

BUDGET SPEECH

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PRESENTED BY

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THE MINISTER FOR FINANCE

TO THE

PARLIAMENT

OF

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I. INTRODUCTION

i) Opening Remarks

1. Mr Speaker, I have the honour to present to this August House the national budget for the financial year 2016/17. This is my third budget of the 10th Parliament of the Kingdom of Swaziland. Before I continue, allow me Mr Speaker, to thank their Majesties for trusting me to serve the Kingdom as Minister of Finance. Through their guidance and unwavering support I have come to appreciate how noble and challenging this duty can be. I also wish to thank His Majesty for the great Speech from the Throne that has set the direction of the nation to collectively and individually strive for the prosperity of the country.
2. Mr Speaker, I would like to thank His Excellency the Right Honourable Prime Minister for providing leadership and direction for Government policies and decisions. I also want to acknowledge my colleagues in Cabinet for their continued support and collective responsibility in the budget preparation process. Indeed, the expansionary fiscal path that characterizes this budget, has been a collective decision by the entire Cabinet to drive our economy to higher growth rates.
3. Mr Speaker, this speech will not be complete if I do not thank the Members of this August House, for their continued contribution and authorisation of the budget within their legislative mandate. Most especially I would like to appreciate the Finance Committee of Parliament for their astute review and input into the finalisation of this budget.

ii) Milestones

4. Mr Speaker, our economy has not only continued to expand but there are a number of worthwhile milestones that Government has registered in the previous planning period. To highlight a few:-

- i) The first group of students under the Universal Primary Education programme graduated with excellent performance and in particular praise goes to the rural schools for outperforming the Urban Schools;
- ii) At least 121,000 people were enrolled on Anti-Retroviral Therapy (ART) from 100,138 people in 2013/14;
- iii) Children fully immunised increased from 77 percent in 2011 to 90 percent in 2015 due to increased outreach programmes;
- iv) A total of 3,730 households were assisted to construct pit latrines in 2015;
- v) A new hospital at Lubombo was commissioned which has a cardiology care clinic;
- vi) Government completed the construction of the Nhlangano Waste Water Treatment Plant, and also a water pipeline and reservoir to supply Hlane area;
- vii) Over 55 kilometres of tarmac roads were added onto our paved road network which now stands at 1,280km representing about 34 percent of the entire road network; this includes the first 6 km pro-base technology road from Ezulwini to eTiyeni;
- viii) Strengthening the judiciary system by appointing more local judges to deal with the case backlog;
- ix) The first independent electricity generation project producing 850 kilowatts was completed at kaLanga/Siteki.

iii) Challenges

5. Notwithstanding, the above mentioned accomplishments, Mr Speaker, we are faced with serious challenges driven by exogenous factors and natural hazards. We have been hit by drought of unprecedented proportion. The Lilangeni has depreciated against major foreign currencies at about 31 percent in the past one year which has led to increased commodity prices. Our trading partners, mainly South Africa and Europe, have experienced a slowdown in their economies which has eroded our export earnings and contributed adversely to the budget I am presenting today.
6. Mr Speaker, as a result of the above challenges our GDP growth rate for 2015 has had to be adjusted from 2.5 percent to 1.7 percent. This has presented us with a challenge and

an opportunity to aim for higher growth rates in order to achieve Vision 2022. The journey therefore continues for Government to achieve more with less amidst emerging natural and fiscal adversities. It is on this premise that the theme of the Budget for 2016/17 financial year is *“Growth for all with all through optimizing, innovating, boosting domestic revenue and spending efficiently,”* as guided by His Majesty the King in His Speech from the Throne.

7. Mr Speaker, as the theme states, this will require the participation and collaboration of every Swazi and all economic sectors to bring the theme into reality. Let us all take courage and hope in the promise from God that *“...fear not, for I am with you; be not dismayed, for I am your God; I will strengthen you, I will help you, I will uphold you with my righteous right hand.”* *Isaiah 41:10.* Our experience in 2011/12 is proof enough that with God’s intervention, the Kingdom will rise again from this economic depression as it did in the 2009/10 to 2010/11 financial years.
8. Mr Speaker, we are also inspired by Abraham Lincoln, the 16th President of the United States of America who told a story of an Eastern monarch who once charged his wise men to invent him a sentence to be appropriate at all times and situations. They presented him with these words: *‘And this, too, shall pass away’* Certainly, this turbulent phase in the history of the Kingdom shall pass away too.

II. RECENT ECONOMIC PERFORMANCE AND OUTLOOK

9. Mr Speaker, let me now highlight the economic developments which have impacted our country.

(i) International Developments

10. Mr Speaker, global economic growth decelerated from 3.4 percent in 2014 to 3.1 percent in 2015, as per the IMF World Economic Outlook report for January 2016. The slowdown and rebalancing of the Chinese economy, lower commodity prices and weaker capital flows largely accounted for the observed deceleration in global growth. The Euro

Zone, which is one of our major trading partners, is estimated to grow at 1.5 percent in 2015 from 0.9 percent in 2014. This will likely have a positive impact on our exports.

11. In 2016 and 2017 global economic activity is projected at 3.4 percent and 3.6 percent respectively. The observed growth for 2016 and 2017 is anticipated to be driven by Brazil, Russia and the Middle East. Mr Speaker, I would urge my counterpart in the Ministry of Commerce, Industry and Trade to create opportunities for Swaziland to explore such markets for our exports.

(ii) Regional Developments

12. Mr Speaker, even the Sub-Saharan Africa region including South Africa which is our major trading partner, recorded a slowdown in their economic output. Sub-Saharan Africa recorded a growth rate of 3.5 percent in 2015 down from 5.0 percent in 2014, mainly due to lower commodity prices and higher borrowing costs. South Africa's economic output increased by 1.3 percent in 2015 compared to a slightly higher growth of 1.5 percent in 2014. The economic slowdown in South Africa was largely attributed to the recent drought, industrial strife, chronic shortages in power supply an unprecedented depreciation of the Rand.
13. The economic slowdown in South Africa is disturbingly projected to continue even in 2016, where the growth rate is estimated at 0.9 percent before it rebounds to 2.4 percent in 2017. Mr Speaker, this presents us with both a challenge and an opportunity to diversify our export market, given the fact that South Africa is the destination for at least 60 percent of our exports.
14. Mr Speaker, the country is gearing itself to host the region's biggest meeting this year, 'The SADC Summit'. In addition, the country will host all SADC cluster meetings throughout the year. This is expected to come with a lot of benefits. Our hotel and tourism industry will definitely be boosted. The capacity of our human resources will be greatly enhanced and we indeed call upon all Swazis to take advantage of this event. We also expect to get a boost in our revenue collection during and after the SADC meetings.

