

BUDGET SPEECH

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PRESENTED BY

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THE MINISTER FOR FINANCE

TO THE

PARLIAMENT

OF

THE KINGDOM OF ESWATINI

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I. INTRODUCTION

1. Mr. Speaker, it is my great honour to present to this August house my second Budget Speech and National Budget Estimates for the 2020/2021 financial year at this, the 2nd session of the 11th Parliament of the Kingdom of Eswatini.
2. I would like to thank God our creator for the peace and stability he has afforded our Kingdom. We are beholden to Our Lord's grace and mercy as we chart a course through these challenging times.
3. I would like to read a scripture from Psalm 1:1-3

'Blessed is the one who does not walk in step with the wicked or stand in the way that sinners take or sit in the company of mockers, but whose delight is in the law of the Lord, and who meditates on his law day and night. That person is like a tree planted by streams of water which yields its fruit in season and whose leaf does not wither – whatever they do prospers.'

4. Mr. Speaker, I take this opportunity to extend my heartfelt gratitude to Their Majesties for the confidence and trust they have placed in me as the custodian of this key portfolio in Government. In particular, I would like to thank His Majesty the King for being the unifying force in our Nation and giving us the mandate and direction as articulated in the Speech from the Throne. He has set out an ambitious agenda for us as a Nation, an agenda

that highlights our strengths and is forward looking. His Majesty reminded us that *time is of the essence* in our socio-economic transformation and that, above all else, we must *'keep moving forward'*.

5. Echoing His Majesty's speech, *there is no time to lose*. The government and the economy cannot live beyond its means year after year. In the previous budget cycle Cabinet outlined a strategy to resuscitate the economy. This led to the launch of the Eswatini Strategic Roadmap 2019-2022 which aims to establish a policy framework that will ensure sustainable economic development, financial stability and growth, ultimately improving the quality of life of the people of Eswatini. This strategy necessitates adjustments in the short to medium term to ensure long term sustainability.
6. Mr Speaker, government is committed to fiscal consolidation by finding ways and means to improve revenue inflows while trying to contain expenditure. However, fiscal adjustment alone cannot suffice; essential structural reforms in economic policy are integral to the adjustment process. The focus of these reforms is on economic growth and stability. We must enable all sectors of our economy to attain a path of high and sustained inclusive growth.
7. Even though the focus of this year's budget continues to be on building a resilient economy through fiscal consolidation, we are starting to see positive signs of growth reflecting a promise of "green shoots". Government has

introduced measures to rationalise expenditures and make unavoidable sacrifices to ensure long term growth and fiscal sustainability. We are rising to this challenge and nurturing the seeds of progress, while ensuring that the preconditions for positive results are created. As Martin Luther King Jr. said *“human progress is neither automatic nor inevitable. Every step toward the goal of justice requires sacrifice, suffering, and struggle; the tireless exertions and passionate concern of dedicated individuals.”* Likewise, for the government it has not been easy. Wages and salaries have been stagnated, budgets and overall spending have decelerated.

8. Mr. Speaker, government continues to face cash flow challenges, causing us not to meet our financial obligations on time. This has resulted in the accumulation of significant arrears which has placed a burden on suppliers of goods and services. This time last year, we had accumulated an arrears stock of E4.2bn. This excluded most of our arrears on capital projects and what has been referred to as “invoices in the drawers”. We made it a priority to settle these outstanding payments, and last year, suppliers and service providers were called upon to re-submit these invoices and supporting documents for verification. The Internal Audit team and the Auditor General’s Office are now conducting a verification exercise for these invoices so that the payment process can proceed.

9. Mr. Speaker, I am pleased to inform this House that our efforts are showing signs of success as the total amount owed now stands at E2.2bn. This includes the old arrears, the “invoices in the drawers” and all outstanding capital payments. We acknowledge that while dealing with existing arrears is part of the problem, our efforts will be in vain unless we ensure that this does not happen in the future. To curtail and discourage any spending happening outside of the budget and to improve overall budget execution government has instituted a new reporting structure whereby each ministry reports on execution to the Planning and Budgeting Committee once every two months. I commend my fellow Cabinet Ministers and their teams for the efforts that have gone into this process and the great improvement that is showing in this year’s budget spending.

10. While Eswatini is in a year of improved SACU receipts, we are committed to stay firm on the demanding course of fiscal adjustment we have set for ourselves. We will continue intensifying our efforts to eliminate our structural inefficiencies. We are cognisant of how cyclical buffers in SACU receipts create an illusion which leads to increases in expenditure. We are committed to using this temporarily larger fiscal head-room to cushion our reserves and meet our payment obligations.

11. Mr. Speaker, this budget is designed to improve the delivery of services and distribution of resources to all citizens in particular the vulnerable groups.

12.Mr. Speaker, His Majesty’s Government is committed to expanding the size and scope of the private sector in Eswatini. The Eswatini Strategic Roadmap and the National Development Plan speak volumes to our ambitions in this area.

13.As His Majesty highlighted in His speech from the Throne, government has declared 2020 as the year of the micro, small and medium enterprises (MSMEs) and will develop this sector focusing on access to finance and markets, empowerment of citizens and provision of incentives for MSMEs. The country needs to leverage on MSME’s potential to build an economy that works for everyone and it is essential that we create new jobs, protect and grow existing businesses and attract foreign direct investment. We must continue to focus on the challenges and opportunities that lie ahead in order to achieve His Majesty’s vision 2022.

II. RECENT ECONOMIC PERFORMANCE AND OUTLOOK

14.Mr. Speaker, I now present to this house the global and domestic economic developments.

