

BUDGET SPEECH

2014

PRESENTED BY

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THE MINISTER OF FINANCE

TO THE

PARLIAMENT

OF

THE KINGDOM OF SWAZILAND

21ST FEBRUARY, 2014

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Introduction

1. Mr. Speaker, it is a great honour for me to present today my first Budget Speech as Minister of Finance. Presenting it to the 1st Session of the 10th Parliament of the Kingdom of Swaziland makes it even more memorable. I sincerely thank their Majesties for having confidence in me by placing such a mammoth task to manage the Government finance portfolio. It is my sincere prayer that I will rise up to the challenge, and hopefully be like the two men Jesus Christ spoke about in the parable of the talents, who never hid the talents entrusted to them, but used them and yielded double returns.
2. Mr. Speaker, I also thank His Majesty the King for his recent Speech from the Throne, where His Majesty challenged Government and Parliament, to enhance service delivery and foster sustainable development for the people of Swaziland. This budget will support His Majesty's Vision by using resources available to practical and sustainable effect.
3. Permit me Mr. Speaker, to also thank His Excellency the Prime Minister and my Colleagues in Cabinet for their support in preparing this budget. It has been said that: *“Collective responsibility is the beginning of unity, staying united reflects progress, while working together is the recipe for success.”* Let us all strive for continued unity, and build this country to where His Majesty the King, wants it to be.
4. Mr. Speaker, finally, I must thank the newly formed Finance Committee of Parliament, for their effort over the past week. I hope that we can form a lasting relationship over the coming sessions. I trust that their evaluation of this and future budgets, will make me execute my responsibilities in the most robust was possible.
5. Mr. Speaker, the Budget is a statement of the revenues the Government expects to collect over the next 12 months, and how they will be spent. This coming year, Government expects to collect 35 percent of Swaziland's GDP, of which 18.4 percent will come from SACU. Government also expects to receive project grants equivalent to about 2 percent of GDP. On the other hand, total spending will be approximately 38 percent of GDP, which means we will need to borrow to be able to reach the planned spending levels.

6. Agreeing to spend more than we can receive has been a tough decision to take, together as Government. However such a stance is not uncommon especially after an election year. There is always pressure on Government, to increase spending to meet and fulfil the promises made to the electorate. Mr. Speaker, this now brings me to the main purpose of this budget. Before introducing the main theme of the budget, let me assure Parliament that we are committed not to leave a legacy of needless debt to future generations. We will ensure that total public debt remains relatively low, below the 35 percent of GDP threshold.

Fiscal Year 2014/15 Budget Strategy

7. Mr. Speaker, the main purpose and focus of this budget is to “**Invigorate economic growth, create employment opportunities, and accelerate public sector reforms**” aimed at maintaining macroeconomic stability; maintaining peace and security, and improving the welfare of the people of Swaziland. These objectives must be seen in the long term perspective, of transforming Swaziland into a developed country status, as per His Majesty’s Vision.
8. These objectives are already contained in the national planning documents including Vision 2022, the National Development Strategy, Economic Recovery Strategy, Fiscal Adjustment Roadmap, and the Poverty Reduction Strategy and Action Plan. The budget strategy I am going to describe is consistent with these documents. The Ministry of Economic Planning and Development is in the process of delivering, a new National Development Plan with performance targets, which will help guide future allocations of resources. Government is also in the process of developing a set of development indicators to measure and monitor progress towards economic and social goals, as communicated by His Majesty in his recent Speech from the Throne.
9. Mr. Speaker, I believe that in order to have full comprehension of the Government’s actions in this budget, it is essential to briefly highlight recent international, regional, and domestic economic developments. Later I will briefly review our fiscal performance for the financial year 2013/14.

International and regional developments

10. Mr Speaker, we are witnessing the gradual recovery of the world economy from a severe crisis. But it is not yet back to normal. The IMF estimate that the world economy grew by 3 percent in 2013. In 2014 and 2015 global growth is expected to accelerate to 3.7 percent and 3.9 percent, respectively. This approaches the trend growth rate of around 4 percent seen in the decade before the global financial crisis.
11. While the outlook is encouraging, some concerns remain. Emerging economies have grown more slowly in 2013 than in recent years. Growth in sub-Saharan Africa was lower than forecast last year, but is expected to accelerate from 5.1 percent in 2013 to 6.1 percent this year. In the medium term, lower commodity prices are expected, which may dampen growth across the region.
12. Mr Speaker, South Africa is Swaziland's main economic partner and our economy depends largely on South Africa's trade performance. The National Treasury of South Africa estimates growth of 2.1 percent in 2013. This was 0.9 percent short of earlier expectations. Economic activity is projected to pick up to 3 percent in 2014, but there are still challenges. Firstly, South Africa trades heavily with Europe, which is recovering slowly. Secondly, its public borrowing and private investment costs are expected to increase this coming fiscal year. Finally, labour disputes, electricity shortages and other supply-side challenges could continue to be deterrents to growth.

