In Swaziland, as in many other African countries, the post-independence era witnessed the phenomenal expansion of the parastatal sector as the government geared itself for vastly expanded development functions necessitated by a rapidly increasing population. However, the proliferation of public enterprises was not preceded by careful and systematic planning, hence their establishment was unco-ordinated, haphazard and was a response to social and political exigencies rather than based on purely economic considerations. Moreover, the nature of British colonial administration and, in particular, failure to prepare its colonies for the problems and challenges of nationhood, meant that on the eve of independence, the newly elected Swaziland government had neither the knowledge nor experience in the administration of public affairs.

After nearly four decades of independence, the overall performance of public enterprises in Swaziland has left much to be desired. While the contribution of parastatals to the GDP and employment in the formal sector is small, they continue to be a financial as well as an administrative burden on the government and, by extension, on the tax-paying public. In recent years, there has been a rapid growth in budgetary subventions, coupled with the continuation of various indirect and non-cash subsidies, including the spiralling of costs incurred by government associated with capital restructuring and other forms of financial support to ailing public enterprises.

In this article, we examine some of the major problems and challenges facing public enterprises in African countries in general and Swaziland in particular. We argue that part of the solution to the problems faced by the parastatal sector lies in the implementation of the privatization policy that the Swaziland government adopted as a reform strategy designed to turn around the economic fortunes of public enterprises a decade ago. We also discuss the key features of the government’s privatization policy, including the reasons for the gap between promise and performance in terms of its implementation.
INTRODUCTION

On the eve of independence, the African continent was characterized by a mood of optimism and euphoria that was unprecedented in its history. Democracy, development and prosperity, freedom and dignity of the black man and woman – these and other sacred ideas were the vision of African independence. The tasks facing the new African governments were formidable, to which they responded, inter alia, by decentralizing or delegating economic activity through the establishment of public enterprises. They acted in this way for a variety of reasons, including the need to ‘free’ themselves from some of the demands of development; reduce private sector domination of the economy (where this was strong); promote efficiency in the administration of public sector programmes and projects and thus generate much needed revenue or capital for development purposes; and generally control the commanding heights of the national economy as a visible sign of sovereignty, nationhood and independence.

Furthermore, besides the relative weakness of domestic capitalism, which also led to the rapid growth of the parastatal sector, African governments wanted to end foreign control over the economy (Tordoff, 1984, 139). The establishment of public enterprises, therefore, represented an attempt by newly independent African states to ensure that major sectors of the economy lay under government control. The underlying assumption was that the state was in a better position than the private sector to serve as the custodian of the people and thus ensure that the benefits of development filtered down to all segments of the population.

However, the performance of the parastatal sector has been much less impressive than was originally anticipated. Moreover, development planning, the proliferation of public enterprises and measures for the transformation of the bureaucratic apparatus of the state placed formidable demands on developing countries. No one puts this point clearly than Roemer, who observed that:

“... development planning itself implied more activity than colonial governments had undertaken. Nationalization of foreign enterprises and the establishment of new publicly-owned firms pushed government into entirely new areas, while rural development, the provision of basic needs and the decentralisation of government all multiplied the demands on the civil service”. (Roemer, 1982, 133)

African Public Enterprises: Constraints to Effective Performance

The constraints to the effective operation and performance of public enterprises can broadly be classified into two main categories, namely, internal and external. Internal constraints emanate from the plethora of administrative and or managerial problems within public enterprises while external ones arise from forces and trends unleashed by the immediate socio-economic and political environment of which the parastatal sector is an integral part. While internal constraints may be within the control and or influence of public enterprises in general, external forces, by virtue of be-
ing externally – induced, often lie beyond the control of the parastatal sector.

Many African public enterprises grew out of government departments, hence there has been a tendency to model them on the public bureaucracy and also saddle them with civil service rules, regulations and procedures, including employees whose training, knowledge and experience derives mainly from the public service. By definition and orientation, these rules, regulations and procedures are generally unsuitable for the business ventures and operations typical of public enterprises. The influence of the civil service legacy on African public enterprises is such that work procedures and methods are often cumbersome, resulting in delays, inefficiency and unnecessary bottle-necks that have the negative effects of paralyzing the decision-making process.

In recent years, public enterprise rules for financial management and control, which demand that they be in accord with operational practices and procedures related to the business environment, have come under greater scrutiny, particularly in view of the fact that they leave much to be desired. Inadequate internal financial management and control measures are largely responsible for widespread corruption, mismanagement and the misappropriation of limited financial resources at the disposal of public enterprises.

Despite operating in a fast-changing and competitive environment, public enterprises also suffer from a complete lack of provision for management planning, research and development. In today’s cut-throat business environment, in which the demands of globalization have rendered the world a global village, modern organizations are continuously involved in an endless search for better and more efficient methods of production through, inter alia, corporate planning and governance, research, development and strategic planning and management. However, these and other time-tested methods and approaches to organizational change or management are either lacking or seriously inadequate in African public enterprises, such that resource allocation is often based on guestimates or insufficient information and data derived from poor planning and or research.

Consequently, many public enterprises embark on programmes and projects that are often formulated against a backdrop of poorly undertaken or no feasibility studies at all, including market research, that would provide crucial information on economic forces or trends that impinge on production, marketing, sales and other variables. Another serious internal constraint to effective public enterprise performance in many African countries relates to human resource management and development. It is widely accepted that the majority of African countries suffer from an acute shortage of skilled, trained and suitably experienced manpower despite several decades of independence during which the school and tertiary education system is expected to have produced the requisite numbers of educated personnel.