(iii) Domestic Developments

Real GDP Growth

15. Mr Speaker, our economy has continued to expand albeit much slowly. In 2015, GDP expanded by 1.7 percent compared to 2.4 percent in 2014. Had it not been for the recent drought and depreciation of the Lilangeni, growth in 2015 would have been 2.5 percent. Agriculture recorded a growth rate of 7.4 percent in 2015 compared to -1.3 percent in 2014. This growth was supported by value added on livestock production and forestry sub-sectors which expanded by 22 percent in 2015. On the other hand, the crop sub-sector on Swazi National Land contracted by 21.8 percent in 2015, while the crop on individual tenure farms expanded by 3.3 percent during the same period. Mining and quarrying also contracted, by 15 percent in 2015.
16. The industrial sector expanded by 1.4 percent in 2015 compared to 3.7 percent in 2014, aided by manufacturing which expanded by 1.8 percent and construction by 1.6 percent, in 2015. On the other hand, electricity and water supply contracted by 8.6 percent during the same period. Even the services sector experienced a slowdown in 2015 where it recorded 1.2 percent growth rate compared to 2.4 percent in 2014. This slowdown was largely attributed to poor performance of hotels and restaurants and transport sub-sectors, which contracted by -4 percent and -18.4 percent respectively.
17. Mr Speaker, even though the projections for 2016 and the medium term suggest weak growth rates, averaging at 1.5 percent per year, Government's plan is to stimulate growth to be able to reach growth rates of at least 3 to 5 percent if we are to make significant strides towards Vision 2022. In line with the theme of this budget - ***growth for all with all***, we will make sure that all economic sectors are accorded sufficient priority to register significant growth.

Inflation

18. Mr. Speaker, inflation for 2015 averaged 5 percent, lower than the 5.7 percent recorded in 2014. Food inflation averaged 5.2 percent in 2015, compared to 6.3 percent in 2014. Transport inflation averaged -1.0 percent in 2015, compared to 8.8 percent in 2014. Over

the medium term, inflation is projected to increase to 6 percent, largely due to sharp increase in food prices as a result of the drought.

Balance of Payments

19. Mr. Speaker, Swaziland's overall balance of payments recorded a deficit of E281 million, translating to 0.5 percent of GDP as of June 2015. However, the current account recorded a surplus of 4.1 percent of GDP quarter on quarter, while the trade account posted a surplus of E510.3 million although this was 53.9 percent lower than for the quarter ending in March 2015. Exports dropped by 8.3 percent, as earnings from sugar dropped by 31.1 percent. Imports on the other hand, increased by 4.0 percent.
20. Exports for the six months ending June 2015 amounted to E9.84 billion, almost half the export earnings of E20.646 billion posted in 2014. The country's major exports products are miscellaneous edibles, sugar and sugar products and textile products. Worth noting is that despite the country's exit from AGOA, textile exports have continued to perform well as most textile companies had already diversified their markets in favour of the South African markets.

(iv) Investments

21. Mr. Speaker, total investment as a percentage of GDP in 2015 was 10.1 percent compared to 9.2 percent in 2014. However, total investments are expected to decline to 7.9 percent in 2016 before declining further to 6.8 percent over the medium term. Mr Speaker, as Government, we need to collaborate with the private sector to ensure that our economy registers net inflows rather than net outflow in foreign direct investment (FDI) as it happened in 2014. We also need to develop the securities market because a well-developed securities market can also benefit the economy in attracting new capital for domestic investment.

(v) Financial Sector Developments

Monetary Policy, Interest Rate and Private Sector Credit

22. Mr. Speaker, monetary conditions during the year 2015/2016 were largely tight especially in the third quarter until the end of January 2016. The objective was to keep inflation stable while providing support for improved economic activity. As a result of monetary policy tightening, the prime lending rate increased from 8.75 percent in July to 9.75 percent in December 2015. Consequently, coupled with lacklustre domestic economic activity, private sector credit increased by only 5.1 percent in December 2015 compared to 11.4 percent growth recorded the previous year. Credit to businesses declined by 6.4 percent compared to growth of 6.9 percent recorded the previous year. On the contrary, credit to households grew by 18.3 percent compared to 13.6 percent registered the previous year.
23. Mr Speaker, the outlook for growth in credit extended to the private sector is expected to deteriorate further as the negative impact of the drought takes its toll particularly on the agricultural sector which is a major borrower. The Central Bank will continue monitoring the developments and strive to uphold price stability balanced with maintaining a conducive environment for enhanced economic growth.

Banking Sector

24. Mr Speaker, the domestic banking sector remained sound and stable. The sector met the minimum prudential regulatory and statutory requirements, and complied with the provisions of the Financial Institutions Act, 2005. On average, the banking industry, as at 30 September 2015 was capitalised to the tune of E 2.06 billion which translates to 26.24 percent Capital Adequacy Ratio (CAR) against the minimum requirement of 8 percent.
25. In addition, the sector met the minimum statutory liquidity ratios of 17 percent and 20 percent for Development Finance Institutions (DFIs) and commercial banks respectively. Profitability of the banks also improved. Their average Return on Assets (ROA) and Return on Equity (ROE) settled at 5.0 percent and 36.1 percent respectively, as at end of

September 2015. On the other hand, non-performing loans to total loans increased to 7.5 percent from 6.5 percent the previous quarter.

26. Mr Speaker, as you may recall, Government requested the Central Bank to look into the issue of banking charges following the public outcry that they are high. I am happy to report that the Central Bank commissioned a study to look into this issue. The findings of the study and a proposed legal notice for the regulation of charges are awaiting publication in the Swaziland Gazette, and would be implemented during 2016.
27. Mr. Speaker, over the years, savings generated in Swaziland have found their way into South African financial sector thereby depleting the rate at which local intermediation can take place, more so affecting the growth of small to medium size indigenous enterprises. Government will take steps during 2016 including introducing changes relating to reserves requirement and local asset requirements, to stop this haemorrhage. Furthermore, loan portfolios of banks will be expected to show substantial growth in credit extended to small and medium size Swazi enterprises. This will complement Government's efforts in the development of small and medium enterprises sector through the enhancement of the Guarantee Loan Scheme.

Foreign Exchange Reserves

28. The country's gross official reserves grew by 10.7 percent over the year ended January 2016 to reach E 9.7 billion. This was mainly attributed to revaluation gains accumulated from the notable depreciation of the Rand/Lilangeni exchange rate over the year. The Lilangeni depreciated from E11.51 per US dollar in January 2015 to currently E15.76. The weakening of the Lilangeni has been a result of the strong performance of the US dollar.
29. Mr Speaker, the exchange rate is projected to stabilise at the current rate in the short to medium term. On the other hand, foreign reserves are projected to fall from the current level of 4.3 months of imports on account of the anticipated fall in SACU revenue over the medium term. Government nonetheless, will ensure that the reserves are maintained at a healthy position. This will ensure preservation of the level of confidence by markets on the country's ability to meet its external commitments and to absorb external shocks.