1. International Developments

15.Mr. Speaker, according to the World Economic Outlook¹, global economic activity is on a downward trend. The IMF has revised downwards the global growth in 2019 to 2.9 percent, a record low since the global financial crisis in 2008. This can be attributed to increasing trade tensions, particularly between the world's two largest economies, China and the USA, and higher uncertainty surrounding trade and geo-politics. Macroeconomic strain in several emerging markets and developing economies, in addition to structural factors such as low productivity growth and aging populations in advanced economies, are also contributing to the low economic activity. In 2020, according to the IMF the global growth is expected to improve slightly to 3.3 percent

2. Regional Developments

16.In the Sub-Saharan Africa region, growth has been revised downward to 3.3 percent in 2019 and 3.5 percent in 2020. The sluggish growth is largely attributed to the region's two largest economies, Nigeria and South Africa, and the broader group of resource intensive economies. Further risk to growth for most Sub-Saharan African (SSA) economies include climate shocks such as severe droughts and flooding. Dwindling growth in the rest of

¹ October 2019

SSA can weaken potential benefits Eswatini could yield from its continental neighbours.

17. Despite a moderate re-bounce in the second quarter, growth is expected to be subdued in the Southern African region and the Republic of South Africa in particular, in 2019. This follows a negative first quarter, which reflected the larger than anticipated impact of labour strikes and energy supply issues in the mining sectors, coupled with weak agricultural production. South Africa is Eswatini's major trading partner and any developments in South Africa are likely to have an impact on Eswatini.

3. Domestic Developments

i. Economic Growth

18. On the domestic front, the latest figures indicate that economic activity was fairly resilient in 2019 and increased by an estimated 1.4 percent, in spite of the continued fiscal challenges and the weakening global demand. The positive growth during 2019 greatly benefitted from improved regional demand for the country's major exports in key markets, including the Republic of South Africa (RSA).

19. Manufacturing activity re-bounded in 2019 following improved developments in particular the RSA, the USA and European markets. This resulted in the increased demand for the country's major exports such as food processing and manufacture of beverages and textiles products. Other positive contributors to growth include the service sector, specifically in the ICT subsector which continues to benefit from the increasing innovation in the sector. In the primary sector, animal production improved, boosted by continued restocking as the sector continues to recover from the 2015/16 drought effects. Despite the improvement in animal production, growth in the primary sector weakened during the period.

20. Under the secondary sector, construction-related activities contributed negatively to growth due to effects pertaining to fiscal challenges which resulted in some projects being delayed, deferred or not commencing at all. The service sector contracted during the period and contributed negatively to growth. This was mainly due to reduced activity in public administration and in the wholesale and retail subsector, owing to the fiscal challenges which was linked to curtailed domestic demand.

21. Mr Speaker, a volatile outlook is anticipated over the medium term, with a positive outlook for 2020 as growth is expected to reach 2.6 percent, according to the World Bank. The growth in 2020 is backed by an anticipated relief in the government's fiscal position. The relief is linked to

the clearing of arrears coupled with a rebound in government spending and thereby stimulating domestic demand and promoting growth in sectors such as wholesale and retail as well as tourism. In the medium term, economic growth will average 1.5 percent anticipating continued fiscal pressures. This will intensify the need for fiscal consolidation. Full implementation of the Strategic Roadmap and National Development Plan, which are geared towards sustainable and inclusive economic growth remains key to achieving economic recovery in the medium term.

22. Risks to the economic outlook, however, remain and these include climate change issues such as recurring erratic weather patterns affecting agriculture and agro-processing. Further, the increasing trade tension in major economies, reducing external demand poses a risk to domestic growth.

ii. Inflation

23. Headline consumer inflation has been on a downward trajectory for the past two years. The downward trend is a result of normalizing food prices and declining housing and utility prices, owing to improved cash crop production in the agricultural sector and the freeze in the utility prices, respectively. The average inflation for 2019 was recorded at 2.6 percent and is projected to remain below the upper CMA bound of 6 percent in 2020/21 and over the medium term.

iii. Balance of Payments

24. Mr. Speaker, an analysis of the country's trade with the rest of the world reflects that in 2019 the country recorded an improved E4.6 billion current account surplus, rising from a E1.3 billion surplus the previous year. The significant rise in the surplus equates to 6.9 percent of the country's GDP.

25. The positive trade balance amounting to E3.9 billion in 2019, is explained by a 16.2 percent rise in export receipts, largely dominated by the country's export of soft drink concentrates, followed by sugar exports. On average, 67 percent of the country's exports are destined to the South African market. Kenya, Nigeria and Mozambique have remained above the one percent market share, showing an increasing trend of our exports going to African countries. Also, partly contributing to the significant rise in export receipts is the weak Lilangeni against major global currencies which benefitted exporting companies.

26. In the last 5 years, total imports from the South African market have been in the 70 - 73 percent market share range. South Africa remains the main source of service imports for the country. However, net payments for these services declined by 22 percent to E1.9 billion in 2019 when compared with the previous year.

iv. Financial Sector Developments

Monetary Policy, Interest Rate and Private Sector Credit

27.Mr. Speaker, as of December 2019, the monetary policy stance was kept accommodative with the discount rate decreasing by 0.25 percentage points, from 6.75 percent to 6.5 percent. In line with the accommodative monetary policy stance, total credit extension to households and businesses was calculated at E13.5 billion in December 2019. This is an increase of 8 percent compared to December 2018 where E12.4 billion was extended as credit. The increase has mainly been driven by credit extension to households, which grew by 12 percent, while credit extension to businesses remained relatively stagnant.

Overview of the Performance of the Financial sector

28.Mr. Speaker, one of the major responsibilities of Government is to provide a sound financial regulatory framework for the country in order to create an environment which promotes private sector development. Government will in this financial year undertake a holistic financial sector reform to ensure financial stability and integrity.

29.As at 31 March 2019, the Savings and Credit Cooperative Societies assets grew to E1.7 billion, from E0.85 billion, when the financial regulation came into effect. This is an 85 percent increase in the assets of the sector.