This constraint to effective public enterprise performance is both quantitative and qualitative and is particularly critical at the middle and top management levels. It is,
therefore, not surprising that the parastatal sector in the majority of African countries is characterized by poor or weak leadership at the highest levels of the organizational hierarchy where it matters most. Productivity inevitably depends on the maximum use, utilization and development of human, capital and natural resources, hence poor public enterprise leadership is bound to affect adversely overall performance. The situation in many African countries is exacerbated by the fact that the top management of public enterprises is often appointed on the basis of political considerations rather than measurable criteria that are job or performance related.

With regard to external constraints to the effective performance of public enterprises, it should be emphasized that African countries are not islands unto themselves but are an integral part of the international economic system into which they were slowly integrated several centuries ago. Therefore, the problems and challenges of the global economic order adversely affect African countries in general and public enterprises in particular. For instance, the global socio-economic and political situation, the pace of modern technology, the increasing complexity of international economic and monetary systems, the world-wide recession, inflation, stagflation and other forces and trends constitute a dynamic and volatile environment within which public enterprises operate.

Almost all African countries are saddled with a heavy debt burden and can no longer meet their financial and or loan repayment obligations to either the developed countries, overseas donor agencies or international finance institutions, such as the World Bank and International Monetary Fund. Consequently, and confronted with other financial difficulties, African countries face acute foreign exchange problems, such that many public enterprises are unable to import vital equipment, machinery as well as spare parts for their operations. In desperation, some public enterprises are compelled, through binding contractual agreements, to procure inappropriate technology, obsolete plant designs and equipment from unscrupulous foreign dealers, many of whom are often unfamiliar with African conditions and circumstances.

Public enterprise accumulated losses are not only caused by inefficiency and corruption but also come about due to the reluctance or inability of major stakeholders, such as the government, to increase share capital. In many African countries, such as Swaziland, government subventions to public enterprises are maintained at the same levels year after year and do not account for inflationary trends in the economy. The unsatisfactory economic position facing public enterprises is also caused by inadequate financial guidelines that fail to indicate clearly when a public enterprise is expected to cover costs or breakeven and when it is supposed to make profit.

Furthermore, besides the fact that public enterprise borrowing powers are limited and circumscribed, the procedures for securing government grants are too bureaucratic and characterized by numerous delays and red-tape. Financial houses and or institutions, whether local or international, insist on government guarantees in respect
of the repayment of public enterprise loans. This notwithstanding, the number of public enterprises that can have access to such loans is limited by the fact that most African governments provide an upper ceiling to their guarantees, such that once a quota or ceiling has been reached, no additional loans can be granted, except on exceptional or extra-ordinary circumstances.

Closely related to the problem of undercapitalization is the issue of pricing. More often than not, African governments either fix or alter the prices of public enterprise goods and services based on social and or political considerations. For instance, the prices of goods and services provided by public enterprises are rarely increased out of fear of adverse political consequences, such as alienating voters or losing voter support for the government in power. Consequently, many public enterprises are compelled by political exigencies to charge uneconomic prices for their goods and services, particularly since control over pricing policy lies outside parastatals and specifically rests with government – controlled committees, such as the Standing Committee on Public Enterprises (SCOPE) in Swaziland.

In view of the fact that pricing policies and mechanisms are often used as a political weapon, the prices of public enterprise goods and services have very little, if any, relationship to increases in the cost of production. Herein lies one of the sources of public enterprise financial losses, namely, escalating production costs that are not commensurate with revenue or income. For this and other reasons, many public enterprises can hardly break-even and are often trapped in a never – ending vicious cycle of indebtedness from which it becomes difficult to break, given the nature of the socio-political and economic landscape that exists in the majority of African countries.

Government control over the parastatal sector normally extends, inter alia, into such areas as the appointment of top management, pricing policy, project formulation, planning and evaluation, investment policies and sources of finance, wage policy and industrial relations. Because of the extensive nature of such controls, public enterprise management is sometimes left with little, if any, scope for independent decision-making. Lessons of experience elsewhere, particularly in the developed market economies, have demonstrated that if public enterprises are to perform their functions effectively and efficiently, they must be fairly autonomous and should be accorded adequate parameters and or latitudes of action to take independent decisions, as long as these are within the framework of overall government policy and the requirements of the national development plan.

However, this is not always the case because, among other factors, public enterprises are saddled with members of the boards of directors that are appointed for political and other reasons rather than meritocracy, competence or business considerations. Infact, boards of directors are composed of bureaucrats or former public officials who bring to bear onto parastatals civil service rules, methods, regulations and procedures that often hinder rather than promote progress. Since, in the majority
of cases, the boards of directors of public enterprises are not made up of educated men and women of vision, leadership and professional integrity, they are a liability, not only to the enterprises but to the country as a whole.

In some cases, there is usually conflict between the board and top public enterprise management as well as between the latter and controlling ministries, which may arise from unnecessary interference in the day-to-day administration of the affairs of public enterprises. Such interference, whether political or administrative or both, can sometimes be traced to a complete lack of proper understanding of the role, nature and relationship between public enterprises and the government as well as between top management and the board of directors. More often than not, the management of public enterprises is held at ransom or hostage to the wishes of board members and vice versa. We turn next to a discussion of the public enterprise situation in Swaziland.