Domestic developments

13. Mr Speaker, our own economy is recovering as well and inflation is below 6 percent, compared to 8.9 percent in 2012. Preliminary estimates indicate that real GDP growth rose from 2 percent in 2012 to 2.8 percent in 2013. The agricultural sector was affected in 2013 by storms and heavy rains, but manufacturing and services sectors have expanded. Construction grew by 9.5 percent, wholesale and retail by 4.0 percent and communications by 8.5 percent. Commercial bank credit to the private sector has been growing faster and consumer spending power has been helped by falling inflation, low interest rates and increased Government expenditure.

14. Higher SACU revenues and improved exports have reversed the current account deficit of over 8 percent of GDP recorded in 2011. 2013 is expected to yield a surplus of over 5 percent. International reserves have reached 4.6 months of import cover by end-2013, after falling to lows of 2.1 months in March 2011. However the start of monetary tapering in the United States has resulted in a 11 percent depreciation of the Lilangeni in the last 4 months. For now, we are unsure of the implications such events will have for the domestic economy.
15. The continued implementation of policies to improve economic competitiveness and increase the share of capital spending has supported higher growth. However, most industries are relatively mature and barriers remain that limit the capacity of the economy to expand. Overall, our economy is projected to grow by around 2 percent in 2014.

Fiscal Performance

Revenue performance

16. Mr Speaker, nearly two years have passed since SACU revenues recovered and ended the three year fiscal crisis. Growth in the Common Revenue Pool means that receipts from SACU was E6.5 billion in 2013/14, around 7 percent higher than in 2012/13. In addition, we received a E643 million repayment following the Common Revenue Pool over-performance in 2011/12. Mr. Speaker, let me hasten to mention that this is a one-off payment that will not be repeated every year. Sometimes we receive such a windfall, and sometimes we pay back to the SACU pool, like it happened in FY2010/11 and FY2011/12, where we paid back around E900 million and E1.4 billion respectively. Government will continue to look for ways to reduce dependence on SACU revenues and to reduce the risks of another fiscal crisis.
17. In this regard, I am pleased to say that our domestic revenues have performed above target. Despite tax cuts, total domestic revenue is expected to amount to E5.5 billion in 2013/14. This is 12 percent higher than last fiscal year. In 2013/14, higher than expected VAT refunds have been compensated for by strong collections in corporate tax, personal

income tax and fuel tax. We congratulate the Swaziland Revenue Authority over this achievement.

Expenditure Performance

18. Expenditure has grown by E4 billion over the past two years. This is equal to around 6.5 percent of GDP. In 2012/13, expenditure grew by 19 percent but was contained by the previous Government in order to run a budget surplus of around 4.3 percent of GDP. The surplus was used to rebuild reserves and to repay arrears. This action was essential to restore confidence in the economy and to set a stable foundation for economic growth.
19. In 2013/14, the Government raised spending by 23 percent to E13.2 billion in order to stimulate the economy. The budget was not fully financed, so recurrent spending controls are expected to restrict expenditure to E12.9 billion. Around 40 percent of projected outturn would be spent on wages and salaries, 16 percent on goods and services, 21 percent on transfers, and 3 percent on interest payments. As a result, the Government will be able to increase capital spending by nearly 90 percent and still deliver a budget deficit of less than 1 percent of GDP.

The Resource Envelope for Fiscal Year 2014/15

20. Mr. Speaker, the total amount of resources available in fiscal year 2014/15 are estimated at E15.3 billion, representing an increase of 19 percent, on fiscal year 2013/14. Fifty one (51) percent of the budget in fiscal year 2014/15 is projected to be financed by non-SACU revenue, estimated at E5.9 billion. This represents a rise in the domestic financing of our budget using non-SACU revenues. This is in line with Government's plan to reduce dependency on SACU receipts. In 2014/15, SACU receipts will finance 49 percent of the budget, compared to 56 percent in 2013/14.
21. Mr Speaker, the balance of the budget will be financed through the support of our development partners, who have committed to contribute E778.2 million through grants, as well as through borrowing. As already indicated, we will need to borrow about E1.1 billion to finance an estimated deficit of 3 percent of GDP.

22. Mr Speaker, allow me to extend our usual appreciation to all our development partners for their continued support to the development of our country. In particular the EU, Taiwanese Government, PEPFAR, the Global Fund, MSF, UN Agencies, IFAD, and ICAP have played an important role in providing support in infrastructure, agriculture, water, health, education and governance. We have also continued to receive technical assistance from the IMF, The World Bank, AfDB, UNDP, and CHAI.

