Entrepreneurship curriculum in Secondary Schools introduced.	Secondary school entrepreneurship curriculum operationalised. Training of teachers programmes on entrepreneurship and life skills developed and implemented.	Current Secondary school curriculum.	1. Conduct assessment of current secondary school curriculum and develop an action plan to introduce entrepreneurship curriculum in secondary schools. 2. Prioritize entrepreneurship programmes like JA and Enactus and encourage adoption of digital educational tools like zoom,	MoE (lead), MCIT, SEDCO, RSTP, JA, Enactus, UNICEF.	Medium-term

				skype, Webex and Facebook. 3. Organize physical and online (smaller cohorts) training of teachers on how to deliver essential training in business plan writing, basic financial modelling, SWOT analysis, and incorporate practical “how-to” courses in the curriculum.		
	Business governance improved.	Number of enterprises with operational and effective governance structures.	To be developed.	1. Set-Up National Governance Board for public and MSME support, e.g., Rwanda Governance Board. 2. Introduce Governance training programmes under SEDCO and other training providers. 3. Develop MSME Business Governance Guidelines and public campaign to improve MSME governance. 4. Develop a Digital MSME One Stop Shop, being an entrepreneurship portal to educate and disseminate information. 5. Develop mechanisms to collect and disseminate concise, relevant information to start-ups, MSMEs and large enterprises via	SEDCO, CFI, MCIT, EIPA, ESEPARC, FESBC, BE.	Short-term

	Customer service and service delivery training events & awards organised.	National campaign to encourage and strengthen customer service. Customer Service Awards for MSMEs, especially tourism and retail. Training programme on customer service.	Current Customer Service Awards.	the portal and print material. 1. Develop awareness-raising and training programs to instil the culture of customer service orientation. 2. Conduct training on customer service, client satisfaction, and market research for tourism and other service-businesses. 3. Increase the awareness of existing businesses on the importance of satisfying and retaining customers.	MCIT (lead), SEDCO, EIPA, SWASA	Short-term
--	---	---	----------------------------------	---	---------------------------------	------------

Pillar 4: Finance

Improved access to finance for MSMEs, through better governance and BDS.	Revised administration of SSELGS in terms of access and proximity to MSMEs.	% increase in fund uptake and applications. % loans approved under scheme by FIs.	Current % uptake of fund and applications.	1. Consolidation of guarantee schemes in the country; 2. Set-up KPIs for BI and NBI regarding loans under the scheme, e.g. 5% of total portfolio, including incentives for institutions providing above threshold. 3. Set-up SSELGS desk within partner financial institutions to encourage uptake. 4. Study to look at moving administration of the fund to entity like FINCORP. 5. Work with Bankers Association and FIs to set up minimum annual thresholds for financial	CBE, MoF, MCIT, FESBC, BE	Short-term
--	---	--	--	--	---------------------------	------------

				institutions in terms of loans approved under the scheme. 6. Putting in place clear mechanisms to protect fund from bad performing loans being channelled through the fund.		
	Development of dedicated concessional funding for MSMEs supported.	Concessional funding for MSMEs in place.	Current cost of capital for MSMEs loans within FIs.	1. Government recapitalisation of existing funds like FINCORP to target specific priority sectors, 2. Set-up of co-financing mechanism or matching funds management with private fund managers and institutional investors targeting MSMEs. (e.g., SA SME Fund).	MoF (lead), ESEPARC, MCIT, CBE.	Medium-term
	SEDCO capacity and effectiveness reviewed and improved.	Review of SEDCOs offering, including charges, benchmarked against regional peers. % increase in number of entities getting funding after SEDCO.		1. Conduct an organizational assessment of SEDCO, its products and services and propose measures to improve. 3. Strengthen and regularly conduct monitoring, evaluation and learning from SEDCO operations. 4. De-risking access to finance for existing and new Guarantee fund scheme applicants through effective BDS.	MCIT (lead), ESEPARC, SEDCO.	Short-term
	Improved risk assessment approaches leading to improved access to finance and reduced	Joint Risk Advisory Working Group operationalised.	TBD	1. Set up Joint advisory group between industry, government and civil society organisations supporting	CBE (lead), MCIT, Eswatini Bankers Association, FSRA,	Short-term

