

SWAZILAND

By a special contributor

Although the final version of a new constitution was due to be enacted by the end of 2004, it is not expected to reduce significantly the existing near-absolute powers of the present monarch, King Mswati III. Tensions will continue between the powerful traditionalist organisations which support the present political dispensation, and both moderate and progressive modernist groups – political parties remain formally banned – seeking to achieve multi-party democracy under a constitutional monarchy. Although management of the economy is set to improve under a new prime minister appointed in 2003, (Themba Dlamini, an experienced business executive), progress in implementing economic liberalisation is likely to remain slow, and the unresolved constitutional issue has largely deterred new foreign investment inflows into the economy, including the mining sector.

Mining continues to account for under 2% of the kingdom's total GDP (estimated at emalengeni13 billion or US\$1.7 billion in the 12 months to June 30 2004) and an even smaller proportion of Swaziland's export earnings, which totalled US\$920 million in 2003. Mining's share could slightly increase in coming years with the potential expansion of coal mining. Along with quarrying of aggregates, coal is the only current mineral production activity, chrysotile asbestos mining at Bulembu having ceased in 2001. Real GDP growth slowed to an estimated 2% in 2003-04, from 3.6% in the preceding year, reflecting the impact of the severe regional drought on the agricultural sector, especially sugar production, the mainstay of the economy. Swaziland's foreign trade deficit was set to widen in 2004, owing to lower sugar and textile exports, resulting in an increase in the current account deficit from US\$46 million or 4% of GDP in 2003, to 5% of GDP the following year. The local currency, the lilangeni (plural emalangeni) will remain pegged at par to the South African rand for the foreseeable future, which means that the Swaziland economy, including local inflation and interest rates, will continue to be heavily influenced by the latter's foreign exchange value.

Migrant work opportunities for Swazis in South Africa, mainly in the mining industry, have declined precipitously in recent years. The Employment Bureau of Africa (TEBA), the employment bureau for South African mines, provided jobs for only 650 Swazis in 2001, compared with 11,500 only five years earlier, according to the most recent available figures, and recruitment is unlikely to have resumed an upward trend in 2002-03.

The government is proceeding slowly with implementation of economic liberalisation, including a Trade and Business Facilitation Act, which aims to attract foreign investment and enhance industrial competitiveness, together with various deregulation measures and a programme to privatise some parastatals. There remains at present no stated minerals development policy

and the sector is a low priority compared with agribusiness, manufacturing and tourism.

In 2001, a new mining policy was reported as being drafted by consultants, paid for by a grant from China, and legislation to facilitate small-scale mining has also been proposed. However, there was no indication of any progress with either of these two initiatives during 2003.

As long as policy formulation and implementation continues to be based on a complicated interaction between the royal household under King Mswati III, unelected advisory bodies, the government, parliament and the civil service, major changes in the current mining regulatory system are unlikely. However, there is no evidence that the existing institutional procedures are regarded as a barrier to the development of mining operations by investors, should new commercially-attractive mineral deposits be located.

Based on arrangements originally instituted by the late King Sobhuza II at the time of the first mineral discoveries in Swaziland over 30 years ago, minerals are vested in the monarch, in trust for the 'Swazi Nation', with mining royalties payable to Tibiyo Taka Ngwane. This is a trust established by the late King Sobhuza, which in recent years has redefined its role as a quasi-national development agency, paralleling similar government institutions. Its stated goals are to complement government programmes by fostering self-sufficiency and increasing employment in the Swazi formal sector by investing internally-generated resources in virtually all economic sectors. Applications for prospecting licences and mining rights are submitted to a Commissioner of Mines, but these are then passed on to a Minerals Committee chosen by the King for evaluation.

A similarly-constituted Negotiations Committee ensures that lease terms provide for optimum utilisation of natural resources. The King grants mineral rights and approves specific conditions after the consultation procedure with the Minerals Committee, which advises on issues pertaining to mineral exploration and exploitation but has no legislative powers. The Department of Geological Survey and Mines is responsible for day-to-day administration of the minerals sector, and forms part of the Ministry of Natural Resources and Energy. Swaziland is 100% mapped at a scale of 1:5,000.

In 2003, the saleable production of high-quality anthracite by Maloma Colliery in the southern Lowveld area was 249,000 t, a slight decrease on the 250,000 t mined in the preceding year. Since 2001, Maloma has been owned by a JV between London-listed Xstrata plc (75%) and the government (25%). The anthracite is mainly used as feedstock for Xstrata's chrome smelting operations in South Africa. Cost-cutting initiatives undertaken by Xstrata in 2003 included reducing reliance on coke as a primary reductant source, and further measures to replace coke with a much cheaper source of reductant, ie anthracite, would have positive implications for Maloma's future development.

Stone quarrying is the only other mining activity carried out at present, with the Kwalini and Tonkwane quarries producing aggregates for the domestic

building industry, used mainly for road maintenance and construction. Limited quarrying for sand and soapstone also takes place, subject to controls under the Mineral and Environmental Authority Act of 1992. Exploration for gold in the northwest of the country has been minimal in recent years, although the Barberton greenstone belt is exposed in the far north of the country and the northwestern Pigg's Peak area contains numerous former small gold workings. These areas might be suitable for working by artisanal miners if the government brings forward measures to encourage small-scale mining. Deposits of green chert in the Malolotja/Ngwenye area have not been mined because of environmental implications. Other known minerals include kaolin, talc and silica, but, despite past investigations to determine the viability of mining these resources, no recent exploration activity has taken place.