Revenue Measures

23. Mr Speaker, much of the growth in revenue in FY2014/15 will come from improvements in tax administration at the Swaziland Revenue Authority (SRA). In particular, SRA will commence implementing a direct VAT refund system. The arrangement is expected to eliminate the delays traders experience in clearing imported goods. The new arrangement is expected to improve our trade records and enhance revenue collections. I urge all traders to comply with this new VAT refunds arrangement.

24. Government also intends to undertake a study to review the tax incentives offered to investors in the country, aimed at making Swaziland an ideal investment destination. The incentives will target both local and foreign investors. Outcomes of the review will be presented to this August House once completed.

Recurrent expenditure

25. Mr. Speaker, overall recurrent expenditure will increase from E9.7 billion in 2013/14 to E10.6 billion in 2014/15. This represents an increase of 9.3 percent. Wages and salaries (excluding pension) will increase from E4.6 billion in 2013/14 to E4.7 billion in 2014/15, an increase of 4 percent. Recurrent spending on goods and services will increase from E9.7 billion to E10.6 billion over the same period, which represents an increase of 9.3 percent. Transfers to public enterprises and local governments will increase from E3.2 billion in Fy13/14 to E3.6 billion in FY14/15, an increase of 14.1 percent. The increase in transfers is partly driven by the increase in allocations to the Regional Development Fund as directed by His Majesty in his recent Speech from the Throne. The increase in the

wage bill and spending on goods and services, is mainly driven by inflation and increased spending on health and education.

Capital expenditure

26. Mr. Speaker, in 2014/15, capital spending will increase by 44 percent; from E2.6 billion in 2013/14 to E3.7 billion in 2014/15 to support long run economic growth. Approximately 81 percent of this funding will focus on completing the ongoing projects while 19 percent is programmed for new capital projects. The key ongoing projects include the completion of Sikhuphe International Airport, the Sikhuphe-Mbadlane Road, and the Sicunusa-Nhlangano road.

27. The new capital projects include the construction of the Hotel and International Convention Centre, which is aimed at boosting the country's tourism industry. The other new capital projects include Mhlume Siphon scheme, rehabilitation of Malkerns Canal, construction of Siphofaneni St Phillips Phase 2 Road, Mananga-Sihhoye Road, Manzana-Dvokolwako Road, and the Tinkhundla Infrastructure and Micro projects, among others. With the exception of the Hotel and Conference Centre, most of these new capital projects will be financed through grants from the European Union.

28. Implementation of capital projects has tended to suffer from lower than expected absorption and achievement rates. The overall absorption rates for the capital budgets of the two previous years did not exceed 70 percent. Government has introduced a number of reforms aimed at enhancing the implementation of capital projects, in order to attain our objectives of invigorating economic growth.

Key Priorities for Fiscal Year 2014/15

29. Mr Speaker, I will now set out the priority areas for fiscal year 2014/15, guided by the three elements described in this fiscal year's budget theme.

Invigorating Economic Growth and Creating Employment Opportunities

30. Invigorating economic growth in fiscal year 2014/15 will be aided by a heightened focus on the following sectors:

- a) Agriculture
- b) Infrastructure
- c) Communications and ICT
- d) Mining
- e) Tourism development
- f) Trade and Industry
- g) Financial sector

Agriculture

31. In the Agriculture sector in fiscal year 2013/14, the major activity was the continued implementation of the Komati Downstream Development Project and the Lower Usuthu Irrigation Project. These projects have transformed rural livelihoods through crop production.

32. For fiscal year 2014/15, Government has provided E540.3 million to Ministry of Agriculture, increasing from E533.9 million this financial year. Priority interventions include:

- a) Expanding irrigation infrastructure;
- b) Dipping chemicals and livestock identification;
- c) Construction of small earth dams; and
- d) Food security project.

Expanding irrigation infrastructure

33. Mr. Speaker, three irrigation projects will be implemented to increase water for agricultural production. This will include continuation of the LUSIP. E85 million has been set aside for this project in FY2014/15. This project is expected to increase water for agricultural production. This investment is expected to create over 4000 jobs.

34. An extension to LUSIP will also be implemented at a cost of E20 million. This will involve the extension of the LUSIP canal up to Nsoko area, in addition to construction of a fourth sugar mill. This project, when completed, is expected to benefit close to 70,000 people from the chiefdoms of Mngometulu, Ngcamphalala, Matsenjwa, Myeni and Gasa Wa Ngwane. Furthermore, Government will allocate E18 million to continue with farm development under the KDDP and E75 million for the rehabilitation of Malkerns canal.

Dipping chemicals and livestock identification

35. The beef industry has demonstrated the capacity for high quality exports with continued access to the lucrative EU and Norwegian markets. Livestock farmers should aim to intensify their production systems to maintain supply. The recent EU inspection Mission has approved the country's standards and procedures for the beef industry. The Livestock Identification and Traceability System (SLITS) will be rolled out and fully implemented. E7 million has been allocated in next year's budget for these activities.

