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Contract Plans and Public Enterprise Performance
the Case of Swaziland

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Abstract
In this article, the author examines Swaziland’s experience with the use of contract plans as a mechanism for improving the performance of public enterprises. It is argued that the problems encountered in the use of performance contracts, as in other areas of administrative and public enterprise reform, are compounded, inter alia, by the country’s dual political system stands in the way of transparency, accountability and responsible government. The author concludes the analysis by pointing out that public enterprise reform in general and contract plans in particular will not lead to significant improvements in the performance of the parastatal sector unless it is preceded by far reaching reforms in the socio-political system.

Introduction
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 pure 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 more than three 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. 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 spiraling of costs incurred by government associated with capital restructuring and other forms of financial support to ailing public enterprises (IMF, 1995, pp. 34-35).
**Contract Plans: Key Features**

The use of contract or performance contract is one of a number of policy options that governments adopt in their efforts to improve the performance of public enterprises. In definitional terms, a contract plan is a negotiated agreement between government, in its capacity as the owner of public enterprises and the management of enterprises, the underlying principle being the mutual specification of the rights, obligations and responsibilities of both parties (Nelly, 1989, 40).

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 quantity and quality of services to be provided during the period of the 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 enterprise wage bill, including details of the social or non-commercial activities to be undertaken by the public enterprise.

With regard to social or non-commercial objectives, the majority of contract plans establish the principle that government will compensate the public enterprise for costs incurred in the accomplishment of objectives. They also specify the means and mechanisms by which the compensation will be made. Another significant feature of performance contracts is the specification of the physical and financial indicators to be used in measuring public enterprise performance. What this means is that they stipulate the obligations of as well as limitations on the government.

The effective performance of public enterprises lies, inter alia, in maintaining a meaningful balance between autonomy and control. In other words, while operating as autonomous and self-regulating organizational entities, measures should be evolved to ensure that public enterprises conform to specific standards, such as those of efficiency, accountability, responsibility and service to the public (Wamalwa, 1987, 62). It is imperative therefore that contract plans should clarify what public enterprise management may do with or without government approval and what prices enterprises may levy for a variety of goods and services.

Public enterprise contracts would be seriously defective if they did not specify the enterprise’s financial and investment programme, since parastatals undertake huge capital investments and incur recurrent expenses in excess of millions in financial terms. Being significant components of enterprise performance agreements, financial and investment programmes put emphasis on amounts to be generated from domestic sources, government subsidies, equity and subventions, including amounts to be raised from credit institutions and through foreign assistance, with or without government guarantees.

From the foregoing, it is clear that contract plans, as instruments of public enterprise reform, cover the entire spectrum of enterprise operations and the relationships that parastatal organizations have with the government. However, lessons of experience in Africa and elsewhere in the Third World, have shown that the existence of a contract plan, though signed in
good faith by both parties, namely, the government and management of an enterprise, will not in
and of itself, overcome the problems of vague policies, goals and objectives, fiscal indiscipline,
corruption and mismanagement.

That there is a huge gap between promise and performance and between theory and reality, with
regard to the contribution of contract plans to the effective performance of public enterprises, is
unfortunate, given their popularity as a common feature of relations between governments and
the parastatal sector. We examine, next, Swaziland’s experience with contract plans and the
extent to which the latter have contributed to the effective performance of public enterprises in
the country.

**Contract Plans: The Swaziland Experience**

Although Swaziland has a significant number of public enterprises, classified as category A or B,
depending on the extent of government ownership in terms of equity, the use of contract plans is
not widespread or common. Only three public enterprises under category A, namely, the
Swaziland Water Service Corporation (SWSC), the Swaziland Electricity Board (SEB) and the
Swaziland Posts and Telecommunications Corporations (SPTC), either have or have had
performance agreements with the government. The evolution of contract plans in Swaziland can
be traced back to the early 1990s – a period that witnessed the promulgation of the Public
Enterprise (Control and Monitoring) Act of 1989. The latter sought to establish viable control
mechanisms for Swaziland’s parastatal sector amid a national outcry that public enterprises
were continuing, unabated, to be a financial as well as an administrative burden on the
government.

