Swaziland: Southern Africa’s Forgotten Crisis

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Swaziland is Africa’s last remaining absolute monarchy. King Mswati III and Queen Mother Ntombi, who rules as his co-monarch, have ultimate authority over state institutions. In contrast to King Mswati (whose personal fortune is estimated at $200 million), 66 per cent of the population of some 1.2 million live below the poverty line. Swaziland also has the highest HIV/AIDS prevalence in the world. According to the 2012 Swaziland HIV Incidence Measurement Survey, 31 per cent of Swazis are HIV-positive and life expectancy has fallen to approximately 48 years. No election on party lines has been held in Swaziland since 1972, and there is no mechanism for registering political parties under the 2006 constitution. Candidates for parliamentary elections, held every five years under the Tinkhundla system, are required to stand in an individual capacity.

Swaziland is now at an important juncture. Elections to parliament are due to take place on 20 September 2013, and the king will subsequently appoint a new government, including the prime minister. The fiscal crisis of 2011 – a symptom of deeper problems – has prompted increased attention on the country, and this presents an opportunity for a wider focus on reform and international engagement.

This report assesses Swaziland’s economic and political trajectories, and outlines its options for reform. The single greatest risk for the next government is to believe that the country can continue to be ruled effectively without introducing reforms. Inequality and poverty are growing and the economy is increasingly being eclipsed by those of its powerful neighbours.

Why should the international community care?

Swaziland is not strategic and does not attract international policy interest. The United Kingdom, the former colonial power, closed its high commission in Swaziland in 2005 and only five full diplomatic missions are currently in Mbabane. In October 2013, however, the EU is scheduled to upgrade its presence to a full mission with an ambassador resident in Mbabane, rather than in Lesotho. This represents an important opportunity for the European External Action Service, since no EU member state retains a diplomatic footprint in the country (other than through honorary consuls). It should allow the new mission to be proactive in promoting not just agricultural reform but also a clear EU values-based strategy in advocating better governance and human rights in Swaziland. Partnering in this with the United States might give the EU additional traction: the US administration has demonstrated leverage through the African Growth and Opportunity Act (AGOA).

Swaziland’s development trajectory is worrying. The government has made little progress in boosting the economy’s resilience to fiscal shocks, and the country remains dependent on sugar exports, Southern African Customs Union (SACU) tariffs and remittances from migrants. The
current system of governance has led to the mismanagement of public funds, conspicuous royal consumption, and a stubborn resistance to reform, culminating in a fiscal crisis in 2011. While the protests in April 2011 were ostensibly caused by the fiscal crisis, people's dissatisfaction was far more systemic.

What caused the crisis?

During the 1980s Swaziland was able to rely economically on the perceptions of it as an 'oasis of stability and peace' between apartheid-era South Africa and war-torn Mozambique that made it an attractive investment destination. Many enterprises settled in Swaziland in order to benefit from this relative security; others set up there to engage in sanctions-busting cross-border trade. There was little need for strategic economic planning, as Swaziland benefited from the competitive advantage of its location. A lack of contingency planning for regional political change meant that the country was unable to adapt and thus continue to attract investors following peace in Mozambique after 1992 and majority rule in South Africa from 1994.

The economy has slowly become dependent on income from SACU and from exports of sugar and sugar derivatives and concentrates. As a result of government and royal financial interests in the industry, public policy has become biased and other industries have paid the price. This has been exacerbated by an overvalued currency, pegged at parity with the strong South African rand. Revenues have been poorly managed, with most of the money spent on the country's huge public-sector wage bill and on the royal household. The latter has been the cause of much concern and controversy among civil society groups and observers.

The 2008 global financial crisis plunged Swaziland into a fiscal crisis. The fall in world and regional trade resulted in reduced SACU revenue and income from sugar exports; and although these subsequently recovered, the damage to the Swazi economy has been permanent. The wage bill has not been brought down – and is in fact budgeted to increase in 2013 – and a windfall payment from SACU has negated the need to heed the demands of the International Monetary Fund or make use of a conditional loan from South Africa. The economic forecast is bleak: growth is expected to remain below one per cent for the foreseeable future, and government spending is expected to rise to 45 per cent of GDP.

Even if growth were higher, the economic structure would impede job creation and prevent development at grass-roots level. Swaziland is ranked 123rd of 185 countries for doing business, and it has one of the highest levels of youth unemployment both in Africa and globally. The spread of corruption has undermined many institutions, and the politicization of the economy and the large public sector have crowded out private-sector activity. The feudal land-ownership system, where the majority of the land belongs to the Swazi nation, is controlled by King Mswati in his role as a traditional leader and is distributed by his chiefs, means that it is highly difficult for individuals to own land. As such, access to much-needed finance is restricted.

Current engagement and recommendations for the future

While international and regional attention has been focused in 2013 on the elections in Zimbabwe, the forthcoming ones in Swaziland have barely attracted any international media or policy comment or concern.
There is some international engagement with Swaziland. For example, the United States has an embassy in Mbabane and there is a long-standing relationship with the EU. But such engagement tends to prioritize social programmes, public health and agriculture. The US government does focus some resources on promoting democracy, human rights and the rule of law through support for good governance projects. The annual AGOA renewal process for Swaziland also presents an opportunity for the United States to engage with the country in efforts to improve conditions for democracy and economic growth. The EU supports agricultural development. However, such programmes must be expanded to include assistance in the manufacturing sector. As agriculture becomes mechanized – as must happen if Swaziland is no longer to be a net food importer – surplus labour requires jobs and industrial growth.

It is important to emphasize that the political process is not totally undemocratic, as is often asserted by campaign groups. But the process is flawed, since political parties are unable to register, and this is a restriction on both freedom of association and the ability to challenge government as an organized group in an open electoral process. This has resulted in falling voter registrations and extended registration periods, indicating a domestic disengagement from the process. This must be recognized by election observers and those on the ground during the election period. Previously, Southern African Development Community (SADC) observer teams have validated election results on the basis that they have been in accordance with domestic law, without questioning the legitimacy of such law or whether its processes lie within SADC-approved definitions of what democracy is and what it wants national representation to be. In contrast, Commonwealth observers have at previous elections highlighted shortcomings and made recommendations for future conduct.

The opening of a full EU mission in Mbabane represents an opportunity, after the elections, for King Mswati and the government to have more senior-level and regular input from the EU in efforts towards resolving the HIV/AIDS epidemic, investing in agriculture and promoting positive public policy.

Swaziland is on a non-sustainable trajectory, which the king and the government will ignore at their peril. Conditional loans have been avoided because of a SACU windfall payment, but such a bailout option is unlikely to be available in the future. Although Swaziland is a lower-middle-income country, per capita GDP growth is lagging behind that of other SACU members, and external assistance has significantly declined as bilateral international donors have shifted their financing strategies to least-developed countries and countries in transition.

The African Development Bank has stated that the problems emanating from the fiscal crisis risk worsening the already weak social indicators and reversing the gains in poverty-reduction made prior to 2010, when the proportion of people living below the poverty line dropped from 69 per cent to 63 per cent. Reform and progress towards a model of constitutional monarchy – as seen in other cases such as Bhutan – are possible in Swaziland. As such, the international community needs to remain involved and engaged, and not miss the opportunity to encourage reform and pro-poor change. Although Swaziland is not of strategic significance or a major threat to regional peace and security, continued inaction will cause greater sub-regional insecurity for its neighbours. Swaziland also offers the opportunity for the United States, the EU and even SADC to maintain values-led policy, based on good governance, rule of law and democracy.
Map of Swaziland

Swaziland vital statistics

- **Land area**: 17,364 km²
- **Population**: 1.2m
- **Main towns**
  - Greater Manzini: 97,934
  - Mbabane (capital): 62,630
- **Language**: Siswati and English
- **Currency**: 1 Lilangeni = 100 cents (Plural: Emalangeni)
  
  SZL 1 = ZAR 1
When US President Barack Obama addressed students at the University of Cape Town in June 2013, he summarized what much of the international optimism surrounding the continent has been about. He argued that

Many of the fastest-growing economies in the world are here in Africa, where there is an historic shift taking place from poverty to a growing, nascent middle class. Fewer people are dying of preventable disease. More people have access to health care. More farmers are getting their products to market at fair prices. From micro-finance projects in Kampala, to stock traders in Lagos, to cell phone entrepreneurs in Nairobi, there is an energy here that can't be denied – Africa rising.¹

Strikingly, however, while his host country, South Africa, is leveraging power through BRICS membership, exerting regional economic dominance and becoming internationally respected as a new emerging middle power, growth in neighbouring Swaziland is marginal, poverty is increasing and the world’s highest rate of HIV prevalence has reduced life expectancy to just 48 years. It is because of its bigger, more influential and more populous neighbours, and because it does not fit either the model of optimism outlined above or the perpetual pessimism of insecurity and conflict attached to other countries on the continent, that Swaziland is often overlooked by the international community and its problems are ignored. Swaziland is not a major threat to regional peace and security, but it is dependent on its neighbours and presents an opportunity for engagement that is purely humanitarian or rights-focused – rather than strategic and interests-based.

Mismanagement and the effects of the international financial crisis have crippled the Swazi economy. Most of the population depends on subsistence agriculture and corruption is rife. While the political system has some democratic features, the centralization of power limits the influence of the population on the decision-making process, which has a detrimental effect on the economy.

Swaziland gained independence in 1968, after 66 years as a British protectorate.² At the time it was governed under a 1967 constitution that provided for a constitutional monarch and a bicameral parliament, with the prime minister being the leader of the majority party. Elections in 1967 were held under this constitution and contested by six parties. The royalist Imbokodvo National Movement (INM) won 79 per cent of the vote and took all 24 seats in parliament. Despite not having won any seats, the Ngwane National Liberatory Congress (NNLC) emerged as the main opposition party.

¹ Address made by President Barack Obama to the University of Cape Town, 30 June 2013, http://www.whitehouse.gov/the-press-office/2013/06/30/remarks-president-obama-university-cape-town.
² Britain and the Boer Republic of Transvaal ruled Swaziland jointly from 1894. In 1907 Swaziland became a British High Commission territory.
At the 1972 elections, however, the NNLC won one constituency, and as a result three seats in parliament. Although the royalist INM remained the dominant party, with 21 seats, in April 1973 King Sobhuza II – encouraged by apartheid South Africa – repealed the constitution and dissolved parliament. He declared: ‘I have assumed supreme power in the Kingdom of Swaziland and all legislative, executive and judicial power is vested in myself and shall, for the meantime, be exercised in collaboration with a Council constituted by my Cabinet.’

A Royal Constitutional Commission (RCC) was established in September 1973 and recommended that ‘Swaziland should be declared a no-party state with the Swazi National Council as the only policy-making body’. The RCC provided the basis for the Establishment of Parliament Order of 1978, which formalized the use of the Tinkhundla system. This is a traditional electoral system whereby, until 2006 (see below), candidates have to be independent of any political party. In 1979 a new, non-party parliament was formed, which was partly appointed by the king and partly chosen by indirect elections, and King Sobhuza established himself as an absolute ruler.

