



*Review of the Terms
& Conditions of
Service for
Politicians*

Ministry of Finance
Swaziland Government

.....
November 2013



pwc



Private and Confidential

Ms. Khabonina Mabuza

Principal Secretary: Ministry of Finance

Swaziland Government

By hand

15 November 2013

Dear Khabonina

PricewaterhouseCoopers Tax Services (Pty) Ltd was engaged by the Swaziland Ministry of Finance to assist with the review and update of some aspects of the Terms and Conditions of Service of the political cadre of the Government of the Kingdom of Swaziland as contained in Circular No. 1 of 2010.

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The attached report sets out our observations in this regard. We trust that the information provided in this report will be of value to you in your decision making process. If you have any queries regarding the content please contact Tumi Seaketso on +27 82 464 8126.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'MH', with a long, sweeping horizontal line extending to the right across the signature.

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Appendix A: The Remuneration Framework

Appendix B: The Terms of Reference



Background

PricewaterhouseCoopers Tax Services (Pty) Ltd. (“PwC”, “us” “we”) was engaged by the Swaziland Ministry of Finance (hereinafter referred to as the “Ministry”, “you”) to assist with the review and update of some aspects of the terms and conditions of service of the political cadre of the Government of the Kingdom of Swaziland herewith referred to as Circular No. 1 of 2010; and specifically:

- Make a cost comparison of the current Circular and the proposed terms and conditions of service.
- Compare the proposed terms and conditions of service with best practice in similar sized countries in the SADC region.
- Provide recommendations into the risks that may arise from the review, including reputation risks with banks and financial institutions.

Circular No. 1 of 2010 (“the Circular”) is a non-legislated document that determines the terms and conditions of service of Swaziland’s political cadre. We understand that the Circular is reviewed every five years (one political term) with the aim of aligning the Parliamentarian’s pay to that of the civil servants and the market conditions.

The findings from our review have been set out under the following main headings of this report:

- Executive Summary.
- Approach and Methodology.
- Findings and Analysis.
- Recommendations.
- Conclusion.

Kindly note that our views within this report are based on:

- ❖ The facts and background information provided.
- ❖ Our knowledge and interpretation of the relevant remuneration practices. If they are incorrect or incomplete please let us know immediately as this may affect the viability of our recommendations.

Executive Summary

Whilst the remuneration of Parliamentarians such as Prime Ministers, Presidents and Ministers can be likened to that of executives in the private sector; little attention has been paid to defining politician pay.



The remuneration of politicians and members of Parliament is a complex matter globally. More so, the issue is not in determining a single figure, but the elements that make up the entire remuneration package - i.e. the basic salary, pension, benefits and allowances.

PwC embarked upon this project with the aim of developing fundamental remuneration principles on which the new remuneration packages will be based. We have drafted a Remuneration Framework that will govern how the Kingdom of Swaziland will go about in determining and reviewing Parliamentarians’ remuneration, allowances and benefits. The Framework is appended in our report as Appendix A.

This exercise is not only about determining the terms and conditions of Parliamentarians, but it is also about determining the appropriate level of remuneration that will not only attract the right calibre of people but the right quality people with the appropriate background and experience to be future Parliamentarians of the Kingdom of Swaziland.

We trust that you will find our recommendations in order, and aligned to your requirements. Below, please find the approach and methodology that we applied when carrying out this exercise.

Approach and Methodology

Communication with key stakeholders during the project was considered vital. Open communication provided awareness, understanding and commitment to the project, as well as promoting its vision, scope and the implications for both the Swaziland Government and its stakeholders. In particular, communication was needed to address key inputs and concerns, and early embedding of core messages was required to ensure effective understanding of the objectives of the project.

Table 1: Approach and methodology

Stakeholder engagement	Circular No. 1 of 2010 and Previous Circulars	Economic conditions
<ul style="list-style-type: none"> • Prime Minister; • Deputy Prime Minister; • Ministers; • Regional Administrators; • Presiding Officers; • Members of Parliament • Tindvuna Tetinkhundla; • Bucopho Betinkhundla; and • The public for views and submissions 	<ul style="list-style-type: none"> • Basic salary • Sitting allowance • Leave • Medical aid • Pension • Terminal benefits • Allowances • Workshops and seminars • Flags and flag poles • Former Prime Minister's pay 	<ul style="list-style-type: none"> • Revenue/ income of Swaziland • GDP • Growth • Inflation • Unemployment rate • Pay equity ratio • Monarchical democracy • Socio economic sustainability



Our approach and methodology incorporated the above elements to enable the development of our report and to revise the terms and conditions of service governing Parliamentarian pay.