PUBLIC ENTERPRISES IN SWAZILAND: PROBLEMS AND CHALLENGES

After independence, the number of public enterprises in Swaziland, as in most other newly independent African states, grew tremendously; this reflected the increasing use of the parastatal sector as an instrument of socio-economic development. During the colonial era and because of the nature of colonial ‘development’ policy, Africans were neither encouraged to accumulate private capital nor were they given the opportunity to acquire business management skills, knowledge and experience. This was particularly the case in Swaziland where decades of British colonial rule alienated land and other means of capital formation from the indigenous population and placed them under white-settler control and domination. Naturally, independence marked the beginning of an important era during which the government, through the establishment of public enterprises, tried to re-dress the economic imbalances of the colonial period by encouraging some measure of public control over the commanding heights of the economy (Dlamini, 1994, 68).

The dualistic nature of the economy, in which the modern sector is under foreign control and domination, has been a subject of increasing concern to the government in Swaziland. For this reason and during the early years of the post-independence era, one of the main objectives of government policy was to reduce economic dualism by creating employment opportunities and increasing the incomes of rural dwellers; it also sought to promote the participation of Swazis in the development of the country. Accordingly, development policy after independence put emphasis on closing the gap in the standards of living and education, not only between the different races, but also between the urban and rural communities; thus equipping Swazis to play an important role in the development of the Kingdom. In sum, it was through the establishment of public enterprises that the government hoped to reduce control and domination of the economy by foreign capital (Ibid).

In the immediate post-independence period in Swaziland, as in almost all African countries, a number of public enterprises were
established in key sectors of the economy in order to spearhead development and provide a variety of goods and services. Swaziland’s Category A public enterprises, which are estimated at over two dozen in number and include special fund organizations, constitute a significant part of the national economy, since they provide much of the infrastructure, such as urban water supply, electricity, telecommunications and postal services, rail and air transport and agro-industrial services.

The causes of the poor performance of the parastatal sector in Swaziland are many and varied. In recent years and due to geo-political and economic conditions prevalent in the domestic, regional and international environment, the Swaziland economy has been performing below expectations. Because the economy has been sluggish and the economic climate has not been conducive to healthy business operations, such indifferent performance has reflected in individual public enterprises. Some of these economic problems are caused, inter alia, by the country’s inability to attract direct foreign investment due, to a large extent, to a socio-political environment that is not conducive to such investment.

This having been said, it must further be pointed out that some of the root causes of poor performance lie with the political and bureaucratic leadership, both inside and outside public enterprises. Also, management practices have been unsatisfactory and external controls have been inadequate. The catalogue of failure is evidenced by the frequency of commissions of inquiry into the operations and activities of many public enterprises since their establishment in the post-independence era. These investigations always point to weak financial controls, both internal and external, including corruption and mismanagement. Evidence abounds to the fact that the management of many public enterprises is too weak to provide the necessary leadership and direction to set things right; there are too many lapses in professional and technical competence.

Moreover, the inadequacy of communication within these enterprises, as well as with government, exacerbates feelings of lack of trust and confidence which militates against efforts to develop coherent plans for restructuring the parastatal sector. In addition, public enterprises suffer from an acute shortage of suitably qualified and experienced personnel with the requisite skills in commercial, industrial and business disciplines. Most personnel are either former civil servants or individuals with rudimentary business training who lack knowledge and understanding of the management of business-oriented undertakings. Consequently and in recent years, a number of public enterprises, such as the Swaziland Electricity Board (SEB), the Swaziland Posts and Telecommunications Corporation (SPTC) and the Swaziland Television Broadcasting Corporation (STBC), have been on the verge of collapse due to mismanagement and the inability to service loan repayments to foreign creditors, thus placing a heavy burden on the government which is, from time to time, called upon to bail them out financially.

Because Swaziland’s Category A public enterprises are a critical part of the national economy, their poor performance is a fi-
nancial burden on both the tax payer and the government. Undoubtedly, the immense weight of this burden hinders rather than promotes development. In one of its quarterly reports, the Public Enterprises Unit (PEU), a department within the Ministry of Finance that was established through the legal provisions of the Public Enterprises Control and Monitoring Act of 1989 to facilitate and monitor the performance of and provide technical and advisory assistance to public enterprises, observed that the most prevalent problems confronting public enterprises centre on:

- Assets are seriously under-utilized;
- Some of the larger enterprises are not able to service their debt;
- There is a lack of commercial orientation and proper business culture leading to missed opportunities to earn revenue;
- Management information systems are inadequate;
- Lack of skills and training lead to ineffective management;
- Some enterprises are exposed to significant foreign exchange risks; and
- **Boards are often not well balanced in terms of the necessary expertise.** (PEU, 1994, 1)

Elaborating on the pervasive problem of an inadequate business and or commercial orientation within the parastatal sector, the PEU further observed that:

Many public enterprises do not have a commercial orientation or proper business culture; they consider themselves to be part of Government and accountable to Government, not their customers. Thus, there is inadequate emphasis placed on cost recovery and providing good services and value for money. Rather than operate a more efficient enterprise, many are content to rely on Government subvention. Government is partly to blame by sending mixed signals and interfering in management decisions. (Ibid)

In view of the entrepreneurial nature of the operations and activities of public enterprises, it is generally acknowledged that they need a greater degree of independence of action than could easily be accorded to them within the general public service. However, what constitutes an acceptable and operationally effective balance between the required level of autonomy on the side of public enterprises and the need for government to have adequate control of overall economic policy interests and the extent to which this balance can be institutionalized has been, and still is, a subject of intense debate and concern – nowhere more than in less developed countries. (Corkery and Wetternhall, 1990, 3).

