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|---|----|
| Table of contents   |    |
| I. Introduction.....  | 2  |
| Opening Remarks .....   | 2  |
| Milestones .....  | 2  |
| Challenges .....  | 3  |
| II. Economic performance and outlook.....                       | 4  |
| International developments .....                                | 4  |
| Regional developments .....                                     | 4  |
| Domestic Developments .....                                     | 4  |
| III. Fiscal performance .....                                   | 6  |
| Actual outturn for 2013/14.....                                 | 6  |
| Projections for 2014/15 .....                                   | 7  |
| Financial sector developments .....                             | 8  |
| Budget Strategy for 2015/16 .....                               | 9  |
| IV. Enhancing Human Capital .....                               | 9  |
| Health .....  | 9  |
| Education.....  | 10 |
| Welfare for the vulnerable.....                                 | 11 |
| V. Building a Strong and Resilient Economy.....                 | 11 |
| Improving the Investment Climate.....                           | 12 |
| Increasing Foreign Direct Investment.....                       | 12 |
| Communication, Information Technology and Innovation.....       | 12 |
| Agricultural modernisation .....                                | 13 |
| VI. Strategic Infrastructure Rehabilitation and Expansion ..... | 13 |
| Roads.....  | 13 |
| Railways.....   | 14 |
| Aviation.....   | 14 |
| Mining .....  | 15 |
| Electricity Generation .....                                    | 15 |
| Strategic Oil Reserves .....                                    | 15 |
| Water and Sanitation .....                                      | 15 |
| Tourism .....   | 16 |
| Rural Development .....   | 16 |
| VII. Enhancing Public Service Delivery .....                    | 16 |
| Improving civil service management .....                        | 16 |
| Continuing public finance management reforms .....              | 17 |
| Fighting Corruption.....  | 17 |
| VIII. Revenue and Expenditure for 2015/16.....                  | 18 |
| Revenue and grants .....  | 18 |
| Expenditure .....   | 18 |
| Revenue Measures.....   | 18 |
| IX. Appropriation .....   | 20 |
| X. Conclusion .....   | 20 |

## **I. Introduction**

### ***Opening Remarks***

1. Mr Speaker, I have the honour to present the Kingdom's Revenue and Expenditure proposals for the financial year 2015/16. This is the second budget of the 10<sup>th</sup> Parliament of the Kingdom of Swaziland. Mr Speaker, the budget I am presenting today, is not just a collection of numbers as printed in the Budget Estimates Books, but also a reflection of the values and aspirations of the Government and the nation at large.
2. I wish to express my sincere gratitude to their Majesties for their unwavering support, wisdom and advice during my two year tenure as Minister for Finance. Their efforts to promote continuity, endurance, and patience among Swazis are praiseworthy. I thank His Majesty for His Speech from the Throne, which inspired all of us, collectively and individually, to strive for the prosperity of our country.
3. I thank His Excellency the Prime Minister, for providing leadership and direction to Government, and to my colleagues in Cabinet for their continued support in preparing this budget in a collective manner.
4. I also take this opportunity to thank the Parliament Finance Committee for their review and scrutiny of the budget plans and Government expenditure.
5. Mr Speaker, this speech will be incomplete if I do not thank this Honourable House for their continued support. This august House provides a public arena in which Government's spending is explained and debated.

### ***Milestones***

6. Mr Speaker, despite the various recent challenges including the loss of AGOA, the Kingdom has achieved significant milestones in its socio-economic transformation over the recent years. To highlight a few:-
  - i) Universal Primary Education now covers Grades 1 to 7, thus reaching the target we set ourselves in the Constitution;
  - ii) Anti-Retroviral Therapy take up has more than doubled since 2009, with about 105,000 people with HIV accessing free treatment;

- iii) The proportion of Swazis with access to clean water has increased to 76 percent; and
- iv) Our business and economic environment has generally improved, thanks to improved fiscal conditions and reforms, coupled with peace and security. This augurs well for our future economic growth prospects.