We have set out three general principles which we believe should govern the remuneration of Swaziland's Parliamentarians. These include:

- i. Reward systems designed to support Government's strategy;
- ii. Total rewards sufficient to recruit, retain and motivate suitably able and qualified people to carry out the tasks of Government; and
- iii. The remuneration packages of the Parliamentarians should be considered fair in comparison to civil servants'; and in the context of other economic issues.

Findings and Analysis

As mentioned above, our review's findings and analysis include the following:

Stakeholder Engagement

There seemed to be general consensus on the sensitivity of the Circular; with the majority of the stakeholders providing input on aspects ranging from the determination of the base salary to the benefits and allowances payable during a Parliamentarian's term in office and thereafter in retirement or exit from Parliament.

As part of this assignment PwC was tasked to consider the parliamentary positions, in relation to one another. Based upon research conducted on similar monarchial countries like the United Kingdom and Australia, it can be concluded that Swaziland's current parliamentary structure appears appropriate, with an improvement in role of the Presiding Officer, which is commonly ranked below the Deputy Prime Minister.

General comments on the Circular, although not exhaustive but included:

- "The disparity between the Parliamentarians and the highest paid civil servant is high."
- "The high salaries and benefits are not reasonable in the context of the current economic situation."
- "The issue of Parliamentarians not taxed on certain benefits is perceived as unfair because ordinary citizens are required to pay taxes."
- "From the Parliamentarians' perspective, the perceived inequity in the different Parliamentarian categories needs to be addressed."

It is important to note that our report incorporates all feedback received from the official stakeholders and the general public; as such, based upon these findings we have set out our recommendations in this report.



Review of Circular No. 1 of 2010

The review of the Circular necessitated detailed research and analysis of current remuneration practices governing Parliamentarians' pay. This ensured that we reviewed the basic salaries in detail as it is the base for determining the benefits and allowances.

The first notable suggestion that the current Circular was overstated was in the disparity between the Parliamentarians and the highest paid civil servants' (Secretary to Cabinet) pay. This link allowed the pay gap to widen over the years.

Although the link allowed for reference to the annual movements aligned with the average public sector earnings; it meant that not only did Parliamentarians benefit from the civil servants' annually negotiated wage increases but also that the link was wide.

It was imperative that in conducting this exercise, we considered internal and external factors and benchmarks impacting on setting salaries, allowances and benefits for Swaziland's Parliamentarians. Our analysis includes the current economic context and the external comparative market.

Based upon the research conducted, we have found the following allowances and benefits are deemed not to be serving their purpose, or are inappropriately applied. Therefore, we recommend that they no longer be considered as our Remuneration Framework has suggested.

1. Tax Reimbursive Allowance

In reviewing the Circular, we considered the relevant legislation, i.e., Income Tax Order of 1975 as amended, in Swaziland. Whilst it is understood that the Finance Minister can provide tax exemptions for Parliamentarians, it can be argued that the principle is not fairly applied. It is therefore in the interest of the ordinary Swaziland citizen and the country's national fiscal limitations to exclude the allowance.

2. Government/ Interest Free Loans

It has been established that the Swaziland Government assists the Parliamentarians to access financing through other financial institutions. This trend is common in certain other countries. This is to enable them to acquire certain resources to ensure they carry out their parliamentary duties. However, this has been done to the detriment of the Government, and the members of society. This could also imply a reputational risk between Government and banks/financial institutions.

Whilst the other countries support their Parliamentarians in these endeavours, they do not always take full responsibility for loan payments and interest. They usually negotiate discounted rates with the financial institutions but it is left to individual members to take responsibility for their debts and payments. Otherwise, the banks can be left in the dire situation of having to write off the debts after every term as they may not want to jeopardise their relationships with the Government.

