The Swazi economy on the brink of collapse
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Background

This paper was presented at an International Discussion Commission focused on unpacking the Swaziland Political Economy during the 2012 National Congress of Confederation for South African Trade Unions (COSATU). This paper forms part of an ongoing research by African political economic activists and is intended to kick start robust discussions on the political economy of Swaziland.

The Swaziland Democracy Campaign (SDC) is keen to bring to the attention of the world the massive time bomb waiting to explode in Swaziland. For some time now, the world has not been made to appreciate the extent of the crisis in Swaziland and to take the necessary measures to support those inside the country that are facing this painful and harsh reality and are in struggle to change the situation for the better.

The Swazi economy is facing deep-seated structural crisis that negatively impact on workers, communities and poor people in general. This explains the Tinkhundla regime's desperate attempts to effect massive structural changes that seek to reconfigure the economy in line with the narrow interests of the royal minority and their friends.

The historical evolution of the Swazi economy points to a royal minority that inherited a highly skewed colonial economy that was never changed, but adapted to the narrow interests of the tiny royal elite and maintained in that form. In actual fact, the edges of the skewed nature of the economy were further sharpened since 1968 through the royal bourgeoisification process driven by the monarchy, with such vehicles as the Tibiyo and Tisuka takwangwane as key forces. To date, royalties in Swaziland accrue to the royal family in the form of these institutions and not to the state or even worse, to the people. This is to maintain the huge, but highly parasitic royal family on top of their unfettered share from government in the form of the Swazi National treasury (SNT), which is separate from central treasury.

Tibiyo takaNgwane was formed by King Sobhuza 11 in 1968 after transforming the then Lifa fund through a Royal Charter into a royal fund "held in trust for the nation". It has stakes in various sectors of the economy, such as agriculture, property, a printing company, and it is the sole owner of the Swazi Observer. It is also a shareholder in many companies such as the Royal Swaziland Sugar Corporation (RSSC), Maloma Colliery Limited, Lubombo Sugar, Parmalat

Swaziland, Simunye Plaza, Bhuna Mall, Swazi Spar Holdings, Swaziland Beverages, Alexander Forbes, Fincorp, and Tibiyo Leisure Resorts trading as Royal Villas and many subsidiaries across the country.

Swaziland ranks as one of the highest unequal societies in the world as a result of two key factors;

- Firstly, the deliberate designs of the Tinkhundla royal regime to monopolise national resources and allocate these for their own narrow interests to the exclusion of the suffering majority of the people.
- Secondly, the economy experienced growth that never translated into effective development for the benefit of the majority of the people.

The political crisis in the country is further compounded by the ever- deepening socio-economic crisis, hence the mutually reinforcing crisis circuit. The economy is suffering from lack of a clearly articulated national development plan to grow it, supports strategic sectors and enforces a redistributive capacity to ensure the effective and full participation of all the people in the development of the country.

The parasitic structure and character of the Swazi economy

A deliberate project to ensure exclusive control and ownership of the economy by the royal family and their friends has resulted in the current patterns of accumulation. The economy is characterised by such indicators as;

- Massive concentration in the hands of a tiny minority.
- Land is in the hands of a few, largely members of the royalty who are unable to use it for productive purposes.
- The economy is largely agro-based, but semi-feudal relations frustrate the development potential of the economy as the majority produce for the landlords than for national or their own benefit.
- There are very high and unsustainable levels of poverty, which are compounded by the systematic destruction of jobs and lack of creation of new ones, as the economy is no longer expanding.
- Excess dependence On SACU revenues have exposed the fragility and lack of foresightedness on the part of the regime that looted without regard for the future sustainability of the economy.

- The crisis of the economy is deep and systemic.

The country was, not so long ago, regarded as a middle income country with a GNP per capita of US$1360 (1999), which was part of the weakness of the neo-liberal model of economic measurement that disregards the huge inequalities and resorts to artificial or narrow technicist means of categorisation in the global economic rankings.

The standard of living for the majority since the ascendance to power by the royal regime in 1968 has been steadily and gradually declining. According to the UNDP, the Swazi economy is characterised by;

- Huge unequal distribution of income and living conditions.
- Regional disparities in income and living conditions.
- Skewed property income and land ownership.
- Inequality in upward mobility and favouritism in social opportunities.
- Unequal access to safe and clean water and sanitation facilities.
- Massive rural and urban poverty and landlessness.