30.Mr. Speaker, other developments within the financial sector include the automation of the Eswatini Stock Exchange, which has been completed to

facilitate the participation of the ordinary emaSwati to buy and sell company shares and debt instruments using their electronic devices. This is a major milestone in the process towards financial inclusion. This move will facilitate electronic trading, which should encourage more listings as well as active trading exchange. The Eswatini Stock Exchange also incorporates a platform that enables micro, small and medium enterprises to participate in the stock exchange. We expect emaSwati businesses to benefit from accessing available financial resources to be able to expand their businesses.

Financial Stability

31. Mr. Speaker, the Central Bank currently assesses the financial sector in order to ensure it is stable. It is noted, however, that pockets of vulnerabilities exist. These risks largely emanate from the low interest rate environment prevailing both domestically and internationally. The low interest rate has the potential of boosting economic productivity but could on the other hand incentivise risk taking in the search for yields by investors.

32. The Central Bank of Eswatini continued to monitor the banking sector in light of a volatile global environment and has instituted mitigation actions. Consequently, the banking system's resilience has improved over the year. This was largely due to enhanced capital quality and increased coverage of risk for capital market activities introduced by the migration to Basel II and IFRS9 rules.

33. Risks from the non-bank financial sector remains elevated despite notable growth in the sector's assets over the year. The risks originate from the volatility of financial markets over the year. Concentration risks remain high in the pension and retirement funds sub-sector. For this reason, Government together with the Central Bank have drafted a Financial Stability Bill. The Bill aims to be an overarching guide to macro prudential surveillance. While the ultimate goal of macro prudential surveillance is risk mitigation, planning for potential crises and how to manage risk, the Bill is also a significant pillar of guarding financial stability.

34. In this regard, the CBE's work of formulating a crisis binder is on-going and is further exploring options of establishing a Deposit Protection Scheme. The scheme is an integral part of the Crisis Preparedness, Crisis Management and Resolution Framework that is currently under development. This framework will bring the country in line with international best practices on macro prudential surveillance in light of dynamic global risk parameters, to which the Kingdom of Eswatini is not exempt.

Developments in Financial Sector Regulation

35. Mr. Speaker, the Basel II implementation project has started. The aim of this regulatory enhancement is to ensure that consumers are protected and banks remain resilient to shocks. It is anticipated that all the Pillars' by-laws will be finalised in the financial year 2020/2021. The Central Bank of Eswatini

continues to review secondary legislation for laws under its purview in trying to be responsive to changes that prevail in the banking landscape.

Financial Integrity

36.Mr. Speaker, the Eswatini Financial Intelligence Unit has continued to play an important role in the anti-money laundering (AML) and counter financing of terrorism (CFT) efforts, both from a policy and technical perspective through its distribution of information to law enforcement agencies.

37.Mr. Speaker, to ensure the integrity of the financial system, the Central Bank has reviewed and deployed its anti-money laundering and counter financing of terrorism risk-based supervisory framework. The aim is to ensure that the financial system is not used to launder illicit funds or finance terrorism and, if it so happens, such practice is quickly monitored and perpetrators are detected and deterred from such conduct. In addition, government passed legislation which provides a mechanism for civil forfeiture of the proceeds of crime. This is a process that runs parallel to the criminal prosecution and seeks to separate offenders from their ill-gotten gains.

38.Mr. Speaker, to ensure prudent administration of exchange controls, the Central Bank phased in a risk-based approach, resulting in the adoption of a financial surveillance function. Stakeholder engagements with the authorized dealers increased to ensure ease of implementing the surveillance function. The Central Bank will be revising the simple guide to exchange controls to

further enhance the understanding of the foreign exchange system by the public.

v. Official Reserves

39.Mr. Speaker, there has been a steady increase in reserves from the 1.8 months of import cover recorded in March 2019. Gross official reserves stood at E6.6 billion in January 2020, equivalent to 2.8 months of import cover. This is still not where we want to be, but the reserves are trending in the right direction towards the three-month benchmark.

III. FISCAL PERFORMANCE 2019/20

1. Revenue Performance

40.Mr. Speaker, in 2019/20 Government revenue and grants are projected to amount to E17.6 billion, equivalent to 25 percent of GDP. This was recorded against an initial estimate of E18.8 billion and this shortfall is largely attributed to the late implementation of revenue measures in the Finance Act of 2019 and non-passage of other anticipated revenue measures. However, at E17.6 billion, the projected revenue and grants for 2019/20 is still higher

than the 2018/19 outturn of E 15.7 billion, which is approximately 24 percent of 2018/19 GDP. The higher revenue recorded in 2019/20 reflects the improvement in SACU receipts and the collection of other tax revenues. SACU receipts increased from E5.8 billion to E6.3 billion and contributed about 36 percent to the total revenue which is equivalent to 9 percent of GDP.

2. Expenditure

41. Mr. Speaker, total government expenditure for the financial year 2019/20 was budgeted at E21.8 billion. This indicates 32 percent of GDP, which is about 3 percent higher than the outturn in 2018/19.

3. Overall Balance/Government deficit

42. Mr. Speaker, the deficit for financial year 2019/20 was estimated at 4.4 percent of GDP which is lower than the 6.1 percent of GDP for previous financial year. This reflects a decrease from E3.6 billion to E3.0 billion. Whilst we have been able to fund part of this through local borrowing, a major proportion of the financing gap will not need any mobilisation of additional finance because of reduced spending resulting from control measures applied by government matching expenditure to available cash.

4. Public Debt

43.Mr. Speaker, as at end of December 2019, total debt stock stood at E19.2 billion, equivalent to 28.12 percent of GDP, of which external debt was E7.1 billion, equivalent to 10.38 percent of GDP; and domestic debt was E12.10 billion equivalent to 17.74 percent of GDP.

44.In the 2019/20 financial year government signed loan agreements with different external financiers for the financing of infrastructure projects including the Manzini Water Supply and Sanitation project, Manzini Golf Course Interchange project, and International Convention Centre project. Government continued to raise funds from the domestic market for the financing of capital investments and to develop the financial market.