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 of 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.

However, 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 enterprise management and staff. This 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 the performance agreements of the early 1990’s,
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 WSC. 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 the public enterprises. Lessons of experience with regard to the use of outside 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.

Another problem with regard to the formulation and implementation of contract plans in Swaziland centers around the role and commitment of the contracting partners, especially the fact that the government and/or controlling ministries are the weakest link in the tripartite administrative structure. While public enterprise management and the PEU appreciate the utility of performance contracts, this is not the case with controlling ministries which often do not show commensurate enthusiasm, thus either delaying the process or frustrating it altogether, much to the detriment of the effective operation of the parastatal sector.

A number of reasons account for the poor commitment of the government, including controlling ministries, to the formulation and implementation of measures for the improvement of the performance of public enterprises through contract plans. One of these is the fact that, naturally, politicians change with the wind and often show commitment to development programmes from which they will derive political dividends or rewards in the form of electoral votes and other forms of support from the general public. Ministers in Swaziland are not an exception to this general observation in that they tend to be preoccupied with issues, policies and programmes that are likely to guarantee their long term political survival, particularly in view of the unpredictable nature of the dual socio-political system which rewards loyalty to the preservation of the traditional order than measurable performance or commitment to the advancement of the public interest by political and bureaucratic elites.

Since 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.

For instance, 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 defunct 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 hallmark of these public enterprises over the years.

Lamenting the extent of corruption at CTA which continues to suck the nation dry through annual subventions and an ever-increasing deficit, including unwarranted political interference
by the powerful Swazi National Council (SNC) which has always frustrated the well-intentioned efforts of the Ministry of Works and Transport 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 centers, 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 key players in the administration of public affairs in Swaziland include the modern government, represented by the civil service and public enterprises, Parliaments, the King and the traditional aristocracy, represented by the SNC, the faceless or shadowy “labadzala” or so-called “Elders of the Nation”, Tibiyo Taka Ngwane and Tisuka Taka Ngwance.8 The existence of such a multiplicity of public policy centers not only paralyzes and delays the decision-making process but also undermines the sacred principles of accountability, responsiveness and good governance.

There is a widely held view, both in the developed and less developed countries, that governments and/or public organizations are best when made accountable to the people. In fact, the basis of this principle is the Actonian dictum to the effect that “power corrupts and absolutely power corrupts absolutely”. Accordingly, governments are presumed to be more effective and responsive to the public interest if they are accountable directly or indirectly, formally or informally, to the people or their elected representatives.9

Unfortunately, the majority of Swaziland’s politicians and influential figures, with the exception of members of the House of Assembly and a handful of Senators in Parliament, are appointees of the King by virtue of the latter being a repository of all legislative, executive and judicial powers bestowed upon him by the contentious King’s Proclamation of 1973. The latter Decree that facilitated the abrogation of the independence constitution,10 banned political parties and infringed on other fundamental human freedoms that are the cornerstone of democratic political systems throughout the world.
Based on the foregoing, the dynamics of dual political system in Swaziland is such that it is not an embodiment of the fundamental principles of accountability, responsibility and good governance since all the of the members of the SNC, the defunct Central Committee, the faceless “Elders of the Nation”, including traditional leaders such as chiefs and other royal councillors, are appointed rather than popularly elected by the people. Therefore, they do not have a direct mandate from the Swazi masses to govern and yet they wield enormous power and influence over public policy and the administration of public affairs, including the management and control of the parastatal sector.

Under these circumstances, it is inconceivable to expect political leaders and special advisors to the Head of State to be accountable and strongly committed to the advancement of the larger public interest. Against known ethics and/or ethos of public service, theirs is the preservation of the prevailing socio-political and economic order from which they are able to relentlessly pursue their narrow self-interest as well as that of their friends and relatives.