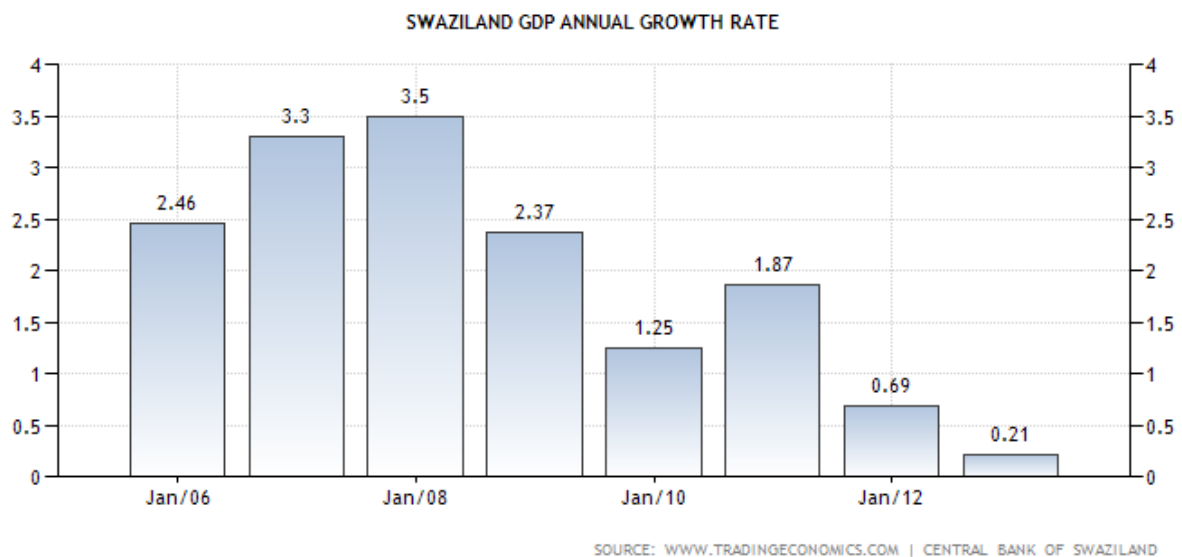
Economic Conditions

The fiscal challenges in Swaziland emanate from a decline in revenue from the Southern African Customs Union (SACU); and yet the country has one of the largest public wage bills in sub-Saharan Africa. The affordability of parliamentary rewards should be considered in this context.

Whilst the economic conditions in Swaziland have improved over the years, currently the economic growth is stagnant. This is eminent from the downturn on the economic growth as depicted on the graph below. It is in this context that we consider the reasonableness of the remuneration and benefits of the Parliamentarians. We have noted a trend in other countries where the salary and wage bill has been curbed to align to prevailing economic conditions. However, on the revision of the Circular, Swaziland Government adopted a differing approach. Our understanding is that when Parliamentarians came into office in 2008, Circular No 3 of 2005 was in place. Hence it can be reasonable to assume that was the informal contractual agreement.

The figures below illustrate the movement of Swaziland GDP and inflation from January 2006 to January 2013.