### **Challenges**

7. The challenge going forward is to consolidate our past achievements and to ensure that we sustain this growth trajectory towards the desired social and economic transformation of the Kingdom. ***“Kungako sitsi lamaphakelo alonyaka, atawuba yincenye yesisekelo sentfutfuko yelive”***.
8. This Budget is a continuation of our journey towards Vision 2022. To quote the Programme of Action, we aim for a Swaziland where *‘all citizens are able to sustainably pursue their life goals, and enjoy lives of value and dignity in a safe and secure environment.’* The theme for the 2015/16 Budget is therefore ***“Achieving more with less spending: sustaining economic growth and protecting social development.”***
9. The budget will focus on implementing priority development programmes over the next year and medium term, within a tightly constrained resource envelope. The main focus will be on education, health and agriculture; new roads; and measures to create the right conditions for private sector investment.
10. Mr Speaker, as the Holy Bible says in Luke 14:28-30, ***“For which of you, desiring to build a tower, does not first sit down and count the cost, whether he has enough to complete it? <sup>29</sup> Otherwise, when he has laid a foundation and is not able to finish, all who see it begin to mock him, <sup>30</sup> saying, ‘This man began to build and was not able to finish’.*** This Government believes that the Swazi nation can together build a future that is prosperous, just, and secure.
11. Mr. Speaker, in order to put the 2015/16 budget into perspective, let me briefly outline the recent world economic outlook.

## **II. Economic performance and outlook**

### ***International developments***

12. Mr Speaker, as a small open economy, the prosperity of Swaziland to a large degree is influenced by the strength of the global economy. At present, the world economy faces an uncertain future, and is still grappling with overcoming the effects of the recent global financial crisis. The world economy is expected to continue to grow modestly. According to the recent IMF's World Economic Outlook, global economic growth was estimated at 3.3 percent in 2014, and stabilising at 3.7 percent over the medium term. This rate remains below the average recorded in the decade prior to the 2008 global crisis. On a positive note, the recent decline in international oil prices is good news for domestic inflation and trade prospects.

### ***Regional developments***

13. Mr Speaker, projections indicate that the Sub-Sahara Africa's economy will continue to grow. Growth is projected at 4.9 percent in 2015, rising to 5.2 percent in the medium term. We need to work harder to benefit from this strong regional growth.

14. As you may be aware, Mr Speaker, South Africa is the destination for 63 percent of our exports. In 2014, the South African economy is projected to have grown by only 1.4 percent, against a target growth of 2.5 percent. Growth will be sluggish at 2.3 percent in 2015, increasing to 2.8 percent in the medium term. Their performance presents a significant challenge for our economy and reminds us of the need to diversify into other markets.

### ***Domestic Developments***

#### **Real GDP Growth**

15. On the domestic front, preliminary estimates indicate a slower pace of economic activity over the past year. Real GDP growth slowed down to 2.5 percent, in 2014 from an estimated growth rate of 3.0 percent in 2013. This slowdown has been largely due to a weak performance in mining and manufacturing sectors. The mining sector contracted by 23 percent in 2014, compared with growth of 19 percent in 2013. Falling commodity prices in the international market, and internal administrative issues were behind this weak performance. The manufacturing sector slowed down to 1.3 percent in 2014 from

1.9 percent the previous year. This stemmed from weakened performance in the textile industry, labour disputes and falling commodity prices in the sugar industry.

16. On the other hand, the 2.5 percent overall growth was supported by robust agricultural and construction sectors. Improved weather conditions and targeted interventions in the agricultural sector, under the LUSIP and food security programmes were the main drivers for growth in agriculture. The construction sector also remained buoyant, driven by major capital projects including the construction of roads, Information Technology and Biotechnology Parks, and the International Convention Centre and Hotel.
17. Over the medium term, the objective of Government as per the Programme of Action 2013-2018 is to attain real GDP growth of at least 5 percent per year. This is the minimum level of growth that could achieve the desired social economic transformation by 2022. Taking steps towards this goal will require continued implementation of economic reforms identified in the Investor Road Map.

### **Inflation**

18. Annual average inflation to December 2014 was 5.7 percent, slightly higher than the 5.6 percent average inflation observed in 2013. Food inflation averaged 6.3 percent in 2014 compared to 5.7 percent in the previous year. Transport inflation increased to 8.8 percent in 2014 from 2.4 percent in 2013.
19. Over the medium term, inflation is projected to remain within the 3-6 percent target range. Maintaining low inflation continues to be a key objective of Government's macroeconomic policy in order to ensure a stable investment climate and safeguard the welfare of Emaswati.

### **Savings and Investment**

20. Mr Speaker, a recent study carried out by Swaziland Economic Policy and Research Centre (SEPARC) indicated that the saving culture in Swaziland is almost non-existent. This must change, and indeed one of Government's long term priority objectives is to encourage domestic savings to contribute to long term development finance, and to lower lending interest rates to borrowers, which currently stand at 8.8 percent, compared with 8.5 percent a year ago.