The king’s death in 1982 created a power vacuum. A period of royal in-fighting ensued, until one of his sons was crowned King Mswati III in April 1986. During this period there was an interim government led by a queen regent and the Liqoqo, the Supreme Council of State of traditional leaders. On ascending to the throne, King Mswati was confronted – particularly in the 1990s – by the constitutional question, in response to domestic and international pressure and a Tinkhundla Review Commission which recommended that there should be a ‘written constitution’. In 1996 the king appointed a 30-member Constitutional Review Commission. This failed to deliver a draft constitution, and so in 2002 the king established a 16-member Constitutional Drafting Committee. A draft constitution was presented at a Sibaya in October 2004, debated by parliament and promulgated in July 2005, coming into force in February 2006.

Swaziland has maintained a very traditional system of government. It is a dual monarchy, with the king, referred to as the Ngwenyama (Lion), in conjunction with his mother, referred to as the Queen Mother or Ndlovukazi (She Elephant). The king has a tight grip on power, through his power of royal assent, and as he appoints the prime minister, 10 of the 76 members of the House of Assembly (the lower house of parliament) and 20 of the 31 members of the Senate. The cabinet is appointed by the king and the queen mother, and executive decisions are administered through a network of chiefs. Power is exercised almost exclusively by the royal court, and traditional authority has undermined attempts at reform.

In 1973 the constitution was suspended by King Sobhuza II. A state of emergency was declared, and it was decreed that ‘All political parties and similar bodies that cultivate and bring about disturbances and ill feelings within the Nations are hereby dissolved and prohibited.’ Despite the new constitution, which was signed in 2005 and came into force in 2006, stating that ‘A person has the right to freedom of peaceful assembly and association,’ the political system still prevents political parties from contesting elections.

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5 Sibaya means ‘cattle byre’ and refers in this case to the cattle byre at the main Royal Residence, which serves as the location for meetings of the Swazi nation convened by the king; it is also known as the Swazi National Council.
6 Proclamation by His Majesty King Sobhuza II, 12 April 1973.
7 The Constitution of the Kingdom of Swaziland Act 2005, Chapter III, Section 25 (1).
In practice, the king's powers are subject to restraint within the complex traditional system, the inner workings of which are unclear. As well as ruling in conjunction with the queen mother (his natural mother, Ntombi), King Mswati is surrounded by numerous princes and traditional advisers – including the SNC, which represents Swaziland's tribal chiefs and controls access to him.

While the king is present at SNC meetings, there is a difference depending on whether he sits 'on the throne' or whether he is 'off the throne'. If 'off the throne', he would temporarily cede being king and become an equal to the advisers (i.e. one of them). The advisers could then argue with and against the king, and question and challenge him on various points; this would not be possible if he remained 'on the throne'. Almost exclusively, the king sits 'on the throne', meaning that he is 'untouchable' and without any adviser or council able to counteract him or argue a point with him. Over time, the king has become a more dominant figure and hence is now less constrained by the system.

Box 1: The August 2012 Sibaya

The Sibaya is an annual 'people's parliament' that Swazi citizens can attend and where they can voice their concerns in the presence of the king and his advisers. In practice this has not taken place annually. The Sibaya on 6–11 August 2012 was convened by the king for discussion and recommendations on six issues: the economic crisis; employment opportunities; poverty; how Swaziland could sustain itself with limited resources; various UN conventions, treaties and charters requiring ratification; and the 2013 elections.

At this Sibaya, people were more outspoken than at previous ones, as there seems to have been a groundswell of discontent. Attendees stated that the government had failed the people, and increasingly asked questions about good governance – including complaining bitterly about corruption and the failures of the government in leading the country and in advising the king. Participants in this Sibaya were largely rural, and the process showed how neo-traditional Swazi systems provide an avenue for a non-confrontational means of pressuring the governing authorities to reform. The convening of the Sibaya was in part precipitated by an impasse between the government and the Swaziland National Association of Teachers during a protracted strike.

Policy decisions are constrained by the need to consult the prime minister, the cabinet and the civil service as well as the traditional authorities in the royal palace. In 2012 the prime minister accused parliament of not performing its law-making role effectively, stating that there were 'in excess of 40 bills that had been approved by Cabinet since 2009, submitted to Parliament, but not processed by both Houses'. Even after parliamentary approval, the Swazi system is slow to convert policy into legislation and then to implement it, owing to the influence of traditional bodies and the process of consultation and approval required. Legislation requires royal assent to become law; however, whereas in constitutional monarchies this is a formality, in Swaziland it is actively used as a tool for ruling.

International media often characterize King Mswati as ‘unbalanced’, ‘influenced by witchcraft’ or ‘not intellectually well developed’, and enjoy reporting on some of the country’s more striking
cultural differences. But, as The Economist has reported, with nothing ‘truly horrific’ taking place in Swaziland, and with no vast deposits of natural resources, the world’s media have largely looked away.

Concerns over the lack of accountability and the exclusion of the majority of the population from the policy-making process have circulated for many years. However, the recent international economic crisis and the subsequent fiscal crisis in Swaziland have brought these concerns to the fore.

2 The Macroeconomic Downturn and the Fiscal Crisis

Swaziland has a very small economy. It has a GDP of $4.1 billion, representing around one per cent of that of its neighbour and regional hegemon, South Africa (see Figure 1).\textsuperscript{10} It is also a relatively poor country within the region, with GDP per capita of $3,830, and the vast majority of the population lives below the poverty line and is dependent on subsistence agriculture.\textsuperscript{11}

Figure 1: Swaziland and other countries – regional economic size relative to South Africa

The economy was severely affected by the international economic crisis of 2008, and it has failed to achieve the levels of growth from which its neighbours have benefited. Swaziland’s GDP growth rate has been generally lower than the average growth rate of other SACU countries (see Figure 2). The only year in which the country has recorded growth above the regional average was 2009. There are a number of reasons for this, including the recession in South Africa as a result of the global financial crisis, which brought about a catastrophic fall in the Johannesburg Stock Exchange, and the temporary closure of Debswana mining operations in Botswana following a decline in global demand for diamonds. The lesser impact on Swaziland is indicative not of structural economic resilience, but rather of the fact that it is less internationally connected than the other SACU countries.


\textsuperscript{11} Ibid.
While forecasts vary, it is estimated that growth will pick up after 2013, albeit to between 0.5 per cent and one per cent, for a further five years, a rate far lower than in other sub-Saharan African countries and well below the threshold required for job-creating growth.\footnote{Ibid.; and International Monetary Fund, World Economic Outlook Database, downloaded 31 May 2013, http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.}

Swaziland’s fiscal crisis was a result of the high level of government expenditure taken up by the disproportionately large public sector. A conservative estimate of public-sector employment in the country is around 36,000, although many estimates are far higher. Calculations based on the 2007 Swaziland Integrated Labour Force Survey suggest that the public sector – i.e. public service and public enterprises – accounts for 40 per cent of overall employment and 49 per cent of male employment.\footnote{Brixiova, Z., R. Fakudze and T. Kangoye (2012), ‘Labour markets in Swaziland and the challenges of youth unemployment’, paper presented at the ‘African Economic Conference 2012: Inclusive and Sustainable Development in an Age of Economic Uncertainty’, Kigali, 30 October–2 November, p. 8.}

This is a major hindrance to economic and political development, crowding out the private sector by attracting investment and talent that would be better deployed elsewhere, and subverting political processes through the politicization of the bureaucracy, thus encouraging clientelism.

The government wage bill accounts for more than 14 per cent of GDP.\footnote{Basdevant, O., E. Forrest and B. Mercheva (2013), Restoring Sustainability in a Changing Global Environment: Options for Swaziland (Washington, DC: IMF), p. 15.} The increasing volatility of revenues with which to meet the wage burden led to a build-up of arrears, which the government tried to pay off by selling central bank reserves. The international financial institutions recommend that a country’s central bank should hold foreign exchange reserves to cover three months’ imports. In early 2012 the Central Bank of Swaziland announced that it had sufficient foreign exchange reserves to cover only 1.9 months’ imports.

The oversized public sector created a wage burden on the government, leading to an unmanageable fiscal deficit. This came to the fore during the global financial crisis, as growth slowed and inflation picked up –
reflecting increased fuel and food prices. As regional growth slowed, and South Africa entered recession in 2009 for the first time since 1992, Swaziland’s revenues derived from SACU fell. The forecast for growth to remain low will have dire implications for the fiscal balance and for the government.

The country’s fiscal imbalance has been allowed to persist for many years, and is set to continue (see Figure 3).

**Figure 3: Government revenue and expenditure forecast**

![Figure 3](image1)

Source: IMF, *World Economic Outlook*.

**Figure 4: Government revenue and expenditure forecast (% GDP)**

![Figure 4](image2)

Source: IMF, *World Economic Outlook*. 
Figure 4 shows the effect in 2012–13 of the 2012 SACU windfall, which is substantially higher than in previous years. However, SACU revenues are forecast to drop to less than half the 2012 level, and to remain at the lower level for the foreseeable future.

The impact of this reduced income is that, if the fiscal imbalance is not addressed and the government wage bill is not reduced, not only will the gap between income and expenditure widen, but by 2018 government spending will reach 45.8 per cent of GDP.\(^\text{15}\) As the International Monetary Fund (IMF) put it, ‘A significant cut is needed to start restoring fiscal sustainability. Time is of the essence.’\(^\text{16}\)

The IMF has been persistent in recommending cutting the SZL 300 million ($30.7 million) government wage bill, reducing non-priority expenditure, implementing the Enhanced Voluntary Early Retirement Scheme (EVERS) and reforming the land tenure system. These recommendations culminated in an intervention strategy titled the Fiscal Adjustment Roadmap (FAR), but few of its prescriptions have been translated into policy.

**Box 2: IMF withdrawal**

“Swaziland’s fiscal crisis has reached a critical stage … [the IMF] therefore urges the authorities to take up-front measures, including cutting the wage bill” – IMF Article IV Consultation Note, 2012

In May 2012 the International Monetary Fund withdrew its advisory team from the country, highlighting the government's failure to gain control of its fiscal position and to implement policy prescriptions drawn up by the IMF.

Article IV of the IMF articles of agreement provides for missions to member countries to establish the economic health of the country and to ensure that IMF resources are used correctly. The latest Article IV consultation in Swaziland, completed in 2011, recommended that restoring fiscal stability required a substantial cut in the wage bill, while safeguarding priority spending and using the SACU windfall of 2012 to create a fiscal surplus.\(^\text{a}\) It strongly advised against the use of the windfall to increase spending, and, to ensure these objectives were met, it recommended strengthening the role of the Ministry of Finance and the Swazi Revenue Authority. The Swazi authorities agreed on the scale of the cuts, but not to their implementation, preferring a more gradual approach over a longer time period. The government also agreed that the budgetary function should be centred in one ministry. However, its target for the 2012/13 budget was a deficit of five per cent of GDP.\(^\text{b}\)

**Key prescriptions:**

- Reduce the SZL 300 million ($30.7 million) government wage bill by reducing salaries and freezing increases.
- Merge certain ministries.
- Reduce the king’s household spending, and other non-priority spending.
- Implement the Enhanced Voluntary Early Retirement Scheme.
- Reform the land tenure system.


\(^\text{b}\) Ibid.
Downsizing the civil service has no political support, as it would increase unemployment and result in greater dissatisfaction with the government. From the employees' perspective, there is little incentive to opt into the EVERS because there are very few opportunities to generate income elsewhere.

Overspend on the civil service continues despite pay having been frozen for three years. In July 2013 civil servants received a one-off bonus payment, allegedly using money that was reserved for the EVERS, and the 2013 budget includes an increase in funds allocated for civil service pay.

