BUDGET SPEECH

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PRESENTED BY

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THE MINISTER FOR FINANCE

TO THE

PARLIAMENT

OF

THE KINGDOM OF ESWATINI

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**Table of Contents**

I. INTRODUCTION ..................................................................................................................... 4
   (i) Opening Remarks ............................................................................................................ 4
   (ii) Milestones ...................................................................................................................... 4

II. GOVERNMENT’S PERFORMANCE IN 2020, ECONOMIC OUTLOOK AND COVID RESPONSE .................................................................................................................. 6
   (i) Economic Performance.................................................................................................. 6
       Economic Growth ........................................................................................................... 7
       Inflation ........................................................................................................................ 8
       Balance of Payments .................................................................................................... 8
   (ii) Financial Sector Developments .................................................................................... 9
       Monetary Policy, Interest Rates and Money Supply ..................................................... 9
       Gross Official Reserves ............................................................................................... 10
       Financial Sector Stability and Regulations ................................................................ 10
       Performance of the Banking Sector ............................................................................. 11
   (iii) Post Covid Recovery Plan .......................................................................................... 11
   (iv) Strengthening the Private Sector ................................................................................ 12
       Private Sector Credit Extension ................................................................................... 12
       Trade, Industry and Investment .................................................................................... 12
       Micro, Small and Medium Enterprises ...................................................................... 13

III. ECONOMIC DEVELOPMENTS, GOVERNMENT’S SERVICE DELIVERY IN 2020 AND BUDGET STRATEGY FOR 2021/22 ........................................................................................................... 14
   (i) Health ............................................................................................................................ 14
   (ii) Education ..................................................................................................................... 16
   (iii) Labour .......................................................................................................................... 17
   (iv) Social Transfers .......................................................................................................... 18
   (v) Food Security ................................................................................................................ 19
   (vi) Water and Sanitation ................................................................................................. 20
   (vii) Tourism ...................................................................................................................... 20
   (viii) Information, Communication and Technology ...................................................... 21
   (ix) Infrastructure Development ........................................................................................ 22
       Roads ............................................................................................................................. 22
       Railways ........................................................................................................................ 23
       Aviation .......................................................................................................................... 23
Rural Development ................................................................. 24  
(x) National Security ............................................................... 24  
(xi) Combating Corruption ....................................................... 25  
Crime Prevention Measures, Structures and Legislation ....................... 25  
Audit ..................................................................................... 26  
Financial Innovation and Intelligence .............................................. 26  
(xii) Promotion and protection of Human rights ............................... 26  

IV. FISCAL PERFORMANCE .................................................................. 27  
(i) Revenue Performance 2020/21 ............................................... 27  
(ii) Expenditure 2020/21 ............................................................. 27  
(iii) Overall Balance/Government Deficit 2020/21 ............................ 28  
(iv) Public Debt 2020/21 ............................................................ 28  
(v) Cash Flow and Arrears 2020/21 ............................................... 28  

V. TURNAROUND STRATEGY ............................................................. 30  
(i) Fiscal Consolidation .............................................................. 30  
(ii) Public Enterprises ............................................................... 31  
(iii) Public Procurement Reform .................................................. 32  

VI. REVENUE AND EXPENDITURE FOR 2021/22 ................................. 33  
(i) Revenue .............................................................................. 33  
(ii) Expenditure ....................................................................... 33  
(iii) Overall Balance ............................................................... 34  

VII. APPROPRIATION ....................................................................... 34  

VIII. CONCLUSION .......................................................................... 35
I. INTRODUCTION

(i) Opening Remarks

1. Mr. Speaker, during my last budget speech, delivered on the 14th of February 2020, this Government, and the world at large, had only started to hear about what would quickly become the defining event of this era – the Covid19 pandemic. We honour the memory of every person that has succumbed to this pandemic and mourn our collective loss, including the untimely demise of our colleagues and friends in Government. This virus has caused tragic loss of life and the various lockdowns, and limits on economic activities to curb the spread of this disease, have caused immense economic hardship and pain. We stand in solidarity with every family that has experienced grief, suffering and uncertainty through the last year. I would like to take this opportunity to extend my deepest gratitude to our frontline workers for their strength and sacrifices through these trying times.

2. In comforting all eMaswati affected by the pandemic, I would like to read a scripture from Romans 8:28 “And we know that all things work together for good to those who love God, to those who are called according to his purpose.”

3. I would like to thank God, our creator, for the peace and stability afforded to our Nation. I would like to thank the Lord for our King, His Majesty King Mswati III and for maintaining the good health of Their Majesties, which gives us all hope as we navigate our way through these challenging times. Mr. Speaker, I take this opportunity to convey my sincere gratitude to Their Majesties for their wisdom and leadership.

(ii) Milestones

4. Mr. Speaker, my previous budget speeches all started with bad news, after two years in office, for the first time, I have the privilege of starting my speech by reporting on the progress we have made. Government has spent the last two years fixing the foundations, creating fiscal space through greater efficiencies in spending, without resorting to significant increases in taxes, ballooning arrears or deficits. In the wake of the pandemic, through this enhanced fiscal space, we have been able to prioritise health expenditure. His Majesty’s Government was able to successfully secure budget support to aid us through
this difficult year which has been instrumental in easing the pressure on our cash flows and allowed us to substantially reduce arrears over the last year; we have been able to leave no stone unturned in our response to the pandemic. This is a result of the combined efforts of Parliament and Government in identifying and implementing solutions.

5. Aligned with the Eswatini Strategic Roadmap, Government identified a list of policy reforms meant to simultaneously lower expenditure levels and instil stronger expenditure controls to close avenues for the misuse of tax-payer money. Government has worked hard to rethink our expenditure priorities and ‘fix the holes in this bucket’. It is with immense pride, that I can stand before you today and say that we are beginning to see the fruits of our labour. A number of budgetary and expenditure reforms have been enforced in our chronic problem areas such as CTA, travel and the Phalala fund. We have overhauled our infrastructure procurement processes, creating fiscal space to accommodate the much-needed spending on essential sectors.

6. If there is one key takeaway for us through the course of this pandemic, it is that Government can afford to be streamlined, in terms of both the size of our spending and our civil service complement. The Covid19 restrictions curtailed Government operations and consequently Government’s running costs. Echoing His Majesty’s call we need to achieve more with less. We intend to use the lessons we have learnt in this ‘new normal’ to streamline further, allowing for flexible spending that adapts to the demands of the day.

7. Guided by the Eswatini Strategic Roadmap we have prioritised the growth of the private sector through reforms to our regulatory frameworks and our procurement systems, by stopping unauthorized expenditure and by ensuring that arrears management and clearance is at the top of our agenda. This administration has displayed its commitment to creating the necessary pre-conditions and enabling environment for a private sector led economy. In the full knowledge that a thriving private sector drives growth, improves living standards and enables the creation of employment opportunities for every Liswati. Not merely as a welfare measure, but as a necessary component of our nation’s advancement.