### **Balance of Payments**

21. Swaziland's balance of payments continued to reflect strong performance in 2014 according to data for the first half of the year. The current account surplus more than doubled in the first half of 2014 compared with the year before. The current account surplus for the two quarters ending June 2014 stood at E1.2 billion. The trade surplus and high SACU receipts were the main factors contributing to the increase in the current account surplus.
22. Exports increased strongly, by 29 percent in the first two quarters of 2014 compared to the same period the previous year, whilst imports increased by a lower 13 percent over the same period. Our strong performance stems from the depreciating exchange rate during 2014, and is an encouraging sign of economic vitality.

### **III. Fiscal performance**

23. Mr Speaker, I would like to turn to the public finances for 2013/2014.

#### ***Actual outturn for 2013/14***

#### **Balance**

24. Mr Speaker, for 2013/2014, central Government declares a small overall surplus of around E220 million on a cash basis. This is around 0.5% of GDP, and contributed to a strengthened reserves and domestic financial position. Repayments and reserve accumulation helped repair the damage done during the 2010-12 fiscal crisis.

#### **Revenues and grants**

25. Mr Speaker, the total revenue received in 2013/14 amounted to E12.9 billion. Grants added a further E200 million. SACU receipts accounted for 55% of revenues. Total non-SACU revenue for 2013/14 increased by 11% on those of 2012/13, while SACU increased by 1%, falling in real terms and as a share of GDP. Compared with the previous year, Government registered 39% growth in company income taxes and 40% growth in individual income taxes. Collections were strengthened by Swaziland Revenue Authority (SRA) efficiencies and the rebound from the fiscal crisis. VAT remained at E1.7 billion, while fuel tax increased by a robust 37% to E520 million.

#### **Expenditure**

26. Mr Speaker, I turn now to expenditure for 2013/14. Expenditure on a cash basis for 2013/14 was E12.9 billion, a 22% year-on-year increase against 2012/13. Expenditure

was a healthy 97% of the original budget. Recurrent expenditure increased by E1.3 billion, of which more than half was wage bill increases. Capital expenditure rose by 71% to E2.4 billion, driven by higher execution and an increase in major road investments. Domestic bonds outstanding increased by E130m on a net basis, while Treasury Bills grew E220m on a net basis.

### ***Projections for 2014/15***

#### **Revenues**

27. Revenues for 2014/15 are projected at E14.0 billion, 14 percent higher than target. This increase, mainly in domestic revenue, was driven by higher than expected income tax and VAT collections. This can be attributed to improved tax administration at the Swaziland Revenue Authority (SRA). The SRA should continue with the commendable work they are doing. SACU receipts as a share of total revenue remained high, at around 56 percent over the past three years.

#### **Financing**

28. Mr Speaker, financing from the domestic financial markets for the financial year 2014/15 budget is projected at E350 million, on a net basis, to supplement domestic revenues for the investment projects. Net external financing is projected at E100 million, which is low. Going forward, project disbursements are set to increase healthily, stemming from projects in the agriculture, road and tourism sectors.

#### **Expenditure**

29. Total expenditure during 2014/15 is projected to be 38 percent of GDP, compared to 34 percent last year. In absolute terms, Government expenditure is projected to be E15.7 billion, E400m greater than budgeted. Of this, the wage bill accounted for 38 percent of 2014/15 projected total expenditure, compared to a share of 41 percent in 2013/14, and accounts for most of the additional expenditure. Capital expenditure is projected to account for 23 percent of total expenditure in 2014/15 compared to 19 percent in 2013/14. Goods and services account for 16 percent of total expenditure in 2014/15, from 17 percent in 2013/14. Transfers to social grants and public enterprises account for 19 percent in 2014/15 compared to 20 percent in 2013/14.

#### **Public Debt**

30. Mr Speaker, as at end December 2014, total debt stock stood at E6.5 billion, from E6.3 billion in December 2013. Of this, 55 percent is external debt while 45 percent is

domestic. The current stock of public debt represents 16 percent of GDP. This is a healthy level, but we must exercise caution. We must evaluate projects diligently before acquiring debt and adopt effective management principles and practices in utilising debt.

31. Debt continues to be a binding constraint in our expenditure plans. 60 percent of domestic debt is in short term treasury bills with less than 1 year of maturity period. This short term source of financing can be volatile, and hence limits our ability to finance long term development programs.

32. Mr Speaker, I am happy to report that the Ministry of Finance has established a Public Debt Management Unit to guide Government Ministries and Agencies in contracting and managing public debt. The Unit will become operational with effect from April 1<sup>st</sup> 2015.

