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1. INTRODUCTION

1. Mr. Speaker, “this is the day that the Lord has made. Let us rejoice and be glad in it”. It is once again an honour and privilege for me to present the budget for the 2006/2007 financial year, as well as projections for the two subsequent years, to this Honourable House. I wish to take this opportunity to express my gratitude for the support I have received from Their Majesties, Cabinet colleagues, members of both Houses of Parliament, government officials, civil society and the entire Swazi nation.
2. I am grateful to His Majesty for the rich and well-articulated policy speech during the official opening of Parliament last week. His excellent review of the socio-economic situation of the country and the global economy could never have been better. We thank you *Wena Waphakathi*.
3. In her book entitled “The Great Controversy”, sister Ellen G White says the intention of her book is “*not to present new truths...but to bring out facts and principles which have a bearing on coming events*”. The same is true of this budget statement I present today, in the sense that it provides a review of the state of the economy and provides the necessary future interventions.
4. Mr. Speaker, the budget I present here today has been prepared under very hard economic conditions with barely a 2% GDP growth rate. This budget continues to be in line with the main priority areas for the coming financial year and in the medium term, which are: poverty alleviation, HIV/AIDS, employment creation, food security, sound macroeconomic management, robust economic growth and revenue diversification.
5. Mr. Speaker, fiscal sustainability remains key to macroeconomic sustainability and it requires strict measures in the allocation of limited resources. This implies that with the limited resources, priority has to be given to the on-going development programme and related recurrent requirements. This budget is responding to the recommendations of our cooperating partners, which is to target a fiscal deficit around 2% of GDP and ensure a balanced budget in the medium term. This has been made possible by the improved revenue situation.
6. Mr. Speaker, in 2006/07 Government will introduce a computerized commitment system that will enhance expenditure control. Government will also improve the procurement system and start reforming the public enterprises. This budget increases resources to the Health sector and Primary Education. In addition, the government is determined to make 2006/07 the first year of implementation of an overdue civil service reform that would bring down the wage bill, starting with the voluntary retirement programme. Last but not the least, the Government is stepping up efforts to decisively fight corruption by passing a new anti-corruption bill during the current sitting of Parliament, and strengthening the Anti-Corruption Commission. We believe that with these and other measures, the 2006/07 budget will prove to be a turning point in re-establishing expenditure controls and fiscal sustainability in Swaziland.

2. GLOBAL DEVELOPMENTS

7. Mr. Speaker, let me briefly highlight recent global developments that have had economic impacts on Swaziland. Some of the economically powerful countries in the world have experienced natural disasters, which have had a negative impact on the rest of the world, especially the developing countries. The vulnerability of the world economy to natural disasters can never be overemphasised. After the world was hit by the Tsunami tragedy that occurred during the festive season of 2004 causing severe infrastructure damage, loss of human life and a dent in growth prospects for the tourism sector in various Asian countries, the world was once again hit by a new wave of disasters, including hurricanes, earthquakes, and terrorism. The impact of these disasters was very severe, especially for emerging economies.
8. Mr. Speaker, economic recovery is however underway; the global economy continues to expand, albeit slower than in 2004. The services sector, whose output more than offset the slowdown in manufacturing and trade, is expected to be the major contributor to GDP growth in 2005. Expectations are that the world economy will grow by 4.3% in 2005. The slowdown in economic activity in 2005 compared to 2004, is mainly due to the catastrophic effects of the natural disasters experienced during the year and higher crude oil prices – whose adverse effects are expected to be offset, at least in part, by accommodative macroeconomic policies – with moderate tightening of economic policies expected in some major economies in 2006. Other contributing factors are benign financial market conditions, especially low long-term interest rates and increasingly solid corporate balance sheets.
9. Mr. Speaker, the United States of America (USA) and China are leading the global economic recovery, as growth momentum has remained robust. GDP growth rate in the US economy is estimated at 3.5%, underpinned by solid productivity growth in 2005 and it is projected to be the highest in the G-7. The Chinese economy grew particularly strong, recording the fastest annual GDP growth rate of 9.5 percent. Being the most populous country in the world and with no capital shortage, China has the highest rate of capital accumulation. Investment accounted for 42% of GDP in 2003 and the oblivious lending of the Chinese banks propels the trend. Exports grew by a third to approximately US\$63.8 billion in December 2004, taking up markets from other developing countries.
10. With the exception of Japan and India, growth estimates have been revised downwards in major economies– with renewed weakness in the Euro zone. The Japanese economy is estimated to have grown by 0.8% in 2005 and forecasted to accelerate to 1.9% in 2006. This is an improvement from the stagnation experienced in 2004, where growth was close to zero. The stagnation was due to low global demand for information technology (IT) products, which reduced export volumes and private sector investment growth, while domestic consumption and investment spending also declined.

11. Mr. Speaker, in the commodity markets, the prices of yellow metals and certain agricultural products increased considerably in 2004 due to the strong world demand and inadequate supply, which consequently pushed inflation upwards. The dynamics of these markets have changed dramatically with the rise of emerging market powers in Asia, especially China and India.
12. The robust growth in global economic activity boosted demand for energy. Crude oil prices more than doubled from the beginning of 2004 to record high levels that approached US\$70 per barrel in nominal terms towards end of August 2005. The Organisation of Petroleum Exporting Countries (OPEC) raised its official output quotas on several occasions since mid-2004 in order to meet the increased global demand for crude oil.

3. REGIONAL DEVELOPMENTS

13. Mr. Speaker, in 2005, Africa achieved one of the highest economic growth rates in the past decade, with real GDP estimated to have increased by 4.5 percent. The growth was underpinned by the high commodity prices, the global economic recovery, increased oil production and better agricultural output. Monetary and fiscal policies have been relatively tight in recent years, with most countries maintaining single or low double-digit rates of inflation. In the external sector, the continent achieved a current account surplus of 1.2 percent of GDP in 2004, following deficits in three consecutive years.
14. In Sub-Saharan Africa, GDP growth rate is estimated to moderate to 4.8% in 2005. Most of the realised growth is attributed to the outstanding performance of the oil exporting countries such as Angola, the Democratic Republic of Congo and Nigeria, while it was dampened by the unresolved conflicts especially in countries like Zimbabwe. Regrettably, the region is characterised by high HIV/AIDS prevalence, high poverty rates, drought and conflict. Growth is minimal such that it remains a serious challenge to the desire to halve the poverty rate by 2015 as advocated for by Millennium Development Goals.
15. Mr. Speaker, the 10 years of structural reforms for the South African economy that accounts for 50 percent of the regional GDP has brought a lot of stability in the region. Developments in South Africa have translated into an accelerated growth of real GDP in recent years, primarily driven by strong exports of manufactured goods, metals and minerals, and a relatively strong world demand, despite the adverse impact of the strong Rand on exports.

4. INTERNATIONAL TRADE

16. Mr. Speaker, on the world trade arena, there have been some positive developments since the collapse of the Ministerial trade talks in Cancun in September 2003. The Doha development agenda was launched in December 2001, with a target of concluding negotiations set for 2006. Last year's Hong Kong Ministerial meeting provided the much-needed impetus for the concluding sessions. Prior to this, the WTO General Council reached a consensus to continue with the Doha Development Agenda, setting forth a framework for the multilateral trade negotiations released as the "July Package" in July 2004.
17. The framework for the negotiations is on the future reform of global agricultural trade, market access, tariff cuts and the reduction or elimination of non-tariff barriers, liberalisation of services and trade facilitation. The G20 developing countries' main interests are better market access, diminishing distortions in domestic support and eliminating export subsidies.
18. Mr. Speaker, the Hong Kong meeting made some progress on a number of fronts, though the most difficult decisions are yet to be taken regarding the programme of phasing out subsidies, the size of tariff cuts, and number and treatment of products sheltered from deep cuts. There was an agreement to abolish agricultural export subsidies by the end of 2013, with a substantial part to be scrapped before 2011. Concerning domestic farm support, WTO members with the highest trade-distorting subsidies will cut the most, with the EU making the biggest reductions, and then USA and Japan in the second category.
19. Mr. Speaker, for agricultural tariffs, it has been decided that there will be bigger cuts in higher tariffs according to a four-tiered formula, and that the four tiers will be different for rich and poor countries. There is a mechanism for poor countries to raise duties to counter import surges. There will however be smaller reductions for a limited number of developed countries "sensitive products", and exemption from cuts for designated developing country "special products". The negotiation on the number and treatment of these sensitive and special products will crowd the trade negotiators tables between now and April 2006.
20. There have also been movements in tariff cutting on industrial goods, with higher reductions for developed countries. Specific agreements for developing countries are that duty-free quota-free access will be extended to 97% of product tariff lines from least developed countries by 2008, except for certain exclusions such as textile imports into the USA.
21. Mr. Speaker, the Hong Kong Ministerial meeting set a deadline of April 30th 2006 for agreeing on an interim trade deal. This paves the way for completing the Doha trade round by the end of 2006.