8. Mr. Speaker, I can confidently say that for the first time in many years the fundamentals of our economy are slowly but steadily improving. However, while we are busy fixing our fundamentals, we must acknowledge that there is yet a mountain to climb. We entered the
Covid19 pandemic from an already deteriorating macro-fiscal position with sluggish growth and waning institutional strength. The widespread effects of the pandemic on the fiscus and the economy have significantly and permanently altered the course of our trajectory. If we do not get the basics right, we will remain in an unsustainable fiscal position and we will see the effects of the pandemic persist over the medium term. This will negatively affect each and every Liswati due to stagnating economic growth, subdued employment creation, lower revenue receipts and higher debt-servicing costs.

9. Driven by higher-than-average SACU receipts, revenue collection in 2020/21 was at record highs. As a consequence of the pandemic, however, SACU receipts are projected to decline significantly and steadily over the medium term. With the projected pressure on our revenues, the next three years are going to be even tougher.

10. Mr. Speaker, as we are focusing on growing out of this situation we are in, we need to ensure that government is as effective as possible, doing as much as possible with minimum resources. We are not content with simply putting the pieces back together, Eswatini has been on a path to reform for two years now, showing the discipline to put our house in order. Mr. Speaker, this pandemic has caused pain across the board. However, we are on a mission to change the fabric of our economy; reforming our regulations and processes to accommodate efficient spending, limiting waste, rooting out corruption, overhauling our tax system and ensuring effective service delivery. We are steadfast in our resolve to take deliberate and decisive action to put this economy on a sustainable path to realise its full growth potential.

II. GOVERNMENT’S PERFORMANCE IN 2020, ECONOMIC OUTLOOK AND COVID RESPONSE

(i) Economic Performance

11. Mr. Speaker, the year 2020 has been a landmark year for the global economy. What began as a health crisis eventually grew into a global economic crisis. The IMF expects global output to have contracted by 4.4 percent in 2020, Conditional on a significant decline in the spread of the pandemic in 2021, estimates project a rebound from this low base to 5.2
percent growth. However, the observed resurgence of coronavirus infections, the severe second wave and additional lockdowns in most countries, pose serious risks to the outlook.

12. The IMF forecast Sub-Saharan Africa’s economic activity to contract by 3.0 percent compared with a pre-pandemic forecast of 3.6 percent growth. South Africa’s economy grew by a mere 0.2 percent in 2019 as a result of the labour strikes, energy supply disruptions and weak agricultural production. In 2020, as a consequence of the pandemic, the IMF revised South Africa’s growth from a positive 1.1 percent to a negative 7.2 percent. Nevertheless, towards the end of 2021, growth is anticipated to rebound to 3.3 percent.

13. Mr. Speaker, the Central Bank of Eswatini’s (CBE) monetary policy stance was both accommodative and stable throughout the year of 2020. The main objective has been to provide a supportive environment for the economy amid the devastating impact of the coronavirus pandemic.

**Economic Growth**

14. Mr. Speaker, in the domestic economy, the coronavirus pandemic accelerated an economic and fiscal deterioration that was already under way. The lockdowns and weak external demand are expected to have triggered an economic recession in 2020 as economic output is expected to contract by 2.4 percent compared to a growth of 2.2 percent recorded in 2019. The lockdowns effected since mid-March are expected to have impacted domestic demand, particularly manufacturing, tourism, construction and other trade sectors.

15. The uncertain outlook is expected to persist over the medium term. Projections indicate a rebound in 2021, with economic output expected to recover from a low base and increase by 2.7 percent. However, elevated downside risks remain for the domestic economy. Additionally, an anticipated second round effect on SACU receipts due to the trade disruptions will further deteriorate Government’s fiscal position and pose a risk to economic growth.
Inflation

16. Headline consumer inflation averaged 3.7 percent for the ten months to October 2020 compared to 2.8 percent in the same period the previous year. This increase was largely attributed to a rise in food and transport inflation. Food inflation grew by an average of 4.1 percent in the first ten months of 2020, which is 2.0 percentage points higher than it was in the corresponding period of the previous year.

17. Transport inflation accelerated from 1.0 percent in the previous year to 3.7 percent in the period under review. The increase in transport inflation mainly resulted from increases in public transport fares. During 2020, international oil prices plummeted in the first five months of 2020 and this led to a decrease in domestic fuel prices of up to 200 cents per litre. However, international oil prices rebounded in the second half of the year, leading to inevitable fuel price increases and reversing the partial gains observed in the early months of the year. Supply-chain disruptions led to a rise in health care inflation from 0.5 percent in 2019 to 2.1 percent in 2020.

Balance of Payments

18. Preliminary balance of payments for Eswatini points to a sizable current account surplus in 2020 of E4.3 billion, approximately 6.8 percent of GDP. This was due to a positive trade balance and consistent surpluses in the secondary income account. The trade balance amounted to E3.7 billion in 2020 compared to E3.8 billion recorded in 2019. Displaying resilience to the effect of coronavirus restrictions exports declined by a mere 3.2 percent to E27.8 billion. Exports continued to be dominated by miscellaneous edibles, sugar, wood products and textiles, 65.2 percent of which were destined for the South African market.

19. On the other hand, imports remained suppressed in 2020 due to the COVID restrictions, declining by 3.5 per cent to E24.1 billion. The majority of imports being energy i.e. electricity and fuel imports, followed by food imports. During 2020, about 70.6 percent of imports were sourced from neighbouring South Africa. The depreciation of the exchange rate from E14.4 in 2019 to E16.6 in 2020 on average against the US Dollar made Eswatini’s exports more competitive while imports became more expensive.
20. The county continues to be a net importer of services, estimated at E2.2 billion in 2020, a marginal increase from the previous year of 11 percent. The pandemic necessitated working from home and distance learning resulting in higher imports of ICT and related services.

(ii) Financial Sector Developments

Monetary Policy, Interest Rates and Money Supply

21. At the onset of the pandemic, the CBE undertook an aggressive, pre-emptive response by reducing interest rates by 100 basis points. As the country began to experience the impact of the coronavirus restrictions, the CBE reaffirmed its accommodative monetary policy stance and cut interest rates by a further 175 basis points between April and July 2020. As a result, between February and November 2020 interest rates were cut from 6.50 percent to an all-time low of 3.75 percent. The CBE elected to maintain the discount rate at 3.75 percent at its last Monetary Policy Consultative Committee meeting in November 2020 in an effort to improve the conditions for economic recovery whilst maintaining price stability and to provide extended support during these uncertain times.

