PRIVATIZATION OF PUBLIC ENTERPRISES IN SWAZILAND

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Abstract

Due to unemployment growth in the country, the nation is deeply concerned over the privatization program for public enterprises that took place in Swaziland recently. With this respect, this paper aims to provide an account of privatization policy and examine employees' perception about the implementation of such policy in Swaziland. The study reveals that the privatization program in Swaziland has not been developed in isolation as a cure for all the economic problems in itself, but it forms part of the broader monetary, fiscal and social policies. Findings of the study also indicate that level of employees' perception is low towards the implementation of privatization program in Swaziland. However, this research leads to the conclusion that privatization of public enterprises can be good for the economy of developing countries particularly Sub-Saharan African countries including Swaziland since most of public enterprises in Sub-Saharan Africa make losses which are financed by government, thus creating huge deficits.

Keywords: Privatization Policy, Public Enterprise, Swaziland

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Introduction

Governments in many countries do increasingly believe that privatization program could be one of the best ways to improve the efficiency of loss-making State Owned Enterprises (SOEs), and it may lead to economic growth. Loo-See and Abdullah (2012) noted that many countries have taken the step to implement the privatization program due to poor performance and ineffective functions of their SOEs. Kerr, Qiu and Rose (2008:41) said that governments choose privatization as a means of developing their economies and "the implementation of privatization regimes has long been a worldwide trend and quite controversial". Governments need to allow private markets to enhance the economic efficiency at both micro and macro levels (Williamson, 1990). Privatization programs have significantly increased government revenues in many countries (Boutchkova and Megginson, 2000). Further, some studies on privatization have conclusively documented a direct link between privatization and economic development (see Sargolzaei, Rahbar, Ahmadi and Ahmadi, 2012; Perotti and van Oijen, 2001; Menyah, Paudyal and Inyangete, 1995).

"Organizations change for many reasons including the changes that re-structuring, ownership, reengineering, innovation, and total quality management bring about" (George and Jones, 1999:679). For efficiency and higher productivity of SOEs, the issues of restructuring, contracting out services previously supplied by the state, and transferring the state ownership to private sectors throughout the world have become an "economic global orthodoxy" in the last few decades (Ministry of Finance Swaziland, 2004:1). Consequently, privatization "appears to be accepted as legitimate" by many governments (Megginson and Netter, 2001:321). Nellis (1999) stated that, on every continent, many countries have privatized a significant number of their SOEs. In line with this, there has been a renewed interest in the privatization of Public Enterprises (PEs) in Swaziland. For example, Swaziland Electricity Board (SEB), which was a public enterprise, became a private company called Swaziland Electricity Company (SEC) in 2007. This privatization interest is particularly due to the effects that will have on the companies, consumers, and the services offered because of the changes in price and ownership.

As it is known that government control is minimal when any SOE becomes private company, particularly government will not have enough power to ensure the delivery of services to the poor because "private firms will act as profit-maximizing entities" in the market (Tisera, 2007:46). Thus, privatization in Swaziland brings a lot of fear since some enterprises are the sole providers of the essential services such as Swaziland Water Services Corporation (SWSC) and Swaziland Post and Telecommunications Corporation (SPTC) including SEC. For instance, Senators of Swaziland Parliament have criticised the SEC for installing the prepaid metres in which customers are obliged to pay the rental fee for using the metres every month (Shaw, 2009). SEC supplies very low quality metres for prepaid card reading that is causing sleepless nights among customers. Moreover, SEC increases the rental charge for the metres frequently without proper public notification. SEC enjoys the monopoly of being the sole supplier of electricity; there is no competition. The changes of SEB to SEC in 2007 and the privatization program in the country raised a curious interest from different people in Swaziland.

Swaziland is a very small country with poor market infrastructure in Sub–Saharan Africa region. Swaziland is the worst country affected by HIV/AIDS pandemic. Poverty levels have continued to be a serious source of concern as 69% are estimated to live below the poverty datum line [Central Bank of Swaziland (CBS), 2008/2009]. Unemployment rate is 40.6% in Swaziland in accordance with 2007 Census report (CBS, 2010/2011:43). Since its independence in 1968, Swaziland established a number of PEs "as an instrument of socio-economic development" (Dlamini, 2005:34). However, after four decades of independence, the overall performance of PEs in Swaziland "has been much less impressive than was originally anticipated" (Dlamini, 2005:30). In recent years, a number of PEs, such as SEB, SPTC, Swaziland Television Authority (STVA), and Central Transport Administration (CTA) "have been on the verge of collapse due to mismanagement", corruption, and lack of accountability and transparency, thus placing a heavy financial burden on both the taxpayers and the government (Dlamini, 2005:35). The problems and challenges facing PEs in Swaziland constitute a demand for privatization of PEs. Given the increased interest of implementing privatization policy in Swaziland, the study aims to achieve two objectives: first to provide an account on the privatization policy and its implementation in Swaziland; secondly, to examine the effects of privatization on the companies in Swaziland and the employees' perception about the implementation of privatization policy in Swaziland. Further, this study will fill the research gap due to the fact that the research on privatization program is underdeveloped in Africa (Jerome and Rangata, 2003) especially in Sub-Saharan African countries.