### ***Financial sector developments***

#### **Banking Sector**

33. During 2014/15, the banking sector remained financially sound and conformed to prudential regulatory requirements. Loans and advances totalled E8.5 billion, representing 64 percent of banking sector assets. When compared to the previous year, loans and advances grew by 1.6 percent. This is low, but it reflects a large post-crisis rebound from the year before.

34. All banks remained profitable during the year, amassing E353 million in profits before tax as at September 2014, a 10.5 percent improvement when compared to September 2013. Despite the increase in profitability of these banks, Government has received complaints from depositors about high bank charges. Government requests the Central Bank to look into this issue with a view to protecting depositors, encouraging increased savings, increasing financial inclusion and access to credit.

#### **Credit to the Private Sector**

35. Annual credit to businesses grew by a lower 7.0 percent compared to 15 percent in the previous year. This change was driven by manufacturing, agriculture, forestry and construction sectors. Annual growth in credit to the household sector remains healthy, at 14 percent in the year to December 2014.

### **Non Bank Financial Institutions**

36. Mr Speaker, the Financial Services Regulatory Authority (FSRA) continued to expand and enhance its supervisory role and ensure our financial system is safe and fair. The FSRA has licensed 67 Savings and Credit Co-operatives (SACCOs) to date, as well as extended licenses to money lenders who meet the set standards. The FSRA will continue to bring all Non-Banking Financial Institutions under its regulation.

### ***Budget Strategy for 2015/16***

37. His Majesty the King in His Speech from the Throne this year, counselled to ‘save for rainy days during good years’. Given our difficult fiscal circumstances, these are our priorities for Budget 2015/16:

- i) **A strong and resilient economy**, with a particular focus on macroeconomic stability, private sector competitiveness, expanding trade and industry, agricultural modernisation and enhancing natural resource management;
- ii) **Enhancing human capital**, with increased focus around access and quality of healthcare and education, and enhancing the welfare of the vulnerable;
- iii) **Enhancing service delivery**, through improving institutional governance, transparency and accountability;
- iv) **Strategic infrastructure rehabilitation and expansion**, focusing on roads, railway, aviation, water and sanitation, tourism and rural development.

38. Mr Speaker, this budget strategy is aimed at sustaining economic growth, employment and poverty reduction. The strategy also ensures that Government facilitates the private sector as directed by His Majesty the King in His Speech from the Throne, by implementing measures that improve efficiency and lower the cost of doing business.

## **IV. Enhancing Human Capital**

### ***Health***

39. Mr Speaker, in financial year 2014/15, Government provided E1.6 billion to the health sector. These resources have provided many returns, including the following:

- i) Total of adults and infants enrolled on Anti-Retroviral Therapy (ART) increased year on year by 13 percent to 105,000
- ii) Phase 1 of the Lubombo Regional Hospital completed and operationalized and the Renal Unit was established at Hlathikhulu Government Hospital

- iii) Mini laboratory services increased from 39 to 55 health clinics
- iv) Eleven ambulances for Emergency Preparedness and Response (EPR) program were distributed to regions
- v) Nine clinics were constructed in an effort to improve access to health care to all Swazis in the following areas — Nkhaba, Bhudla, Mkhitsini, Nhlambeni, Vusweni, Nsalitje, Ebholi maternity ward, Manyeveni, and Khuphuka

40. Mr. Speaker, Government takes the health of all Swazis very seriously. At no point will Government renege on this responsibility. Government is increasing the health sector budget from E1.6 billion in 2014/15 to E1.8 billion in 2015/16. The main programs are:

- i) An increase of E71 million has been allocated to enroll patients from 350 CD4 to 500 CD4 count into the Anti-Retroviral Treatment program and implement the Life Long ART program for positive pregnant and lactating women to reduce the transmission rate of HIV to unborn children
- ii) An increase of E26 million has been allocated to purchase Rotavirus vaccines for the prevention of dangerous viruses such as the diarrhea virus
- iii) Outreach health care services to cover hard-to-reach areas

### *Education*

41. Mr. Speaker, this year, the Government of Swaziland will achieve the historic milestone of sending every child through Universal Primary Education. In addition, many more milestones have been reached in an effort to enhance human capital development through provision of quality education in Swaziland. For instance:

- i) At primary school level, net enrolment rate has increased to 95 percent in 2014 from 89 percent in 2009. Learners enrolled in these schools continued to benefit from free textbooks, stationery, 102 completed classrooms and 110 teacher posts
- ii) Scaled up the National School Feeding Programme which now covers 94 percent of all public primary schools; distributed 80 water tanks in 61 schools and 24 schools received boreholes and water tanks
- iii) Constructed 58 classrooms, 72 teachers' houses, 28 boreholes, 8 agriculture laboratories, 4 kitchen facilities, 2 new science labs for secondary schools; 28 science laboratories were refurbished in various secondary schools

iv) The first group of Bachelor of Technology students who had majored in IT graduated at SCOT in 2014; enrolment at UNISWA increased by 9 percent, while at Ngwane Teacher Training College an additional 150 students were enrolled.

