

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION PAPER, MAY 2007

TITLE OF PAPER : **STRUCTURE OF THE SWAZI ECONOMY**

COURSE CODE : **ECON 425**

TIME ALLOWED : **THREE (3) HOURS**

INSTRUCTIONS :

- 1. ANSWER ONLY ONE QUESTION FROM EACH SECTION [FOUR QUESTIONS IN ALL]**
- 2. ALL QUESTIONS CARRY EQUAL MARKS OF 25 EACH.**
- 3. USE A SEPARATE ANSWER BOOKLET FOR EACH SECTION.**

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GIVEN BY THE INVIGILATOR.

SECTION A

AGRICULTURAL AND DEVELOPMENT ECONOMICS

Answer only ONE Question:

QUESTION 1

- (a) The importance of the agricultural sector cannot be ignored in the development of the Swazi Economy. Discuss. [15 marks]
- (b) Discuss three major constraints for the development of the agricultural sector in Swaziland today. [10 marks]

QUESTION 2

- (a) Economic growth slowed from an average of 7% in the 1980s to 3% in the late 1990s. In your opinion, what could have been the major constraints to growth? [13 marks]
- (b) According to the Human Development Report, the country's rank has been falling. What are the major challenges in human development faced by Swaziland? [12 marks]

SECTION B

MONETARY ECONOMICS

Answer only ONE Question

QUESTION 3

- (a) Critically examine the advantages and disadvantages of Swaziland's membership to the Common Monetary Area (CMA). [20 marks]
- (b) In your opinion, is it beneficiary for Swaziland to continue being a member of the CMA or should opt out? [5 marks]

QUESTION 4

- (a) What is a commercial bank? [5 marks]
- (b) Discuss the main functions of commercial banks in Swaziland. [20 marks]

SECTION B

INTERNATIONAL ECONOMICS

Answer only ONE Question

QUESTION 5

- (a) Prior to the year 2000, Swaziland was running current account deficits. How did the country finance these? Was this sustainable? [12.5 marks]
- (b) What is Swaziland's exchange rate policy and how does the central bank maintain this policy? [12.5 marks]

QUESTION 6

- (a) Trace the size and growth of the Swazi foreign sector since 1995. [12.5 marks]
- (b) Discuss the role of the external sector in Swaziland. [12.5 marks]

SECTION D

PUBLIC FINANCE

Answer only ONE Question

QUESTION 7

- (a) Explain Swaziland's budgeting system. What are the major strengths and shortcomings of this system? [12.5 marks]
- (b) Even though Swaziland's public debt fell from 27% of the GDP in 2002 to 20% in 2004, the IMF was still concerned about the sustainability of the country's debt. What could have been the IMF'S concerns? [12.5 marks]

QUESTION 8

- (a) Recently the Government of Swaziland approved the Decentralization Policy. Evaluate the proposed financing options for local governments as per the policy. Are these sustainable?
[15 marks]
- (b) What is the likely impact of the Decentralization policy on the country's budget?
[10 marks]