THE KINGDOM OF ESWATINI

FISCAL FRAMEWORK PAPER

2020/21

PRESENTED BY

NEAL RIJKENBERG
MINISTER FOR FINANCE

October 2020

OBJECTIVE OF THE FISCAL FRAMEWORK PAPER

1. The Fiscal Framework Paper (FFP) provides, as per the Public Finance Management Act of 2017, a fiscal framework for Government consistent with the Fiscal Responsibility Principles outlined in the Act.

2. The Fiscal Framework Paper outlines a set of fiscal projections underpinned by macroeconomic analysis that seek to describe the path of fiscal aggregates over the medium term, including government revenue, expenditure, fiscal balance and debt levels. The FFP, based on the estimates of the medium-term fiscal framework (MTFF) is a key policy document for the top-down budget process and forms the backbone for the entire budget cycle. It is the basis for setting budget ceilings for all government ministries, allowing them to prioritise their allocated resources whilst being mindful of the macroeconomic reality.

3. The purpose of the FFP is to facilitate policy-making and for Government to be able to follow fiscal development, to avoid deteriorating fiscal scenarios. It provides an opportunity to extend the fiscal policy making horizon beyond the annual budgetary calendar, which is imperative for sound fiscal policy as most fiscal measures have budgetary implications that go beyond the usual yearly budgetary cycle.

4. In general, the FFP is structured to begin with a baseline scenario which illustrates fiscal projections based on the existing policy framework. In this scenario, no new policy measures are integrated and the forecasts are conducted as if nothing substantial changes. In addition to the baseline, the FFP often includes several policy scenarios which are incorporated into the fiscal estimates. The Fiscal Framework Paper of financial year 2020/21 does not present different policy scenarios as substantial policy changes, detailed in the Fiscal Adjustment Plan, have been approved by Cabinet in June 2020 and are yet to be implemented. The policy measures outlined in the Fiscal Adjustment Plan have therefore been incorporated in the baseline scenario of the FFP.

OUTLINE

1 MEDIUM-TERM MACROECONOMIC FRAMEWORK

1.1 Global macroeconomic outlook

Global economic activity slowed down in the first half of the year due to the coronavirus pandemic. The growth-retarding effect of the pandemic emanated from containment measures – quarantines, lockdowns, and social distancing – that governments implemented to curb the spread of the virus. Conditional on the spread of the virus abating in the second half of the year, the IMF in its latest (June) report predicts that global output for 2020 could contract by 4.9 percent, which is higher than an earlier projection of 3.3 percent contraction.

Advanced economies, as the most severely affected by the pandemic, suffered higher levels of economic contraction due to the stringency of containment measures implemented and the salience of domestic demand (or consumption) in the economies. As a result, this group's growth, for 2020, is projected at -8.0 percent with the Euro Area (-10.2 percent) and the United Kingdom (UK) (-10.2 percent) expected to account for most of the slowdown in economic activity.

Emerging and developing economies as a group also suffered from the ravage induced by the pandemic. The output of these economies is predicted to contract by 3.0 percent over the period under review. Sub-Saharan Africa (SSA) recorded a slowdown in economic activity in the first half of the year due to the pandemic. For SSA, the pandemic contributed to contractions in domestic demand, weak demand for commodities, a decline in commodity prices, and capital flight. Consequently, SSA is expected to record a 3.2 contraction in output in 2020. The regions two major economies, Nigeria and South Africa, are projected to record output contractions of 5.4 and 8.0 percent, respectively.

		April Projections		Latest (June) Projections	
	2019	2020f	2021f	2020f	2021f
World Output	2.9	–3.0	5.8	–4.9	5.4
Advanced Economies	1.7	–6.1	4.5	–8.0	4.8
United States	2.3	–5.9	4.7	–8.0	4.5
Euro Area	1.2	–7.5	4.7	–10.2	6.0
Germany	0.6	–7.0	5.2	–7.8	5.4
Japan	0.7	–5.2	3.0	–5.8	2.4
UK	1.4	–6.5	4.0	–10.2	6.3
Emerging & Developing Economies	3.7	–1.0	6.6	–3.0	5.9
China	6.1	1.2	9.2	1.0	8.2
India	4.2	1.9	7.4	–4.5	6.0
Sub-Saharan Africa	3.1	–1.6	4.1	–3.2	3.4
Nigeria	2.2	–3.4	2.4	–5.4	2.6
South Africa	0.2	–5.8	4.0	–8.0	3.5

Source: IMF's World Economic Outlook (June 2020)

The medium term outlook remains uncertain. It is anticipated that growth will start to recover in the second half of 2020 and continue into 2021 as the spread of the virus is contained across countries. Additionally, expansionary conventional and unconventional fiscal and monetary policies are expected to spur growth. As a result, the IMF projects global output to expand by 5.4 percent in 2021 led by emerging and developing economies (5.9 percent growth). SSA is also projected to record expansion in output by 3.4 percent. An increase in domestic demand, implemented expansionary policies, a resurgence in external commodity demand and prices, as well an improvement in FDI inflows, are expected to propel SSA's recovery. A recovery in economic activity is projected for the region's two major economies – Nigeria (2.6 percent) and South Africa (3.5 percent).

The downside risks to global economic growth could emanate from an increase in the spread of the virus and a less-than-expected effect of expansionary fiscal and monetary policies. Specific to SSA, additional downside risks could emanate from a slowdown in the recovery in commodity demand and prices, capital inflows, fiscal slippages, adverse weather conditions, as well as political uncertainty.

As an open economy, Eswatini's economic performance follows that of global economic developments. As such, a recovery in global economic activity, particularly in the Southern Africa region and the European Union (EU), the country's two major trade partners, could spur Eswatini's growth; the reverse could induce an opposite effect. Underpinning this positive anticipation following an increase in global economic activity is the potential rebound in the demand for Eswatini's main export products as well as an uptick in their prices, an increase in capital inflows, and exchange rate stability owing to a potential rebound in South Africa's economic activity. However, in addition to the downside risks to SSA's growth listed above, a moderate threat to Eswatini's economic performance in the medium term is a rise in oil prices as a result of increased external activity. This could lead to an increase in domestic fuel prices and consequently the prices of some products.

1.2 Domestic economic performance and outlook

1.2.1 Real GDP growth

The Gross Domestic Product (GDP) for 2020 is projected to contract by 5.6 percent in 2020 from a 2.2 percent growth estimated for 2019 (CSO, Provisional Estimates) due to the negative implications of the coronavirus pandemic. Economic activity was hindered by weakened demand in major advanced economies due to lockdowns and supply chain disruptions. Additionally, lockdown measures enforced in the domestic economy disrupted production in non-essential industries, imposed travel restrictions, social distancing and other containment measures. As a result, most export industries and travel related sectors were hit hard with the manufacturing (beverages), construction, wholesale & retail, transport and leisure sectors being the major contributors to the anticipated contraction. Employment was negatively affected by the COVID-19 pandemic with non-essential industries halting operations and others that were deemed essential, reducing operation capacity. Moreover, investments weakened further due to slowing economic activity with the coronavirus outbreak. An accommodative monetary stance was pursued in response to the slow down and also included the implementation of measures such as a reduction in the liquidity ratio requirement in order to increase access to liquidity and thereby supporting investments.

Whilst the medium term outlook remains uncertain, improved economic activity is anticipated in the short term as the easing of restrictive lockdown measures was observed in the second half of 2020. External budget support and arrears clearance is expected to support economic recovery in the short to medium term. However, second round effects of the pandemic, anticipated declines in SACU revenues and the commencement of loan repayment obligations will put strain on the fiscal position and stifle economic activity.

1.2.2 Sectoral composition of GDP

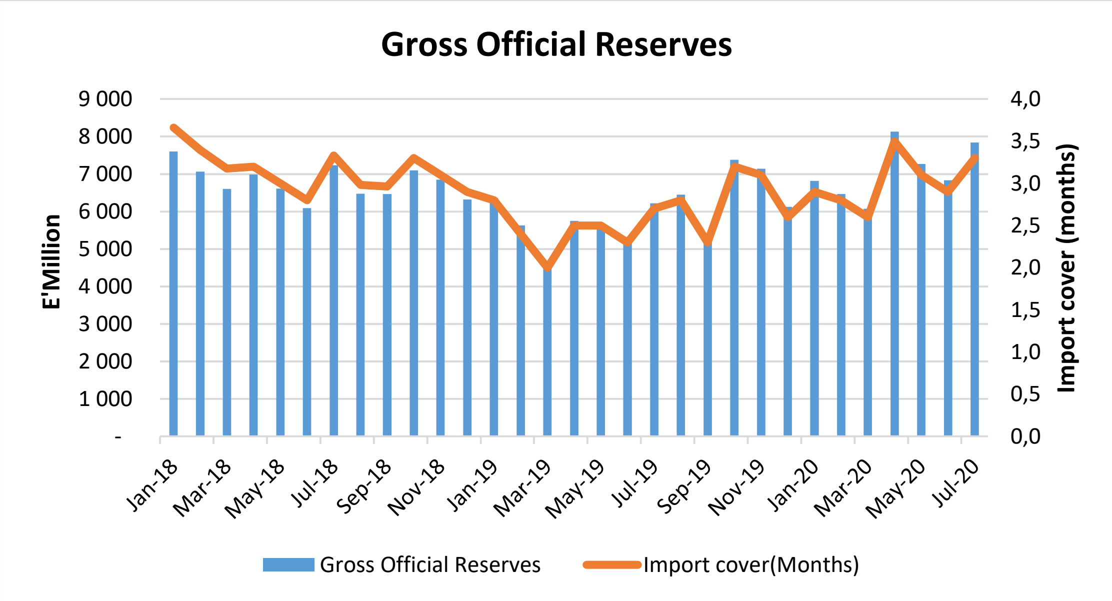
The primary sector performance is expected to benefit from continued restocking in the animal production sector and improved performance in the growing of crops from favourable weather conditions as well as amended production efficiencies and continued investments in the sectors. Mining and quarrying activity improvements are expected from anticipated improved yields in coal production from crown land mining and increased quarry production from ongoing road construction projects.