Construction of earth dams

36. In 2013/14, two (2) medium sized earth dams were constructed. Provision of earth dams will continue to be prioritized in next financial year's budget. Objectives include constructing three (3) more medium sized earth dams in the Lowveld. E10 million has been allocated for this purpose. The construction of these dams will increase employment and production opportunities in those areas.

Food security project

37. Government will also continue implementing the food security project. This project provides quality seeds and basal fertilizers, tractor hire services, and strategic storage facilities. The project targets to benefit 21,500 farmers. The project will cost E111.5 million, to be financed by a loan from the EXIM Bank of India.

Infrastructure

38. Mr Speaker, this coming year's budget will finance a number of infrastructure projects. The main focus will be on the continued development of the road network, aviation and railway infrastructure. Government has also finalized a 25-year Transportation Master Plan which will guide investment decisions in the sector to help achieve the developed country status.

39. Mr. Speaker, permit me to reiterate that Swaziland's road network has been ranked among the top 50 in the world by the World Economic Forum. This is a reflection of Government's deliberate policy to ensure that there exists easy access across the country. For instance, in the year 2013, the paved road network has been expanded by 64km, from 1281km in 2012 to 1,345km. Access to rural communities has also been improved through the Feeder Road Programme which has a maintained network of 3,540km by the end of the financial year.

Roads

40. Mr. Speaker, the Budget allocates E605 million for the construction and rehabilitation of the road network in various parts of the country. This includes E15 million for the rehabilitation of rural roads under the Feeder Roads Programme. The following will be prioritized under the roads subsector:

- i) Link road to Sikhuphe Airport
- ii) Nhlangano - Sicunusa Road, co-financed with BADEA and OFID

- iii) Upgrade the Bulembu - Piggs' Peak road
- iv) Designs for Kalanga-Big Bend road
- v) Pilot programme to upgrade rural roads to the 'all weather' standard
- vi) Reseal the Mbabane–Manzini Highway

41. Improvements in the feeder roads network will help increase the productivity of rural smaller holder farmers, stimulate economic activity and alleviate poverty in the rural areas where about 60 percent of the population resides.

Aviation development

42. Sikhuphe International Airport is nearing completion. Indeed, Mr Speaker, the entire country looks forward to the opening of Sikhuphe International Airport next month. In fiscal year 2014/15, the project has been allocated E119 million to complete all the remaining essential works. Memoranda of Understanding and Air Service Agreements have been reviewed and signed with a number of countries such as Ethiopia, Rwanda, Kenya, Namibia, Zambia, Zimbabwe, South Africa and Mozambique. Further allocations have been provided to establish police, immigration, fire and meteorological services and for zoning Sikhuphe as a new controlled urban area.

Railways

43. Mr Speaker, Swaziland Railways and South Africa's Transnet have partnered to construct a railway line approximately stretching 146km from Lothair to Sidvokodvo, Lavumisa and into South Africa through Golela. Significant progress has been made towards the completion of the feasibility study which is projected to be completed in the second quarter of 2014. Economic spillovers will be accrued from this project in form of employment opportunities, small and micro business during the construction phase. The project is expected to allow quicker and cheaper access to major ports. Once completed, the new railway line will also reduce maintenance costs to the country's road network. Government has made an allocation of E88 million towards the completion of the study.

Communication and Information Technology

44. Mr. Speaker, Government intends to cut the cost of communication to improve economic competitiveness. Towards this end, Government has approved the establishment of the Swaziland Communications Commission to regulate the communications industry. E5.3 million has been provided in the coming year to operationalize the Swaziland Communications Commission. In addition, Government has also set aside E6.5 million for the Electronic Document Records Management System (EDRMS) and the Swaziland Library Network (SWALINET).
45. Mr Speaker, Government will also continue implementing the Biotechnology and the Innovation Parks. Construction of the basic infrastructure such as access roads, electricity, water and telephone networks in support of the parks is due for completion in the course of 2014. A total of E146 million has been allocated for these activities. These cutting-edge facilities will provide the necessary base for building a knowledge-based economy.
46. Government will also continue with the Digital Terrestrial Television Migration programme which aims to provide regionally harmonised broadcasting services to the country. E101 million has been provided to the ICT Ministry to implement this programme.

Mining

47. Mr. Speaker, according to the survey done by the Department of Geological Survey and Mine, the country is endowed with an estimated 1.7 billion tonnes of minerals in various parts of the country. Currently mining of iron ore at Ngwenya is ongoing. Exploration of gold and industrial diamonds is also underway. To ensure optimal and responsible exploitation of this very important sector, the Government, in 2011, enacted the Mines and Minerals Act as well as the Diamond Act.
48. Mr. Speaker, Government has provided E4.4 million in the 2014/15 budget to the Ministry of Natural Resources and Energy, to continue implementing the Mining

legislation and to encourage mining investors to process the minerals within the Kingdom. This is aimed at invigorating the country's economic growth.