In Swaziland, as in many other African countries, issues of governance and accountability, whether at the national political level or that of public enterprises, have not been seriously addressed, such that with regard to the parastatal sector there is lack of general principles governing the respective roles of the minister and his ministry on the one hand and the public enterprise board and executive management of the enterprise on the other. Since attention has not been paid to the governance structure and relationships between the internal and external stakeholders of public enterprises, particularly the role and functions of their
boards, the parastatal sector in Swaziland lacks proper direction, control and management and, therefore, fails to accomplish many of the development and other goals for which it was established.

Besides the issue of a clear understanding of the role and functions of all stakeholders that are involved in the operations, activities and management of public enterprises, another related area of concern centres on the composition, knowledge, expertise and orientation of parastatal boards, including political interference and patronage. For instance, it has been observed that:

**Political interference and patronage are some of the causes of the poor performance of the parastatal sector in Swaziland.** Political interference either takes the form of non-viable projects being imposed on public enterprises despite expert advice to the contrary or pressure for the granting of business loans to influential individuals or politicians. The appointment of boards of directors is often based on political rather than objective and/or merit considerations, with the result that board members are occasionally not men and women of integrity and professionalism with a broad understanding of national development policy in general and the nature and operations of the public enterprises into which they are appointed. (Dlamini, op.cit).

Swaziland is well-known for a socio-political landscape or system, under the framework of the Tinkhundla traditional order, that facilitates the preponderance of so-called shadowy political figures, popularly known as the faceless labadzala or elders of the nation, whose influence relative to the modern arms of government, such as the legislature, the judiciary and the executive, is overwhelming. Inevitably, the preponderant influence of the traditional socio-political system, with its conservative outlook towards the administration of public affairs in general, extends to the control and management of public enterprises. The dynamics of the dual system of government, which facilitates the juxtaposition and or co-existence of both modern and traditional structures of political power, is such that almost all public policy decisions, including the appointment of public enterprise boards and their top management, must be submitted to the traditional authorities for scrutiny as well as approval.

For this reason, reform or restructuring programmes have been frustrated at the highest political level with regard to such public enterprises as the Central Transport Administration (CTA), the Swaziland Development and Savings Bank (SDSB) and the Royal Swazi National Airways Corporation (RSNAC). The status quo is allowed to prevail in these and other public enterprises, simply because powerful politicians and senior public officials benefit handsomely from the widespread corruption and mismanagement that has become the hallmarks of public enterprises and civil service over the years. Lamenting the extent of corruption at CTA, which continues to drain public finances through annual subventions and an ever-increasing deficit, including unwarranted political interference by the powerful Swazi National Coun-
cil (SNC), (an advisory body to the King) which has always frustrated the well-intentioned efforts of the government to restructure the organization based on the findings and recommendations of several commissions of enquiry. The Times of Swaziland made the following observations:-

CTA will never be restructured or cleaned up as long as government and royal fat cats can use it as their personal garage, petrol station and automobile showroom. The Swazi people will never have control over the leadership ... (Times of Swaziland, December 18, 1997, 16).

That the owners of an enterprise, namely, the public through the government, should control parastatals is not in dispute, neither is it questionable. However, a fundamental question often emerges as to what form control measures should take and, above all, how the owners of public enterprises should shape and influence policy without unduly interfering in the day-to-day administration of parastatals without sending conflicting signals to management on the ground. Where a political system lacks clearly defined roles, functions and responsibilities, particularly in terms of the classical principles of governance, such as division of labour, the separation of powers and the provision of checks and balances, government officials, in and outside of public enterprises, often find themselves in the dilemma of receiving conflicting policy directives and or instructions.

This is the case with the political system in Swaziland, where there exists a plethora of power centres, institutions, organizations and individuals, all of which are involved in a perpetual struggle for control and hegemony over key sectors, policy decisions, activities and programmes of the Swazi economy. The existence of such a multiplicity of public policy centres not only paralyzes and delays the decision-making process but also undermines the sacred principles of accountability, responsiveness and good governance. In these circumstances, the administration of public affairs in general and the performance, control and management of public enterprises in particular, is adversely affected.

The use of contract or performance contracts is one of a number of policy options that governments of African countries often adopt in their efforts to improve the performance, control and management of public enterprises. Covering varying periods of between three to five years, contract plans emerged as a direct response to many of the problems and obstacles to public enterprise efficiency and productivity, such as unclear objectives, insufficient autonomy, excessive control, corruption and mismanagement. Accordingly, a typical contract plan specifies enterprise objectives, in terms of the desired socio-economic impact of goods and services; production goals and the quantity and quality of services provided during the period of the performance agreement. In addition, it defines policies and parameters with regard to such issues as numbers of staff to be employed, size and growth of the public enterprise wage bill, including details of the social or non-commercial activities to be undertaken by the public enterprise. (Dlamini, 2001, 68).
Since the underlying principle of performance contracts is the mutual specification of rights, obligations and responsibilities, with regard to Swaziland, there are three main players in this process, namely, the government or controlling ministry, the PEU and the individual public enterprise, represented by its top management. Such a tripartite structure, particularly the participation of all stakeholders in both the formulation and monitoring of the implementation of the agreement, is indispensable to the success of the management and control of public enterprises. Unfortunately, this is not always the case in Swaziland, where the formulation of contract plans is allowed to be the prerogative and or domain of outside consultants with little, if any, involvement in the process by public enterprise management and staff. Such situation is unfortunate, given the fact that, more often than not, the management and staff of public enterprises shoulder the enormous burden of implementing the provisions of performance contract agreements.

