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1. INTRODUCTION

“People are what they think. What people think today is a result of what they thought yesterday. What they will be tomorrow will be a result of what they are thinking today.”
(Adadevoh, D. *Leading Transformation in Africa*, 2007)

1. Mr. Speaker, may I start by congratulating all of you for having made it into the ninth Parliament after all the hurdles and experiences of the recent National Elections process. You are a product of our democratic election process. My observation is that our elections are becoming tougher every year. It is a great honour once again for me to present to this Honourable House, the national budget for the year 2009/10. It is a coincidence Mr. Speaker that I present my ninth speech to the 9th Parliament of the Kingdom of Swaziland. Mr. Speaker, it is indeed an honour to be back as part of this Honourable House once again. When I declined to stand for elections, I thought I was saving myself from the trouble of possibly standing here and presenting the national budget during these difficult times. However, I am confident that with the support, guidance and cooperation of my colleagues, together with the determination of the entire Swazi nation, we will strive to make His Majesty the King’s vision for 2009 as the “Year of Renewal” a reality. In his speech from the throne His Majesty emphasized the need to put the interest of the country over everything else.
2. Mr. Speaker, before I proceed, allow me once again to pay special tribute to their Majesties for their confidence and trust in me when they re-appointed me to be the Minister of Finance. With their constant guidance, support, wisdom and in particular their continued leadership in fighting the increasing social ills of the country, I believe we can draw on these virtues to make this country a better place for all. I would like to assure their Majesties and the nation at large of my commitment to the government efforts to fight the socioeconomic challenges that lie ahead. The challenge of sustaining the economy during these turbulent times in the global economy will be a difficult task but one of utmost importance if we are to ensure that the gains made in the past years are not completely lost . This calls for a shift in mindset and, indeed, doing things in a “business unusual” fashion. Besides his renewed request for a gift of peace, His Majesty called upon the Swazi nation to work together for a common goal, putting the best interest of the people. Bernice King warns us that “there is a danger when you become a think-oriented society instead of a people-oriented” society
3. Mr. Speaker, the past year has been a memorable one with the double celebrations to commemorate the 40th Birthday of His Majesty the King and 40th Anniversary of the country’s Independence. This was followed by successful and peaceful national elections. As we take stock of the achievements of the past 40 years, we should not lose sight of the turbulence in the global economic arena. This is the time to remind the nation again of a statement by a great statesman of our time, President John F. Kennedy, who once said;

“Ask not what your country can do for you, but what you can do for your country.”

This is not the time to panic but to rise up as a nation and not allow our different ideologies to cloud our common vision of making Swaziland a better place. I am inspired by Penny Jacqueline White when she said;

“Beginning today I will take a moment to step off the beaten path and to reveal the mysteries I encounter. I will face challenges before me with courage and determination. I will overcome what barriers there may be which hinder my quest for growth and self improvement”.

Let us all draw from our Swazi resilient nature, build on our achievements, and adopt strategies that are participatory and strive to minimize the impact of the prevailing adverse economic climate.

4. Mr. Speaker, it is against this backdrop of global uncertainty that I present this budget. The fallout from the global financial markets turmoil is already affecting both developed and developing countries but at varying magnitudes and through varying channels, depending on each country's level of integration into the world economy. In bracing ourselves to face this crisis, it is very crucial for us to find more innovative ways of addressing our development needs within the available resources, considering the uncertainty on how long the effect of this crisis will last. The Prime Minister could not have coined his phrase of “*business unusual*” at a better time. These times call upon us to do things differently. Never the less, as one of the African proverb says, “*Smooth Seas do not make skilful Sailors*”, let us all; Government, the business community, Non-Governmental Organisations, Labour Unions and all other Stakeholders, address the existing challenges with a view of turning them into opportunities that will lead to economic growth. This will include exploring and creating new business ventures and market opportunities within the region and internationally, so that we are able to achieve our development aspirations.

5. Mr. Speaker, they always say even in the darkest hour one can always find something to smile about. We should all thank the Almighty God for the good rains that have come at the time we needed it most. We have come from a long spell of droughts and severe food shortages, which have resulted in a majority of our people becoming dependants on food aid, which invariably robs one of his dignity. We are, however, saddened by the terrible grief that these rains have caused in some parts of the country. This has demonstrated a clear need to push on with our infrastructure development programmes through out the country. I am confident that my colleague the Minister of Public Works and Transport is working on developing a comprehensive programme to address this problem.

6. Mr. Speaker, the allocation of resources in the medium term continues to be guided by the nationally owned Poverty Reduction Strategy and Action Programme, which is in its second year of implementation. It is in pursuit of this programme that this budget focuses on key areas that will facilitate economic growth and reduce poverty in the country. These areas, which were also confirmed by the Prime Minister in his inaugural speech as a mandate from His Majesty and the Swazi nation are:

- Provision of safe water and sanitation,
- Access to health care
- The fight against HIV and AIDS
- Hunger and food security
- Education
- Economic Growth
- Curbing Corruption and
- Strengthening National Security.