The remainder of the paper is organized as follows: the next section provides a brief literature review. After this, it describes the research methodology. The following section discusses the results of the analysis. Finally, the last section provides concluding remarks with some recommendations and suggestions for future studies.

Literature Review

In this section, the following key aspects are emphasized: privatization trends including Africa, effects of privatization, and the level of development of privatization program in Swaziland.

Privatization trends

By the late 1970s, many governments around the world were involved in improving the performance of PEs for stimulating the country's economy (Ministry of Finance Swaziland, 2004:2). With this respect, since the early 1980s, the privatization program for PEs had become an important policy instrument in order to provide good services and to reduce financial and administrative burdens on governments (Ministry of Finance Swaziland, 2004:2). According to Price Waterhouse (1989a,b, cited in Megginson and Netter, 2001:324), the main objectives of privatization are "to raise revenue for the state, promote economic efficiency, reduce government interference in the economy, promote wider share ownership, provide the opportunity to introduce competition, and subject SOEs to market discipline".

With these objectives in mind, the growth of privatization program increased in many countries (see Megginson and Netter, 2001; Boutchkova and Megginson, 2000) though the objectives of privatization vary from one country to another (Ministry of Finance Swaziland, 2004). Privatizations have been occurring at an increasing rate all over the world, particularly in developing countries where a substantial number of privatization transactions have been occurred over the past decades (Boubakri and Jean-Claude, 1998). For example, 120 developing countries carried out 7,860 transactions between 1990 and 2003, generating close to US$410 billion in privatization proceeds during that period (Kikeri and Kolo, 2005:3). Across 41 developing countries, per country generated average revenue US$399 million per annum from privatization proceeds between 2000 and 2008 (Breen and Doyle, 2012: 1). Under the privatization program, more than US$1trillion worth of states' assets and services have been transferred to the private sector in over 100 countries worldwide in the last few decades (Ministry of Finance Swaziland, 2004:1). As a result, this revenue has assisted governments to re-invest in other areas of the state sector (Ministry of Finance Swaziland, 2004).

In Great Britain, the Labor government in 1977 partially sold its shares in British Petroleum in order to generate cash (Megginson and Netter, 2001:324). Later on Thatcher's conservative government came to power in 1979 and adopted the label 'privatization', which replaced the term 'denationalization' (Yergin and Stanislaw 1998:114). The role of SOEs in the British economy has been reduced by "a series of increasingly massive share issue privatizations" during the last half of the 1980s and the early 1990s (Megginson and Netter, 2001:324). Amongst others, twelve regional electricity companies in England and Wales and the British Railway were privatized in 1990 and 1997 respectively (see Pollitt and Smith, 2002; Domah and Pollitt, 2001). United Kingdom (UK) privatized its entire gas and electricity industries in 1980s (David, 1997:15). The UK privatization program has provided business opportunity for many foreign companies, especially United State of America (USA) based companies, in the European economy by takeovers of most of its regional electricity companies (see, David, 1997). The success of the British privatization program have influenced many European countries including France, Italy, Germany, and Spain to launch privatization programs for their SOEs during 1990s and afterwards (Megginson and Netter, 2001). For instance, in France, Jacques Chirac's government privatized 22 companies during 1986 to 1988 and the Balladur government launched a larger French privatization program in 1993 (Megginson and Netter, 2001:324-325).

Japan sold a handful of its SOEs during 1980s. For example, Nippon Telegraph and Telephone (NTT) share offerings executed between 1987 and 1988 raised almost US$80 billion (Megginson and Netter, 2001:325). The productivity of the Chinese (The People's Republic of China) economy has been transformed after launching the economic reform and liberalization program by the country in the late 1970s (Megginson and Netter, 2001:325). Similarly, in 1991, India "adopted a major economic reform and liberalization program" after its independence in 1947 (Megginson and Netter, 2001:325) because of poor performance by its SOEs for decades (Majumdar, 1996).

In Latin America, Chile's privatization program was first privatization program through its telecommunication (Telefonos de Chile) privatization in 1990 (Megginson and Netter, 2001:325). By June 1992, the government of Mexico had privatized 361 SOEs and "the need for subsidies had been virtually eliminated" (Megginson and Netter, 2001:326). During 1997 and 1998, the Brazilian government (the Cardoso government) sold several large SOEs under its privatization program. The privatization program of Brazil "is likely to remain very influential" (Megginson and Netter, 2001:326). Argentina privatized more than 154 enterprises during 1990s (Tisera, 2007:41).