45.Mr. Speaker, it is important that government manages public debt prudently in order to ensure that it is within the stipulated threshold of 35 percent of GDP. Therefore, we will continue to exercise restraint when contracting any debt and further adopt more effective fiscal management principles and practices. In this regard, government will be getting technical assistance from the World Bank to develop the Medium Term Debt Strategy (MTDS), which will assist in evaluating the costs, risks and trade-offs associated with alternative financing strategies over the medium term.

5. Cash Flow and Arrears

46. Mr. Speaker, cash flow management has continued to be a pressing issue for Government. Low performance in the domestic capital market coupled with un-financed expenditure has led to severe cash flow constraints having a negative impact on the overall economy, including crowding out private sector activities. Arrears owed by government have accumulated over several years indicating a pattern of unsustainable public expenditure.

47. The government recognises the severity of the situation and has made it a top priority to tackle the obstacles to economic recovery manifesting in the cash flow challenges. An arrears clearance strategy has been prepared to address the delayed payments to suppliers of goods and services and a special committee has been established to implement this strategy. In addition to this, I am pleased to announce that we have a plan to clear the arrears.

IV. BUDGET STRATEGY FOR 2020/21

1. Fiscal Consolidation

48. Mr. Speaker, in 2020/21 fiscal consolidation continues to be our primary short-term goal. The overall objective is to bring government finances back to a sustainable path and prevent further accumulation of arrears, which

hampers the performance of the economy. Fiscal consolidation will enable us to create fiscal space through proper expenditure prioritization, budget allocation efficiency, and wider revenue mobilization. The budget I present to this Honourable House reflects the on-going process of fiscal consolidation. We have managed to reduce the budget deficit as planned in order to contain it to financeable levels. We will continue to explore equitable measures that will improve the overall balance.

49.Mr. Speaker, the Budget for 2020/21 displays an increase in recurrent expenditure by 8.4 percent. This has reduced the deficit to 3.6 percent of GDP, compared to 4.4 percent of GDP in 2019/20. Consolidation has proved to be a very challenging process considering the needs for government operations and service delivery as presented by line ministries in their budget submissions. I believe that the work undertaken to come up with this budget is a step in the right direction towards a low fiscal deficit.

50.On the revenue mobilization, the expectation is that growth in our domestic revenue base shall continue. Ongoing strategies for improvements in the collection of value added tax (VAT), company tax, fuel tax and personal income tax will reduce some of the revenue collection challenges we have faced in the past.

51.Mr. Speaker, the five most recent IMF and World Bank country reports cautioned that Eswatini's largest budgetary "outlier" on the expenditure side,

and also the single largest contributor to our fiscal deficit, is the size of our wage bill. We simply cannot afford to ignore this problem. Since the implementation of the freeze on employment, the number of civil servants has been reduced by a little over one thousand. As much as these policies and trends need to continue, we also must ensure that the quality and effectiveness of service delivery is not affected.

52.Mr. Speaker, an unfortunate consequence of the cash flow challenge, largely a contribution of many factors, is that it has resulted in government not being able to grant a cost-of-living adjustment for the past 3 years. I would like to thank the Public Service Associations and its members for being tolerant and understanding of these difficult times that we are trying to overcome. We have continued to provide and pay for notching that has taken place every year, however, this has only been a benefit to some civil servants. This notching has increased the national wage bill with an average of 1.5 percent annually. This year we have budgeted E113m for notching and E227m for a cost-of-living adjustment.

2. Building a Resilient Economy

i. Food Security

53.Mr. Speaker, Government continues to prioritise the agricultural sector for investment in order to spur economic growth and overall acceleration of

national development. The projects and programmes attracting government budget in this sector are aimed at addressing food insecurity and rural poverty. A special thanks is directed to our co-operating partners for their continuous support to the country's agricultural sector.

54. During the planting season 2018/19 the country received good rains which had a positive impact on crop production. As a result, 96 773 metric tonnes of maize was harvested. This increase in production is also attributed to the food security programme which provided subsidised farm inputs. Under this budget, government will also continue to support the input subsidy programme with a budget allocation of E40 million. It is envisaged that maize production and productivity will be improved as the country received a grant of E34 million from the Japanese government for procurement of agricultural machinery and equipment. This will help improve access to farming equipment by small-scale farmers, which will significantly augment maize production.

55. The agricultural sector has received a lot of assistance from development partners to build its resilience and improve production. Several measures are being implemented in response to climate change and these initiatives are on-going to enhance production.

56. A number of co-ordinated programmes including the High Value Crop and Horticulture project, the fruit tree project and the Smallholder Market Led

project have started to generate significant output for farmers. The farmers have been supported to diversify their production from the traditional sugarcane and maize production to horticulture and small stock production. This has seen a marked increase especially in local vegetable production. A total of 3,627 metric tonnes was purchased by retailers from local farmers, with an economic value of E40.9 million over the past six months. Investments have been made to improve the marketing of such commodities through the construction of collection points and cold storage facilities in strategic locations of the country.

57.Mr. Speaker, government has allocated funding to finance the implementation of projects relating to water harvesting and irrigation development. A total amount of E745.1 million has been allocated in this budget to finance the Lower Usuthu Smallholder Irrigation Project (phase 2), where a further 6,000 hectares of land is earmarked for irrigation development. The construction of the main canal conveyance system to deliver water to the Matata area is 80 percent complete. The goal of this project is mainly to improve the standard of living of the population in the project area through an environmentally sustainable process.