Based on the experience of countries that have a long history of managing performance agreements, such as Senegal and other Francophone African states, it is clear that contract plans must 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 such development programmes as the Economic and Social Reform Agenda (ESRA) and the National Development Strategy (NDS), has not convincingly moved beyond the level of rhetoric by embarking on concrete action.

That public enterprise reform does not rank high in the government’s list of national priorities is evidenced by the fact that out of twenty five (25) category A and government wholly-owned public enterprises, only three (3) parastatals have had performance agreements with government, all of which have lapsed and are in the process of being re-formulated. Because of such factors as bureaucratic inertia and immobilism, including lack of a sense of urgency, the process of redrafting performance agreements is moving 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 accountability.

Moreover, 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 performance 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 a 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 evaluation of the country’s public enterprises.

Attached to the Ministry of Finance as an ordinary ministerial agency or department, the PEU merely provides policy 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.

**Conclusion**

Throughout African countries, including Swaziland, there is general consensus that since public enterprises are imposing a heavy administrative and financial burden on governments, measures should be adopted to ensure that the parastatal sector conforms to specific standards, such as those of efficiency, accountability, responsibility, transparency and, above all, service to the public. In this article, it has been demonstrated that the management and control of public enterprises, with or without contract plans, is frustrated, among other factors, by the diarchical political system, particularly the preponderance of traditional political institutions over those of the modern government.

The experience of CTA, SDSB, the defunct Royal Swazi National Airways Corporation as well as that of other public enterprises, best illustrates the extent to which political and bureaucratic elites in Swaziland, taking advantage of the lack of clarity of roles and functions of the different political and administrative institutions and organizations of the apparatus of the state, embark on actions the objectives of which are the pursuit of personal rather than the public interest. This view directed to the SNC, was echoed by *The Times of Swaziland* which observed that:

> The SNC’s terms of reference is to advise the King on matters of Swazi tradition and culture. However, the only “Swazi tradition” the SNC has ever shown itself to be interested in is preserving the privileges of the national leadership...it profits the shadowy powerful figures at Lozitha to keep the CTA just as it is: unaccountable, unmanageable and open to abuses... In our country...recommendations are routinely ignored if they infringe upon the privileges of the powerful. (Times of Swaziland, Op.Cit., 16).

In Swaziland, and in many other African countries, mismanagement and corruption are so common that these practices are gradually corroding the socio-political and economic fabric of society. Some of those in positions of leadership are seemingly oblivious to the fact that they hold their positions in trust for the vast majority of the people. In fact, unethical behaviour and other forms of corrupt practices have become so entrenched and institutionalized that saving Swazi society from these problems is the most formidable challenge facing the Kingdom. Reports of corruption involving the submission of fraudulent sitting allowance and travel claims by influential members of the constitutional Review Commission not only underlined the extent of the problem but also cast doubt on the professional integrity of the commissioners in terms of their ability to craft a viable future constitutional and political dispensation for Swaziland.

The growing chorus that calls for the democratization of public affairs in Swaziland through, inter alia, the legalization and restoration of multi-party democracy that disappeared with the advent of the King’s Proclamation of 1973, is based primarily on the supremacy of such principles as freedom, accountability, transparency and good governance. The present socio-
political order in Swaziland, with its dual configurations and the problems associated with it, does not provide an ideal environment within which to promote accountability, transparency and other noble principles of good governance.

Administrative and other reform programmes, be they in the public service, the wider economy or the public enterprise sector, are unlikely to succeed unless they are preceded by far-reaching socio-political changes designed to entrench and institutionalize multi-party democracy. It is only then that there will emerge a strong sense of political will and commitment to the advancement of the public interest on the part of political and bureaucratic elites in the country.
REFERENCES

8. Times of Swaziland, December 18, 1997.
ENDNOTES

2. Category A public enterprises are wholly-owned by government and currently total about 25 (Twenty five). These include, among others, former royal Swazi National Airways Corporation (RSNAC), Swaziland Dairy Board (SDB), Swaziland Posts and Telecommunications Corporation (SPTC), Swaziland Railway (SR), University of Swaziland (UNISWA), to name but a few. On the other hand, category B enterprises are joint-venture under takings in which government has acquired less than 50 (fifty) percent equity, mainly in the commercial and banking sector. These include, the Royal Swaziland Sugar Corporation (RSSC) and the Swaziland Industrial Development Company (SIDC).