Anti-Money Laundering

30. Mr. Speaker, Terrorist Financing continues to be a threat internationally and Swaziland is not spared from the scourge. The Central Bank has issued guidelines and circulars to financial institutions to implement the Anti-Money Laundering and Terrorist Financing Act of 2011 (MLTFPA). Swaziland will continue to work with the international community in the prevention of terrorist financing and is looking forward to the oncoming Mutual Evaluation exercise which will be conducted on Swaziland in 2017. Through this assessment, the result will have the potential to affect foreign direct investment and the willingness of other countries to do business with Swaziland.

Non-Bank Financial Institutions

31. Mr. Speaker, as you are aware, Government introduced in 2005, a requirement for the insurance and pension funds to invest not less than 30 percent of their assets in the domestic economy. In spite of this requirement, there has been an insignificant contribution of this expected inflow of locally generated savings to develop business and in turn bring about growth in Swaziland. The main reason is that funds are placed with commercial banks and channelled back to the South African financial sector. During 2016, the Financial Service Regulatory Authority (FSRA) will determine the classes and types of local investment vehicles where such funds will be placed.

III. FISCAL PERFORMANCE

i) Revenue Performance

32. Mr Speaker, in 2015/16 Government revenue and grants are projected at E 14.3 billion which is 0.2 percent below target, and 32.2 percent of GDP. The collection for 2015/16 is projected to be 2.8 percent higher than 2014/15. SACU receipts amounted to E6.99 billion which was 7 percent below SACU receipts for 2014/15. Domestic revenue is projected at E7.13 billion which will be 13.8 percent higher than in 2014/15. Grants amounted to E329 million in 2015/16 compared to E778 million in 2014/15.

33. Mr. Speaker, revenue (excluding grants) collected in 2014/15 financial year indicated a growth of 9.3 percent compared to the collection in 2013/14. A total of E13.9 billion was collected. This was supported by strong growth in taxes on goods and services, and taxes on income. SACU receipts grew by about 4.7 percent during this time.

ii) Expenditure

34. Mr Speaker, on the expenditure side, total Government expenditure for financial year 2015/16 is projected at E17.7 billion, representing 39.8 percent of GDP, and 16 percent higher than in 2014/15. Recurrent expenditure for 2015/16 is projected at 30.7 percent of GDP compared to 28.3 percent of GDP in 2014/15. Capital Expenditure is projected at 9.1 percent of GDP compared to 8.8 percent in 2014/15.

iii) Overall Balance

35. Mr Speaker, the deficit for financial year 2015/16 is projected at 6.8 percent of GDP which is higher than the 1.4 percent deficit to GDP ratio for financial year 2014/15. The deficit has been financed through both domestic and external borrowing. The borrowed funds were used to finance strategic infrastructure projects.

iv) Public Debt

36. Mr Speaker, as at end of December 2015, total debt stock stood at E6.9 billion compared to E6.5 billion in December 2014. Total public debt currently stands at 17.3 percent of GDP. The debt comprises E3.2 billion of domestic debt and E3.7 billion of external debt.

37. The current debt levels are quite healthy, but we must exercise caution in future borrowing. Fifty four percent of domestic debt is in Treasury Bills, whilst 46 percent is Government bonds. Sixty percent of the Treasury Bills are in short-term papers with less than one year of maturity. Given the volatility of short term borrowing, Government

ought to focus more on long term sources of financing which are appropriate for long-term investment.

IV. BUDGET STRATEGY FOR 2016/17

38. Mr Speaker, as already mentioned, the theme for financial year 2016/17 is “Growth for all with all through optimizing, innovating, boosting domestic revenue and spending efficiently.” In addressing this theme, the budget will focus on implementing priority developmental programmes within the increasingly constrained resource envelope. Therefore, Government will especially concentrate on the following areas:

- i) Drought Mitigation
- ii) Enhancing Human Capital
- iii) Strategic infrastructure expansion and synergizing with the Private Sector,
- iv) Strengthening all key sectors for economic growth
- v) Efficiency and optimization of resource utilization
- vi) Combating Corruption

i) *Drought Mitigation*

39. Mr. Speaker, the drastic effects of the drought cannot be overemphasized. This drought is by far the worst compared to previous occurrences. The country has recorded the lowest rainfall in 35 years. The country has lost over 44,200 cattle since January 2015. We have experienced water shortages both for household and agricultural use. Some schools lost a number of days due to lack of water.

40. Maize, our staple food, has also been affected by this drought as most farmers planted late and other did not plough at all. The country is expected to experience a shortage of about 35,000 metric tons of maize until the next ploughing season. The sugar industry, which is one of our major export earners, has indicated it could lose over E 1 billion in revenue due to the drought.

41. Mr. Speaker, as a responsible Government, we have come up with a National Drought Mitigation and Adaptation Plan to deal with the immediate problems, as well as plan for medium to long term mitigation.
42. Mr. Speaker, in terms of immediate mitigation plans, Government has allocated E105 million in the current financial year through a supplementary budget. For fiscal year 2016/17, Government has set aside E200 million for continued drought mitigation. The funds will be utilized on food distribution, water distribution to affected areas, drilling boreholes, dredging Hawane Dam, harnessing water from Pholinjane and Mbabane River, prevention of cholera and acute malnutrition, provision of supplementary feed for livestock and importation of power from Eskom to cater for power shortfall among other interventions.
43. Mr. Speaker, we will engage with the donor community and the private sector to assist us as we strive to mitigate this situation.

ii) *Enhancing Human Capital*

44. Mr Speaker, economic growth can only be achieved if the Government simultaneously invests both in physical and human capital development. Government is committed to enhancing service delivery in the education, health and labour sectors by addressing challenges in human resources management, enhancing performance and strengthening supervision, monitoring and evaluation.

Education

45. Mr Speaker, according to the African Development Bank, education is the new game changer driving economic growth and human development. It is the new currency by which the nation maintain economic competitiveness and prosperity. Education is now the key to eliminating gender inequality, reducing poverty and creating sustainable development in the country. It is for this reason that the education sector in the past year has received the lion's share of the budget. In fiscal year 2015/16, the education sector received 22 percent of the total budget.