22. Mr. Speaker, with the changing economic trends taking place both regionally and globally, trade continues to undergo a transformation phase towards being more liberalised, both in terms of tariff restrictions and boundaries. This transformation has hit hard on the economy, causing a few companies to close down, resulting in job losses and lay offs.
23. Mr. Speaker, the expiry of the multi-fibre agreement in the textile sector, proposed sugar sale regime, low inflation rate and the firming up of the Rand are some of the major changes that directly affect Swaziland. The removal of the multi-fibre agreement in the textile and garment sector and its replacement with the agreement on textile and clothing, has opened the floodgates in the market for textile and garment industry to dominate the western markets at the expense of smaller economies like Swaziland. Subsequently, local companies have embarked on a massive restructuring exercise by way of lay offs, retrenchments and even closures.
24. As the trade arrangement for preferential markets and prices under the Cotonou agreements takes a new form, the sugar industry has been forced to undergo massive operational restructuring to remain competitive at the beginning of the year 2008. As the Rand continued to gain strength and inflation remained low, more tension was created in the industrial relations climate. Exporting companies faced much strain which saw most of them embarking on drastic cost cutting measures and no salary increases.
25. Mr. Speaker, SACU continues to pursue an aggressive bilateral trade negotiations agenda. During the financial year, SACU concluded negotiations on framework agreements with MERCOSUR and European Free Trade Association (EFTA). Negotiations with the United States of America are expected to be concluded by the end of 2006 while negotiations are to be initiated with China and India. All these developments are indications of the commitment by SACU countries to use trade as the main driving force for growth and development.

5. DOMESTIC DEVELOPMENTS

5.1 Poverty alleviation

26. Mr. Speaker, poverty remains one of the major challenges facing the Kingdom of Swaziland, as 69% of the population is living under the poverty line of E128.00 per month. Poverty reduction programmes therefore remain priority in government's planning and budget allocation. In order to facilitate pro-poor planning, government through the Ministry of Economic Planning and Development, has developed the draft Poverty Reduction Strategy and Action Plan (PRSAP), which will be the country's development framework for poverty reduction. The PRSAP will guide government and all stakeholders on the programmes and projects to be implemented in order to effectively reduce poverty by half by 2015, in line with the Millennium Development Goals (MDGs) and eradicate it by 2022.

27. Mr. Speaker, the extent of poverty in the country, especially in the rural areas, cannot be overemphasised. This has seriously affected people's ability to access basic necessities such as health care and education. Government sees education as a catalyst that can help in breaking the poverty cycle for future generations. To assist needy children, a bursary scheme for orphans was established by His Majesty and has been running for the past two years. It caters for children in primary and high schools. In his address to the nation last week, His Majesty the King repeated his message on this matter. He urged "all communities to make it their responsibility to ensure that all children of school going age go to school".
28. It is a pity that on the ground, we still find many children deprived of education due to misunderstandings between the Ministry of Education and the head teachers. I wish to urge the two to sort this out and Parliament to intervene where necessary. The government is also currently phasing in universal primary education. This is consistent with the pronouncement contained in the country's constitution to have universal primary education within the next three years.
29. Mr. Speaker, in partnership with United Nations (UN) Agencies, Non-Governmental Organisations (NGOs), and Community Based Organisations (CBOs), interventions are being made by government to address acute malnutrition, particularly among children, by supporting school feeding programmes which aim to provide at least one meal a day to 36,000 children in communities most affected by the drought. This also includes support to Neighbourhood Care Point schemes (NCPs) where OVCs can be fed and looked after during the day and during school holidays. Some of the NCPs also provide elementary education. In appreciation of the contribution by these organisations, government continues to support their efforts by granting tax exemption to NGOs that buy clothes, vehicles, food and other items intended to assist the poor.
30. Mr. Speaker, despite the good rains that the country has experienced recently, Government is aware that some parts of the country remain dry and the effects of the long period of drought will not instantly be eradicated. Therefore an allocation of E30 million has been maintained for the Disaster Relief Fund for the provision of food aid and clean water to communities in the drought stricken areas, including schools and health facilities.
31. To improve on water and sanitation, the Ministry of Natural Resources and Energy has embarked on a number of rural water projects to provide drought stricken regions with portable water. The Micro-projects programme under the Ministry of Economic Planning and Development also plays an important role in this area, by helping communities establish water schemes. Mr. Speaker, I would also like to express gratitude to the Swaziland Water Services Corporation for their effort in complementing government's effort by providing clean water to rural communities in the drought stricken areas, free of charge. This budget makes a provision of E30 million to cater for water supply in rural areas.

5.2 HIV/AIDS

32. Mr. Speaker, Swaziland continues to face an increasing challenge in the medium to long term in sustaining past progress towards meeting the health needs of its population. This is partly due to the threat posed by the HIV/AIDS pandemic, which is now a major obstacle to economic and social progress. Recent statistics suggest that Swaziland has one of the highest rates of HIV/AIDS infection in the region. In March 2004, the United Nations declared the Kingdom of Swaziland the priority country for HIV/AIDS intervention. The 2004 Ante Natal Care (ANC) Sentinel Surveillance report noted that the HIV prevalence rate is still on the increase. Forty-two point six (42.6) percent of the ANC attendees were HIV positive, indicating a 4% increase from the last 2002 surveillance report. Although HIV prevalence rate has generally increased overall, the 2004 report showed stagnation of the epidemic in ages 15- 19 and 40 years and above. The youth between the age groups 20- 24 and 25- 29 are still experiencing an increase in HIV prevalence.
33. Mr. Speaker, the UNAIDS 2004 report on the global AIDS epidemic estimates that the number of deaths per year in Swaziland has increased to 17,000 and Life expectancy has dropped from 56 years in 1986 to 35 years in 2003. The total population of Swaziland is expected to increase to 1.58 million by 2015, which will be 41% below what would be the expected number in the absence of AIDS. The impact of HIV on children is overwhelming. It is estimated that there are currently over 80,000 orphans and this number is projected to rise to 120, 000 by 2010 and government is still grappling with the question as to who will take care of these children.
34. Mr. Speaker, the 2001 European Union study estimated that between 20 to 30% of school age children had dropped out of school for financial reasons and largely as a result of the impact of HIV and AIDS. NERCHA in collaboration with the Ministry of Education, UNICEF and with technical support from the World Bank agreed on the Conditional School Grant Plan, which has resulted in over 70,000 children being supported and readmitted to school.
35. Mr. Speaker, *siyati kutsi budvodza abukhulelwa* but it is really saddening to see a situation where children are now heading households. It is unfortunate that the HIV/AIDS prevalence rate results in an increase in such cases. The work of the Non-Governmental Organisations (NGOs) and Community Based Organisations (CBOs) in assisting children in this situation is highly commendable. With the assistance of the Global Fund, NERCHA has managed to support a total of 296 primary schools with school feeding programmes. Eleven thousand five hundred and seventy nine (11 579) children were supported with school fees and 3,083 child-headed households were assisted by planting fields allocated by the chiefs through the *Indlunkhulu* programme.
36. There are currently 277 *KaGogo* Centres that have been built in various chiefdoms. These are structures constructed in the chiefs' kraals as central places where food and other support services are provided to orphans and

vulnerable children. AMICAALL has 9 centres completed in the urban areas. Legal Education and Services and child protection services are also provided to communities in a bid to, *inter alia*, curb the increasing incidents of child abuse, including sexual abuse.

37. Mr. Speaker, in response to these challenges, government has seen it fit to increase the budget allocation to NERCHA by E5 million to E30 million for the implementation of the new national strategic plan. NERCHA will continue to facilitate finalization of critical policies which are complementary in the fight against the pandemic, such as the National Multi-Sectoral HIV and AIDS Policy, National Policy on Children, including OVCs, Gender Policy and Land Policy, to name a few.
38. Mr. Speaker, government remains committed to addressing the plight of those who are already infected with HIV. A budget of E29 million has been allocated for the Antiretroviral drugs (ARVs) rollout programme. More than 13, 000 patients are already on free Antiretroviral Therapy and this is meeting the WHO 3 X 5 strategy. The plan is to ensure that more people have access to the ARVs by extending availability to all health facilities in the country, including the rural areas. I wish to urge all people to test for HIV and utilise the drugs as prescribed. Changing sexual behaviour is the only solution to this problem. It only requires one to consider that “*Ngoba likusasa ngelami. Stop AIDS and keep the promise*”. No matter how much money government and the NGOs can put in addressing the problem, as long as we do not change sexual behaviour, *sitawuphela*.
39. Mr. Speaker, over the past years, there has been a lot of activity and resources committed in trying to address the problem of the HIV/AIDS pandemic. It became necessary for us to look back and evaluate if the effort has had any positive impact in addressing the problem at hand; and I am grateful to the World Bank for providing us with a grant for this important exercise. I had the privilege of launching the Swaziland HIV/AIDS Programme Monitoring System (SHAPMOS) and I hope it will help us improve effectiveness in the future.

5.3 Employment creation

40. Mr. Speaker, Swaziland faces a serious problem of unemployment, whereby about a third of the labour force is unemployed, particularly the youth. Since the dawn of the new millennium, the labour force has been growing at a rate of 5.2% per annum whilst total paid formal employment increased by an average of 1.03% per annum. Statistics indicate that the public sector has been growing at a rate of 1.65% per annum on average since 1997 compared to a rate of 0.4% for the private sector. The private sector needs to do better.
41. Although new jobs have been created in the textile and clothing industry (under AGOA) and in the sugar and transport sectors, this growth is still too minimal to tackle the existing problem, particularly following the closure of some of the firms in the textile industry. I wish to commend the efforts by the Ministry of Enterprise and Employment and the Swaziland Investment

Promotion Authority (SIPA) in finding investors. Many potential jobs have been promised in the past; let us see them in 2006.