Tourism Development

49. Mr Speaker, the number of tourists has grown from about 1.2 million visitors in 2012 to an estimated 1.4 million in 2013. This steady growth demonstrates that Swaziland is a growing attraction and we should invest in improvements in existing tourist circuits that are already proven; as well as develop new tourist sites. It is for this reason that this budget allocates E20.7 million for tourism development.

Energy

50. Government recognises that energy supply is critical to the invigoration of the economy. It also plays an important role in rural development. Government also recognises the need to develop alternative sources of energy as part of the efforts to reduce our energy imports. Government plans to undertake the following in 2014/15 and in the medium term:

- i) Continue extending the national electricity grid to rural areas through the Rural Electrification Programme
- ii) In collaboration with the Southern African Trade Hub, develop an Independent Power Producer policy, which will enable more power generators to enter into the electricity industry
- iii) Increase hydro power generation capacity at the Dwaleni Power station along Ngwempisi River
- iv) Continue promoting exploration of renewable sources of energy such as wind and solar power
- v) Conduct energy access surveys to accurately measure electricity access in the country

Trade and Industry

51. Government through the Swaziland Investment Promotion Authority (SIPA) has prioritized the creation of an investment climate that is conducive for doing business in the country, through the implementation of the Investor Road Map (IRM). The implementation of the (IRM) is a key strategic pursuit in ensuring that the country is the preferred choice for investment both regionally and globally. As a consequence of implementing the IRM, the country's ranking improved by 10 places in the Global Competitiveness Index from 134 in 2012 to 124 in 2014.
52. Government is committed to continuing the implementation of the *Six Priority Targets* that were identified in 2013 in the Investor Road Map, namely; investor protection; starting a business; enforcing contracts; trading across borders; getting electricity and registering property. To this end, Government has set aside E0.75 million to establish a Coordinating Unit to ensure that Government, private sector and the Swazi Nation collaborate in order to realise the aspirations of the IRM priority objectives.

Renegotiating AGOA

53. Mr. Speaker, Government is currently renegotiating the AGOA (African Growth Opportunity Agreement) trade pact to ensure Swaziland's continued access to the USA market beyond 2015. Between 2000 and 2004 Swaziland's textile industry grew in leaps and bounds mainly as a result of AGOA. At its peak in 2004, the clothing and textile sectors employed an estimated 30,000 in 27 business establishments. Government is doing all that is within its reach to ensure that the textile sector continues to benefit from AGOA. More support to this sector will also be provided to facilitate its expansion. E3 million has been set aside in the FY 2014/15 budget for this purpose. The Ministry of Commerce in collaboration with the National Industrial Development Company of Swaziland will be working on the strategic plan for the disbursement of funds to this industry.

Trade facilitation and industrial development

54. Mr. Speaker, as part of the IRM implementation, Government will continue to implement some of the recommendations contained in the World Bank supported Time Release Study that was done for the Ngwenya, Lavumisa and Lomahasha border posts. So far the SRA has extended the border opening hours at Ngwenya up to midnight to give traders more flexibility when transporting their goods. SRA, in partnership with COMESA, has also embarked on upgrading the Automated System of Customs Data (ASYCUDA), which will provide an improved customs administration platform, including the direct payment of VAT refunds at the border, as already mentioned before. I urge all traders to take advantage of the initiatives taken by SRA to reduce your transaction costs.
55. Mr. Speaker, Government also recognized the need to create synergies between trade investment promotion and trade facilitation. Towards that end, the Ministry of Commerce has transferred its trade promotion function and the management of Mavuso Trade Centre to SIPA. It is expected that this will strengthen the local export base through the creation of additional marketing opportunities and capacity building programmes for Small Micro Medium Enterprises (SMMEs) as well as contribute to increased trade promotion ventures such as trade expos and fairs, and to create synergy between trade promotion and trade facilitation. E12.5 million has been allocated to SIPA to implement this programme.
56. Furthermore, Government through SIPA and SEDCO will also continue to prioritise the SMME linkage programme which is a vertical linkage programme between large and small companies for purposes of outsourcing, transferring skills, technology as well as developing business partnerships. The overall objective is to achieve business expansion for effective and profitable participation in the global value chain. This will also include the expansion of the Matsapha industrial estate. E42 million has been allocated for these activities.

Addressing Unfair Competitive practices in the Market

57. Mr. Speaker, one of the priorities of Government is to continue to strengthen the capacity of the Swaziland Competition Commission so that it can discharge its mandate effectively. Government is committed to promoting an effective competitive process in the economy which will result in good services and products; reasonable prices and a robust economy. Through the enforcement of the Competition Act, 2007, Government will continue to fight against cartel conduct that result in hikes in prices to the detriment of the consumers, a sluggish economy and the exit of SMME's from the market. E3.9 million is allocated for this purpose in next year's budget.