The secondary sector is anticipated to slow in activity due to the poor performance in the manufacturing caused by supply chain and labour disruptions, weakened global demand and construction activities reviewing a high fiscal gap as well as input supply disruptions following the coronavirus related effects.

Weak industry demand coupled with restrictive lockdown measures locally and internationally is expected to weigh heavily on the output of the tertiary sector. The wholesale & retail activity will suffer from depressed real wages and social distancing measures disrupting consumption patterns and demand for goods and services. Transportation & storage activity and accommodation, food services and other tourism related activities are expected to decline significantly owing to the imposed local and international travel restrictions, social distancing and other containment measures. On the contrary, the Information, Communication and Technology (ICT) subsector benefited positively from a notable increase in the demand for data and internet services.

1.2.3 Gross Official Reserves

The stock of gross official reserves was reported to be at E6.13 billion in 2019, which was enough to cover 2.6 months of imports. This was a 3.1 percent decline from the E6.32 billion recorded in 2018. At this level, the reserves were below the international import cover threshold of 3 months and far below the SADC macroeconomic convergence target of 6 months. This can be attributed to the continued fiscal challenges which have led to a rapid drawdown of the reserves that could be worsened by increased government expenditure in fighting and mitigating the effects of the pandemic in the medium term. In the period between June 2019 and June 2020, however, the official reserves were up by 32.9 percent and increased from E5.14 billion in June 2019 to E6.83 billion in June 2020, which was enough to cover 2.9 months of imports.



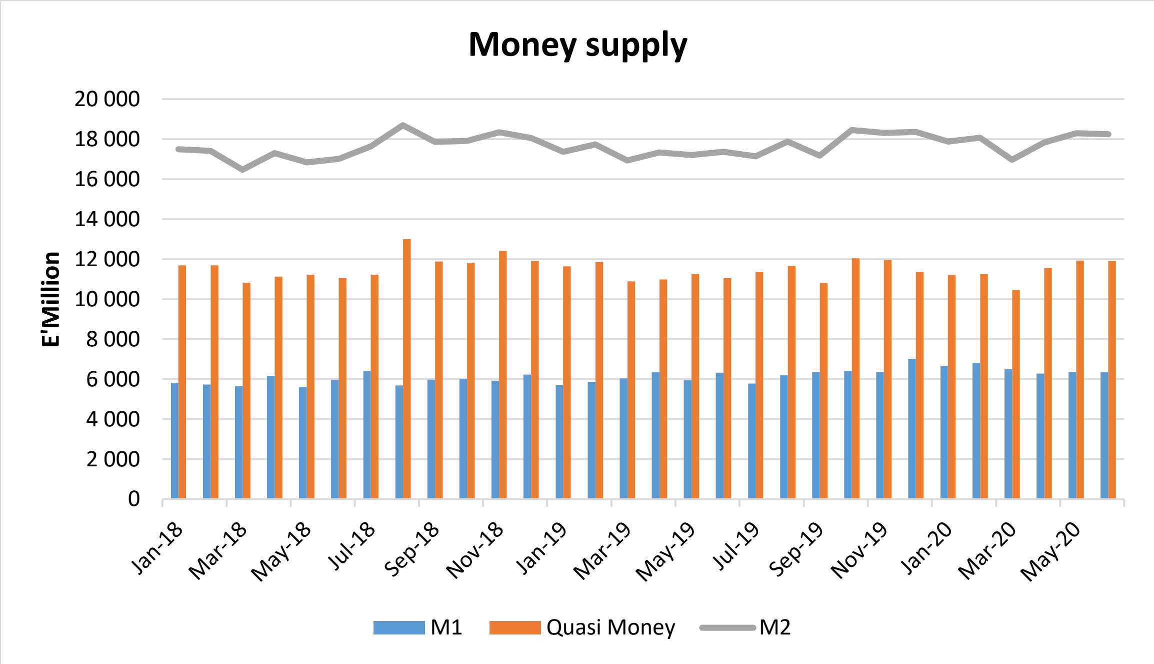
Source: CBE

1.2.4 Interest rates

An accommodative monetary policy stance was pursued by the Central Bank in the period between 2018 and June 2020. In the period between 2018 and 2019, the discount rate was slashed by 25 basis points from 6.75 percent in 2018 to 6.5 percent in July 2019. This was done in consideration of factors such as the geopolitical and trade tensions as well as the weakened performance of the South African economy. Considering these developments, the prime lending rate followed a similar path set by the discount rate, going down from 10.25 percent in 2018 to 10 percent in 2019. The discount rate was further cut by 275 basis points, from 6.75 percent in June 2019 to 4.0 percent in June 2020.Apart from the weakened South African economic performance, other factors such as the hampered domestic growth prospects emanating from the coronavirus pandemic were also considered in this period. Hence, the prime lending rate also went down from 10.25 in June 2019 to 7.5 in June 2020. However, given that inflationary pressures are on an upward trend, the Central Bank is likely to increase the discount rate to control inflation.

1.2.5 Money supply

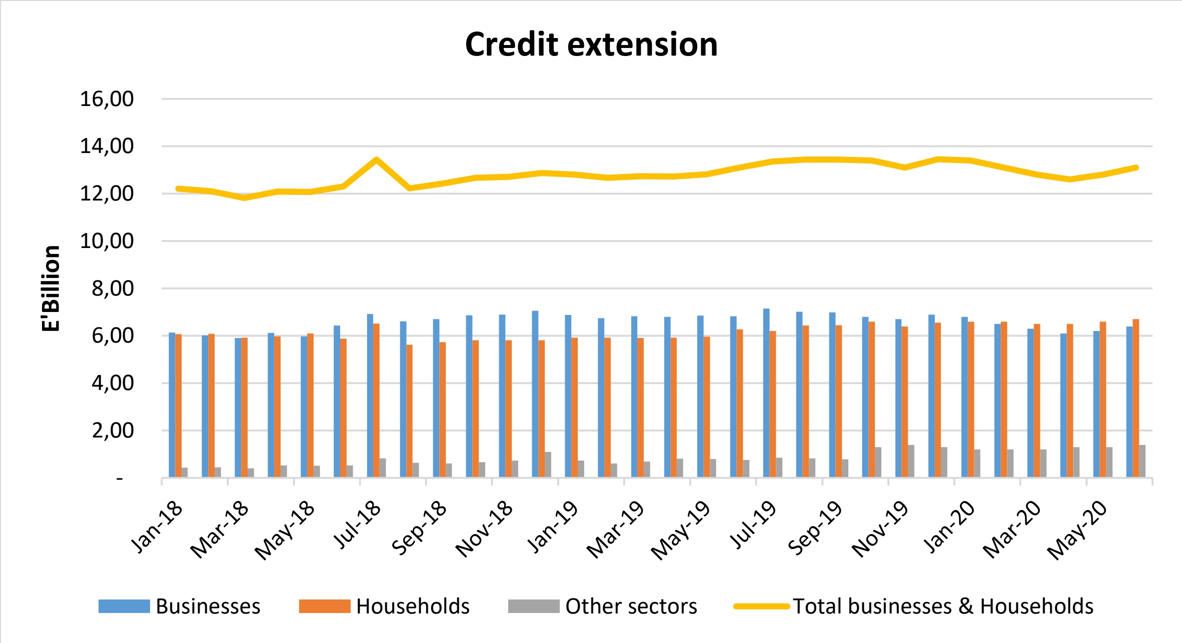
In line with the accommodative policy stance, both narrow and broad money grew in the period between 2018 and June 2020. Narrow money supply (M1) went up by 12.2 percent and was recorded at E6.99 billion in 2019 compared to E6.23 billion in 2018. This was mainly driven by a 19.5 percent increase in currency and coins in circulation, which implies that there was more cash to transact in the local economy. Broad money supply (M2) on the other hand, marginally grew by 1.7 percent and stood at E18.36 billion in 2019 compared to E18.04 billion in 2018. However, quasi-money supply declined by 4.6 percent from E11.91 billion in 2018 to E11.37 billion in 2019. This was mainly driven by a 5.3 percent decline in time deposits, which went down from E10.04 billion in 2018 to E9.51 billion in 2019. Similarly, on an annual half year comparison, the money supply increased between June 2019 and June 2020. In this period, M1, M2 and quasi-money supply were up by 0.3 percent,5.1 percent and 7.8 percent respectively. In the medium term, however, as previously mentioned, the central bank is likely to increase the discount rate to control inflationary pressures.



Source: CBE

1.2.6 Credit Extension

Similarly, total credit extended to households and businesses increased in the review period. It went up by 4.5 percent and was recorded at E13.5 billion in 2019 compared to E12.9 billion recorded in the same period in 2018. This was mainly driven by a 12.9 percent growth in credit extended to households which was recorded at E6.6 billion in 2019 compared to E5.8 billion recorded in 2018, as a result of an increase in unsecured personal loans. Credit extended to businesses fell in the period under review. It went down by 2.3 percent and stood at E6.9 billion at the end of 2019. This was noted in sectors such as 'Distribution & Tourism', 'Community, Social and Personal services' as well as 'Other', where the amount of credit plummeted by 18.77 percent, 18.84 percent, and 38.81 percent, respectively. However, credit extended to sectors such as 'Agriculture & Forestry', 'Manufacturing' as well as 'Construction' significantly improved, going up by 39.3 percent, 31.7 percent, and 34.4 percent, respectively. In spite of the economic benefits of the accommodative monetary policy stance, the continued spread of the coronavirus is likely to increase Non-Performing Loans (NPLs),which could in turn, cripple the banking system in the medium term.