In terms of gender performance, a human development report of the UN made an example of how Swaziland fares when it stated that, "the proportion of female parliamentarians in Swaziland is 6.3% which makes it perform worse than any other country within SADC and to rank 62 out of 70 countries listed under the gender empowerment measure (GEM) in the world"

The fact that the country's life expectancy is now at 31.88 years, 30% of all children are orphaned or vulnerable due to living with a critically ill parent, only 6% of the national budget is allocated to health and 2.4% to social services, 69% of the population live in extreme poverty, 25% of the population live on food aid donations, unemployment is estimated at over 40% speaks for itself as to the enormity of the problem. To crown it all, the king has an estimated personal fortune of US$ 200 million, which is rated by Forbes Magazine as one of the richest person in Africa. These indicators have been taken from an article by the Swaziland Coalition for Concerned Civic Organisations (SCCCO.

The parasitic character of the Swazi economy is such that the majority who work and produce do not benefit, but the real beneficiaries are the members of the huge royal family who do not work, but are found all over the world, in extremely luxurious hotels, best educational institutions, enjoying the most expensive health facilities and always queuing to lay claims for everything they do. Tibiyo being their milking cow facilitates that process very well. In this regard, the economy is drained further but no proportionate input towards creating and generating that wealth is put by those who loot it. The exclusion of those who produce from effective participation in the economy for the further reproduction of the economy is an obstacle to its full growth and realisation of its ultimate potential.

The Swazi economy is in the ICU (Intensive Care Unit)

Research estimates that the Swaziland government is overspending by E30 million a month (4.2 million US dollars) and is using its foreign currency reserves to pay bills. It went on to say, "there is also suspicion that 'development aid' destined for Swaziland doesn't go where it is needed, but instead is siphoned off by King Mswati to pay for his palaces, Mercedes cars and his general lavish lifestyle."

It also reveals that there is overspending by E30 million a month, little chance of selling bonds or assets or securing loans, and a potentially unsympathetic international community. The question is where does all this spending goes, who benefits from it?

Finance Minister Majozi Sithole said that government revenues are so low that 'non-SACU' revenues are not enough to pay the government wage bill. There are well-founded fears that the government will not be able to pay civil service salaries from this month (October 2010).

The extent of the crisis is explained by the revelations that, "the government needs income and it needs it quickly. It is trying all the usual tricks of economists to stay afloat, such as seeking loans, selling assets, issuing bonds".

However, there is very little, if any success in the foregoing. This year, only 2 months ago, the World Bank and the IMF refused to offer Swaziland a 500 million US dollar loan from the ADB for the reasons that the government was spending too much for a kingdom of its size.

Tibiyo as the wealth of the nation "held in trust" by the regime for the people has not been publicly audited of its real economic capacity, particularly in the wake of the crisis. It is also a fact that various international finance institutions have stated that Swaziland is not "creditworthy", hence the difficulty in securing loans, hence the lack of interest in buying Swaziland bonds with far more stable.

This means, the actual sale of assets become the last resort in this situation. In the same way that Mobuto Seseseko was once wealthier than his country and refused to bail out his country, whose debts and related obligations were less than his real worth, Swaziland is facing the same situation of a monarchy who is estimated to be wealthier than the country as a whole, but unwilling to release the resources (ill-gotten and belonging to the people anyway) to better the situation. This is aside from the fact that the real source of the problem is the Tinkhundla system in its entirety, It's a fraudulently designed framework, founded on the basis of safeguarding and perpetuating the interests of the greedy royal minority to the exclusion of the poor majority.

Already in 1989, the Swazi regime was beginning to realise what the implications of the end of apartheid meant to Swaziland. For a long time, the royal regime openly flirted with the apartheid regime, thus benefitting from the sanctions against apartheid South Africa as a sanctions buster regime, collaborating with the Pretoria regime and other such global forces. In this regard, Swaziland was an alternative destination that was used to brand apartheid South Africa products as originating from Swaziland. Further, the civil war in Mozambique also made Swaziland a rather “peaceful and stable” investment destination.

With all that gone, Swaziland’s competitiveness against a relatively stable Mozambique and a post-apartheid South Africa disappeared. Investments preferred the two countries for various reasons, amongst them, developed infrastructure in South Africa, access to the sea in neighbouring countries, as well as population sizes, as well as geo-economic spaces offered by these two countries.