46. Mr. Speaker, I am happy to report that in 2015, the first recipients of the Free Primary Education Programme graduated to secondary school as the project reached its highest phase of implementation, that is, Grade 7. We scaled up the national school feeding programme which now covers 95 percent of all public primary schools. Early Childhood Care and Education (ECCE) net enrolment ratio has increased to 40 percent in 2015/16 from 29 percent in 2014/15. Primary net enrolment ratio has also increased from 92 percent in 2014/15 to currently over 95 percent. The story is similar for secondary education, where enrolment has increased from 28 percent in 2014/15 to 33 percent in 2015/16. There has also been an increase in access to tertiary education, from 6 percent in 2014/15 to currently 9 percent. Enrolment at Ngwane Teacher Training College increased by 100 percent. Manzini Industrial Training Centre (MITC) graduated its first group of part time motor mechanics students.
47. Mr Speaker, I would also like to commend the Ministry of Education for exhibiting the Swazi spirit of “*sisonkhe*”. With little support from Government, an upper level classroom was constructed at Siteki Skills Centre to be used for carpentry. The classroom was constructed by the staff and trainees of the centre. We call upon other institutions to follow such a good example as we pursue our theme of growth for all with all.
48. Mr. Speaker, despite the many achievements registered by the sector, several challenges still remain. Access to Early Childhood Care and Education (ECCE) is still limited. The quality of education lacks alignment with labour market needs. Repetition and dropout rates in both primary and secondary schools are still very high. Access to secondary education is low and inequitable. Access to higher education and research output in universities remain very low. There is also a shortage of mathematics, science and ICT teachers as well a shortage of science laboratories.
49. Mr Speaker, in the medium term 2016/17 – 2018/19, Government will embark on the following priority programmes to address the various challenges:
- i) Develop a competency based curricula that will introduce a learner centred approach and allow for the tracking of learner performance more closely;
 - ii) Develop plans aimed at improving access and retention of learners at the secondary and high school levels;

- iii) Continue capacitating secondary and high schools to introduce practical, entrepreneurial and skills oriented subjects;
- iv) Continue scaling up the National School Feeding Programme;
- v) Provide water tanks to primary and secondary schools.

50. Mr. Speaker, Government is allocating E3.1 billion to the Ministry of Education and Training to be able to implement the above and other priority programmes in 2016/17.

Health

51. Mr. Speaker, Government is committed to ensure a healthy and productive Swazi population that lives longer to optimally contribute towards achieving Vision 2022. We have made great strides in the past financial year in improving accessibility and quality of health care services in the country. In financial year 2015/16, with the E1.8 billion provided to the health sector, the following milestones were achieved:

- i) Adults enrolled on antiretroviral treatment (ART) increased by 21 percent to 121,300;
- ii) TB, HIV and ART initiation increased from 75 percent to 79 percent;
- iii) Proportion of HIV pregnant women on ART increased from 71 percent to 85 percent;
- iv) Children fully immunized increased from 77 percent in 2011 to 90 percent;
- v) A total of 3,730 households were assisted to construct pit latrines;
- vi) The first public cardiology care clinic in Swaziland was commissioned under Lubombo Hospital Phase I;
- vii) Constructed houses for healthcare workers at Vusweni, Kufikeni, Mambane, Nsalitje, Nhlangunjani, Mkhwakhweni, Mkhitsini, Nhlambeni, Bhudla and Ezulwini Satellite;
- viii) Commenced the rehabilitation of Mbabane Government Hospital which include the construction of the Out-Patient Department, chemotherapy unit, renal unit and maternity ward.
- ix) The country received a UN award for excellent control of malaria.

52. Mr. Speaker, the above achievements notwithstanding, the health sector continues to face numerous challenges. HIV/AIDS as well as tuberculosis remain a key challenge. Non-

communicable diseases including respiratory and cardiac illness are now on the rise. Specialized care facilities are still inadequate. The doctor-to-patient ratio as well as the nurse-to-patient ratio remains low, which results in doctors and nurses being overstretched. For instance, there is currently only 2 nurses per 1,000 patients. There is a shortage in accommodation for health workers. There are inadequate specialized medical services in the country. This leads to high costs incurred from Phalala referrals for specialized services outside the country.

53. Mr Speaker, in the medium term 2016/17 – 2018/19, Government will embark on the following priority programmes among others, to address the above challenges:

- i) Strengthen the health client management information system;
- ii) Finalize the Mbabane Government Hospital out-patient department;
- iii) Purchase and replace all the dysfunctional medical equipment in selected healthcare facilities including the National Blood Transfusion Service;
- iv) Establish a chemotherapy unit to provide treatment for cancer patients in the country;
- v) Commence the preparation of detailed designs and tendering for the National Referral Hospital to be constructed in Manzini. This project will cost USD 51 million, to be funded by Kuwait Fund (USD15 million), Saudi Fund (USD10 million), BADEA (USD10 million), OFID (USD 14 million) and Government (USD2 million). When completed, the hospital will improve accessibility to tertiary health services for Swazis and will reduce the number of external referrals. Actual construction is planned for two years starting June 2017.

54. Mr. Speaker, Government is allocating E2.0 billion to Ministry of Health to be able to implement the above and other priority programmes in 2016/17.

Labour

55. Mr. Speaker, we cannot talk about human capital development without including the labour and social security sector. In 2016/17, Government proposes to provide E 395 million to the Ministry of Labour and Social Security to implement additional priority programmes for the enhancement of the country's human capital. The priority programmes will include:-

- i) Continued provision of scholarships to needy Swazi students;
- ii) Build a National Human Resource Profile and Labour Market Information System Framework which will provide information on the available skills in the country and guide on how to build human capital and use it for economic growth;
- iii) Implement a code of good practice to regulate the manner of engagement between Government, workers, employers and police during protest action to maintain industrial peace in the Kingdom;
- iv) Conversion of Swaziland National Provident Fund to a Pension Fund;
- v) Establish a scholarship loan recovery unit which will be responsible for the recovery of scholarship funds from students in tertiary institutions. Currently, over E500 million is owed to Government in the form of unpaid repayments by students;
- vi) Strengthen the policy and legislative framework concerning Workmen's Compensation for the Umbutfo Swaziland Defence Force and domestic workers.

Gender and Family Issues

56. Mr. Speaker, the country has seen an increase in gender based violence, particularly concerning women, children and the elderly. This is an unfortunate situation since it waters down all efforts to improve our human capital. This calls for immediate action Mr. Speaker. For that reason, Government will work with cooperating partners to implement the following programmes:

- i) Strengthening of the family structure as the primary agent of socialization;
- ii) Establish strong partnership with the judiciary to deal with cases;
- iii) Finalization of the National Strategy to End Violence and;
- iv) Enactment of the Sexual Offences and Domestic Violence Bill 2015 that will provide adequate protection for all.

Social Grants

57. Mr. Speaker, the HIV/AIDS pandemic continues to ravage communities. Government will continue assisting the affected through the Orphaned and Vulnerable Children, the Elderly and the Disabled Grants. In 2015/16, Government allocated E415 million to the DPM's Office to provide for the elderly grants and

other priority programs. Due to the stringent financial position Government is faced with, approximately the same amount will be allocated next financial year. However, Mr Speaker, in order to strengthen the Retirement Homes for the Elderly (*Bogogo Centres*), Government will establish in a year's time under each chiefdom's 'Bogogo centres' health facilities to be manned by a trained nurse.