22. As the impact of the pandemic is still unfolding, its extent and duration in the economy remains unknown, the monetary and financial sector outlook is highly uncertain. Therefore, monetary policy remains largely uncertain and threatened by gradually rising inflationary pressures and probable easing in suppression of administered prices of some utilities in the coming year. As a response, the CBE will likely maintain the accommodative and stable monetary policy stance as long as necessary, to revive growth and mitigate the impact of the pandemic on the economy, while ensuring price stability.

23. Broad money supply remained positive but lacklustre amidst the impact of the pandemic. The observed growth in money supply was largely underpinned by inflows of pandemic-relief funds to various sectors of the economy. Annual growth in broad money increased to 6.9 percent in October 2020 from a growth of 3.2 percent in October 2019.
**Gross Official Reserves**

24. Mr. Speaker, the country’s gross official reserves improved markedly in 2020/21 mainly due to higher SACU receipts, increased foreign currency trades with local banks and the inflow of an IMF budget support loan over the fiscal year. Gross official reserves increased to E9.6 billion in November 2020 compared to E7.1 billion the previous year. Similarly, the import cover grew to 4.2 months in November 2020 from 3.1 months recorded in November 2019. At this level, the reserves are above the internationally recommended three months as well as the Central Bank of Eswatini targets of four months import cover.

25. In the short to medium-term, gross official reserves may be negatively affected by the projected decline in SACU revenues during the 2021/22 fiscal year and by weak economic activity in the domestic economy and other SACU member countries, which is likely to reduce the SACU revenue pool.

**Financial Sector Stability and Regulations**

26. Mr. Speaker, the household sector remains the most vulnerable and most concerning economic sector regarding its impact on financial sector stability, largely due to the upward trajectory of household indebtedness. The outlook remains risky, as constrained households are likely to accumulate debt to allow for consumption rather than investment.

27. The corporate sector has struggled through the pandemic and lockdowns which resulted in sudden disruptions of production. Subdued productivity lead to a higher likelihood of loan defaults and an increased risk for insolvencies. The accommodative monetary policy stance significantly alleviated the pressure on debt service ratios for this sector.

28. In an effort to alleviate the adverse impact of the pandemic on the banks and their customers, the CBE issued a circular on regulatory relief measures and guidance to banks in April 2020. The measures included lowering the liquidity requirement from 25 percent to 20 percent for commercial banks and from 22 percent to 18 percent for the development bank. This was aimed at improving liquidity in the financial sector to support private sector led growth. In that regard, the CBE also reduced the cash reserve requirement from 6 percent to 5 percent.
29. The CBE encouraged banks to work with customers and consider reasonable restructuring arrangements for struggling loans as opposed to foreclosing on them. The banks were also encouraged to grant payment holidays and waive fees and penalties to affected customers during the pandemic. These forbearances were welcomed by the banking industry and as of September 2020, a total of E1.2 billion in payment holidays had been granted by the banks for a period not exceeding six months.

Performance of the Banking Sector

30. Mr. Speaker, the domestic banking sector remains resilient, underpinned by adequate capitalization and a satisfactory liquidity position. Profitability is, however, likely to be dampened due to the negative effects associated with the pandemic. For the quarter ending in September 2020, the banks recorded ratios above the stipulated minimum statutory capital and liquidity requirements. The banks have so far managed well, displaying extraordinary resilience in the current environment, the CBE is closely monitoring the sustainability of this position in the face of prolonged effects of the pandemic.

(iii) Post Covid Recovery Plan

31. Mr. Speaker, in the wake of the pandemic, Government launched the Post-COVID19 Economic Recovery Plan with a projected investment outlay of approximately E30 billion, largely concentrated in private sector projects. A multi-sectoral implementation team was formed and in a marked departure from the past, Government decided to have the strategy private sector-led, with Government providing the oversight. Instrumental to this decision was the fact that the private sector has both the greatest capacity to fast-track implementation and the greatest interest in ensuring the success of this Plan.

32. As the nation has witnessed this past month, the opening of the Kellogg’s factory, creating 250 jobs is but one example of these efforts. We have seen some exciting new developments in the private sector. Eswatini businesses have diversified operations and retooled their factories to respond to the pandemic, producing export quality personal protective equipment (PPE) and sanitiser.
33. A budget allocation of an additional E100 million has been made in this financial year towards the building of factory shells across the country. Another important component of this plan is the expansion of women-led textile industries which has been instrumental in boosting viable employment for women. The focus of this endeavour has been to devolve economic activities to the Tinkhundla and create jobs where people live.

34. Despite the challenges caused by the pandemic and lockdowns, a number of projects are now at advanced stages of implementation. The post Covid team reports regularly to a special ministerial committee and the nation will continue to see the implementation of this job-focused plan in the course of the year.

(iv) Strengthening the Private Sector

Private Sector Credit Extension

35. Mr. Speaker, due to the relatively lower borrowing rates, total private sector credit extension declined over the year under review. During the first nine months of the year, annual growth in private sector credit was in negative territory exacerbated by uncertainty amid coronavirus related restrictions on economic activity. Between April and September 2020, the annual growth in private sector credit averaged a negative 3.7 percent. However, recent data suggests that the favourable lending rates and the opening up of economic activity have begun to encourage private sector credit extension. As a result, credit to the private sector increased by 1.8 percent year-on-year to reach E15 billion in October 2020, from an increase of 0.6 percent the previous year.

Trade, Industry and Investment

36. Mr. Speaker, Eswatini continues to be number one in trading across borders in Africa and ranking number 32 out of 190 countries in the world. New trade opportunities are being created including the African Continental Free Trade Area (AfCFTA) and the Economic Partnership Agreement (EPA) between SACU member countries and the Republic of Mozambique; and the United Kingdom (UK) and Northern Ireland; both operational from
the 1st January 2021. Government continues to persevere to enhance trade relations and take full advantage of existing trade agreements such as the Economic Cooperation Agreement between Taiwan and Eswatini.

37. Similarly, as a response to the effects of the COVID-19 pandemic, the AU Assembly of Heads of State and Government has included health and education to the priority list of sectors to be liberalized and thereby provide export and investment promotion opportunities for the private sector. Closely related to the coronavirus pandemic, there is a new initiative to develop an e-commerce strategy for Eswatini with support from cooperating partners. The launch of the Eswatini Trade Information Portal (ETIP) in September 2020 has ushered traders into a new era by enabling access to all trade-related information from one source.

38. Through the Industrial Infrastructure Development Programme, Government continues to develop quality infrastructure to support industrialization. It is important to note that infrastructure is a key enabler of productivity, industrialization and sustainable economic growth. Plans are underway to develop serviced industrial land at the Sidvokodvo Industrial Estate. The private sector is therefore urged to take a leading role to benefit from such initiatives aimed at stimulating manufacturing and production. A number of MSMEs have been allocated industrial land in the country’s industrial estates. Government would like to applaud those that have developed the industrial land and are contributing to Eswatini’s manufacturing value chain.