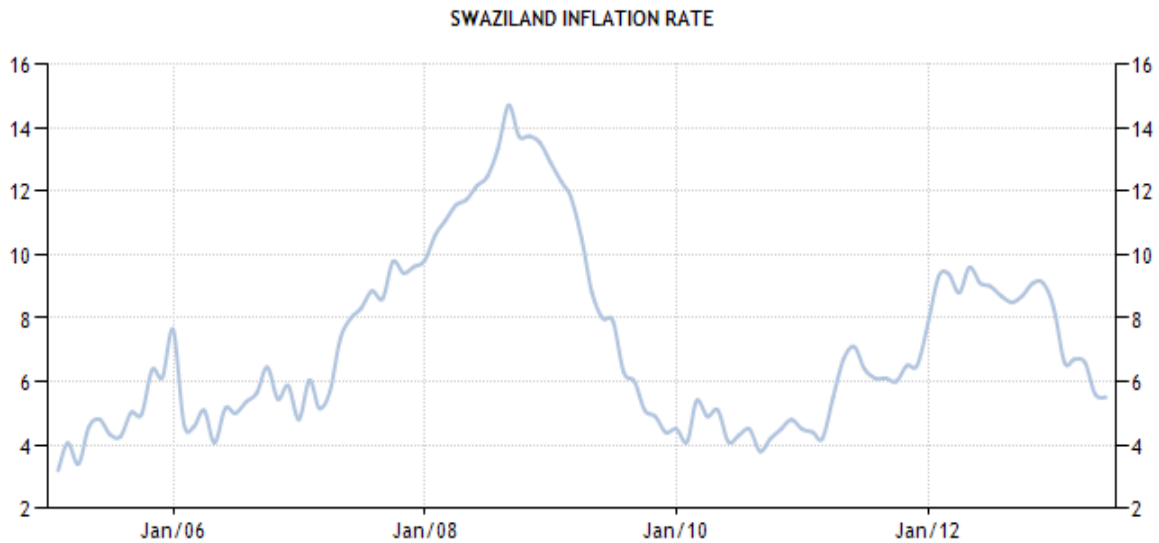
Figure 1: Annual Gross Domestic Product



Taking into account the above figure, the GDP growth was at its lowest in 2010 when the Circular was reviewed. It is not inappropriate to review conditions of service at a point in time. What is of concern is reviewing it to beneficially revise some benefits while the economic conditions are in such a state. Further, it is our understanding that it was within the same year where civil servants were requested to take salary cuts in an effort to curb the rising Government salary and wage bill.

From the above analysis, it can be noted that reducing some of the allowances and benefits for Parliamentarians will go a long way in curbing the escalating salary and wage bill costs; and doing so not only needs to be considered in the context of maintaining external market equity but of current economic conditions.

Figure 2: Annual inflation rate of Swaziland



SOURCE: WWW.TRADINGECONOMICS.COM | CENTRAL BANK OF SWAZILAND

The trend not only prevalent in the private sector, but in the public sector, is carefully considering the pay of executives and the perceived inequity it may create. As the higher it increases, a discretionary gap is created.

Swaziland Parliamentarian pay and the External Markets

Parliamentarians earn a living in the form of a salary, allowances and benefits to enable them to work effectively in Parliament and in their constituencies.

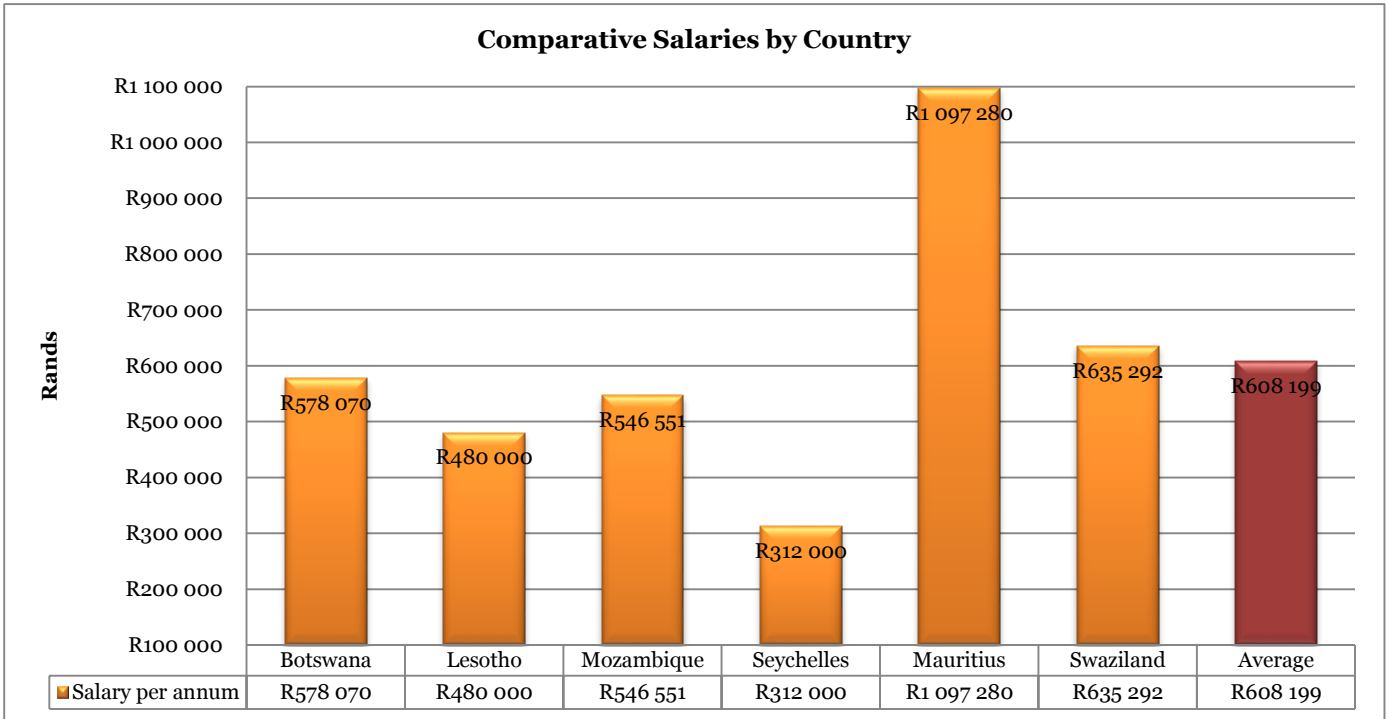
The evidence presented in our analysis, includes information on the comparison between the Swaziland Parliamentarian salaries and the average pay for similar jobs within the SADC region.