Many governments of Middle East and North Africa countries initiated privatization program in 1990s for economic development (Loo-See and Abdullah, 2012). Although African states were generally slow to undertake the privatization program compared to other continents (Nellis, 2005) "due to several obstacles and pitfalls in the privatization process" (Jerome and Rangata, 2003:17), a number of states in Africa have recently shown the initiative to implement the privatisation program for the benefit of their countries (Ministry of Finance Swaziland, 2004) since they recognize that SOEs are not performing well and do increasingly depend on government subventions (Dlamini, 2005; Nellis, 2005). From 1990 to 1993, almost a dozen African countries had adopted some form of privatization program for their SOEs (Jerome and Rangata, 2003:1). Nearly 2300 transactions were taken place in the form of privatization process in 37 African countries during 1991 to 2001 (Nellis, 2005:8). In South Africa, several SOEs have been privatized under the Mandela and Mbeki governments (Pitcher, 2012; Megginson and Netter, 2001) though "nationalization and redistribution of wealth have been central planks of African National Congress (ANC) ideology for decades" (Megginson and Netter, 2001:326). However, South African SOEs are under review for possible rationalizations in response to the financial crisis many SOEs are in (Brown, 2010).

From the brief discussion above, it reveals that "state ownership has been substantially reduced since 1979" in many countries on every continent (Megginson and Netter, 2001:327). As most of SOEs especially in developing countries are inefficient, "almost every country" is undertaking some form of privatization reform process for "some or all of its state enterprises" (Kikeri and Nellis, 2004:87). Swaziland, as developing country, is no exception with this global phenomenon. To reduce inefficiency of PEs, there has been some reform of PEs in Swaziland which, in some cases, has led to the privatization though it has been happening on an *ad hoc* basis. In light of these concerns, this study examines the prospects for enhancing privatization and its implementation in Swaziland.

The effects of privatization

One of the justifications of privatization has been the argument that changing from a public enterprise to a private company will enable companies to pay more attention to the needs of their customers (Saunders and Harris, 1994). Consumers may gain significantly from privatization in mainly three ways. Firstly, privatized companies can raise more capital for new investment and will be more innovative in order to attract new customers. Such changes should result in improved products and service delivery (Saunders and Harris, 1994). Secondly, where firms operate in a competitive environment, they will try to keep prices down in order to continue their trading activities in competitive markets; price regulation will ensure that prices remain low and that customers reap the benefit of improved efficiency (Saunders and Harris, 1994). D'Souza, Megginson and Nash (2001:9) said that "having to compete with other firms for customers and market share may provide the pressure required to stimulate greater efficiency and profitability". Thirdly, privatized firms should be more responsive to consumers; complaints will therefore be dealt with promptly (Saunders and Harris, 1994). As a result, the quality of goods or services will be improved which will result in greater efficiency and profitability.

On the other hand, privatization may mean increased prices. Under the form of privatization, "domestic consumers may suffer price increases" because privatized companies may increase price due to the requirements for investment in upgrading infrastructure to meet public demand in terms of higher standards (David, 1997:7) and due to the expectation of maximum returns like any other business in the private sector (Ministry of Finance Swaziland, 2004). Kent (1987) commented that contracting as a form of privatization does not necessarily guarantee lower cost for all aspects. For example, in most countries where the utilities (for example, water and energy) are privatized, domestic consumers spend more money due to high price; especially they may suffer more under energy competition (David, 1997).

Concern over the reduction of jobs after privatization has led to strong opposition from organized labor. Privatization would lead to a significant reduction in the number of public sector jobs when public corporations are overstaffed. However, for nations grappling with the problem of unemployment particularly in developing countries, the reduction of jobs may be politically risk. The other major problem is whether there will be adequate capital to finance the privatized firms. Nellis (1994:2) said that privatized firms are more scrutinized by capital markets than PEs and, in terms of borrowing capital, the interest rate is more flexible for PEs "because of explicit guarantees from the state". Further, Nellis (1994:2) stated "privatized firms are subject to exit much more often than PEs" because they "are more subject to bankruptcy, liquidation, hostile takeover, and closure than public corporations".

Overall, evidence is increasing that privatization improves the economic efficiency and it "remains the generally preferred course of action" worldwide (Nellis, 1999:29) though there are some negative effects especially on employees and consumers (see David, 1997; Nelson, Cooper and Jackson, 1995; Nellis, 1994). Governments can raise huge amounts of revenue by selling SOEs "without raising taxes or cutting other government services" (Megginson and Netter, 2001:326-327). For example, Organization for Economic Co-operation and Development (OECD) member countries have raised close to US$600 billion during the last decade of twentieth century from privatization (Mahboobi, 2000:45). As an added benefit, public sector debt can be reduced by such receipts (David, 1997). Finally, if the arguments against privatization were widely accepted, privatization policy would not have been implemented by many governments around the world. At least, political interference will be controlled once the public corporations become privatized (Kettl, 1993, noted in Layne, 2000:23), particularly in African countries where politicians use public corporations for their own benefits (Kabir and Adelopo, 2012: Ahunwan, 2002). In the next section, background information on the context of the study with regard to the privatization policy and its implementation in Swaziland is discussed.

