



BUDGET SPEECH 2003

PRESENTED BY

THE MINISTER OF FINANCE
THE HONOURABLE MAJOZI V. SITHOLE (MP)

TO THE PARLIAMENT OF THE KINGDOM OF SWAZILAND

27th FEBRUARY, 2003

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1.0 INTRODUCTION

1. Mr. Speaker, it is once again that time of the year when the Nation comes to know of Government's achievements of the past year as well as the plans and priorities for the coming year. Two years ago March 6, I stood before this august house to read what I referred to as my first budget speech. Today, I stand before the same house to read my third and last budget speech. It would be remiss of me not to thank all of you for the support, encouragement, constructive criticisms and directions that you have given me and my ministry during this period.
2. Indeed, it is my pleasure to extend the same gratitude to the ordinary citizens, the media, and my friends and relatives for doing the same. Due to this, I definitely know that as I stand before you today, I am wiser than a couple of years ago. This I owe to you and especially to the people of Mafutseni who had confidence in electing me to represent them in Parliament. Without their votes, which they cast on that rainy day in 1998, I would not have made it this far.
3. Mr. Speaker, my sincere gratitude goes to His Majesty, who took a gamble by appointing a relatively unknown MP into his cabinet, and in so doing assigned me with major responsibilities at such difficult economic times.
4. Mr. Speaker, as this Honourable House is aware, this year comes with a number of challenges in the global, regional and national arenas. Some of these challenges have already been mentioned by His Majesty King Mswati III in his Speech from the Throne at the State Opening of Parliament a few weeks ago, for which Government is very grateful.
5. The three functions of the budget are: control of public resources; planning for future resource allocation, and; management of resources. Mr. Speaker, let me start this Budget Speech with a review of some of the challenges in the global and regional arenas, which will establish the constraints and opportunities that will shape our domestic activities.

2.0 GLOBAL DEVELOPMENTS

6. Wealth and standards of living globally have risen hugely over the past two decades. Since 1960, world trade has increased fifteen fold, per capita incomes have doubled, and many developing countries have successfully diversified their economies. However, while many economies are growing, access to the new wealth is not shared equally. The gap between the very rich and the most poor is growing even wider.
7. In 1960, the income of the richest fifth of the world's population was 30 times larger than that of the poorest fifth. Today it is 90 times larger, with 15% of the world's population controlling 80% of the world's income. Assets of the three wealthiest persons in the world amount to the Gross Domestic Product (GDP) of the 48 poorest countries combined.
8. Mr. Speaker, the world economy is gradually recovering from the economic slowdown in the Year 2001, when global economic performance was the weakest it has been in the last decade. The recovery, however, faces a number of uncertainties, which include those created by acts of terrorism, political instabilities in some parts of the world and the threats of war in Iraq and elsewhere.
9. Annual global output growth rate is projected at 2.8% in 2002 and 3.7% in 2003. The recovery path for the US is weak, leading to the fall of the dollar. Nonetheless, the United States is leading the global recovery. This is a result of the aggressive policy response, particularly following the event of September 11, which was also enhanced by the improvement in economic fundamentals during the 1990s. Other contributing factors included the decline in oil prices in 2001, and the resilience of the global financial infrastructure to a variety of substantial shocks.
10. The Japanese economy is projected to rebound in 2003 through effective macroeconomic policies and decisive action to deal with long-standing structural impediments. The country's financial sector reform has not been successful, with the banking sector still faced with huge sums of non-performing loans.
11. Mr. Speaker, the recovery in the Euro area also appears to be lagging behind that of other regions, especially North America and emerging markets in Asia.
12. Latin America experienced a decline in economic and financial conditions in the first half of 2002. Much of the decline of output in the region was a result of the Argentina crisis and its spill-over effects on neighbouring countries.
13. Africa is the world's poorest continent. However, there are countries that are showing signs of economic progress. They have given greater priority to public spending on health care, education and other basic social services. Sub-Saharan

African countries face major challenges of having to increase economic growth to make a real dent on poverty and enable developing countries to catch up with developed countries.

14. GDP growth of Africa is projected to decline by 0.4% to 3.1% in 2002, equivalent to per capita income growth of about 0.5%. Substantial progress has been achieved as a result of continued efforts of ensuring macroeconomic stability through reduced inflation levels coupled with a tight fiscal policy stance.
15. Mr. Speaker, with regard to the private sector, the issue of corporate governance has taken the forefront as an area of concern for policy makers throughout the world following the collapse of two major U.S. companies due to improper practices and collusion between management and auditors to the detriment of the shareholder.

3.0 REGIONAL DEVELOPMENTS

16. Mr. Speaker, turning to developments in southern Africa, I would like to start by reporting that the integration of the economy of Swaziland with that of South Africa was further improved in 2002/03. According to recent statistics, Swaziland increased its imports from South Africa by 40% in 2001, diverting demand from international imports. The South African economy is expected to grow at 3.1% in 2003 due to the anticipated decrease in interest rates, relaxation of exchange controls, prudent economic policies, improved domestic confidence and competitiveness and continued robust gross fixed capital formation.
17. The renegotiation of the SACU Agreement of 1969 has been concluded with the New Agreement having been signed by the SACU Heads of State and Governments on 21st October, 2002 in Gaborone, Botswana. Mr. Speaker, this is a great achievement for both Swaziland and SACU as the revised Agreement strengthens and democratises the Union. The Agreement comprises a New Revenue Sharing Formula and the establishment of a Secretariat in Namibia. The modalities for the recruitment of Senior Staff are already under way.
18. Mr. Speaker, the SADC region is experiencing one of the worst droughts in its history. About 14 million people are starving and the numbers are seemingly increasing. As if this is not enough, the livestock sector faces a major threat from Foot and Mouth disease. There is a threat of the disease crossing borders into Swaziland, hence government is putting in place appropriate measures to counter the invasion.
19. Mr. Speaker, the donor community has not left us unaided, especially in this food crisis. The Food and Agricultural Organization (FAO) and the World Food Programme (WFP) as well as other UN agencies spearheaded an appeal for food aid. The country has obtained extensive assistance from our development partners in addressing the food security problem. Special mention needs to be drawn to of

the African Development Bank (ADB) which provided US\$ 500,000 of food aid through the World Food Programme and the Organization of Petroleum Exporting Countries (OPEC) which provided US\$ 200,000 of food aid. The Republic of China has committed itself to providing 240,000 tons of rice to the country. The Government of Italy has also committed itself to providing E5.8 million of food aid. Mr. Speaker, the Government appreciates the donations received from these and other donors.

20. However, when the above developments of poor economic performance and drought in the region are put in the context of the far-reaching consequences of the HIV/AIDS pandemic, with the high incidence rate in Swaziland, then it becomes clear that the magnitude of the challenges to be addressed by this budget is indeed daunting.
21. Mr. Speaker, Government is very appreciative of the US\$ 56.7 million (approximately E510 million) grant recently awarded to Swaziland by the Global Fund for HIV/AIDS, Tuberculosis (TB) and Malaria over a five-year period. This is very good news for the country. The Government is also appreciative of assistance received from other donors in our fight against the HIV/AIDS pandemic, including the ongoing initiatives supported by the various United Nations Agencies.
22. Mr. Speaker, we are part of the initiative by SADC finance ministers to host a meeting to discuss possible coordinated interventions to address the HIV/AIDS pandemic. This meeting, at which we expect the President of the World Bank to be in attendance, is planned for July 2003 in Lesotho. It is hoped that the meeting will yield positive results in terms of developing specific programs for combating the pandemic and identifying sources of finance.

3.1 AGOA

23. Mr. Speaker, Swaziland will continue to be eligible for benefits from the African Growth and Opportunity Act (AGOA), which aims at empowering African economies to gain access to the USA market as long as they meet certain economic and political conditions.
24. More than 30 companies in Swaziland employing more than 20,000 people now benefit from AGOA. The majority of the companies are in the textile industry and most of their employees are women with children to raise. Some concerns have been raised about the quality of these jobs in terms of wages paid and working conditions offered by these companies and about the challenges they impose on our labour legislation and movement. The Ministry of Enterprise and Employment is currently attending to this concern.

25. Moreover, these companies enhance social stability through employment creation. They also bring foreign exchange into the economy and they facilitate, albeit to a limited extent, the transfer of technology and skills.
26. Mr. Speaker, Government is also pleased that United States President George W. Bush last month presented a plan to extend the AGOA trade concessions beyond the Year 2008, stating that it would provide the predictability that is necessary to attract foreign investment into the African countries enjoying its benefits. While President Bush did not state how long the legislation would be extended for, Swaziland again expresses appreciation of this extension and, together with other African countries expresses the wish that the AGOA legislation be extended to the Year 2015 and beyond in order to inject more business confidence into the deal. Mr. Speaker, it is evident that government must be proactive in protecting its AGOA status.

3.2 ACP/EU Cooperation Agreement

27. Mr. Speaker, the current Africa Caribbean Pacific –European Union (ACP-EU) Partnership Agreement, was signed in Cotonou in June 2000. Mr. Speaker, it was indeed a great honour for me, on the mandate of the then Minister for Foreign Affairs and Trade, to represent the country at the signing ceremony of this important agreement in Benin.
28. The Cotonou Agreement, which replaced the Lome Convention, provides for the conclusion between the ACP and EU of World Trade Organization (WTO) compatible trading arrangements that will progressively remove barriers to trade between them and enhance cooperation in all areas relevant to trade. Mr. Speaker, a WTO compatible trading arrangement basically means a reciprocal trading arrangement whereby both parties engage in tariff reduction, eventually eliminating them under a Free Trade Agreement (FTA). This is referred to as the Economic Partnership Agreement (EPA) in the Cotonou Agreement.
29. In order to engage in the negotiations for an EPA, the Cotonou Agreement envisages that the ACP countries will form themselves into regional blocks referred to as “geographical configurations”. The EU is not ready to negotiate EPAs with individual ACP countries and will instead focus on regional EPAs. After serious consideration, His Majesty’s Government resolved that Swaziland can better negotiate under the SACU EPA with EU.