42. Mr. Speaker, there is more that needs to be done to improve access and quality of education in the country. Access to secondary and tertiary education remains limited. Only 6 percent of high school graduates continue to tertiary education within Swaziland. The institutions' potential to raise private or external funding to sustain themselves needs to be fully exploited.

43. Mr. Speaker, I propose that Government increases the education sector allocation to E2.9 billion in 2015/16. This will enable the education sector to pursue its priority medium-term goals. An additional E52 million has been allocated to implement the Free Primary Education program to Grade 7.

44. The Government is allocating E16 million towards the upgrade of Ngwane Teacher's Training College and William Pitcher College for upgrading their teaching facilities. This is in preparation for the conversion of the two colleges to university status, and should lead to an increase in teaching quality. This will assist human capital development.

### ***Welfare for the vulnerable***

45. Mr Speaker, Government continues to prioritize the welfare of the vulnerable in our society. During 2014/15, E386 million was provided to the elderly, orphaned children, people with disabilities, and households affected by natural disasters. Next year, Government is increasing the allocation to E415 million to enable the Deputy Prime Minister's Office to improve the welfare of the vulnerable. The increase in the 2015/16 allocation has especially been influenced by the increase in grants to the elderly to E240 per month.

## **V. Building a Strong and Resilient Economy**

46. Mr. Speaker, the strategy to improve Swaziland's competitiveness will focus on interlinked actions to reduce the cost of doing business. I will elaborate on the planned actions to improve private sector competitiveness for next year and the medium term.

### ***Improving the Investment Climate***

47. Mr Speaker, Swaziland's ranking for the World Bank Ease of Doing Business improved from 134 in 2012 to 110 in 2015. Improving by 24 places is a serious achievement. I commend the Ministry of Commerce, Industry and Trade, SRA, and other stakeholders for implementing interventions that have contributed to this achievement. These included shortening of the company registration process, introduction of VAT, and quicker services at our borders.

48. Mr Speaker, more needs to be done, to improve our competitiveness. In this forthcoming financial year, Government has allocated E162 million to Ministry of Commerce to complete reforms including company e-registration and fast tracking of the Investor Road Map.

### ***Increasing Foreign Direct Investment***

49. Mr Speaker, Foreign direct investment inflows continued to be minimal in 2014 mainly due to the tight competition for FDI in the region and globally. In the forthcoming financial year, E21 million has been allocated to SIPA to continue implementing its priority activities, aimed at attracting increased FDI in Swaziland.

### ***Communication, Information Technology and Innovation***

50. Mr Speaker, one of the priority actions in the Investor Roadmap relates to liberalising of the ICT industry, with a view to cut down the cost of communication. Government has begun the process of splitting SPTC into two independent institutions. This action is intended to increase competition in the communications industry and reduce the cost of communication in the country.

51. Mr Speaker, in 2014/15, Government allocated E212 million for the construction of the Science and Technology Parks. These parks are aimed at enhancing innovation and incubation of business projects. Construction of these parks is expected to be completed in the forthcoming financial year. In 2015/16, Government has allocated E435 million to the Ministry of ICT to execute various projects, including the completion of the construction of the IT and Biotechnology parks.

52. Mr Speaker, Government has allocated E30 million to enable the Ministry to roll out the Digital Migration which comes with improved picture and sound quality. The project

targets to roll out Set-Top-Boxes to TV holding households for the preparation of the switchover of 17<sup>th</sup> June 2015.