Privatization policy for PEs in Swaziland

We know that PEs provide essential services to the nation and play a significant role in the economy (Ministry of Finance Swaziland, 2004). In line with this vein, for country's economic development, the government of Swaziland established a wide range of economical activities such as created development banks, public utilities, and agricultural marketing boards and invested in hotels, tourism, financial institutions, and agriculture sector since its independence in 1968 (Ministry of Finance Swaziland, 2004:5).

Since 1968, for socio-economic development, the government of Swaziland established a number of PEs (Dlamini, 2005). Their boards of directors have representation from government. This shows that government plays a major role in the affairs and decision making of the PEs. Examples of such decisions include business investment, amount to be charged for goods and services offered by the PEs. Government also provides financial assistance to the PEs in the form of subventions. Under the Ministry of Finance, the Public Enterprise Unit (PEU) monitors the functioning of PEs (Ministry of Finance Swaziland, 2004:1).

All PEs have a statutory obligation to report to government under the PEU. There were 45 PEs in Swaziland of which 29 are designated category 'A' PEs, four of which are dormant and the remaining sixteen are category 'B' PEs (Ministry of Finance Swaziland, 2004:6). Category 'A' PEs mainly depend on government subsidies and they support most of the national infrastructure and essential services including water supplies, telecommunications, rail, and tertiary education institutions (Ministry of Finance Swaziland, 2004:6). Government has a minority interest on category 'B' PEs. Examples of category 'B' enterprises include Public Service Pension Fund, Central Bank of Swaziland, Mbabane and Manzini City Council, Swaziland Royal Insurance Corporation, amongst others (Ministry of Finance Swaziland, 2004:46). However, it should be noted that presently Swaziland has only 39 PEs (Weekend Observer, 2011).

The financial performance of most of PEs in Swaziland is not satisfactory at all. For instance, total debt until 2004, across all PEs amount to Emalangeni 311.8 million (US$ 36.69 million approximately)[11] which represents almost 11.5% of total external debt in Swaziland (Ministry of Finance Swaziland, 2004:6). Further, assets are seriously under-utilized by PEs, some of the larger PEs are not able to service their debt, and there is a lack of commercial orientation and proper business culture leading to missed opportunities to earn revenue (PEU, 1994, cited in Dlamini, 2005:36). This then has forced the government of Swaziland to consider privatizing some PEs. As a result, Swaziland government partially privatized Swaziland Dairy Board (SDB) and Royal Swazi National Airways (RSNA) in recent years (Ministry of Finance Swaziland, 2004:7). However, in 1998, the government embarked on a reform policy for its PEs particularly for the privatization of some of the services (for example, power, water and telecommunication) currently being provided by PEs. With this respect, the government through the Ministry of Finance decided to establish the privatization policy in 2003 [African Development Bank (ADB), 2005:14).

Implementing the privatization policy in Swaziland

As many other governments, government of Swaziland also evaluated privatization as a means of implementing the Medium Term Expenditure Framework (MTEF) process in its PEs for successful implementation of its privatization policies to promote sustainable growth (see Ministry of Finance Swaziland, 2006). It is often assumed that privatized firms perform better and they are "more efficient and cost-effective than PEs" (David, 1997:5). With this respect, as a road map for privatization, the following recommendations were given by a consultant firm to the government of Swaziland (cited in Ministry of Finance Swaziland, 2006:3-4):

Priority: Swaziland would gain substantially from privatization of SPTC, SEB, SWSC and CTA. All need restructuring before privatization; regulation must go along with privatization of the utilities. It should be noted that SEB has been privatized in 2007. The new name of SEB is SEC.

Fast track: Swaziland would gain substantially from privatization of Swazi Railways, Swazi Bank, Swaziland Development Financial Corporation (FINCORP), Swaziland Water and Agricultural Development Enterprise (SWADE), Royal Swazi National Airways (RSNA), Piggs Peak Hotel & Casino, and Airlink Swaziland. Overseen by the Public Enterprise Agency (PEA), privatization could be initiated with little or no re-structuring.

Share sales: Sixteen category 'B' enterprises with government shareholdings should be studied with a view to immediate privatization by sale of shares.

Second priority: Swaziland would benefit substantially from partial or full privatization of Small Enterprises Development Company (SEDCO), Motor Vehicle Accident Fund (MVA), Swaziland National Housing Board (SNHB), STVA, Swaziland National Trust Commission (SNTC), and the Commercial Board (CB). All require some restructuring.

Not for privatization: There would be eleven enterprises that will remain and be monitored by PEU, and a further six category 'B' enterprises with no PEU involvement, where privatization is inappropriate except for possible outsourcing of services.