3.3 RSA-EU Free Trade Agreement

30. Mr. Speaker, the Republic of South Africa – EU Trade and Development Cooperation Agreement (TDCA) entered into force on January 1, Year 2000. This means that Swaziland, as a member of SACU, will also eliminate tariffs on imports from the EU by the Year 2012. This is expected to reduce receipts into

Swaziland and have a negative impact on the budget, which, at present, is largely financed by SACU receipts.

31. Another aspect of the implications of the RSA-EU Trade and Development Cooperation Agreement (TDCA) is increased competition in the SACU market as a result of reduced tariffs on imports from the EU. This, in the short run, may result in increased unemployment as firms might have to cut production or shut down altogether. The EU made a commitment of Euros 6 million to mitigate against the negative impact of the Agreement on Botswana, Lesotho, Namibia and Swaziland. Swaziland was tasked with the coordination of the exercise to identify and cost the adverse effects.

3.4 COMESA

32. Mr. Speaker, Swaziland was granted an exemption or derogation from reducing tariffs under COMESA to the rest of the Member States. However, this exemption will expire at the end of July this year (2003). Swaziland, therefore, has to find ways of offering reciprocal tariff reductions to COMESA Member States.

3.5 African Union/NEPAD

33. Mr. Speaker, the African Union is taking form after its official launch in Durban in July 2002. The Union will seek to achieve its focus on economic development through initiatives such as the New Partnership for African Development (NEPAD).
34. Mr. Speaker, permit me to give a brief historical background of NEPAD. The initiative originates from two independently developed but complementary documents: viz. the Millennium Partnership for the African Recovery Program (MAP) of the Presidents of South Africa, Algeria and Nigeria, and the OMEGA Plan of President of Senegal. The July 2001 Lusaka Summit of OAU merged the two documents and unanimously adopted the resulting product – the New African Initiative. In October 2001 in Abuja, Nigeria a revised document was adopted under the new name of the New Partnership for Africa's Development.
35. NEPAD is a call for a new partnership between Africa and the international community based on mutual respect. It is a regional initiative with poverty reduction as its main objective. It is an African strategy for achieving sustainable development in the 21st century. It is premised on African governments committing themselves to good governance, democracy and human rights, while endeavouring to present and resolve situations of conflict and instability on the continent.
36. As a regional initiative, NEPAD gives one voice to Africa. The voice is credible because it represents the African people's will. The initiative's strategic areas of focus include conditions for sustainable development: viz. peace, security.

Democracy and political governance; economic and corporate governance; and sub-regional and regional approaches to development. Its sectoral priorities include: infrastructure; human resource development; agriculture; environment; culture; and science and technology.

37. The economic challenges associated with NEPAD are that it has to be implemented consistently over the period 2002 – 2025. Africa's growth rate is about 3%, while the desired rate over the implementation period is 6-7% in order to realize NEPAD's objectives.
38. Our National Development Strategy (NDS) is the closest local initiative to NEPAD. Both NEPAD and our NDS seek to address largely similar problems. The NEPAD initiative, therefore, is very relevant for Swaziland. The timing of NEPAD also coincides with the implementation stage of the NDS. This fact, and the fact that NEPAD has been endorsed by the international community, should be seen as an opportunity to get the international community to also buy into our NDS. It is therefore incumbent on Swaziland to ensure that we participate in NEPAD in order to obtain maximum benefits from the initiative.

4.0 DOMESTIC DEVELOPMENTS

39. Mr. Speaker, there are many events taking place in Swaziland in 2003, which will require considerable budgetary resources. Together with the aforementioned issues, this has necessitated an austere budget for 2003/04.
40. The events include the Global 2003 Smart Partnership International Dialogue to be held in August for which over 22 Heads of State and other dignitaries from the Commonwealth have been invited, the Under 17 Africa Youth Football Championship that will take place in May 2003, the forthcoming National Elections planned for late 2003, the presentation of the draft constitution to the nation and the double 35th anniversaries of our independence and of the King's Birthday in September, 2003.
41. Mr. Speaker, these events are expected to yield big dividends, including enhancing Swaziland's international image, increasing donors' confidence in the economy, and increasing investment inflows and trade, in particular our exports. The Global 2003 Smart Partnership International Dialogue, in particular, will help to address issues of good governance, transparency and economic development. Therefore, in the overall scheme of things, the events merit the priority given to them. With regard to the elections, expectations from the international community are very high as they will promote good governance and the related attributes of accountability, transparency and efficiency.

4.1 Millennium Action Plan

42. Mr. Speaker, as a build up to the new Millennium, Government developed a new Action Plan, which focuses on the key challenges facing the country. The Millennium Action Plan (MAP) replaces the ESRA programme, but still maintains the principles, which guided ESRA, i.e. the setting of targets and seeing to it that ministries work towards them. The key challenges have been identified as poverty reduction, combating HIV and AIDS, and creating employment opportunities. Ministries have been tasked to develop programmes and implementation schedules in line with these areas, which are being monitored to ensure development and macroeconomic stability.

4.2 Roundtable Donors' Conference

43. Following His Majesty's visit to the World Bank in the year 2001, where he sought the Bank's assistance in soliciting for grant financing, Government continued the process by mobilising the local UNDP office to take the lead in the preparation of the Donors' Roundtable Conference. The areas of concentration are those already identified in the Millennium Action Plan. Documents were prepared and have already been approved by the World Bank in Washington and UN Headquarters in New York. The Conference is planned to take place in Geneva over a two-day period, divided into a public and private sector forums.

4.3 Poverty Reduction Strategy and Action Plan

44. Mr. Speaker, a lot of work during this current financial year has concentrated on finalizing the preparations for the implementation of the project on the Social Protection of Vulnerable Children including Orphans. The Project is ready for implementation and the implementation manual has been finalized and circulated to all stakeholders. Together with the pronouncements by His Majesty regarding the Fund for the payment of schools fees of orphans and disadvantaged children and the Community Poverty Fund, we expect that the issue of poverty will be partly addressed. I urge ministries involved to coordinate their efforts and to use the already available institutional expertise and structures so as to reduce or eliminate, where possible, duplication and unnecessary bureaucracy.
45. We have a saying as a nation that "*bantfwana ngumliba loya embili*", which means the future lies in our children. But as I speak, children are the most vulnerable group in our society. The downturn in our economy has not made the situation any easier for our children. We talk of abuse, hunger, disease, illiteracy and an absolutely bleak future for them.
46. Mr. Speaker, Government is aiming at finishing working on the Strategy and Action Plan this year. To speed up the process and to further firmly establish measures streamlining poverty issues in our planning and budgeting process, government secured the services of an advisor from the Commonwealth. In

addition, government will be establishing a Poverty Monitoring Unit to co-ordinate the implementation of the Strategy and Action Plan and monitor poverty trends. Current work on the preparatory process include the development of criteria for identifying pro-poor projects, studies into the provision of a Health Waiver, expansion of the Integrated Management of Childhood Illnesses (IMCI) and Best Practices for managing Children in Difficult Circumstances.

47. Statistics reveal that 65% of the Swazi population lives below the poverty line, of whom 45% live in rural areas. The prevailing budgetary constraints require a poverty strategy that is cost effective. A programme such as the Microprojects approach has demonstrated to be cost effective in that it shortens the bureaucratic system and reduces direct labour costs as well as intermediary organisations. Government has experimented with this programme for more than ten years. This approach promotes sustainability in that the poor themselves are empowered to identify, implement and maintain their own community projects.
48. Decentralization of the programme will take place in this financial year in order to bring services closer to the communities. The programme will be expanded in the regions and the government will contribute a budget of E5 million every year for the next three years. The regional development teams are expected to work closely with the Microprojects Programme in providing the necessary expertise and in drawing up an integrated development approach in order to speed up the community development efforts. Consultation with governmental and non-governmental stakeholders will be of paramount importance.

4.4 National Emergency Response to HIV/AIDS Pandemic

49. Mr. Speaker, HIV/AIDS presents one of the most difficult challenges Swaziland has had to face in its history. According to some statistics, by 2010, the population of Swaziland would have reached 1.32 million but is now projected to be 980,000 due to the impact of HIV/AIDS. The population would be 40% smaller than it would have been without AIDS. One third of infants born HIV positive would die by their first birthday.
50. The biggest impact would be seen in life expectancy. According to the same statistics, by 2010, without AIDS, we would have expected life expectancy to have been 62. Now with AIDS, life expectancy is projected to be 27 years of age. Even if these statistics are not very accurate, they point in the right direction. The levels are reminiscent of levels at the beginning of the 20th century. Mr. Speaker, clearly, we need additional resources and new strategies to stop the spread of this pandemic.
51. The National Emergency Response Committee on HIV/AIDS (NERCHA), through its vision, which is to significantly reduce the spread of HIV/AIDS in Swaziland and to manage those who are infected and affected appropriately, has utilised close to E8.5 million in approved proposals from different NGOs. This is

over and above the budget of E32 million provided since the date of its establishment in 2000. NERCHA has been working closely with the European Union (EU), the World Health Organization (WHO), and other co-operating partners. In addition, the Voluntary Counselling and Testing (VCT) component was set up, to help test and counsel those infected and affected by the scourge.

52. Mr. Speaker, with the financial assistance received from the Global trust Fund, we expect that the coverage of measures to fight the HIV/AIDS pandemic will increase tremendously.

4.5 Investment Environment

53. Mr. Speaker, I would like to point out that with respect to the investment environment, 2002 has been a very challenging year for us. Real Gross Capital formation increased by an average of 18.1% compared to 19.9% in the previous year. The modest increase in investment was quite broad-based, with most of it coming from the textile industries. This growth came mainly as a response by firms seeking to raise capacity in order to tap export opportunities. On the other hand, Gross Capital formation by government increased by 7.8% mainly as a result of increased infrastructural expenditure by government.