Another critical area of overspend is the king’s household budget, which has received a great deal of media attention. According to the 2009 Forbes World's Richest Royals list, King Mswati has an estimated personal fortune of $200 million – equivalent to roughly five per cent of GDP – not including the Tibiyo trust fund of several billion US dollars that his father, King Sobhuza II, had established for the Swazi nation. Swazi royal spending sprees have fuelled internal dissent: for example, in November 2002 King Mswati took delivery of a private jet costing $45 million, even though parliament had voted to cancel the order. Public unease at royal expenditure has grown, particularly since 2002. King Mswati’s lifestyle is often contrasted with the frugality shown by his father. He currently has 14 wives and at least 24 children living in 13 luxurious palaces. The royal expenditure represents a substantial drain on the economy. Officially, the king and his family receive $23 million annually for their personal expenses, the conspicuous spending of which is in stark contrast to the low incomes of the majority of his subjects. The lavish $12 million celebrations to mark the 40th anniversary of independence and the king's 40th birthday in 2008 brought such stark inequalities to regional and international attention.

**The South African loan**

Despite the current crisis and the negative economic forecasts, financial assistance and advice from the IMF have been vetoed by the king, to whom the broad political reforms that were required were unpalatable.

At the height of the fiscal crisis in 2011–12 Swaziland tried to access funds from other sources, including in the form of a loan from South Africa of R2.4 billion ($245 million). The loan was conditional on inclusive political dialogue and economic reform, and originally was to be paid in three tranches between August 2012 and January 2013. But South Africa never released the money owing to fiscal and technical conditions not being met. In January 2013 the Swazi government indicated that it no longer wished to pursue the agreement.

The loan request was made following unrest in the kingdom in April 2011. South African trade unions also called for an end to the rule of Mswati at this time, and South Africa’s African National Congress (ANC) Youth League urged Swazi youth to ‘fearlessly confront the Swaziland monarchy and fight until it has been brought down to its knees’.

From the South African perspective, the loan is, in theory at least, still available, but so far, and despite the fiscal and economic crisis, the conditions attached have made accessing the funds unacceptable to the Swazi government. According to Finance Minister Majozi Sithole, ‘It would

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seem that [the loan is not working out]; and ‘If we can’t get it because of any complications it’s not a train smash for Swaziland. We will live without it.’

The SACU windfall has lessened the need for a bailout, with Sithole stating that ‘the economy is now under control. We have survived the worst economic challenges ever.’ The reluctance of the Swazi government to accept political reforms markedly reduces the possibility of Swaziland benefiting from direct budget support from regional partners.

Response

While recent attention has been focused on the fiscal crisis and its role in strengthening calls for broader political reforms, it is only a symptom of deeper structural problems: dependence on SACU, increasing reliance on sugar and sugar concentrates, and a very weak business environment.

It is expected that the drastic policy changes required to redress the fiscal balance will not be implemented without drastic political change first taking place. While there may be some moderate changes following the elections in 2013 and on into 2014, these will be in response to the crisis and are unlikely either to confront the deeper structural issues or to bring about political change. They may even be more damaging to the economy as the government tries to bolster itself.


Swaziland depends heavily on SACU receipts in order to keep the country running: as much as 41 per cent of the government’s revenue is received from the organization. The amount that Swaziland receives every year is calculated according to a revenue-sharing formula. The current formula allocates revenue as a function of the volume of trade and GDP for which a member state accounts as a proportion of the SACU total, and the developmental need (Box 3).

The sharing formula is currently under review. The 30th meeting of the SACU Council of Ministers received a report on the Review of the Revenue Sharing Agreement, which considered member states’ proposals. A proposal for a new customs revenue-sharing arrangement will be presented to the Council of Ministers in December 2013. The specific details of this proposal are unknown, but South Africa is pressing for a change to the development component so that delivery is in the form of development projects, rather than a cash transfer.

**Box 3: The Southern African Customs Union (SACU)**

SACU is the world's oldest customs union, dating back to the 1889 Customs Union Convention between the Cape of Good Hope colony and the Orange Free State. In 1910 the agreement was extended to include the Union of South Africa and the British High Commission of Basutoland (Lesotho), Bechuanaland (Botswana) and Swaziland. Namibia was *de facto* part of the customs union as it was administered by South Africa, and became a full member in 1990 following its independence.

The union imposes a common external tariff, rather than countries having individual control over customs and excise. The revenues from the common tariff are shared among the member states, with allocations calculated using a revenue-sharing formula.

The implementation of the current revenue-sharing formula as contained in the 2002 SACU Agreement began in 2006. The formula has the following components:

- **Customs:** Each member state’s share of the customs component is calculated from the cost insurance freight (CIF) value at border posts of goods imported from all other member states into the area of each, as a percentage of the total CIF value of intra-SACU imports.
- **Excise:** Each member state’s share of the excise component is calculated from the value of its GDP in a specific calendar year as a percentage of total SACU GDP in that year.
- **Development:** The development component was initially to be set at 15 per cent of the excise component, but is reviewed from time to time and adjusted if agreed to by all member states.
Botswana is likely to be one of the main opponents of such reforms, as it benefits greatly from the formula based on intra-SACU trade (with its mining industry boosting trade figures).\textsuperscript{21} Lesotho, on the other hand, clearly prefers common-good infrastructure projects. Namibia benefits from cash transfers, but is unlikely to object strongly to South Africa’s plans. Swaziland is likely to object in the strongest terms, as the king and country are dependent to such a large degree on SACU cash transfers. Any sudden reduction or elimination of these would have a severe impact on the country.

**Economic production**

Swaziland has a dichotomous economy, split between rural and urban populations. The rural population is largely poor and underemployed; although agricultural production accounts for 70 per cent of the workforce, it contributes only eight per cent of value-added GDP.\textsuperscript{22} Although in 1963 the agricultural sector accounted for 39.5 per cent of value-added GDP, this represents a relative, rather than an absolute, fall in agricultural productivity – which actually more than doubled – as the manufacturing and service sectors have grown rapidly, bolstering GDP but not providing nationwide employment. But diversified agriculture has failed to modernize and shift away from labour-intensive techniques towards mechanized commercial farming.

**Box 4: Coca-Cola**

Conco, a subsidiary of the Coca-Cola Company, purchases sugar from Swazi sugar producers and refines it in-country to produce Coca-Cola concentrate.

This concentrate is a major export for Swaziland, and the production and processing of sugar dominates the manufacturing sector. Estimates of Coca-Cola’s contribution to the Swazi economy range from 20 per cent to 40 per cent of GDP.

An agreement between the government and the Coca-Cola Company ensures that Swaziland remains a competitive location for Coca-Cola.

To incentivize the company to continue operating in the country, the Coca-Cola Company benefits from income tax incentive grants ‘as a result of employment actions and capital investments made by the company’.\textsuperscript{\textit{a}}

Much of the concentrate produced in Swaziland is shipped to the Coca-Cola bottling plant in Nelspruit, South Africa. It has been reported that, following the restructuring of South African haulage firm Unitrans, Conco has been having difficulties in sourcing local trucking companies that are able to transport their product to the bottling plants efficiently.\textsuperscript{\textit{b}}


\textsuperscript{21} Compared with Swaziland, Namibia and Botswana receive far greater cash benefits from SACU (i.e. a higher percentage of the total). This is due to their large mining operations, which entail increased volumes of trade for capital goods and material.

\textsuperscript{22} World Bank, World Development Indicators
It is expected that manufacturing, mining and the service sectors will drive growth in 2013 and 2014. Industry and manufacturing account for 46.9 per cent of value-added GDP, with a large proportion of this based on sugar derivatives and concentrates, especially Coca-Cola concentrate (Box 4).

Concerns regarding infrastructure and transport have been further exacerbated by frustrations with customs officials. Swaziland's biggest industry is sugar production, and the country is sub-Saharan Africa's fourth largest producer (its output is 29 per cent of South Africa's), although it pales in international comparison, producing the equivalent of just 0.068 per cent of the output of market leader Brazil. The industry accounts for 60 per cent of agricultural output and is estimated to contribute 18 per cent of Swaziland's GDP. It consists of four components: millers and estate, which account for 77 per cent of production; and large, medium and small growers, accounting for 17 per cent, 5 per cent and one per cent respectively. The three biggest companies, which dominate the sector, are Illovo Sugar Ltd, Tongaat Hulett Sugar Ltd and TSB Sugar RSA Ltd. Sugar production in Swaziland is only permitted by allocation of a quota from the Sugar Industry Quota Board, which brings the industry under government control. A large share of this industry is owned by the monarchy: the Royal Swazi Sugar Corporation produces two-thirds of the country's sugar output, on land leased from the Swazi nation, and is 53.1 per cent owned by Tibiyo Taka Ngwane. Sugar has become central not only to the Swazi economy, but also to sustaining the government.

In 2017 the preferential market agreement with the EU, the EU–ACP sugar protocol, will come to an end. This will have a negative impact on Swazi sugar exports.

Other non-sugar manufacturing operations are struggling and manufacturing capacity has fallen in recent years. A number of textile factories and pulp and paper mills have closed as they have become uncompetitive, partly because of the overvaluation of the lilangeni.

In 2011 the Indian mining company Salgaocar announced that it was reopening the Ngwenya iron ore mine dumps, with the intention of processing up to two million metric tons per year of iron ore concentrate under a seven-year licence from the Swazi government. By the third quarter of 2012, however, the operation had lost momentum and, according to the Central Bank of Swaziland, the production of unprocessed iron ore dropped by 25.6 per cent. This was due to very low world prices, as well as the ongoing construction of a better processing facility at the mine. Iron ore exports – processed or otherwise – are unlikely to drive growth in the foreseeable future, and there are considerable concerns regarding environmental damage.

Swaziland’s productivity in key sectors is relatively high, but there is still room for growth. A stable and conducive business environment is crucial for attracting foreign direct investment (FDI), driving growth, creating employment and putting Swaziland on a path of sustainable economic growth.

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24 World Bank, World Development Indicators.
26 From the companies’ respective websites: http://www.rssc.co.sz/; http://www.tsb.co.za/.
recovery. Currently, there is virtually no new FDI, and no growth in small and medium-sized enterprises (SMEs).

**Trade**

Swaziland is dependent on South Africa, particularly for export revenue. In order to trade internationally, most merchandise is shipped through South Africa. Some 85 per cent of its imports and 74 per cent of its exports go through or to South Africa, the rest going via Mozambique. The main routes for Swazi trade out of the southern Africa markets are through Durban and to a lesser extent Maputo.

**Figure 5: Trade in merchandise**

![](image)


Between 2000 and 2011 Swaziland’s exports, measured in current US dollars, increased from $0.91 billion to $2 billion (Figure 5). Over the same period the level of imports also increased at a similar pace. The current account balance has fluctuated between surplus and deficit, with imports at higher levels than exports from 2009 onwards, reflecting the overvaluation of the lilangeni during this time.

The indexed value against volume of exports is also revealing. Until 2003 the value of exports tracked their volume, suggesting that the change in volume was not due to a change in the profile of exports. Since 2004, however, the volume of exports has fallen below the 2000 level, yet their value has remained high. The Swazi economy’s increasing dependence on sugar has changed the profile towards high-value, low-volume exports (Figure 6).