39. Government has recently launched a national agro-value chain development strategy for fruit and vegetables, meat and meat products. The purpose of the strategy is to attain food security by promoting the private sector and accelerating economic growth through the agricultural sector, as it forms the basis of economic development. Government has continued to strengthen its partnership with Junior Achievers and ENACTUS. All these efforts are undertaken to cultivate entrepreneurship in the country’s youth.

**Micro, Small and Medium Enterprises**

40. Mr. Speaker, Government continues to foster the development and promotion of MSMEs and a number of important milestones have been reached including, the construction of the
Manzini Trade Hub, the informal traders revolving fund, leather and leather products development as well as participation in the international forum advancing the agenda of MSMEs development and promotion.

41. To improve access to affordable finance for entrepreneurs, Government has partnered with FINCORP to provide short-term business loans to informal traders. The Informal Trade Revolving Fund enables micro business to access loans at low interest rates. The fund, which was capitalized at E7 million, has already benefited 102 micro businesses in the Manzini region and plans to extend access to other regions.

42. Government is in the process of establishing an electronic One-Stop-Shop, which will host a number of services including company registration, trading licenses, issuance of work permits, health inspections, labour compliance and registration for utilities including electricity, water and telecommunications. Evidence reveals a high correlation between countries that have made significant Ease-Of-Doing-Business (EODB) improvements and the establishment of a centralised one-stop-shop facility, aimed at reducing the number of days it takes to start a business. Our goal is to reduce the timeframe of starting a business to five days.

III. ECONOMIC DEVELOPMENTS, GOVERNMENT’S SERVICE DELIVERY IN 2020 AND BUDGET STRATEGY FOR 2021/22

(i) Health

43. Mr. Speaker, the pandemic has created a multitude of challenges in our progress towards universal health coverage as outlined in the National Health Sector Strategic Plan 2019-2023. The first case of coronavirus in Eswatini was identified on the 14th of March 2020 and subsequent to that, the partial lockdown was implemented. The Lubombo Referral Hospital was designated as a coronavirus site for moderate to severe including critical cases and Mavuso Trade Centre for mild and asymptomatic cases. Recently, Covid treatments were expanded to other health facilities and clinics.
44. Mr. Speaker, as I mentioned earlier, our health workers are working tirelessly and fearlessly to assist those who are infected with the virus. I urge all of us to continue praying for them as they execute their duties. Let us keep in our minds these words from scripture:

“The LORD is my light and my salvation whom shall I fear? The LORD is the stronghold of my life— of whom shall I be afraid? When the wicked advance against me to devour me, it is my enemies and my foes who will stumble and fall. Though an army besiege me, my heart will not fear; though war break out against me, even then I will be confident” – Psalm 27: 1-3.

With God, we will conquer this pandemic.

45. It is commendable, Mr. Speaker, that the Kingdom of Eswatini has been recognized for being one of only two countries in the world to have achieved the UNAIDS 95-95-95 targets, meaning 95 percent of people living with HIV are aware of their HIV status, 95 percent of those who are aware of their HIV+ status are on ART and 95 percent of those on ART are virally suppressed. Government, together with our health partners have continued to support HIV/AIDS programmes and expanded interventions in light of the pandemic. In the last year we have been able to increase access to services while ensuring that patients are protected from the risks of coronavirus at health facilities or while en route to health facilities.

46. Eswatini continues to be severely burdened by the dual TB-HIV epidemic placing the country among the highest TB/HIV burden countries in the world. The TB incidence rate is currently estimated at 441 per 100,000 population and TB-related mortality (excluding HIV) is at approximately 12 per 100,000 population and 45 per 100,000 population for TB/HIV co-infected patients. To respond to such a challenge, Government has continued to intensify case finding through systematic TB screening in all health facilities and communities. TB case detection is over 65 percent and TB Treatment Success rate is at 85 percent.

47. Government continues to implement interventions aimed at eliminating malaria in the Kingdom. We are grateful for the support provided by His Majesty the King who
established the Eswatini Malaria Elimination Fund. Currently, the percentage of confirmed malaria cases treated as per the guidelines stands at 100 percent.

48. Government will focus on strengthening the provision of Personal Protective Equipment; Intensive Care Units (ICU) and renal services to severely affected patients, elderly, people with complicated Non-Communicable Diseases, and other vulnerable groups such as those living with HIV and AIDS. We will also strengthen the testing capacity of the country’s public health laboratories by providing reagents and testing kits for the pandemic.

49. Government will also address key issues related to essential medicines stock-outs and vaccines with the aim of improving commodity security as well. E200 million has been allocated to ensure that eMaswati will benefit from the coronavirus vaccines that are being developed around the globe by various researchers and pharmaceutical companies.

50. These commitments re-affirm the position adopted by Government a few years ago, that the health sector is a priority. Government has allocated E2.8 billion to the Ministry of Health, which is 11.5 % of the total Government budget, to support the implementation of its programmes and interventions.

(ii) Education

51. Mr. Speaker, recognizing the importance of human capital as a contributor to economic growth, Government is working with the World Bank to prepare a Human Capital Project that is geared towards holistic child development, improving learning outcomes for school going children and adequately preparing eSwatini’s adolescents and youth to become globally competitive citizens.

52. To achieve these goals Government will;
   a) Support strengthening of the Early Childhood Care and Education programme to improve the quality of education services offered to children aged 3-5 years.
   b) Intensify efforts to bring all learners back to school while ensuring that they are safe and protected from the coronavirus pandemic.
c) In line with this, Government will enrich the school feeding basket by supporting the home-grown school feeding programme whereby some food commodities such as vegetables and eggs will be sourced from local farmers who are within reach of each particular school.

53. In an effort to ensure that no child is left behind, Government will continue to support children with special education needs, the marginalized, orphaned and vulnerable children.

54. Government will furthermore continue to strengthen higher education including Technical Vocational Education and Training programmes to facilitate the acquisition of skills needed by our country. Through Eswatini Higher Education Council (ESHEC), Government will continue to accredit programmes on offer and regulate the institutions as a way of ensuring quality education.

55. In the 2020/21 budget Government provided the education sector with a budget amounting to E69.6 million which has been used to install hand washing facilities and to procure water tanks and PPEs for schools and education institutions throughout the country. Moving forward, Government plans to institutionalize the home-based learning programme offered through the national radio, television and print media to complement face to face learning.

56. As we embrace the new normal brought about by the coronavirus pandemic, Government’s focus is on putting technology and blended learning at the centre of all education reforms.