54. Creating jobs for our more than 20% unemployed people of the working age remains the most critical economic challenge facing Swaziland today. Estimates by the Economic Planning Ministry reflect that employment grew by 1.3% in 2002 mainly as a result of new investments and increased infrastructural works. This suggests that economic growth makes a significant contribution to employment opportunities, with many of these arising from casual and informal employment. To facilitate job creation and productivity in the economy, our government has taken initiatives that include:

- The introduction of labour legislation reforms, including the formation of an arbitration and reconciliation commission to ensure a stable labour environment that is conducive for investment.
- Broadening efforts to promote the development of small businesses, which will provide a thrust to employment creation.
- The introduction of tax breaks to deserving industries.

55. Mr. Speaker, to do justice to this issue, I should applaud the key role played by the Swaziland Investment Promotion Authority (SIPA) in the drive to attract foreign investment. Nonetheless, we have come across big challenges to our investment and trade status due to threats of losing access to the Generalised Systems of Preferences (GSP) and the Africa Growth and Opportunity Act (AGOA). It is encouraging that we did not lose AGOA and every effort is being made to secure our GSP status, thereby averting a catastrophe.

56. Despite the fact that the drought conditions that prevailed in 2002 are likely to affect agricultural output, a turnaround in economic growth is anticipated this year as inflows of foreign direct investment (FDI), particularly in the textile industry, continue to trickle in. In addition, the favourable impact of the nominal depreciation of the Lilangeni exchange rate for a good part of the Year 2002 on the exporting industries will ultimately boost economic growth. In this respect, Mr. Speaker, let me caution that the current sharp recovery of the Lilangeni exchange rate, while it has its benefits, will reverse the turnaround if it continues, hurting exporters.
57. Mr. Speaker, as we talk today government is fast-tracking the implementation of the Development Approval Order that was approved in 2000. This piece of legislation is aimed at giving deserving industries concessional tax rates. I sincerely hope this will bring an end to the concern about the unsustainability of the 5-year tax holiday. Mr. Speaker, let me also hasten to state that the 5-year tax holiday is no longer serving its intended purpose and therefore we are ending it with effect from today.

4.6 Monetary Developments, Inflation and Interest Rates

58. Mr. Speaker, the impact of the on-going drought on food prices, coupled with the price raising effect of the depreciation of the exchange rate, was evident in high domestic inflation levels of between 10 and 12% throughout last year. The corresponding rate in South Africa was lower for much of the year, between 7 and 12.5%. Given the fixed exchange rate between the Lilangeni and the Rand, this development indicates that some erosion of competitiveness of local producers competing with their South African counterparts took place. In addition, the rising prices impacted negatively on people, especially the poor.
59. South Africa's targeted inflation rate is forecasted to slowdown to 7.3% in 2003, largely due to the appreciation of the Rand and falling oil prices. With about two-thirds of domestic inflation being imported from South Africa, Swaziland is expected to benefit from this predicted fall in South Africa's inflation in terms of lower domestic inflation.
60. Mr. Speaker, with the sharp depreciation of the Rand (Lilangeni) exchange rate manifesting itself through inflationary pressure at the end of 2001, which continued unabated in the first 10 months of 2002, monetary policy had to be tightened to reduce aggregate demand. The Central Bank's discount rate was revised upwards four times during 2002 by a cumulative 400 basis points to reach 13.5%. In all the interest rate movements, the Central Bank was tracking developments in the South African market such that the domestic rate and its South African equivalent, the repurchase rate, were at par.
61. Commercial banks responded accordingly as the prime-lending rate increased by similar margins to reach 16.5% at the end of last September. However, the

differential between the prime rate in South Africa and Swaziland was maintained at 50 basis points in order to provide cheaper borrowing to local investors. Deposit rates, on the other hand, continued to show wider differentials. The Central Bank hopes this gap will narrow as it mops up banks' excess liquidity with securities priced at levels prevailing in South Africa.

62. Since July 2002, the Central Bank has reduced the statutory reserve requirement from 4% to 3% of liabilities to the public in Swaziland. This development has released some resources for banks to engage in more of their intermediation activities.
63. Private sector credit extension continues to be dominated by short-term corporate borrowing, particularly that channelled towards sugar growing and manufacturing. Over the review period, private sector credit increased by 29.4% to E1.8 billion. In line with this, broad money supply (M2) also rose sharply by 16.0% year-on-year in November 2002 compared to 10.7% in December 2001.
64. Mr. Speaker, the successful implementation of an automated clearing system has benefited commerce and gone a long way to improving fund availability to businesses for transactions purposes. In addition, in April 2002, an independent company called Swaziland Automated Electronic Clearing House, owned by the banks, assumed responsibility for running the Clearing House.
65. The Government passed an Anti-Money Laundering legislation in August 2001, which received congratulations from the IMF and other international fora. Government is a founding member of the Eastern and Southern Africa Anti-Money Laundering Group. In August last year, we assumed a one-year Presidency of the institution. Our active participation in ESAAMLG will assist in keeping us abreast with the latest methods of combating money laundering in Swaziland.
66. Mr. Speaker, the Bills of Exchange Act has become obsolete because of its age. It was promulgated in 1902. Current business practice requires a modern and synchronised practice to be adopted in bills of exchange accompanied by an appropriate regulatory framework. The notable developments to which we must respond are:
 - Technological advancements, that is electronic business transactions;
 - The increasing incidence of fraud which stifles development of and corrodes the much desired confidence in transacting through bills of exchange; and
 - The need to clarify some of the apparently obscure provisions of the legal regulatory framework.

My Ministry will therefore be bringing to this House the necessary amendments to the Bills of Exchange Act.

67. Mr. Speaker, Swaziland's monetary policy stance is positive. Membership of the Common Monetary Area, which entails the pegging of the Lilangeni to the Rand, serves the country well by ensuring tight monetary discipline, capitalizing upon the economy's close integration with South Africa. In order to maintain the currency peg, the Government will strengthen public finances, ensure adequate levels of international reserves and undertake structural reforms.
68. The banking system of Swaziland is well developed, with capitalization, risk management and provisioning in the sector all meeting international standards. The Swaziland Development and Savings Bank, which was a cause for concern in the past, has undergone substantial restructuring with the result that the Bank made an operating profit of E13 million in the year ending 31st March 2002.
69. Government will continue to take steps to further strengthen the financial sector. In this respect, the Government requested an IMF assistance assessment mission for Swaziland and the Fund responded positively. An IMF mission which is a forerunner of a Financial Sector Reform and Strengthening Initiative that the Government intends to introduce through the IMF visited the country from February 6th to 17th this year. The mission made a general assessment of the health of the banking system and of the technical assistance needs of the country in the area.
70. Mr. Speaker, as promised in my budget speech last year, the Insurance Bill 2002 has been approved by Cabinet and has now been tabled before this Honourable House. The purpose of this bill is to de-monopolize the insurance industry so as to attain an efficient and competitive insurance industry in the country. This is also in line with the move by the world economy towards an open global market for goods and services. It also intends to establish a regulatory framework for the supervision of insurance companies and intermediaries to ensure that rules of the game are properly observed and that policyholders are protected.
71. The Retirement Funds Bill 2002 is another important legislation that has been brought to the attention of this Honourable House. It provides for a regulatory framework for the supervision of Retirement Funds to ensure that these are managed properly and to protect the interest of their members. The bill also allows Swazis to utilise their contributions as collateral for obtaining housing loans both on Title Deed Land and on Swazi Nation Land.
72. In both the Retirement Fund Bill and Insurance Bill there is a requirement that a certain proportion of the amounts invested by clients be invested locally. This hopefully will provide resources for investment locally.
73. An office of an Insurance and Retirements Funds Registrar, which will set the guidelines for the implementation of these two bills, will be established. An amount of E3 million has been included in this budget to establish the office of the Registrar.

4.7 Output

74. Mr. Speaker, I would like to turn to the performance of the domestic economy during 2002. Estimates from the Department of Statistics of the Ministry of Economic Planning and Development indicate a slight decline of 0.2% in economic activity in 2002, compared to 1.8% achieved in 2001. The estimate is in tune with the global output projections that are also below average in the current year as a result of regional and global recession. The lower estimate reflects the drought effects on some agricultural activities such as cotton and maize growing, especially on Swazi Nation Land (SNL). This low performance notwithstanding, it is important to note that the major export firms performed exceptionally well.
75. Real GDP growth rate in Swaziland is expected to average 2.7% during the 2003/04 – 2005/06 period. Buoyant growth is expected to come from the agriculture sector, due in part to the completion of the Maguga Dam. The South African economy looks set to achieve significant growth rates as evidenced by a 3.1% growth rate attained during the second half of 2002. This will help improve growth in Swaziland. Growth in the United States of America and the European Union is also slowly picking up, which will also help.
76. An analysis of the sectoral performance of the economy shows an increase in output in the manufacturing sector. For instance statistics from SAPPI indicate an increase in the company's annual tonnage in 2002 because of benefits reaped from a new digester. The sugar industry also recorded a significant increase in output mainly due to the favourable weather conditions and the expansion in small-scale sugar cane growing resulting from the Komati-River Basin. Even though market prices were generally depressed, which is not favourable for the country, these export industries benefited from the depreciation of the Rand/Lilangeni. The textile industry that benefits massively from the AGOA also recorded commendable balance sheets for the year.
77. The country failed to produce the total maize requirement of 150 600 tonnes for this year. This is mainly attributed to the poor harvest realised during the previous (2001/2002) cropping season. The total domestic maize availability for the 2002/03 marketing year is estimated at 69 800 tonnes. A domestic shortfall of 80 800 tonnes of maize is projected and the National Maize Corporation (NMC) will therefore have to import at least 50 000 tonnes during the 2002/03 marketing year. On the other hand, maize received as food aid amounted to 16 400 tonnes. The NMC will also facilitate the selling of beans grown by Swazi farmers, for which market has been secured by the Food and Agriculture Organization (FAO). I would like to send a warning to the major players in this industry that maize is the staple crop of the Swazi. For this reason, we expect stability in the industry, in terms of availability and prices. We therefore direct that they urgently sort out their problems voluntarily before government intervenes.