The price of sugar increased dramatically during the 2000s. The sugar industry has remained strong, accounting for the disparity between the volume and the value of trade. In 2002 Swaziland's main export by value was by value was Coca-Cola concentrate. In 2002 sugar accounted for 10.3 per cent of the country's exports by value, but by 2012 raw sugar products accounted for 23 per cent of the country's exports by value. The current account balance has fluctuated between surplus and deficit, with imports at higher levels than exports from 2009 onwards, reflecting the overvaluation of the lilangeni during this time.
exports, and if sugar concentrates – classified as concentrates, oils and resinoids – are included, this figure is far higher (Table 1). This is not sustainable, and the price of sugar has fallen markedly in 2013 as the markets balance increasing yields from Brazil with steady demand from Asia.

Although other export industries have been marginalized, this does not represent a growing dominance of sugar exports, but rather reliance on them. This shift towards relying on raw sugar over the period 2000–13 is particularly noticeable when non-sugar exports are considered as a proportion of the total. In 2000 a number of sectors, including textiles, fruit production and wood pulp, contributed significantly to the country’s exports. By 2013 those industries had declined, in part because of the overvaluation of the lilangeni.

Figure 6: Export index, value vs volume

![Figure 6: Export index, value vs volume](image)


Table 1: Main components of Swazi exports

<table>
<thead>
<tr>
<th>Export commodity</th>
<th>Export value, 2011/12, emalangeni (m)</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentrates, oils and resinoids*</td>
<td>3.35</td>
<td>26.4</td>
</tr>
<tr>
<td>Sugar products</td>
<td>2.92</td>
<td>23.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2.09</td>
<td>16.6</td>
</tr>
</tbody>
</table>

* Includes Coca-Cola concentrate.

Source: Swaziland Revenue Authority.

The political impact of this is that the king and the elite have financial interests in the sugar industry, through the holdings of Tibiyo Taka Ngwane and the Swaziland Sugar Association. The decline of other sectors has had an impact on the wider population, while the political elite has become increasingly reliant on sugar as a commodity export. This is a worrying strategy, as

the price of sugar is falling and is expected to decline further over the coming year following expansion of production in Brazil and Thailand.

**Box 5: Overvaluation of the lilangeni**

The lilangeni is pegged at one-to-one parity with the South African rand. South Africa is a major primary commodity exporter, and as such the rand exchange rate closely follows commodity prices, especially gold prices. During the financial crisis gold was seen as a safe haven for investors. The price increased, and consequently the rand increased in value.

The extent to which South Africa represents a case of so-called Dutch disease, whereby demand for a single product leads to an increase in the value of the currency, thus rendering other exports uncompetitive on world markets, is debatable. However, what is more certain is that the lilangeni’s parity with the rand means that it is overvalued, and as a result many of Swaziland’s exports are no longer competitive and its industries have declined.

The recovery of capital markets and hence investors’ confidence, coupled with the expectation that quantitative easing in the United States will be reduced by the end of 2013, thereby also lowering inflationary pressure, have led to a fall in the price of gold. From a peak on 4 October 2012, it had fallen by 28.74 per cent by 26 June 2012. This was matched by a fall of 15.39 per cent in the value of the rand against the US dollar over the same period.

This could be beneficial for the Swazi economy, provided it is bolstered by investment.

One-fifth of Swaziland’s imports by value are food. This is of particular concern given the number of people involved in the domestic sector, and highlights the inefficiencies of production. It also means that Swaziland effectively imports inflation, becoming worryingly susceptible to fluctuations in world food prices. Food security is a major priority in Swaziland. According to the 2012 World Food Programme Vulnerability Assessment, 115,713 people were facing food deficits, compared with 88,511 in 2011, following a 12 per cent decline in crop production in 2011/12.  

A report published in 2013 estimated that Swaziland loses around 3.1 per cent of its GDP each year because of the impact of chronic childhood malnutrition, with 40 per cent of the workforce suffering from physical stunting caused by chronic malnutrition during childhood.

Weak regional growth in South Africa and the SACU region was an important contributory factor in the downturn in the Swazi economy from 2007. But while these factors play a role, they do not necessarily depict the reality of the economy’s fragile underpinnings. Slow growth will not create jobs, and will not tackle the structural problems that the country faces but that are often masked.

The dependence of the Swazi government on revenues from SACU and from the sugar industry means that other economic issues, such as the HIV/AIDS epidemic or the loss of competitiveness in manufacturing, have not been adequately addressed.
4 Structural Impediments

There are a number of structural issues that prevent even meagre growth from being converted into jobs or revenue. If the government is unable to provide jobs or become less dependent on SACU revenue, then not only will internal pressure for political reform increase, but the potential for regional repercussions will also intensify.

One difficulty is human capital formation. The population of Swaziland is only 1.2 million, compared with two million in Botswana, and 52 million in South Africa.\(^{34}\) Swaziland’s main urban populations are in the capital, Mbabane, and in Manzini, but 79 per cent of the population live in rural areas and, more pressingly, 69 per cent of the population are living below the poverty line.\(^ {35}\)

Like many African countries, Swaziland has a ‘youth bulge’: 58.3 per cent of the population are under the age of 25 (Figure 7).

Figure 7: Population profile, 2013

Source: UN Population Division.


World Bank, World Development Indicators.
HIV/AIDS

One of the biggest threats to the Swazi economy is HIV/AIDS. The country has the world's highest incidence rate, with an HIV prevalence rate of 31 per cent according to the Swaziland HIV Incidence Measurement Survey (SHIMS), contributing to a life expectancy of only 48 years.\(^{36}\) The first case of AIDS was reported in Swaziland in 1986 and its spread has been dramatic. The government estimates that only 20 per cent of people in the country know their HIV status. Women are particularly affected, with an incidence rate of 3.1 per cent, compared with 1.7 per cent for men, according to the SHIMS findings. According to UNAIDS, 190,000 people are living with HIV in Swaziland, and 78,000 children have been orphaned as a result of HIV/AIDS.\(^{37}\)

In 2003 the government launched its strategy to provide free nationwide antiretroviral treatment, but this has suffered from high drop-out rates.

The effect of HIV/AIDS on the labour supply is obvious: the loss of young adults in their most productive years results in lower economic output. Businesses incur further costs in time lost as a result of illness or absenteeism, and in the recruitment and training of new workers. The high infection rate and high turnover of workforce have a negative impact on economic development. There are a number of social implications of the HIV/AIDS crisis, not least the asymmetric burden on women. Not only are more women than men infected, but women's economic dependence in society means that when a man is infected the economic effects are felt by the entire household.

In the government's response to the epidemic, the level of rhetoric has not been matched by tangible results. In 1998 the cabinet approved a national HIV/AIDS policy, and in 1999 the king declared a national emergency. A Crisis Management and Technical Committee was set up, and has produced a National Strategic Plan outlining a multi-sector approach to confronting the epidemic. Yet these initiatives have had little effect.

Unemployment and inequality

The highest rates of unemployment are among young people, women and those with a lower level of education.\(^{38}\) The overall unemployment rate in 2010 was 28.5 per cent, compared with 21.8 per cent in 2007, although this is thought to be an underestimate as labour force participation is declining.\(^{39}\) A more relaxed definition of unemployment estimates that the rate is over 40.6 per cent, as many people have been discouraged from entering the formal labour market. Of these, 42 per cent are youth (classified as 15 to 24 years of age).\(^{40}\) This youth population is disproportionately affected, with an unemployment rate of 52 per cent.

As a result of high unemployment and the dependence on low-yield agriculture, Swaziland has a very high level of inequality. Figure 8 illustrates the extent of inequality in Swaziland. The top 20 per cent of the population account for over half of the country's income. This makes Swaziland one of the most unequal countries in the world.

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\(^{40}\) Ibid.
Swaziland has a relatively robust education system. The primary school enrolment rate is 85 per cent. The literacy rate is 84 per cent and the country ranks 100th in the world for adult literacy. Currently the labour force is predominantly employed in low-skilled, low-paid work, and many of those who are able to leave the country do so. Many Swazis have traditionally worked in the mines of neighbouring South Africa; however, recent changes in the mining industry have meant that the number doing so is lower than it has been for decades.

The Swazi population is young, either unemployed or underemployed, and at serious risk from the HIV/AIDS epidemic. In these conditions human capital formation, the development of skills and competencies, is extremely difficult. A decade ago Swaziland had a diverse production base, but as the economy becomes increasingly dependent on sugar, diversification lessens and industries are disappearing. This is significant, as it reduces the transfer of skills to the younger generation, which entrenched unemployment and not only hampers human capital accumulation but also results in human capital depreciation.

**Infrastructure**

The physical infrastructure in Swaziland is good. There are effective road and rail links to the ports of Maputo and Durban, as well as to the regional economic hub of Gauteng province, South Africa, and the country’s road network is undergoing a programme of improvement, as the government has identified the network as critical for access to world markets. There are also plans in the development stages for the possibility of creating a rail hub connecting Swaziland to Gauteng, Durban and Maputo.

The government has invested in a number of capital infrastructure projects. However, many of these have the potential to become white elephants and have diverted investment away from
more productive areas. Many have also been behind schedule, and in the 2013/14 budget Finance Minister Majozi Sithole announced that for the coming year he had ‘increased the capital allocation by nearly a third’ in order to ‘catch up’.42

The largest of these infrastructure projects is Sikhuphe international airport, which was originally intended to be open in time for the FIFA World Cup in South Africa in 2010 but has suffered repeated delays. The project has become a focal point for criticism of mismanagement and diverted investment, having been dubbed the ‘King’s Vanity Project’ and surrounded by accusations that it will be ‘unusable’.43 Of greater concern are the lack of operational demand and the opportunity cost of such a large investment.

Business environment

Within the private sector, the fiscal deficit has most impact on SMEs, which are unable to make special exemplary deals with the authorities and which suffer as a result of low confidence in Swaziland, rendering them unable to get credit in South Africa and thus having to pay cash instead. Elsewhere on the continent, SMEs have been targeted as vehicles for growth, providing employment and reducing poverty. However, in Swaziland the business environment has been strangled. The private sector is the key to economic growth and employment generation in the country, yet the business community (especially SMEs) by and large feels undervalued and neglected, with its efforts undermined by a lack of interest and structural governance deficits.

Figure 9: Ease of doing business – world rankings

<table>
<thead>
<tr>
<th>Ease of doing business</th>
<th>Rank</th>
<th>South Africa</th>
<th>Botswana</th>
<th>Namibia</th>
<th>Swaziland</th>
<th>Lesotho</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td>41</td>
<td>56</td>
<td>81</td>
<td>123</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>Starting a business</td>
<td>43</td>
<td>56</td>
<td>81</td>
<td>123</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>Getting electricity</td>
<td>43</td>
<td>56</td>
<td>81</td>
<td>123</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>Registering property</td>
<td>51</td>
<td>78</td>
<td>128</td>
<td>148</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>42</td>
<td>66</td>
<td>83</td>
<td>154</td>
<td>173</td>
<td></td>
</tr>
</tbody>
</table>


43 ‘Swaziland: King’s airport will be unusable’ All Africa, 7 June 2013, http://allafrica.com/stories/201306100980.html.
In the World Bank’s *Doing Business 2013* index, Swaziland was ranked 123rd of 185 economies (see Figure 9), and in the World Economic Forum Global Competitiveness Index for 2012–13 it was ranked 135th of 144 countries. These rankings reflect the country’s relatively inefficient government bureaucracy, its corruption and low access to finance, despite some government efforts to address these factors. For example, in 2011 the government passed legislation attempting to improve the business environment by lowering the time legally required to obtain a business licence from 21 days to three and allowing some businesses to stay open 24 hours a day. However, these legislative measures have had little impact on the economy thus far.