42. Mr. Speaker, it is estimated that of the over 10,000 school-leavers that join the job market every year seeking employment, only about 2,000 are absorbed into the formal job market. There is, therefore, need to expand the measures of dealing with the mismatch in demand and supply in the labour market. This will involve promoting small and medium scale enterprises (SME) in promising sectors, encouraging locally manufactured products, promoting vocational training and improving business conditions in the informal sector, community level enterprises and cooperative banks. There is need to boost confidence and to retain them in the country through good corporate governance and efficient procurement methods.
43. Mr. Speaker, during the course of the year we have seen the manufacturing sector, which includes the textile industry, forestry and the sugar industry, shedding over 10,000 employees. The main factor behind this move has been the strong exchange rate, which eroded the competitiveness of the export-oriented industries, together with the coming to an end of preferential markets, especially for our sugar exports. The sugar price cut is most likely to have far reaching implications beyond the sugar industry. The sugar industry has been directly and indirectly supporting a bulk of the social services in communities surrounding the sugar estates that are likely to be the first victims of the price cuts. This development will also have an impact on other sectors of the economy, which include the service industry and the towns supporting the sugar estates, which also provide employment to a large number of Swazis. Mr. Speaker, we are all witnesses of how similar developments have affected industrial towns such as Bulembu and Sidvokodvo.
44. Mr Speaker, His Majesty the King seeing the prevailing bleak situation, became the catalyst to the establishment of the E1.6 billion fund last year to provide capital for aspiring and established Swazi entrepreneurs, which will also contribute to job creation and thus alleviating poverty in the country. Work will continue through the recently established Maswati Foundation where government has injected E30 million, as recently announced by His Majesty.

5.4 Agriculture sector

45. Mr. Speaker, agriculture, by virtue of being a multifunctional sector, is viewed as the major tool that Government could utilise as the main driver in implementing national strategies towards addressing poverty, food insecurity, unemployment and economic growth. Despite the somewhat disappointing performance recorded by the agricultural sector in recent years, which is largely attributed to drought, the sector still continues to serve a critical and indispensable role in contributing to food security, rural development and employment, landscape and environmental preservation and in generating economic activity, both directly and through linkages with other sectors of the economy.

46. There is an emerging consensus that economic growth is essential for sustainable poverty reduction, provided that socially acceptable resource redistribution mechanisms are put in place to combat poverty. As long as large numbers of people remain hungry, the quest for economic growth will remain elusive. In Swaziland, agricultural growth has a stronger positive impact on poverty and hunger reduction in both rural and urban areas than growth in other sectors, simply because of its strong multiplier effects.
47. Mr. Speaker, agricultural activities have been highly skewed towards the production of the three major products –the growing of sugarcane, maize and the cattle-based production of milk, meat and hides. Specialisation in the agricultural sector has increased in recent years with the decline in citrus production, the near collapse of cotton production and the planting of more land to sugarcane.
48. In an effort to revive the cotton industry, government through the Ministry of Agriculture and Cooperatives, is now finalizing a cotton strategic plan. This will, among other things, facilitate the development of core irrigated farms so that cotton production increases from the current 3,000 tons to 9,000 tons by 2007 and 15,000 tons by 2009. The strategy aims at retaining and sustaining the cotton ginnery at Big Bend through production of commercial volumes of cottonseed. In support of these plans, government will continue with the E1 million annual subvention to the Cotton Board for a total of six years.
49. Mr. Speaker, the EU has been paying the highest price among all the market segments for Swazi sugar. In the wake of the reform of the EU Sugar Regime, the price receivable for Swazi sugar will fall by a cumulative 36% over four years, starting in 2006/07. The sugar industry is pursuing various measures to minimize the adverse impact of this price reduction. At the same time, the Sugar Levy (which is linked to the EU Sugar Protocol sales) will decline. Swaziland has been selling 30,000 tons per annum to the EU under the Special Preferential Agreement which expires in June 2006. If this agreement is not renewed (and there are no indications that it will be renewed), then this tonnage will be sold in the lower-priced world market, unless better-paying markets are secured.
50. Mr. Speaker, with the low world prices of sugar, losses by sugar cane producers and enterprises in the sugar industry are inevitable. There is therefore need for government to develop an effective strategy to counteract the effect of the reduction of prices. This will entail looking at options such as producing refined sugar, developing capacity of both the sugar cane producers and the millers as well as considering diversifying to other high value crops. A strategy is being developed on how best to address the losses. In addition to this, government has to secure market access to the European Union. The Swaziland Sugar Association which is responsible for marketing Swazi sugar has to enhance its effort in finding better paying markets if the sector is to survive.

51. The Government agenda for the agriculture sector includes the diversification of the agricultural base to address the food insecurity situation by diversifying into new areas of intervention such as mushrooms, goat production and promotion of the dairy and piggery industries. Government is also focusing on the promotion of drought resistant varieties of maize, and other drought resistant crops such as sorghum, cassava, sweet potatoes, indigenous legumes, groundnuts and other traditional crops. Mr. Speaker, in this regard, a Comprehensive Agricultural Sector Policy (CASP) has been prepared for Swaziland under the joint FAO/UNDP funded project. I can only urge that this is accelerated to counteract the negative effects from the fall in sugar prices.
52. Mr. Speaker, a major threat to the plans mentioned above is the invasion by alien plant species *Chromolaena odorata* locally known as *sandanezwe*, that threatens the rangelands and commercial forestry as well as reduction of biodiversity. The invasion of Sandanezwe is so severe that it has encroached into arable land and residential settlements in rural, peri-urban and urban areas and government has found it fit to declare it a national disaster.
53. It is estimated that more than 50% of the country will be affected in the near future unless very drastic measures are taken to curb the spread. It is very important for the country to act quickly, as the task of controlling it will be extremely difficult and expensive in the future. To show commitment, government has initiated an awareness campaign to educate the public and to empower itself with the necessary knowledge and expertise on the control methods, based on limited local financial resources. A comprehensive action plan has been drawn in collaboration with all stakeholders and communities. This budget makes a provision of E8 million towards eradication of these destructive plants. However, government cannot win this battle alone, hence we urge the Swazi Nation, including the private sector as well as the international community to join hands with us in the fight against the invasion of alien plants in the country.
54. Mr. Speaker, following the temporary suspension of the local beef export to the EU, Government is working around the clock to reinstate the Livestock Identification Programme that has a crucial role to play in winning back the lucrative EU beef market in 2006/07. Through the National Livestock Identification project, an amount of E1.8 million has been provided in the budget to address this problem. We urge Swazis to cooperate with government in implementing the programme. I also wish to urge the Ministry of Agriculture and Cooperatives to consider resuming discussions and consultations on payment for dipping chemicals. In view of government resource constraints and the apparent ineffective use of dipping chemicals, there is need for all concerned to take another look at this in the medium term.

5.5 Food security

55. Mr. Speaker, food security is a multi-faceted concept that refers to the situation that exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their

dietary needs and food preferences for an active and healthy life. To guarantee food security for the country's rapidly growing population requires that the agriculture sector continues to increase its output by increasing productivity and expanding the land area under cultivation.

56. There is therefore need to:
 - i. Increase production and productivity of both small and large scale farmers to provide more food and cash crops together with increased livestock production;
 - ii. Develop and transfer appropriate and affordable productivity increasing technology;
 - iii. Develop improved transport, processing and marketing infrastructure to better service local and export markets;
 - iv. Arrest and reverse environmental degradation to ensure sustainable agricultural systems; and
 - v. Adopt economic policies that will generate the resources required to enable the agricultural sector to meet the above challenges.

57. Mr. Speaker, other factors apart from rainfall, which have detrimentally affected agricultural production, include the response by farmers to economic incentives, producing more when prices of inputs are low and prices of harvested crops are high and less when proceeds are not so favourable. Production levels have also been affected by factors such as epidemics including HIV/AIDS among able-bodied adults, which are having profound effects in some parts of the country.

58. The other side of the food security equation is income generation. Given that the drought means low or no rainfall in the country, the Government, through the Ministry of Agriculture and Cooperatives, has embarked on a programme to encourage crop diversification, particularly the production of drought tolerant as well as non-traditional agricultural crops, taking into account the issue of agro-ecological suitability.

59. Mr. Speaker, access to adequate water sources continues to be the biggest impediment, not only to household hygiene and sanitation but also to agricultural development. Government continues to invest in the construction of earth dams, concentrating mainly on the drought stricken areas. These earth dams have catered for humanitarian needs of the communities, over and above small-scale agricultural projects. It is against this background that Government is currently in the process of developing a programme of having these dams spread even to high rainfall areas where intensive agriculture will be practiced with the aim of increasing local production. A budget of E2.6 million has been provided for this programme through the Earth Dam Construction project.