The following SADC countries were sources used to acquire remuneration benchmark data:

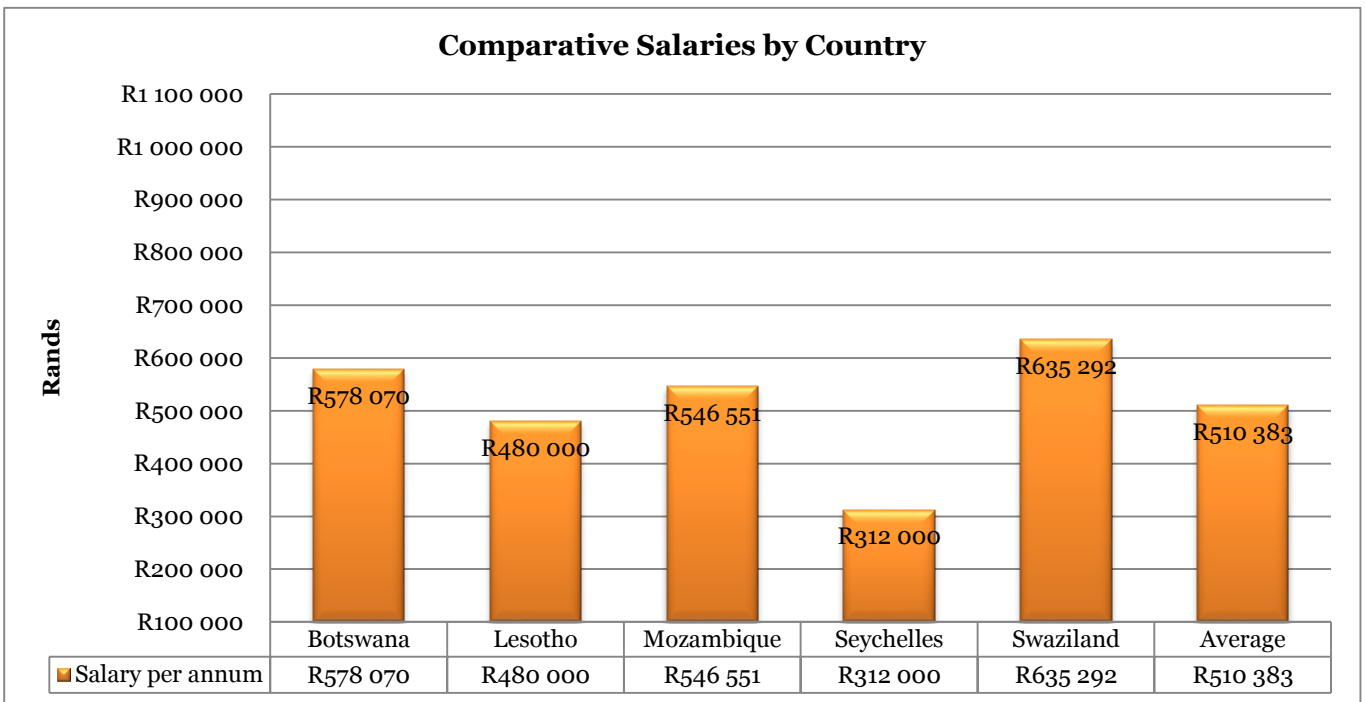
- Botswana
- Lesotho
- Mauritius
- Mozambique
- Seychelles

Due to the lack of benchmark information from similar sized countries (based on GDP) to Swaziland within SADC, we were unable to benchmark the total cost of remuneration for the majority of Swaziland Parliamentarian remuneration data.

As such, we are only able to provide benchmark results for salaries of the Heads of Government for the five SADC countries with similar GDP to that of Swaziland. Our comparative analysis is as follows:



As the numbers of data points are less than 10, we can only compare to the average of the benchmark salaries. Observations from the above indicate that Swaziland’s Prime Minister earns marginally higher than the average of the comparator group. The basic salary of the President of Mauritius represents an outlier, as it skews the data. As such, we have reported the mean without the Mauritius data.