7. In order to enhance government efforts towards the attainment of the above, this budget continues with the policy reforms in the public sector, which were introduced a few years ago. These include; the Procurement Review Initiative, Privatisation Policy, redrafting of the Public Finance Management Act and improving productivity in the civil service through the introduction of a Performance Management System. These initiatives are aimed at promoting prudent fiscal management and macroeconomic stability. We have to ensure that we stretch the coverage of each Lilangeni beyond its current reach in Government and I am sure we can do it. This budget also contains programmes and activities that focus on strengthening of the social sectors such as health, education and food security with the aim of addressing the plight of the vulnerable groups of our society.

8. Furthermore, this budget provides for strengthening of national security, a prerequisite for creating a peaceful and conducive environment to attract foreign direct investment, employment and economic diversification. Underpinning the above challenges is the need to continuously assess and build capacity within government to implement and manage the reform processes.

9. Before I go into the details of the budget for 2009/2010, allow me Mr. Speaker, to brief the Honourable House on the recent international, regional and domestic developments that have had an impact on this budget.

2. GLOBAL DEVELOPMENTS

10. Starting with Global developments, Mr. Speaker, in the words of the UN “*it was never meant to happen again, but the world economy is now mired in the most severe financial crises since the Great Depression*”. As the Honourable Prince Sobandla reminded us in his article of Sunday February 22, of the saying that goes “*when America has a flu, the whole world shivers*”, What

began seemingly as an insignificant problem in the American Financial markets, through the sub-prime mortgage crisis, has now blossomed into a full scale global economic crisis. Some have pronounced it worse than the great depression that was witnessed in the 1930's. The United States has recently identified it as a security threat as unemployment and a reduction in welfare spending will result in political instability in many countries, with a growing danger of civil unrest and violence

11. This crisis peaked in 2008 and spread to the whole first world economies, adversely affecting their financial and banking sectors. Japan, Australia, the United Kingdom (UK), Germany and France were the most affected. As a result, stock markets fell and some of the world's largest financial institutions collapsed and some were bought out through rescue packages. This caused panic as Central Banks raised interest rates to protect the exchange rates and at the same time attract deposits. The economies were under severe stress with banks trying to build their capital and were cautious in giving out loans. Foreign Direct Investment (FDI) started diminishing as investors reduced the risk of investing in the troubled economies. The financial crisis negatively affected businesses, forcing some to close down, like the Lehman Brothers which is the second largest bank in the USA, resulting in job losses.
12. Mr Speaker, even though Asian countries were not immediately affected, the financial crisis has shown that in an inter-connected world there are always knock-on effects, especially on the emerging market economies like India and China. Many Asian countries have seen their stock markets and currency values going on a downward trend.
13. It is encouraging to note, however, Mr. Speaker, that after being affected by rising food and fuel prices last year, households stand to benefit from the fall in inflation. Inflation pressures are beginning to subside following the moderation in international oil prices. The price of Brent Crude oil has fallen by around 69 percent from a peak of US\$145 per barrel in July 2008 to a low of US\$34 per barrel during December 2008 and is currently trading under US\$45 per barrel. The outlook for oil prices remains uncertain, but the prices are expected to remain relatively subdued as a result of weakening global demand.
14. With the slowdown in global economic growth towards the end of 2008 and into 2009, growth projections are being revised downwards as conditions and investor confidence deteriorate. Global growth in 2009 is expected to fall to 0.5 percent against the November projection of 2.2 percent. Developed economies are projected to experience negative growth, with recession forecasts for the USA at -2.0 percent, the Euro Zone at -1.3 percent, the UK at -2.9 percent and Japan at -3.2 percent. Overall growth in these industrialized countries is expected to slow down by 2 percent in 2009 from a 3.4 percent recorded in 2008.
15. Developments in emerging and developing economies indicate that growth is expected to slow down to 3.3 percent due to the slowdown in global demand, lower commodity prices and tighter external financing constraints. China is

expected to slow down to 7 percent whilst India will grow by 5 percent. Economic activity in Sub-Saharan African economies, which expanded by 5.4 percent in 2008, is projected to decline to 3.5 percent in 2009.