57. Government is allocating E3.5 billion to the Ministry of Education and Training to cater for all educational and training programmes. This figure represents 14.5% percent of the total national budget.

(iii) Labour

58. Mr. Speaker, Government has undertaken a number of initiatives aimed at strengthening social protection for all, to ensure alignment of the country’s policies and practices to the Decent Work Country Program through the support of the International Labour Organisation (ILO). The impact of the coronavirus pandemic on lives, jobs and livelihoods
has called for immediate measures to support economic recovery through sustainable solutions. Government has launched a project on establishing an Unemployment Benefit Scheme which will legislatively grant workers access to income support during times of temporary layoff.

59. The Scholarship Recovery Project continues to be consistently collecting around E4.5 million monthly and an average of 200 new payees are added each month. A little over E150 million has been collected since the beginning of the project. Government will continue to explore other financing modalities to fund the scholarships to ensure all EMaswati students are assisted in shaping their future. Government is also working tirelessly to ensure that the National Social Security Policy, which will inform the proposed conversion of the ENPF to a national pension scheme is finalised.

(iv) Social Protection

60. Mr. Speaker, Government has continued to prioritize the needs of the vulnerable groups in our society by providing various social transfers. The Orphan and Vulnerable Children’s fund has effectively enrolled all vulnerable children in high-school in the country, contributing, in turn to significant improvements in high-school enrolment rates over the years.

61. Government has recorded a steady annual increment of beneficiaries for Elderly Grants. To enhance safety during the pandemic, Government, in partnership with mobile money operators, was able to temporarily switch to mobile cash transfers for a majority of beneficiaries.

62. Mr. Speaker, the country has successfully provided cash grants to persons with disabilities, there will be new additions to the beneficiaries list in 2021. Government is in the process of developing an automated cash transfer system that will improve the efficiency and turn-around time for all grant-disbursements.
63. The coronavirus pandemic has pushed vulnerable groups in our country back into poverty. Through NDMA, Baphalali Red Cross Eswatini and other major stakeholders, Government has extended support to vulnerable members of the public.

64. Government has allocated an amount of E746.8 million to the Deputy Prime Minister’s Office in order to continue these essential services.

(v) Food Security

65. Mr. Speaker, the agriculture sector has demonstrated significant resilience by displaying a 9.5% contribution to the country’s GDP from 8.5% in 2019. The sector is forecasted to demonstrate net positive growth in the medium term. During the financial year 2020/21, Government has prioritised the provision of efficient agriculture services to the farming community, investment in targeted infrastructure for agriculture and ensuring continued trade for agricultural products to guarantee food security for the nation.

66. During the year 2020, Eswatini produced approximately 86 thousand metric tonnes of white maize. As of September 2020, beef production was at approximately 5 thousand metric tonnes, while vegetable production was over 5 thousand metric tonnes. Key advances were also made in the dairy sector, where Government has made investments to increase production and processing. Additional investments in water harvesting and irrigation infrastructure development were also made. Government also promoted small stock (piggery, goats, poultry) production and marketing, and developed and operationalized an electronic import and export permit system for plant products, thus improving the ease of doing business in the agricultural sector.

67. Government has allocated an amount of E1.3 billion for the Ministry of Agriculture. The allocated funds will be utilized in the construction of secondary distribution canals and LUSIP II infield irrigation development where the target is to irrigate an area covering 5200 hectares in the lowveld. Construction of at least 20 small and medium sized earth dams will also be carried out through this budget. This budget will also contribute to speeding up the designs and contractual preparations for construction of the Mkhondvo Ngwavuma water augmentation project. Additionally, Government is conducting
feasibility studies for the construction of green houses at Sikhuphe as part of a drive to improve agricultural production.

(vi) Water and Sanitation

68. Mr. Speaker, in the previous financial year Government continued its endeavour to rehabilitate and implement water and sanitation projects aimed at promoting economic and social development. Improved access to potable water and proper sanitation is a crucial measure in the fight against the spread of the coronavirus. To date, approximately 72 percent of the population has access to improved water sources.

69. Government is in the process of implementing a Water Supply and Sanitation Project at the Nhlangano – Siphambanweni in the Shiselweni Region, funded by the World Bank and the Eswatini Government amounting to E675 million. The project seeks to provide potable water for domestic, institutional and commercial consumption as well as improving sanitation coverage. The project runs parallel with the formulation of the Potable Water Supply and Sanitation Master Plan, aiming to improve long-term management of water resources, investment planning, and sustainability of water supply service provision, particularly in rural areas, which will contribute towards increased resilience to droughts.

70. Government will also be implementing the Manzini Integrated Water Supply and Sanitation Project covering four tinkhundla, funded by the African Development Bank and the Eswatini Government, amounting to E825 million. This project seeks to provide potable water for domestic, institutional and commercial consumption as well as improving sanitation coverage.

(vii) Tourism

71. Mr. Speaker, as borders around the world were shut down, Tourism was one of the worst affected sectors through this pandemic. This came close at the heels of Eswatini being identified in the top five tourist destinations of the world for 2020. The pandemic compromised gains achieved in this sector and slowed down the momentum we had gathered.
72. Government is looking at a range of programmes that would re-position the tourism sector to be able to take off the moment borders reopen, RENAC is looking at increasing seating capacity in order to service increased regional demands and Government is working tirelessly on the e-visa regime. All these efforts are meant to ensure a boost in this sector once things return to normal.

(viii) Information, Communication and Technology

73. Mr. Speaker, Government has assessed it to be beneficial to pursue the amalgamation of Government Computer Services (GCS) department with the Royal Science and Technology Park (RSTP), as the latter has installed the latest technology at the National Data Centre (NDC). This will promote availability of all ICT resources centrally, minimize duplication of resources, eliminate working in silos and ensure that the implementation of e-government initiatives is expedited. The process of merging Government Computer Services with RSTP is planned to be implemented in the coming financial year 2021/22.

74. The Royal Science and Technology Park is leading the innovation ecosystem which will enable the generation of locally made products by inventors and start-ups. Through the incubation programme close to forty start-ups directed by the local youth receive this support every year. These enterprises were able to collectively turn over approximately E20 million in 2019/20. This was achieved by facilitating product innovation, business development, intellectual property protection and fundraising support.

75. The National Data Centre (NDC) is now complete and to improve its competitiveness and self-sustenance, the RSTP has initiated the construction of a Disaster Recovery Site (DRS) at KaLanga in the Lubombo Region. The establishment of the Disaster Recovery Site will place the National Data Centre among the top data centres in the world. An allocation of E58 million has been provided for this development.