The early 90s marked a consistent decline in the Swazi economy’s growth rates, though not much in the consumption rates by the ruling elite. This is explained also by the ever growing military and security expenditure, even in the midst of deepening poverty levels. The parasitic edges of the economy were sharpened to extremes, hence the consistent indicators pointing towards Swaziland ranking amongst the world’s most unequal societies.

The budget of members of the royal family for health and education in expensive institutions outside the country continued to skyrocket, whilst educational and health facilities in the country continue to deteriorate and collapse. Social expenditure on issues of national development and interest to ordinary people suffered as royal projects, such as state-of-the-art royal villas and clinics received priority funding. This explains the deepening inequalities in income and opportunities for the poor majority of Swazis, particularly in rural areas.

The decline in the growth rates of the economy led to the ruling regime introducing neo-liberal economic reforms in the form of their so-called medium-term intervention, ESRA (economic and Social Reform Agenda) and what they called their long-term scenario mitigation or planning programme, the NDS (National Development Strategy). Both these programmes have failed as we have now seen new emerging initiatives that seek to replace these without an open acknowledgement of the failures of their previous initiatives.

Swaziland is Southern Africa’s second-smallest economy after Lesotho and is suffering from a combination of low investment, dwindling international opportunities, such as the end of preferential market access for the country’s main sugar and textile exports, low productivity levels, deteriorating trade receipts, low domestic resource capacity, which according to economists indicate a persistent trend towards a sustained decline. This is further compounded by the years of poor growth levels which have resulted in the deepening of poverty and unemployment. Even worse is the alarming impact of the 32.4% prevalence rate of HIV/AIDS which is wrecking havoc and thus exerting massive pressure on national resources with the result that it has restricted Swaziland’s annual population growth to about 0.4% since 1997, according to health statistics.

According to the OECD report, "the country's manufacturing sector is hard hit, with virtually all significant manufacturing sub-sectors (cement, agricultural machinery, electronic equipment, refrigerator production, footwear, gloves, office equipment, confectionery, furniture, glass and bricks) affected by the global slowdown in trade. The wood-pulp industry was also further impacted by forest fires that destroyed timber supplies. Equally, the apparel industry was also hit as it is dependent on preferential trade arrangements with the United States through the African Growth and Opportunity Act (AGOA)."

While the economy has benefitted from a medium-term decline in inflation and therefore associated lower rates of borrowing, this has not changed the deepening crisis in the country. Swaziland's agricultural sector was the cornerstone of growth in 2009, largely due to the introduction of some projects, particularly, the Lower Usuthu Smallholder Irrigation Project (LUSIP) and favourable weather.

As a member of the Common Monetary Area (CMA), Swaziland's currency, the lilangeni (SZL) is fixed at parity with the South African rand, which acts as a relative stabilising factor without which the economy would already have been plunged deeper into a disaster. In fact, projections indicate that without this, the Swazi currency would be lower than the Mozambican Meticais or be at same level or even lower than the Zimbabwean dollar in year 2008.

Swaziland's economy grew by 2.4% in 2008 before declining to an estimated 0.2% in 2009. The government plans to finance these deficits using domestic sources including securities, treasury bills and bonds as well as by running down reserves. In the short term, the government plans to increase the current weekly borrowing limit from SZL 10 million to SZL 40 million, thus generating up to SZL 520 million during the 2010/11 fiscal year. Furthermore, about SZL 500 million would be raised through a 2-5 year bond. The government is also considering reviewing the legislation governing domestic borrowing, with a view to increase the annual limit to more than the current SZL 1 billion.

In comparative terms, Swaziland's savings are low and the country can barely sustain a deficit without breaching reserve requirements. According to the Swazi budget indicators, consumption has steadily increased from about 85% of GDP in 2003 to 102.6% in 2008. National disposable income has ranged between 105% and 111% of GDP between 2003 and 2008, mainly supported by current transfers which are in part derived from SACU receipts. Investment on the other hand has been declining in real terms from 20.1% of GDP in 2002 to 11.4% in 2008 and 10.6 in 2009.

In this regard, the government has projected that revenue will contract by a cumulative 9 percentage points of GDP between 2009/10 and the last year of the country's Medium-Term Budget Policy Statement (MTBPS) in 2012/13.