Research Methodology

The study examined the effects of privatization on the selected companies and employees' perception with the use of questionnaires. In undertaking the study, the sample for this study has been chosen from the PEs. Total three PEs have been chosen which are given first priority for privatization in Swaziland and provide basic services such as water, electricity, and telephone. The sample includes

[11] 1US$ = E8.50 Emalangeni. The currency rate was based on an average exchange rate against US dollar during 2008/2009 financial year (CBS, 2008/2009).The name of Swaziland local currency is Lilangeni (Plural: Emalangeni).

SPTC[12], SWSC[13], and SEC [formally known Swaziland Electricity Board (SEB)][14].

Questionnaires were given to general employees (only middle management and general staff members) of all three selected PEs. Questionnaires were not distributed to senior management staff members (i.e. Managing Director, General Manager, Human Resource Manager, Finance Manager, Marketing and Sales Manager, and Operation Manager) as they were out of the scope of the study. Senior management staff members were excluded as it is believed that they are less likely to be affected in terms of jobs cut during change of ownership and restructuring because of their managerial skill experience that company might require for effective and efficient management. Total 600 employees (200 employees from each enterprise) from 1571 (SPTC 697; SWAC 478; SEC 396) employees were selected using simple random sampling method. It should be noted that there were total 1571 employees (only middle management and general staff) working at the three selected enterprises during the survey (from April 2011 to November 2011) of present study. The list and addresses of the employees were collected from the human resource department of each enterprise. Two different sets of questionnaires were made, one for SEC and other one for SPTC and SWSC. The questionnaires consisted of only three sections. De Villiers (1996:87) stated that lengthy questionnaire could result in lower response rate. The first section deals with organizational information such as job title and length of work experience of the respondents. The second section used two response formats (Yes – No) not only for matching response format to the kind of information required but also for controlling response bias. It is worthy of note that in the second section of the questionnaire for SEC, participants were also required to give reasons for the answers as some questions were open-ended questions. The last section of the questionnaire used multiple-choice format where participants were required to indicate as appropriate and applicable. This helped to prevent biased responses. All sections were consisted of by a number of few items in order to avoid lower response rate.

For reliability and validity of the questionnaire, a pilot study was undertaken in two stages. In the first stage, the questionnaire was given to ten academic staff who were considered experts in the field of social science and management to enhance the degree of content validity. They independently scored the questionnaire out of ten. To see whether the questionnaire was also reliable, the scores awarded by the ten academic staff were correlated and an inter-rater reliability coefficient of 7.4 was yielded, indicating that to a high extent, they all agreed that the questionnaire was both valid and reliable. The questionnaire, in the second stage, was sent to thirty employees of three selected enterprises (Ten employees from each enterprise) to assess whether there were any residual problems in the questions and format of the questionnaire. After minor amendments and modifications, the questionnaire was adopted for use with the sample of the study.

Questionnaires were delivered by post and a self-addressed envelope was included for returning them. The returning rate of the questionnaires was 68%. Ethical principles (confidentiality, anonymity, protection of privacy) were observed. An assurance was given to the respondents that all results will be kept confidential with a promise of anonymity. The purpose and goal of the study was described to the participants.

Findings and Analysis

Findings from SEC, SPTC and SWSC employees

As indicated earlier that total 600 respondents (200 respondents from each enterprise) were contacted from three enterprises. Out of 600 respondents, 408 respondents (68% response rate) participated of which 130 respondents were from SEC, 140 respondents were from SPTC and 138 respondents were from SWSC. 76% of total respondents had at least five years working experience.

[12] SPTC: Swaziland Postal and Telecommunication Corporation (SPTC) is a body corporate established under the Swaziland Postal and Telecommunication Act, No. 11 of 183. The Corporation is wholly owned by government (SPTC, 2009).

[13] SWSC: Swaziland Water Services Corporation (SWSC) is a body corporate established under the Water Services Corporation Act, No. 12 of 1992. The Corporation is wholly owned by government (SWSC, 2009).

[14] SEC: On 1st of March 2007, the Electricity Act of 1963 was repealed, as a result of the promulgation of the Electricity Act of 2007, along with the Swaziland Electricity Company Act of 2007 and the Energy Regulatory Authority Act of the same year. The Swaziland Electricity Company Act of 2007, which converts Swaziland Electricity Board (SEB) into a company called 'Swaziland Electricity Company' (SEC). SEC established in 2007 (SEC, 2009).

Table 1. Supporting/Not supporting the privatization of PEs

SPTC		SWSC		SEC		Total Respondents (n = 408) (100%)	
Number of Respondents		Number of Respondents		Number of Respondents			
Yes (n = 55) (13.48%)	No (n = 85) (20.83%)	Yes (n = 60) (14.70%)	No (n = 78) (19.12%)	Yes (n = 52) (12.75%)	No (n = 78) (19.12%)	Yes (n = 167) (41%)	No (n = 241) (59%)