Herein lies one of the reasons for the failure of contract agreements in influencing the fortunes of the parastatal sector, all of which were disastrous experiences since they were largely not implemented and, therefore, did not improve the performance of the public enterprises for which they were formulated, namely, SEB, SPTC and the Swaziland Water Services Corporation (SWSC). Because of the widespread use of consultants in the formulation of contract plans, including the determination of mechanisms for their monitoring and evaluation, public enterprise management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts. Naturally, they regarded them as largely foreign as well as an imposition from forces external to public enterprises. Lessons of experience with regard to the use of external consultants, experts or advisors, especially from developed countries, in the formulation of development plans, have shown that while they may be knowledgeable about certain issues and areas that are generic to their field of specialization, they often lack an intimate knowledge of the unique socio-political and economic circumstances confronting individual countries, especially those of the Third World in general and Africa in particular.

In view of the fact that contract plans are essentially a public enterprise reform initiative, to be successful, and like all administrative and other reform programmes, there is need for the existence of a strong sense of political will and commitment to the process on the part of political and bureaucratic elites. Poor political support for public enterprise reform programmes in Swaziland is exemplified, among other things, by the inability of the government to eradicate corruption, mismanagement and other forms of the abuse of national resources, not only in the parastatal sector but also throughout the machinery of the state or government.

The conclusion, therefore, based on the foregoing observations, is that the use of contract plans as a vehicle for improving the performance and management of public enterprises in Swaziland, although limited to a few selected public corporations, has not yielded any positive results. Public enterprise performance contracts and or
agreements, based on the lessons of experience from such African countries as Senegal, which have used them successfully as instruments of the control and management of the parastatal sector, should not be viewed in isolation but should be regarded as an integral part of a complex and concerted programme of public enterprise reform. However, this is not the case in Swaziland, where the government, although having publicly committed itself to the restructuring of the parastatal sector, through the adoption of a privatization policy, has not moved beyond the level of rhetoric and public policy pronouncements by implementing such a policy.

The PEU, which was established to be at the forefront of improving the overall performance of public enterprises through, inter alia, the formulation and implementation of viable control mechanisms, continues to suffer from serious administrative and other problems that hamper the effectiveness of the Unit. For instance, for several years prior to the appointment of a Commonwealth Fund for Technical Co-operation (CFTC) – sponsored expert, the PEU was without an incumbent director, thus denying it the necessary administrative leadership and direction. Furthermore, the Unit faces serious staffing problems, such that its present staff are hard-pressed in coping with the administrative demands of compiling reports and overseeing the control and management of the country’s public enterprises.

Attached to the Ministry of Finance as an ordinary ministerial agency or department, the PEU merely provides expert advice with regard to the management and control of public enterprises. It, therefore, lacks executive authority over the parastatal sector, hence it faces numerous problems and difficulties in ensuring compliance with directives and suggestions on the improvement of enterprise performance. Until the Unit is strengthened and elevated to a more or less independent status in the machinery of government, thus bestowing it with the mantle of executive authority with which to relate to and deal with the parastatal sector, the PEU will continue to occupy an untenable subordinate position, without the requisite administrative power that will ensure the accomplishment of the goals and objectives for which it was established.

Because the public enterprise terrain or socio-political and economic landscape in Swaziland is characterized by some kind of lacuna in statutes, political and bureaucratic elites do not hesitate to take advantage of such a situation by regarding the parastatal sector, including the civil service, as ‘milking cows’ for supporters of the traditional political order, their families, relatives and friends. Moreover and as observed earlier, criteria for the appointment of members of public enterprise boards, more often than not, do not emphasize one’s general stature in society, knowledge, skills, managerial talent and experience with regard to the enterprise’s line of business. Similarly, the appointment and renewal of board membership is not linked to the performance of the public enterprise as a whole, hence this is one of the reasons for the dismal failure of the majority of state corporations, which continue unabated on their loss-making path.
Another consideration of equal importance is the recruitment and selection of public enterprise top management. In this regard, there are a number of critical factors that need to be taken into account in the appointment of the public enterprise chief executive officer and his top management team, which include, inter alia, education, training, work experience and or career history, aptitude, motivation and disposition towards the public. However, in the majority of cases in Swaziland and like the appointment of public enterprise boards, these objective criteria are often side-stepped in favour of non-merit and or political considerations. Classical examples in recent years include the appointment of chief executive officers for SEB, SPTC and the Swaziland National Trust Commission (SNCT), all of which are on the verge of collapse, mainly because of poor leadership, management and control, both internal and external.