In concluding our research, we have found that other countries have an established independent body that advises the President or the King annually, about the remuneration and benefits of Parliamentarians. Further, payments on ex-gratia were based upon the annual basic salary, and



not on the entire term's gross salary. The payments are fully taxed and range from a 3 to 6 months of the annual basic pay.

It is important to note that some of our research lends market practice from South Africa as well as from the other countries mentioned above.

Revised Terms and Conditions of Politicians of Swaziland

The Circular has been amended and revised under a new document labelled, "The Remuneration Framework for Swaziland Parliamentarians". The document merely serves as a guideline for outlining the salary, benefits and privileges afforded to Parliamentarians.

The document acts upon and follows our recommendations, as outlined under the separate heading below. It further outlines the afforded benefits of the former Prime Minister and Deputy Prime Minister.

Recommendations

Establishment of an Independent Remuneration Council, Tribunal or Commission

The salary review body will be responsible for the governing of annual reviews pertaining to the salaries, benefits and allowances of Swaziland's Parliamentarians. The recommendations will be forwarded to His Majesty, King Mswati III, his heirs or successors for final approval.

The Committee will be constituted as a committee of stakeholders as appointed by the King; and comprise of independent, qualified and experienced remuneration specialists. The Commission will be required to consider the following factors

- a) The role, status, duties, functions and responsibilities of the relevant public office;
- b) The affordability of different levels of remuneration of political office bearers;
- c) Current principles and levels of remuneration in society generally;
- d) Inflationary increases;
- e) The resources available to the state;
- f) Any other factor that, the Commission may in its opinion consider relevant; and
- g) The remuneration structure of the private sector; public sector and state owned entities.

It is recommended that the Commission would also visit other countries for benchmarking and knowledge sharing purposes. This enables the Commission to keep abreast with international trends. The terms of reference of the commission will need to be clearly defined.

De-link the Prime Minister's salary from the highest paid public civil servant

To determine the Prime Minister's salary, there needs to be a consistent and defensive manner on which to base salaries.



The notion of linking the Parliamentarians pay to the senior civil servants poses a risk in terms of linking the pay to a single specific reference point. The United Kingdom saw a similar risk where the pay and the grading of the senior civil servant were delegated to other departments rather than being determined centrally. This meant there now was more than one reference points on which to base the Prime Minister’s salary.

We recommend the Prime Minister’s salary be benchmarked against other similar sized (by GDP) countries in Africa. However, the benchmark rate of pay for Swaziland will be discounted to take into account affordability of the Government and the economic conditions of the country. In determining the pay for the rest of the Parliamentarians, a sliding scale ratio will be applied.

Recommended salary packages

Considering the comparator group benchmarks, we put forward a new remuneration base for the Prime Minister of E617,646; with the rest of the Parliamentarian’s basic salaries determined from the Prime Minister’s utilising a sliding scale ratio.

The revised basic salaries and ratios to the Prime Minister’s salary are as follows:

Parliamentarian	Old salary (Emalangeni)	New salary (Emalangeni)	Ratio to the Prime Minister’s salary
Prime Minister	635,292	617,646	1.00
Deputy Prime Minister	571,763	555,881	0.90
Presiding Officers	457,410	494,117	0.80
Ministers	508,234	494,117	0.80
Regional Administrators	457,410	463,235	0.75
Deputy Presiding Officers	406,587	432,352	0.70
Members of Parliament	355,764	370,588	0.60
Tindvuna Tetinkhundla	50,823	67,491	0.11
Bucopho Betinkhundla	38,118	55,588	0.09

An increase in a few Parliamentarian salaries is recognised, with the Prime Minister, Deputy Prime Minister, and Ministers’ salaries marginally declining. This allows for Government to firstly, re address the shortfall in the Presiding Officer’s base salaries; and to balance and spread out the saving to the salaries of the members of Tindvuna Tetinkhundla and Bucopho Betinkhundla.

It is important to note that the objection in the Circular is in the allocations for allowances and the benefits afforded to Parliamentarians, rather than the base salary. Affordability is a subjective issue. Regardless of the size of the country or its economic resources, it has a right to afford its citizen including Parliamentarians to earn a living and sustain themselves.