6 FOUNDATION FOR ECONOMIC GROWTH

6.1 Investment climate

60. Mr. Speaker, Swaziland as a small economy is vulnerable to shocks, which can agitate the investment climate, and these may be caused by both external and internal factors. Maintenance of a conducive environment for investment clearly remains one of the fundamental vehicles to sustainable economic success. Currently Swaziland has a competitive potential in this area in terms of provision of a harmonious industrial relations climate, good governance and infrastructure improvements which attract and retain investors. While a lot of resources have been expended to attract foreign investors, I wish to urge the relevant ministry to seriously consider incentives for businesses that have shown loyalty and confidence by having been in the country for many years. Even more incentives are needed by local and indigenous investors who we know will not fly by night as Swaziland is their only home.

6.2 Security

61. Mr. Speaker, Government continues with its efforts to ensure that maximum security is provided at all levels of society for economic, social, cultural and environmental development in the country. The budget continues to strengthen the security forces in terms of establishment and the necessary resources to facilitate their work. We note even then that there is still need for more resources to improve on the police-to-person ratio. We need more resources to improve housing for our security forces.
62. Like any other group of civil servants, it is extremely difficult for the security forces to perform to the satisfaction of the law-abiding citizens and visitors while living in an environment that is not conducive. Government therefore continues with the policy of providing housing to improve their living conditions, which I believe has a significant bearing on their morale. At this juncture, I wish to thank all the country's security forces for the good job they do even under these difficult circumstances. I wish to encourage all citizens of this lovely and dynamic country to cooperate with the forces as they fight crime and maintain peace.

6.3 Industrial Relations Climate

63. Mr. Speaker, in an effort to ensure that the country keeps pace with the changing environment, the Industrial Relations Act was amended in 2005 so that the system and structures of resolving disputes are greatly harmonized, made to be more efficient and are more aligned to regional norms and operations. From this development we have seen great improvement in the flow of cases at CMAC, which has significantly reduced the turn around time for resolution of reported cases.
64. Adherence to judgments by the parties involved has been noted and as such there has been less legal strike action recorded in the course of this year than in the previous two years. This shows great adjustments that workers and

employers made to meet the demands and gains dictated by the economy. I wish to urge both employers and employees to ensure that the harmonious industrial relations are maintained for us to be able to attract and retain investors.

6.4 Small and Medium Enterprise (SME) development

65. Mr. Speaker, empirical evidence has shown that Small and Medium Enterprises are at the core of sound national economic development policies. Parallel to that observation, is the fact that entrepreneurship can only prosper where there is an enabling environment and in particular, access to credit and business development services. Government has in recent times paid particular attention to the revitalization of the SME sector in Swaziland.
66. The biggest challenge facing the SME sector is lack of capacity and market research constraints. In order to address this problem, part of the E50 million pledged by government during the Job Creation Summit was earmarked for capacity building within the SMEs in order for them to engage successfully in commercial activities. There is need to review the first phase of this exercise in order to ascertain if it has had any impact in terms of the establishment of new businesses and creation of jobs, before proceeding to the next phase and in this regard I seek the involvement of the local financial institutions. Once again we want to thank the service providers for the work done, and remind participants that the training was for starting and managing a business. It was not exclusively for training people to borrow money. I hope the outcome of this exercise will be felt and seen even in the way we conduct our daily lives. One has to acknowledge that not all went well during the capacity building exercise. The cabinet sub-committee has resolved that a detailed report of this exercise be prepared before continuing with further training. All this is being done in the interest of accountability and transparency.
67. Mr. Speaker, I wish to thank all the financial institutions that pledged funds towards the Job Creation Fund during the Summit held last year and I wish to allay fears that the money pledged is not there. These pledges are real and loans are available from any of the financial institutions to those who meet the requirements. To confirm that, feedback received from major SME financing organizations suggests that more Swazis are taking keen interest in starting their own businesses. One such organization is the Swaziland Development Finance Corporation, commonly known as FINCORP, which has reported phenomenal growth in the requests for financial services by SMEs.
68. FINCORP has to date lent out more than E30 Million since the launch of the Fund in September 2005 and will disburse more than half of the E200 million earmarked for SMEs by March 2007. I have been assured by the organization that they are seriously looking at ways and means of decentralizing their operations by opening regional offices in order to be closer to the target group, the rural folks.

6.5 Tourism development

69. Mr. Speaker, Swaziland continues to feature in prime international tourism source markets through aggressive marketing campaigns undertaken through fairs and exhibitions. Regional fairs and road shows were undertaken in South Africa and Mozambique. South Africa continues to be number one in our regional tourism market. Another important development for Swaziland was the launching of the Swaziland Tourism Brand, “**Kingdom of Swaziland, A Royal Experience.**” This brand elevates Swaziland tourism to another level and gives it a strong identity, which makes it distinctive and stand out from our competitors.
70. Mr. Speaker, His Majesty’s Government believes sustainable development should allow participation of the communities. In line with this policy, government is promoting community tourism development, where communities stand to benefit from the developments taking place around them.
71. On the other hand, the Swaziland Tourism Authority has recently completed a study in which it is considering adopting a clear revenue collection mechanism for the financial sustainability of the organization. The study has identified the introduction of a tourism levy as one possible source of revenue and this levy is planned to be commenced in 2006/07.

7 INFRASTRUCTURE DEVELOPMENT

72. Mr. Speaker, adequate and reliable physical infrastructure is necessary to attract investment. It is necessary to ensure a free flow of people, goods, services, and information within the economy. The budget continues to finance the construction of roads in different parts of the country. These are the Mbabane bypass and the Mliba-Mandlangampisi-Tjaneni-Msahweni road. Other infrastructure works include the Urban Development Programme (UDP), LUSIP, Maguga-downstream development, hospitals and the Millennium project.
73. Government will continue with the programme of construction of feeder roads aimed at improving market access for the rural folks. This programme also provides job opportunities to the community members as it uses manual labour for the construction.
74. Mr. Speaker, progress has been made on the Millennium project and a number of projects have been completed. These include the construction of factory shells and the Mavuso Exhibition and Trade Centre, which is already operating. The government has approved the concept design for the International Convention Centre. Construction of the convention centre will commence next financial year and the resettlement programme at Sikhuphe will continue as planned.
75. The Micro-Projects Programme has continued to be a flagship of success in spearheading government’s programmes focused on rural development, with

special emphasis on self-help infrastructure development. Micro-projects is continuing with the support on provision of clean water supply systems, construction of dip tanks and small bridges, including foot bridges. The delivery of these community projects in partnership with beneficiaries will continue with the annual E5 million counterpart funding from Government. The programme will further establish linkages with local NGOs which will be allocated E5 million from the European Union to be channelled towards community infrastructure projects. Under the Japanese Grants, a E5 million allocation will assist the Programme to undertake activities, which will improve the standard of living and social welfare of orphans and vulnerable children. Additionally, a E2 million allocation from Kellogg Foundation will be injected towards the delivery of capacity building programmes in poor communities. Under the same fund, the Marula Project will continue to improve the standard of living of women providing raw material for Marula products.

76. Mr Speaker, the Komati Downstream Development Project (KDDP) continues to make significant strides in improving the livelihoods of people through irrigated agriculture. Other enterprises being pursued under the project include dairy, beef, and poultry production, forming part of the diversification strategy and improvement of food security at household level. May I state that Government is also supporting the development with construction of bridges and road links to reduce farmers' transportation costs and to improve general access for the communities. Provision of clean water supply is yet another important component of the project. To date over 500 homesteads are connected to clean water supply and sanitation, with a target of reaching over 2,000 homesteads by project completion.
77. Mr. Speaker, major advances have been made in the implementation of the Lower Usuthu Smallholder Irrigation Project (LUSIP). In November 2005, the first major contract for the construction of the dams was awarded. During the coming year, the first resettlement of homesteads to give way to the project will take place while the tempo of construction will increase.
78. Mr. Speaker, the rural electrification programme continues and a provision of E3.1 million has been made in this budget. I would like to urge communities and SMEs to take advantage of this programme and engage in income generating activities.

8 MONETARY DEVELOPMENTS, INFLATION AND INTEREST RATES

79. Mr. Speaker, domestic monetary conditions remained broadly stable and accommodative during the year 2005. These conditions prevailed amidst the threats of high inflationary pressures stemming from the escalation of energy prices which rocked the global economy, reaching record highs in August 2005, but moderated somewhat towards the end of the year due to build-up of oil inventories. Arguably, the anticipated effect of high-energy prices on inflation expectations seems to have been largely contained and lower than expected. Notably, the stability exhibited by the rand/lilangeni exchange rate

against other major trading currencies during the year had a positive impact on inflation outcome. As a result, domestic inflation recorded an annual average of around 4.8 percent in 2005 with the highest inflation rate recorded at 6.3 percent in October and December 2005. This rate is higher than the average inflation rate recorded in the year 2004.