It need not be over-emphasized that public enterprises are business – oriented organizations that should not only subscribe to fundamental business norms and or principles but should also be customer – driven. There is no doubt that public enterprise top management should be the embodiment of these principles. In addition, the appointment of top management, and that of the chief executive in particular, should be contractual and should, like that of members of parastatal boards, be linked to the overall performance of the public enterprise. Unless these and other sacred ethos of corporate governance are recognized and religiously upheld, Swaziland’s parastatal sector which continue with its hemorrhage of limited public resources and at a period in the country’s history when it faces formidable problems and challenges posed by HIV/AIDS, poverty, unemployment and rapidly declining economic fortunes.

THE PRESSURES AND CHALLENGES OF PRIVATIZATION

The multiplicity of problems and challenges facing public enterprises in Africa, including Swaziland, are largely responsible for the present demands for the reform of the parastatal sector. While the advent of independence witnessed a phenomenal growth and proliferation of public enterprises as African states believed that rapid socio-economic development could not be achieved without the government’s active participation in and control over the commanding heights of the economy, several decades after independence, there has emerged a growing chorus that critically questions the role of the state in economic development. For this reason, an emerging view is that the state is over-extended, inefficient and needs to be rolled back (Turner and Hulme, 1997, 183).

Despite the formulation of a privatization policy during the mid – 1990’s, an exercise that was given impetus by the adoption of the Economic and Social Reform Agenda (ESRA), the objective of which was to instil discipline within the civil service in Swaziland and promote the principles of affordability, efficiency and effectiveness in service delivery and in meeting targets, the restructuring of some public enterprises which, in some cases, led to the privatization of a number of their programmes and activities, has taken place on a haphazard and or ad hoc basis.
A decade after the formulation of the privatization policy, the government has not taken energetic steps towards its implementation. The public enterprises that have benefited from partial privatization in recent years include the Swaziland Dairy Board, the commercialization of which witnessed the acquisition of a 60% shareholding by Parmalat, 26% by Tibiyo Taka Ngwane and 14% equity by the government. The partial privatization of the Royal Swazi National Airways resulted in a joint venture agreement being reached and implemented between the government and Airlink South Africa – a company with close links with South African Airways. Lack of progress in the adoption and implementation of a privatization policy has delayed the separation of postal from telecommunication services within the SPTC and the commercialization and or corporatization of SEB.

As a public enterprise reform initiative, Swaziland’s privatization policy aims at achieving a number of strategic objectives which include, among other things stimulating socio-economic development and the liberalization of the economy; encouraging the development of financial and capital markets on the one hand and introducing competition and market discipline on the other. Other objectives centre on encouraging wider share ownership, rendering the country’s public utilities and industries more efficient and thus improving the delivery of essential services (Ministry of Finance, 1995, 13). Furthermore, a close examination of the kingdom’s public enterprise privatization policy reveals a number of significant salient features which are testimony to the fact that the policy forms an integral part of the government’s macro-economic policies and, in particular, broader monetary, fiscal and socio-economic development policies that were captured in ESRA, which later became known as the Millenium Action Programme (MAP) and is now referred to as the Smart Programme on Economic Empowerment and Development (SPEED).

In addition, the policy is based on the premise that as the economy and its fortunes changes, so too must the role of government. The latter thus recognizes that the adoption and implementation of a privatization policy will inevitably alter its role in the economy to the extent that the relationship between government and the private sector will be transformed into a partnership that will be characterized by cooperation and good corporate governance, including the promotion of Swazi economic empowerment (SEE). Accordingly, as the role of the public sector in the provision of marketable goods and services diminishes, it will pave the way for government to create and facilitate an enabling environment for private enterprise to flourish, particularly given the existing policy of stimulating direct foreign investment that is anchored on the view that industry should be the cornerstone and engine of socio-economic development.

A privatization policy would be seriously flawed if it did not make provision for the roles, functions and responsibilities of different stakeholders, the involvement and participation of which is crucial to the success of the exercise. To this end, policy guidelines for privatization in Swaziland make provision for the identification of key
role players in the process, namely, the parastatal sector, a Public Enterprise Authority or Agency (PEA), line ministries, different committees and or structures as deemed appropriate and, of course, government, represented by cabinet. This underscores the need for the privatization process to be driven and located at the highest levels of the apparatus of the state in order to enhance chances of its success.

Mention of different stakeholders and their roles and obligations in the privatization agenda also brings in the issue of the extent to which the policy is receptive and or responsive to the needs and aspirations of the labour force. Accordingly, the country’s privatization policy puts emphasis on the need for the process to be transparent and consultative, such that it should take cognizance of the requirements of labour as well as environmental issues. Since the passage of the Industrial Relations Act several years ago, Swaziland’s labour unions and their members have increasingly become militant and demand a greater stake in decision-making that affects their lives and destinies.

Not only have unions and employee associations wrestled significant concessions from their employers, both private and public, with regard to wages and salaries, including terms and conditions of employment, but they also have influenced the country’s socio-political environment. Against this backdrop and since public enterprises control key sectors of the Swazi economy and, therefore, employ thousands of workers, it was realized that one of the ingredients of the success of the privatization policy is for it to take on board the needs of labour. We examine next and, in conclusion, the problems and challenges of privatization in the small mountain Kingdom.