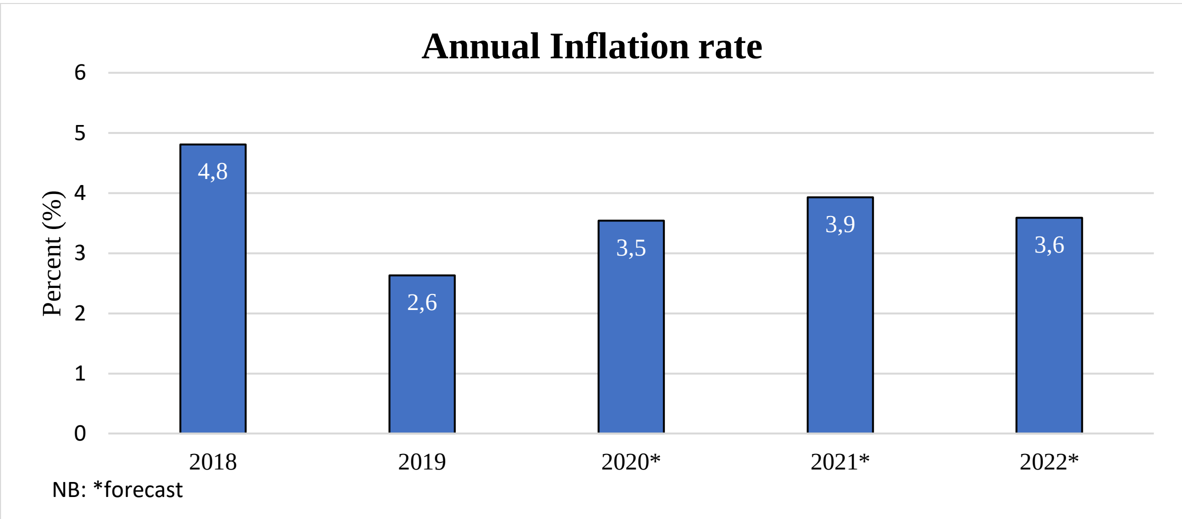
Source: CBE

1.2.7 Unemployment

According to the Labour Survey Report of 2016, the unemployment rate was recorded at 23 percent, which is a decline from the 28 percent reported in 2013. Youth unemployment remains high at 47 percent, decreased from 52 percent. A vast majority of the new employment has been created in the manufacturing and construction sectors, while employment in services sectors has generally stagnated and agricultural employment has declined. In light of the coronavirus pandemic, the unemployment rate is likely to increase over the medium term.

1.2.8 Inflation

Headline inflation averaged 2.6 percent in 2019 compared to 4.8 percent in 2018. This slowdown in inflationary pressure was mainly attributed to a freeze in administered prices namely housing and utilities basket.



However, an uptick in headline inflation is anticipated in the short to medium term, with the inflation rate in 2020 projected to be 3.5 percent, while 2021 and 2022 it is forecasted to average at 3.9 and 3.6 percent, respectively. The drivers for the upsurge in the inflationary pressure are administered prices in the form of bread, fuel, housing and utilities (water and electricity) prices which are anticipated to increase within the short to medium term due to tariff adjustments as well as the advent of the pandemic which is anticipated to have a pronounced effect on food inflation particularly in 2020.

1.2.9 Balance of Payment (B.O.P)

The current account balance remained positive in 2019 at E2,49 billion, driven by the improvements in merchandise trade as well as secondary income. Although imports were growing, exports grew significantly outperforming the growth of imports. Moreover, the secondary income account was cushioned by the SACU receipts. On the contrary, the balance on the service account and the primary income account continued to be negative for Eswatini due to a shortage of skilled technicians and specialists resulting in the outflow of money due to importation of such expertise. Additionally, foreign direct investments continue to decline, displayed by the declining net foreign direct investment inflows in the capital account.

Over the medium term, the current account balance is anticipated to be under strain due to increased pressure on the secondary income account, in particular SACU revenues, anticipated to decline due to the second-round effects of the coronavirus pandemic.

1.2.10 Exchange rate

In 2019, the Lilangeni depreciated when compared against the three major currencies on an annual basis. The weakening of the Lilangeni can be attributed to the weakened performance of the South African economy in 2019, coupled with the temporary agreement between the US and China, which eased trade tensions. Moreover, the easing of uncertainty over Brexit also further depreciated the lilangeni against the major currencies. The depreciation of the Lilangeni compared to the three major currencies intuitively made domestic exports cheaper while making imports costly for local producers that depend on inputs from the rest of the world.

In 2020, the Lilangeni is anticipated to continue to depreciate due to the downgrading of the RSA economy to junk status by the credit rating agencies (namely Moody's & Fitch) as well as the advent of the global outbreak of the novel coronavirus. The outbreak of the pandemic is expected to have pronounced effects such as trade disruptions in the global value chains as well as labour disruptions. This will ultimately increase the cost of debt servicing for the Eswatini economy at large, whilst making domestic exports cheaper and imports expensive for domestic producers and consumers.

2 MEDIUM-TERM FISCAL OUTLOOK

Government has been running persistent fiscal deficits in the recent past. By committing to a Fiscal Consolidation process in preparation for the 2019/20 budget the anticipation was to deviate from the trend and improve the overall budget balance. Recent global and regional economic developments caused by the outbreak of the coronavirus pandemic has however drastically deteriorated the prospect for domestic economic recovery, a situation not unique for Eswatini but rather a global trend.

To prevent the economic crisis from deepening and further deterioration of Government's fiscal account, Government has adopted a Post COVID-19 Economic recovery plan as well as a Fiscal Adjustment Plan (FAP) including both revenue enhancing as well as expenditure decreasing measures. The Recovery Plan does not replace Eswatini's current Development Plans and Strategies towards achievement of the country's Development Vision 2022. Instead, the Post COVID-19 Economic Recovery Plan is a short-term high impact economic stimulus package that will resuscitate the economy by initiating a number of productive economic activities.

The FAP, approved by Cabinet in June 2020, is fixed to span over three years with implementation starting in financial year 2021/22 and to be finalized in financial year 2023/24. The required scope for fiscal consolidation has been determined to 6.5 percent of GDP. The FAP was a precondition for Government of Eswatini to receive budget support under the Rapid Financing Instrument (RFI) from the International Monetary Fund (IMF), in order to meet requirements of debt sustainability.

The adjustment strategy includes alterations on the following expenditure items; compensation of employees, goods and services, transfers and capital expenditure. In terms of revenue collection, a combination of policy measures and administrative efficiency gains will enable the fiscal adjustment, including the following items; individual income tax (PAYE), company tax, VAT, Fuel tax, other non-tax revenue items as well as the introduction of a carbon tax. A detailed review for each measure will be presented together with the revenue and expenditure projections for the medium-term.

2.1 Revenue outturn and Projections

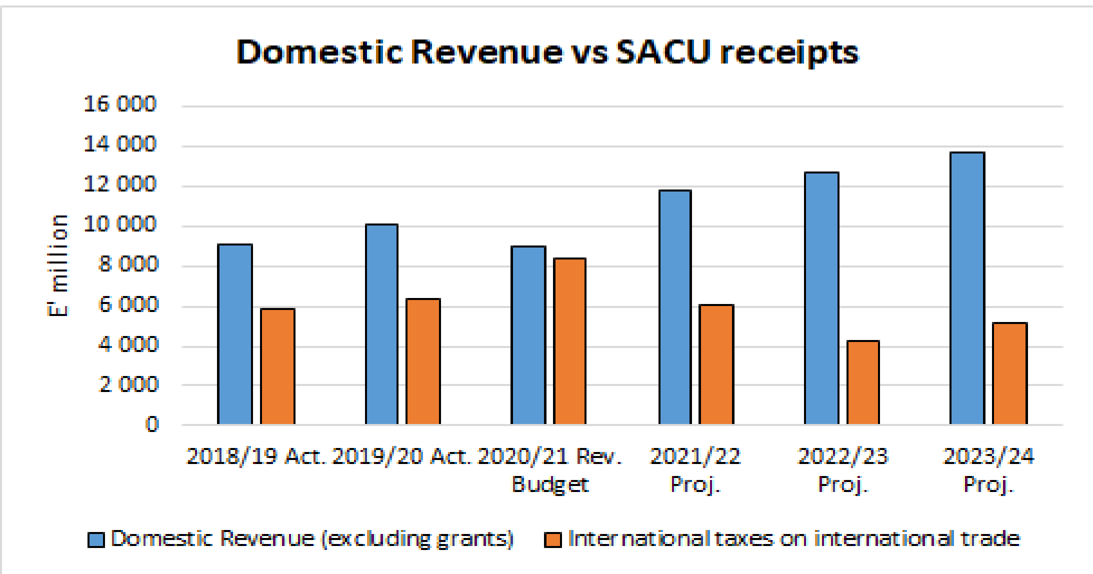
Total revenue and grants collected in 2018/19 amounted to E15.7 billion. The following year, 2019/20, the revenue and grants collected increased significantly to E17.8 billion, mainly due to an increase in SACU receipt and increased collection of tax on income and on goods and services. Total revenue and grants in 2020/21 was budgeted at E21.1 billion but has, as an economic consequence of the corona virus pandemic and following lockdown measures, been subject to downward revision and expected to reach E18.5 billion, implying a shortfall of E2.6 billion. Out of the total estimated revenue collection, SACU receipts of E8.35 billion account for 45 percent, by far the largest single item of revenue.

In total, income tax items such as individual income tax (PAYE) and company tax have been revised downwards by E1.4 billion due to supply chain disruptions and weaker global and local demand leading to temporarily closing of businesses and retrenchment of workers. Taxes on Goods and Services has seen a fall in expected revenue collection by E1.2 billion, mainly caused by an underperformance in the major tax items VAT and fuel tax.

The projections for the medium-term revenue collection is based on the latest GDP estimates produced by Government. The forecasts take into account all available legislative, economic and administrative information such as import control order, Cost of Living Adjustment and coronavirus restrictions.

Total revenue and grants are expected to grow by 2 percent in 2021/22 compared to the 2020/21 revised budget, reaching a total of E18.95 billion. The growth is caused by higher anticipated domestic revenue collection, specifically on items such as income tax and taxes on goods and services, cushioning the negative effect of a decrease in SACU receipts. In 2022/23, total revenue is expected to equate to E18.2 billion, implying a decrease of 4 percent. The substantial decrease in expected revenue collection in 2022/23 is caused by significantly lower SACU receipts. The SACU revenue is, in broad terms, determined by the economic performance of the member states with a delay of two years, implying that the weak economic performance in 2020/21, caused by the coronavirus pandemic, is generating a decline in receipts in 2022/23. In 2023/24, total revenue is projected to reach E20.1 billion, representing an increase of 11 percent, caused by a rebound in SACU receipts and increased domestic revenue collection in particular individual income tax and VAT.