80. Consequent to the somewhat favourable inflation environment, notably in the first two quarters of 2005, the Central Bank of Swaziland reduced its policy rate (discount rate) by 50 basis points in April 2005 to 7 percent and that rate has been maintained throughout 2005 to January 2006. The commercial banks followed, reducing their benchmark (prime-lending) rate by the same margin to 10.5 percent. However, the remuneration (deposit) rates remained relatively low and thus became negative in real terms for small savers on average. Currently, the 31-days and 12-months deposits rates are at 3.41 percent and 3.46 percent, respectively. Despite these developments, the inflation outlook remains uncertain partly due to developments surrounding commodity prices, particularly a possible rise of oil prices.
81. Subsequent to the escalation of government expenditure which has persistently overshadowed revenue inflows, the country's net foreign asset position depicted a year-on-year decline of 7.6 percent to E1,792.5 million at the end of December 2005. At this level, the import cover of the assets was at 1.9 months, which is critically lower than the internationally acceptable minimum threshold of 3 months. The net official reserves amounted to E1,442.6 million in December 2005, down slightly by 0.4 percent from the previous year. This downward trend persisted amidst the stability of the rand/lilangeni exchange rate. This budget addresses the foreign reserve problem by injecting E400m into the reserves. Combined with tight expenditure management control this injection should see the country's reserves improving towards the internationally accepted levels soon.
82. Mr. Speaker, developments in the money market remained somewhat mixed. Activity in the market continued to be driven by the weekly auction of government treasury bills (91-days). Although there is increasing demand for treasury bills, the challenging factor has been the pricing mechanism, which has not been attractive in some periods as a consequence of the low interest rate environment. As a result, occasionally, some bids were rejected.
83. Mr. Speaker, from a supervisory perspective, all banks in Swaziland including the Swaziland Building Society complied with set minimum prudential standards in as far as capital adequacy, cash reserve management and liquidity requirements are concerned. During the year, we saw a change in executive positions of two commercial banks, i.e. First National Bank and Standard Bank and in the general composition of the Board of Directors. An assessment of Board oversight had suggested that Boards of Directors for the banking institutions are effectively executing their fiduciary responsibilities and uphold the basic principles of corporate governance.

84. Mr. Speaker, allow me to briefly comment on our own bank, the Swazi Bank. The people's bank is truly living to its slogan "Like never before". It has made a profit of not less than E30 million for the year ended 31st March 2005 and a further good performance is expected for the year ending 31st March 2006. With a total investment of more than E15 million, the Swazi Bank has introduced Automatic Teller Machines (ATMs), which enable the public access '*nomanini*' in all the branches around the country. The bank has managed to increase the customer base to about 100 000 customer accounts as at 31st December 2005 from a base of 20 000 in the year 2000. The bank has also seen several major corporations coming to do business with it. While this gives us confidence in the future of the bank, I wish to caution the bank not to settle into a comfort zone but continue to actively seek ways to minimise costs and increase income.
85. Swazi Bank has continued to address the problem of non-performing loans. In the past year alone, an amount of E12 million has been recovered from customers who were no longer paying the bank. I encourage the bank to continue with the good work in seeking out and engaging other customers who are no longer paying the bank to discuss new arrangements.
86. As the bank continues to perform well we are aware as government that sooner or later we may have to consider finding strategic partners to further enhance its performance. However there is need to continue improving the development component of the bank in the medium term.

9 DEFICIT FINANCING

9.3 Public debt

87. Mr. Speaker, public total debt stock as at 31st September, 2005 stood at E3.52 billion compared to E4.1 billion as at the end of 31st December, 2004. This is as a result of the appreciation of the Rand/Lilangeni against the major currencies in which our debt is denominated and also from outstanding balances in debt service in the course of the year. Total debt stock stands at 22.9% of GDP, which is relatively low compared to other African countries. Government has not contracted new debt in the last year in an effort to contain the debt within sustainable levels. However, there are new activities envisaged in 2006/07 at an amount of E200 million for the installation of roads tolls and Health II project, to mention a few. This is likely to increase public debt stock to 24.4% of GDP but still below the critical ratio of 50%.
88. Mr. Speaker, total debt service amounted to E99.1 million for the quarter ending December 2005. This indicates an increase of E5.3 million from last year. This is a result of an increase in disbursements for the on-going projects.

10 BUDGET PERFORMANCE IN 2004/2005 AND 2005/2006

10.1 Financial Year 2004/2005

89. Mr. Speaker, the outturn for 2004/05 indicates a budget deficit of E778 million, which translates into 4.5% of GDP. Revenue collection was below budget by an estimated E200 million. This has been mainly as a result of the low economic activity and the continued closure of companies. CTA charges, professional services, travel and communications continued to be problematic, hence the need for supplementary budgets.

10.1.1 Revenue performance

90. Mr. Speaker, the revenue outturn for 2004/5 was E4, 723 million compared to the original budget of E4, 832 million. SACU receipt remained the main source of revenue with a contribution of 54% of total revenue. Company taxes contributed 22%, while sales tax contributed 11% of total revenue. The remaining 13% was collected from other revenue items, including licence fees, fuel tax, sugar export levy and other taxes.
91. Sales tax collected was 8% lower than the original budget, a reflection of a decline in imports into Swaziland. Collection from licenses and other taxes and on fuel tax was also lower than budgeted for, due to lower business activity in the country and decline in volumes consumed as a result of price increases in crude oil.

10.1.2 Recurrent Expenditure Performance

92. Mr. Speaker, the actual outturn on goods and services (including CTA deficit) was E1, 373 million compared to appropriated budget of E 920 million. The wage bill stood at E1.963 billion, which was about 47% of total recurrent expenditure. Based on international standards, this ratio is considered too high for the Swaziland economy and is unsustainable. The outturn on transfers was E742 million, which reflects a 26% increase due to an increase in non-pension related internal transfers.

10.1.3 Capital Expenditure Performance

93. Total capital expenditure outturn was E1, 258 million compared to an appropriated figure of E 1,415 million. This outturn reflected a significant increase from the 2003/2004 outturn of E809 million. This increase seems to be a direct result of the low implementation rate in 2003/04. Projects that were delayed either due to lack of site or change in scope of work, recommenced implementation and the implementation rate was over 85%.

10.2 Budget Performance Financial Year 2005/06

94. The estimated budget deficit for 2005/06 is 4.3% of GDP. Government is still looking into the best way to finance this budget deficit.

10.2.1 Revenue performance

95. Half-year revenue outturn amounts to E2,419 million which is 49% of the original budget of E4,984 million. SACU receipts as at the end of month six (half year) amounted to E1, 398 million and collection by full year is

expected to be on target. Moreover there has been a SACU revenue increase of E455 million arising from adjustments to the SACU revenue pool. This has helped salvage the cashflow situation that is dire as a result of increased consumption patterns. The last instalment is due in the first quarter of 2006/07.

96. Income Taxes collected by half-year amounted to E583 million, which is 46% of the original budget. Based on this collection rate and because the peak of collection of company tax is normally during December/January, it is expected that the original budget will be attained. The performance of individual taxes will also be positively influenced by bonus payments effected during this period. As of September 2005, taxes from individuals collected were already 51% of the original budget. Therefore, it is expected that collection by the end of the year would be on target or just above target.
97. Sales tax collection is expected to be on target as the half-year collection is E 310 million (48% of the original budget). The computer link between the Oshoek and Ngwenya border posts that the Department of Customs and Excise intends installing is expected to improve sales tax collection, by improved declaration. Also, the post clearance auditing and anti-smuggling activities by the Department are expected to address problems of poor enforcement and low compliance.
98. Other revenue items such as lotteries and gaming continue to be another source of government revenue and performance is improving with years.

10.2.2 Recurrent Expenditure Performance

99. The personnel cost continues to put a severe strain on the budget such that it is more consumption oriented than pro-growth. The Voluntary Retirement Exit Scheme, which aims to reduce the size of the civil service wage bill in the medium term is yet to be implemented beginning March 2006. Other major reform processes on personnel are envisaged for 2006/07
100. Mr. Speaker, CTA charges continue to be a problem on expenditure control. Ministries have to be mindful of mileage clocked and compare it with the ceilings set per vehicle, which defines the budget to be appropriated. Government is not purchasing additional vehicles but only considering the replacement of boarded vehicles, within the resources accumulated in the replacement fund. Overall, goods and services have increased to E1.2 billion, whilst transfers are estimated at E749 million.

10.2.3 Capital Expenditure Performance

101. Capital expenditure at the half-year is estimated at an average of 26 %, which is low for this time of the year. However, the implementation rate is expected to increase to at least 80% by the end of the financial year, considering the expected huge drawdowns on the major projects, particularly those financed from external resources.