Table I shows that 241 (59%) respondents do not support the privatization policy for Swaziland. Out of 241 respondents, 90% respondents said that quality of service can still be improved even under the parastatals with right leadership while 77% respondents are worried about their jobs (see Table II). They said there will be negative effects (for example, loss of jobs) on the employee side in the long-run. For instance, until February 2007, there were total 610 employees working at SEB (Former name of SEC). The study revealed that, after privatization of SEB (from March 2007) and till 2009, there were only 406 employees including top management though some employees have taken early retirement after 2007 (SEC, 2009). The total number of employees has been reduced by 204 (33.44%) in less than three years. In line with the job reductions, the EU's Labor Force Survey (cited in David, 1997:30) shows that, after privatization, the number of employees in gas, electricity and water in Germany and UK fell by 26,000 (7%) and 72,000 (25%) respectively between 1993 and 1995 though it remained stable or increased slightly in some countries such as Italy, France and Spain. However, it should be noted that the job cut has been seen by UK energy and water utilities as a strategy of "providing greater returns to shareholders" (David, 1997:34).

41% respondents were concerned about financial instability (see Table II). They said that private firms can be demolished due to lack of capital that might lead to more unemployment. On the other hand, Nellis (1999:29) said that "privatization should and can go forward" depending on the existence of the institutional well-developed capital markets. Further, Boutchkova and Megginson (2000) reported that privatization programs have a greater impact on the development of capital markets especially the stock markets and they have increased market liquidity and number of shareholders in many countries. However, results also show that 95% respondents said postal and telecommunication, water, and power are a basic right to all citizens and must be accessible to all at affordable prices (see Table II). In this regard, David (1997) said that domestic consumers are more likely to be affected under the forms of privatization in terms of price increase as evidence shows that energy and water prices are high in many countries where energy and water supply companies are operated under privatized management.

Further, 15% respondents said that there will be some other negative effects (for example, mental and physical health deterioration) on the employee side in the long-run (see Table II). Respondents said that the fears of loss of jobs can bring a number of negative consequences in which mental and physical health can be deteriorated. These findings agree with Nelson et al. (1995), who found in their study of privatization at a regional water authority in Great Britain that job satisfaction deteriorated and occupational stress increased in connection with privatization. On the other hand, however, two Portuguese studies showed that occupational stress decreased and job satisfaction increased some time after privatization (see Cunha and Cooper, 2002; Cunha, 2000).

Table 2. Major reasons for supporting and not supporting the privatization of PEs

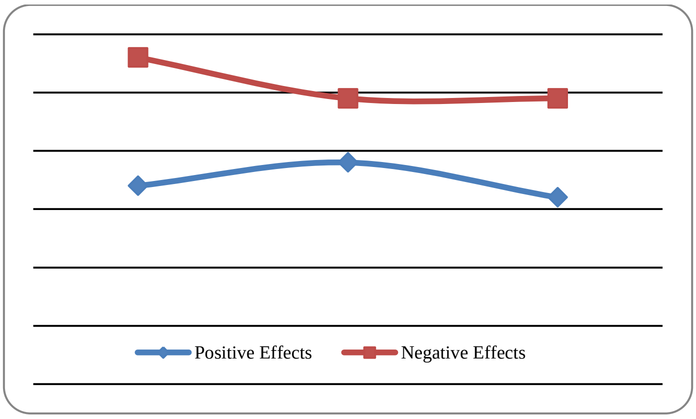
Major reasons for supporting (n = 167)	SPTC Number of Respondents	SWSC Number of Respondents	SEC Number of Respondents	Total Number of Respondents (%)
Company would improve operational efficiency after privatization	36(55)	43(60)	40(52)	119 (71%)
Quality of services offered to customers would be improved after privatization	42(55)	45(60)	40(52)	127 (76%)
Privatization will enable the company to raise more capital through selling shares	35(55)	40(60)	33(52)	108 (65%)
Productivity will be increased More flexibility in decision making	34(55) 45(55)	38(60) 48(60)	33(52) 42(52)	105 (63%) 135 (81%)

Others (e.g. privatization policy will improve service provision, it will lead to changes in the role of government in the economy, there will be less corruption, etc)	10(55)	12(60)	5(52)	27 (16%)
Major reasons for not supporting (*n* = 241)				
Quality of service can still be improved even in the parastatals with right leadership	76(85)	70(78)	72(78)	218 (90%)
Financial instability (It can be demolished when it does not have capital for other expenses)	38(85)	32(78)	30(78)	100 (41%)
Communication, water and power are a basic right to all citizens and must be accessible to all at affordable prices	80(85)	73(78)	75(78)	228 (95%)
Negative effects on the employee side in the long-run (e.g. loss of jobs)	68(85)	58(78)	60(78)	186 (77%)
Others (e.g. mental and physical health deterioration)	15(85)	12(78)	10(78)	37 (15%)

Note: Figures in parentheses are those supporting and not supporting the privatization