Factory Shells

58. Mr. Speaker, as a way of ensuring affordable factory space for investors, SIPA has commenced the construction of two factory shells at Matsapha industrial area. The expansion of three existing factory shells at Matsapha, Matsanjani, Nhlangano is also underway. These factory shells are expected to be completed in August 2014. E28 million has been allocated for this purpose in the FY2014/15 budget.

Enhancing the Financial Sector

59. The recent research has highlighted limited access to finance as one of the constraints to growth in Swaziland. Unlocking this constraint is therefore high on Government's economic growth agenda in the medium to long term. Key efforts will focus on mobilising both short and long term finance. The Central Bank of Swaziland will also continue its efforts to supervise and regulate micro finance institutions engaged in deposit mobilisation, with a view to supporting Government's efforts aimed at savings mobilisation and credit to small households.

60. Mr Speaker, Government will also continue supporting the Microfinance Unit, with assistance from the International Fund for Agricultural Development (IFAD). This Unit facilitates low-income individuals who have demonstrated capability to lift themselves

out of poverty, to access financial services. The Unit also aims at increasing financial inclusion by targeting and bringing the unbanked segment of the population into the formal financial sector. Furthermore, the Unit will develop an entrepreneurship training programme for the youth in collaboration with Junior Achievers, Kick Start, and Nectars. E6.2 million has been provided to the Unit in FY14/15, as counterpart funding.

61. Government will also continue supporting the Financial Services Regulatory Authority (FSRA), to regulate all non bank financial institutions. E8 million has been set aside for FSRA in the FY2014/15 budget.

Enhancing Human Capital

Education

62. Mr Speaker, Government recognises the need to seek higher productivity in all spheres of our economy, especially as the world continues to change with the introduction of new technologies. To achieve this, we have no choice but to continue investing heavily in our most important resource, that is, our people. Indeed, in 2014/15, the education sector has received the highest allocation of 17.3 percent of the total budget for 2014/15, which translates to E2.45 billion.

63. These resources will especially go towards the provision of quality and advanced skills training to meet the demands of the job market and the provision of universal primary education including pre-school programmes to make sure all children in Swaziland have access to education. In 2014/2015, Government commits to roll out the programme to Grade 6 and Grade 7 in 2015. This is to ensure that by 2015, children everywhere, boys and girls alike will be able to complete a full course of primary schooling.

64. Mr. Speaker, Government is concerned with the mushrooming of so many unregulated colleges in the country. To ensure that quality of training provided in Swaziland is not compromised, Government has recognised the need to fast track the implementation of the Higher Education Act of 2013, which includes, among others, the setting up of the

National Qualifications Authority (NQA), and the Higher Education Council. The role of these two institutions will be to regulate and monitor the standard of education in higher institutions of learning and to provide them with accreditation. I have been assured that this process will begin in the new financial year and those concerned will be informed accordingly. E1.2 million has been provided in FY2014/15 for this purpose.

Health

65. Mr Speaker, a healthy nation is a wealthy nation. This is why the health sector has been and continues to be a priority sector for His Majesty's Government. Since fiscal year 2007/8, the Government has more than doubled the budget allocation for the Ministry of Health. This notwithstanding, the health sector continues to face a number of challenges ranging from a high rate of HIV, a high incidence of TB, a low life expectancy, and inadequate health facilities and personnel. The most recent health statistics also report that there are only 1,619 hospital and health centre beds in the country, and that 85 percent of the population lives within a radius of 8 kilometers from a health facility. This shows that there is a lot more that needs to be done to ensure that all Swazis, and most especially the labor force, are all healthy.

66. The Ministry of Health has developed a strategic plan to guide the elimination of these challenges. In fiscal year 2014/15, the following will be prioritized:

- i) To prolong the life of the people living with HIV, the CD4 Count threshold for starting treatment will be increased from 350 to 500. The drugs budget has been increased to over E300 million to provide for this and other essential medicines.
- ii) Complete the construction of a hospital for TB patients, and buy equipment and construct institutional housing for TB health care providers. E28 million has been provided for this purpose in the FY2014/15 budget. This is expected to improve the TB treatment success rate from 73 percent (today) to 85 percent by end of FY2014/15.

- iii) Operationalize the outpatient facility of Lubombo Regional Hospital. E25 million has been provided for this activity.
- iv) Construct Filter Clinic in Mbabane to reduce congestion in the Mbabane Government Hospital. E30 million has been allocated for the construction of Filter Clinic and the rehabilitation of Mbabane Hospital. This is aimed at reducing referrals to South Africa.
- v) Enhance support to subvented hospitals, in particular, RFM and Good Shepherd, especially to ensure they are able to retain health care personnel. E217 million will be allocated to these two hospitals in FY2014/15.
- vi) Ensure efficient implementation of the HIV/AIDS project, funded by the World Bank and EU, which entails the construction and rehabilitation of all maternity and neonatal units in hospitals, health centres, and training centres; and the strengthening of health systems and capacity building. In FY2014/15, the project will, in addition, provide transport services to expecting women who live far from health centres, to enable them deliver in a safe and secure environment. E5 million will be provided in FY2014/15 as counterpart funding to this project.
- vii) Operationalize the Renal and ICU Clinic at the Mbabane Clinic. Government has allocated E30million for this project.