	asymmetry between FIs and MSMEs.			MSMEs to dialogue around sector improvements and innovative credit risk evaluation approaches. 2. Organize regular dialogues on financing through learning and best practice exchange. 3. Study to consider introduction of credit scoring to increase volumes & reduce costs facilitated. 4. Study tours for working group to look at lending practices and share best practice with other countries. 5. Quarterly working group meetings chaired between Bankers Association and MSME Unit. 6. Action plan to improve credit scoring and risk assessment of MSMEs applications.		
	Development of industry specific financial products facilitated.	Study on MSME Financial Products in Eswatini. Communication and Engagement Plan for Financing Models for MSMEs. New sector - specific financial	To be developed.	1. Carry out assessment of existing financial products targeting MSMEs in the Eswatini market, including gaps. e.g., Financing Model for MSMEs. 2. Engage and encourage Bank and Non-Bank financial institutions to implement	MoF, MCIT, Bankers Association.	Short-term

		products in place.		recommendations from the assessment, including recent Financing Models study. 3. Support development and operationalization of new industry specific financial products for target priority sectors.		
	Women entrepreneurship issues prioritised under women led women MSME association.	Development of publicly funded women MSME Association supported.	To be developed.	1. Conduct a feasibility study on establishment of a women MSME association. 2. Mobilize resources for the association, including champions and potential members. 3. Facilitate the launch and operationalisation of the association.	MCIT, DPMs Gender Unit, BE, FESBC.	Short-term
	Development of local credit bureau facilitated.	Study on introduction and development of Local Credit Bureau operational. Local Credit Bureau operational.	Current reliance on SA based ITC for risk weighting.	1. Conduct study on the development of local credit bureau to improve credit reporting and information to reduce asymmetry. 2. Study to identify relevant, accurate, timely and sufficient data to inform MSME credit reporting systems, including identification of systematic processes to ensure data sources are reliable, appropriate, and available. 3. Encourage development of private credit bureau.	MoF, MCIT, MICT, Eswatini Bankers Association.	Medium-term

	Increased competition in FINTECH space	Number of FINTECH solutions applying under CBE FINTECH Unit. Innovation / challenge competitions to encourage FINTECH solutions.	Current No. of registered and operational FINTECH solutions and companies.	1. Development of regulatory framework for crowdfunding and peer-to-peer lending. 2. Promote digital funding platforms and approaches like crowd funding and crowd farming. 3. Encourage innovative financing and regulation of same, e.g., peer-to-peer lending platforms. 4. Launch competitions or challenges within FINTECH space to develop solutions that drive inclusiveness, information access and improved MSME operations.	CBE (lead), FSRA, MoF, MCIT, MICT, RSTP.	Medium-term
--	--	---	--	--	--	-------------

Pillar 5: Markets & Value Chains

Domestic and export market opportunities for entrepreneurs improved.	National Export Strategy (NES) revised and national priorities clarified.	NES strategy document.	National Export Strategy (NES) 2006.	1. Engage consultant to develop new Export Strategy for Eswatini. 2. Validation and implementation of export strategy to help grow number of export ready MSMEs. 3. Dissemination and public awareness on the NES.	MCIT (ITD – lead), EIPA, FESBC, BE, SWASA.	Short-term
	Government procurement programmes more accessible to MSMEs.	% of government procurement targeting MSMEs and start-ups. Awareness workshop for procuring entities, regulator and MSMEs.	ESPPRA Procurement Regulations, 2020.	1. Conduct awareness workshops between procuring agencies, regulator and MSME business owners. 2. Update and disseminate via existing communication channels	ESPPRA (lead), MoF, MCIT	Short-term