The current account deficit is expected to widen to 5.4% of GDP in 2010 and 7.4% in 2011, owing mainly to the drop in SACU receipts and the ongoing global economic crisis. In particular, the latter will continue to have a negative impact on export demand during 2010 and 2011 as the international markets for Swaziland's goods and services remain uncertain. Notably, South Africa is Swaziland's main trading partner accounting for 70% of all exports. The United States (14% of total exports) and the European Union (15%) follow. Swaziland exports citrus fruits, sugar and beef to the EU, wood pulp to Japan, and textiles to the US. With reduced export growth and lower commodity prices, the country's current account is likely to remain under pressure. Likewise, the continued slowdown in global demand will negatively impact employment as companies retain cost cutting measures including scaled down production.

In the area of FDI, foreign companies are largely clustered around such industrial sectors as beverages, food products, and petroleum, the tertiary sector largely, construction and wholesale trade, as well as in finance and insurance, primarily banking. Most of the companies investing in these areas come from South Africa, UK, US, Australia and the EU. There have been desperate attempts these days to also attract investors from other countries, notably, China, India and other countries in Asia.

The reality is that if the global situation does not improve, decline in South Africa's export revenues, particularly in such sectors as mining and manufacturing, it will have major implications for Swaziland's growth in the medium term. In this case, the related sectors in Swaziland's economy including manufacturing, tourism and retail would also suffer dire consequences.

In other developments, Swaziland is also a signatory of a Preferential Trade Agreement (PTA) between the SACU and MERCUSOR (Argentine, Brazil, Paraguay and Uruguay) concluded in 2009. It also participated in the first tripartite summit of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and SADC in 2009. It has also just hosted the last COMESA summit beginning of September, 2010.

As the Cotonou Agreement expired in 2007, Swaziland initialled an interim Economic Partnership Agreement (EPA) with the EU, which it eventually signed in June 2009. The problematic EPA, which will entail the staggered reduction of tariffs and import quotas for all African, Caribbean and Pacific (ACP) countries, was originally expected to be finalised by December 2008, but it is still under negotiation. SADC countries launched a Free Trade Area (FTA) in August, 2008 with a view to deepening regional integration through the establishment of a Customs Union by 2010. However, these developments are also expected to impact negatively on SACU receipts on which Swaziland is particularly dependent.

It is also noteworthy that the Swazi government engaged three new loans totalling SZL 358.9 million in 2009/10 with Kuwait, the OPEC Fund and the Arab Bank for Economic Development in Africa (BADEA) for the construction of the Nhlangano-Sicunusa and Mbadlane-Sikhuphe roads which are expected to increase the government's debt stock, though the debt to GDP ratio stood at around 15.7% in June 2009.

The major source of worry is the rate at which the reserves are being depleted in the wake of the failure to secure loans in various sources of international funding.

Tinkhundla solution to the economic crisis – Tax the poor more, give the elites more

True to their doctrine of starving more those who have nothing and feeding more those who have everything in abundance, Tinkhundla has developed circulars no 1 and 2 of 2010, which are about entrenching a new tax regime, in the process reconfiguring the economy to further the desperate conditions of the poor.

The inclusion of low-income earners into the tax bracket demonstrates a new resolve by the regime to milk every bit out of the poor. In fact, for some time now, the Swazi regime has been involved in an exercise to expand the tax base by targeting all those things upon which the poor and working masses rely for their livelihoods, including trees, domestic animals and other such basics. It was originally part of the ESRA policy and is being taken forward with a new sense of determination.

The fact that budget estimates points to about 68% of the whole budget being for security services indicates the priorities of the regime, which is essentially about protecting the privileged few and keeping the rest in conditions of starvation.

This is why the trade union movement and all progressive social forces inside Swaziland are expressing their utter disgust and anger and are preparing for another mass action in November following the highly successful Global week of action organised by the Swaziland Democracy Campaign (SDC) in September, which shook the world about the real situation in Swaziland.

For a long time, the South African taxpayer has been subsidising the greed and limitless appetite of the royal family in Swaziland through the generous formula offered to Swaziland without the corresponding obligation to account for it. It’s that money that is used to amass the huge military capacity to protect the royal family and secure its ill-begotten fortunes. It is also used by the royal family to enjoy the most exclusive privileges all over the world.

End

Thank you