### ***Agricultural modernisation***

53. Mr Speaker, agriculture and agribusiness continue to be a priority to Government. The sector employs 9 percent of the Swaziland's formal labour force, and contributes about 11 percent to GDP. During 2014/15, E541 million has been allocated to the agricultural sector. Recent achievements include:

- i) Commenced construction of four earth-dams
- ii) Swaziland retained the 'External Trade Eligible Status' in the continued access to the European Union (EU) and Norwegian beef markets; restored the National Dipping Program, and rolled out the Livestock Information and Traceability System
- iii) Developed 3,357 hectares under LUSIP I and 5,206 hectares under KDDP

54. During the next year, E537 million has been allocated to enable the Ministry of Agriculture to implement the following programs:

- i) Increasing food production to reduce importation of food and to increase agricultural exports, and continued implementation of the Food Security Project
- ii) Build five additional earth dams to support small scale irrigation farming
- iii) To continue with the Second Lower Usuthu Smallholder Irrigation Project (LUSIP II) extension

## **VI. Strategic Infrastructure Rehabilitation and Expansion**

### ***Roads***

55. Mr. Speaker, in 2014/15, E1.2 billion was provided for the Public Works and Transport Sector. These resources have been used to achieve the following:

- i) Graded 242km of road, maintained 480km of road reserve, and re-gravelled 89 km of unpaved roads. 32km of feeder roads were constructed including three river crossings at Sidvokodvo, Makhwane and Ngcoseni.
- ii) Construction and upgrading of road from Mbadlane to King Mswati III International Airport is in progress.
- iii) Major rehabilitation works have been done on the Bhunya-Sandlane road.

56. In 2015/16, Government is allocating E1.3 billion to enable the Ministry of Public Works and Transport to implement the following:

- i) Completion of rehabilitation works on Nhlangano-Sicunusa road
- ii) Commence construction in the medium term on Mbadlane to Manzini Road project
- iii) Regravelling of 100km of road and construction of 80km of feeder roads

### ***Railways***

57. Mr. Speaker, regional rail infrastructure can play a crucial role in promoting intra-regional trade. The Swazi Rail Link Project will link the local railway to the South African network from Lothair through Sandlane border. The project entails the construction of 93km rail line from Sandlane to Sidvokodvo. Additionally, 131km of existing rail line from Sidvokodvo to Lavumisa will be upgraded.

58. This is a joint project between the two Governments and will provide employment to an estimated 6,000 people. Government has allocated E75 million towards the completion of the feasibility study.

### ***Aviation***

59. Mr Speaker, in 2015/16, E106 million has been allocated to SWACAA to facilitate the operationalization of King Mswati III (KM III) International Airport. With the airport now operational, efforts are being made to attract more commercial airlines to operate from our airport. I am reliably informed that applications from different airlines have been received and are currently being considered.

### ***Mining***

60. Mr Speaker, the mining sector continues to have huge potential, but currently contributes less than 1% of GDP. A mining lease for mining and processing gold at Lufafa has been granted. As per this lease, the gold bullions will be traded through the Central Bank of Swaziland. Government is grateful to His Majesty the King for granting this unique lease.
61. In addition, Mr Speaker, the Ministry of Natural Resources is reviewing the mining sector's legal framework with a view to modernize the regulation of the sector.

### ***Electricity Generation***

62. Mr Speaker, electricity costs and supply is the primary concern of many businesses in this country. To date, 3,273 new customers were connected to the power grid. Over the next year, Government will continue to explore new generation opportunities, while continuing to increase the number of Swazis with access to electricity.
63. Mr Speaker, participation of Independent Power Producers (IPPs) has been encouraged by Government. Over the past twelve months, seven Memoranda of Understanding (MOUs) have been signed to set up generation plants in the country. Three of these have successfully negotiated Power Purchase Agreements (PPAs). These projects will be located at KaLanga (950 kW), Siteki (5 MW solar), and Sidvokodvo (15MW).

### ***Strategic Oil Reserves***

64. Mr Speaker, Swaziland recently experienced acute shortage of fuel, resulting in disruption of business and other economic activities. Hence, Government is expediting the establishment of the Strategic Fuel Reserve Facility at Phuzumoya. It will provide a back-up supply of oil and gasoline up to 90 days' reserve supply.

### ***Water and Sanitation***

65. Mr Speaker, Government has made considerable progress in access to clean safe water and sanitation. 76 percent of Swazis now have access to safe water within a distance of 0.5 km. Our target is to improve access to safe water and sanitation to 79 percent by end of 2015/16. In 2015/16, E175 million has been allocated for the provision of safe potable water and sanitation. This will include the implementation of the following projects:
- i) Ezulwini Sustainable Water and Sanitation Project, with funding from the African Development Bank
  - ii) Construction of a sewer treatment plant in Matsapha

- iii) Completion of the construction of the Wastewater Treatment Plant in Nhlangano Town.