		Database of Made in Eswatini MSME products.		including the Trade Information Portal and Entrepreneurship Portal the list of Made in Eswatini products available for public procurement. 3. Regularly monitor, evaluate, and learn. 4. Monitoring of government and private sector procurement in terms of application of provisions.		
	Management of export market channels developed.	MSME eCommerce platform and Trading House operational.	To be developed.	1. Study to investigate revitalisation of Trading Hub. 2. Upgrading of Trade information portal or development of new portal to full eCommerce portal for MSMEs. 3. Encourage private sector investment in joint/shared spaces, e.g., Young Designers Emporium concept in South Africa.	MCIT, SEDCO, EIPA	Medium-term
	MSME – FDI Linkages Strategy developed.			1. Development of local MSME database and their profiles and supply capabilities. 2. Facilitate engagement with medium and large companies, both foreign and domestic to identify potential supply opportunities. 3. Development of formal MSME supplier development	EIPA (lead), SEDCO, MCIT, BE, FESBC	Short-term

				programme with accompanying incentives to encourage sourcing from domestic MSMEs.		
	MSME coordination issues between Ministries and with private sector improved and dynamic.	MSME Dialogue Platform operational.	To be developed.	1. TORs for development of an MSME dialogue platform that will have sectorial forums and general MSME forums. 2. Convening of MSME forums in partnership with private sector as per the developed TORs. 3. Production of papers and policy notes from the forums to inform future policy reviews and ensure implementation of recommendations.	MCIT (lead), MoF, MoA, MoH, MoHA, EIPA, BE, FESBC, Unions.	Short-term
	Access to market and trade information for start-ups and MSMEs improved. MSME One-Stop-Shop developed and live (MSME Entrepreneurs hip Portal).	Brochures, flyers, and online information on available MSME financial products. Webs	National Agriculture Information System (Nolwati), Trade Information Portal, Eswatini Horticulture Information System (EHIS) and other current data portals.	1. Update information on the existing trade information portal. 2. Upload all information on available market opportunities on Entrepreneurship Portal. 3. Develop and put in place mechanisms to collect and disseminate information on market opportunities and market data for local entrepreneurs and potential investors.	MCIT (lead), EIPA, ITD, SEDCO, SWASA, ESEPARC	Continuous
	Development of Farmer database facilitated and supported.	Easily accessible and comprehensive database of farmers in	Current database of registered farmers.	1. Educational campaign to raise awareness on importance of being part of the	NAMBOARD, MoA, MCIT, MICT, RSTP.	Continuous

		Eswatini from informal to medium.		farmer database. 2. Farmer identification and registration programme implemented. 3. Farmer database used for farmer engagement, support, and scheduling.		
Adoption of standards amongst MSMEs facilitated.	MSME support programmes with Standards and compliance issues in place for key value chains.	Current number of MSMEs with international compliance e.g., ISO9001, FSC22000.		1. Conduct a study on how to ease and prioritize standards adoption by entrepreneurs in priority sectors. 2. Develop an MSME support program for standards adoption by MSMEs in priority value chains. 3. M&E Report on status of MSME standards adoption.	SWASA, MCIT, MoF, MoA, RQID, SEDCO, EIPA, BE, FESBC	Medium-term
MSME Competitiveness and cooperation increased.	MSME Cluster Strategy developed, and existing growth clusters supported.	To be developed.		1. Develop MSME cluster strategy covering all 4 regions. 2. Validate and oversee implementation of MSME cluster strategy. 3. Organize entrepreneurship forums in each region to increase awareness on business opportunities for MSMEs.	MCIT (lead), EIPA, SEDCO, RSTP, MoA, ESWADE	
Information asymmetry between FIs and MSMEs reduced.	Digital tools and solutions availed to improve KYC, access to information, markets, and finance developed.	Eswatini Trade Information Portal,		1. Development of eCommerce platform for MSMEs. E.g., UNDP Agri-FinTech Accelerator. 2. Study on revitalisation of Eswatini Trade Hub to promote MSME products.	CFI (lead), CBE, MCIT, MoA, RSTP, UNDP, ESCOMM.	Continuous
Pillar 6: Entrepreneurship Culture						