16. Mr Speaker, in stabilizing the financial markets and getting credit flowing again, financial bail-outs have been proposed together with fiscal stimuli through a combination of increased government spending and tax cuts to revive consumer demand.
17. The USA set out a US Dollar 700 billion fund to bail out troubled mortgage related securities from banks and has recently approved a further US Dollar 787 billion for the ailing economy. In addition, the US government has scaled up humanitarian assistance to the affected families and individuals. Japan has injected \$16.7 billion to bail-out companies, while Australia has allocated \$4 billion and Russia is already proposing \$27 billion as a second bail-out. On the other hand, the UK Government has initiated four bail-out packages amounting to £92 billion.
18. Mr Speaker, even though there is no evidence so far to suggest cut backs by donors on grant funding, past experience points to a high possibility. Developing countries including Swaziland should brace themselves for a dry spell which may take some years. This crisis is worst than the one experienced in Asia in 1997.

3. REGIONAL DEVELOPMENTS

19. Mr. Speaker, the sub-Saharan African region is not spared and has begun to feel the impact of global recession especially those countries with strong ties to the global markets, as those start experiencing the knock-on effects. Economic growth rates have been revised downwards, current accounts are under serious pressure due to lower export earnings and commodity prices, pushing foreign reserves downwards. Consequently, growth in the Sub-Saharan African region is expected to slow down to 3.5 percent for 2009, from 5.4 percent in 2008.
20. The region will face a bigger challenge in responding to such eventualities compared to developed countries. Even though some Developing Countries are better placed to face policy challenges, the African continent is in a weaker position than most other regions because of the high levels of poverty, weak industrial base and reliance on commodity exports.
21. Mr. Speaker, the Republic of South Africa is already experiencing the effects of the crisis, given the strong links to international markets. Any impact on South Africa will invariably affect local trade as we export over 60 percent of total exports to South Africa and import over 80 percent of our goods and services from there. South Africa is expected to suffer a slow down in growth as exports and consumption weaken. Indications already show negative effects in the mining, retail, textiles and manufacturing sectors as investment slumps in response to weaker domestic and international demand. This will mean that

remittances from Swazi miners in the South African mines could decline. The immediate impact in the diamond industry was the shedding of about 1,200 jobs whilst the manufacturing sector is plagued by company closures. The IMF estimates that these developments could result in about 250,000 people losing their jobs in 2009. On the financial sector, the country faces tight borrowing conditions owing to increased risk aversion, affecting residential and commercial property markets. With these repercussions, RSA's growth rate has been forecasted to decline from 3.1 percent in 2008 to 1.2 percent in 2009.

22. In 2008, the inflation rate in the region (excluding Zimbabwe) scaled up to 12 percent compared to the 8.3 percent realised in 2007. This was a consequence of high international fuel and food prices. The inflation outlook for 2009 indicates that inflation is expected to moderate to under 10 percent due to the recent declines in both fuel and food prices.

4. INTERNATIONAL TRADE DEVELOPMENTS

23. Mr. Speaker, as a small open economy, it is important for Swaziland to pay close attention to the issue of International Trade as it is the potential source of growth for our economy. We are members of various regional integration arrangements and we continue to make commitments under each one of them.
24. Let me inform this Honourable House that negotiations for a Preferential Trade Agreement (PTA) between the Southern Africa Customs Union (SACU) and MERCUSOR (Argentine, Brazil, Paraguay and Uruguay) have been concluded and the agreement will be signed during the first half of 2009. The conclusion of this agreement will lead to reduced tariffs and increase competition.
25. The first tripartite Summit of the Common Market for Eastern and Southern Africa, East African Community, Southern African Development Community (COMESA-EAC-SADC) was launched this year. One main challenge identified by the tripartite Summit was the issue of overlapping membership in the three Regional Economic Communities (RECs), which affect seventeen of the twenty-six countries, including Swaziland, that constitute membership of the three RECs. Once the issue is addressed, countries would not be forced to choose one from the other. The major objective of the tripartite is to provide a strategic and policy direction relating to cooperation on trade and economic liberalization.
26. Mr. Speaker, as mentioned previously, negotiations for a full Economic Partnership Agreement (EPA), which will cover trade in services and investment between the SADC-EPA States and the European Commission (EC) continued during the course of 2008. Conclusion of these negotiations will encourage Foreign Direct Investment (FDI) from the European Union (EU) and thereby help mitigate the level of unemployment and subsequently contribute to economic growth in the country. We remain concerned, however,

about the stand-off between the EU and South Africa on this agreement. We are encouraged that there are still on-going discussions that are aimed at resolving this impasse as Swaziland seems to be caught between a rock and hard surface, as they say.