The government has been keen to promote Swaziland as an investment opportunity for international firms. Foreign companies often dominate the sectors in which they operate, benefiting from preferential treatment in procurement, although the majority of these are South African and long established in the country. Few new firms have entered the market more recently.

**Corruption**

One of the main reasons why Swaziland is ranked so low in terms of comparative competitiveness is corruption. This is prevalent in the economy from the top down, both within the bureaucracy and within the political system. Transparency International rated Swaziland 88th in the world in its 2012 Corruption Perception Index, with a rating of 37 out of 100, where 0 is the most corrupt and 100 is the least corrupt.

Despite much rhetoric since the establishment of the Anti-Corruption Commission in 2007, when the Prevention of Corruption Law came into effect, there has been no significant reduction in corruption, with only one major case coming before the courts in 2011. It is worth noting that while Swaziland has passed its own legislation on corruption and is a signatory to the African Union Convention on Preventing Corruption and Related Offences and the SADC Protocol Against Corruption, it has not ratified the UN Convention against Corruption, nor is it a signatory to the OECD Anti-Bribery Convention. This mixed approach to legislating against corruption is compounded by the inability of the state to implement the law effectively enough to curb it.

Corruption is rife within the bureaucracy, as firms pay to sidestep regulation. The departments most often cited are the Ministry of Finance, the Ministry of Commerce, Industry and Trade, Customs and Excise, and the police. Many people attribute the level of bureaucratic corruption to the underpayment of officials. While this may seem odd considering the scale of the public-sector wage bill, the amount of petty bureaucratic corruption suggests that the money is being directed elsewhere and that front-line officials are underpaid while those at the top are overcompensated. Corruption is particularly prevalent among customs and excise officers, who can earn up to SZL 7,000 per week ($715) by accepting bribes from cigarette smugglers – far more than their wage.

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45 Transparency International Corruption Perception Index, http://www.transparency.org/country#SWZ.
47 Ibid.
48 Ibid.
Corruption has also been particularly overt in the government procurement and tendering processes. For example, in 2011 the former general transport manager of the Central Transport Administration was convicted of defrauding the government after he admitted to authorizing payments worth up to SZL 12 million to a private firm for services that were never rendered. This type of behaviour is common, and is usually covert and difficult to monitor, as goods and services are under-supplied or redirected for personal use. Anecdotal evidence has suggested that 31 junior government officials are millionaires.

The government plays a very strong role in the economy, both using policy to encourage and direct investment, and through ownership of investment vehicles such as Tibiyo Taka Ngwane. These involvements have an impact on the business environment and competitiveness by crowding out private-sector initiatives and restricting policy space.

The most direct example of this crowding-out effect has been in the telecoms sector where GSM licensing has been restricted. Despite multiple recommendations from the IMF to issue a second licence, political control of the existing network is preventing the market becoming more competitive and, moreover, contributed to the constitutional crisis of 2012.

Access to finance

Swaziland’s financial sector is stable and well regulated. Reflecting its tied monetary policy, financial regulation closely resembles that of South Africa, the regulatory system of which is widely regarded as one of the world’s best. There are four banks operating in the country, three of which are subsidiaries of South African banks – FNB, Standard Bank and Nedbank. This combination of South African banks and regulatory framework means that there is financial discipline and regulatory compliance. Some analysts have argued that the financial sector is the most robust and the beacon of the economy. The capital adequacy ratios of the four banks range from 14.4 per cent to 31.6 per cent, well above the statutory requirement of eight per cent; and sector liquidity is 26.2 per cent, also well above the required 13 per cent. In part, this high level of capitalization and liquidity is a response to the international financial crisis – protecting the banks from potential spillover and contagion from South Africa, as well as from the domestic fiscal crisis.

Nevertheless, the impact of the fiscal crisis on the banks has been considerable. They were affected directly through their holdings of government securities, and indirectly through exposure to private-sector companies which had not received payments from the government.

The high capitalization of the sector is also problematic. In 2010 private-sector credit stock amounted to 23 per cent of GDP, which is low not only for a middle-income country but even for a low-income country. High capitalization is not just a precautionary measure by the banks; it is also caused by the limited depth of the financial sector and the lack of access to credit. Many

49 Ibid.
individuals and firms do not have access to formal credit markets because of lack of collateral, an inability to write bankable proposals, or lack of credit history.

The lack of access to credit is a function of the deeply controversial land tenure policy. This is of increasing political importance for both the government and those who oppose it: restrictions on land tenure affect the ability of individuals and businesses to raise capital for private investment, and increase the ability of the government to control the economy.

Swaziland has a very low level of financial penetration at both the business and the individual level. In 2006 only 7.72 per cent of firms used banks to finance investment, compared with 34.8 per cent of firms in neighbouring South Africa. At the individual level, only 29 per cent of people over the age of 15 have a bank account at a formal institution, and only 12 per cent received a loan from a financial institution in 2011.

Lack of credit in the Swazi economy has a negative impact both on growth, as firms are unable to borrow to invest, and on policy effectiveness, as few people have exposure to changes in the central bank rate.

### Box 6: Land tenure

Swaziland has a total land area of 17,364 sq. km, ownership of which is divided into two categories: Swazi national land, which is communal and held in trust by the king – although parts of it are allocated to chiefs and trusts; and individual tenure farms, which are owned on freehold or concession and include commercial land.

Swazi national land comprises two categories of holding: land under customary tenure, which cannot be sold, leased or mortgaged; and land that is leased or held in trusts by private companies controlled by the royal family.

Roughly 60 per cent of the total land is Swazi national land, and it is home to the majority of the population.

### Investment

Given the size of the population and the income distribution, it is unsurprising that Swaziland has a low domestic saving rate, and so domestic investment is very low. This highlights both the level of poverty and the low level of financial penetration.

In 2010 the stock of FDI was $893.14 million. The major element of this stock was reinvested earnings, predominantly in the manufacturing sector, which accounted for 64 per cent of the total FDI stock in that year.

The flow of FDI has decreased dramatically. In 2008 SZL 939.1 million ($94 million) was directly invested into Swaziland. In 2012 this figure was SZL 38.4 million ($3.9 million), and there was a

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SZL 13.2 million ($1.34 million) net outflow of portfolio investment. What the figures indicate is that Swaziland is struggling to attract new sources of FDI. Concerns over corruption, the ease of doing business and inefficient government are the main disincentives to investment in the country. Foreign investment will not reverse the fortunes of the economy. However, it will reinforce growth as investors seek to capitalize on increased economic activity.

Swaziland’s economy has a number of structural deficiencies, but progress is dependent upon political reform. The politicization of the economy and the exclusion of the population from the decision-making process have created a situation whereby the executive serves its members rather than the population, becoming increasingly dependent on sugar exports and SACU receipts as sources of government, and personal, finance.
Elections

Swaziland has a House of Assembly of 65 members, of whom 55 are indirectly elected/selected under the Tinkhundla system and 10 appointed by the king. There is a more powerful Senate of 30 members, 20 appointed by the king and 10 by the House of Assembly.

No election on party lines has been held since 1972; candidates are required to stand for parliamentary elections in an individual capacity. Under the Tinkhundla system, local chiefs reporting to the monarch vet candidates for the House of Assembly. These are nominated by a show of hands, requiring 10 people to support them. Nominated candidates then stand for popular selection at the chiefdom level but are banned from campaigning. The winners from the primaries can then openly campaign and compete against other chiefdom-level winners for seats in the House of Assembly.

These parliamentary elections are held every five years. In the 2003 elections the pro-democracy activist Obed Dlamini won a seat. The last parliamentary elections were held on 19 September 2008, and five groups of international observers – a Commonwealth Expert team, a group from the Electoral Institute for Sustainable Democracy in Southern Africa (EISA) and other NGOs, in addition to 102 domestic observers organized by the Coordinating Assembly of Non Governmental Organizations, monitored the elections freely. Although the SADC observer mission concluded that these elections had been ‘free, peaceful, transparent and credible,’ the Pan-African Parliament observed that the restriction on political parties ‘does not meet regional and international standards and principles for democratic elections.’ The Commonwealth Secretary-General, Kamalesh Sharma, said that the Commonwealth team ‘raised concerns about the totality of the electoral process […] in the current constitutional, legal and electoral framework.’

According to EISA, although 350,778 Swazis registered to vote in the 2008 elections, only 189,559 participated in the polls – i.e. fewer than half of those eligible to vote actually did so. Turnout in 2003 was 57.9 per cent of registered voters; it was 60.4 per cent in 1998 and 61 per cent in 1993.

55 In Swaziland, the king appoints chiefs; they have a strong political and social control function with respect to residents/subjects’ within the chieftaincy.
In the run-up to the September 2013 elections, as in 2008, banned parties such as the Ngwane National Liberatory Congress (NNLC) and the People's United Democratic Front (PUDEMO), together with some civic organizations and student groups, united to promote a boycott. South Africa’s ANC has also called for democratic reforms, but Percy Simelane, a Swaziland government spokesperson, responded by stating that:

We are a democratic country; we are following our national Constitution because what is in the Constitution is the sentiment of people in Swaziland [...] We cannot take orders from outside because the future of this country is in the hands of the Swazi people, not in the hands of neighbours or political parties.61

Voter registration for the 2013 elections has been low. With only 20 days to go before the registration deadline, just 190,000 people had signed up to vote, and two days before the 23 June deadline registration had reached only 344,679 out of an estimated 600,000 possible voters.62 The low take-up prompted the king to extend the registration period by a week, by the end of which the final registration was 415,012.63

**Political parties**

In April 2013 21 civil society and activist groups in Swaziland wrote to President Jakaya Kikwete of Tanzania, the current chairperson of the SADC Troika Organ on Politics, Defence and Security, arguing that ‘Out of SADC’s 280 million citizens, only the 1 million in Swaziland are denied the right to use political parties as vehicles for forming a government of their choice’.64

Since 1973 political parties have been banned in Swaziland. In 1996 the Constitutional Review Commission stated that:

An overwhelming majority of the nation recommends that political parties must remain banned. They do not want political parties in the Kingdom. There is an insignificant minority which recommends that political parties must be unbanned. The recommendation is that political parties must remain banned in the Kingdom. The existing laws regarding this position must be enforced.65

There is a debate about whether parties are banned under the current constitution.66 Under the current constitution, Section 25 recognizes the freedoms of association and assembly and implies

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64 The 21 Civil Society Groups were: the Constituent Assembly of Civil Society (CA); Council of Swaziland Churches (CSC); Federation of the Swazi Business Community (FESBC); Foundation for Socio-economic Justice (FSEJ); Legal Assistance Centre (LAC); Lawyers for Human Right Swaziland (LHRC); Swaziland National Union of Students (SNUS); Law Society of Swaziland (LSS); Media Institute of Southern Africa (MISA)-Swaziland; Swaziland United Democratic Front (SUDEF); Swaziland Positive Living (SWAPOL); Swaziland Rural Women Association (SRWA); Swaziland Coalition of Concerned Civic Organisations (SCCCO); Swaziland Youth Empowerment Organization (Luvali); Swaziland Democracy Campaign (SDC); Swaziland Young Women’s Network (SYWON); Swaziland National Association of Teachers (SNAT); Trade Union Congress of Swaziland (TUCOSWA); Women for Women; Women and Law in Southern Africa (WLSA); Swaziland Youth in Action (SYA). Source: R. Lee (2013), ‘40 years without parties in Swaziland’, Open Society Initiative for Southern Africa, http://www.osisa.org/hrdb/swaziland/40-years-without-parties-swaziland.
66 A Supreme Court dissenting ruling by Justice Thomas Masuku ruled in 2011 that there was a contradiction.
the removal of the ban on political parties, but parties are not able to contest elections given that the Tinkhundla system is based on individual merit and appointment by the king. Currently in Swaziland, there are at least 16 parties, with the NNLC, PUDEMO, the Swaziland Democratic Party (SWADEPA) and Sive Siyinqaba Sibahle Sinje being the most visible.\(^67\) All the active political parties have manifestos outlining their policy positions, but they find it difficult to operate and promote their cause under the current political conditions. None is registered, except Sive Siyinqaba Sibahle Sinje, which has registered not as a political party but as a cultural organization and has participated in past elections. In 2013 it is aiming to try to improve government through engagement. SWADEPA concluded that the boycotts of 2003 and 2008 failed and decided to participate in the 2013 elections by fielding independent candidates.