National Population Census and Surveys

58. Mr. Speaker, as you may recall, the Population and Housing Census and the Household Income and Expenditure Survey are conducted in intervals of 10 and 5 years respectively, I am pleased to announce that the country has commenced preparations to conduct these important national assessments.

59. Mr. Speaker, may I point out that, whilst the Population and Housing Census seeks to provide the basic benchmark statistics to plan for and implement economic and social development in the country, the Swaziland Household Income and Expenditure Survey (SHIES) will provide extensive information on the conditions under which the Swazi population live, the activities in which they are engaged, their levels of incomes and patterns of expenditures including their demographic characteristics. Most importantly, SHIES will provide a revision of weights of the Consumer Price Index (CPI).

60. Mr. Speaker, the data collected through these two national surveys will be crucial for tracking progress towards the attainment of Sustainable Development Goals (SDGs). The data will also be used to develop national, sub-national and sectoral policies and plans, for development frameworks, such as the National Poverty Reduction Strategy Action Plan (PRSPAP), and other sectoral strategies. I call upon all our development partners to support these national development enhancing assessments.

iii) *Strategic Infrastructure Expansion and Synergizing with the Private Sector*

61. Mr. Speaker, Government continues to prioritise investment in the infrastructure development in recognition of the role it plays in facilitating economic actors by way of lowering costs of production and distribution. In 2015/16, Government allocated 20.7

percent of the total budget for infrastructure development. In 2016/17, Government proposes to provide more funding to this sector in order to narrow the country's infrastructure deficit as we move towards 2022.

Roads

62. Mr. Speaker, in 2015/16, Government allocated E960 million to the roads sub-sector. These funds were instrumental in completing the Mbadlane – Sikhuphe road to allow for the ease of travel to KM III International Airport as well as connecting to Mozambique. The first Pro-base technology road from Ezulwini to Etiyeni was completed as a 6 km pilot project. Construction and rehabilitation of the following roads continues; Nhlanguano-Sicunusa, Manzini-Mbadlane, Bhunya-Sandlane, Manzini-Matsapha.
63. In the coming financial year, Government proposes to allocate E 2.0 billion to the Ministry of Public Works and Transport to continue implementing ongoing projects and commence implementation of new road projects in addition to the other priority programmes. The road projects will include:-
- i) Completion of Sikhuphe - Hlane road;
 - ii) Completion of resettlement and commencement of construction and upgrading Manzini-Mbadlane road;
 - iii) Completion of the Sicunusa-Nhlanguano road;
 - iv) Commencement of the Bulembu-Magoga and Lukhula-Big Bend roads under Public Private Partnership arrangements. These two roads are particularly expected to enhance trans-boundary trade and tourism with our neighbours South Africa and Mozambique;
 - v) Re-gravelling of selected district roads as well as the construction of feeder roads in all the four regions.

Railways

64. Mr. Speaker, Swaziland Railways has continued providing reliable, affordable and predictable rail transport services to support the economy by enabling importers and exporters to trade competitively in the international markets. Over the past ten years, Swaziland Railways has remained a profitable organization. In 2015/16, the organization

expanded its assets by acquiring 4 locomotives and 75 new wagons. The organisation is also in the process of acquiring 50 tankers and 40 flatbed wagons to meet increasing demand for cargo transportation. In addition, Swaziland Railways has implemented new strategies to improve safety in the railway transport in Swaziland.

65. In the medium term, Swaziland Railways plans to expand the Matsapha Inland Clearance Depot (ICD), also commonly called the Dry Port, to meet the growing business which has been growing between 15 and 20% per annum. Implementation of Lothair-Sidvokodvo Connection is planned to start. This project will improve the country's access to Mpumalanga and Gauteng Provinces in South Africa. It will also help to reduce the traffic congestion at the Oshoek-Ngwenya border. It will increase cargo transportation from 6.5 million tonnes per annum to 14.6 million tonnes per annum. Additionally, 131km of existing rail line from Sidvokodvo to Lavumisa will be upgraded. These two projects are expected to provide employment to about 6,000 people during the construction phase.

Aviation

66. Mr Speaker, the King Mswati III International Airport - "*the pride of Swaziland*" has been operating smoothly since it became operational in September 2014. Efforts are being made to ensure that the airport is well marketed to attract more passengers and airlines. The planned revival of Royal Swaziland Airways Corporation as a fully-fledged airline is also expected to give impetus to the viability and success of the Airport.

Energy

67. Mr Speaker, as I mentioned to this August House last year, electricity cost and supply continue to be a primary concern to all businesses and households. Government, is therefore committed to finding a lasting solution to this challenge. Government has continued to explore new power generation opportunities, while committing to increase the number of Swazis with access to electricity. In 2015/16, a new independent power plant has been completed at kaLanga/Siteki, producing 850 Kilo Watts of power.

68. Mr Speaker, Government would also like to thank His Majesty iNgwenyama for granting prospecting licences to Swaziland Electricity Company and JSW Energy Swaziland (Pty) Ltd. These licences will allow the two companies to evaluate the coal resources at Lubhuku, in the Lubombo Region in order to explore thermal power generation.
69. Mr Speaker, going forward, Government will continue increasing access to electricity to all Swazi households in line with the aspirations of Vision 2022. Currently, electricity coverage stands at 66 percent at the national level while rural electrification is at 55 percent. Government will continue engaging more Independent Power Producers (IPPs) to participate in electricity generation. To date Power Purchase Agreements (PPAs) have been signed with five IPPs. About 40MW of solar energy is expected to be generated through these Agreements, encouraging green power production.

Strategic Oil Reserves

70. Mr Speaker, the Strategic Fuel Reserve Facility at Phuzumoya is in progress. Currently, relocation of households and construction of support infrastructure such as roads are at an advanced stage. This reserve facility will ensure supply of fuel for 90 days in the event the country experiences fuel shortages.

Water Resources

71. Mr Speaker, Government will continue to pursue strategies to ensure that the country has sustainable water supply and accessibility especially after the challenges presented by the current drought conditions.
72. Mr Speaker, before I elaborate on these strategies, may I highlight our achievement in 2015/16. I am happy to report that 87.5 percent of Swazis now have access to safe water, within a distance of 0.5 km. The target was to improve access to safe water and sanitation to 79 percent by end of 2015/16, however, we are pleased that we have exceeded our expectations. One of the key projects that Government has completed is the construction of the pipeline and reservoir to supply Hlane area. At this juncture, let me thank the Ministry of Natural Resources and Energy and Cooperating Partners for this achievement.