27. At the multilateral level, Swaziland participated at the Twelfth session of the United Nations Conference on Trade (UNCTAD) which was held in Accra, Ghana in April 2008. One of the main outcomes of the session was a call for UNCTAD to enhance its work on the specific challenges of landlocked developing countries. Furthermore, there was recognition that the erosion of the generalised trade preferences for developing countries should be addressed through long term strategies to diversify economic bases, enhance competitiveness and productive capacities as well as develop new export opportunities.
28. Mr. Speaker, the country continues to support all efforts towards concluding the current Doha Round of negotiations at the World Trade Organisation (WTO). A satisfactory outcome for Swaziland and all developing countries will be a Round that places development at the core of the negotiations. The outcome is believed to assist the nation to achieve development policy objectives and aspirations and draw closer to meeting the Millennium Development Goals (MDGs). Within the context of the Aid for Trade (AFT) initiative, the country stands to benefit in the form of grants and concessional loans and we appeal that this aid should not substitute existing Official Development Assistance (ODA) flows that are targeted for development and other poverty reduction priorities.

5. DOMESTIC DEVELOPMENTS

29. Mr. Speaker, during the past year, the local economy was faced with ambiguity owing to the financial crisis engulfing the world economy and its effect on growth. This was coupled with unsustainable inflation attributable to large increases in the prices of fuel and food. In short, 2008 was a hard year for the Swazi consumer evidenced by the increase in prices for goods and services.
30. Preliminary results from the Ministry of Economic Planning and Development indicate that in 2008 Gross Domestic Product (GDP) measured in current prices grew by 2.6 percent, from E21.6 billion in 2007 to E25.3 billion. Projections for 2009 indicate that growth will be less than 2% percent as the local economy adjusts to the global economic crisis. This is a result of lower export earnings, reduced consumer spending and slowing private sector investment. There are other factors which could threaten the growth outlook and these include the volatile oil prices, the rising costs of agricultural inputs while high energy costs may feed into high production and transportation costs of goods and services.

31. Mr. Speaker, the global financial market turbulence has shown some drastic effects on local consumer and investor confidence, and as it persists, it will impact, negatively, on the real sector of the Swaziland economy. The crisis will have a negative impact on the demand for our exports as the markets for our internationally traded goods and services in the US, EU and RSA experience substantial reductions in demand. The crisis also affects access to credit as financiers have become more risk averse and, as a result, the general re-pricing of risk increases the cost of borrowing. This will in turn affect investment given the high cost of money and ultimately the consumer will buy commodities at risk-adjusted higher prices, leading to an overall contraction in consumer spending. This outlook reveals challenges as the general slow-down in growth will force companies to shed jobs and scale down investment plans while the struggling ones face closure.
32. Within the banking sector, the impact is already felt by the increase in the number of non-performing loans and credit tightening. Notwithstanding the turbulence, the Swaziland financial sector is expected to ride the storm as it is largely protected by capital controls and sound regulation within the Common Monetary Area (CMA).

6. MONETARY DEVELOPMENTS, INFLATION AND INTEREST RATES

33. Mr. Speaker, one will recall that as a member of the Common Monetary Area (CMA), monetary developments in Swaziland reflect the monetary policy pursued and implemented by the Reserve Bank of South Africa. The policy stance of the Reserve Bank is to maintain inflation within the target of 3-6 percent. Recent monetary developments are characterised by a declining inflation rate, low interest rate and volatile exchange rate, since September 2008.
34. During 2008, average inflation was recorded at 12.5 percent due to escalating international oil and food prices. In August the same year, this indicator recorded a peak of 14.7 percent. Electricity, food, and transport were the main contributors to the inflation outcomes, having increased at year-on-year rates in excess of 15 per cent. Inflation had subdued to 12.9 percent as of December 2008. The inflation outlook for 2009 and 2010 is 8.7 percent and 7.5 percent respectively. The risks to the outlook will be the volatility of oil and food prices.
35. Mr. Speaker interest rates were reduced in December 2008 by 50 basis points resulting in the discount rate declining from 11.5 percent to 11 percent. The prime-lending rate also fell from 15 percent to 14.5 percent in that month. In view of an accommodative monetary stance, the Central Bank recently cut the discount rate from 11.0 percent to 10.0 percent in February 2009. This move leaves the prime-lending rate at 13.5 percent and mortgage rate at 12.5 percent.