Water and Sanitation

67. Mr. Speaker, without safe water we cannot have a healthy population. Over the last decade, Government has made substantial progress in terms of increasing access to safe water. For instance, rural safe water coverage has increased from 40 percent in 2003 to 69 percent in 2013 while 543 new water points mainly boreholes, were established. As such, Government will be able to meet the Millennium Development Goal No. 7, that is, “to halve the number of people who do not have access to potable water by 2015”. Mr Speaker, this would not have been possible if it was not for our development partners. Over the years they have partnered with Government to achieve this tremendous success.

I have been informed that by 2015 the coverage will be 80 percent of the rural population of the country.

68. Mr Speaker, Government continues to give the water and sanitation sector the priority it deserves. In FY2014/15, I have allocated E179 million for the sector to increase coverage countrywide, of which E30 million is for rural water projects. In the rural sector, new 800 boreholes to serve individuals, schools and clinics will be constructed. Implementation of Nhlanguano Water Supply and Sewerage Treatment project will also commence in FY2014/15. E77 million has been allocated to this project.

Improved Housing

69. Government recognises shelter as one of the basic needs of people. Without good shelter we cannot have a vibrant and strong society. Currently Swaziland suffers from a housing deficit. To address this challenge, Government has partnered with the Swaziland National Housing Board (SNHB) to construct low cost houses at an estimated cost of E600 million. This money will be borrowed from the Public Service Pension Fund (PSPF) and Swaziland National Provident Fund (SNPF) under Government's guarantee. This project is planned to kick off in the second half of 2014. It will provide about 14,300 jobs. It is expected to serve as a catalyst for significant and sustained growth to the economy over the 3 year construction period.

Accelerating Public Sector Reforms

Strengthening and improving efficiency in the Civil Service

70. Mr Speaker, as we all know, the level of Government's wage bill has reached unsustainable levels. It is also crowding out spending on other programmes. A number of measures have been pursued in the last five years to rationalize the wage bill. However these have not had a substantial impact. A new set of measures have been developed by

the Ministry of Public Services and their implementation will be prioritized in the medium term. These include,

- i) Intensifying the staff inspection function
- ii) Wage bill monitoring and management
- iii) Rolling out the payroll audit
- iv) Mandatory preparation of strategic plans by every ministry
- v) Rolling out the Performance Management Systems

71. On the other hand, Government recognises the request by civil servants to harmonise their salary packages. Government has therefore agreed to undertake in the next financial year 2014/15, a salary review for civil servants. The last one took place in 2004. E7 million has been set aside for this exercise. I urge all Controlling Officers to apply stringent fiscal prudence especially in relation to the personnel expenditure.

Combating corruption and money laundering

72. Mr Speaker, the fight against corruption and bribery is a global phenomenon which has gained momentum in recent years worldwide. However, the problem is that if anything, it is getting worse, even in Swaziland. While it is recognised that that public accountability requires the active participation of all sectors of society, Government must take prime responsibility. Government will therefore continue supporting the Anti Corruption Commission (ACC) and the Directorate for Public Prosecution (DPP) to enhance their fight against corruption in Swaziland. E20.2 million has been provided to them for this purpose in next year's budget.

73. In addition, the Central Bank of Swaziland (CBS) will continue to undertake surveillance of the financial system through the established Financial Stability Unit. Government has also provided E8 million to the Financial Intelligence Unit (FIU) to continue implementing the Money Laundering and Terrorism (Prevention) Act of 2011. FIU will, among other activities, embark on public awareness campaigns to sensitize the country on the offences and consequences of money laundering and financing of terrorism.

Improving Government Effectiveness and Service Delivery

74. Mr Speaker, His Excellency the Prime Minister has called on all of us to acquire a new attitude and innovative approach as we move the Kingdom's development agenda forward. In essence, this is what his 'development unusual' call is all about; challenging all of us to discharge our duties and responsibilities in an 'unusual' way. The 'usual' way has, unfortunately, been characterized by laxity, wasteful spending, delayed implementation of Government projects, limited focus on outputs and results, and a somewhat subtle 'I don't care' attitude on part of several public servants towards the Kingdom's development agenda.
75. Mr Speaker, 'Development Unusual' is demanding from us to instead provide quality and efficient public services to all Kingdom citizens; to collectively and individually focus our energies and resources towards only those activities, outputs and results that will positively impact the Kingdom's economic and social development, and transform Swaziland from a poverty stricken country to a first world country, as desired by His Majesty the King, in his Vision 2022.
76. Mr Speaker, experiences from the fastest growing world economies point to the important role an efficient public service plays in facilitating growth and development. An efficient and transparent public sector procurement process facilitates increased private sector growth, and access to credit from financial institutions. An effective public sector facilitates the private sector to create jobs, supports forward and backward industrial linkages and ultimately leads to faster economic transformation.
77. In order to attain our socio-economic transformation objectives faster, public sector efficiency and effective service delivery will therefore be of paramount importance starting next financial year. Towards this end, Government will fast track the rolling out of the performance management system mentioned here, which includes an elaborate system of sanctions for lacklustre performance and weak accountability. Central Agencies and PPCU will enhance emphasis on quarterly performance reporting to monitor programme implementation. A Public Sector Task Force will be set up to identify areas of