73. Mr. Speaker, despite these achievements, the country has, been hit hard by the prevailing El Nino. As mentioned by His Excellency, the Right Honourable Prime Minister when launching the National Drought Response Plan, 25 percent of the Swazis have been drastically affected by the drought. Mr. Speaker, as we all know *“emanti ayimphilo”*.
74. Mr. Speaker, going forward, in 2016/17 financial year, Government will begin implementation of the following projects:
- i) Conduct a feasibility study on the Nondvo Dam which will give us information on the dam size, capacity, as well as construction costs;
 - ii) Construction of the Siphofaneni, Somntongo and Matsanjeni Water Supply Schemes (SISOMA Project);
 - iii) Construction of a new water treatment plant to service Ezulwini Valley and surrounding areas;
 - iv) Construction of Ezulwini Sewage System to convey waste to the Matsapha Waste Water Treatment Plant.

Information and Communication Technology (ICT)

75. Mr. Speaker, improving access to efficient and affordable ICT services is key to promoting private sector investment; by significantly reducing the cost of internet services. It will also stimulate the growth of complementary sectors of the economy.
76. In 2015/16, Government provided E434 million to the ICT sector. I am happy to report the returns from this investment have been abundant:-
- i) Mobile Tracking Services were developed, assisting citizens to track the status of their document application such as travel documents, through the use of mobile phones.
 - ii) Developed and implemented a Drivers' License enrolment and printing system which integrates with the Population Register system through the Personal Identification Number (PIN).
 - iii) Successfully configured, tested and piloted the network connectivity for the mobile trucks to the central government computing services for the provision of services closer to the citizens.

- iv) Installed latest security equipment (firewall) for ensuring that government information is protected.
- v) The Royal Science and Technology Park (RSTP) was operationalized.

77. Mr. Speaker, interventions in Information and Communications Technology in 2016/17 will include the following:

- i) Scale up the operations of the Royal Science and Technology Park (RSTP) including administration of the National Data Centre; operation of the Advanced School of IT and start-up business incubation.
- ii) Commence construction of the Service Centre which will serve as the administration and investor reception facility.
- iii) Commence construction of the Pharmaceutical Plant at the Biotechnology Park under a PPP arrangement.
- iv) Develop a Master System Plan for strategic partitioning of the Innovation Park;
- v) Establish a National Research Council to coordinate research in the country;
- vi) Continue implementing E-government;
- vii) Facilitate the Legal separation of SPTC into three entities; postal entity, telecommunications service entity and Common Carrier Company;
- viii) Develop a National Broadband Policy and Implementation Plan to facilitate universally available and affordable internet services;
- ix) Complete the implementation of the Digital Migration project

78. Mr. Speaker, E320 million has been allocated to the ICT sector to implement the indicated priority programmes.

Housing

79. Mr. Speaker, Government has made strides towards improving infrastructure in urban and peri-urban areas. In 2015/16, a total of 3,370 plots with roads infrastructure, water supply, electricity and street lights for different income groups of people were developed in Mangwaneni-Pigg's Peak, Vuvulane, Mhobodleni-Greenfield site, Thembelisha-Ezulwini, Nkhanini-Nhlangano and Woodlands 1-Mbabane. In addition, Government has improved various roads, street lighting, drainages, small bridges and water supply

systems in 12 urban local authorities and 8 Tinkhundla with support from the World Bank.

80. Mr. Speaker, the implementation of the institutional housing project commenced in 2015/16. Construction of houses under phase 1 of the project is underway. The project will benefit amongst others, the Correctional Services, Fire and Emergency Services, Defence, teachers, nurses and King Mswati III International Airport staff.
81. Mr. Speaker, in 2016/17, Government will pursue the following priority housing related activities which are expected to create new jobs:
- i) Continue implementing the institutional housing project;
 - ii) Commence the construction of offices, staff houses and entry and exit cargo inspection areas at Mananga Border Post. This will be financed through the Public Private Partnership arrangement;
 - iii) Commence the construction of the Swaziland Revenue Authority Headquarters at Ezulwini;
 - iv) Develop a Residential Tenancies Bill aimed at harmonizing relationships between landlords and tenants with the ultimate aim to encourage more developments in this sector.

iv) *Strengthening All Key Sectors for Economic Growth*

Agriculture and Food Security

82. Mr Speaker, agriculture and agribusiness continue to be pivotal to the growth of our economy. Currently, the sector employs 11 percent of Swaziland's formal labour force, and contributes about 8 percent to GDP. However, this contribution is likely to drop in 2015/16 as a result of the recent drought. Notwithstanding the effects of the drought, with a budget of E537 million, the sector was able to achieve the following in 2015/16:
- i) Commenced construction of four earth-dams under Maphalaleni Inkhundla.
 - ii) Dipping of cattle progressed smoothly through the year with a steady regular supply of dipping chemicals.
 - iii) Movement of livestock within the country is regulated by law.

- iv) Under the Food Security Project, a total of 9,519 farmers received Government subsidized farm inputs.
 - v) Installation of soil testing equipment was completed in 6 locations and it is already functioning.
 - vi) A total of 100 tractors with implements were delivered to different regions.
83. Mr. Speaker, the most pressing challenge facing the agriculture sector is how to deal with the drought and its effects. In 2016/17, Government proposes to increase the budget allocated to the Ministry of Agriculture from E537 million in 2015/16 to E843 million in 2016/17. These funds will be utilized to implement the following priority programmes:
- i) Support maize cultivation through irrigation,
 - ii) Construction of medium sized earth dams in the high and upper Middleveld, for livestock and irrigation purposes.
 - iii) Commercialization of agriculture through the Smallholder Market Led Project. This Project will be co-funded by the International Fund for Agricultural Development and the Government of Swaziland. It will work with smallholder farmers in 37 Chiefdoms to improve their businesses and improve access to markets for their produce. It will also rehabilitate and establish small and medium earth dams in the country.
84. Mr Speaker, I commend the European Union (EU), which has supported Government especially in the agriculture sector over the years. Under the 11th European Development Fund, the EU has extended over E800 million in grant funds to the Government. This financing is targeted at the most vulnerable population and smallholder agriculture, mostly on Swazi Nation Land.

Rural and Regional Development

85. Mr. Speaker, Government has continued to promote rural and regional development through the Regional Development Fund (RDF) and Tinkhundla Centres. In 2015/16, Government provided E80 million to the Fund, which was utilized to deliver rural electrification projects in various communities. In 2016/17, Government will increase the allocation to E88 million.

86. Mr. Speaker, to improve efficiency of the RDF, new regulations to strengthen management and general operations have been adopted. Under the new regulations, the Micro Projects Unit was appointed to manage the day to day operations of the Fund. The new Regulations have simplified the disbursement of funds to communities, so that resources go into the implementation of extensively scrutinized projects to limit any possibilities of implementation failures in future. Let me also clarify that the RDF is open to all members of the community, and it is encouraging to note that more young people have received grants from the Fund to start income generating projects.

Mining

87. Mr Speaker, the mining sector is showing signs of recovery. As I mentioned in my Budget Speech last year, His Majesty graciously granted a mining lease to begin mining of gold at Lufafa. I am happy to note that all preparations for mining have commenced.