76. To ensure the availability of the necessary skills base for the development of the ICT sector in the country, RSTP is working towards strengthening the Advanced School of Information Technology (ASIT). This will ensure that investors located within the Park have a pool of skilled personnel to draw from.
77. Government, in the past fiscal year, has focused on reducing the costs of communication in the country, found to be high compared to our peers in the region. Consequently, operators were required to reduce their rates by at least 20 percent.

78. In line with trends within sub-Saharan Africa, the telecommunications market in the country is largely dominated by mobile communications services, for both voice and internet services. Two mobile operators have a combined network coverage of over 98 percent for 2G, 90 percent for 3G and almost 60 percent coverage for 4G/LTE technologies. The operators plan to expand the 4G/LTE networks to 85 percent population coverage in the next three years.

79. The Universal Access Service Fund connected 25 health centres on the online Health Management Information System in 2020 and this has helped to improve the quality of health care service delivery and real-time health data transmission resulting in improved health management. The Universal Access Service also extended its program to the education sector where IT equipment was presented to 20 schools including the University of Eswatini.

(ix) Infrastructure Development

80. Mr. Speaker, it is unfortunate that the recent cyclone has threatened the gains that Government has achieved in infrastructure development. Rebuilding the damaged infrastructure will be a process that will be very costly. Investment in infrastructure is essential in order to accelerate the country’s development programme. This will contribute to economic growth and creation of employment opportunities, thus improving the standard of living for the people. Government will continue to explore alternative sources of funding including public-private partnerships and the private sector is encouraged to participate in financing the country’s development programme.

Roads

81. Mr. Speaker, the country’s road network provides access to a wide range of services ranging from schools, health facilities, markets for goods and services to mention just a
few. It is therefore of importance to continuously ensure that these roads are in a traversable state in all weather conditions. The significantly large investment that Government has made in road infrastructure is a reasonable measure of success over the last few years. Some highlights of the major projects due for completion in the course of 2021/22 include the Lukhula – Big Bend Road (MR16), which provides a connecting route between Lavumisa border from the Republic of South Africa through to the border with Mozambique; the upgrading of the Manzini- Mbadlane stretch of the MR 3 into a dual carriageway will make access to the King Mswati III International airport more convenient, making movement of cargo and passengers through the facility attractive; the implementation of the soil stabilization technology to improve accessibility in rural areas has so far covered slightly over 50 percent of the targeted 200 Km. Completion of these projects is envisaged to create breathing space in the fiscus.

82. Mr. Speaker, as Government we have recognized the need to improve maintenance on existing roads. The recent floods have exacerbated this problem. The Road Agency legislation should be tabled soon and this will address this critical problem.

**Railways**

83. Mr. Speaker, rail transportation continues to be one of the most stable modes for the movement of bulk commodities for both import and export purposes. The expansion of the Matsapha and Mpaka dry ports will provide efficiencies in the cargo handling capacities of these two stations. The assistance received from the Government of the Republic of China on Taiwan, to carry out the detailed feasibility and designs for the Matsapha dry port is highly appreciated. The process is due for completion in the next few months and construction will commence soon. The proposed expansion of the rail network through the Sidvokodvo to Lothair will also add value to the rail transportation landscape as it is envisaged to attract transit cargo from the north to the southern ports in Mozambique and the Republic of South Africa.

**Aviation**

84. Mr. Speaker, RENAC continues to work hard towards boosting regional demand through expansions in seating capacity and enhanced air cargo capacity through KMIII. The
aviation industry is highly competitive and vulnerable to external shocks, evident by the ongoing coronavirus pandemic, however, the facility continued to be a strategic port of entry for medical supplies, medical experts, and repatriations when all other ports of entry had been closed. Therefore, despite the current low traffic volumes, it imperative that the KMIII Airport remains an internationally accredited facility and can handle aircrafts at all times.

**Rural Development**

85. Mr Speaker, the Regional Development Fund (RDF) continues to be the main funding mechanism for the implementation of development projects. The on-going coronavirus pandemic affected Government’s work in ensuring that viable and sustainable projects are implemented to improve the standard of living for communities. During the 2020/21 financial year, nineteen (19) projects; (3 income generating and 16 rural infrastructure) have been completed. Government has also connected 44 Tinkhundla centres and five Women in Development centres with the Wide Area Network. This project is anticipated to be completed by end of the 2020/21 financial year.

86. Government has been working around the clock to operationalize the four Tinkhundla Service Centres Mayiwane, Lugongolweni, Lobamba and Mhlambanyatsi. Simunye and Gege service centres have also been included in an effort to ensure Government services are accessible to all communities and thus minimizing the travel distances for members of the public. Government, through the Ministry of Tinkhundla Administration and Development, has adopted a phased approach in ensuring more service centres are opened up and made operational in the pursuit of guaranteeing that Government services are accessible in all corners of the country.

(x) **National Security**

87. Mr. Speaker, Government will continue to strengthen support to our security institutions in the pursuit of economic stability and growth in the country. The Royal Eswatini Police Service is the entity broadly responsible for the maintenance of law and order as well as upholding safety and security, including State Security, through operational interventions.
This includes operations such as; preventing and detecting crime, preventing road accidents, as well as strengthening State Security frameworks.

88. Specialized Investigative Task Forces have also been established to tackle high profile crimes that have severe negative impacts on the safety of our nation, such as violent murders and gender-based violence.

89. The Umbutfo Eswatini Defence Force (UEDF) will tighten our border security and maintain peace countrywide. With the pandemic and consequent border closures, we applaud the efforts and perseverance of the Umbutfo Eswatini Defence Force in securing our national borders, in particular the informal crossings.

90. The Correctional Services will continue to rehabilitate and re-integrate offenders to society for improved public safety and stability. The rehabilitation aims to foster productive citizens in order to break the cycle of crime, repeat offences and animosity in the communities. Thus, bringing harmony and a new start to previously convicted offenders.

(xi) **Combating Corruption**

*Crime Prevention Measures, Structures and Legislation*

91. The Judiciary will continue to uphold the rule of law and efficiently ensure justice to all within the Kingdom’s borders, to adhere to the Constitution. It will administer justice, ensuring that it is accessible to all members of the public and safe-guard the Constitution of the country and all other laws applicable, in particular, the protection of the fundamental rights of persons.

92. In the previous year, the Judiciary has established the Industrial Court of Appeal and employed an additional three Judges of the Industrial Court of Appeal and two Judges of the Supreme Court. The availability of these Judges will accelerate the life cycle of cases within the Justice system and reduce the backlog.
93. Furthermore, the Judiciary has also established a Commercial Court which will be instrumental in boosting investor confidence, fast tracking commercial matters and improving the country’s Ease-Of-Doing-Business ranking. Government has also budgeted for the Revenue Appeals Tribunal which will ensure that taxpayers rights are protected.