### ***Tourism***

66. Mr Speaker, the tourism sector has the potential to significantly contribute to national output. In order to realize the tourism sector's potential, Government will formulate a comprehensive Tourism Sector Strategy that addresses promotion, training regulation, and tourism infrastructure development. In 2015/16, E14 million has been allocated to the Swaziland Tourism Authority for tourism promotion and for the formulation of the strategy.
67. The announcement of His Majesty the King from the Speech from the Throne informed the nation that in the year 2020, the country will host the African Union summit. This is a great honour and responsibility to the Swazi nation at large. Government is planning to have the International Convention Centre and Five Star Hotel as the main venue for this event. Hence, an allocation of E412 million has been made in the 2015/16 budget to continue with the construction of this project.

### ***Rural Development***

68. Mr Speaker, in the 2014/15 budget, E88 million was allocated to the Regional Development Fund (RDF). Through the RDF and Microprojects Programme, our communities have continued to partner with government and donor agencies to spearhead socio-economic development. Through these community development programs; construction of schools, water supply schemes, installation of electricity schemes, foot bridges, and many other development projects have been undertaken.
69. In 2015/16, a total of E160 million has been allocated towards rural development projects. Disbursement of this allocation will be guided by the new regulations, which put more emphasis on technical and economic viability of the projects.

## **VII. Enhancing Public Service Delivery**

### ***Improving civil service management***

70. Mr Speaker, a public service whose performance standard is high, is essential to better service delivery. In 2014/15, Government allocated E127.1 million to the Ministry of Public Service. These resources have funded over 430 trained staff; expanded HIV and

AIDS services to cover an additional 4,655 civil servants; and the continuation of the payroll audit.

71. In 2015/16, E153 million will be allocated to the Ministry of Public Services to continue delivering its various priority programs aimed at promoting a results-oriented public service. The priority areas will include completion of the Payroll and Skills Audit Exercise; rolling out the performance management system; and further capacity building of civil servants.

72. Mr Speaker, the major pressure on the Public Service Budget continues to be the cost of the civil service, at over E6 billion for 2015/16. Wage bill control remains a huge issue, and has caused most of the expenditure challenges that have led to this tough Budget. The Ministry is exploring all possible measures, including deferral of non-strategic vacant positions in the coming year.

#### ***Continuing public finance management reforms***

73. Mr Speaker, during the year now ending, Government has embarked on various public finance management (PFM) reforms to effectively and efficiently utilize public resources.

74. Mr Speaker, the PFM Bill has been finalized and ready to be resubmitted to Parliament. The Bill is expected to establish a comprehensive and stronger legal framework for managing public resources, and for empowering spending agencies to take full responsibility and accountability of their budgets. Implementation of a new financial management IT and accounting system, with the support of the IMF, World Bank and European Union, will support the implementation of the Bill and improve transparency and accountability for public resources.

75. In addition, substantial progress has been registered towards the reintroduction of the Medium Term Expenditure Framework approach to formulation of public sector budgets. MTEF has so far been piloted at ten ministries, which have produced MTEF budget proposals for 2015/16 to 2017/18.

#### ***Fighting Corruption***

76. Mr. Speaker, corruption continues to be a great concern to both Swaziland and the international community. While Swaziland's ranking on the Corruptions Perceptions Index has improved from 82<sup>nd</sup> in 2013 to 69<sup>th</sup> in 2014, out of 175 countries. This is by no

means an indication that the vice is no longer a drag on the economy. Government will continue to support initiatives to combat corruption at all levels of Government.

77. Mr. Speaker, in the forthcoming financial year, Government has allocated E11.6 million to enable the Anti-Corruption Commission (ACC) to pursue both preventive and reactive activities in the fight against corruption in Swaziland. Additional allocations in the Ministry of Justice support this work. The ACC will particularly be judged against its success in recovering illicit assets from the convicted, corrupt people. In addition, the SRA will support their efforts with their own lifestyle audit unit.

## **VIII. Revenue and Expenditure for 2015/16**

### ***Revenue and grants***

78. Mr Speaker, total revenue including grants for 2015/16 is estimated at E14.6 billion compared with an estimated E14.8 billion in 2014/15. In GDP terms, this is a drop of three percentage points. SACU receipts have fallen from E7.4 billion in 2014/15 to E6.9 billion in 2015/16, a reduction of around E560 million. SACU receipts are again expected to decline further in 2016/17, as Swaziland will be required to effect a sizeable repayment during 2016/17, as indicated by the SACU Secretariat. External grants will amount to E270 million, a reduction from last year, as one-off European Union grants for agricultural developments fall.