PUDEMO was formed as an opposition party in 1983, with the goal of introducing multi-party democracy to Swaziland. Its leadership has been subject to repeated arrests and intimidation over decades. Its youth league, the Swazi Youth Congress (SWAYOCO), is in a similar situation. Both have sought alliances with other democratic forces, such as the Swaziland Democratic Front and the Swaziland Democracy Campaign. In March 2006, 16 PUDEMO activists were freed on bail after being charged in connection with a series of petrol bomb attacks in 2005. These detainees were released after a High Court judge demanded an investigation into torture allegations.

The NNLC is an older party, founded in 1963. It was a splinter party of the Swaziland Progressive Party (SPP). Smaller than PUDEMO, it also seeks the introduction of multi-party democracy and in 2008 united with PUDEMO and civic groups to campaign for a boycott of that year’s election.

The royalist INM, which won the only two elections to be contested by political parties, in 1967 and 1972, has probably not been completely disbanded and would be able to mobilize strong support should multi-party elections be held again. Prior to the 2008 elections, there was speculation that it was being revived in case political parties would be allowed to participate. In 2011 the king’s private secretary, Samuel Mkhombe, and former foreign affairs minister, Mathendele Dlamini, were removed from their posts allegedly because they were trying to revive the INM using the king’s name but without his knowledge.\(^68\)

**Trades unions**

Because political parties are banned from competing in elections, the Swazi trades union movement has played an important political and social role. Three key labour organizations – the Swaziland Federation of Trade Unions (SFTU), the Swaziland Federation of Labour (SFL) and the Swaziland National Association of Teachers (SNAT) – have continued the tradition, using their voice to push for better working conditions and for pro-democracy reform. The SFL is more conservative, largely supporting change through dialogue, and therefore favours participating in the Tinkhundla-style elections. The SFL believes that multi-party democracy and the monarchy can co-exist as long as the monarchy recognizes the rule of law, but even so some SFL leaders have been subjected to repeated arrests and other abuses.


\(^68\) Ibid.
The SFTU has come under significant government pressure, including the repeated arrest of former SFTU leader Jan Sithole. Factory closures and redundancies have also affected membership numbers. In 1997 two major strikes took place, supported by the Congress of South African Trade Unions (COSATU). The first strike brought Swazi industry to a standstill, but the general strike also saw six demonstrators shot and four union leaders arrested and detained for 26 days. COSATU and the South African Communist Party (SACP) have organized a number of border blockades in a show of solidarity, to varying degrees of efficacy.

The recently established Trade Union Congress of Swaziland (TUCOSWA) has also advocated reforms, refusing to be silent on political issues. At its launch in March 2012, one of the resolutions adopted was to boycott the 2013 national elections. Since then it has been de-registered through a very arbitrary process.

On 6 September 2010, around 50 SFTU members were arrested by armed police as they were preparing for a protest march in Mbabane, along with COSATU representatives from South Africa, who were immediately deported. It was reported that many people were beaten, and those arrested were interrogated harshly. Similar crackdowns occurred in 2011 and 2012, and in May 2013 Swazi police rounded up and detained five leaders of TUCOSWA without any legal basis or court order supporting their actions. This appears to have been part of a crackdown in the run-up to the September elections.

Constitutional reform

The strikes of the 1990s led by the SFTU contributed to the decision by the king in 1996 to appoint the Constitutional Review Commission mentioned above. The outcome was a report submitted to the king in 2001 that recommended maintaining the status quo. Reformers continued to push for freedom of political choice and a constitutional monarchy, and under pressure in 2002, the king appointed a Constitutional Drafting Committee to produce a new constitution, which ultimately reconfirmed the monarchy’s power and Swazi traditions.

This new draft constitution has been challenged in court in 2004 and 2005, and has been criticized by international jurists and human rights groups. In 2006 the National Constitutional Assembly (NCA – a wide association of progressive movements) brought a case before the High Court requesting that the new constitution be declared null and void. This case was lost, as was another case brought by the NCA regarding the legalization of political parties.

The new constitution of 8 February 2006 entrenches the absolute powers of the monarch, although it removes his right to rule by decree and arguably allows for the existence of political parties. The king is immune from the courts of law, and retains ultimate judicial, executive and legislative powers. He may veto legislation and dissolve parliament at will. He selects chiefs, judges, the Judicial Services Commission (which oversees the appointment and removal of judges) and the Supreme Council of State.

The right to freedom of expression in the constitution does not include the right of access to information. An attempt by the government in 2006 to impose legislation that would have

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severely curtailed the freedom of the media failed, but the media continue to be put under political pressure. The High Court’s conviction in April 2013 of Bheki Makhubu, a highly respected local journalist, on charges of contempt of court sparked a wave of criticism in Swaziland and in the wider region. His conviction stems from two articles he wrote in 2009 and 2010 that were critical of the Supreme Court and the chief justice.

The years between 1998 and 2008 were characterized by periodic confrontations such as mass absenteeism, strikes by specific groups (e.g. civil servants, and clothing and textile workers), marches by students and women, and mass marches that involved some degree of violence – including looting and police retaliation. Bombings occurred in 1998, 2005 and 2008, the main targets being state officials and infrastructure. Some of these incidents led to the arrest of activists. PUDEMO leader Mario Musuku was detained in November 2008 under anti-terror laws in connection with the bomb attempts that year, but was released from jail in September 2009.

The Suppression of Terrorism Act (STA) was signed into law in August 2008 and added to the Public Order Act of 1963. Its definition of ‘terrorist’ is so vague that any individual or organization critical of the king or government runs the risk of prosecution. The act has emboldened the security forces, and four political organizations – including PUDEMO in November 2008 and SWAYOCO – have been proscribed under it.

Common vision?

Trade unions, political parties and other organizations do not share a common vision over how to seek reform in Swaziland. There exist different strategies and opinions on the way forward, as well as personality clashes. Achieving a common platform for Swazi civil society and political parties remains a challenge. The main contentious issues are listed below.

- Should banned parties (especially PUDEMO) be part of the political process?
- Is armed struggle a justified option for political change?
- Should the monarchy remain, and if so, in what form?
- What is the shape of the future economy?
- Should the 2013 elections be boycotted?

Civil society organizations, while acknowledging the undemocratic nature of the current system, have for the most part tried to assert their non-partisan position. The greatest area of convergence is the principle of a restoration of a democratic multi-party dispensation in Swaziland.

Although a window of opportunity for change closed as the Swazi government was at its most vulnerable during its fiscal crisis in 2010 and 2011, fiscal and popular pressure for better governance will continue. Various umbrella groups for civil society and political parties have attempted to agree on common strategy, such as the Swaziland Coalition of Concerned Civic Organisations, the Constituent Assembly of Civil Society and the Swaziland United Democratic Front.

Compared with the other members of SACU, Swaziland has a dire rating on participation and human rights (see Figure 10). While South Africa and Botswana rank among the highest on the continent, it is consistently one of the lowest. The country has a poor record on human rights, with women being disproportionately affected.
Decisions in the Swazi informal justice system reinforce social hierarchies (including political power and gender hierarchies based on tradition). For instance, there is no right to representation for women under Swazi customary law, and under customary law age in years does not determine a girl's capacity to marry: girls below marriageable age still continue to be forcibly married under customary law, which recognizes no consent on the part of the woman in marital issues. However, the recent adoption by parliament of the Domestic Violence and Sexual Offences Bill (still awaiting assent by the king) represents a landmark, as it sets a minimum age for marriage and provides for protection against domestic violence.

There are conflicts between traditional and ‘received’ law, especially when it comes to women’s and children’s rights. Customary law in such cases contradicts Swazi received law, as well as international human rights treaties such as the Universal Declaration of Human Rights, the African Charter on Human Rights and Peoples, and other international and regional human rights standards. For instance, de jure, the equality clause in the 2006 constitution (Section 20) would make a real difference to women and their rights. However, de facto, traditional custom and local rulings by chiefs undermine this clause. When it comes to identity, land, power and legitimacy, women are always disadvantaged. The Section 20 equality clause is thus de facto irrelevant.

Another aspect that is as relevant as enforceable rights for women in Swaziland is that the Bill of Rights enshrined in the 2006 constitution does not include socio-economic rights. In 2005, 69 per cent of the population lived below the food poverty line. In 2012, the percentage was 66 per cent.70 Not much has changed, and poverty – especially in rural areas – is feminized, which reflects the disadvantaged status of women in terms of rights.

The system of government and governance uses traditional structures. Right down to the lowest level (family, village, etc.), women are disempowered \textit{vis-à-vis} men. In the traditional law system, women have no right to self-determination and are not primary rights holders. Marital power is, for instance, weighted in favour of men. The idea that women have equal rights is very difficult to accept in Swaziland. Democratic reforms also imply the need for a transformation away from a patriarchal society.

Education is crucial for empowering women, and many organizations based in Swaziland are planning to start community-based education on rights – especially human and women's rights. Progress on the rights of children and youth (for example on the right to education) is faster. These are more palatable and less controversial, and could be used as a viable entry point for other rights issues.

\textbf{The constitutional crisis of 2012 and the SPTC saga}

The saga of the Swaziland Posts and Telecommunications Corporation (SPTC) and the corporation’s (ultimately failed) attempt to gain a mobile phone licence to become the second operator in the country, alongside MTN, vividly demonstrates the exercise of political power in Swaziland, the lack of respect for the constitution and the rule of law, and the impact that this has on the economy and society.\textsuperscript{71}

In September 2011 SPTC entered the market for mobile telephony and the internet by launching its FixedFone services. Just one year later, however, SPTC issued a public notice stating that

\textit{SPTC has resolved to fully comply with the Arbitration award made against it recently. […] SPTC is obliged to discontinue the FixedFone and Data Services it had been rendering to the public. In order to bring about an orderly discontinuance, SPTC will commence the process today and finally close down the abovementioned services on Friday 21 September 2012.}\textsuperscript{72}

The buoyant mood of September 2011, when SPTC was celebrated for its innovation and reducing the price of telecommunications for Swazi people, gave way to a legal battle that ultimately resulted in SPTC services being discontinued and a constitutional crisis.