wasteful spending and recommend practical measures that would eliminate inefficiency and waste in public expenditure.

Reforming Public Financial Management

78. Mr. Speaker, in furtherance of the objective to enhance public sector efficiency, and improved service delivery, Government will also scale up interventions in public financial management. One of the areas to be prioritized is the modernization of the planning and budgeting systems. Our approach to budgeting has hitherto lacked a strong strategic focus on outcomes and outputs of budgetary expenditure, thus making it difficult to assess the efficiency and effectiveness of the budget, in delivery of public services.

79. In order to improve the strategic focus of expenditures on economic growth and poverty reduction; and to increase value for money; and to have better targeted and more efficient utilization of resources by Ministries, we need to embark on a major reform of the whole budgetary process. Towards this end, the Ministry of Finance desires to implement a Medium Term Expenditure Framework (MTEF) starting fiscal year 2015/16.

80. Mr Speaker, MTEF will replace the current method of incremental budgeting on basis of line budget items. It will provide a firm foundation for results and performance oriented planning and budgeting. It will promote the most needed link between planning, policy formulation and budgeting within a resource constrained multi-year context. It will facilitate better targeting and more efficient utilization of resources by Ministries and Agencies. It will provide a mechanism for prioritization of expenditures through the systematic use of performance information.

81. Under MTEF, each line Ministry or budgetary agency will be required to provide a clear statement of objectives, programs and activities to be funded from the Budget and achievement indicators over the medium term, clearly linking their proposed budget allocations to Government policy objectives and service delivery outputs. Detailed papers and guidelines on MTEF will be prepared and disseminated by the Central Agencies as part of awareness and capacity building activities.

82. Mr Speaker, other key reforms in public financial management will include the following:

- i) Strengthening internal audit and control functions in Government;
- ii) Implementing an integrated financial management information system, expected to improve financial management and reporting, and asset management;
- iii) Strengthening public investment planning and management;
- iv) Strengthening statistical management and aid coordination; and
- v) Building capacity of the relevant select Committees of Parliament to exercise their budget oversight roles in a more effective way.

83. Mr Speaker, implementing these reforms will largely hinge on the coming into force of a new Public Financial Management Law, which was tabled before the previous Parliament by my Predecessor; however it is yet to be enacted. Through you Mr. Speaker, I call upon Parliament to fast track the enactment of the Public Financial Management Bill to enable Government to undertake these reforms without any further delays.

Public Debt

84. Mr. Speaker, in order to execute this Budget, the Government will move to borrow around E800 million from the domestic market, and will guarantee a further E600 million for institutional housing. Total public debt will increase from under 17 percent of GDP to nearly 19 percent, of which over half will be domestic. This is a large increase, so to demonstrate our commitment to keep total debt below 35 percent of GDP and domestic debt below 25 percent of GDP, the Government will return to Parliament with detailed debt regulations to accompany the Public Finance Management Bill.

Appropriation

85. Mr Speaker, permit me to reiterate that this budget aims at invigorating economic growth, creating more employment opportunities for EmaSwati, and accelerating public sector reforms to increase the quantity and quality of public goods and services.

86. 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 2014/15, as follows:

- a. Revenue plus grants: E14,258 million;
- b. Appropriated recurrent expenditure (excludes Statutory): E10,613 million;
- c. Capital expenditure: E3,756 million;
- d. Total expenditure: E15,307 million; and
- e. Deficit: E1,049 million.

Conclusion

87. Mr Speaker, this is the first budget of the new Government. We have been given the baton and we have a race to run, and goals to achieve. We found a spring board to jump on. May we run with unity and perseverance. “*Nyalo seyisemahlombe etfu*” Our focus should be on the EmaSwati that have entrusted us with the responsibility to manage the economy on their behalf, and to enhance their welfare. It is a challenge we must all rise up to. This is exactly what the FY2014/15 budget aims to achieve. I urge the Private Sector to also play their ‘engine of growth’ role with a passion. I strongly commend this budget to you.

88. Mr. Speaker, once again allow me to express my appreciation for the support and guidance 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.

89. 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 2014/15 fiscal year.