36. The exchange rate remains the most upside risk to the inflation outlook. The local currency is currently trading around E10.00 to the US dollar, from a low of E9.30 during January 2009. The exchange rate is projected to appreciate moderately to averages of E8.10 and E8.50 in 2009 and 2010, respectively.
37. Gross official reserves for the country for the month ended December 2008 reflect an amount of E6.9 billion, which is an increase of 34.4 percent over the year. As a result, reserves were enough to cover 4.9 months of estimated imports compared to the 3.7 months covered in 2007. This increase is attributed to an increase in SACU receipts in the 2008/09 fiscal year. The outlook for the medium term period indicates that the level of reserves will decline due to the fall in revenue flows in the 2009/10 fiscal year and onwards, combined with the gradual elimination of previously enjoyed trade preferences. With the persisting global economic distress, the situation is likely to worsen.
38. Mr. Speaker, Government continued to issue Treasury Bills (TBs) on a weekly basis, as means to reduce excess liquidity in the banking system and further develop the local money market. As at December 2008, outstanding TBs amounted to E329.9 million and notable was the wide participation of investors including private individuals. As a result, Government envisages increasing the weekly amount in the future and this will partly finance the proposed budget deficit.
39. In 2008 the local financial system remained relatively stable, amid growing pressures. Financial institutions were safe and sound, adequately capitalized and complied with the statutory minimum liquidity requirement of 8 percent. The capital adequacy ratio for the banking sector stood at 42 percent at the end of December 2008. The pre-tax return on regulatory capital amounted to 22.7 percent in December and the banking assets increased from E6.712 billion to E8.029 billion, showing a growth of 19.6 percent at the end of December 2008.
40. Mr. Speaker, over the past year credit extension to the private sector continued to be strained, reflecting a tightened monetary policy stance. Credit extended to the private sector grew by a mere 9.0 percent in 2008, reflecting a 0.5 percent year on year deceleration from the previous year. Credit to households also recorded a slight decline from 11.6 percent to 11.5 percent over the same period.
41. Government has noted, with concern, the need to strengthen credit legislation to ensure adherence to lending laws. The Financial Services Regulatory Authority Bill is awaiting Cabinet approval and aims to regulate non-banking financial institutions, stock exchange operations, and insurance and retirement funds. This is designed to protect the public from people who take their monies under various pretexts, which may lead to a loss of these hard-earned money. Let me appeal for support of this Honourable House in the quick passage of this legislation.

42. On the critical issue of fighting Money Laundering in Swaziland, I am happy to report that Government is presently engaged in an effort to formulate a regulatory framework for the establishment of the Financial Intelligence Unit (FIU). This agency will investigate reports of suspicious transactions and disseminate results to local law enforcement agencies and foreign counterparts in order to combat international money laundering and the financing of terrorism acts.
43. Mr. Speaker, the liberalisation of the insurance and retirement Funds industry has dramatically changed the landscape in the financial services sector with the introduction of new insurance companies. This has created competition as a result of improved and diverse products offered by the market. Within the first year of establishment of the office of the Registrar of Insurance and Retirement Funds, four large insurance companies obtained licences to operate in the country. These are Old Mutual, Liberty Life, Metropolitan Life and PFM. All these are long-term life insurers and we look forward to short-term insurers to enter the market.
44. Mr. Speaker, Section 19 of the Retirement Funds Act requires that 30% of retirement funds should be invested locally and this has to be done gradually over 3 years starting in 2007. As at the end of March 2008, total local investment amounted to E1.166 billion, which is equivalent to 12 percent. It is estimated that the 30% benchmark will be attained by November 2009.

7. STIMULANTS FOR ECONOMIC GROWTH

7.1 Investment climate

45. Mr. Speaker, in order to address the challenges facing the country, there is need to increase investment both domestic and foreign to stimulate economic growth. The country will intensify its focus on value adding industries, establish and promote vertical integration systems and promote local empowerment through SMEs.
46. The Ministry of Commerce, Industry and Trade in collaboration with related institutions shall continue to review legislation and policies to make the country's investment climate more attractive. Government will continue to develop the industrial estates in Matsapha, Mankayane, Ngwenya, Nhlanguano and Sidvokodvo. In order to increase market access for local products, the country is involved in negotiations with various trade partners.

7.2 National Security

47. Mr. Speaker, Government believes that it is every citizen's right to live in an environment that is free of threats to life. It is for this reason that national security remains a priority for our country. The world over, human security is critical and governments have the responsibility to respond directly to all external and internal threats. One of the world's security threats is terrorism,

and the Kingdom of Swaziland has not been spared from this scourge. This is evidenced by the recent experiences across the country. The dynamics of terrorism continue to evolve at a remarkably fast pace and Government has found it necessary to prioritise security. This budget has provided for all the law enforcement agencies to ensure that enough personnel, equipment, vehicles and materials are available for the effective maintenance of law and order. I wish to encourage close collaboration between communities and the security forces to root out criminal elements in the communities.

48. Mr Speaker, corruption continues to be a major economic setback in the country, with the public sector being the most affected. I believe that the most effective way of dealing with this phenomenon is to strengthen the institutions designed to curb it. It is for this reason that my Ministry is working hard on the Procurement Reform Initiative. It is also important to deal decisively with those that are identified as perpetrators of this problem. With the additional resources to capacitate the Anti Corruption Commission, I am confident that all forms of corruption within Swaziland will be dealt with and the law will take its course. May I urge members of the public to work hand in hand with the Commission on this task. The war against crime and graft requires an efficient and effective legal system. As such government continues to uphold the rule of law and seeks to ensure that the delays in the delivery of justice are minimised, and the independence of the judiciary is upheld.