78. Unfortunately, the maize production situation seems to be worsening in 2003. The area under cultivation was significantly less than last year and the rains have been very erratic at the time when some farmers' maize reached a tasselling stage. We urge the Ministry of Agriculture and Cooperatives, in its food security targets, to consider putting more effort towards promotion of other food crops in regions not suited for maize.
79. Mr. Speaker, may I inform this Honourable House that processed tonnes of pineapple and citrus fruits declined by 4% in 2002 due to the pulling out of Tabankulu Estate from the sector. Meanwhile, the livestock sector is recovering from the impact of the foot and mouth disease. It is, though, still faced with the problem of poor grazing land and the spread of other diseases. However, an improvement in the sector is anticipated as the implementation of the Livestock Development Policy starts to show returns. For instance, a feedlot at Mafutseni has started operating and it is expected to produce about 2 500 cattle to be sold to Swaziland Meat Industries every month. We are pleased that the Ministry is considering reviving the piggery project at Mpisi as well as the poultry project at Mfumbaneni. The infrastructure in these places is adequate and belongs to Government. This way Government will reduce its import dependence of these agricultural products.
80. The performance of the tourism industry is expected to improve in the coming years. This forecast follows the successful formation of the Hotel and Tourism Association, which is private sector driven, and the ongoing advertising of tourist attractions by the Swaziland Tourism Authority. Sun International has a strategy of focusing more on hospitality and the room occupancy rate increased from 52% to 55% in 2002 as a result. While tourists are mainly from South Africa, there has also been an increase in tourists from overseas, especially from Germany, France, Holland and the United Kingdom. Another big hotel, the Orion, formerly the Pigg's Peak Protea Hotel, recorded impressive bookings during the festive season. The establishment and staffing of the STA which will introduce a tourism levy, will go a long way towards promoting tourism in the country. We lament the continued dilapidation of many hotel infrastructures in the country.
81. With regard to the textile industry, Swaziland is still benefiting from exporting to the United States of America through AGOA. The Act gives the textile industries until September 2004 to produce apparel made from fabric originating from anywhere in the world, but thereafter will be required to import fabric from within the African region. The impact of that requirement is difficult to project. However, we expect more companies to come to Swaziland to produce fabric locally and this will have multiplier effects in the agricultural sector.
82. The economy continues to be driven by the manufacturing sector, which is a major contributor to GDP. As a percentage of GDP, manufacturing performance is expected to decline from last year's level, although some large companies like Usuthu Pulp recorded increased performance in production. This is mainly

attributed to their successful restructuring earlier in 2002. Usuthu Pulp has been a key player in creating job opportunities for local Swazi entrepreneurs in line with a wish expressed by His Majesty King Mswati III. The company has continued to mentor and assist Swazis in acquiring a strong understanding of how to run a business.

5.0 FISCAL SITUATION

83. Mr. Speaker, we have been consistently signalling to all that our economy is not healthy and that there is need for reform. Through this budget today we want to signal that a critical juncture has been reached. We need to do something more effective before it is too late. There is no choice but to address the macro economic problems with drastic and swiftly implemented reform. As a Government, we are convinced that there is need for change. We start from the premise that change is both necessary and desirable in order to enhance the overall welfare of the people. There are short term pains in change for long term gains. Even with the best intentions in the world, there will be vigorous opposition to reforms when vested interests are threatened and there are equity consequences. At the end of the day, decisions must be made and action taken in the best long term interest of the country. And Government will be held responsible and accountable for the reform's success or failure.
84. The fiscal position of the Government has worsened due to the increased spending compared to revenue, resulting in a cashflow deficit. Cash flow balances declined from E671.9 million at the beginning of April 2001 to E345.7 million at 31st March 2002. By April 2002 the cash flow balance had further declined to E260.1 million.
85. A further decline in the cashflow projections is expected by 31st March 2003, mainly as a result of the recently approved supplementary budget of E265 million. Mr. Speaker, this trend of expenditure is not sustainable and calls for drastic measures to be taken to control expenditure.
86. The major items of concern continue to include wages and salaries, telecommunications, external travel, consumables and durables. Mr. Speaker, this budget proposes drastic cuts on these items with the possibility of suspending and freezing some of them entirely. I therefore call for the support of this Honourable House and the people of this Nation in meeting this critical objective. I certainly believe that you should take tough measures when times are tough because you can never take them when times are good.
87. Mr. Speaker, revenue collection still remains below the estimated levels. Tax revenues such as income tax have been growing at a sluggish pace mainly because of the implementation of the Development Approval Order, lack of necessary manpower to enforce payment of taxes and lack of state of the art technology for pursuing non-complying potential taxpayers.

88. To address the situation, this budget has made a provision of about E8 million to the income tax and customs revenue agencies to enhance and strengthen their revenue collecting capacity. At the same time, we will be commencing the process of merging the Customs and Excise Department with the Department of Taxes in order to establish a semi-autonomous Swaziland Revenue Services Department. We will learn from the experiences of our neighbouring countries, as we seem to be one of the last ones who have not established this effective system of revenue collection.
89. Mr. Speaker, it should be emphasized that Government's wage bill remains the prime factor in driving up recurrent expenditure. To address this problem, the Public Sector Management Program (PSMP) has completed various consultancies, including the right-sizing of the civil service reports which are expected to be adopted in 2003 for implementation immediately thereafter.
90. Personnel estimates have continued to increase and even though for 2003/04 they stand at 47% of total recurrent, there has been an increase in the actual personnel costs from last financial year. The share of personnel to recurrent seems low next financial year because there have been some drastic increases in other goods and services and transfers. The increase in personnel is still high considering the fact that the rate of increase in revenues has been slower. As this trend has continued over the past years, it has reached unsustainable levels.
91. In preparing this budget the understanding was that no new posts would be created, save for the implications of completed projects. As such a total number of 245 posts have been provided and these are mostly focusing on the priority areas of Government, which are education, the HIV/AIDS pandemic as well as poverty alleviation.
92. Two major studies commissioned in 2002 to accelerate the implementation of the Public Sector Management Program have been completed. These are the Alternative Service Delivery Options Study, identifying those activities that can or should be performed by the private sector, and the study on determining the required size and sustainable cost of the civil service. With the evidence of the ever-increasing expenditures, controlling the size of the civil service is imperative. The studies mentioned above, have highlighted critical proposals for bringing the present size of the Public Service within containable limits, which I hope this Honourable House will support when presented to it soon.
93. The right-sizing of the civil service will require proper financial compensation, retraining, and enhancement of the SME sector so that it can absorb those who would be laid off. Government is already taking measures to boost the SME sector through Small Scale Loan Guarantee Scheme, Export Credit Scheme, Regional Development fund, Inhlanyelo Fund, SME unit, SEDCO, support to the Enterprise Trust Fund, the Swaziland Industrial Development Corporation (SIDC)

and others. In addition, a loan of E153 million was approved for SIDC by the African Development Bank in the budget of 2002/03. Further, Government lent the ETF with E10 million to finance their on-going lending operations to farmers and other small business ventures.

94. While the Deputy Prime Minister's Office has commissioned an audit of the Regional Development Fund, we need to express concern over the allegations that some of us have not been honourable enough on the use of these funds. We certainly hope that this will not prevail in the future. The budget estimates make a provision for E20 million for the Regional Development Fund.
95. Meanwhile, Government, through the Ministries of Finance, Enterprise and Employment, and Agriculture and Cooperatives is already reviewing the performance of its many initiatives intended to promote SMEs. The review includes examining performances of the Venture Capital Fund, and the reasons for the reluctance of our commercial banks to finance projects proposed by SMEs.
96. Mr. Speaker, subsidies and transfers to parastatals have also contributed significantly to increases in recurrent expenditure. The Government has commissioned a study to examine the prospects of privatisation of some of these enterprises that are causing a constant drain on the budget and is looking into the social as well as economic implications of doing so. It is hoped that stakeholders will adopt the report and forward it to Cabinet for its approval. However, of even greater importance is the establishment of a privatisation policy which should precede any privatisation. A consultative exercise has been carried out with various stakeholders, including Parliament, and the draft policy is now before Cabinet for consideration.
97. In line with the proposed privatisation policy, some parastatals are already restructuring and identifying services that can be contracted out. One of these is Swaziland Railways, which together with government is still exploring the most viable means of carrying out the exercise without distorting the benefits of the workers to be laid-off. It is my hope that the process will draw much from the experiences of SAPPI to avoid any unwarranted increased unemployment. More parastatals are expected to be following this route in the near future with the aim of focusing on their core business, maximising output and profits and becoming less of a drain on government resources.
98. Mr. Speaker, for some of those public enterprises that cannot achieve self-sustainability, performance contracts are being put in place. Contracts with the University of Swaziland (UNISWA) and the Sebenta National Institute are already being developed, and they should be operational before the end of the year. Contracts with the other public enterprises will be developed in the future. These contracts define the Government's role and obligations towards the public enterprises. They also stipulate performance targets that the enterprises must meet within a certain period.

99. Mr. Speaker, following a public outcry regarding the need to review the tendering process in Government, and a request through a Motion from the Senate for Government to carry out such a Review, a Consultant has been commissioned to undertake the Review of the old Stores Regulations and all other related tendering and procurement documentation. The Review is being undertaken with grant assistance from ADB. The consultants are to introduce an element of local empowerment, amongst other items. It is my ardent hope that this will address the problems in the Government tendering process.