Recalculation of Terminal Benefits and Resettlement Payment

The ex-gratia payment will be available to all Parliamentarians who fail to be re-elected or re-appointed into the new Parliament. However, in the event that the Parliamentarian does not fully serve the 5 year term, the ex-gratia payment will be pro-rated taking into account the actual period served. Under no circumstances will a part year served be considered as a full year.

Should the Parliamentarian be dismissed or removed from office due to misconduct or incompetence, the ex-gratia payment will be forfeited. The ex-gratia will be paid as once-off payment equal to twelve month's (one year) basic salary before taxation for all Parliamentarians.

Review of the Remuneration Framework after Cabinet has been dissolved

It is important that the Circular be reviewed at least 18 months before the new term of office. The revision is forward looking and not aimed to impact the current or departing Parliamentarians' terms and conditions of service. It is recommended that the Commission considers this function as part of their terms of reference.

Apply inflation linked and affordable salary increases

Within the public service domain, it is important to remunerate employees for the rising costs related to living conditions. It is therefore important to ensure that salaries offered keep up with inflation and that across the board inflation based increases are granted. This will be an annual process managed by the independent body responsible for determining the salary and benefits of Parliamentarians.

Government housing for Parliamentarians; and procure motor vehicles

A forward looking recommendation for controlling housing and car allowances is for Government to build houses or Government owned residences for Ministers and Presiding Officers.; and purchase a pool of Government vehicles which will be allocated to each Cabinet Minister every political term. The respective Parliamentarians may keep the motor vehicles upon vacating office. The houses may be refurbished every 5 years; or as needed.

Document Roles, Powers and Functions of all Parliamentarians

There needs to be provision for clear, concise roles and responsibilities, including powers and functions of all Parliamentarians. As such, it is proving difficult to determine the executive and/or legislative authority certain Parliamentarians have. To eliminate this problem, it is suggested that the Government of Swaziland properly document these and make them available to the public; even if it is on the Government's web page.

State Funerals

State Funerals have traditionally been held to honour certain high ranking public officials. A list of the various categories of public officials who are eligible for a State Funeral (or a State-funded



private funeral) must be listed and documented. The decision to honour other prominent Swaziland Parliamentarians with a State Funeral upon their death is the prerogative of His Majesty, the King. This eliminates the funeral policy benefit afforded by the Circular.

It is recommended that the Kingdom of Swaziland allows for a draft State Funeral policy which will properly document the procedure and criteria for a State funeral.

Conclusion

Parliamentarians' pay is a highly sensitive issue; more so in Swaziland where the current salary and wage bill is one of the highest in Africa. Noted, this is not a "good" time to make changes to Parliamentarian's pay. As the electoral timing is wrong, the public is against the current Circular and the public mood is unsympathetic. Nonetheless, despite these difficulties, it is important for good governance in Swaziland to be upheld and an equitable remuneration structure to be developed.

The Government is pursuing a policy of constraining public expenditure, including public sector pay, as it seeks to reduce the fiscal deficit; and what better way to start than to curb the perks which have been afforded to Parliamentarians. The perks payable to politicians have been burdensome on the Swazi taxpayer; with the wage gap between the highest paid politician becoming wide in relation to civil servants and normal citizens. Whilst that is a world-wide phenomenon, it is key in this context to consider the prevailing economic circumstances.

It needs to be entrenched that Parliamentarians are public servants elected for public service and are not in it for personal enrichment. Thus, there needs to be transparency on how the remuneration and the rate of increase are set. Similarly, in accordance with the Government's objective of managing its funds effectively and within the constraints of economic realities, limits are set in terms of what is affordable in respect of remuneration costs. The above does not take away the right of Parliamentarians to earn a decent living, however it tries to balance the situation by taking into account micro and macro-economic issues.

Swaziland's constitution or laws needs to make it legislation to establish a commission for the determination of salaries, allowances and benefits, for Parliamentarians. The Commission will be charged with the responsibility to determine the total remuneration of current and former Parliamentarians.

It is our final recommendation to consider our views and recommendations, more so to legislate and publish the established Remuneration Framework as the official document governing the salary, benefits and allowances of Swaziland's Parliamentarians.



Caveats

The analysis and opinions in this report are based on:

- The above facts and background information. If they are incorrect or incomplete please let us know as this may affect the analysis and opinions; and
- Our knowledge and interpretation of the relevant law and practice, which are likely to change over time. Such changes may affect the analysis and opinions. Accordingly, you should keep abreast of developments and, if necessary, again consult us.

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