In general, SACU receipts are expected to decline over the medium-term amounting to E6.1 billion in 2021/22 followed by E4.3 billion in 2022/23 and E5.2 billion in 2023/24. In contrast to that, total domestic tax collection is expected to increase over the medium-term, amounting to E12.8 billion in 2021/22 followed by E13.8 billion in 2022/23 and E14.9 billion in 2022/23.



Source: Ministry of Finance

The projected increase in domestic revenue collection is largely attributed to a number of proposed revenue measures as well as administrative efficiency gains forming part of Government's Fiscal Adjustment Plan, adopted as a response to the economic crisis brought about by the coronavirus pandemic, to avoid further deterioration of Government's fiscal accounts. The proposed revenue policies passed during the financial year of 2020/21 lined out in the FAP are planned to be implemented from financial year 2021/22 and cumulatively increase the collection of revenue until financial year 2023/24. The revenue measures include the following policy changes:

- Administrative efficiency gains of E140 million from the collection of **Individual income taxation.**
- **Value Added Tax (VAT)** to be increased by E683 million. This by increasing the tax base to include certain items currently exempted such as eggs and diary and standard rating of electricity. The taxation rate will be revised to 16% depending on South Africa, this has however not been included in the projections.
- **Company tax** to generate increased revenue of E181 million through introduction of a turnover based alternative minimum tax at 0.5% of turnover as well as administrative efficiency gains.
- **Fuel taxation** to be increased by E312 million by an increase in taxation rate.
- **Carbon taxation** to be introduced generating revenue of E78 million.
- **Non-tax revenue** to increase by E124 million by putting in place policies which increase the user fees and fines and efficiencies in dividends collections. Efficiency gains coming from transferring all other revenue collections offices to Eswatini Revenue Authority.

The combined revenue adjustments correspond to an alteration of E1.52 billion or 1.9 percent of GDP. Initially, the revenue measures were set to increase revenue by E1.97 billion, due to alterations in certain policies, the estimate has been revised downwards. The downward revision on alterations stemming from revenue measures has however been compensated with increased expenditure measures to meet the overall target of adjustment corresponding to 6.5 percent of GDP.

With successful implementation of the revenue measures, domestic collection is expected to increase substantially over the medium-term, further leading to reduced dependence on SACU receipts, which have proven to be an important but volatile source of income in the recent past. Reduced dependency on SACU receipts has been a long-term objective for Government to improve fiscal stability. Successful implementation of the proposed revenue measures would increase total revenue and grants in 2021/22 by E738 million, by E501 million in 2022/23 and by E279 million in 2023/24.

2.2 Expenditure Outturn and Projections: Capital Expenditure

Total capital expenditure in the financial year 2018/19 amounted to E3.3 billion. In terms of the economic sector, the capital programmes identified under the Transport and Communications sector represented the largest area of expenditure (40 percent of total capital expenditure). General Public services represented 30 percent of total capital expenditure, while sectors such as health and education corresponded to 1 respectively 2 percent of total capital expenditure. In 2018/19, 83 percent of the funds for the capital budget were sourced from Government. The major external funder was African Development Bank.

The following year, 2019/20, capital expenditure increased to a total of E4.6 billion. The composition of expenditure per sector mirrored the structure of the previous financial year. The funds to finance the capital programmes was almost exclusively sourced from Government, at 95 percent. African Development Bank funded 4 percent of the capital budget in 2019/20.

The budget allocated to capital expenditure in the financial year 2020/21 amounted to E6.38 billion. The necessity to cater for expenditure related to the coronavirus pandemic response, predominantly health and social security expenditure, resulted in a reallocation of funds from the capital budget of E313 million in total via a supplementary budget. Simultaneously, the revised projections of disbursement to capital projects has at mid-year increased by E105 million, cushioning the effect of the reallocation for coronavirus expenditure. The revised capital budget for financial year 2020/21 consequently stands at E6.17 billion.

Mid-year reports for 2020/21 review an execution rate of the capital budget at 40 percent, equivalent to an expenditure of E2.5 billion. Projected execution rate for the capital budget in financial year 2020/21 stands at 85 percent, out of which the domestically financed component is estimated at an execution rate of 65 percent, bringing total capital expenditure to reach E5.2 billion. The execution rate of 85 percent for this financial year is based on the assumption that the top-ten largest projects will assume disbursement of close to 100 percent, and certain projects requiring a supplementary budget providing additional funds. The relatively low execution rate of the domestically financed component is explained by supply chain disruptions and other negative consequences of the corona virus pandemic.

In addition to that, the large capital projects anticipated to assume disbursement of 100 percent of the allocated funds are currently hampered in the progress towards completion due to cash flow challenges within Government causing projects to stall, forcing contractors to abandon sites, resulting in accumulation of claims and penalties. The cash flow disruptions will, if not addressed, lead to further accumulation of domestic arrears and increased expenditure due to accumulation of penalties for delayed payments.

The FAP, stipulating a reduction of capital expenditure by E1.1 billion spread between financial year 2022/23 and 2023/24 by introducing a lower replacement rate of completed capital projects, has been taken into account when projecting the capital expenditure over the medium-term. The estimated total expenditure on capital programmes in 2021/22 is projected to E6.4 billion, followed by E5 billion in 2022/23 and E4.4 billion.

Over the medium term several large capital projects are expected to be completed. A detailed review of large capital projects expected to be finalized over the medium-term can be reviewed in the table below:

<table>
<tr><th>2020</th><th>2021</th><th>2023</th></tr>
<tr><td>Construction of IT-park at Phocweni</td><td>Construction of a Bio-Tech Park at Nokwane</td><td>Construction of two factory shells</td></tr>
<tr><td>Upgrading of MR3 from Mphandze to Mbadlane (Lot 2)</td><td>Disaster recovery centre in Siteki</td><td></td></tr>
<tr><td></td><td>Buhleni Police Station</td><td></td></tr>
<tr><td></td><td colspan="2">Ezulwini water supply project</td></tr>
<tr><td></td><td>Upgrading of MR3 from Manzini to Mphandze (Lot 1)</td><td></td></tr>
<tr><td></td><td colspan="2">The International Convention Centre (ICC)</td></tr>
<tr><td></td><td colspan="2">Five Star International Hotel (FISH)</td></tr>
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Despite a lower than 100 percent replacement rate of completed capital projects, a number of new capital projects are planned to be implemented over the medium-term, in line with the priorities stipulated in the National Development Plan aiming to boost economic growth and facilitate the implementation of the sustainable development agenda. The objective with the capital projects starting up over the medium term is further to build human capital to acquire skills as well as adhering to the Sustainable Development Goals and create opportunities for SMEs to actively participate in the economy.

The medium term capital budget will additionally accommodate projects in the post-COVID-19 Economic Recovery Plan. The projects in the recovery plan include the Sicunusa/ Nhlangano road and the Bulembu-Pigg's Peak-Bulandzeni road. Other capital projects to be initiated over the medium term include the construction of a new parliament building, Royal villas, construction at Sikhuphe Airport (VVIP and compensations) and a thermal power generation station.

Adhering to the expenditure ceilings stipulated in the FAP and simultaneously undertaking imperative Government projects to boost economic growth is anticipated to be a daunting task and cash flow disruptions are likely to hamper timely completion of planned projects. To avoid stalling of capital projects, arrears should be budgeted for in the outer years.

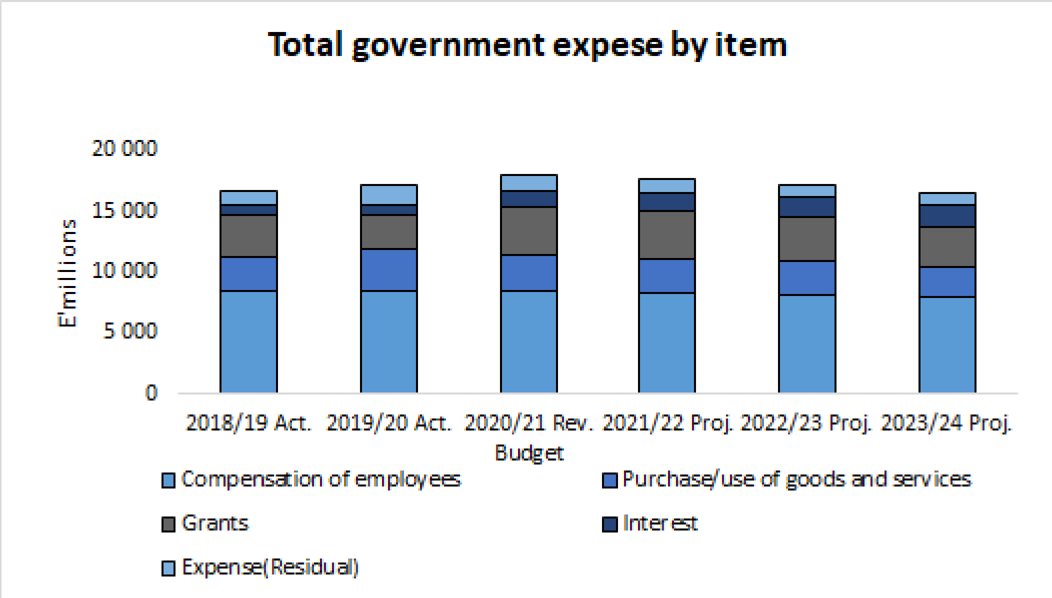
2.3 Recurrent Expenditure Outturn and Projections

In the financial year 2018/19 total recurrent expenditure stood at E16.7 billion, followed by E17.2 billion in 2019/20. The budget allocation for recurrent expenditure in 2020/21 amounted to E18 billion. The 2020/21 budget has been subject to a reallocation process between different expenditure items to cater for unforeseen health and social security costs stemming from the corona virus pandemic. The overall expenditure ceiling for the recurrent budget has however been maintained to avoid further deterioration of Government's Fiscal accounts. The revised budget for 2020/21 review for a higher total expense due to an increase in expenditure on interest payments of E20 million.