PRIVATIZATION: PROBLEMS AND PROSPECTS

A number of obstacles stand in the way of the privatization of the public enterprise sector in Swaziland. In a Public Enterprises Reform Policy statement issued immediately after the formulation of the privatization policy, the government argued that the policy demonstrated its unwavering commitment to the restructuring of public enterprises and also presented the key principles that would guide the parastatal sector reform programme. It was further pointed out that the restructuring of public enterprises was an important component of the government’s Economic and Social Reform Agenda, the primary objectives of which were the acceleration of economic growth, improvement of social services and the enhancement of standards of governance, such as transparency, accountability, discipline and respect for the rule of law. (Public Enterprises Reform Policy Statement, 1999, 6).

A decade after its formulation as a framework for the restructuring and reform of the parastatal sector, the privatization policy remains pending in the government’s implementation agenda. Several factors can be identified to explain the reasons for this state of affairs. Public enterprises, like economic organizations in general, do not operate in a vacuum; they are affected by, and in turn affect, the socio-political and economic environment of which they are
As business undertakings, public enterprises are affected by the general economic climate that is prevalent in each country. There is no doubt that, until recently and due to the geo-political and economic conditions that are characteristic of the domestic, regional and international environment, the Swaziland economy has been performing below expectations. Understandably, one of the causes of the poor performance of public enterprises in general has been that the economic climate has not been conducive to business operations. Against a background of serious socio-economic problems, the impact of which has been felt by both the public and private sectors, the government seemingly adopted a ‘wait and see’ attitude, with the ardent hope that should the economic climate improve, the privatization policy would be put in place for implementation.

Because the parastatal sector in Swaziland, as elsewhere in most African countries, is both an administrative as well as a financial burden to the tax-paying public, the government is finding it extremely difficult to increase and sustain the size of resources allocated to public enterprises. Consequently and in view of serious economic problems, the government is also hard-pressed in coping with the demands for subsidizing the cost of goods and services supplied by public enterprises to consumers. Unfortunately, the removal of government subsidies so that consumers could bear the full cost of the provision of goods and services by the parastatal sector would have serious economic and political implications. For instance, in an economy whose performance is on a down-wide spiral and one that is characterized by widespread poverty, unemployment and the devastating effects of the HIV/AIDS pandemic, as is the case in Swaziland, such an economic route, (of removing government subsidies) would prove suicidal.

Moreover, since public enterprises are a critical component of the Swaziland economy, the declining fortunes of the latter have, as alluded to earlier in this article, affected negatively the overall performance and profitability of the parastatal sector. The irony of this situation is that although adverse economic and or financial considerations may pose as some of the compelling reasons for the implementation of a privatization programme for public enterprises, in an environment of serious socio-economic problems, few enterprises may be attractive for privatization or sale to private investors. This is because in their operations, investors are motivated by considerations of profitability or profit-maximization, rather than by socio-political factors as is the case with governments, especially those in Africa.

That public enterprise reform does not rank high in the government’s list of national priorities in Swaziland is evidenced by the fact that out of approximately thirty (30) Category A and government wholly-owned public enterprises, only three (3) parastatals have had performance agreements with government, all of which lapsed and have not been re-formulated. Because of such factors as bureaucratic inertia and immobilism, including lack of a sense of urgency, the process of redrafting performance agreements always moves at a
snail’s pace. Meanwhile, the majority of Swaziland’s public enterprises continue on their loss-making path and remain outside the ambit of effective control and accountability (Dlamini, 2001, 72). In view of this and other considerations, there is no doubt that Swaziland suffers from a lack of political will, courage and commitment to move from the realm of rhetoric and theory into concrete and or action-oriented programmes designed to translate promises into reality.

Resistance to the public enterprise reform programme in Swaziland, as elsewhere in other African countries such as South Africa, comes from trade unions and employee associations which argue that the privatization of the parastatal sector often inevitably results in job losses, through retrenchments, the deterioration of terms and conditions of employment, as well as the weakening and or erosion of collective bargaining powers. These and other arguments, the majority of which are valid, maybe cited as one of the main obstacles to progress with regard to the implementation of the privatization policy in Swaziland – a country whose unemployment rate stands at a staggering 40% and where, as pointed out above, chronic poverty and the HIV/AIDS pandemic have reached astronomical levels.

In recent years, industrial/labour relations in Swaziland, as a consequence of a multiplicity of factors and considerations, have been characterized by instability and unrest, to the extent that in the public sector in particular, these relations are always strained. Although labour unions in the country, be they in the public or private sector, are not as radical or militant as their counterparts in neighbouring countries, such as South Africa, they have succeeded to wrestle significant concessions for their members, especially with regard to increased wages and salaries as well as improved terms and conditions of employment. Even though these unions are not necessarily affiliated with the banned progressive political formations in existence in Swaziland, some of their demands, such as the democratization of the socio-political system, good governance and the return to constitutional government, have helped bring to the attention of the international community, the need for far-reaching political and economic reforms.

The existence of two parallel political and administrative structures, each vying for influence and supremacy, not only undermines the principles of accountability and good governance but also leads to the fragmentation of the policy and decision-making process. The situation often results in a conflict of interest, particularly since the traditional arm of government is by nature conservative and resistant to change. In addition, in view of the complex nature of the political and administrative system, it is sometimes difficult to identify the centres of decision-making, let alone avoid a situation whereby government officials are caught in the cross-fire of conflicting directives. The public policy decision-making process is always affected by lack of common ground and consensus among the numerous actors in the diarchical political and administrative system.