**Audit**

94. Mr. Speaker, Government has undertaken Financial, Compliance, Performance, Investigative, and IT Audits. These are aimed at strengthening internal controls of public entities and eliminate the potential for misappropriation of public funds. During the financial year 2018/19, E112 million was recovered from losses contained in the audit reports and other outstanding recoveries from previous years.

**Financial Innovation and Intelligence**

95. Mr. Speaker, the national payment and settlement system operated smoothly, remained stable and presented minimal risks to financial sector stability throughout 2020. The on-going upgrade of Eswatini’s Real-Time Gross Settlement System (RTGS) is intended to enhance the efficiency, cost effectiveness and safety of the payment and settlement system.

96. The Kingdom of Eswatini is currently undergoing an evaluation of its anti-money laundering, counter financing of terrorism and proliferation of weapons of mass destruction legislative and operational regime. This evaluation is a key component of the international network of anti-money laundering and counter financing of terrorism initiative. The recommendations from this evaluation will inform the tool to be used by the Kingdom to improve areas found to be lacking.

(xii) **Promotion and protection of Human rights**

97. Mr. Speaker, given the country's fiscal challenges, the need to focus and prioritize programmes is indisputable. Government’s commitment to ensuring basic human rights for its citizens remains steadfast and, as such, will continue to make adequate provisions
towards this end. This includes the rights to health, education and all other interdependent rights including economic rights. This will be done in line with the Sustainable Development Goals (SDGs) agenda, with a particular focus on the most vulnerable as enshrined in the principles guiding the implementation of the SDGs. The need to ensure gender equity in the implementation of the SDGs cannot be emphasized enough.

IV. FISCAL PERFORMANCE

(i) Revenue Performance 2020/21

98. Mr. Speaker, in 2020/21 fiscal year, Government revenue and grants are projected to amount to E18.9 billion, corresponding to 28.9 percent of GDP. The projected revenue collection displayed a significant shortfall against the initial budget of E21.1 billion, largely attributed to the disruption in the economy brought about by the coronavirus pandemic. Despite the significant underperformance of actual revenue receipts against projections in the previous fiscal year, revenue receipts were still at record highs. This performance is largely attributable to SACU receipts in 2020/21. At 12.9 percent of GDP, SACU increased from 6.3 billion in 2019/20 to 8.3 billion approximately 43.9 percent of the total revenue collection.

(ii) Expenditure 2020/21

99. Mr. Speaker, total Government expenditure for financial year 2020/21 was budgeted at E24.4 billion. The pandemic necessitated significant revisions to the original budget in order to re-direct expenditure towards our pandemic response. The revised budget at the end of the year stands at E23.2 billion, despite the significant expenditure on health in the last year His Majesty’s Government has been able to successfully contain costs. At 35.9 percent of GDP, this projected outturn is approximately 3.6 percent higher than the outturn in 2019/20.
(iii) Overall Balance/Government Deficit 2020/21

100. Mr. Speaker, the deficit for financial year 2020/21 was budgeted at 4.5 percent of GDP, significantly lower than the 5.9 percent deficit for financial year 2019/20. This equates to a decrease in the fiscal deficit, down from E4 billion to E3.3 billion. Whilst we have been able to fund part of this through local borrowing, a large part of it has been financed through external borrowing for budget support and created enough fiscal space for us to significantly reduce the stock of arrears.

(iv) Public Debt 2020/21

101. Mr. Speaker, total public debt stock is estimated to reach E28.4 billion in 2020/21 which translates to 45 percent of GDP. The scope for extending domestic financing was saturated and Government, therefore, negotiated budget support from external multilateral financial institutions. Government was successfully granted E1.96 billion budget support from the IMF under the Rapid Financing Instrument (RFI). Government has also secured budget support of E678 million in 2020/21 from the World Bank.

102. Domestic debt accounts for nearly 53 percent of the E28.4 billion public debt stock forecast in 2020/21, while external debt is expected to account for 47 percent, which is the accumulation of externally financed capital expenditure as well as newly acquired budget support loans.

(v) Cash Flow and Arrears 2020/21

103. Mr. Speaker, arrears have accumulated as a consequence of unsustainable Government operations over several financial years, where expenditure routinely exceeded revenue and financing, resulting in cash flow deficits and constraints on our ability to pay for procured goods and services. This has had detrimental effects on the private sector which has had to bear the consequences of Government living beyond its means. To improve the conditions for the private sector, clearing domestic arrears has and continues to be a top-priority for Government. In the beginning of financial year 2020/21, the stock of arrears stood at E5.3 billion, composed of E194 million owed from 2016/2017, E408 million from 2017/2018, E246 million from 2018/2019, E1.45 billion from 2019/2020
and lastly E3 billion of arrears which was sitting with line ministries. Out of the E3.3 billion, E1.1 billion of these arrears in line Ministries still has to be verified for processing.

104. His Majesty’s Government is proud to announce that, despite the challenges during the financial year 2020/21 brought about by the coronavirus pandemic, we have been able to reduce the stock of arrears significantly. The improvement in SACU receipts, in the current financial year 2020/2021, eased the pressure on cash flow for Government, enabling a repayment of the advance from the Central Bank while leaving a balance of about E400 million, compared to previous year where Government had to top-up the advance. The strict measures implemented by Government on expenditure commitments and the suspension of external travel further contributed to cash flow improvements.

105. To date, Government’s stock of arrears amounts to E 1.1billion, accumulated over the past four years; E 6.1million from 2016/2017, E280million from 2017/2018, E139million from 2018/2019, E671million from 2019/20. These estimates do not include the outstanding payments accumulated in financial year 2020/21, to date amounting to E500 million this is mainly healthy accounts payable. Government will continue to prioritise the clearance of arrears in the upcoming financial year to further improve the conditions for the private sector.

106. The clearance of arrears accrued in past years has been a significant challenge and one that has consistently eaten into the present years cash flows, depleting budget credibility in any given year. Government is, for the first time in many years, in a position to now change her stance, and focus instead on the proper management of accounts outstanding and ensure that an accumulation of arrears is a thing of the past. This has remained an important policy stance and a very critical step towards building confidence and goodwill in the private sector.
V. TURNAROUND STRATEGY

(i) Fiscal Consolidation

107. Mr. Speaker, the global economic crisis caused by the coronavirus has amplified the need to bring Government’s fiscal accounts onto a sustainable path. Aligned to the Fiscal Adjustment Plan (FAP) approved in July 2020, the budget for financial year 2021/22 has been developed with a focus on fiscal consolidation. In order to bring Government operations to sustainable levels the Fiscal Adjustment Plan lays out a set of fiscal policy measures aimed at an overall consolidation of 6.5 percent of GDP over a three-year period.