The projections for total recurrent expenditure for 2021/22 stand at E17.7 billion, this is a 2 percent decrease compared to the budget allocation for recurrent expenditure in financial year 2020/21. This is followed by a projection of E17.2 billion in 2022/23 representing a decrease of 2.5 percent and an estimation of E16.4 billion in 2023/24 representing a decrease of 5 percent, assuming full implementation of the FAP.

The Fiscal Adjustment Plan, in terms of the recurrent expenditure, include alterations on the following expenditure items; compensation of employees, goods and services and transfers. A detailed review of the respective expenditure measures will follow in the sub-heading of this chapter.

Out of total Government Expense, Compensation to employees is by far the largest single item, averaging around 50 percent of total recurrent expense in the past years. The Government's Wage Bill (wages and salaries, social contributions) has been growing rapidly over the past years, threatening fiscal sustainability and limiting fiscal space for expenditure on national priorities for stimulating growth in the economy. Expenditure on goods and services average around 34 percent of the Government wage bill. Crowding out expenditure on goods and services in favour of a ballooning wage bill will in the long-run imply that Government pays employees just to report to work, without adequate equipment to perform the duties.



Source: Ministry of Finance

2.3.1 Compensation of Employees

In the financial year 2018/19 the Government wage bill amounted to a total of E8.43 billion. To contain the Government's expenditure on personnel a call circular introducing a hiring freeze for all Government entities was issued in 2018/19. In addition to freezing all hiring, the policy stance on rationalizing public service expenditure further included reviewing the permanent establishments in order to identify vacant positions necessary for the effective functioning of Government and remove excessive permanent positions. Whilst undergoing this exercise, acting arrangements and temporary appointments were not made for these positions. The following financial year, 2019/20, the expenditure on wages and salaries and social contributions amounted to E8.39 billion, a decrease of 0.4 percent, proving the hiring freeze to have a small effect.

The original budget for financial year 2020/21 estimated a total spending on wages to equal E8.42 billion. This implies that between the financial year 2019/20 and 2020/21, compensation to employees has grown by 3 percent, attributed to the notch increases and cost of living adjustment awarded to civil servants. Part of the increased costs due to the salary adjustment has however been cushioned by the hiring freeze.

In the financial year 2021/22 compensation of employees is estimated to amount to E8.25 billion. The projected decrease compared to the Government's wage bill in 2020/21 is a result of the implementation of the Fiscal Adjustment measures, reducing expenditure on compensation of employees by E230 million. In the financial year 2022/23, compensation of employees is estimated to amount to E8.1 billion assuming a E295 million saving generated by the fiscal adjustment strategy. This will be followed by a Government wage bill of E7.8 billion in 2023/24 assuming a realized saving of E378 million on the same item. The medium-term projections are underpinned by the assumption of a growth by 1.5 percent in compensation of employees caused by the annual automatic notching.

To conclude, the fiscal adjustment measures pertaining to compensation of employees are expected to decrease the expenditure on wages and social contributions by E903 million over the three-year period. This will be achieved through a combination of various policy measures, including those for which implementation has already been initiated and others to be implemented over the medium-term.

It is expected that the freeze on hiring to all Government entities implemented through the call circular in 2018/19 will result in further decrease of the headcount of Government employees. Between 2018/19 and 2020/21 the head count has decreased from an average of 45,600 employees to 44,900 employees corresponding to a decline of 1.5 percent.

Additional policy measures to reduce the Government’s wage bill in line with the FAP include alterations to allowances such as abolishment of Fire and Emergency extended duty allowances, standardisation of on call allowances for health officials and abolishment of the automatic notching built into the salary structure. Furthermore, reallocation of excess established posts to Ministries with shortage of staff as well as merging of similar jobs and functions in line with the recently conducted Management Audits are policy measures which form part of the savings strategy. Another additional savings measure pertaining to Government salaries outlined in the FAP is to fix the Cost of Living Adjustment (if granted), below inflation.

More extensive policy measures to reduce the Government’s wage bill include a shift towards alternative service delivery, implying reducing the number of support staff in Government and instead procuring services such as cleaning and guarding.

Lastly, to materialize the proposed savings on Government wages and salaries an Early Voluntarily Retirement Scheme (EVERS) will be reintroduced towards the end of the adjustment period. The scheme will help Government realise savings by offering employees a beneficial reimbursement package if deciding to retire before the age of 60 years. The details of the reimbursement package and eligibility is currently under discussion within relevant Government structures. However, it has to be taken into account that savings from implementation of EVERS can only be realised in the long-term rather than short-term as the reimbursement package requires a budget allocation in the first years of implementation. EVERS is however a policy measure ensuring fiscal sustainability of Government wages and consequently operations over the long-term.

2.3.2 Interest obligations

The total expenditure on interest obligations amounted in the financial year 2018/19 to E822 million, an increase of 19 percent compared to 2017/18. The sharp increase in expenditure was not unique for the financial year 2018/19 but rather followed the upward trend displayed in the recent past. In the financial year 2019/20 expenditure on interest payments slightly decreased to E815 million, breaking the trend of steadily increasing expenditure on interest payments.

The budget for financial year 2020/21 has allocated the amount of E1.41 billion to interest obligations, E919 million to domestic creditors and E492 to external creditors. The revised budget displays an increase of E20 million to the initial allocation. This implies that the total expenditure on interest payments has increased by 76 percent, compared to the outcome of financial year 2019/20. This is mainly caused by a high rate of debt accumulation over the past years, as interest payments are a direct consequence of Government’s public debt.

Over the medium term, interest payments are expected to continue on an upward trend, although at a slower pace compared to financial year 2020/21. In 2021/22, interest payments are expected at E1.6 billion followed by E1.7 and E1.8 billion in the outer years. This is caused by an obligation to pay interest on debt accumulated in the domestic market, mainly Government bonds and Treasury Bills, external loan agreements such as project loans financing capital investments as well as the budget support loan from the IMF.

2.3.3 Goods and Services

Expenditure on Goods and Services amounted to E2.9 billion in the financial year 2018/19 followed by E3.5 billion in the financial year 2019/20. The substantial increase in expenditure on goods and services in financial year 2019/20 is a result of the repayment of domestic arrears accumulated from purchasing goods and services in previous financial years, enabled by the approval of a supplementary budget.

The original budget for the financial year 2020/21 allocated the amount of E3 billion for goods and services. Due to the necessity of increasing expenditure on health and social security programmes, to curb the negative impact and risks of the corona virus outbreak, reallocations between various goods and service items amounting to a total of E1 billion have been made. Reallocations within the original expenditure ceiling were made as opposed to increasing the overall ceiling to avoid an increase in the budget deficit, which would have deteriorated Government’s fiscal accounts further and this would have been counterproductive in the strive for fiscal sustainability.

Expenditure on goods and services is projected to decrease by 4 percent amounting to E2.9 billion in financial year 2021/22. In the financial year 2022/23 expenditure on goods and services is projected to decline to E2.75 billion, followed by E2.5 billion in financial year 2023/24, assuming successful implementation of expenditure reduction measures. The total savings on the goods and services expenditure item stipulated in the FAP amounting to E846 million will be realized through closing of trading accounts for certain expenditure items and improvement of the system for commitment of funds as well as enhanced efficiency in the procurement process.

2.3.4 Transfers (Grants)

In the financial year 2018/19 actual expenditure on transfers amounted to E3.4 billion followed by E2.9 billion in 2019/20, representing a decrease of 16 percent. The original budget for the financial year 2020/21 allocated E3.8 billion, an increase of 35 percent compared to the previous year. The substantial increase in expenditure on transfers is largely driven by a higher allocation to grants to other Government units, specifically state-owned enterprises and by increased statutory expenditure.

The projected estimate for expenditure on transfers in 2021/22 amounts to E3.9 billion, followed by E3.7 billion in 2022/23 and E3.35 billion in 2023/24. These projections are based on the assumption of successful implementation of measures aimed at decreasing expenditure on transfers stipulated in the FAP. The measures are in total expected to reduce expense on transfers by E815 million over the adjustment period through outsourcing scholarships to a Scholarship Fund and streamlining and merging of public entities with similar mandates. The savings will be realized towards the end of the adjustment period.

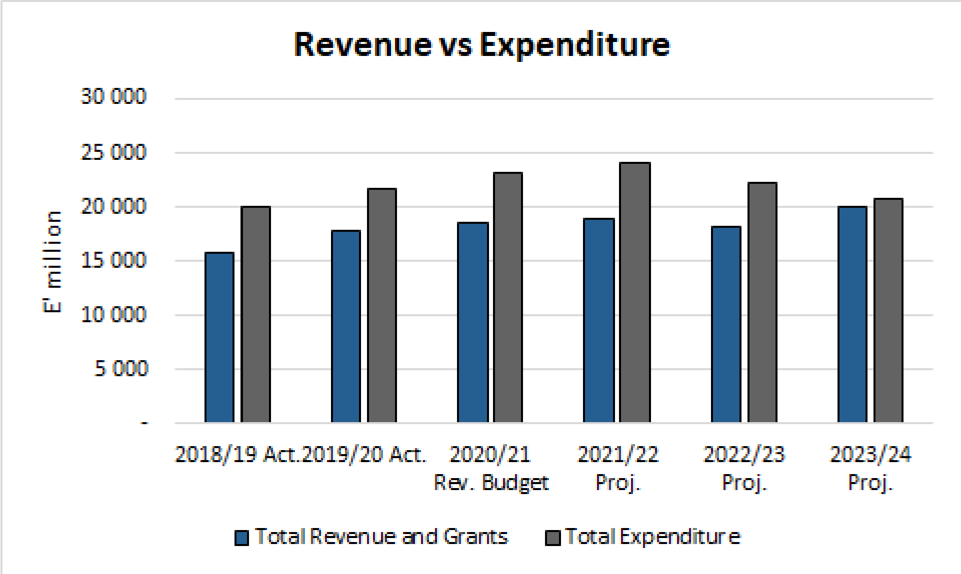
2.3.5 Statutory expenditure

Statutory expenditure amounted to E1.7 billion in financial year 2018/19, followed by a decrease of 33 percent leading to an expenditure of E1.1 billion in 2019/20. The 2020/21 budget allocated a total of E1.6 billion, representing a rebound of 39 percent. Projections show that statutory expenditure is expected to be maintained at the levels of 2020/21 over the medium term, amounting to E1.6 billion.