58.Under this budget, a total of E1.6 billion will be provided to the Ministry of Agriculture to ensure adequate service delivery for crop and livestock

services, agricultural research, water harvesting & irrigation development and commercialisation of the agriculture sector.

ii. Water and Sanitation

59.Mr. Speaker, Government continues to implement a number of water and sanitation projects aimed at promoting economic and social development. To date, the national potable water coverage stands at 69 percent. Government will also be implementing a Water Supply and Sanitation Project in Nhlangano – Siphambanweni area in the Shiselweni region, funded by the World Bank, amounting to US\$45 million. This project seeks to provide potable water for domestic consumption, institutional and commercial usage as well as improving sanitation coverage and the long-term management of water resources.

iii. Energy

60.Mr. Speaker, government continues to create an enabling environment for investment in the energy sector. The Eswatini Energy Regulatory Authority has launched a competitive bidding procurement process for 40 Megawatts (MW) Solar PV power plant and identified qualified bidders. Civil works for the construction of Eswatini Electricity Company's 10MW Lavumisa Solar PV plant have also commenced and the plant is expected to run by June

2020. The 13MW Lower Maguduza Hydro Power Plant is expected to be complete by December 2021.

61. Government in partnership with key stakeholders continues to explore the viability of establishing more power plants locally from coal, wind, hydro, biomass as well as natural gas. While the country is strengthening its local generation, significant progress has been made with electricity access through the Rural Electrification programme which continues to uplift the lives of many eMaSwati. To date, the national electrification rate stands at 80 percent.

62. Government has also worked on the preparatory phase for the construction of the strategic fuel reserve facility in pursuit of energy security in the petroleum sector. The project is now at resource mobilisation stage.

iv. Social Transfers

63. Mr. Speaker, the hardship and suffering of disadvantaged segments of our society has not passed unnoticed. To support the citizens affected by poverty, Government has increased the allowance for *bogogo na bomkhulu* from E400 to E500 per month. The Old Age Home based at Mankayane is also expected to be completed in 2020/21 financial year. In addition, the monthly grant for the disabled has been increased from E180 to E280 per month with effect from January 2020. We hope the revised grant allocations

will provide some relief to our most vulnerable, while fully acknowledging that this is only the first step towards the creation of a benefitting social security net.

64. In creating a conducive environment, the DPM's office will finalise the development of regulations to the Children Protection Welfare Act, Sexual Offences and Domestic Violence Act and the Persons with Disability Act.

v. Human Capital Development

65. Mr. Speaker, government will continue to invest in our most important resource, that is, our people. In an effort to enhance human capital development especially on investing in children, government has continued to safeguard budget allocations for the social sector.

Education

66. Mr. Speaker, the budget allocation for Education is above the international benchmark of 15% of total government expenditure. An international study has shown that Eswatini is among the top ten investors in education in the world relative to our GDP per capita. The year 2020/21 marks ten years since the country introduced the Free Primary Education programme in all public primary schools. In the 2020/21 fiscal year, Government will continue to implement and sustain the programme with more focus on improving the quality of education and learning outcomes.

67. In 2019/20 government introduced and successfully implemented a competency-based curriculum in Grade 1, which is now expected to be rolled out grade by grade annually. The curriculum has been developed to reflect the aspirations of eSwatini, national developmental priorities and the needs of society. The new curriculum places strong emphasis on the development of essential competences, skills, values and attitudes in order to prepare learners to become effective contributors in the economy and social development as well as becoming global citizens who can compete internationally.

68. Mr. Speaker, we will continue to support the Grade 0 programme currently offered in 80 public primary schools. Following the assessment of the Grade 0 programme, government's focus will be on improving the regulation and support to Early Childhood Care and Development Education (ECCDE).

69. The country continues to face challenges with regard to limited access to secondary education. Currently, the enrolment rate at secondary level stands at 46.3%. In an effort to address this challenge, government is engaged in a dialogue with the World Bank to receive support in addressing issues of internal inefficiencies in the education system resulting in high drop-out and repetition rates. With English no longer being a compulsory passing subject, the number of repeaters and drop-outs is expected to decline. A repetition

strategy has been developed aiming to reduce the repetition rate whilst preserving the quality of education in the country.

70.Mr. Speaker, government is in the process of completing four fully-fledged inclusive secondary schools, one in each region, with support from development partners. Construction of the new schools is expected to be completed during the school calendar year 2020.

71.In an effort to address teacher management issues, Government is in the process of introducing a computerised teacher file management system to improve the efficiency of the teacher management functions at the Ministry of Education and Training. The introduction of this system demonstrates government's commitment towards adopting a culture of excellence in service delivery.

72.Mr. Speaker, an amount of E3.5 billion is allocated to the education sector corresponding to 15.3 percent of the total budget. This budget will facilitate the provision of equitable, quality and relevant education opportunities for all people of Eswatini.

Health

73.Mr. Speaker, government will continue to strive for universal health care coverage (UHC). Programmes and activities towards the fight against HIV/AIDS are being successfully implemented and have greatly assisted us

to reduce HIV incidence from 2.9 percent in 2011 to 1.4 percent in 2019. This means that fewer people are getting infected by HIV. This success has been achieved due to government and partners' investments in these programmes. We would like to give a special thanks to PEPFAR, the Global Fund, the Republic of China (Taiwan) and the UN Agencies for their support. This commitment and support needs to be sustained and this requires an expansion of the breadth of services available at clinical level, to ensure better treatment outcomes. In this budget government has provided E274 million for ARV's.

74.Mr Speaker, we wish to express appreciation to His Majesty the King for his support in the programme towards a malaria-free Eswatini. In May 2019, His Majesty launched the Eswatini Malaria Elimination Fund, with a capital funding of E5 million. The Board to manage the Fund has been established and the Eswatini Malaria Elimination scorecard was then launched in September 2019. This allows us to easily identify malaria hotspots and target these for complete eradication.

75.Mr. Speaker, due to the decline in TB incidence as well as prevalence in the country, the National TB Hospital records a low-bed occupancy rate. With an existing TB facility in Nhlangano that is big enough to cater for all of the patients, government is conducting an assessment to determine the

possibility of alternative use of the National TB Hospital to better suit the needs of the population.