88. In addition, Mr Speaker, the Ministry of Natural Resources and Energy has secured technical assistance from the Commonwealth Secretariat to review the legislative framework for the mines and minerals sector. Reviewing the mining sector's legal framework will assist in the modernization of the regulation of the sector for the long term sustainability of the natural resources.

Tourism Development

89. Mr. Speaker, the Swaziland Tourism Authority developed a tourism strategy and plan to guide the implementation of critical activities to drive tourism growth in the country. Implementation of this strategy started this financial year. The aim is to increase tourist numbers, generate higher foreign exchange inflows and enhance the employment potential of the Tourism industry.

90. Mr. Speaker, I am happy to report that the Ministry of Tourism and Environmental Affairs launched a national campaign titled "**Zero Littering: Yebo 2022**" in partnership with the Royal Swaziland Police. The ministry also issued at least 881 permits to various operators aimed at promoting sustainable harvesting of natural resources to preserve our communities.

91. Mr. Speaker, an allocation of E95.8 million has been proposed towards the Tourism sector to continue implementing the tourism strategy and plan in 2016/17.

Private Sector Competitiveness

92. Mr. Speaker, in order to improve the private sector competitiveness, Government has undertaken regulatory reforms including reforms in business registration and licensing. These reforms have thus far resulted in the establishment of a business license e-registry as the sole repository of business licenses. Government also commenced the construction of three factory shells in Matsapha and Ngwenya aimed at attracting investors.

93. Mr. Speaker, in 2016/17 and the medium term, Government will prioritize the following programmes particularly to improve the business climate and continue attracting investment both domestic and foreign:

- i) Formulate plans for the implementation of the Trade Policy and the Industrial Development Policy 2015 – 2022;
- ii) Create a conducive environment for cooperative enterprises to operate, including ensuring financial inclusion of sectors such as Christian faith based cooperatives;
- iii) Continue implementing the Investor Road Map to attract more investments into the country and increase export trade;
- iv) Complete phase 1 of the Science and Technology Park which is expected to serve as a catalyst in the furtherance of diversification of the economy;
- v) Expand Matsapha industrial estate phase 2 as well as develop a new industrial estate at Sidvokodvo to service 301 hectares of industrial estates incorporating the rail line which will promote economic activity in the areas;
- vi) Organize bi-annual breakfast meetings involving the private sector, academia and development partners on how to enhance private sector competitiveness in Swaziland.

94. Mr Speaker, Government will commence implementing the Private Sector Competitiveness Project to be funded with a US Dollar 25 million loan from the World Bank. The project will support an improved investment climate and strengthen

competitiveness of firms, especially in the agribusiness and tourism sectors. Firms and rural households across the country are expected to benefit from this project, especially in gaining access to export markets. The project will assist in increasing access to finance for small and medium size enterprises. It will also support the implementation of the Investor Road Map.

95. Mr. Speaker, in the 2016/17 financial year, Government proposes to allocate E233.7 million to the Ministry of Commerce, Industry and Trade to implement their priority programmes.

Security

96. Mr. Speaker, the prevailing peace and security is an important pre-requisite for growth which we must never take for granted. As we all agree, it forms the fundamental basis for what we seek to achieve. Government has, over the past years, actively enhanced the capacity of the USDF and the Police in order to safeguard peace and security of Swazis and their property. This budget recognizes that indeed, Government has no greater responsibility than protecting the lives of its people. Government will therefore ensure that the USDF and Police continue to have what they need to ensure Swazis are secure.
97. Mr. Speaker, an allocation of E2.3 billion is proposed for the Security Sector in the budget for the next year. These resources will be utilized to further strengthen the USDF, Correctional Services and the Police. Specific emphasis will be placed on strengthening intelligence capability, training and welfare.

v) *Efficiency and Optimization of Resource Utilization*

98. Mr Speaker, there is need to improve efficiency and optimization of scarce resources in the implementation of Government programmes to ensure effective delivery. Public service delivery has continued to face numerous management challenges including mismanagement of facilities and supplies and ghost staff. It also suffers from poor project formulation, design, implementation, monitoring and evaluation as well as corruption in the award and management of contracts. There are still challenges related

to coordination and monitoring of Government programmes and policies at various levels of Government.

Enhancement of Productivity in the Civil Service

99. Mr. Speaker, Government has deemed it appropriate to address the numerous performance gaps in the civil service. One of the critical gaps has been low productivity of the civil service which has culminated in poor service delivery. To address these gaps, Government will pursue the following interventions in 2016/17 and the medium term:

- i) Intensify staff inspections, wage bill monitoring and management;
- ii) Roll out the Performance Management System (PMS) to the rest of the Government Ministries. The PMS ensures that each and every job holder has an adequate workload to be executed at agreed and acceptable levels of performance and standards;
- iii) Implement the Payroll and Skills Audit recommendations including plugging the Human Resource System gaps and removing ghost employees that were identified in the audit;
- iv) Suspend filling and creation of non-priority positions.

100. Mr. Speaker, as you know, Government has an obligation to review salaries for civil servants every five years, and the last salary review was undertaken in 2004. Mr. Speaker, I would like to announce that the long awaited civil service salary review has finally been completed.

Public Finance Management Reforms

101. Mr. Speaker, Government has continued implementing various public finance management reforms to effectively and efficiently utilize public resources. In 2015/16, the Medium Term Expenditure Framework was rolled out to all ministries. Efforts to strengthen the commitment control system and cash management have also been vigorously pursued. The contribution of the Internal Audit function has been greatly improved and now it provides assistance to Controlling Officers on how to improve their internal control systems and prevent wastage of public resources.

102. Mr Speaker, in 2016/17 and medium term, Government will continue prioritising the following public finance management reforms:

- i) Commence the implementation of a new PFM law on the premise that Parliament will approve it as promised. As you are aware Mr. Speaker, the PFM Bill (2014) was presented to this August House in August 2015;
- ii) Commence the implementation of the Integrated Financial Management Information System (IFMIS);
- iii) Modernize the Treasury Department to be in line with international standards;
- iv) Strengthen budget oversight through capacity enhancements of the Office of the Auditor General ;
- v) Build the capacity of Government procuring entities to reduce wasteful expenditure through public procurement. This includes the formation of procurement committees for every spending agency to streamline procurement at the agency level;
- vi) Transfer the collection of all Government revenue to the Swaziland Revenue Authority for efficiency purposes.

Public Enterprises

103. Mr. Speaker, Government will leave no area of public spending unscrutinised as we strive to improve efficiency. Following the approval of the Dividend Policy, the Public Enterprise Unit will continue to engage and encourage public enterprises to declare dividends since this sub-sector presents a potential to increase Government's revenue base.

104. In addition, all Chief Executive Officers will be required to sign annual performance contracts. Government will also commission a study to review the Public Enterprises Framework and advise Government on how Public Enterprises can be streamlined.