5.1 Public Debt

100. Mr. Speaker, debt servicing contributes to the draw down of cash balances. As at 31st March 2002 the total debt stock stood at about E3.5 billion, including government guaranteed debt to parastatals, reflecting an increase of about E800 million as a result of the sharp depreciation of the Lilangeni against the major currencies. This represents about 32% of GDP and about 4% of government's debt-service to export earnings. It is becoming evident that drastic measures need to be adopted towards contracting new debt, especially that denominated in foreign currencies.
101. Mr. Speaker, the forecast for 2003 indicates that the debt stock will increase by a further E1.8 billion due to the LUSIP, Komati Downstream Development and the Roads programmes. This will increase the debt stock to about 40% of GDP and increase the debt-servicing obligation to export earnings to about 8%. For this reason, a debt policy paper, which covers both external and domestic debt, is being prepared to guide borrowing patterns. This is especially important in the medium term, where I recommend that as much as possible, there be no further external borrowing for new projects but rather that we focus on completing the ongoing ones.
102. Mr. Speaker, included in this debt service ratio is the E230 million stock raised in the domestic market to finance some of the on-going programmes in the budget. The plan is to have this stock rolled over in the coming financial years in order to reduce the debt service obligation, especially on the issuances maturing in the short and medium-term.
103. Government liability as guaranteed debt to parastatals has been on the increase. In 2002/03 the government approved a guarantee of E97.5 million from the Development Bank of South Africa (DBSA) to the Swaziland Electricity Board (SEB) as part of the integration of the 400Kv line, phase 2. This is increasing the liability on government to contract further debt for government's programmes. It is imperative that we promote the domestic market to absorb the demand from the parastatals and the private sector.

104. Mr. Speaker, it is important for us to address the difficult fiscal situation so that we can avoid the critical situation that some of the Sub-Saharan African countries, together with some other developing countries, have had to face in the form of accumulated arrears to government employees and suppliers of goods and services.

5.2 Fiscal Reform

105. Mr. Speaker, Government has recently put in place some corrective measures, which we believe will help to address the cash flow problem. These include releasing funds on a monthly basis instead of the usual quarterly basis. This is to enable ministries to monitor and control expenditure under their votes by reviewing and prioritising their expenditure on a monthly basis. It will also allow my ministry to closely monitor the performance of the cash budget.

106. Additional measures will be taken to improve the collection of Government revenues. These include:

- Deploying additional manpower from the Customs and Excise head office to assist in the collection of sales tax and customs duties at the main border posts around the country.
- Stepping up efforts to collect income tax from taxpayers by the Department of Taxes. We need to reduce tax evasion by the private sector.
- Stepping up efforts to collect money owed to Government by several institutions and individuals, especially on the contingent liabilities outstanding.

107. Mr. Speaker, to help address the cash flow problems, my ministry will be shortly hereafter bringing to this House the following pieces of legislation for deliberation and approval. These are:

- An amendment of the Finance Management and Audit Act, 1967 to incorporate the establishment of the Losses Committee, which will empower the Controlling Officer of my Ministry to surcharge Government officers who spend recklessly. The bill has already been drafted and is now before Cabinet for consideration and will be tabled shortly before this house.
- The Audit Bill. This bill has also been drafted and is before Cabinet for consideration before presenting to Parliament.

108. Other measures under consideration are the review of legislation with regards to taxation of commercial activity on Swazi Nation Land (SNL), imposition of withholding tax on dividends received by resident shareholders and the introduction of branch profit taxes. The amendment bill has already passed Cabinet and will be tabled before this Honourable House shortly.

109. A review of taxation systems is ongoing to make them simpler and more efficient to administer, possibly promote compliance and ensure all avenues for avoidance and evasion are closed off.
110. The Tax Identification Number/Personal Identification Number (TIN/PIN) data capture is presently being implemented alongside computerisation of the Department of Taxes.
111. Tax on fringe benefits is provided for in the Income Tax Order. It has not been fully implemented over the years. However, its full implementation comes into effect in July 2003.
112. It is essential that Government restructures its fiscal system in pursuit of prudent fiscal and economic reforms that promote growth of the economy.
113. We need to also concentrate on controlling expenditure, because it is pointless to efficiently collect revenue only to spend it carelessly. At the macro level, we want to concentrate more resources on the social sectors. At the micro level, we want to be sure that ministries are spending money where it should be spent. Every ministry will be expected to do a cost-benefit analysis for every trip proposed and justify travel requested. Where the trip becomes necessary, the delegation size should be kept at the minimum level, and it should also be ensured that the number of trips per officer are monitored and kept at the minimum level.
114. Associated with this is the need to do a cost benefit analysis of all the institutions that the country is affiliated to. This will not only reduce the number of external trips, but also the subscription fees. The Ministry of Finance will also monitor closely the purchase of furniture with a view to restricting next year's purchases only to new posts or offices.
115. Already there is a Cabinet decision on the control of the use of cellular phones and government phones, but it needs to be enforced and monitored by the relevant controlling officers. Over and above this, Government is considering paying phone allowances for all senior management staff and Cabinet ministers with a view to controlling phone bills. We also request the cooperation of utilities institutions in ensuring that they cut their services before ministries are able to accumulate large arrears.
116. Government is spending a lot of money on parastatals. However, we notice that a sizeable portion of the funds are used to pay salaries, and in particular salaries of CEOs have reached alarming levels. In order to address this, my ministry will soon be presenting proposals to Cabinet that will place limits on packages for CEOs of parastatals. We also urge ministries to avoid creating new parastatals unless there is evidence that they would be self financing.

117. It is time that ministerial portfolios are harmonized with a view to reducing the number of ministries. This will not only make government service delivery more efficient; it will also reduce the costs of government.
118. The tender review will be coming to a conclusion within the next few months. We expect the recommendations to address many of the problems experienced under the current system. For indeed we have observed situations where civil servants are providing the same government they work for with supplies. We have also observed those responsible for procurement of supplies enjoying a life style that is not consistent with their legally earned incomes. Politicians and civil servants will be expected to declare businesses owned and to avoid being suppliers to government.
119. The incidence of fraud and corruption has reached alarming proportions. This is so even outside government. Look at your friend, colleague, neighbour and enemy. How can you account for their life style given their legal income? There is need not only to ruthlessly deal with people found guilty of fraud and corruption but also to create an environment where opportunities to commit these types of crimes are limited or eliminated. It is time we had Swazis who feel obliged and indeed proud to report fellow Swazis who are involved in criminal activity. I am convinced that the solution to many of our problems will come from reducing white-collar crime.
120. To complement this, the Ministry of Justice has been directed to revamp the Anti-Corruption Unit. This unit was established with a clear mandate and a message by the people of Swaziland that we will not tolerate corruption and that those who are engaged in corruption will be tried and, if found guilty, convicted. We are aware that there are over twenty corruption cases that have been forwarded to the Director of Public Prosecutions Office. However, these have not been brought to court, partly because it seems to make sense to push other cases, such as murder cases, than those of white collar crime. The Ministry of Justice will be considering submitting relevant legislation that would provide the unit with authority to, *inter alia*, prosecute its cases or even create a court for white collar crime.
121. There is a need to control the use of government vehicles. In particular, there is a need to introduce a limit on the amount of fuel that a government vehicle is allowed to consume in a given period in order to minimize the use of official vehicles for non-government purposes. Related to this will be an exercise to investigate the costs of servicing government vehicles with private garages. While we do not pretend to know everything, our observations indicate that Government is charged, at times, more than five times what the private sector is charged for the same service. When such culprits are found, not only will government stop doing business with them, but the anti-corruption unit will be expected to do its part.

5.3 The Fiscal Restructuring Project

122. Mr. Speaker, it is essential that Government restructures its fiscal system in the pursuit of prudent fiscal and economic reforms that promote growth of the economy. The Fiscal Restructuring Project commenced in June 2002 with the aim of meeting the following objectives. Firstly, it is focusing on diversifying the tax base in order to reduce Swaziland's heavy reliance on SACU receipts, which are projected to diminish substantially in the medium to long term. This would entail introducing a comprehensive Value Added Tax. The introduction of VAT will be in line with other SACU member states and will replace the existing sales tax that covers only imports and manufacturing activities. Secondly, it aims to strengthen the administration of all taxes through more effective border controls, stronger enforcement and application of state of the art information technology. The third segment of the project is devoted to improving public expenditure policy and management through measures which include three-year budgeting (rather than annual budgets) under the Medium Term Expenditure Framework (MTEF).
123. The MTEF seeks to bring about greater transparency and accountability in the management of public funds through institutional reforms and rigorous enforcement of penalties against fiscal malfeasance. Further, the emphasis of MTEF is more on outputs and performance of Government ministries and departments rather than on inputs into Government operations, as in the past.
124. MTEF will consider the implications of and opportunity to provide incentives for higher performance by rewarding civil servants for their performance in line with the recommendations of the PSMP which is developing a Performance Management System. The PSMP's Performance Management Model is presently in the finalization stage and should be completed in 2003/04.
125. Mr. Speaker, the Government is well on its way in implementing the MTEF. Seven pilot ministries and five Government departments prepared their budgets this year using the MTEF approach. These are: 1) the Ministry of Agriculture and Cooperatives, 2) the Ministry of Education, 3) the Ministry of Health and Social Welfare, 4) the Ministry of Public Works and Transport, 5) the Ministry of Economic Planning and Development, 6) the Ministry of Public Service and Information and 7) the Ministry of Finance and its four ancillary departments – the Department of Customs and Excise, the Department of Taxes, the Treasury, and the Government Computer Services Department. Last but not the least is the Auditor General's Department. In all, they total 12 ministries and departments, which take about 50% of Government expenditure.
126. The remaining ministries and departments will adopt the MTEF approach next year. Signs of the MTEF are visible in this budget through budget projections and discussions, which cover the MTEF period of three years. Another visible sign of the MTEF is the production of an MTEF Budget Review, which is being issued today.

127. Mr. Speaker, starting from 2004/05, the MTEF budget process will start much earlier so that in addition to the MTEF Budget Review, we can issue what will be effectively a draft budget to be known as a MTEF Policy Statement some months before the budget speech so that Honourable Members of Parliament and the public at large can comment on the draft budget before being finalized. This will provide more inputs into the budgetary process.