76. We have received international recognition for our management of the Mass Medicine Administration Programme. The country has successfully switched vaccines to introduce a vaccine that is administered fewer times and gives immunization for life, which was not the case before. Going forward this is expected to reduce costs. Preparations are also underway to introduce the Human Papilloma Virus (HPV) vaccine in 2021.

77. Quality assurance external audits by African Society of Lab Medicine (ASLM) have certified five of our labs to receive provisional ISO 9001:2015 accreditation under the quality improvement programme. This initiative will continue to be rolled out to other health facilities to ensure that the services being provided are of high quality.

78. The 19 health institutions currently partnering with Government will continue to be supported through subventions in the upcoming fiscal year. The scope of RFM's operations has been expanded to take over the management of the Acts II clinic as well as opening new services to deal with gender-based violence and provide community outreach. Baylor children's clinic has been tasked with scaling up paediatric TB and cancer services to curtail the costs of Phalala referrals to South African health facilities.

79. Mr. Speaker, health remains a priority for the country. A budget allocation of E 2.3 billion, which is 10.5 percent of the total budget, will be provided to continue with the implementation of the above-mentioned programmes.

Labour

80. Mr. Speaker, government has successfully developed the National Labour Migration Policy for the Kingdom of Eswatini. The policy seeks to recognise the historic role of migrant workers in the economy of the country and the sub-region. It is forward-looking and embraces the challenges and opportunities of a global interconnected labour market. The overarching objective is to manage labour migration so that it protects workers, develops the country's economy, strengthens skills and development, and benefits society at large.

81. Government has finalised a National Social Security policy (NSSP) and implementation plan, which will establish the Workmen's Compensation Insurance Fund (WCIF), the Eswatini National Pension Fund (ENPF) and the National Health Insurance Fund (NHIF).

82. Mr. Speaker, the National Human Resource Development Policy and Implementation Strategy is set to be operationalized by the end of the current financial year. The policy is designed to facilitate the development of relevant skills and competencies to meet current and future labour market

needs for an increased labour market participation and thereby spurring economic growth. It will address issues of lifelong learning, culture of productivity, work-based learning and skills mismatch.

83. Government has introduced a new online study loan application system in line with the e-government strategy. The use of the system by applicants commenced in February 2019. Government has further introduced a new 30 days' intervals study loan disbursement system effective September 2019.

84. Mr. Speaker, in the coming financial year government will undertake a comprehensive review of the student study loan management system and propose a new institutional arrangement and a sustainable public private partnership based financing model.

Rural Development

85. Mr. Speaker, improving the quality of life and economic well-being of our people remains a priority for this government. I am pleased to report that the allocation for the Regional Development Fund (RDF) has increased from E110 million to E177 million. This is to ensure that there is equitable development for the different Tinkhundla.

vi. Accelerate inclusive economic growth and job creation

86.Mr. Speaker, the private sector is the engine for economic growth and job creation. Government's policy actions aim to end the uncertainty that has undermined confidence and constrained private sector investment.

87.Government has produced a draft masterplan earmarked to push the implementation of the development agenda. This plan contains projects to be discussed with development partners in the planned donors conference as part of the resource mobilization drive.

Financial Inclusion

88.Mr. Speaker, 85 percent of emaSwati now have access to formal financial services. Financial inclusion is higher among women at 87 percent compared to men at 83 percent; and higher among adults residing in urban areas (90 percent) compared to rural areas (83 percent). Government will in the financial year 2020/21 develop and finalise the Financial Inclusion Policy as well as legislation to improve access to development finance. The National Financial Education Strategy will also be concluded to provide a framework and roadmap to educate emaSwati financially.

Tourism

89. Mr. Speaker, Eswatini's natural and cultural heritage are the main tourism attractions. Utilising our natural heritage endowment by realising its tourism potential will provide Eswatini with significant benefits. Notwithstanding its current level of development, the Tourism industry has made impressive progress. The country has been rated as the 5th Best World Destination to visit in 2020 by Lonely Planet, which is one of the leading Global Travel Agencies. Eswatini is now a known international tourist destination of choice, which strongly justifies developing its tourism potential for the benefits it will provide to emaSwati.

90. Mr. Speaker, Government will review the Tourism Bill, which intends to create an enabling environment for the tourism sector to thrive.

Environment

91. Mr Speaker, the country endeavours to safeguard the environment, conserve wildlife and culture, ensure sustainable forest management, reduce meteorological hazards and build a climate resilient country. Eswatini stands to experience environmental degradation through water and air pollution coupled with the indiscriminate cutting of trees and widespread littering. In addition, the country continues to be prone to extreme weather conditions. This results in an increase in natural disasters, which adversely affects socio-economic activities in the country. It is therefore becoming critical to

strengthen the early warning systems and collaboration between the Meteorological Service and all affected sectors.

92. The government of Eswatini launched a 'Clean Eswatini Campaign' named 'Gcogca Tibi'. The campaign is being rolled out in the form of monthly nationwide clean up campaigns undertaken every last Saturday of the month. Government is in the process of launching the 'Tree Planting Campaign', which aims to create awareness and promote good environmental management practices.

Public Enterprises

93. Mr. Speaker, the deteriorating performance and efficiency of Public Enterprises is an increasing concern to Government. Most of these entities are fully dependent on Government funding and only a few are self-sustaining. Some of these entities have continued to fall behind on PAYE and VAT payments, amounting to over E1 billion. Therefore, Government will conduct a study to streamline and enhance performance as well as sustainability of these entities. This is aimed at reducing the number of enterprises by merging those with similar mandates. In the medium term, government plans to develop policy guidelines for the establishment and management of Public Enterprises.