7.3 Small and Medium Enterprise (SME) development

49. Mr. Speaker, government recognises the importance of SMEs in stimulating economic growth and has developed a comprehensive SME strategy to spur growth. It is generally known that the SME sector is of primary importance in generating employment. Given the economic difficulties currently being experienced in the region, it is imperative that entrepreneurs learn how to effectively start and run businesses to increase the potential to succeed in the marketplace.
50. Mr. Speaker, I'm glad to report that smallholder sugar farmers will now have new opportunities to access credit through a guarantee scheme that mitigates the lending risks for banks. This programme will be funded by the EU under the National Adaptation Strategy and the scheme will be managed by Nedbank, FINCORP and SIDC. This does not mean that potential borrowers will not be required to submit all necessary documents to secure a loan, including a viable business plan and realistic financial forecasts.
51. In an effort to ensure that access to finance is removed as a constraint to SME development, Government, with the assistance of the International Fund for Agricultural Development (IFAD), is developing a rural financing scheme to assist SMEs, especially small entrepreneurs who are in the rural areas and therefore unable to take advantage of the formal banking facilities to drive their businesses. A pilot project has been launched, with the participation of

some financial institutions in the country. Its success will result in a full scale roll-out, which will see this constraint eliminated for ever

52. To strengthen empowerment initiatives, the Government is currently looking into the recapitalisation of Development Finance entities like FINCORP, with a view to strengthen their ability to continue to meet the ever rising demand to support Small and Medium Enterprise development in the economy.

7.4 Tourism development

53. Mr. Speaker, tourism is one of the world's fastest growing industries that have potential for job creation and poverty alleviation. The Kingdom of Swaziland, through the Swaziland Tourism Authority continues to promote the country with a view to have it as a preferred tourist destination in Southern Africa. However, the current economic crisis may have a negative impact on the tourism industry as it has led to a general increase in costs for tourists. The recent hikes in fuel and food prices made it difficult for tourism to compete with the basic necessities.
54. Despite the dampening mood on arrivals in 2008, we expect 2009 and 2010 to be better years for the tourism industry. The 2010 FIFA World Cup in South Africa is expected to provide an opportunity for Swaziland to avail the attraction of the tourism sector to the thousands of spectators, officials and media that will be in South Africa. In addition the event will create an opportunity for a widespread media exposure, thus enhancing the regional brand as a global tourism destination of choice. By early next year, a number of infrastructure projects will be completed, that will enhance tourist attraction. These include the Sikhuphe international airport and Jozini Big six, which are scheduled to open in 2010.
55. Mr. Speaker, the Government is also working on strengthening the development of the tourism industry, for example, by encouraging commercialization of all the Swaziland National Trust Commission's (SNTC) projects. Moreover Government has already embarked on registration and grading of hotels and guest houses to improve our image as a prime destination.
56. The Swaziland Tourism Authority will launch a series of strategic publicity programmes under the theme "*Discover Swaziland*". In the latter half of 2009, there will be a launch where a wide variety of promotional activities in the major markets around the world including showcasing Swaziland's new tourism facilities and extensive image building. In addition Government will extend the Quality Tourism Services Scheme to cover more tourism-related trades and further improve customer services.

8. PUBLIC SECTOR REFORM

57. Mr Speaker, I wish to remind the Honourable House that government is carrying out reforms based on the National Development Strategy (NDS) and the PRSAP. These give a predictable development path that is achievable by implementing a set of policies that will take the country to sustainable economic development, social justice and a politically stable environment. Government adopted the PRSAP as the planning and budgeting framework until 2015. The public sector is being reformed in line with these initiatives.
58. Mr. Speaker Government is making strides on the reforms that were initiated to improve efficiency and service delivery in the civil service. To this end Government continues with programmes aimed at attaining a cost effective civil service. The need to closely monitor personnel expenditure is a requirement for an efficient and effective organization.
59. Mr. Speaker, Government programmes that will be implemented in the coming financial year aimed at addressing the size of the civil service include the Enhanced Voluntary Early Retirement Scheme, for which E153 million has been provided; Alternative Service Delivery, that is, outsourcing services that can best be undertaken by the private sector and improving the Human Resources Management System to identify and eliminate Ghost workers if there are any. Other planned activities include the enactment of a new Public Service Act, the Public Service Charter and conducting intensive staff inspections and workshops on the code of ethics and introduction of a new Performance Management System.
60. Mr Speaker, I am pleased to report that the Government, through the Ministry of Finance is continuing to actively reform the procurement systems. The Public Procurement Regulations gazetted in July 2008 are now implemented by Government ministries. The implementation of the new regulations is assisting ministries to better manage procurement risks and improve on accountability, increase efficiency, and ensure better control of government expenditures.
61. Mr Speaker, Government officers and Suppliers are being trained on the requirements of the procurement regulations to ensure full understanding. To date 48 officers and 70 suppliers and contractors have been trained. More training is planned throughout the coming financial Year.
62. Mr Speaker, Government is starting to realise the benefits of this reform with suppliers now competing for government work. Good suppliers who did not previously supply government are now tendering; suppliers are receiving feedback on their tenders thus providing opportunities for companies to improve and be more competitive. Preference for Swazi companies is now a standard feature of all government tenders. Prices paid by government are starting to fall and supplier performance is closely monitored to ensure delivery to specification, on time and to the agreed price. I am proud to say that we are increasingly being cited as a reference for a Government initiated and funded procurement reform initiative. Some of our officers have been invited to present in international fora on this subject.