Public Private Partnerships (PPPs)

105. Mr. Speaker, Government will focus on strengthening the PPP Unit through capacity building, as well as developing the framework that will enhance public private

cooperation. Currently, Government finds it difficult to engage the private sector, especially on the financing of the capital programme.

vi) Combating Corruption

106. Mr Speaker, in His Speech from the Throne, His Majesty the King pointed out the need to intensify the fight against corruption. Mr Speaker, there is empirical evidence that corruption holds back countries' economic development and erodes the citizens' quality of life. Very often it is the poor and the vulnerable who suffer the most. Often, corruption has become an endemic and a "culture" and as such – it places a heavy burden on public resources, undermines public service delivery and stifles growth and investment.
107. Mr Speaker, according to the Corruption Perception Index compiled by Transparency International, Swaziland is currently ranked at 69 out of 189 countries. This means we still have a lot to do to improve our reputation at the international level. Government has instituted several measures to fight corruption, however there has been little progress in terms of bringing people to book. While ACC has done some considerable work in investigating and exposing corruption, there has been little progress in preventing the vice.
108. Going forward, Mr Speaker, Government calls upon everyone in the Country to actively participate in the fight against corruption. Those who see wrong things happening and keep quiet are as guilty as the ones who are actually committing the deed. Let us all help in building a corruption-free society.
109. Mr Speaker, in the financial year 2016/17 Government will, pursue the following measures towards the prevention of corruption:
- i) Allocate more resources to the Anti-Corruption Commission to build its capacity in investigative as well as preventive skills, and strengthen the quality, speed and volume of investigations;
 - ii) Provide the necessary support to strengthen the justice system.

- iii) Provide additional resources, including two judges for the establishment of a specialized and designated Commercial Court so as to expedite the disposal of corruption and commercial crime cases.
- iv) Allocate more resources to the Auditor General to strengthen accountability, transparency and integrity of government and public sector entities.

V. Revenue and Expenditure for 2016/17

(i) Revenue

110. Mr Speaker, total revenue in 2016/17 is expected to decline by 7% to E13.4 billion. The expected decline is due to decline in SACU revenue which is projected to drop from the E6.9 billion in 2015/16 to E5.3 billion in 2016/17, reflecting a 22 percent decline year on year. Domestic revenue, on the other hand, is projected to increase by 12 percent over the 2015/16 collections. Income taxes will increase by 12 percent while VAT will grow by 2 percent. Non tax revenue is projected to grow by 20 percent. As a percentage of GDP, total revenues for 2016/17 are projected at 28 percent compared to 33 percent of GDP in 2015/16.

(ii) Expenditure

111. Expenditure is estimated at E20.7 billion including payments for public debt and other statutory obligations amounting to E1.9 billion. Total expenditure for 2016/17 represents an additional E3.0 billion above the appropriated level for 2015/16. Capital expenditure is budgeted to grow by 36 percent in 2016/17 financial year while recurrent spending is budgeted to increase by 13 percent. Total expenditure for 2016/17 represents 44 percent of GDP, compared to 40 percent of GDP in 2015/16.

(iii) Fiscal Deficit

112. Mr. Speaker, this budget recognizes that in times of crisis a deficit may be the appropriate action – but only with a plan to return to balance, and accompanied by

fiscal discipline through the curtailing of wasteful spending. Mr. Speaker, the budget deficit for the coming financial year is projected to increase to 13.7 percent of GDP compared to 6.8 percent estimated for this financial year. Over the medium term to long term, our aim is to bring the deficit back to single digit levels, in line with SADC Macroeconomic Convergence targets, supported by improved revenue collection.

113. To avoid an increase in relatively expensive external borrowing and reduce the fiscal burden of debt payments over the medium term, a larger share of the fiscal deficit will be financed through domestic borrowing. External borrowing will be considered only for the financing of highly productive fixed capital investments.

(iv) Revenue Measures

114. The projected growth in domestic revenues will be on the account of efficiency gains in tax administration and the following tax measures to be implemented in 2016/17:
 - i) Finalize the replacement of ASYCUDA++ with ASYCUDA World, which is expected to increase revenue collection through improved import procedures, provision of real time statistics on cargo received and released. Furthermore, the new system will improve trade facilitation through reduced clearance times, reduced paper consumption and gives flexibility to traders to submit their documents for processing at any time of the day and not just during traditional working hours;
 - ii) Establishment of a Tax Appeals Tribunal to handle tax appeal cases as per international best practice;
 - iii) Introduce a new Income Tax law based on generally accepted principles, including horizontal equity, vertical equity, predictability and stability. This law will also introduce investment incentives that are non-discriminatory towards domestic and foreign investments that focus on;
 - (a) achievement of sustainable growth and employment creation;
 - (b) development of a knowledge based economy;
 - (c) stimulation of start-up and growth of technological industries;
 - (d) infrastructure development;
 - (e) small and medium enterprises;

- (f) Micro enterprises.
- iv) Introduce a levy on alcohol and tobacco at a lower rate than originally proposed following consultations between Government and the Industry;
- v) Introduce an amendment to the SRA Act that would provide tax exemption for imports of goods and services generated from grants and loans to Government.
- vi) Review user fees and charges including visa fees, work permits, liquor licence fees, to align them with the cost of providing the respective services;
- vii) Partner with the Swaziland Post and Telecommunications to collect revenue on behalf of Government to ease the current congestion of people queuing at Revenue offices;
- viii) Transfer the collection of all non-tax revenues to the Swaziland Revenue Authority in line with the SRA Act.

115. Mr. Speaker, the details of the above revenue measures are contained in a Finance Bill, 2016 to be presented to this August House in due course.

VI. Appropriation

116. Mr. Speaker, by virtue of the responsibility entrusted to me as the Minister of Finance, I now present to this August House, the Budget Estimates for FY2016/17, as follows;
- A. Revenue and grants: E14,176 million
 - B. Appropriated recurrent expenditure (excluding Statutory): E13,435 million
 - C. Capital expenditure: E5,392 million
 - D. Total expenditure: E20,679 million
 - E. Deficit: E6,502 million

VII. Conclusion

117. Mr. Speaker, allow me to reiterate that this budget is about *“Growth for all with all through optimizing, innovating, boosting domestic revenue and spending efficiently.”*

118. Mr. Speaker, I hereby present for your consideration this budget for the financial year 2016/17. 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 Right honourable Prime Minister, the Finance Committee of Parliament, members of staff from Central Agencies and staff from line ministries.
119. Mr. Speaker, I would also like to thank our Development Partners, particularly the European Union, Republic of China (Taiwan), the United Nations family, the World Bank, International Monetary Fund, 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, the Kuwait Fund, the Saudi Fund for Development and NGOs for their unwavering support and commitment to the development of this country.