### ***Expenditure***

79. Expenditure is estimated at E15.9 billion, including payments for public debt and other statutory obligations, which amount to E1.0 billion. Total expenditure for 2015/16 thus represents an additional E646 million above the appropriated level for 2014/15. The estimated budget deficit, of E1.3 billion, will be financed by a mixture of external loans to projects, of around E450 million net, and additional domestic borrowing of around E1 billion. This is a sustainable budget in difficult circumstances. A variety of revenue and expenditure measures have led us to a responsible budget for 2015/16, that prepares us for a difficult year in 2016/17.

### ***Revenue Measures***

80. Mr Speaker, Government is proposing various revenue measures. These will assist Government in mobilizing additional resources for protecting essential services, while

SACU revenues fall in the medium term. I am counting on this Honourable House to support the proposed revenue measures that are outlined below.

81. These initiatives include an amendment of the Income Tax regulations, including removal of the tax allowance exempting gains on the disposal of business assets. However, the amendments would also reduce taxation on medical aid for the private sector.
82. Mr. Speaker, other initiatives intended by the Income Tax Order include the introduction of taxation of residents on their worldwide income. Currently, residents are taxed depending on source, meaning that tax is imposed on income generated within Swaziland only. This has a limitation in that there is a growing trend of Swazi residents (including individuals and companies) earning income beyond our borders. Increasing tax justice is an idea whose time has come. Our neighbours, including South Africa, have already shifted from source-based taxation to world-wide taxation.
83. Mr. Speaker, I am happy to announce that the VAT Refund Agreement between Swaziland and South Africa is ready. From the 1st of April 2015, residents simply declare the VAT of their purchases at any of our border posts, and Government receives the revenue from South Africa. This replaces the current arrangement where declaring residents are charged twice, and must retrieve refunds from South Africa, often months later. The projected additional revenue from increased declarations is over E120 million per year. I would urge all Swazis to declare their purchases, so that vital funding for Government services can be secured.
84. Furthermore, Government plans to review the Customs and Excise Act; and accommodate a number of modernization initiatives aimed at enhancing revenue collection and improving our Doing Business rank. I am pleased to observe that the SRA is introducing the accreditation of preferred traders. SRA will reward those taxpayers who have a proven record of tax compliance, by issuing certificates of accreditation which grants faster treatment at our borders. Lessening delays in the declaration, clearance and release of goods, and the ability to prepay, will reduce the cost of doing business in Swaziland. Upgraded trade software, which allows electronic signature and documentation, will reduce barriers to trade.
85. Mr Speaker, there is also a plan in the Budget to introduce a levy on alcohol and tobacco. The purpose of the levy is to augment revenue loss from applying a lower rate of VAT on

these products as compared to the historical sales tax rate. From 2012, the VAT rate on alcohol and tobacco was 14%, a reduction from the previous rates of 20% and 30% on alcohol and cigarettes respectively. The revenue loss is estimated at around E60 million per year. Consumption of alcohol and cigarettes has significant public health effects. It is right to try to influence customers' behaviour through taxation.

## **IX. Appropriation**

86. Mr Speaker, permit me to reiterate that this budget concerns *“Achieving more with less spending: sustaining economic growth and protecting social development.”*

87. Mr Speaker, by virtue of the responsibility entrusted to me as Minister of Finance, I now present to this Honourable House, the Budget Estimates for financial year 2015/16, as follows:

- a. Revenue plus grants: E14,606 million;
- b. Appropriated recurrent expenditure (excludes Statutory): E11,737 million;
- c. Capital expenditure: E3,217 million;
- d. Total expenditure: E15,952 million; and
- e. Deficit: E1,346 million.

## **X. Conclusion**

88. Mr Speaker, there is a higher ambition than merely to stand superior in the world. It is to step down, and lift mankind a little higher than where they are. This Budget is a tough Budget. However, it has tried to focus our meagre resources towards those areas that will lift up Swazis a little higher than where they are currently.

89. Mr. Speaker, I would like to commend this budget to you, and once again allow me to express my appreciation for the support and cooperation I have received in the preparation of this budget, from my Colleagues in Cabinet under the leadership of His Excellency the Prime Minister, the Finance Committee of Parliament, Members of Staff from the Central Agencies, Staff from Line Ministries, and our Development Partners.

90. Mr Speaker, I beg to move that this Honourable House resolves itself into a Committee of Supply, to enable it to consider the Estimates of Revenue and Expenditure to be paid into and drawn out of the Consolidated Fund during the 2015/16 financial year.