Information, Communication and Technology

94.Mr. Speaker, business continuity and government service accessibility has been improved through the rehabilitation of some of the obsolete central infrastructure and equipment. This includes replacement of the government core network equipment and security. In the 2020/21 financial year, government will, with the assistance of development partners, further digitalise its services as well as extend networks to the Tinkhundla Service Centres and Health facilities.

95.Government will continue with the implementation of projects at the Royal Science & Technology Park (RSTP) which includes completing the construction of the One-Stop-Shop service centre, currently at 83 percent completion. The service centre will give assistance to the administration and implementation of the Special Economic Zone programme and house a temporary Quality Testing and Assurance Laboratory, which is intended to enable the execution of the Bio Economy Strategy.

96.Mr. Speaker, government will continue to scale-up the National Data Centre (NDC), which is now operational, and to migrate and modernise the Government ICT Architecture. Furthermore, funding has been secured for building a Data Recovery centre.

Infrastructure Development

1) Roads

97. Mr Speaker, the significantly large investment that government has made in the road transport infrastructure is a reasonable measure of success over the past years. Through the support of government's development partners, further road infrastructure improvements will be carried out including the construction of the Manzini Golf Course interchange. The service roads along the MR 3 highway will, once fully completed, help to ease the traffic congestion along this corridor, as it has proved to be the backbone of the country's road transport network. Despite some challenges faced during the implementation of certain projects such as the Nhlangano –Sicunusa road, it remains imperative that such projects be completed and government is currently addressing the issues related to these projects. To ensure that the lifespan of such investment is protected, there is a need to setup a roads maintenance agency.

2) Railways

98. Mr Speaker, the railways subsector continues to be the major mode for the transportation of bulk commodities. An expansion of the existing network is therefore necessary to increase the cargo handling capacity from the current estimated 6 million metric tonnes per annum to 14 million metric tonnes per annum with the operationalisation of the Sidvokodvo –Lothair link. The link is a new line that traverses about 100 km in Eswatini and the connection on

the South African side is about 47 km. Preliminary works on the project have commenced. To prepare the route for construction, 253 project-affected properties have to be resettled.

99. Eswatini Railways has embarked on the expansion of the Matsapha Dry Port. Funds amounting to US\$ 969 000 have been secured from the Republic of China on Taiwan to finance the development of architectural designs and feasibility study for the project.

3) Aviation

100. Mr Speaker, the Eswatini Civil Aviation Authority continues to engage potential businesses to invest and operate within the civil aviation sphere in areas of airline establishment to increase commercial activity at KMIII airport and to implement the Special Economic Zone programme within the KMIII International Airport area. We need to ensure that all these operations at the airport and in the country's airspace meet the licensing requirements and the expectations of the industry through safe, secure, environmentally friendly and sustainable operations.

vii. Private Sector

101. Mr. Speaker, government endeavours to create more employment and attract foreign direct investment with the intention to catalyse industrialisation for sustainable economic growth and poverty alleviation.

Meaningful growth will be achieved by enabling the private sector to lead and do what it does best, growing our economy and creating employment.

Investment Climate

102. Mr. Speaker, the recently launched Strategic Roadmap 2019-2022 is government's commitment to catapult the country into a growth path that will channel every liSwati into productive economic activities. Electricity and internet affordability remain key priorities for government to stimulate private sector growth and productivity. Therefore, government will expedite the national plans for promoting local production of electricity to reduce the cost of power.

103. We will continue to promulgate pro-business policies in an effort to bolster the operating environment. This will enhance the potential of the private sector to contribute towards economic growth and employment creation. A vibrant private sector will lead to improved food security, access to affordable internet and communication services, a thriving renewable energy industry, increased tourism and full utilisation of our preferential trade agreements.

Micro Small and Medium Enterprises

104. Mr. Speaker, government continues to foster the development and promotion of MSMEs. Notable milestones are the Manzini Trade Hub

construction, Informal Traders Revolving Fund, leather and leather products development and participation in international forums advancing the agenda of MSMEs growth and promotion. The promotion of MSMEs, however, is dependent on support to access affordable finance, advisory services, infrastructural support and the availability of a skilled labour force.

105. Mr. Speaker, MSMEs face a relatively acute challenge in terms of retaining and attracting their work force. Inability to meet systematic and internationally accepted quality standards remains one of the major challenges for our MSME's with regards to penetration or access to international markets for their products.

106. Government has not only entered into various trade agreements but has taken innumerable steps to encourage the growth and promotion of the industrial sector. In order to assist MSME's to access international markets, a national quality assurance infrastructure has been set up to strengthen their capacity to provide international best practices and standards.

107. New trade opportunities are being created for the business sector to take advantage of trade agreements such as the Economic Cooperation Agreement (ECA) between the Kingdom of Eswatini and the Republic of China (Taiwan) and the African Continental Free Trade Area, which will become operational in July, 2020.

viii. Strengthening Governance

Public Finance Management

108. Mr. Speaker, we will continue to build resilient public financial management systems and procedures, as these are key requirements for any government to develop a sound fiscal policy.

109. The roll-out of the Public Financial Management Act 2017 provides a legal foundation to the twenty-first century PFM practices. The roll-out of the PFM Act is a continuous process that requires training of civil servants on the adoption of the new regulations and IT systems as we migrate to new PFM practices.

110. Mr. Speaker, to support the full compliance to the PFM Act of 2017, we will continue implementing the Integrated Financial Management Information System (IFMIS) to replace the existing system. The IFMIS will serve as an effective platform to implement many provisions of the PFM Act, particularly accurate and timely reporting. The procurement of the vendor to supply the FMIS system has commenced and will be completed in the 1st quarter of the financial year 2020/21.

National Security, Public Order and Safety

111. Mr. Speaker, security has a direct impact on investment growth, social and human capital and protection of public institutions. Government will continue ensuring responsiveness and effectiveness in the sphere of safety and security through the use of science and information technology. The aim is to reduce contemporary crime and address state security challenges. Support to our security forces as we pursue economic stability and growth in the country is key to sustainable development of our nation. This budget seeks to strengthen public order management and state security systems which are important factors in ensuring that the country's safety and security landscape is conducive for investment.