However, 167 respondents or 41% of total respondents support the privatization policy (see Table I). 71% respondents said that companies would improve operational efficiency and 76% respondents said that the quality of services offered to customers would be improved after privatization as they think that there will be more training facilities for employees to improve the quality of services (see Table II). In this regard, a South African study done by Struwig and Van Scheers (2004:18) with regard to the effect of privatization on front-line service employees at a South African water supply organization indicates that employees received "better training and a higher degree of empowerment" after privatization. Findings show that while 65% respondents said that privatization will enable the company to raise more capital, 63% respondents said that productivity will be increased and 81% respondents said that there will be more flexibility in decision making (see Table II). 16% of the respondents said that privatization policy is a tool to improve service provision in the public sectors, the adoption of this policy will lead to changes in the role of government in the economy, and there will be less corruption under privatization (see Table II). It is really a constructive thinking for the development of Swaziland economy since Swaziland is receiving negative publicity in terms of effectiveness of the government, transparency and control over corruption over the past few years. For example, Swaziland's rank was relatively high compared to other African countries in terms of transparency, corruption and sustainable economic opportunity. Swaziland was ranked 34th among 48 African countries (Maphalala, 2007).

Figure 1. Employees' perception



With regard to employees' perception, though SWSC group shows more positive than other two groups, on average, all three groups (SPTC, SWSC and SEC) indicated that there would be more negative effects than positive effects after transferring the state ownership to private sectors (see Figure I). It suggests that the overall level of employees' perception is low towards the implementation of privatization program in Swaziland.

Other findings from SEC employees

SEC employees, in open-ended questions, were asked to respond on whether they experience any major change in the company after privatization and their feelings on the changing of the company from a public enterprise to private enterprise.

Response on whether the employees experience any major changes in the company after privatization:

As SEC is less than five years old after privatization from March 2007 until the last month of the survey of the study (i.e. November 2009), most of its employees have not noticed or cannot feel any major changes regarding promotion, salary increment and other benefits increment. However, 64% (83 of 130 respondents) respondents said that there are some changes in the company such as introduction of job evaluation, job performance, and changes of top management particularly the appointment of new Managing Director. Respondents also said that the number of employees has been declined after privatization as there was a lack of initiatives from top management about employees' protection. The study revealed that the number of employees fell by 33.44% after privatization from March 2007 to 2009 (SEC, 2009). Respondents said that, during privatization process, a constructive negotiation between government and top management with regard to employees' protection has not been placed on the table. For instance, a study shows that the trade unions negotiated important protection for employees with respective authorities when Hungary sold its gas and electricity distribution companies to multinational shares in 1995 (David, 1997).

Response on how is their feeling on the changing of the company from a public enterprise to a private sector:

Findings show that 62% (81 of 130 respondents) respondents do not feel happy about the changes as they think that the running of government companies is politically influenced that may protect job security while a private company has profits as a bottom line and whatever measures that need to be taken to realize such are taken. Respondents said that they were feeling more secured in terms of job security when the company was operated under government's control. Further, they said that unemployment rate is increasing in the country. As the PEs are the biggest employment sources of a country, PEs can provide more employment than private organizations. For instance, one of the SOEs in France, namely EdF (Electricite de France), has "a clear positive commitment" for increasing the number employees (David, 1997:7). On the other hand, UK privatized utilities see "job reductions as desirable ways of achieving savings" (David, 1997:7). However, some of respondents said that the timing is not yet right for some enterprises to be privatized as there are many uncertainties about the issue of privatization on the delivery of services, pricing, and organizational commitments. They said that, before privatization take place for other PEs in Swaziland, some PEs need restructuring where change of ownership is involved, and most importantly, a proper consultation should be carried out with employees for job security, training, rewards, empowerments, etc. In this regard, Struwig and Van Scheers (2004:19) said that the higher levels of employee motivation "improve employee attitudes" which will ensure excellent service to the customers.

Conclusions, Implications and Recommendations

This paper provided an account of implementing privatization policy and employees' perception of the implementation for privatization policy in Swaziland context. The study found that many of the PEs in Swaziland have been operating under the objective of being commercialized. To monitor the commercial activities and other service provisions, Public Enterprise Unit was established under the Public Enterprises Control and Monitoring Act of 1989 (Ministry of Finance Swaziland, 2004). The study also found that government of Swaziland has a privatization policy for most of its PEs. The government approved the privatization policy in 2003. Privatization roadmap has also been taken on how privatization would be implemented. However, the privatization policy for Swaziland has been received in all sorts of different ways some believe it is good for the public and the economy, while others are against the idea.

From the respondents' point of view, findings show that 59% of total respondents are opposed to privatization policy. They feel that there are certain issues (for example, unemployment issue and basic services at affordable price) that government needs to address before privatizing other PEs. In line with their views, it implies that their arguments are general and consistent in the ground when we compare the privatization program of a major business partner of Swaziland (i.e. South Africa). In the 1990s, while South African government was trying to improve economic efficiency and reduce state financial burden through selling fully or partially of its many SOEs, the government has realized the importance of SOEs due to the increasing unemployment rate and cost of the basic services (Department of Public Enterprise South Africa, 2000). As a result, South African government did not privatize its many SOEs

(Pitcher, 2012). On the other hand, results of the present study show that 41% of total respondents support the privatization policy. One of the principal justifications of privatization is that private companies can be more innovative to attract more investments and to improve efficiency and productivity. International Monetary Fund (IMF) (2006:18) suggests that the efficiency of Swaziland economy could be enhanced by restructuring and privatizing the large number of PEs.