63. Mr Speaker, going forward I should be able to quantify the financial gain realised from this process. The Ministry of Finance will finalise the Procurement Law, drafting of new Stores Regulations, preparation of a Procurement Manual, and further refinement of Procurement Documentation. Support is also planned to be provided to local government and parastatals.
64. Government has decided to use a Sector Wide Approach (SWAP) approach to budgeting. The Sector Wide Approach (SWAP) improves links between policy and budget as well as bringing focus towards outputs and outcomes. It also is a comprehensive strategic programme that aims to bring together all relevant stakeholders, that is, public agencies, parastatals, development partners and other non-governmental stakeholders to engage in a dialogue and develop a single programme which addresses the needs of the sector and is implemented by the different stakeholders. This approach brings in complementarity and collaboration in programme implementation and service delivery. I am pleased to announce that this initiative has been started with four sectors, namely, Health, Education, Agriculture, and Water and Sanitation. An assessment will be undertaken during the year to inform the roll out of the approach to other sectors in the medium term. The objective is to strengthen expenditure management and implementation of government programmes.
65. Mr. Speaker, my Ministry has also initiated a review of the Public Finance Management legislation to usher in up to date practices in this area. This draft is currently being subjected to consultation and I invite all interested stakeholders to visit our web site and download a copy of this draft legislation for comment. I expect to present it to this Honourable House during the course of the next financial year. Its implementation is expected to commence within the financial year and will be supported by an extensive capacity building programme in a variety of areas.

9. INFRASTRUCTURE DEVELOPMENT

66. Mr. Speaker, Government continues to facilitate the provision of development infrastructure which is a prerequisite for economic development. In the medium term government is giving priority to water, health and education related infrastructure, upgrading the road network and the completion of the Sikhuphe international airport. The completion of the LUSIP dam construction marks an important milestone in the provision of water for irrigation. Our timing could not have been better as this dam is expected to be full by the end of the rainy season. The Lubovane Dam, Feeder Canal and Main Canal South will be completed and handed over to the Department of Water Affairs, under the Ministry of Natural Resources and Energy for operation and maintenance. A Tertiary Distribution System that will facilitate the irrigation of 800 hectares of land will also be completed in the medium term. The construction of the tertiary distribution systems that will cover 5700 hectares will start in the financial year 2009/10 with a budget provision of E100 million. We have noted with concern the story reported in one of our

dailies about confusion over one of the pieces of land earmarked for development under this project. We have, however, been assured that the concerned parties are looking into this matter with a view to ensuring that it is resolved to the benefit of the people.

67. With the support of the Republic of China on Taiwan and the EU, Government, is continuing to provide water supply infrastructure in the rural areas in order to provide safe water and contribute to improved sanitation. This is done in through the Water Affairs department, Rural Water Supply branch and the Microprojects programme. The construction of water treatment plants for the supply of water at Siteki and Lomahasha on the one pat of the country and Nhlangano on the other, will continue, with allocations of E36 million and E26 million, respectively. The EU has graciously provided funding under the 10th EDF programme for this initiative. There are also feasibility studies currently being undertaken for further water resources development. One that is currently being actively pursued is the Mkhondvo river basin.
68. Mr. Speaker, the completion of the recreational multi purpose Sports Centre at the Mavuso International Trade and Exhibition Centre, which offers state of the art recreational facilities, is also one of the major achievements of the Government in the past year. This project is expected to be fully operational in the course of the year and the Ministry of Economic Planning will have identified an operator for these facilities to keep them in good condition.
69. I am pleased to inform this Honourable House that, 2009/10 will see the completion of the Mbabane By-pass Road, with a final budget allocation of E140 million. In order to ensure that this and other roads, in which we have invested significantly, are well maintained, the Roads Department is continuing with reforms that will see the introduction toll gates on our roads, starting with this one. E20 million has been set aside for the designs of two toll plazas along this road. Concurrently, Government is looking for a private investor to partner with in the construction and operation of the toll plazas. Government will also be undertaking the design review and carrying out the resettlement of affected people on the Sicunusa to Nhlangano road, which is estimated to cost about E279 million. The access road to Sikhuphe airport will also be constructed with the assistance of BADEA and Kuwait Fund. E105 million has been budgeted for this project in the 2009/10 financial year.
70. Mr. Speaker, with regards to the construction of the Sikhuphe airport, we are optimistic that by 2010 Sikhuphe International Airport will be completed. Government has put in place mechanisms to aggressively market this project and the country to the international community and continues to explore all foreign direct investment and business opportunities that this project could generate.
71. The rural electrification programme is scheduled to continue in the coming financial year, with more schools, clinics, youth centres and homesteads benefiting. An evaluation of the impact of the programme since inception will