6.0 BUDGET OUTTURN

6.1 2001/2002 Outturn

128. Mr. Speaker, the actual outturn for 2001/02 was a deficit of 6.7% of GDP. Total revenue and grants for the year stood at E3,117 million whilst total expenditure, including capital expenditure, stood at E3,858 million. This reflects the continued sharp increases in expenditure through the supplementary budget estimates approved during the course of the financial year. This outturn is well above the critical ratios outlined by the IMF and this may result in the need for imposed structural adjustment.

129. Mr. Speaker, this unfavourable outturn comes in spite of the under implementation of the capital programme, which we have been reporting in the past financial years. Increased in expenditure on recurrent budget exacerbated the situation.

6.2 2002/2003 Outturn

130. Mr. Speaker, the budget presented for 2002/03 envisaged an appropriated deficit of 4.8% of GDP. With the approval of the supplementary, the estimated deficit level increased to about 5.0% of GDP. This clearly demonstrates the urgent need to curb down expenditure, including the control of expenditure on the capital programme, which is mostly a commitment into the future.

7.0 2003/04-2005/06 BUDGET ESTIMATES

131. Total Recurrent Expenditure is estimated at E2,970 million, including statutory expenditure against revenue and grants estimate of E3,946. On the other hand, the capital expenditure is estimated at E1,232 million. Again, the main contributing factor to the deficit is the continued high rate of expenditure and poor control of budgetary allocations by line ministries and government departments. This has also been compounded by the heavy subsidisation of certain government facilities such as tractor hire, cattle dipping chemicals, house rentals, provision of certain specialised health services and telecommunications and utilities, especially in institutional housing. Drastic measures need to be taken in 2003 to ensure that there is cost recovery on these items and that for those services that government

can do without they are eliminated from the system. And for those services that are best provided by the private sector, they should be contracted out.

132. Revenue collection on the other hand has not improved to match the growth in expenditure and this has resulted in the fast draw down on cash reserves to finance on-going operations. The poor economic performance in the region and internationally has also had a tremendous bearing on the tax revenues accruing to government.

7.1 Deficit Financing

133. Mr. Speaker, for the 2003/04 fiscal year, Government projects a deficit of 3.54% of GDP. There is a need to identify financing options for the projected deficit in the medium term. This is more pressing because we can neither continue to increase expenditure on the basis of under implementation of the capital programme nor rely on our dwindling cash reserves to meet government demands.

134. Mr. Speaker, government is exploring the option of approaching the domestic market to raise sufficient funds to meet the financing requirement as a result of the budget deficits we are running. For 2003/04, my ministry, will together with the Central Bank, look into the viability and possibility of raising the necessary funds either through Central Bank Treasury Bills or Bonds. Of the deficit I am reporting today, E230 million will be financed by the stock issued in March 2002, which will mainly be used for clearing part of existing debt stock and financing a part of LUSIP.

135. The remaining E214 million of the deficit will be financed from draw-downs from existing external borrowing and increased borrowing from the domestic market. Future obligations will be met by a continuous review of the domestic instruments.

136. Mr. Speaker, there is the need to deepen the priorities of last year's budget. In line with this, the priorities for the 2003/04 – 2005/06 budget are: 1) poverty alleviation, 2) fight against HIV/AIDS pandemic, 3) employment generation, all of which are interrelated. In addition, given the food shortage crisis and the weak fiscal situation, Government is also giving priority to food security and revenue generation.

7.2 Social Sector

137. Health and Social Welfare policy and services have a key role to play in the social and economic development of Swaziland, particularly in the context of the 2003/04-2005/06 MTEF budget's priorities of fighting the HIV/AIDS pandemic, poverty reduction, employment generation and food security. Mr. Speaker, the principal objective of the government in the health sector is to improve the health status of the Swazi people by providing preventive, promotional, rehabilitative

and curative health services that are high quality, relevant, accessible, affordable, equitable and socially acceptable to all.

138. In pursuing this policy, Swaziland adopted the Primary Health Care (PHC) strategy for health services delivery and care in order to reorient health delivery in such a way that whilst the urban curative services are maintained, the provision of preventative and promotional services are improved in all geographical areas, particularly in rural areas.
139. Mr. Speaker, in 2003/04, an appropriation of E245 million has been awarded towards health service delivery and this constitutes about 8.2% of the total budget. This amount already includes an increase on the vote for drugs in all the health facilities of about E5 million. Allocations for health service delivery for 2004/05 and 2005/06 are presently estimated at E267 million and E268 million, respectively. Mr. Speaker, these amounts do not include direct allocations to the Department of Social Welfare, which are E11 million in 2003/04, E12 million in 2004/05 and E13 million in 2005/06.
140. Mr. Speaker, within the Social Welfare system, Government is trying to make a positive and sustained difference in the lives of the poor, the vulnerable, the marginalized and the excluded in our society. Mr. Speaker, an additional amount of E5 million has been provided for in the budget to cater for the elderly and orphans. Beginning in 2002, a provision of E1.08 million has been awarded to address the plight of the veterans/Umsizi. Considerable efforts are being made to try and address the problems of the elderly and orphans in the various communities, and with the support of this Honourable House a lot can be achieved. This will be further enhanced by the various schemes established by His Majesty the King during the recent official opening of Parliament.
141. Of particular note is the establishment of a Community Poverty Fund. As directed, an allocation of E20 million is included in this budget to facilitate the establishment of the Fund. It is my sincere hope that the proceeds will indeed reach the most needy in the various communities and that we will receive the necessary service from the involved ministries, such as the Deputy Prime Minister's Office.
142. The Ministry of Health and Social Welfare is actively involved in the development of the database to identify all those that are elderly and very needy and it is my sincere hope that in the medium term Government will be providing assistance that is relevant to all those who are in need.

7.3 HIV/AIDS

143. Mr. Speaker, HIV/AIDS presents one of the greatest challenges to socio-economic development in Swaziland. In spite of past interventions, the HIV/AIDS pandemic continues to spread rapidly in Swaziland. The rate of infection among

pregnant women has risen from 3.91% in 1997 to 38.6% in 2002. It is estimated that about 300,000 people are infected by the pandemic in the country. Clearly, additional resources and new strategies are required to stop the spread of this pandemic and to care for those who are already infected and affected.

144. The HIV/AIDS epidemic in Swaziland has now reached the stage of maturing as is exemplified by the numbers of AIDS patients in the county's hospitals and the ever-increasing numbers of patients dying of AIDS related illnesses.
145. One of the more disturbing elements of the epidemic is the co-infection with Tuberculosis. The co-infection between HIV and TB has resulted in a poor response to anti-TB treatment as well as an increase in the numbers of patients with multi-drug resistant TB. The deterioration of the under-5 mortality rate is another manifestation of a worsening epidemic as a result of vertical transmission.
146. The Ministry of Health and Social Welfare, in collaboration with its partners, will be launching a programme for the prevention of mother-to-child transmission of HIV/AIDS in the next month. This project will initially be based at three sites, increasing to sixteen sites in five years time, essentially covering the whole country. The Ministry has also initiated a programme for the treatment of most of the commonly occurring opportunistic infections. Of particular note is the Diflucan partnership which has enabled the country to access Diflucan for treatment of opportunistic meningitis and oesophagal conditions.
147. The National TB programme is being reorganized to ensure better TB detection rates as well as improved treatment outcomes. On another note, the Antiretroviral drugs (ARV's) will be available on a limited scale to those at high risk due to occupational exposure. E15 million has been provided for in the budget to cater for the comprehensive care of HIV/AIDS related illnesses including the antiretroviral drug.
148. Mr. Speaker, with grants expected from the Global Fund for HIV/AIDS, TB and Malaria, the Ministry intends to make available ARV's to the general population in the medium term.

7.4 Subvention to Raleigh Fitkin Memorial Hospital

149. Mr. Speaker, discussions and negotiations have been held with the Nazarene Board of Trustees for a Government take over of the management of the hospital. The proposed take over was necessitated by successive audit reports reflecting misuse of Government subventions to the detriment of patients. The negotiations have reached a stage where a draft lease agreement is being prepared for discussion wherein Government will take over the management of the hospital. For this reason, in this budget we have included a subvention of E23 million to the hospital, which will be under the care of the Ministry of Health and Social Welfare.

150. The Phalala Fund was established by His Majesty upon seeing the plight of many Swazis who cannot afford to finance their medical requirements, especially outside the country. Reports that we have received indicate that the first phase of this Fund went well despite a few teething problems. An audit report is being prepared and will be submitted to Cabinet by the Ministry of Health and Social Welfare. Mr. Speaker, let me remind you that this Fund is intended for deserving Swazis. We are aware that some are collaborating with others to abuse this facility, and we would like them to consider the fate of the deserving people whose activities are depriving them of funds. A sum of E10 million has been provided for this Fund in the budget estimates.
151. Government has also made provision of E10 million for the National Disaster Task Force.

7.5 Education Sector

152. Mr. Speaker, the Government, through the Ministry of Education, continues to address the important issues of access, quality and relevance of our education system. It is through these that education can fulfill its promise of being the key to a better quality of life for all Swazis. As a member of UNESCO, Swaziland is bound to implement the Education for All Programme, whose goals include: Early Childhood Care and Development; Education of Good Quality; Promotion of Acquisition of Life-Skills by Adolescents and Youth; and Expansion of Adult Literacy.
153. The introduction of pre-vocational studies in schools is progressing well under the ADB-funded project, with prospects for embarking on Phase 11 still being considered.
154. Mr. Speaker, in line with the speech from the Throne, a budget of E16 million has been awarded by His Majesty towards bursaries for orphans and disadvantaged children under the Ministry of Education. This, together with an allocation of E8 million for free textbooks at primary level, will go a long way to alleviating the poverty situation. The bursaries we are talking about must reach those intended targets. Concern is sometimes raised over the allocation when deserving children are marginalized so that kids of rich parents or even civil servants in influential positions are given preference. The Ministry of Education should therefore review the method and process of awarding bursaries.
155. Talking of school fees inevitably leads to the concern that we all have over the misuse and stealing of school fees by those entrusted with it. I do not need to remind you that the majority of parents struggle in life to raise the fees, but they try and therefore it is disheartening to see those entrusted with the funds stealing them and getting away with it. The challenge for the Ministry of Education next financial year is to find a better solution than simply transferring culprits.