In many respects, therefore, the privatization of public enterprises in
Swaziland has been frustrated, inter alia, by the diarchical political and administrative system and, in particular, the preponderance of traditional political institutions over those of the modern government. Fearful of losing its stranglehold on socio-political and economic power the latter, which is exercised through such royal-based state corporations as Tibiyo Taka Ngwane and Tinsuka Taka Ngwane, both of which were established by royal charter and are accountable only to the King who controls them in trust for the so-called Swazi Nation, traditional authorities in Swaziland, besides being, by definition resistant to change, have shown a strong impulse towards embracing the classical view that the state must exert meaningful control and influence over the commanding heights of the economy.

In Swaziland, Parliament is supposed to exercise general control over the activities of public enterprises, the extent of that control depending on the way in which the enterprises were established. Though over-detailed parliamentary control would hamper the commercial operations of the country’s parastatals, it can be argued that the latter are not subject to sufficient scrutiny. Politicians, such as MPs do, from time to time, debate issues relating to state enterprises during ordinary parliamentary sessions and when particular bills are presented by controlling ministries, but in other respects, parliamentary interest in the activities of public enterprises is not as strong as it should be. Had the privatization of public enterprises agenda been driven at the highest political and or legislative level(s), there is no doubt that meaningful progress would have been made in the implementation of the privatization policy.

Therefore, one of the most serious challenges facing the privatization of the parastatal sector in Swaziland, as in most other African countries, is the absence of political will. As the United Nations has observed:

“The biggest obstacle to privatization in Africa is the lack of political will. Public enterprises, which often dominate the economy, both in terms of employment and importance of their outputs, represent a power base for many politicians. Privatization is, therefore, not just an economic exercise but also a political process involving the redistribution of power and, as such, a threat to vested interests, both in public enterprises and government ministries. Ministerial bureaucrats and public enterprise employees are all likely to oppose any change in the status quo, given their privileged public sector status and benefits” (United Nations, 1996, 3).

CONCLUSION

Although in the majority of African countries, including Swaziland, the creation of public enterprises was motivated by a variety of factors, such as the need for the state to exert control over the commanding heights or key sectors of the national economy, thus reducing its domination by foreign capital, in recent decades and because of the performance of the parastatal sector which has been much less impressive than was originally anticipated, pressure for privatization has been one of the
dominant characteristic features of development programmes in these countries. There is general agreement, among both domestic and international stakeholders, that since public enterprises continue to impose a heavy administrative and financial burden on African governments, measures should be adopted not only to ensure that the parastatal sector conforms to specific standards, such as those of efficiency, accountability, responsibility and, above all, service to the public, but also socio-economic imperatives dictate that the majority of public enterprises be privatized as an integral part of a broad programme of economic reform.

In this article, it has been observed that many problems and challenges face public enterprises in African countries in general and Swaziland in particular, to the extent that the latter, in an attempt to stop the hemorrhage of limited public resources by the parastatal sector, formulated a privatization policy a decade ago. However, despite its adoption in principle little, if any, progress has been achieved in terms of the implementation of measures for the privatization of parastatals, such that many of them continue almost unabated on their loss-making path.

Of the many causes of the gap between promise and performance or theory and practice with regard to the implementation of the privatization policy in Swaziland the nature of the political system and, in particular, the interplay of forces between tradition and modernity are some of the most obvious. It has been argued that the political system is dual or diarchical in the sense that it is characterized by two distinct and parallel, but interrelated, political and administrative structures. Such a system is a reflection of a unique pre-colonial and colonial heritage that has existed and albeit been consolidated since independence in 1968. It has further been argued that the existence of two parallel political and administrative structures, each struggling for influence and hegemony, not only undermines the principles of accountability and good governance but also leads to the fragmentation of the policy and decision-making process. The situation often results in a conflict of interest, particularly since the traditional arm of government is, by nature, conservative and resistant to change.

The management and control of public enterprises, including their performance, has not improved significantly, despite the existence of the PEU which, inter alia, was established in order to provide government with an independent as well as an objective analysis of the performance of the parastatal sector. Located in and or existing as an integral part of the bureaucracy of the Ministry of Finance, not only does the PEU lack the required independence and autonomy to critically evaluate the performance of public enterprises but also it faces serious problems of staffing, leadership and direction. Consequently, it has, since its establishment, failed to command the confidence of stakeholders, particularly that of public enterprises which, from time to time, defy its directives by failing to comply with periodic reporting obligations, even though these are sanctions by the founding legislation.

Besides lack of political will towards the implementation of administrative reform in
general on the part of the political and bureaucratic leadership in Swaziland, it can also be observed that the adoption of the privatization policy for the reform of public enterprises took place at a time, in the history of the country, when the energies of the ruling elite were devoted towards political reforms designed to return the Kingdom to constitutional rule. After decades of rule by royal decree following the suspension of the Westminster–style independence constitution through the King’s Proclamation of 1973 that witnessed the assumption of legislative, executive and judicial powers by Sobhuza II, the ruling elite during the decade of the 1990s had no alternative but to give in to domestic, regional as well as international pressure for the implementation of constitutional reforms. Preoccupation with the latter resulted in a situation whereby other reforms, such as the privatization of public enterprises and the implementation of far-reaching changes within the apparatus of the civil service as part of the Public Sector Management Programme (PSMP), have been relegated into secondary importance.

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