2.4 Fiscal Deficit

The Government of Eswatini has in recent years been operating in a strained fiscal environment. This is as a result of volatile SACU receipts causing large swings in revenue collection coupled with inadequate response in controlling Government expenditure. This has caused a decline in international reserves, increase in public debt leading to higher debt servicing costs as well as accumulation of domestic arrears. The economic and fiscal challenges faced by Government have resulted in successive budget deficits for the past three financial years.

To curb these developments Government committed to a Fiscal consolidation process effective from financial year 2019/20 with the aim of reducing the fiscal deficit. The fiscal deficit, or Government's budget balance, is the difference between total revenue and total expenditure, implying that reducing the deficit can be achieved by either collecting more revenue or reducing expenditure. The consolidation process initiated in 2019/20 successfully reduced the fiscal deficit from 6.9 percent of GDP in 2018/19 to 5.9 percent of GDP in 2019/20.

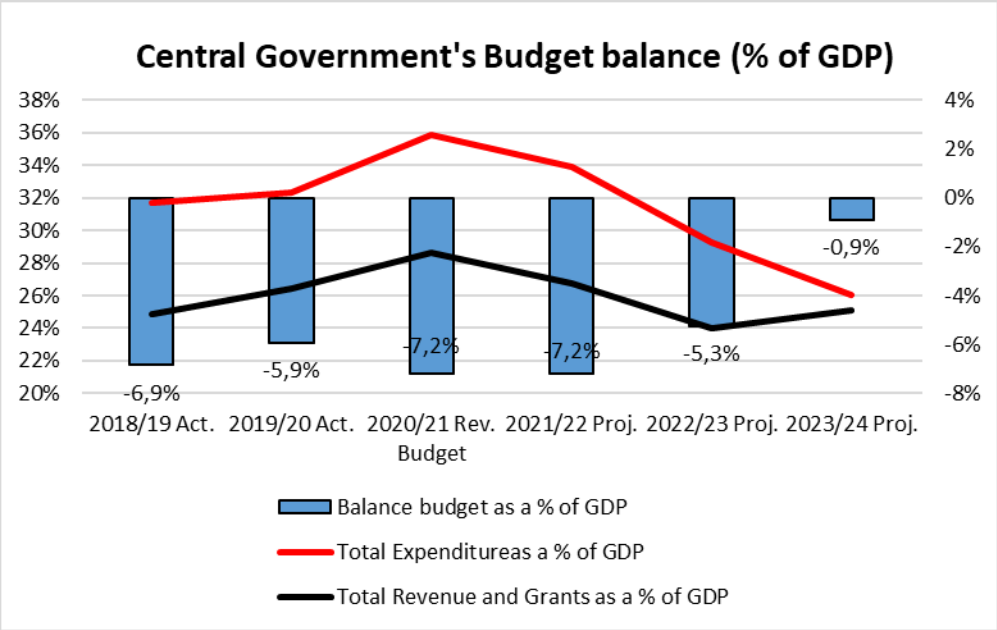


Source: Ministry of Finance

Government's efforts to improve the fiscal position by further reducing the fiscal deficit, improve revenue collection and curb expenditure has been distressed by the corona virus pandemic.

The fiscal deficit, initially projected at E3.3 billion or 4.5 percent of GDP in the original budget for the financial year of 2020/21, is expected to reach E4.7 billion or 7.2 percent of GDP due to the impact of the pandemic. This implies that to avoid further accumulation of arrears, Government has to raise E4.7 billion in the capital market in financial year 2020/21, a prior unprecedented amount.

The fiscal deficit for financial year 2021/22 is, despite fiscal adjustment measures, estimated to reach E5.1 billion, equivalent to 7.2 percent of GDP, posing challenges to source adequate financing using debt instruments. In the financial year 2022/23, the fiscal deficit is expected to improve, projected at E4 billion or 5.3 percent of GDP followed by E714 million or 0.9 percent of GDP. It is not until the end of the adjustment period that the fiscal deficit will reach more sustainable levels, calling for a need to review Government revenue and expenditure in 2021/22 and 2022/23 to avoid further accumulation of arrears, demonstrated to harm the recovery of the wider economy. It further needs to be emphasised that the reduced fiscal deficit of 0.9 percent of GDP is dependent on ambitious reduction measures on the expenditure side, bringing total expenditure to E20.8 billion in 2023/24 compared with a projected total expenditure of E23.2 billion in 2020/21.



Source: Ministry of Finance

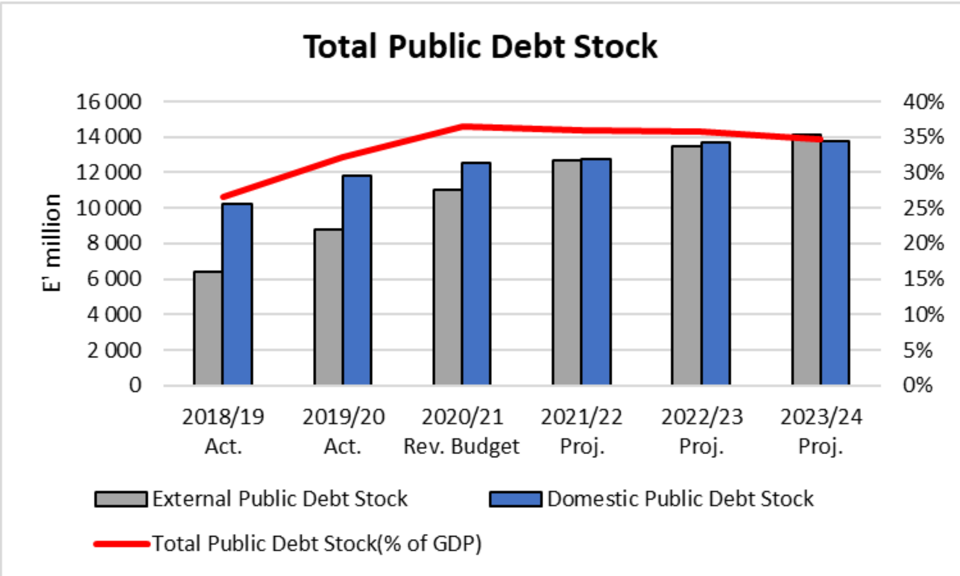
2.5 Financing and Debt

In order to finance the fiscal deficit, Government generally tries to raise debt instruments on the capital market. This in turn leads to growth in the public debt stock as Government accumulates new net financing each year. In the financial year 2018/19, the public debt stock stood at E16.7 billion or 27 percent of GDP. In 2019/20 the stock had increased to E20.6 billion, corresponding to 32 percent of GDP. It is important to note that the debt stock does not include the current stock of arrears that Government has accumulated.

The substantial shortfalls in revenue collection caused by the coronavirus pandemic and following economic crisis has resulted in a widened fiscal deficit, hence increasing the pressure to mobilize financing to avoid deterioration of Government's fiscal accounts and further accumulation of domestic arrears. The public debt stock in 2020/21 is estimated to be E23.6 billion or 37 percent of GDP and new net financing to E5.2 billion. The scope for extended domestic financing has during financial year 2020/21 been limited and Government therefore solicited budget support from external multilateral financial institutions. Government has successfully been granted budget support from the IMF under the Rapid Financing Instrument (RFI) of E1.96 billion. Prospects for securing additional budget support of E678 million in 2020/21 from the World Bank are also very positive given that the negotiation stage has already been concluded.

Of the E23.6 billion public debt stock forecast in 2020/21, domestic debt accounts for nearly 53 percent. External debt is expected to account for 47 percent of the total public debt stock in 2020/21, which is the accumulation of externally financed capital expenditure as well as newly acquired budget support loans. Over the medium term, external debt is forecast to grow by 15 percent in 2021/22, mainly due to the budget support loans acquired in 2020/21, followed by an average growth of 6 percent in the outer years. Domestic debt is projected to grow by 2 percent in 2021/22 followed by 7 percent in 2022/23 and 1 percent in 2023/24.

In general, the trend of a rapidly increasing public debt stock observed in the recent past is projected to peak in 2020/21 and slightly decline over the medium-term, equalling 34 percent of GDP in 2023/24. This provides evidence that Government is moving towards a more sustainable accumulation of public debt.