108. The consolidation process contains structural reforms to several expenditure items, among others the Government’s Wage Bill. The Wage Bill is by far the largest single expenditure item and has been growing rapidly over the past years, threatening fiscal sustainability. The reduction in wage related expenditure will be realised through a continuation of the hiring freeze to all Government entities effective from 2018/19, alterations to allowances, reallocation of excess positions between ministries, alternative service delivery for support services and possibly an Early Voluntarily Retirement Scheme (EVERS). The consolidation plan further includes alterations to the purchase of goods and services, the internal transfers as well as the capital budget.

109. To achieve fiscal sustainability, Government has further set out to increase fiscal space. Although certain tax increases mentioned in previous budget speeches are under review, Government does not plan to increase any taxes significantly in the short term. We are constantly trying to find ways to bring more non-tax payers into the tax net and reduce tax evasion.

110. Getting our fiscus in order has proven to be a daunting task. To overcome the current financial crisis and to kick-start our economy while at the same time reducing Government’s fiscal deficit, requires a great effort from Government as a whole and it is only through our collective effort that the pattern of unsustainable operations can come to an end. The necessity for fiscal reforms does not only present a challenge but also an opportunity to build back an economy more resilient, inclusive and prosperous. Government is seizing the opportunity, through the 2021/22 budget, to promote structural
change to public expenditure and revenue collection as stipulated in the Fiscal Adjustment Plan, creating leverage for socioeconomic development for all EMaswati.

111. The successful implementation of the measures in the Fiscal Adjustment Plan is paramount to avoiding an unfinanceable budget deficit and thereby accumulating arrears at the cost of private sector operators, already hard-hit by the pandemic and economic crisis. Additionally, the approval and adoption of structural reforms stipulated in the Fiscal Adjustment Plan was a precondition for the budget support received from the IMF to cater for revenue loss and increased health and social expenditure caused by the pandemic. To implement the consolidation measures therefore has a dual purpose, to achieve fiscal sustainability and to abide by the commitments Government has made to its lenders.

(ii) Public Enterprises

112. Mr. Speaker, Public enterprises continued to execute their mandates despite the global crisis as a result of the Covid19. The performance of most of the commercial entities had shown a decline in the year and this resulted in a negative impact to the return on investment to the shareholder.

113. The reliance on Government subvention by our Public Enterprises continues to be a challenge as Government is not able to meet the ever-increasing financial requests with its limited resources. As such, Government had taken a decision to reform these entities by reviewing their relevance and effectiveness with the view to privatize, merge and revert some back to government departments.

114. Eswatini Economic Policy Analysis and Research Centre (ESEPARC) has been appointed to conduct the review and I am happy to report that this is already commenced. All Public Enterprises are urged to cooperate with the ESEPARC during the course of the exercise.
(iii) **Public Procurement Reform**

115. Mr. Speaker, priority will be given to procurement of goods and services for health, including PPE, drugs and medical supplies; education; disaster relief and social services. In pursuit of the Eswatini Strategic Roadmap, Government will explore the possibility of introducing an electronic procurement system, which will interface with the integrated financial management system. This follows an assessment of the government’s readiness in terms of the hardware necessary to run the system. The World Bank is providing technical support in the preparatory work and procurement of suitable software. The relevant stakeholders will be assisted through the transition to electronic procurement through sensitisation and capacity building to ensure that they are not disadvantaged by the new system.
VI. REVENUE AND EXPENDITURE FOR 2021/22

116. Mr. Speaker, I will now present the Budget estimates for the financial year 2021/22.

(i) Revenue

117. Mr Speaker, Government revenue including grants in the 2021/22 fiscal year is projected to reach E19.45 billion, which is 27.5 percent of GDP. Of this, grants are approximately E411 million. SACU receipts declined from E8.35 billion in 2020/21 to E6.38 billion in 2021/22. Non-SACU revenue is E12.66 billion.

118. Mr. Speaker, the projected estimates of revenue assume that the pandemic and its devastating impact on the economy will be mitigated prior to the end of the financial year. Total income taxes are projected to increase to about E6.34 billion in 2021/22. Corporate income taxes are expected to be E1.86 billion in 2021/22. Similarly, personal income taxes are expected to be E3.89 billion.

119. Mr. Speaker, taxes on goods and services excluding SACU receipts are expected to be E5.79 billion. VAT is expected to be E3.96 billion. Fuel tax is expected to be E1.55 billion. The levy on imported vehicles is projected to grow around 100 percent, from E9.9 million to E20 million.

(ii) Expenditure

120. Mr. Speaker, total expenditure for the financial year 2021/22 is expected to be E24.04 billion. This includes public debt payments of E3.2 billion. The appropriated recurrent expenditure is set to be E16 billion, a decrease of 3.2 percent compared to the previous year. Total budget allocation to capital programs amounts to E6.37 billion, maintained at last year's budget allocation. The total expenditure for 2021/22 will witness a minimal decrease of 0.12 percent compared to last year’s budget amounting to E24.07 billion.
(iii) **Overall Balance**

121. Mr. Speaker, the budget deficit for financial year 2021/22 is projected at 6.5 percent of GDP, equal to E4.6 billion.

**VII. APPROPRIATION**

122. Mr. Speaker, by virtue of the responsibility entrusted in me as Minister of Finance, I now present to this August House the budget estimates for financial year 2021/22.

*Revenue and Grants: E19.45 billion;*

* Appropriated Recurrent Expenditure: E15.98 billion;*

* Appropriated Capital Expenditure: E6.37 billion;*

*Total Expenditure: E24.04 billion;*

*Fiscal Deficit: E4.6 billion*
VIII.  CONCLUSION

123. In conclusion, I would like to thank local and international development partners, who have supported us through thick and thin, especially through this pandemic. This includes even individual donors who have displayed this unwavering support to the nation both financially and technically.

124. Mr. Speaker, in particular, I would like to acknowledge the support we received from European Union, Republic of China (Taiwan), the UN family, the World Bank and the International Monetary Fund, the African Development Bank, International Fund for Agricultural Development, Export-Import Bank of India, Japan International Cooperation Agency (JICA), USAID, OPEC Fund for International Development, BADEA, Kuwait Fund, the Saudi Fund for Development, Mr. Natie Kirsh and the Civil Society We heed His Majesty’s call to “heal our Nation, rebuild our economy and bring stability to all our systems that have been disturbed during this time”.

125. I sincerely send my gratitude to His Excellency, the Acting Prime Minister for his leadership and guidance together with all my Cabinet colleagues in assisting us to shape up the economy of our country through their constructive inputs in this challenging times.

126. Lastly, I would like to quote a scripture from Joshua 1:9; “Have I not commanded you? Be strong and of good courage; be not afraid, neither be dismayed, for the Lord your God is with you wherever you go”.

127. I THANK YOU ALL.