Culture of entrepreneurship amongst youth, women, and people living with disabilities promoted.	MSME One Stop Portal developed.	Entrepreneurship portal operational	SME webpage, EIPA and SEDCO website.	1. Conduct an assessment on existing portals. 2. Develop TORs for establishment of entrepreneurship portal. 3. Raise awareness amongst MSMEs on entrepreneurship portal. 4. Organize capacity building sessions for users of the portal. 5. Develop mechanism for collecting relevant and up-to-date information and regularly update the entrepreneurship portal.	MCIT, SEDCO, EIPA, SWASA, ITD, RSTP, MoA.	Short-term
	Entrepreneurial culture exchanges locally, regionally, and internationally promoted.	Number of events on entrepreneurial culture exchange organized.	No such events have been undertaken yet.	1. Organize events with local, regional, and international MSMEs and entrepreneurs to share their experiences with the Eswatini business community. 2. Regional Trade Fairs 3. Provide support for local MSMEs to participate in regional fairs, seminars, and entrepreneurship initiatives.	MCIT, EIPA, SEDCO, JA, Enactus, MOA, RSTP	Continuous
	Equal opportunities and support enhanced for all entrepreneurs.	Support programs for youth, women, and persons with disabilities in place	Existing youth, disabled and women entrepreneurship support programmes.	1. Work with business-support organizations to design specific programs for women, youth and entrepreneurs living with disabilities. 2. Conduct awareness	SEDCO, EIPA, MCIT, ESPPRA, ESEPARC	Short-term

				campaigns among women, youth and living with disabilities on entrepreneurship and existing support programs. 3. Conduct regular motivational talks with successful entrepreneurs to inspire new MSMEs. 4. Change perceptions on business failure to improve entrepreneurial culture and risk-taking appetite. 5.		
MSME Policy Communication Strategy Developed	MSME Communication Strategy in place.	RSTP STEM Expo	1. Develop MSME Communication strategy. 2. Conduct national awareness campaign on MSME Policy targeting associations, social media, radio, community developers etc. 3. Organize awareness sessions to promote entrepreneurship and increase MSME awareness of the MSME Policy and the various tools and support available to MSMEs, including the MSME One Stop Shop – the Entrepreneurship Portal.	MCIT (lead), SEDCO, EIPA, Eswatini TV, EBIS, ESCCOM	Short-term	
Encouragement of Innovation and creativity facilitated.	Promotion of R&D and Innovation, including indigenous knowledge systems and medicine.	No current programmes exist.	1. Review of school science fair project to encourage 4IR skills and learnings. 2. Hosting of national innovation	RSTP (lead), MoE, MICT, MCIT, ESEPARC, Academia	Short-term	

		Awareness program to promote innovation in schools, universities, and the workplace in place.		competitions and challenges. 3. Support development of innovative solutions and community-based interventions, that bridge divide between rural & urban entrepreneurs and relevant support. 4. Training on IP Registration and protection. 5. Digital and IT training for women MSMEs.		
--	--	---	--	---	--	--