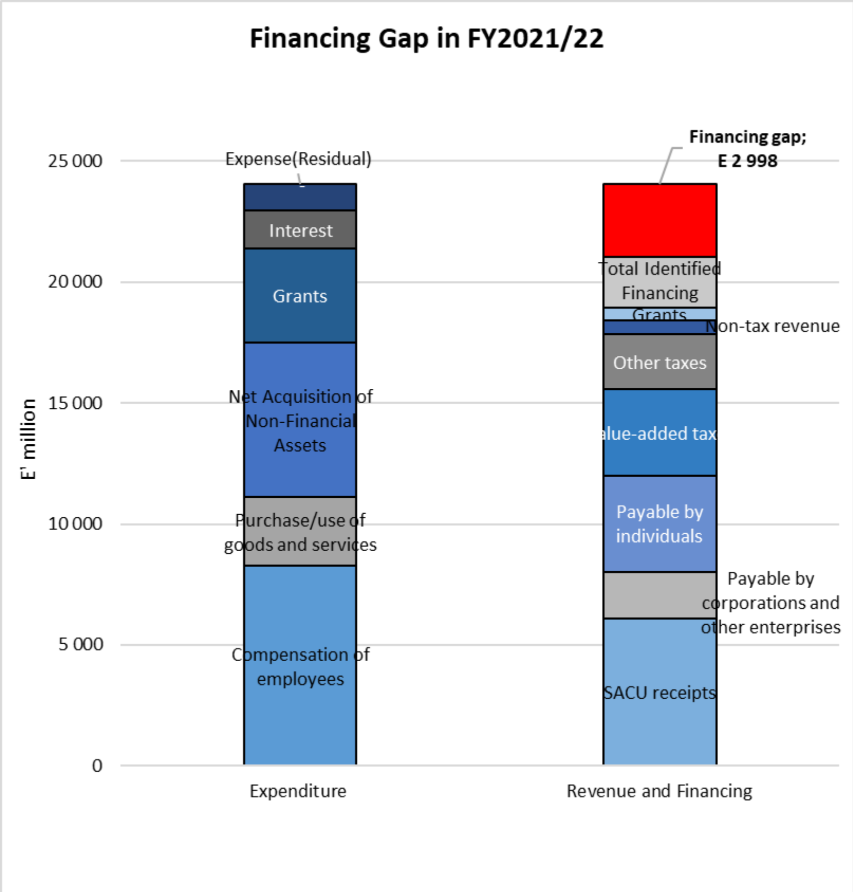
Source: Ministry of Finance

2.6 Sustainability - Financing Gap

As stated in section 2.4 pertaining to the Fiscal Deficit, Government expenditure has far surpassed the available revenue for several years, leading to a negative budget balance i.e. a fiscal deficit. Ideally, the Government deficit would be financed entirely through various debt instruments. However, with low confidence in the Government's macro-fiscal situation, domestic debt markets are unwilling to extend Government enough credit to cover the deficit, resulting in a financing gap. The financing gap persistent over several financial years is in turn resulting in accumulation of arrears.

Government has been running a financing gap each financial year since 2017/18. The ability to raise additional financing from multilateral institutions such as the IMF and the World Bank to cater for part of the revenue loss in 2020/21 has however resulted in a financing surplus of

E545 million, which will be used to pay outstanding obligations to suppliers. The financing surplus can be compared to the financing gap in 2019/20 amounting to E552 million.



Source: Ministry of Finance

Despite the reduced fiscal deficit over the medium-term, it is expected that Government will not be able to fund the entire deficit, resulting in a continued financing gap. The financing gap is expected to increase substantially over the medium term and amount to E3 billion or 4.2 percent of GDP in 2021/22, followed by E2 billion or 2.7 percent of GDP in 2022/21 and E640 million or 0.8 percent of GDP in 2023/24. An explanation for the increasing financing gap over the medium term is the expected low net financing from domestic debt instruments (Treasury bills and Government bonds) whilst Government simultaneously makes large repayments on the external loans.

Given the foreseen difficulties of financing the fiscal deficit over the medium-term, it is advised that Government reviews expenditure to consider further fiscal consolidation measures. Assuming Government is unable raise sufficient financing in the domestic debt market and close the financing gap, the stock of arrears is projected to reach to E7.6 billion in 2021/22 or 11 percent of GDP followed by E9.7 billion in 2022/23 and E10.3 billion in 2023/24, equating 13 percent of GDP for each of the outer years. This would imply a previously unprecedented stock of arrears, projected to harm the private sector, economic recovery and deteriorate the prospects of fiscal sustainability.

2.7 Cash Flow Projections

During the first six months of the financial year, Government's cash flow position has become increasingly important as revenues struggle to meet obligations for day-to-day operations. Limitations to availability of cash posing challenges to deliver imperative Government services have been a point of pressure in the recent past. The initial cash flow challenges have been amplified in the first half of the financial year of 2020/21 due to shortfall in projected revenue collection as a consequence of the economic crisis brought about by the coronavirus pandemic and simultaneous pressure to increase health and social security related expenditure. At the beginning of September 2020, Government was operating on a cash flow deficit of E3.52 billion, which is the difference between available cash and payables owed from this year and arrears from previous financial years.

As of September 2020, the domestic stock of arrears is standing at E5.15 billion. This includes around E3.59 billion in outstanding arrears from previous years and E1.57 billion worth of payables accumulated during this financial year. Cash flow projections illustrate that, including the stock of arrears, Government is expected to close the financial year of 2020/21 with a cash flow deficit. However, the recently approved IMF loan and the expected World Bank loan is going to relieve the Government cash flow position.

3 FISCAL UPDATES

3.1 Fiscal Reforms

3.1.1 Update on PFM Act Implementation

The implementation of the Public Management Act of 2017 is a continuous and cross-cutting process involving multiple stakeholders within Government. The latest update on the implementation is that the Public Financial Management Regulations incorporating the revised regulations are currently being reviewed by Cabinet. It is anticipated that the amended PFM regulations will be tabled in Parliament before the end of October 2020. The amended PFM regulations have to be approved by Parliament before implementation of the PFM Act 2017 as a whole can be materialised.

3.1.2 Update on IFMIS Implementation

To support full compliance to the PFM Act of 2017, Treasury will continue implementing the Integrated Financial Management Information System (IFMIS) to replace the existing Treasury

Accounting System (TAS). The procurement process of the IFMIS has been concluded, however not successfully as anticipated. Out of the four bidders that submitted bids in the tendering process, none were found satisfying, implying the tender process has failed in finding a suitable supplier. The information regarding the status of the tender process has been communicated to all relevant stakeholders of the project, including the Ministry of Finance, the Treasury Department, Ministry of ICT and the World Bank.

Despite the current failure to find a suitable supplier, The Ministry of Finance, Treasury Department and the Ministry of ICT are still committed to delivering the system within the previously proposed three-year timeframe. A decision is yet to be made on the process of ensuring that the IFMIS is in place within this period.

3.1.3 Expenditure Rationalization

The process of expenditure rationalization has been incorporated into the FAP by committing to closing of Trading accounts for certain expenditure items. Further, a memorandum from the Ministry of Finance emphasising on the importance of following the procedure of commitment of funds have been circulated to line ministries, to avoid over expenditure against the allocated budget. The Ministries of Health and Education & Training have also been served with memorandums requiring them to acquire commitment authorities for all expenditures to be incurred as is the case with all other Ministries. The purpose of this procedure is for the Ministry of Finance to be able to control and monitor the budget implementation and to hold ministries accountable for the commitments of funds. This to avoid misuse of funds and to install a culture of excellence pertaining to budget management. In the absence of sound budget management, the credibility of the budget, as promulgated by Public Financial Management (PFM) Act of 2017, comes into question.

3.2 Arrears Clearance Strategy

As previously mentioned, Government has been operating a fiscal deficit for several years, which, coupled with limited availability of financing in terms of domestic or external loan instruments, has led to the accumulation of arrears. At the beginning of financial year 2019/20 the stock of arrears stood at E4.2 billion, equalling around 6.7 % of GDP. Over the past years, Government has been unable to pay suppliers for all the goods and services it has procured, having a negative impact on the private sector and subsequently the economy as a whole. To salvage the situation, Government has developed an arrears clearance strategy aiming to clear the stock of outstanding obligations accumulated over the past years as well as halting further accumulation.

The two components of the strategy, prevention and liquidation, aims to achieve the objective of clearing and halting accumulation of arrears. The basis for the prevention component is structured as followed:

- Ensuring that monthly releases and authority to commit funds are based on the cash projections generated by the Cash Management Unit within the Treasury Department.
- All commitments of funds will be centralised and presented to the Ministry of Finance for authorisation, including the Ministry of Education & Training and Health.
- All trading accounts which currently over-commit Government will be phased-out, since they lack spending limits, i.e., Central Transport Administration, Central Medical Stores, Phalala Medical Referral Fund.
- All commitment authorities shall be presented to the Principal Secretary of the Ministry of Finance's Internal Cash Flow Committee for review and approval, guided by the availability of cash.
- Development of commitment controls in the Invoice Tracking System to attach ceilings on commitments plans to avoid over-expenditure.
- Enforcement of sanctions on non-compliance in line with the Public Finance Management Act 2017.

The Arrears Committee with the assistance from the Cash Management unit will be responsible for the liquidation component of the strategy. This part of the strategy is based on the following phases:

- The Banking and Common services section of the Treasury Department shall provide information on liabilities to be liquidated. The liabilities to be liquidated will be those that have gone through the full cycle of payment as per the Treasury requirements.
- All invoices shall be taken through a verification process to be undertaken by the Internal Audit department and Treasury and reviewed by the Auditor General's department.
- The Arrears Committee shall recommend a liquidation schedule for approval by Cabinet. The liquidation schedule, once approved by Cabinet, shall be published in the local press and Government website and shared with relevant stakeholders i.e., suppliers, funders, donors and Parliament.
- Arrears that should be prioritised in the liquidation process include the following: suppliers for essential and critical supplies, such as drugs or medical equipment, arrears attracting penalties/interest, arrears that may trigger or have already triggered legal actions and arrears with the risk of disruption/stoppage of critical ongoing projects.