Small Claims Courts

112. Mr. Speaker, government enacted a Small Claims Court (Amendment) Act of 2019 in a bid to operationalise the Act of 2011 for the adjudication of small commercial cases. The courts will assist in reducing the backlog of civil cases and settlement of civil disputes. These courts will also have a positive effect in achieving excellence in improving access to justice and contribute to the country's development.

Combating Corruption

113. Mr. Speaker, corruption remains an impediment towards sustainable economic development of our Kingdom. Government has reinforced the

fight against corruption and crime by providing for the civil forfeiture of illicit gotten assets as guided by the Prevention of Organized Crime Act, 2018. This will be achieved through the establishment of the Asset Forfeiture Unit and Asset Recovery Committee under the Director of Public Prosecutions. Proceeds of any criminal activity will be traced and forfeited to the State. As a country, we cannot afford to lose a single cent through crime and corruption if we are to achieve our objective of zero tolerance to corruption. *Inkhohlakalo yindzaba yetfu sonkhe!* We call upon the Nation to assist in preventing and eradicating corruption by using whatever technology and means at one's disposal to expose the perpetrators.

Audit

114. Mr. Speaker, the Office of the Auditor General will continue to provide assurance and accountability through audits to promote transparency and good governance.

115. Government will continue to support institutional capacity building initiatives of this public office. This year's budget includes an allocation for an audit system which will expand the scope and coverage of audits to include technical, capital and other audits. A special budget of E8 million has been provided to undertake forensic audits for some selected capital projects.

Promotion and protection of Human rights

116. Mr. Speaker, government continues to be committed to protecting the basic human rights of its citizens. This includes but is not limited to the rights to health, social care, education and all other interdependent rights including economic rights. This is in line with the Sustainable Development Goals (SDGs), with a particular focus on the most vulnerable citizens of our country. Further, the need to ensure gender equity in the implementation of the SDGs cannot be over-emphasised.

V. REVENUE AND EXPENDITURE FOR 2020/21

1. Revenue

117. Mr. Speaker, revenue forecasts for 2020/21 financial year are projected to be E21.2 billion, indicating an 18.4 percent increase from the E17.6 billion in 2019/20 financial year's collection. A number of factors underpin the expected increase in collection. In particular, SACU receipts are expected to be E8.34 billion which is a 32.5 percent increase from the E6.3 billion 2019/20 financial year amount.

118. Mr. Speaker, in addition, these figures account for several proposed policy measures that were aimed at increasing revenue receipts. The timely approval of increases in taxation of alcohol and tobacco products, lotteries

and gaming, road toll and fuel has seen revenue shifting on a slightly upward trend.

2. Expenditure

119. Mr. Speaker, total expenditure for the financial year 2020/21 is estimated at E24.1 billion. This includes an amount of E2 billion for public debt payments. Appropriated recurrent expenditure is set to grow by E238 million compared to the 2019/20 financial year, now standing at E16.2 billion. The capital budget allocation is E6.4 billion in 2020/21, which is an increase of 12.4 percent compared to the 2019/20 financial year. Thus, the total expenditure for financial year 2020/21 is E2.2 billion above the budgeted expenditure for 2019/20, which is a 10.6 percent increase.

3. Fiscal Deficit

120. Mr. Speaker, the budget deficit for the financial year 2020/21 is projected at 3.6 percent of GDP. Our fiscal deficit is estimated to be E2.9 billion in 2020/21 financial year. This figure is in line with SADC Macroeconomic Convergence deficit target not exceeding 5 percent and government intends to lower it further in the medium term.

VI. APPROPRIATION

121. Mr. Speaker, by virtue of the responsibility entrusted in me as the Minister of Finance I now present to this August House the budget estimates for 2020/21 financial year.

- i) Revenue and grants, E21.20 billion;**
- ii) Appropriated recurrent expenditure, E16.15 billion;**
- iii) Appropriated capital expenditure, E6.38 billion;**
- iv) Total expenditure, E24.08 billion; and**
- v) Deficit, E2.88 billion.**

VII. CONCLUSION

122. In conclusion, I would like to quote a scripture from Galatians 6:9;

“Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up”.

123. To our international development partners, multilateral organizations and the NGO community, we appreciate your continued support and commit to a new era of active engagement and implementation to enable the outcomes we all desire. All levels of government will be held accountable for transparent, responsive communication and delivery on our responsibilities as your partner. Your technical and financial assistance is invaluable in supporting the economic recovery we speak of today.

124. We acknowledge that in order to continue receiving impactful international assistance improvements are required internally. This budget seeks to ensure that the necessary social, financial and structural reforms are achieved, without compromising our National values. We will continue our efforts towards qualifying for the Millennium Challenge Corporation (MCC) funding and strengthen our collaboration with other esteemed cooperating partners, such as the African Development Bank, the UN Agencies, the European Union, the World Bank, the Government of Japan, USAID, the

Government of India, the IMF, the Government of the Republic of China on Taiwan, PEPFAR and the Global Fund.

125. With government's commitment to fully enable and support a private sector led recovery, we invite business leaders, both local and international, to engage with a fresh, free market-focused Eswatini. Efforts towards improving the ease of doing business will continue in order to enhance the enabling environment that will support existing businesses and create new local industries. The basis of this budget guarantees that the new wealth created will be distributed throughout all levels of society, truly impacting each liSwati positively.

126. Mr Speaker I would like to commend this budget to you, and once again allow me to express my appreciation for the support and cooperation I have received in the preparation of this budget from my colleagues in Cabinet under the leadership of His excellency, the Right Honourable Prime Minister, the Finance Committee of Parliament, members of staff from the central agencies and staff from line ministries.

I THANK YOU ALL.