However, PEs are a financial drain to government revenues if their functions are not effective. In many developing countries, especially on the African continent, some PEs are poorly managed, inefficient, and unable to sustain themselves and therefore need to be subsidized by government (Dlamini, 2005). By privatizing, government is relieved from the financial drain, and instead of spending millions every year to keep PEs operating government can spend this money on other developmental priorities such as health and education. Nellis (1994:2) said that private firms are more likely to use capital efficiently as they are "supervised by self-interested board members and shareholders rather than by disinterested bureaucrats". Concerning the political interference in the affairs of PEs, Dlamini (2005:38) stated that "political interference and patronage are some of the causes of the poor performance of PEs".

In light of the history of privatization (see Kikeri and Kolo, 2005; Jerome and Rangata, 2003; Megginson and Netter, 2001; Nellis, 1999; David, 1997) and evidence from Swaziland government documents (see Ministry of Finance Swaziland, 2006 and 2004), the implications for privatization are clear since the PEs have proved inefficient especially in developing countries. Many developing countries achieved a significant gain after privatization (see Kikeri and Nellis, 2004). "Governments have found the lure of revenue from sales of SOEs to be attractive" (Megginson and Netter, 2001:326) which is one of the reasons that privatization has become "one of the dominant characteristic features of development programs" in many countries (Dlamini, 2005:47). As a result, privatization program has been undertaken phenomenally in many countries (Boubakri and Jean-Claude, 1998) though the number of privatization transactions declined by 20% in 2008 from 2007 in developing countries due to global financial crisis (Kikeri and Perault, 2010:1). It is evident from these findings that privatization of PEs can be good for Swaziland economy and other developing countries' economies particularly Sub-Saharan African economies as most of SOEs in Sub-Saharan Africa make losses which are financed by government, thus creating deficit. Privatization, in many countries, has been identified as one of the appropriate tools to cut back the huge deficits incurred by the governments over the past years. The findings of this study have significant practical implications for governments in developing countries particularly in Africa. This study will motivate further investigation of privatization policy in the context of other developing countries in general and other Sub-Saharan African countries in particular.

This present study also has implications for Swaziland government since the honourable Finance Minister of Swaziland (Mr. Majozi Sithole) indicated during 2011/2012 national budget speech that government is considering to restart its 2004 privatization program very soon "in order to give new impetus to the growth of the private sector in the economy, attract new public investment, and increase growth" (Weekend Observer, 2011:26). As the results show that 59% of total respondents do not support the privatization policy and the employees' perception is low, the privatization process should be gradually implemented and monitored in order to avoid socio-economic problems that may occur in future. For instance, poverty level and inequality have been increased after privatization in the Latin American region due to increases in unemployment and failed to reduces prices because of "the promises of privatization-such as economic growth, debt reduction, decreased poverty levels and increased social welfare-have not been realized in most Latin American countries" (Tisera, 2007:46). With this respect, the privatization reform process should be undertaken in such a way where privatization agencies are not poorly staffed and they are adequately empowered. This will help to reduce the negative effects of the privatization process such as loss of jobs, tariffs and poor service delivery. Evidence shows that total number of employees in SEC has been reduced by 33.44% between 2007 and 2009 which is relatively high compared to UK companies where 25% number of employees has been decreased since privatization though the UK study was conducted in three different sample sizes (see David, 1997). With these job reductions in mind, David (1997:8) concludes that "agreements on employment protection" in particular should be made during the privatization process. In addition, all stakeholders such as employees, customers, Non-Government Organizations, civic groups, and private sectors should be included during the course of privatization process since it will affect them. The process must not be a top down approach; it must be a bottom up approach so that every stakeholder will be part of it. Consequently, it will ensure that the discussion about the necessity of privatization is carried out across the stakeholders.

Limitations and Future Research

The main limitation of the study is related to the impact of privatization in terms of cost efficiency.

The impact of privatization was not investigated since it lies outside the scope of the present study. This limitation did not allow the researcher to examine the efficiency effects of reducing governments' deficits. The other limitation of the study is that this study focused on only in the context of Swaziland and three PEs (SEC, SPTC and SWSC). Thus, the conclusions arrived at should not be generalized to the other PEs and other countries. Despite the limitations, the study makes an important contribution to the knowledge of privatization policy in a Sub-Saharan African country such as Swaziland. However, several important areas need further research. For example, in order to evaluate the effectiveness of privatization and how the structure of privatization programs particularly for developing and less developing countries can effectively attract foreign direct investment, a comparative performance on operating efficiency prior privatization and after privatization can be examined.

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