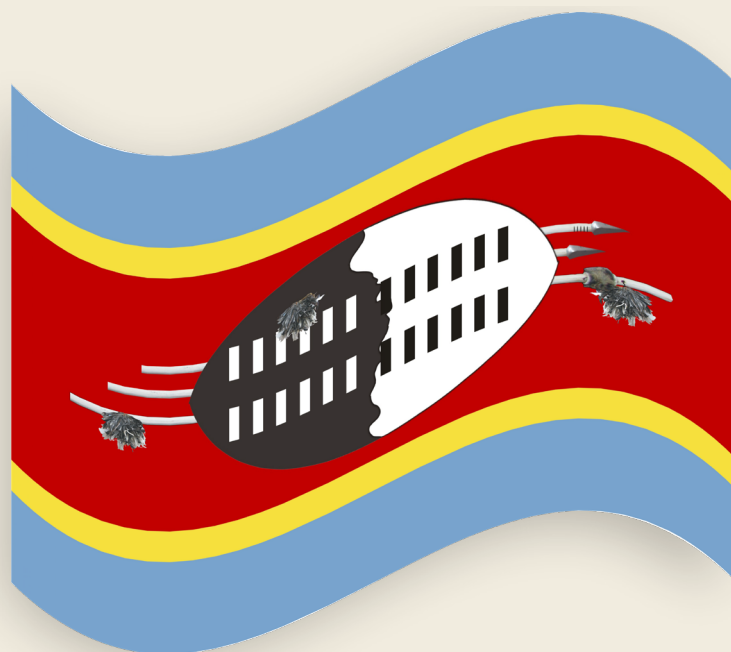
Pillar 7: Infrastructure and Technology

Improved entrepreneur access to technologies and innovations required for business growth and productivity and access to the green economy.	Improvements in quality of local produce resulting from increased investment in quality assurance infrastructure for target value chains.	Increase in number of local products that meet retail standards and those that are export ready.	Current number of assurance labs and testing facilities in the country.	1. Study on priority value chains to support MSME growth. 2. Development of quality assurance infrastructure and labs for target value chains. 3. Promotion of private investment in quality assurance value chains. 4. Training of farmers and MSMEs on food safety and quality standards (FSSC 22000, ISO 9002).	SWASA (lead), MCIT, MoF, MoA, RSTP	Medium-term
	Increased awareness amongst MSMEs on the opportunities in the green economy, including green products and services.	1. No. of new green products and services 2. No. of MSMEs accessing green finance 3. No. of projects funded under a green financing strategy or fund.	TBD.	1. Training and MSMEs, especially, youth and women on the green economy, including green products and services; 2. Support to MSMEs towards accessing new markets for green products and services; 3. MSME training on the benefits and impacts of	MTEA, UNDP, EEA, ESERA, RSTP, MCIT	Medium-term

				circular economy measures, particularly for climate and biodiversity.		
	Improved post-harvest handling and storage infrastructure developed and utilised.	Improved post-harvest and storage systems in place.	Current number and operational status of cold storage and post-harvest storage facilities in the country.	1. Review the current post-harvest handling and storage systems to identify gaps and propose measures for improvements. 2. Provision of cold storage for MSMEs (traders). 3. Organize Private-Public Dialogue to address challenges and consider recommendations, including improving utilisation of existing storage systems. 4. Facilitate implementation of recommendations.	MoA, NAMBOARD, MCIT, ESEPARC, Municipalities, MHUD	Short-term
	Packages for fast, reliable, and affordable internet packages for MSMEs developed.	MSME Specific cheaper data packages launched and promoted.	Current data for business.	1. Review of current internet tariff and development of special tariff for rural informal and micro enterprises. 2. Development of regional information hubs that provide data and free internet access to MSMEs. 3. Expansion of fibre network for cheaper and faster internet. 4. Increase digital literacy for MSMEs through training on usage of IT and computers.	ESCOMM (lead), MICT, EPTC, MTN, Eswatini Mobile, MCIT.	Short-term

	Public & private sector investment in improved agricultural technologies promoted.	Number of new agricultural technologies successfully introduced and adopted in Eswatini. % farmers adopting climate smart farming.	Current number of protected farms in the country.	1. Review existing agricultural technologies to respond better to climate change. 2. Mobilise the private sector to invest in improved agricultural technologies and smart climate agriculture. 3. Strengthen 'experience exchange programs' with more tech-savvy countries in agribusiness like Israel, India, Argentina, and Brazil among others. 4. Leverage digital platforms to support information, market, and financial access, especially for rural farmers, including virtual and online training and participation in relevant fairs.	MoA, NAMBOARD, ESWADE, MCIT, RSTP	Continuous
	Digital literacy improved and local technology expertise enhanced.	% of MSMEs digitally included and connected. % of MSMEs selling through digital platforms.	To be determined.	1. Promote local e-commerce platforms, digital payment solutions and value chain management systems. 2. Leverage RSTP in supporting development of customized digital tools, tech-tools, and equipment / machinery for local entrepreneurs. 3. Promote digital tools amongst entrepreneurs across the value chains.	RSTP, CFI, MICT, MCIT	Continuous





Ministry of Commerce Industry and Trade

Micro, Small and Medium Enterprises Unit
Interministerial Building
Mhlambanyatsi Road
MBABANE, ESWATINI

P.O. Box 451
Mbabane
Tel: +268 2404 3201/6
Fax: +268 2404 4711