SPTC’s troubles started in 2007 when the company announced it would sell the 10 per cent of the 41 per cent SwaziMTN\textsuperscript{73} shares that it held, in order to fund the roll-out of the fixed mobile phone system, its ONE mobile phone component and the Next Generation Network (NGN). The intention was to use the NGN to support both fixed and mobile connectivity, which would enable SPTC to cover a greater proportion of the country. The initial target date for the services to be available was September 2009.

The government stopped the sale, arguing that SPTC did not inform the government of its operational plan. This is despite the fact that government was aware of the project through SPTC’s 2007 strategic plan. The cabinet’s Subcommittee on Public Enterprises (SCOPE) had also approved

\textsuperscript{71} According to its website, SPTC was established in 1986 and its parent is the Ministry of Information and Communications Technology. It is a public enterprise (a body wholly owned by the government or in which the government has a majority interest), and is made up of two business units, SwaziTelecom and SwaziPost. The corporation is also the national regulator of communications (though this may change with the establishment of an independent regulator).
\textsuperscript{73} MTN is a South African telecommunication service provider that offers services in Swaziland through its subsidiary SwaziMTN.
SPCT’s implementation plan, including the sale of shares in 2007, and SPTC had subsequently invested around $62 million on training, infrastructure and ‘end-user kit’ (dongles, handsets, etc.).

Being barred from preferential access, the sale of the SwaziMTN shares held by SPTC to MTN in South Africa never happened. Instead, the CEO, Tebogo Mogapi, a South African citizen, lost his job, and a legal battle ensued between SwaziMTN and SPTC. There were allegations that King Mswati’s business interests caused the ousting of Mogapi and prevented SPTC from selling its MTN shares.74

SwaziMTN took SPTC to court for breach of their 1998 Joint Venture Agreement (JVA). The legal dispute ended at the International Court of Arbitration (ICA), which ruled in favour of MTN.

On 3 October 2012 the House of Assembly, in an unusual act of independence, passed a vote of no confidence in the country’s prime minister and government over the SPTC saga. According to the country’s constitution, the prime minister was required to submit his resignation within three days of the vote of no confidence. However, he simply refused to step down, prompting a political crisis. The king, who is mandated by law to remove the prime minister directly following a vote of no confidence, also refused to dismiss the government.75

The attorney-general advised that the vote was null and void, although parliament continued to support its resolution. The issue was also referred to the king’s advisory council (Liqoqo). On 15 October 2012 a vote to repeal the previous vote of no confidence was passed in the House of Assembly with only 32 of its 65 members present.

75 See AFRIMAP pp. 114–15.
Swaziland is not currently a foreign policy priority for Western countries, and its internal political troubles have not had major regional implications. The fact that it has a small population size and economy, coupled with major regional crises such as in Zimbabwe and the Democratic Republic of the Congo (DRC), mean that in recent years Swaziland has not attracted international policy or media attention. The United Kingdom closed its high commission there in 2005 as part of a cost-cutting exercise. South African officials criticized this decision at the time, stating that the British government mistakenly overrated their country’s ability to exercise influence in Swaziland, especially over governance reforms.

The South African government supports calls for political and economic reform in Swaziland, but has been reluctant to take direct action such as targeted sanctions against its government to push for reform.

Swaziland meanwhile is cultivating closer relations with Asia and the Middle East. It has opened diplomatic missions in Malaysia, the United Arab Emirates and Qatar, in an attempt to attract new investment. In Africa, King Mswati has in recent years tried to build closer ties with Equatorial Guinea, and Swaziland – although a member of the Commonwealth – has also indicated its interest in becoming an observer member of the Comunidade dos Países de Língua Portuguesa (CPLP – the Community of Portuguese Language Countries).

There are only five full embassies or high commissions in Swaziland, representing South Africa, Mozambique, the United States, the EU (from October 2013) and Taiwan. Swaziland’s long-standing ties with Taiwan are likely to continue, preventing the emergence of closer relations with China and the investment that this could bring. Swaziland also maintains diplomatic missions in the United States, Switzerland and the United Kingdom, as well as at the EU and UN. There is also a mission to the African Union, as well as high commissions in South Africa and Mozambique. Its key regional policy is to support regional trade integration, but not at the cost of a further erosion of the benefits that it derives from its SACU membership. It is also seeking new international partners to reduce the pressures for reform from established donors such as the EU and the United States.

The key partnerships remain with South Africa, the SADC, the United States and the EU. Neighbouring Mozambique has been surprisingly quiet about its concerns regarding Swaziland, although it appears not to be strongly in favour of bringing it into the CPLP. Major donors in Swaziland are Taiwan and the EU, and its major export markets are the EU and South Africa.
South Africa

South Africa is the regional power and has the weight to effect change in Swaziland single-handedly and fast – for example, by changing the SACU formula and putting financial pressure on the Swazi monarchy to reform.

There is an overt relationship between South Africa and Swaziland. The main financial institutions in Swaziland are South African, and from the Chancellor House majority stake in the Maloma Colliery to the TSB partnership with the Royal Swazi Sugar Corporation, the Swazi private sector is dominated by public and private South African interests. Yet there has been little engagement at government level.

South Africa’s President Jacob Zuma could use his close relationship with the Swazi king to encourage him along a reform path. The South African presidency has a team tasked with engaging with the country, but there are also divisions: the ANC supports PUDEMO, while the union federation, COSATU, has an international relations strategy that includes Swaziland. The problem is that, while there is a presidency, an ANC and a COSATU position, there is no real government strategy as South Africa lacks a neighbourhood policy. Independent of South Africa’s ability to act or influence events in Swaziland, there is also the question of whom to support.

The South African Department of International Relations and Cooperation (DIRCO) has started to take the issue of Swaziland more seriously. In a briefing given in February 2013 to South Africa’s Parliaments Portfolio Committee on International Relations and Cooperation, Ambassador J. M. Matjila argued that there needs to be external support, preferably from SADC but also from South Africa, which should consider an engagement strategy to work with the Swazi executive.77 At the same briefing, members of parliament agreed that this is a case where South Africa could ‘exert influence to ensure a positive outcome’, and that ‘South Africa could not allow another one of its neighbours to collapse’.78 South Africa is also the main destination for Swazi migrants either intending to settle or in transit to other countries. In 2010 some 160,000 Swazis – 13.35 per cent of the population – lived outside Swaziland, the majority of them in South Africa.79

In a reaction to the February 2013 DIRCO briefing the Swazi government retorted that South Africa was ‘politically immature’.80 Its spokesperson Percy Simelane said: ‘Just because South Africa is better at soccer than Swaziland, the neighbouring country cannot dictate how Swaziland should be governed. They are off the mark, what they say lacks truth.’81 He added, ‘They didn’t do their homework. The Swazi Constitution does not specifically ban political parties.’82

Such rhetoric is indicative of the difficulties of engaging with Swaziland, and highlights the problem facing regional partners seeking reform.

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78 Ibid.
81 Ibid.
82 Ibid.
SADC

The regional body SADC has been conspicuously quiet on the issue of Swaziland, although in coded language it expressed concern about some governance shortcomings in a 2004 communiqué. It is not clear which members placed Swaziland on the agenda, although Mozambique and South Africa have taken an interest in its political troubles. SADC is currently focused on Zimbabwe, Madagascar and the DRC, and there is no appetite in the region to take on Swaziland as well.

In 2008 King Mswati was appointed to chair the SADC Troika on Politics, Defence and Security. In the same year the SADC election observer mission concluded that year’s ‘elections were free, peaceful, transparent, and credible’. The interim statement issued by the mission asserted that ‘It is SADC’s view that the elections reflected the will of the people of the Kingdom of Swaziland.’

Western countries

Western countries have had limited success in lobbying effectively for pro-poor Swazi government reforms. Reform suggestions are often dismissed as 'un-Swazi', and Swaziland has only yielded to external pressure for reform when international efforts were strong. An example of this was when the International Labour Organization (ILO) and the US government successfully pushed the kingdom to reform labour laws. At the time, the United States used access to the African Growth and Opportunity Act (AGOA) as leverage.

In this case, pressure was put on Swaziland in 2000 to change its labour legislation, specifically its proposed Industrial Relations Act (IRA). Trade unions in the United States also pressured the government to deny Swaziland AGOA eligibility unless the government agreed to amend the IRA. Swaziland amended the IRA to the satisfaction of the ILO and the United States. This shows that it does respond to pressure.

The US government supports health promotion and the strengthening of health systems, as well as entrepreneurship, youth development and education, security-sector capacity-building, and trade promotion in Swaziland. In 2009 the United States and Swaziland signed the second ever Partnership Framework Agreement under the President's Emergency Plan for AIDS Relief (PEPFAR). The agreement was a five-year joint programme strategy to strengthen, scale up and sustain key components of the HIV/AIDS response and overall health-sector capacity. Through PEPFAR support, Swaziland’s antiretroviral therapy (ART) programme now reaches approximately 75 per cent of those in need of such treatment. The two countries also have finalized a memorandum of understanding expanding the Peace Corps mission’s HIV/AIDS-focused work to include educational capacity-building activities such as computer-skills training, life-skills support and teacher training.

The US embassy in Mbabane has regularly voiced its concerns about governance and human rights in Swaziland. It also provides assistance to civil society groups engaged in civic education, protection of the rights of vulnerable populations and strengthening democratic institutions; and the public affairs office engages with youth, women, the media and other groups seeking to promote positive social

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84 SADC Election Observer Mission (2008), 'Interim Statement Issued by the Hon Francisco Caetano Madeira, Minister in the Office of the President for Diplomatic Affairs of the Republic of Mozambique and Head of the SADC Electoral Observer Mission', 19 September.
85 Ibid.
change in Swaziland. The embassy also works with the US Department of State to produce the annual Human Rights Report, Trafficking in Persons Report and Religious Freedom Report, among others, to document the human rights situation in Swaziland. In April 2013 the embassy issued a statement that:

Swaziland’s Constitution guarantees the right to freedoms of expression, peaceful assembly, and association. While every government has the right to take appropriate action to maintain peace and security, the Swazi security forces have a duty to protect the right of citizens to ‘communicate ideas and information without interference’. (Swazi Constitution Section 24-2(c)) The U.S. Government views the questioning of panelists prior to their participation in a public forum and the preventing of citizens from gathering peacefully as acts of interference that create an atmosphere of intimidation and fear. We urge the Government of the Kingdom of Swaziland to fulfil its obligations to protect the rights outlined in the Constitution.86

The U.S. Embassy in Swaziland is deeply concerned that leaders of some of Swaziland’s political organizations, as well as a representative of Lawyers for Human Rights were summoned to police headquarters for questioning about their planned participation in a panel discussion on the 40th Anniversary of the King’s Proclamation of 1973 (‘1973 Decree’). We are equally concerned that a group of people were prevented from entering a restaurant where they had planned to hold their meeting and were forcibly removed from the premises by the police.