Annex 1: Medium-term Fiscal Framework, October 2020

Summary Fiscal Table 2018/19 - 2023/24							
E. mil	2018/19 Act.	2019/20 Act.	2020/21 Budget	2020/21 Rev. Budget	2021/22 Proj.	2022/23 Proj.	2023/24 Proj.
Total Revenue and Grants	**15,684**	**17,772**	**21,115**	**18,535**	**18,951**	**18,186**	**20,102**
Total Expenditure	**20,014**	**21,772**	**24,404**	**23,202**	**24,044**	**22,180**	**20,815**
Overall Balance	**-4,330**	**-4,000**	**-3,289**	**-4,667**	**-5,093**	**-3,995**	**-714**
% of GDP	-6.9%	-5.9%	-4.5%	-7.2%	-7.2%	-5.3%	-0.9%
Total Identified Financing	**4,295**	**3,448**	**4,943**	**5,212**	**2,095**	**1,953**	**73**
Drawdown on foreign loans	1,283	3,010	4,087	4,827	2,774	1,893	1,710
Redemption of foreign public debt	-410	-665	-1,009	-828	-937	-934	-1,781
Net domestic financing	3,423	1,103	1,865	1,213	258	994	144
Financing gap (-)/surplus (+) (est.)	**-34**	**-552**	**1,654**	**545**	**-2,998**	**-2,042**	**-640**
% of GDP	-0.1%	-0.9%	2.6%	0.8%	-4.2%	-2.7%	-0.8%
Public Debt Stock	**16,656**	**20,632**	**23,101**	**23,594**	**25,453**	**27,171**	**27,835**
% of GDP	26.7%	32.1%	35.7%	36.5%	35.9%	35.8%	34.8%
Stock of Arrears (est.)	**4,609**	**5,160**	**3,506**	**4,616**	**7,614**	**9,656**	**10,296**
% of GDP	7.3%	7.7%	4.8%	6.3%	10.7%	12.7%	12.9%

Medium-Term Fiscal Framework 2018/19 - 2023/24							
Estimates as of October 2020	2018/19	2019/20	2020/21	2020/21	2021/22	2022/23	2023/24
(E million)	Act.	Act.	Budget	Rev. Budget	Proj.	Proj.	Proj.
Total Revenue and Grants	**15,684.1**	**17,771.8**	**21,114.8**	**18,534.8**	**18,951.2**	**18,185.6**	**20,101.7**
Total Revenue	**15,229.1**	**17,220.1**	**20,561.7**	**17,981.7**	**18,398.1**	**17,632.4**	**19,548.6**
Taxes	**14,915.1**	**16,365.8**	**19,852.8**	**17,272.8**	**17,849.0**	**17,022.5**	**18,907.9**
Taxes on income, profits, and capital gains	**5,212.0**	**5,678.2**	**6,140.6**	**4,762.2**	**6,413.1**	**6,961.4**	**7,598.1**
Payable by corporations and other enterprises	1,457.7	1,707.5	1,791.2	1,465.8	1,916.0	2,062.4	2,230.9
Payable by individuals	3,260.6	3,482.9	3,829.9	3,104.8	3,991.7	4,357.7	4,784.8
Other taxes on income, profits and capital gains	493.6	487.9	519.4	191.6	505.4	541.3	582.4
Taxes on payroll and workforce	**1.2**	**1.0**	**1.3**	**1.1**	**1.1**	**1.1**	**1.2**
Taxes on property	**49.3**	**55.4**	**65.9**	**65.9**	**34.3**	**37.8**	**41.6**
Taxes on international trade and transactions	**5,870.1**	**6,327.1**	**8,357.4**	**8,356.7**	**6,105.1**	**4,305.4**	**5,205.7**
SACU receipts	5,844.0	6,318.2	8,348.6	8,348.6	6,100.0	4,300.0	5,200.0
Customs and other import duties	26.0	8.9	8.8	8.1	5.1	5.4	5.7
Other taxes on international trade and transactic	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	**3,759.0**	**4,267.6**	**5,238.7**	**4,038.0**	**5,271.6**	**5,691.9**	**6,035.2**
General taxes on goods and services	2,650.2	2,964.8	3,449.9	2,961.7	3,549.9	3,926.4	4,210.2
Value-added taxes	*2,649.9*	*2,964.8*	*3,449.9*	*2,876.4*	3,549.9	3,926.4	4,210.2
Sales taxes	*0.3*	*0.0*	*0.0*	*85.3*	0.0	0.0	0.0
Excises	1,050.5	1,218.1	1,644.7	991.2	1,502.8	1,539.2	1,595.4
On fuel	*1,050.3*	*1,202.0*	*1,607.3*	*958.1*	1,463.8	1,497.1	1,549.5
On alcohol and cigarettes	*0.0*	*16.0*	*37.3*	*32.9*	38.9	42.0	45.7
Other	*0.1*	*0.1*	*0.1*	*0.1*	0.1	0.1	0.1
Taxes on specific services	10.5	11.7	16.9	10.4	12.3	13.2	14.3
Taxes on use of goods and on permission to use g	47.8	73.0	127.2	74.8	206.6	213.0	215.4
Motor vehicle taxes	*11.9*	*13.0*	*15.0*	*15.0*	93.3	99.7	102.1
Other	*35.9*	*60.1*	*112.2*	*59.8*	*113.3*	*113.3*	*113.3*
Business and professional licenses	*0.0*	*0.2*	*0.0*	*0.3*	0.8	0.8	0.8
Licenses and permits for households	*0.7*	*0.7*	*1.0*	*1.0*	0.5	0.5	0.5
Other taxes on permission to/or use goods not	*35.2*	*59.2*	*111.1*	*58.4*	112.0	112.0	112.0
Other taxes	**23.5**	**36.4**	**48.9**	**48.9**	**23.7**	**24.9**	**26.2**
Other revenue	**314.0**	**854.3**	**708.9**	**708.8**	**549.1**	**609.9**	**640.8**
Property income	**138.8**	**646.5**	**475.0**	**475.0**	**350.9**	**386.9**	**402.4**
Interest	33.1	65.7	42.6	42.6	37.3	40.1	41.7
Dividends	105.6	580.7	432.5	432.5	313.6	346.8	360.7
Property income from investment income disburs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales of goods and services	**134.6**	**153.1**	**182.4**	**182.4**	**150.4**	**172.7**	**185.8**
Sales by market establishments	13.7	14.9	15.9	15.9	1.2	1.3	1.4
Administrative fees and charges	108.6	123.4	156.0	156.0	123.0	144.1	156.2
Incidental sales by nonmarket establishments	12.0	14.5	10.1	10.1	12.8	13.4	13.8
Imputed sales of goods and services	0.4	0.4	0.4	0.4	13.4	13.9	14.4
Fines, penalties and forfeits	**40.7**	**54.7**	**51.5**	**51.5**	**47.8**	**50.3**	**52.6**
Grants	**455.0**	**551.7**	**553.1**	**553.1**	**553.1**	**553.1**	**553.1**
Budget support grants	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other budget support	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	**455.0**	**551.7**	**553.1**	**553.1**	**553.1**	**553.1**	**553.1**
From foreign governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
From international organisations	455.0	551.7	553.1	553.1	553.1	553.1	553.1
From other general government units	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Total Expenditure	20,013.9	21,771.9	24,403.5	23,201.5	24,044.0	22,180.1	20,815.4
Expense	16,676.7	17,202.8	18,029.1	18,048.8	17,669.5	17,226.5	16,429.1
Compensation of employees	**8,429.0**	**8,392.1**	**8,417.1**	**8,417.1**	**8,254.7**	**8,087.0**	**7,838.1**
Wages and salaries	7,379.5	7,180.4	7,151.1	7,151.1	6,886.6	6,756.6	6,561.9
Social contributions	1,049.5	1,211.7	1,266.0	1,266.0	1,368.1	1,330.3	1,276.3
Purchase/use of goods and services	**2,849.9**	**3,504.1**	**2,996.3**	**2,996.3**	**2,873.3**	**2,751.3**	**2,518.3**
JP Morgan Swap Fee*	**177.5**	**177.5**	**133.1**	**133.1**	0.0	0.0	0.0
Interest	**821.9**	**815.4**	**1,411.7**	**1,431.4**	**1,566.5**	**1,713.2**	**1,810.0**
of which: Domestic	625.6	552.2	919.4	931.9	955.9	1,085.0	1,204.0
of which: External	196.2	263.1	492.3	499.5	610.6	628.2	606.0
Subsidies	**47.2**	**44.7**	**47.7**	**47.7**	**47.7**	**47.7**	**47.7**
Grants	**3,397.4**	**2,852.1**	**3,848.3**	**3,848.3**	**3,881.9**	**3,656.9**	**3,349.5**
To international organisations	74.7	91.2	117.0	117.0	116.9	116.9	124.5
To other general government units	3,322.7	2,760.9	3,731.3	3,731.3	3,765.0	3,540.0	3,225.0
Budgetary/Extrabudgetary/NPI	*1,587.8*	*1,486.1*	*1,941.3*	*1,941.3*	1,964.9	1,739.9	1,424.9
RDF	*5.0*	*110.0*	*177.0*	*177.0*	177.0	177.0	177.0
Grants to subnational governments	*20.9*	*28.2*	*27.7*	*27.7*	37.8	37.8	37.8
Statutory	*1,709.0*	*1,136.6*	*1,585.3*	*1,585.3*	1,585.3	1,585.3	1,585.3
Social Benefits	**489.6**	**604.6**	**667.7**	**667.7**	**665.8**	**665.8**	**665.8**
Social assistance	489.6	604.6	667.7	667.7	665.8	665.8	665.8
Other expense	**464.2**	**812.4**	**507.2**	**507.2**	**379.6**	**304.6**	**199.6**
Gross Operating Balance (Total revenue less expense)	-992.6	569.0	3,085.7	485.9	1,281.7	959.1	3,672.6
Net Acquisition of Non-Financial Assets	3,337.2	4,569.0	6,374.4	5,152.7	6,374.4	4,953.6	4,386.3
Foreign financed capital projects	**1,655.0**	**2,942.2**	**2,590.9**	**2,695.6**	**3,280.2**	**2,400.3**	**2,218.0**
of which: Loans	1,200.0	2,390.5	2,012.9	2,117.6	2,702.2	1,822.3	1,640.0
of which: Grants	455.0	551.7	578.0	578.0	578.0	578.0	578.0
Domestically financed capital projects	**1,684.3**	**1,631.9**	**3,789.7**	**2,463.3**	**3,100.5**	**2,559.5**	**2,174.5**
Sale of Government Assets	**-2.1**	**-5.1**	**-6.2**	**-6.2**	**-6.2**	**-6.2**	**-6.2**
Primary Balance	-3,508.0	-3,184.7	-1,877.1	-3,235.3	-3,526.2	-2,281.3	1,096.4
Overall Balance:Net Lending (non-financial)	-4,329.8	-4,000.1	-3,288.7	-4,666.7	-5,092.7	-3,994.5	-713.6