11 2006/2007 - 2008/2009 BUDGET ESTIMATES

11.1 Revenue

102. Mr. Speaker, total revenue estimate for 2006/07 including grants is projected at E6.5 billion. SACU receipts remain the major source of government revenue, accounting for 62% of the 2006/07 revenue budget. SACU receipts for 2006/07 are budgeted to be E4. 017 billion due to a surge in the SACU pool to E3.6 billion and a winding-off of the old SACU Agreement at E400 million. Caution needs to be taken as a similar outturn is unlikely to occur in the medium term.
103. The surge in the SACU revenue pool is largely caused by external factors and as such cannot be sustained in future years. One possible explanation for this surge in 2006/07 is the robust growth reported by the Republic of South Africa. However, pressures from the multilateral trade community to reduce tariffs on imports as well as the implementation of bilateral trade agreements, which SACU has negotiated, will dampen the growth rate of the pool in the medium term. Therefore, conservatively we have estimated the outturn over the medium term to remain at E3.1 billion per annum.
104. Mr. Speaker, the budget estimate of Income taxes, which includes taxes on individual incomes, company taxes, graded tax, and other taxes on income, are reflecting a robust growth of 18% from the budget estimate of E1.2 billion in 2005/6 to E1.4 billion in 2006/7. Revenue from company taxes is expected to decline slightly reflecting the effects of slower economic growth. This may be offset by revenue from individual taxes, which are set to increase as more people leave formal employment to open their small businesses. The Income Tax Department will be intensifying its efforts to conduct on-site audits on taxpayers in order to improve taxpayer compliance and will be computerising its tax system to improve reporting and assessment of taxes. It will at the same time continue embarking on company audits with an emphasis on the self-employed category, which is currently not fully compliant with the tax requirements.
105. Against a budget of E650 million in 2005/6, sales tax is projected to increase at a rate of 8% to E709 in 2006/7. Fuel tax is also taking a nominal increase of 4% from E86 million in 2005/6 to E90 million in 2006/7. Sugar levy on the other hand is expected to decline over the medium term, due to adverse changes in the international sugar market. Plans to establish a Revenue Authority to merge the current Department of Customs and Excise and the Department of Income Taxes are underway. It is projected that the office would be set up before the end of 2006/7 financial year. Based on international experience, countries that set up Revenue Authorities have tended to realise greater revenue collection due to improved efficiency in collection and management. The Revenue Authority will introduce VAT within 2 years of being established.
106. Mr. Speaker, the Ministry of Finance continues to urge other Ministries and Departments to review user fees falling under their portfolios to at least cost-recovery basis. In 2006/7 some of the fees scheduled for revision include

road toll on foreign registered vehicles, registration of births, marriages, and deaths, and health fees for private patients. In addition to the continuous review of the user fees, focus will be on improving the collection mechanism of some of the fees to close loopholes currently exploited.

107. Grants from our co-operating partners in 2006/07 are estimated at E98 million and are expected to remain constant in the medium term.
108. Mr. Speaker, let me once again take the opportunity to thank all our revenue collectors for the good job they are doing. I say this knowing the unfavourable conditions under which they work. Mr Speaker I took some time to visit the Treasury offices, the Income Tax offices and outreach points, the Customs and Excise offices and all the country's border gates, airport, railway stations and other customs offices. The facilities under which they work and the staff shortages call for urgent government action. Despite this they continue to collect the revenue we are appropriating today. Your efforts will not go unnoticed. I wish to only reiterate my statement of advising and cautioning you to shy away from corruption.

11.2 Expenditure

11.2.1 Goods and Services

109. Mr. Speaker, expenditure on goods and services is estimated to be E896 million in 2006/07. This category of expenditure includes a provision for running the government's fleet (CTA charges) at commercial rates and for drugs, telecommunications, transport and consumables. Emphasis in the allocation of additional resources has been given to meeting the recurrent costs of completed projects and to the social sectors to try to address the widespread economic deficiencies. However, this continues to be a difficult task in the absence of properly articulated programmes from the relevant Ministries.

11.2.2 Personnel costs

110. Mr. Speaker, personnel expenditure continues to increase tremendously as a percentage of the recurrent expenditure as a result of the recent salary reviews. It will be E2.8 billion in 2006/07. Additional posts have been awarded amounting to E46.3 million. These are to meet the recurrent implications of completed projects and for other high priority government activities. The personnel budget also caters for pension contribution, allowances for the plain clothed police, the full implementation of the MPs salary review and for the voluntary retirement packages.
111. In order for Parliament to understand the extent of the problems caused by the wage bill, let me put it this way. At E2.864 billion, the wage bill accounts for 58% of recurrent expenditure; 71% of SACU receipts; 120% of all revenue excluding SACU receipts. The wage bill is twice the amount spent on capital projects.

112. In their book entitled “*When good kids make bad choices*”, Fitzpatrick and Newheiser quote parents speaking to children who have done wrong saying “*If you had just done things right like we are doing, you wouldn’t be having these problems*” (p11). When I look back at the history of the wage bill, I always hear these voices. We certainly made bad choices a few years ago. That is all I can say for now.
113. Regarding the management of the HIV/AIDS programme in the civil service, the Ministry of Public Service and Information (MOPSI) is finalising an HIV/AIDS policy that will then enable government to strategise on how best to enhance productivity of the civil service. This will be enhanced by E29 million allocated for the ARVs under the Ministry of Health and Social Welfare. Allocations for the purchase of durable materials have been contained for special cases and completing projects. This will assist in addressing wastage in government through unnecessary replacement of furniture and equipment.

11.2.4 Transfers

114. The allocation towards subvented organisations have been kept at 2005/06 levels except for a few cases where additional funding was deemed necessary i.e. RFM Hospital, Good Shepherd hospital and mission clinics. Regarding parastatals there has been a slight increase particularly for the establishment of the Swaziland Environment Authority (SEA) at E1.5 million; Swaziland Standards Authority (SSA) at E1 million; and Shiselweni Hotel at E1 million as well as E3 million for the restructuring of SNTC. It remains imperative for government to review its membership to International organisations, which is becoming a huge cost given the meagre resources.

11.2.5 Public enterprises

115. Mr. Speaker, following the approval of the Privatisation Policy by Cabinet, steps are now being taken to implement the policy. All should be aware of the content of the policy, the obligations on all to comply with its approval procedures; of the opportunities it will bring to improve the level of services delivered to citizens from improved public enterprises and of the opportunities to be made available to Swazis to participate in the development of the economy.
116. Some may fear privatisation for the loss of jobs that may arise when a public enterprise, which may have been overstaffed for years, reduces its workforce to an economic level. Due consideration will be made to give first preference of ownership or business opportunities to the affected employees. This should mean the creation of job opportunities – real jobs that are needed.
117. Mr. Speaker, some people prefer the comfortable world of monopolies where the threat of competition is absent and they can charge more or less what they want without fear of losing their customers. It leads to an arrogance and disdain for customers. We look forward to liberalise our markets and introduce competition, which contributes both to higher levels

of service and lower prices. But the monopolists should know that they too would benefit, because by offering better service at lower prices, they enlarge their market, getting a smaller share of a bigger cake. So competition offers a “Win-Win” opportunity: good for customers and good for suppliers.

118. Mr, Speaker, the privatisation process will involve the creation of a Public Enterprise Agency charged with the responsibility of ensuring that public enterprises manage their affairs efficiently and are not a drain on the nation’s resources. It is simply not good enough for a public enterprise, which has lost the funds entrusted to it, to come to Government with its begging bowl or a pistol to our head demanding more funds from the public purse. Investment to seize opportunities is one thing. Cash to replace money lost due to incompetence or worse without a clear commitment to putting the business right cannot be countenanced. We have to have discipline in our business affairs if we are to hold responsible office in the nation.
119. The Public Enterprise Agency will work with the management teams and boards of public enterprises and their respective ministries to devise the appropriate strategy that will address their needs for management, finance, products and technical know-how, entry into new markets, and negotiating new business relationships. In some cases, partnership with an international company may be appropriate. In another, a management buyout, financed partly by the new owners who may formerly have been employees and partly by loans from the banks may be appropriate.
120. Mr. Speaker, it is pleasing to see the achievements of some of our public enterprises. One of them is the Swaziland Railways. The Railways have managed to raise the level of efficiency (though there is still room for improvement), making profits as a measure of that efficiency and developing a strategy that will enable the organisation to seize the many and diverse opportunities available. In their case, investments planned are expected to yield a high return. Consultants are examining restructuring options, including concessioning of the railway line to private operators.
121. Mr. Speaker, it is also pleasing to see some enterprises playing a significant role in creating jobs for Swazi citizens. These include the Swazi Bank, the Swaziland Development Finance Corporation (FINCORP), Swaziland National Provident Fund (SNPF), and Public Service Pension Fund (PSPF). These have been able to give small and medium-sized loans to Swazi businesses and the private sector.
122. The Swaziland Television Authority is still trying to get back to normal footing following the appointment of a Chief Executive Officer. The enterprise has been making loses and only a small profit in 2005 despite annual subsidies of over E10 million. Efforts have been made to step up TV licence revenue collection with reasonable success. The enterprise is faced with serious cash-flow limitations with respect to funding capital projects, which has compromised the quality of service. In order to address this situation, government has made a provision of E16 million for the

digitalisation of the studio to be compatible with the latest technology in the industry.