The Department of State’s annual Human Rights Report for 2012 also concluded that in Swaziland:

The three main human rights abuses were police use of excessive force, including use of torture, beatings, and unlawful killings; restrictions on freedoms of association, assembly, and speech; and discrimination and abuse of women and children.87

Although the United Kingdom closed its high commission in Mbabane in 2005, it has pressed jointly with EU partners for the Swaziland government to tackle human rights concerns. In April 2013 the UK Foreign & Commonwealth Office, in its human rights and governance report, highlighted Swaziland and stated that during Swaziland’s Universal Periodic Review at the UN Human Rights Council in October 2011, ‘the UK recommended that Swaziland clarify the legal status of political parties and allow multi-party elections. The recommendation was rejected by the Swazi government in March 2012 during the formal adoption of the Universal Periodic Review report.88

The EU has some influence with regard to the sugar protocols and Swaziland’s access to its markets, although these protocols are due to come to an end in 2017. The EU’s main objective is to implement the Cotonou Partnership Agreement linking the EU member states to the African, Caribbean and Pacific (ACP) countries, including Swaziland. According to the EU, ‘the central objective of this partnership is to reduce and ultimately eradicate poverty through sustainable development, the progressive integration into the world economy and the promotion of the rule of law, democracy and human rights.’89

EU funding to Swaziland under the 10th European Development Fund (EDF) amounts to €70 million. This includes a top-up of initially €63.9 million arising from ad hoc reviews of the Millennium Development Goals (MDGs) initiative. Swaziland also has benefited from an allocation of €120 million under the EU sugar facility. Following the closure of the British embassy in Mbabane in 2005, the only European presence on the ground is exclusively through the EU delegation. This relationship has been strengthened by the scheduled upgrading by the EU External Action Service (EEAS) representative office in Mbabane (run out of Maseru, Lesotho) to a full mission with an ambassador from October 2013.

Twice a year the EU delegation helps organize, with the government of Swaziland, the political dialogue provided for by Article 8 of the Cotonou Agreement to review all specific political issues of mutual concern, including developments regarding respect for human rights, democratic principles, the rule of law and good governance.

Swaziland’s deputy prime minister was in Brussels in early 2013 to lobby for the continuation of the country’s preferential access to the EU sugar market. In March the Director for Southern and Eastern Africa at the EEAS, Koen Vervaeke, concluded a two-day visit to Swaziland and stated that:

>I have shared with the country’s authorities and civil society representatives the European Union’s continued commitment to our partnership with Swaziland. The EU appreciates that democracy is not a one size fits all. But it is important that internationally accepted principles are respected. Freedoms of association and expression are key in this respect. Freedom of association is provided for in section 25 of the Swaziland Constitution. I have called on the country’s authorities to make this a reality for all civil society organisations, including political parties.90

In May 2012 the EU raised further concerns over ‘the interference (temporary detention of trade unionists, confiscation of banners) by the country’s authorities at a demonstration of workers held on the occasion of the 1st May celebrations’. It stated:

>These events, coming after similar interventions by the authorities over the past months, set a disturbing trend of restricting citizens’ rights guaranteed by the Constitution.

The EU Delegation calls on the Government of Swaziland to abide by its international obligations and the provisions of its Constitution which guarantees the rights of all citizens to freedom of assembly, association and expression. The EU Delegation wishes to recall the commitment made by Swaziland under the Cotonou Agreement, the framework for Swaziland’s cooperation with the European Union, to respect democracy, human rights and the rule of law.91

Although Swaziland is not of strategic importance or a major threat to regional peace and security, continued inaction will lead to greater sub-regional insecurity for its neighbours. Swaziland also offers the opportunity for the United States, the EU and even SADC to maintain values-led policy based on good governance, rule of law and democracy.

Box 7: Reforming monarchies: lessons learned from Bhutan and Nepal

Swaziland is the last absolute monarchy in Africa, but it is by no means the last monarchy in the world. Other countries have managed the transition from absolute to constitutional monarchy. In some the process has been peaceful and inclusive, while in others it has ended in political turmoil. The common feature, however, is that reform was unavoidable. The pressures of globalization and modernization mean that countries can no longer survive in isolation. Political systems are not static and increasingly monarchies must reform to ‘accommodate the changing aspirations of a fast growing, young and increasingly globally aware citizenry, and to build sustainable economic models’. Swaziland is on an unsustainable trajectory but it can learn lessons of what to replicate and what to avoid from the experience of other countries in transitioning away from absolute monarchy. In particular, Bhutan and Nepal – small, land-locked countries with much larger, powerful neighbours – are two cases from which it can learn.

**Bhutan**
- Located between China and India in the Himalayas.
- Economically dependent on India, largely through the export of hydroelectric power.
- Small ethnically homogeneous population of around one million.
- Socially and politically conservative; there is strong support for the monarchy and the preservation of the unique culture.
- Bicameral parliament consisting of a National Council and a 47-seat lower house, the National Assembly.

Bhutan underwent a peaceful transition from absolute to constitutional monarchy between 2005 and 2008. In 2005 King Jigme Singye Wangchuck introduced reform by accepting a draft constitution and transferring administrative power to a council of ministers. He announced that elections would take place in 2008, in an unexpected and unprecedented move that set the framework for the reform process.

Having started the process, the king abdicated and in 2006 his son, Jigme Khesar Namgyel Wangchuck, was crowned king.

In March 2008, under a constitutional monarchy, elections were held and the pro-monarchy Harmony Party won a landslide victory in what became a two-party, democratically elected parliament.

The successful transformation has been dependent on the leadership of the royal family, and on the ability successfully to separate the inclusive political decision-making process from the maintenance of the monarch as the traditional cultural figurehead of the nation.

Bhutan remains the only country in the world formally to measure ‘gross national happiness’. 
Nepal

- Located between China and India in the Himalayas.
- Economically dependent on India and on foreign aid.
- Population of 34 million.
- Most of the population live below the poverty line and are dependent on agriculture.

Following the murder of King Birendra and nine members of the royal family in 2001, his brother Prince Gyanendra inherited the throne. He struggled to stabilize the nation and quash a Maoist rebellion. In May 2005 Gyanendra dismissed the government and began exercising executive power without consultation, declaring a state of emergency. Following failed municipal elections, strikes and protests in 2006, he was forced to reinstate parliament. A seven-party coalition took control of the executive and reduced the power of the king considerably.

On 28 March 2008 Nepal was declared a federal democratic republic, and the monarchy was abolished. The failure to reach an agreement on a new constitution, and the prolonged Maoist insurgency, left Nepal a divided country, fractured along ethnic lines.

The parliamentary elections on 20 September 2013 (following primary elections on 24 August) are unlikely to have much tangible impact in the short term, particularly as most decisions are made by appointed officials rather than elected representatives. The challenge will be to see if civil society continues its press for multi-party democracy and if civic education continues after the elections to build on this demand.

The run-up to the 2013 elections was marked by a mix of heavy-handed intimidation of pro-democracy activists by the security forces and apathy on the part of the general public. Reflecting a low level of voter registration, the authorities were obliged to extend the deadline for registration by one week, to the end of June. Pro-democracy groups were divided over whether to boycott the elections, or to contest them as independents and then use their parliamentary representation to attempt to amend the constitution to make the transition to a constitutional monarchy.

Following the elections, King Mswati III and his advisers will need to consider reform options, as the country’s current economic and social trajectory is unsustainable. Swaziland’s physical location, landlocked between South Africa and Mozambique, renders it economically dependent on its neighbours for access to world markets. But while its neighbours have benefited from the adoption of liberal economic policies and rising commodity prices, the Swazi economy has been increasingly reliant on SACU receipts, sugar exports and large capital expenditure projects to maintain growth rates and mask deeper structural problems – such as one of the highest youth unemployment rates in the world. The longer the problem persists, the more skills will be lost, unemployment will become the norm, and the gains in poverty reduction will be reversed.

Despite Forbes magazine estimating that King Mswati has a personal fortune of $200 million, 66 per cent of the population live below the poverty line and Swaziland has the highest HIV prevalence rate in the world.

Economically, Swaziland is no longer able to rely on perceptions of it as an ‘oasis of stability and peace’ between apartheid South Africa and war-torn Mozambique that made it an attractive investment destination during the 1980s. Many enterprises settled in Swaziland during this period to benefit from this relative security; others set up there to engage in sanctions-busting cross-border trade. There was little need for strategic economic planning, as the country benefited from the competitive advantage of its location. A lack of contingency planning for regional political change meant that Swaziland was not able to adapt to continue to attract investors following peace in Mozambique in 1992 and majority rule in South Africa in 1994.

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7 Conclusion

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The debates in 2013 over democratization in Swaziland, in the context of the 40th anniversary of the declaration of emergency and the holding of indirect elections for the parliament in August and September, provide a rare moment for Mswati and his officials and international figures to consider future scenarios for the kingdom. Following the elections, when a new parliament and government are constituted and international attention is more focused on the country, there is an opening for reform. This report has highlighted both negative and positive trajectories for Swaziland, which can be summed up as follows.

**Negative trajectory**

- The economic advantage that Swaziland enjoyed during the 1980s and early 1990s as a safe haven in a bad neighbourhood has gone. It capitalized on this advantage at the time but failed to build upon it.

- The global economic crisis led to recessions in many of the SACU countries, and the region as a whole suffered through the outflow of financial capital and decreased demand for exports, which plunged Swaziland into a fiscal crisis. The huge public-sector wage burden is the underlying cause of this crisis.

- The government has become increasingly reliant on SACU receipts and sugar exports as a source of finance over the last 20 years. The SACU windfall in 2012 and rising sugar prices meant that the government was able to depend on these sources of finance and not diversify – in fact, other industries have been in decline. This is an unsustainable path: sugar prices have started to come down, and the recalculation of the SACU formula will mean that revenue will be lower in future.

- The Swazi economy is on an unsustainable trajectory. Fiscal forecasts expect government expenditure to reach 45 per cent of GDP by 2018, and to be almost double the level of income. The public-sector wage bill is more than SZL 300 million ($30.6 million), a disproportionate level of GDP. Corruption, the politicization of the economy, the highest HIV prevalence rate in the world and poor public policy decisions have resulted in extreme poverty and one of the world’s highest levels of inequality. The king must recognize that SACU and sugar alone will no longer be able to support the government. The biggest threat to Swaziland’s security is economic implosion and collapse.

- Unless IMF recommendations are implemented – cutting the wage bill, reforming the land tenure system and reducing the king’s household spending – sustainable growth will not occur.

**Positive trajectory**

- The Swazi political system is not undemocratic. The elections of 2013 provide an opportunity for the international community to engage with the Swazi government. However, SADC observation cannot simply accept that because elections occur in accordance with the Swazi system they are free and credible, without discussing the issue of organized partisan representation and freedom of association. Voter registration numbers are falling steadily as people are disengaging from the political process, which in itself undermines the process and calls the legitimacy of the outcome into question.
The appointment of an EU ambassador resident in Swaziland demonstrates the willingness for engagement on the part of the international community. The EU has long funded agricultural and social assistance projects in the country, and the upgraded mission will increase this support. It demonstrates the EU’s commitment to assist poverty reduction strategies in the kingdom and these include pressing for Swazi good governance and human rights reforms.

Pro-democracy and other civil society groups need to adopt a common stance and present a united cause. Trades unions, political parties and other organizations have no shared vision over how to seek reform in Swaziland, and achieving a common platform remains a challenge owing to their different strategies and opinions, as well as personality clashes.

Absolute monarchy is increasingly rare, as royal families adapt to remain relevant and more accountable in a globalized world. There are examples of inclusive monarchic reform and peaceful transition processes to constitutional-based dispensations that Swaziland could draw upon.
Swaziland: Southern Africa's Forgotten Crisis

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