3. See, the Public Enterprise (Control and Monitoring) Act, 1989, the provisions of which seek, inter alia, to improve the performance, efficiency and effectiveness of the parastatal sector. The passage of the Act saw the establishment of the Public enterprise Unit (PEU) within the Ministry of Finance whose responsibility is the implementation of the provisions of the legislation, including being a vital link between government in general and line ministries in particular and individual public enterprises.


5. A radically different approach to the formulation of contract plans, with heavy emphasis on a “home-grown” strategy that has brought on-board all stakeholders, particularly the active participation of enterprise management and staff, has been adopted with regard to the redrafting of a new agreement for the SWSC which will be used as a model to be replicated throughout the parastatal sector in the country.


7. In recent years, these public enterprises have attracted the attention of the Swazi tax-paying public, representatives of foreign governments and international donors because they are regarded as havens for corruption. The CTA has proved to be virtually untouchable since past as well as current efforts at its restructuring have been strongly ranking government officials amounting to millions, the majority of which are non-performing due to the refusal of the debtors to either pay or be taken to court. Royal Swazi has always been a loss-making airline since its establishment, with its financial woes having worsened in recent years following the controversial purchase of a foreign exchange-draining Fokker 100 and the Corporation’s continued payment of a salary and benefits to its princely former Chief Executive Officer, long after he was “retrenched” as part of efforts at the restructuring of the enterprise.
8. Tibiyo TakaNgwane and Tisuka TakaNgwane, although allegedly owned by the “Swazi Nation”, are controlled by and accountable to the King through carefully chosen committees, the membership of which is drawn from the royal family, traditional leadership and the nobility. The two corporations, which have substantial equity in privately-owned agro-industrial and manufacturing enterprises as well as the housing industry, have been described as mechanisms by which the royal family has acquired a sizeable stake in the Swazi economy. See, Daniel, J., “The Political Economy of Colonial and Post-Colonial Swaziland”, South African Labour Bulletin, Vol.7, No.6/7, (1982).


10. As a result of mounting pressure from the labour movement, progressive political forces and other organized formations in and outside the country, the King announced the establishment of a hand-picked thirty (30) member Constitutional Review Commission (CRC) in April, 1996 whose task is the formulation of a political framework, based on the people’s submissions and/or views that will hopefully return the country to constitutional government. See Khumalo, B. “The Politics of Constitution – Making and Constitutional Pluralism in Swaziland since 1973”, UNISWA Research Journal, Vol.10, (1996).

11. This Committee, made up of less than a dozen influential politicians, chiefs, princes, including former cabinet ministers, was a misnomer in the Swaziland political scenario by virtue of the traditional nature of the government and the fact that the designation “Central Committee” is commonly used in socialist or communist political systems. Nonetheless, the Central Committee advised the King on all aspects of public policy, traditions, customs, issues pertaining to the monarchy and the royal family as well as general legislation. Unlike the SNC which was recently gazetted and given some semblance of terms of reference, the Central Committee’s legal existence and identity remained questionable, with claims that it has since been disbanded and its functions absorbed by the SNC over which it claimed superiority.

12. ESRA is public policy framework within which are enshrined short-term development programmes whose objectives are to increase national income, improve social services and alleviate poverty through the acceleration of economic growth and the maintenance of good governance through the promotion of, inter alia, transparency, accountability, discipline and the rule of law. On the other hand, NDS is a long term twenty five (25) year economic development strategy the objectives of which are supplemented by ESRA. For further details see, Prime Minister’s Office, Economic and Social Reform Agenda (Government Printer, Mbabane, 1997) and Ministry of Economic Planning and Development, National Development Strategy (Government Printer, Mbabane, 1995).