123. The University of Swaziland experienced losses in 2005 despite a E109 million annual subvention, the largest single subsidy to any public enterprise. A significant cost to the University is the granting of scholarships to all students irrespective of their means. The finalization of a performance contract with Government will have a positive impact on the university. It is indeed worrying for government to see unrest at this institution every now and then, either by students or staff.
124. Mr. Speaker, the Motor Vehicle Accident Fund (MVA) is troubled by continuing losses and accumulated deficit. The poor performance is due to an increase in claim payments, caused by high rate of car accidents, and a decline in the fuel levy income. There was also a remarkable decline in interest earned on investments. Consideration needs to be made on the appropriate fuel levy. I will be tabling a bill before this house through which, *inter alia*, the payment system is looked at and amended.
125. Mr. Speaker, Swaziland Posts and Telecommunications Corporation (SPTC) is facing financial difficulties. A Commission of Inquiry was set up by this House to look into the operations of SPTC. A draft bill was submitted to this House for the restructuring of the Telecommunications Industry and setting up of an independent regulator. Under the Bill, the SPTC will be separated into Postal and Telecommunication Services, respectively. The regulatory function would be transferred from SPTC to a regulatory Commission. Mr. Speaker, let me alert the House that the extent of the problem at SPTC is far worse than we can think. Government may soon find itself debating whether the country loses SPTC or tax payers dig deeper into their pockets to rescue the financially troubled and badly managed institution.
126. For Swaziland Electricity Board (SEB), this Honourable House approved Bills pertaining to the electricity industry and these included, setting up an energy regulator and setting up SEB as a company in which the private sector can also invest. The enterprise had to go without a substantive Managing Director for almost a year. The enterprise has started stepping up efforts to reduce its accounts receivable, which was over E100 million at one time. In terms of service delivery, performance needs to be improved. Statistics show that approximately 18% of Swazi Households receive electricity service either from SEB or manufacturing firms that serve company towns. Electricity coverage is said to be low given our country's relatively high per capita income. A lot of negative things have been reported in the media about this institution. All I can ask for at this time is for SEB to get on with the job it was created to perform and improve efficiency and let us see less of the controversies and corruption allegations. The owners of the company, Swazis, expect better service delivery.
127. Mr. Speaker, Swaziland Water Services Corporation has been able to sustain itself thus far without relying on Government subventions. The challenge they are facing is the continuous provision of water and the reduction of

water losses from their system. Another challenge, Mr. Speaker, which is beyond their control, is the shortage of rainwater, which is threatening the drying up of some of our major dams. Financially, the enterprise needs to improve its profitability, which is currently low and raises concern on their ability to service their long-term debts.

128. Mr. Speaker, Swaziland National Trust Commission (SNTC) barely broke even during the last three financial years after annual Government subventions of over E7 million. The enterprise is expected to be restructured so that its commercial operations are outsourced and only the non-commercial activities are maintained.

11.2.6 Capital Expenditure

129. The budget for the capital programme is E1.4 billion. This will finance, among others, the large on-going programme including the Mbabane bypass Road, Mliba-Tshaneni and Mandlangempisi-Msahweni Road and the Lower Usuthu Smallholder Irrigation Project (LUSIP). This has resulted in a few new projects being accommodated for 2006/07. Considerable effort has been made to maintain the allocations for the Millennium project, and for construction and maintenance of government structures.
130. Mr. Speaker, OVCs have been given priority in this budget under the E59 million Orphans and Vulnerable Children project, which allocates E10 million per year towards the welfare of OVCs. This is complemented by allocations under the recurrent budget such as the education grant at E47 million and the contribution to the Children School of Excellence at E3.5 million.
131. Mr. Speaker, despite the good rains that the country has experienced recently, government is aware that the effects of the long period of drought will not instantly be eradicated. Therefore, an allocation of E30 million has been maintained for the Disaster Relief Fund to address the communities that are, among other things, still grappling with the effects of drought and for the provision of clean water in the rural communities, including schools. The budget also makes provision for the fight against the alien plant invasion at E8 million for 2006/07 and this programme is expected to continue into the medium term.
132. Mr. Speaker, this budget also makes provision of new policies adopted by government. These include those brought about by the Constitution and the Decentralisation Policy. It is worth mentioning that there is still considerable preparatory work to be done by the government ministries in getting themselves ready for the implementation as well as defining the responsibilities and coordination structures. The Constitution has been recently declared effective and the Ministry of Justice and Constitutional Affairs will play a leading role in the rollout programme and as mentioned last week by His Majesty in the Speech from the Throne, a provision of E20 million has been set aside for this exercise.

133. The Deputy Prime Minister's office will spearhead the implementation of the Decentralisation policy, which aims at bringing services closer to the people. All government agencies, in collaboration with the DPM's office, are expected to strategise how they will decentralise their activities. As mentioned by His Majesty in the Speech from the Throne, a sum E10 million has been provided in the budget to cater for this activity.

11.3 Social sector

134. Mr. Speaker, government strives towards achieving the Millennium Development Goals (MDGs), which include eradicating extreme poverty and hunger (by halving the 1990 poverty level and the proportion of people who suffer from hunger by 2015), achieving universal primary education (by ensuring that boys and girls alike complete primary education), promoting gender equality and empowerment of women (by eliminating gender disparity in primary and secondary schools), reduction of child mortality (by reducing under 5 mortality by two-thirds from 1990 level by 2015), improving maternal health (by reducing the 1990 maternal mortality by three-fourth by 2015), combating HIV/AIDS, malaria and other diseases (by halting and beginning to reverse HIV/AIDS and other diseases by 2015) and ensuring environmental sustainability.

135. Mr. Speaker, one can go beyond these worldly goals to justify providing adequate budgetary allocations to the social sectors on spiritual grounds for Mathew Chapter 25 states the following:

“When the Son of Man comes in his glory, and all the angels with him. ...and all nations will be assembled before him. And He will separate them.Then the King will say to those on his right, ‘Come, you who are blessed by my Father. Inherit the kingdom prepared for you from the foundation of the world. For I was hungry and you gave me food, I was thirsty and you gave me water to drink, a stranger and you welcomed me, naked and you clothed me, ill and you cared for me, in prison and you visited me. Then the righteous will answer him and say, ‘Lord, when did we see you hungry and feed you, or thirsty and give you drink? When did we see you a stranger and welcome you, or naked and clothe you? When did we see you ill or in prison, and visit you? And the king will say to them in reply, ‘Amen, I say to you, whatever you did for one of these least brothers of mine, you did it to me. ...’

136. Mr. Speaker, the Holy Book goes on to say what happens to those who do not do the same things for the least ones. This suggests that each and every one who has power and control over the allocation and implementation of our national budget can enhance his/her chances of going to heaven, if that power and control is directed to give adequate budgetary resources to the hungry, the thirsty, the sick, prisoners, the poor, etc.
137. Mr. Speaker, in this 2006/07 national budget, Government has allocated 8.0% of the total budget to the agricultural sector (10.5% if one includes Rural Development), 8.0% to Health, (9.2% if one includes Social Welfare) and 32.3% to Education. Of the amount allocated to Education, more than 19.1% went to primary education alone. The total budget allocated to the

social sectors is 52%, which is quite encouraging. Mr. Speaker, we should strive to do even better in future years in order to enhance the achievement of our earthly and heavenly goals.

11.3.1 Education Sector

138. Mr. Speaker, His Majesty's Government has committed herself to ensuring that Swaziland is not left behind in the attainment of the Millennium Development Goals (MDGs) and the Education for All (EFA) by 2015. In 2002, the Government introduced free textbooks for all primary school grades. This was intended to reduce the cost of education for all Swazi children. Additional initiatives were introduced in 2005 where workbooks were provided free to primary school children. These cost reduction initiatives had not taken into consideration children with special needs. In the 2006/07 fiscal year, Government shall provide primary school textbooks that have been translated into Braille for children at St. Joseph's primary school. The provision of textbooks in Braille will ensure that children from all socio-economic backgrounds are afforded equal opportunities to realize their educational goals. Government shall also provide Braille paper and other related facilities for the blind students in place of exercise books.
139. As mentioned earlier, in 2005/2006, the Government has further ensured that all primary school-aged children from across the socio economic spectrum have the opportunity to access and remain in school throughout primary by providing exercise books to grades 1 to 4. In the 2006/07 fiscal year, Government intends to provide free exercise books and stationery to more grades in the primary school level.
140. Mr. Speaker, the Government of Swaziland /European Union "Support to Education and Training Project" launched in November 2005 aims at enhancing the country's education initiatives and improving the quality of teaching and learning. The Project will focus on three broad areas: Pre-primary, Primary and Vocational Education. It will also assist in improving the Education Management Information Systems (EMIS).
141. Through this project, the concept of Capitation will be piloted by the Ministry of Education in 40 primary schools in the fiscal year 2006/07 and is expected to cover all primary schools by the year 2009. This should gradually bring relief to parents but will not exonerate them from paying moderate school fees. Overall, the project will help the educational system improve quality by implementing school improvement programmes on literacy and numeracy, thus reducing repetition and improving primary completion rate.
142. The Ministry of Education with the assistance of the EU under the "Support to Education and Training Project" is planning to strengthen both the formal and non-formal Technical and Vocational and Education Training (TVET) institutions by equipping them with relevant training facilities so that graduates from these institutions help His Majesty's government to meet its objectives of reducing poverty and enhancing job creation opportunities. In

2006/2007, the project will assist in the procurement of equipment for the technical and vocational institutions in order to enhance quality instruction.