156. The bursaries should not be seen as promoting irresponsibility among parents. There is a law that compels parents to feed, cloth and educate their children. That obligation is there and should not be neglected. It is for that reason that the nation expects the relevant ministries and departments to monitor enforcement and to bring necessary amendments to the laws and I have no doubt that our responsible Members of Parliament will be happy to cooperate.
157. I would have failed in my duty if I did not recognise the burden you Honourable MPs have carried over the duration of your term. I have no doubt that many of you will carry it even after this period. I am referring to the valuable work of sharing your little resources with your communities. I know some MPs pay school fees for no less than 10 children they are not even related to. To this I say bravo, and urge other working people to emulate this good gesture. This is an investment in the future of the country.
158. While the Government continues to provide scholarships, there is concern over the failure by recipients to repay these after completion. Graduates from the University of Swaziland owe the Government over E200 million. The Ministry is urged to articulate a clear and relevant policy on scholarships and effective measures for collecting these funds in order for Government to be able to pay for more students who wish to acquire the necessary skills to contribute to the development of this country. Issues of alleged mismanagement of the fund should be investigated.
159. Mr. Speaker, on another note, this sector continues to receive support from the Republic of China for the purchase of computers for schools, and for the Rural Electrification Programme, which is mainly focused on schools in rural communities. This initiative has greatly facilitated the expansion and erection of computer laboratories in both secondary and high schools. Provisions have also been made in this budget to address shortages of computer laboratory facilities at teacher training institutions. Though this may not be sufficient, it marks a step in the right direction in improving the quality of education for our children and Government expects to achieve more in the medium term.
160. Mr. Speaker, past budgets have focused on construction of infrastructure at the primary school level. This was in line with the strategy of increasing access to education for the rapidly growing of population. That population now needs places in secondary schools and this has necessitated a shift of focus from primary school to secondary school level. Thus, development of infrastructure is now shifting to secondary school facilities. Such expansion, Mr. Speaker, has come with heavy personnel demand that the ministry of Public Service and Information is trying to address especially through the normalisation of teachers' posts and the upgrading of posts from certificate holders to diploma level. The ministry should also include in its programme plans to build a high school for disabled.

161. Mr. Speaker, the demand for tertiary education grows from year to year. Rapid developments in technology and rapid increases in new knowledge call for Swaziland to try to keep up with the pace. I therefore urge the Ministry of Education to facilitate the drafting of the Education Policy and development of the Manpower Resource Plan that will address some of these obstacles and define the objectives of the sector regarding tertiary education and its financing.

162. Mr. Speaker, in 2003/04, an appropriation of E703.4 million has been awarded to the Ministry of Education and this constitutes about 23.7% of the total appropriated expenditure. Allocations for the Ministry for 2004/05 and 2005/06 are presently estimated at E769 million and E770 million, respectively.

7.6 Infrastructure

163. Mr. Speaker, Government continues with the implementation of a number of infrastructure development projects, much of which is focused on the roads network and dam construction. This is in recognition of the fact that roads are vital for ensuring a flourishing economy, in particular as a prerequisite for private sector investment in the country and in providing access to markets. Furthermore, dams are essential in bringing water closer to the communities for the use of the people and livestock and for irrigation.

164. Some of the major roads projects include the Ngwenya-Mbabane road Upgrading, estimated at E285 million, the Luyengo-Sicunusa Road Upgrading estimated at E163 million and the Mantambe-Lavumisa Road Upgrading which is estimated at E176 million. They also include the Mliba-Mandlangempisi-Tshaneni Road Upgrading and the Mandlangempisi-Msahweni Road Upgrading which will cost about E120 million and E116 million, respectively. Expenditures on these roads take a large portion of the budget. While these often start at low levels, however due to cost escalations Government ends up paying much more. It is for this reason that we have taken a decision to get assistance in the drawing of construction contracts in order to deal with the escalations. We will also be undertaking forensic audit on some of these roads, starting with the Ngwenya-Mbabane road. The purpose of the forensic audit is to ascertain whether Government did get value for money on this road.

165. Mr. Speaker, such huge investments must be matched by a corresponding increase in maintenance expenditure to ensure the long-term sustainability of the assets. Therefore, major works in roads infrastructure in Swaziland will centre on periodic and routine maintenance of the already existing network including the maintenance of feeder roads.

166. My ministry is also working closely with our colleagues in the Ministry of Public Works and Transport to ensure that the appropriate structures are in place for generating revenue from the use of the roads through road tolls.

167. Mr. Speaker, government will commence the implementation of the Lower Usuthu Smallholders Irrigation Project aimed at alleviating poverty in parts of the Lubombo region. Stakeholders in the project have all been sensitized to the requirements of the project and there has been increased public acceptance as a result. Populations around the reservoir areas as well as displaced people usually face adverse health and economic outcomes from the associated environmental change and social disruption, but in this case preparatory work is underway to ensure that all these issues are well addressed, especially from the lessons learnt during the implementation of the Maguga Dam.
168. In addition, the Ministry of Agriculture is implementing smaller water resource development projects. For example, in the Year 2003/04, the Government will continue with the implementation of the Earth Dam Construction Program. The Program entails the construction and rehabilitation of small earth dams in poor rainfall areas in order to improve the living conditions of the people in terms of crop and livestock production, and hence address the persistent drought situation prevailing in the country. To facilitate the construction of earth dams, we have included a sum of E14m in this budget for the purchase of heavy plant equipment. Along side this purchase will be an audit of the quantity of the present equipment, particularly with a view to ascertain whether heavy plant recently disposed of by the Land Development Section qualified for such disposal.
169. Another agricultural project of major importance in the budget is the on-going rural resettlement program, which is allowing arable land to be freed for agricultural development and is also making it easier to provide infrastructure to rural communities. A policy paper on resettlement is presently before Cabinet.
170. Mr. Speaker, the Central Transport Administration (CTA) restructuring has not been adopted yet, but I am pleased to report on the positive developments are taking place to try and address some of the anomalies. These developments include the commercialisation of petrol prices by CTA, for which an E141 million provision has been incorporated in the budget, and the commercialisation of all other facilities provided by CTA to government such as maintenance, repairs and transport hire. This will reduce significantly the CTA deficits reported over the years, although there is still a lot to be done even in improving the general administration of CTA such that it becomes a viable institution.
171. The Government is finding it very difficult to maintain houses occupied by civil servants, largely because the rents paid by them are extremely low. As a result some of the houses are becoming dilapidated. The Ministry of Public Works and Transport estimates the annual budget for maintaining these houses at about E60 million. Utility charges paid by the tenants living in institutional houses are also very low.
172. Last month, the Ministry of Public Works and Transport took the initiative to increase rents and utility charges paid by civil servants who live in these houses.

Over time, the Ministry will continue to increase the rents and utility charges so that they at least cover all the maintenance costs of these houses. Alternatively, the benefits in terms of low rents will be taxed.

7.7 Swaziland Development Bank

173. Mr. Speaker, the Swaziland Development and Savings Bank (SDSB) has managed to make a dramatic turnaround from being a big loss making institution to one that at least breaks even during 2001. For 2002 the Bank projects profits in excess of E30 million. This is the result of a combination of effective cost control, good income generation and prudent risk management.
174. Customers' deposits have increased reaching the E200 million level, and a total of 16,850 new-accounts have been opened since July, 2001. The Bank's total active loan portfolio is in excess of E160 million and is growing at a fast pace. This is an indication of regained market confidence.
175. The Bank's capital restructuring coupled with the Government's new equity funding has been normalized in line with the Central Bank of Swaziland's capital requirements. It is expected that from the profit margins realised in 2001/2001 the bank will become viable and self-sustaining and have the capacity to mobilize international funding as an entity.
176. Mr. Speaker, on debt recovery the Bank continues to recover the old non-performing debts such that in the 2002/3 financial year recoveries claimed will be about E15.7million. The rate of bad performing debts is being kept below 5% of outstanding balances from new loans given.
177. The Bank has set the stage for the operationalisation of an E80 million Empowerment Fund. Applications to date have exceeded the fund's resources. It is imperative to note that the key success factors for the Fund include the viability and sustainability of a project, good management, and high growth potential of the sector.

Other Issues

178. Mr. Speaker, UNISWA's performance contract is expected to be completed in 2003/04. During 2002/03 a provision of E24 million was awarded to finance the day-to-day administration of the institution, most particularly to enable the various faculties to deliver quality education. The university is exploring initiatives that will enable it to become increasingly self-financing and thus reduce dependence on government. Such initiatives include the consideration of establishing a Foundation Fund. This budget provides for an E83 million subvention to UNISWA.

179. Government is spending a substantial amount on defence. Since it has sizeable manpower, I urge for their increased involvement in social sector activities. We would like to see greater participation of those qualified in health issues. We also expect to see the force being self-sufficient in food production, even to the extent of being commercially viable.

180. Mr. Speaker, the Government is introducing websites for all the ministries. This Information, Communication and Technology (ICT) innovation will help in modernizing the operations of the Government and in improving its efficiency and effectiveness. I call on all the ministries to up date their websites because it is only through this that the websites can serve their purposes.

7.9 2003/04 – 2005/06 Budget Estimates

181. Mr. Speaker, developments indicate an even worse fiscal situation than that reported in the past years. There is a need to seriously review the budgetary control measures and policies to return the economy back to a sustainable path. There is a lot that government expects to achieve from the Fiscal Restructuring Project but I must point out that the project on its own will yield no results if there is no genuine commitment from government as a whole.