143. Mr. Speaker, government has diversified the school curriculum to include Information and Communication Technology (ICT) at the secondary school level. More than 50% of our secondary schools have been provided with computer hardware. The Ministry of Education is in the process of developing an ICT curriculum and to provide appropriately trained personnel in order to ensure that learners pursue training that will be relevant to their future needs in the work environment.
144. The Ministry of Education will, in the near future, be introducing Information and Communication Technology in tertiary institutions so that trained Swazis are better able to compete in the global market. The Government has already constructed ICT laboratories in the three teacher training colleges. Computer hardware has already been provided in the three institutions through the support of UNESCO. Initial training of college lecturers has been provided. It is anticipated that teacher trainees will be equipped with ICT skills from now onwards. The training will complement ICT at secondary school level.
145. The Ministry of Education is in the process of changing from the General Certificate of Education (GCE) to International General Certificate in Secondary Education (IGCSE). This is in line with regional and international trends in education. Under IGCSE, the students are rewarded for what they have achieved rather than penalized for what they do not know. The 2006/2007 budget will support developments towards this innovation.
146. HIV/AIDS and other incurable diseases adversely affect the Education sector. The number of OVCs in our educational institutions continues to rise. Government is grateful to His Majesty's vision of initiating a Bursary Scheme to assist OVCs in schools. In the financial year 2005/2006, Government allocated E 47m for bursary awards for OVCs. More than 70 000 OVCs have benefited from the bursary scheme. His Majesty's Government still notes the serious impact of the pandemic as parents die, resulting in more OVCs. This state of affairs warrants a review of the current strategies to accommodate the increasing numbers.
147. Mr. Speaker, government appreciates the support from our development partners in ensuring that children access education. Government also takes seriously the increasing number of reported cases of child abuse in schools. A toll-free telephone line has already been installed at the Ministry of Education to assist abused children report their cases. Government through the education sector is committed to providing education and necessary structures to help reduce and eliminate the number of child abuse cases in the country. The government is committed to strengthening guidance and counselling services in all schools.

148. Once again let me appeal to teachers to find a solution to the abuse of school children. Parents entrust them with the lives of these children. It is therefore disheartening when we parents read about sexual abuse of our children by the very same teachers we tell our children to trust. Some of the cases make you shiver just by reading about them. How much more to the victims and the victims parents?
149. Mr. Speaker, let me take this opportunity to thank communities for devoting resources towards the construction of classrooms. I also commend His Majesty the King for the Regional Development Fund, which many Members of Parliament are also using to build classrooms and teachers' houses. These efforts go a long way in helping government and they are not going unnoticed by government. My final appeal to the teachers, especially head teachers is that they must become sensitive to the plight of the OVCs. After all, what do they benefit from expelling an OVC from school? What do they expect the child to do? Mr. Speaker, James chapter 1 verse 27 states that "*Religion that is pure and undefiled before God and the Father is this: to care for orphans...*". Let us therefore take care of our OVCs, the elderly etc, in short the vulnerable.
150. Let me also take this opportunity to thank the Federation of Organisations of the Disabled in Swaziland (FODSWA) for their 2005-2009 strategic plan. We will do well to ensure that the plan is reflected in Government's future activities.

11.3.2 Health Sector

151. Mr. Speaker, the government's principal objective in the health sector is to improve the health status of the people by providing preventive, curative and rehabilitative services that are relevant and accessible to all. The public health sector has a major role to play in improving the health care of the population, in particular the poor and vulnerable groups. Given that about 69% of the population is poor, unable to meet medical and transport costs, it is crucial that access to health care is improved to encourage the poor to seek medical treatment. Towards meeting this challenge, the budget provides for E586 million to the health and social welfare sector, which as indicated earlier, accounts for 9.2% of the total budget.
152. Mr. Speaker, the problem of staff shortage still continues as the country continues to lose health personnel due to increase in incidence of HIV/AIDS, high turnover and brain drain. Furthermore, there is competition from South Africa, UK, USA and other countries for medical personnel, which Swaziland is unable to deal with. This affects service delivery, especially in rural health facilities, which unfortunately are where the majority of the poor live.
153. The United Nations observed that Swaziland would not be able to meet the Millennium Development Goal of reducing child mortality rate, improving maternal health and combating HIV/AIDS, Malaria, TB and other diseases. The rising prevalence of HIV/AIDS puts enormous pressure on the already stretched health care system in the country and this has denied non-

HIV/AIDS patients access to health care due to congestion in hospitals and clinics. However, I am aware of some of the interventions that have been scaled up such as the increase of the Voluntary and Counselling and Testing (VCT); Prevention of Mother to Child Transmission (PMTCT) sites and the provision of Antiretroviral drugs.

154. Mr. Speaker, I strongly believe that nursing and hospital service in general is a noble calling to serve those who are suffering and helpless. However it saddens me to hear now and again of mistreatment of patients in health care facilities. I recognise the pressure as a result of staff shortages, I still appeal to the implicated medical staff to serve the people with due diligence and love. What does one benefit from beating up a sick person, or a sick elderly? Does sleep really come at night after doing this?

11.3.4 Social Welfare issues

155. Mr Speaker, measures are being adopted towards recognising the role and potential of those with disabilities in the communities. In this regard, government has deemed it necessary to increase the subvention to Ekululameni to E200,000. Complementary to these activities is the completion of the Siteki school for the deaf and classes are expected to start in January 2007. A provision of about E500, 000 has been made to cater for running costs of the school for the first term and the rest of the activities will be continued in future years.
156. Mr. Speaker, this budget accommodates the development of Braille at primary school level and also accommodates the social aspects of the disadvantaged group by incorporating them in the national sports activities, in particular the 2006 Commonwealth games to be held in Australia. A provision of E300,000 has been made in the budget.
157. Mr. Speaker, government has also found it fit to have a re-look into how best to cater for the youth. Given the financial constraints, it has not been possible to meet all the requirements of this group. However, there has been a review of the current allocation to E7 million to allow the youth to participate in small and medium scale activities that will keep them occupied and at the same time generate income for self-sustenance.
158. It is my utmost belief that the support provided will go a long way in addressing the issue of crime, HIV/AIDS and unemployment. I can only urge for proper administration and efficient utilisation of the funding so that it reaches the target groups. This will also require cooperation with all stakeholders and in particular the communities where the youth comes from. *Kuze natsi singuhulumende sikhutsateke kuchubeka sisite ngibhekile kutsi sibone linengi lebantfu labasha bangenela imidlalo ngalokusezingeni lelisetulu nekubona emacembu lamakhulu kuto tonkhe tinhlangotsi temidlalo asitakala kulomliba loya embili.*
159. Mr. Speaker, I am pleased to report to this Honourable House that the study on the Situation Analysis of the Elderly People in Swaziland has been completed. This has enabled the department of Social Welfare to establish a

database, which guides the allocation of resources to mitigate the effects of poverty on the elderly. The study identified 43,830 elderly people who are 60 years and above, who stand to benefit from grants from government. This budget provides an allocation of E60 million for this activity. Some work is still ongoing to refine the database so that it is the needy that benefits from the grant, and also to improve on its accessibility by the beneficiaries. To this end a cabinet subcommittee has been established to work on this matter and bring recommendations to cabinet within a week.

160. Mr. Speaker, I am aware that the quarterly allowance is inadequate to meet the requirements of the beneficiaries and I hope with the economic situation improving, government will continue to review the amount. Finally on this matter, I once again appeal to everyone to look after and support their parents and destitute relatives.

12 APPROPRIATION FOR 2006/2007

161. Mr. Speaker, I now present to this Honourable House, the budget estimates for 2006/2007, details of which are contained in the Appropriation Bill, which is structured as follows:
- a) Revenue plus Grants estimated at E6. 40 billion;
 - b) Capital expenditure of E 1.45 billion including capital transfers;
 - c) Total Recurrent Expenditure of E5.32 billion
 - d) Total Expenditure of E6.77 billion
 - e) Deficit of E373 million which is 2% of GDP.

13 CONCLUSION

162. Mr. Speaker, in conclusion, I want to state that this budget presents us with a rare opportunity to have a turning point in re-establishing fiscal sustainability and putting in order some of our economic fundamentals which have been deteriorating in recent years. It is therefore incumbent upon all of us to fully implement this budget and realize its goals. We can do this if all of us work hard together to maximize our revenues and operate within the expenditure ceilings.
163. Mr Speaker, you notice that I have said very little about corruption in this speech. This is not to signify that it has gone down. On the contrary we still have a lot to do to curb this problem. His Majesty clearly declared war on corruption. He went on to say, *“If left unchecked, corruption will certainly destroy our economy and reverse the gains of the past. We are determined to stop corruption from spreading and destroying the Kingdom.”* The question is, are you determined? Have you not been bribed to tell or write lies about someone? Have you not been paid to award tenders at exorbitant rates at the expense of taxpayers? I hope that parliament will soon enact into law the Corruption Prevention Bill that will be brought soon. I also hope that by setting up and launching a losses committee following the

amendment of the Finance Management Act, we will also see a reduction in the theft, destruction and negligence, of government property and moneys. Enough is enough.

164. In our activities to curb corruption, the Auditor General will play an important role. Mr. Speaker, let me take this opportunity to wish the Auditor General speedy recovery and God's blessing.
165. The new constitution has brought new hope and raised the aspirations of the people. The people expect the Government to deliver. At the same time Government expects the people to play their role. Let all of us therefore take advantage of the new energies that will be released by the new constitution, to rise up to the occasion for the social and economic development of the country.
166. This budget, Mr. Speaker, was prepared by the Central Agencies with inputs from all ministries and departments, the donor community, members of parliament, cabinet, the private sector, NGOs, and the civil society. I thank all of them for making this budget possible. On behalf of His Majesty's Government we acknowledge that consultations could have been better and we pledge, with your help to improve on this and the timing. I certainly hope Mr Speaker that the Honourable House will accept the budget with the lovely spirit, which reflects a hangover of the Valentine's Day, which we celebrated only three days ago. For indeed it is in that spirit that it is being humbly presented to you.
167. 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 2006/07 financial Year.

Thank you for listening and may God bless you.