182. This budget ushers in a number of initiatives, some of which will be mentioned in this speech, while others will simply be announced and implemented by responsible line ministries. The budget I present has interesting features that are crucial and will lay the foundation for the next government to lead the country to the growth rates of the 1980s.

183. Mr. Speaker, there are many events taking place in Swaziland in 2003, which will require considerable budgetary resources. Together with the aforementioned demands, this has necessitated an austere budget for 2003/04. The events include the Global 2003 Smart Partnership International Dialogue to be held in August for which over 22 Heads of States and other dignitaries from the Commonwealth have been invited; the Under 17 Africa Youth Football Championship that will take place in May 2003, the coming National Elections planned for late 2003 and the double 35th anniversaries of our independence and of the King's Birthday in September, 2003; and the completion of the Constitution making process.

184. Mr. Speaker, the 2003/04 Appropriation Bill will be submitted to Parliament for authority to spend funds only for the coming fiscal year (2003/04). However, one of the basic characteristics of the Medium Term Expenditure Framework is its projection of revenue and expenditure for a number of years rather than for one year, as in the past. Therefore, in this budget, instead of presenting expenditure estimates for only 2003/04, expenditures for three years (2003/04 – 2005/06) will be presented shortly. *However, it should be emphasized that only the Appropriations for 2003/04 are to be approved for spending. The expenditure*

projections for 2004/05 and 2005/06 are only to be approved as Government's intentions for those years.

185. A Bill which requires the two additional years of estimates will be submitted to this Honourable House. It is important to note that the expenditure estimates for 2004/05 and 2005/06 for the pilot ministries and departments are not cast in stone. They will be revised in next year's budget (that is the 2004/05 budget). The following year (that is, in 2005/06), the same process will be continued.
186. It is also essential to note that the estimates for the two outer years (that is 2004/05 and 2005/06 in this year's budget) are important to the extent that they give the fiscal stance the Government intends to take.

7.9.1 Revenue

187. Mr. Speaker, total Government revenue and grants are projected at E3.94 billion in 2003/04, an increase of 16.9% over 2002/03. They are projected to increase by E404 million, which is about 10.7% in 2004/05 and by another 10.9% to E4.6 billion in 2005/06. The rapid increase in revenue from 2002/03 to 2003/04 is partly the result of projected increase in SACU revenue. The situation is only going to be maintained in the short term. In the medium to long term SACU revenue is expected to decline as a result of the impacts of trade agreements between the Republic of South Africa and the EU as well as other trade agreements. Swaziland, therefore, needs to find alternative sources of revenue.

7.9.2 Expenditure

188. Mr. Speaker, the recurrent expenditure, excluding statutory expenditure is projected to increase by 13.4% to E2.968 billion in 2003/04. It is then projected to increase to E3.0 billion in 2004/05 and to E3.26 billion in 2005/06.

7.9.3 Deficit

189. Based on the forgoing, the appropriated budget deficit is projected at E446.7 million in 2003/04 and at E464.5 million in 2004/05. Mr. Speaker, we project a surplus of E199.6 million in 2005/06. Expressed as a percentage of GDP, the deficits will be 3.54% in 2003/04 and 3.28% in 2004/05. The surplus will be 1.37% in 2005/06.
190. The decline in the deficit levels in the medium term depends critically upon the major assumptions that the fiscal reform measures under the Fiscal Restructuring Project alluded to earlier are fully implemented and that the recommendations of the consultancies under the PSMP start being implemented during the course of 2003/04. I therefore urge this Honourable House for your support in ensuring that these objectives are met to ensure macroeconomic stability of the economy.

7.9.4 CTA Charges

191. Mr. Speaker, as I mentioned earlier, fuel at CTA will now be charged at market rates and a provision of E141 million is included in the budget over and above the existing budget of E111.7 million to ensure that the implications are met per ministry. It was anticipated that this process would begin in 2002, but due to delays in implementation, it will now commence in 2003.

7.9.5 Personnel

192. The brain drain continues to be a concern to Government, and as such, the implementation of the Salaries Review Report has become a priority. The first part of the report was implemented this financial year with the award of 11.4% increase to public servants. The second and final part which involves the categorization of the Public Service is due for implementation at the beginning of the coming financial year (2003/2004). It is hoped that with this implementation, the brain drain will be stemmed for some years.
193. Mr. Speaker, running side by side with this exercise will be the review of the schemes of service for certain technical positions in government that have been adversely affected by the high staff turn-over and hence the increased allocations towards consultancies. This exercise, I believe, will go a long way to ensuring that the appropriate and necessary skills are retained within the civil service.
194. The partial implementation of the Dupuis Report, including the proposed restructuring of the Government pay structure and grading of positions, was not successfully completed in 2002. It is now planned to continue the implementation in 2003 with salary awards being paid in arrears beginning in April 2002. This will therefore imply that there will be no salary review in 2003/04 and that Government will continuously review the situation and advise on issues of inflation in the medium term.
195. Following the discovery of anomalies in the Ministry of Education, where teachers were being hired without posts, which led both to the Ministry having more teachers than were budgeted for and to the current situation where many teachers are being engaged on contract or temporary terms, a normalization exercise seeking to address the problem was conducted. My colleagues at the Ministry of Public Service and Information and Education have worked hard to resolve the situation. During the current financial year 685 posts were created aimed at absorbing the teachers without posts. This exercise has continued and is nearing completion and it is for this reason that an amount of E2.8 million has been set aside to cater for its financial implications.
196. The Government realizes that the Swaziland Public Service Pensions Fund is under-funded and could be a liability in the future. Government will therefore address the problem in the near future. A consultant was appointed in 2002 to do a

forensic audit on the fund and also to review its performance with a view to propose a solution to improve its funding level. The report is awaited for consideration by Government.

7.9.6 Other Goods and Services

197. Total estimated expenditure on other goods and services is E721.7 million. This implies an increase of about 15% from the budget of 2002. This is despite the extensive control measures that my ministry has adopted in the last few months. I therefore urge ministries to adhere to their respective ceilings and request that they continuously review their allocations to ensure that priority activities are undertaken in the medium term. This calls for stricter government control and may I indicate that my ministry will continue to issue warrants on a monthly basis with the aim of controlling expenditure patterns and that no over-expenditures will be tolerated. I therefore call for the removal of supplementary budgets in the medium term while we adjust our spending priorities accordingly.

7.9.7 Transfers

198. Mr. Speaker, transfers are estimated at E973 million, reflecting a decline on previous years. This is attributed mainly to the improved performance of a number of our parastatals such as the MVA and the SDSB and I recommend them on this performance. No transfers will be allocated towards these institutions based on their improved financial reports. One other factor contributing to the decline is the strengthening of the Lilangeni against major currencies, especially on the subscriptions to the international institutions. There has also been a centralisation of SADC activities, including the related subscriptions in the budget per activity. My ministry will continue to work towards reducing this item even further in the medium term and ensuring that the privatisation policy is in place to monitor the activities of government parastatals

8.0 CONCLUSION

199. Mr. Speaker, The Medium Term Budget I am presenting today together with the proposed reform measures in the form of bills, which I will be tabling shortly to Parliament are a true reflection of our continued efforts towards achieving prudent fiscal management of the economy and realization of the Government's development priorities.
200. I commend the budget to this Honourable House and ask for your support in seeing Swaziland through this difficult time as it is only through prudent management of the economy that we will move from the present difficult fiscal position and re-merge into a fiscal climate that will allow us to give the people of Swaziland the services that they deserve. It is therefore my sincere plea to this Honourable House that you grant my Ministry all the support required to facilitate the approval and implementation of this budget.

201. Mr. Speaker, permit me to express my profound appreciation to His Majesty King Mswati III for his sound wisdom, good counsel, love and ways of pleasantness in ruling this Kingdom. His speech from the Throne a few weeks ago strengthened among others, the assistance this budget is providing to orphans, the elderly and other vulnerable people in the country.

202. Mr. Speaker, allow me also to express my deep appreciation:

- To His excellency the Prime Minister of Swaziland, Dr Barnabas Sibusiso Dlamini, for his leadership in making this budget possible and more generally for his dedication in directing the affairs of the Government in the Kingdom, in Africa and in the world.
- To the Deputy Prime Minister Arthur Khoza for hard work in supporting the Prime Minister and providing the country with dedicated service.
- To Colleague ministers who assisted in appraising priorities and proposed allocations. Even in cases where more was needed they have shown understanding of the resource constraints.
- To All Members of Parliament and Senators who have been supportive of my work as Finance Minister. I have so much treasured their advice and support; and
- To All Parliamentary Committees that are entrusted with the heavy task of assisting my ministry and I with the responsibility of managing this economy.

203. Mr. Speaker, this budget is a product of a collective exercise and as such, I would like to recognise and appreciate the contributions of all those who worked to produce the budget. They include:

- Members of staff in the Ministries of Finance, Economic Planning and Development and Public Service and Information whose hard work resulted in the production of this budget and accompanying documents;
- All Government Ministries and Departments, which took part in the budgetary process, particularly the 12 pilot ministries and departments for making the first year of the MTEF budgetary process a success. To them I say I am most grateful;
- The Computer Section of my Ministry which provided the necessary computer support for the production of the budget figures;
- The Management and Staff of the Central Bank of Swaziland who are charged with the heavy task of maintaining discipline in our financial sector and who provided an input into this budget speech;

- The private sector, which assisted us throughout the year with advice and support;
- All people and institutions in the country and outside who contribute to economic development in Swaziland, and;
- The donor community, including all our development partners.

204. Mr. Speaker, I now beg to move that this Honourable House do resolve itself into a Committee of Supply to enable it to consider the Estimates of Revenue and Expenditure to be paid into and drawn out of the Consolidated Fund during the 2003/2004 financial year.

God bless the Kingdom of Swaziland; God bless you all.