also be carried out during the year in order to inform subsequent phases of the project, but also to ascertain the impact and implications for future energy supply, in view of the power shortages in the region. Such an evaluation is important. The Government is also exploring renewable sources of energy like wind and solar in order to reduce reliance on imported electricity and improve energy security in the country. Wind measuring equipment will be installed at a cost of E1.1 million, along the Lubombo plateau to assist in assessing the wind levels and the potential for wind power. Another E1.6 million has been set aside for a study on the feasibility and extent of solar electrification in the country.

72. Mr Speaker, a very large proportion of the Government's capital budget goes to improving government infrastructure. Unfortunately this investment has not been accompanied by appropriate levels of maintenance; hence many facilities are in a deplorable state. The Ministry of Public Works and Transport will develop and implement a comprehensive maintenance programme in the medium term. In this regard, I am pleased to inform the House that the rehabilitation of the SBIS building has resumed after experiencing implementation challenges, and funding of E30 million has been allocated. Other structures that are planned for rehabilitation are the Hlathikulu Hospital and the building which houses the Ministries of Home Affairs, Justice and Health.
73. I wish to take this opportunity to commend the work done by the Microprojects team in implementing government projects earmarked for communities. This has actually brought a lot of progress in delivering quality and affordable infrastructure timeously. Government will be expanding the Programme especially in education, health and local government sectors as it fulfils the needs of communities.
74. Mr. Speaker, the Industrial Expansion Programme targets the procurement of land and the provision of services to facilitate industrial establishment and expansion in the country. The services which facilitate industrial development include road network, electricity, water and waste disposal, and telecommunication infrastructure.
75. As reported in my last budget, there is a need to increase the fuel storage capacity of the country beyond what we have now to safeguard economic activity. Currently, government is seeking funding to construct a 90 days fuel reserve that can assist when there are disruptions in the refineries in South Africa. The Ministry of Natural Resources and Energy is also in the process of consolidating all legislation currently governing the petroleum sector in order to come up with a Petroleum Act that will govern all activities in the Petroleum Industry. This will in the long run, result in cheaper and less volatile prices for fuel.
76. Mr. Speaker, telecommunications infrastructure is one of the key contributors to economic growth. It is a major consideration for investors to decide where they locate their businesses. Good infrastructure also has potential to create

other small service oriented businesses. Through support from Government, the Swaziland Posts and Telecommunications Corporation (SPTC) has successfully introduced broadband services in the country to improve speed and efficiency in communication. They are currently addressing issues of access to international bandwidth which has just been upgraded. Once sufficient international bandwidth has been secured for current and future requirements, the Corporation will then embark on expansion of the broadband services.

77. Mr. Speaker, SPTC has also begun upgrading the telecommunications network in line with their strategic plan, with the aim of providing countrywide modern communications solutions. In the medium term the Corporation is rolling out what is called Next Generation Networks (NGN) which will support both fixed and mobile connectivity. This initiative will enable SPTC to deliver world class communication services to all sectors of the economy, regardless of geographic location. This is set to be achieved within the next 12 months. This budget makes a provision of E45 million in support of the implementation of their strategic plan.

10. SOCIO-ECONOMIC CHALLENGES

10.1 Reducing Poverty levels

78. Mr Speaker, I am really touched by the plea coming from a large number of people in our society who are languishing in the clutches of extreme poverty. While I am not sure I am going to succeed in putting a smile on Gogo Elizabeth Sikhosana's face with this budget, nor accede to the request by the street vendors from Manzini to give them cash, I am happy to announce that Government has declared poverty public enemy number 2 to HIV/AIDS. While there is still a very long way to go, it pleases me to announce that poverty trends indicate a slight improvement in both rural and urban areas. According the Vulnerability Assessment Committee, people living below the poverty line have decreased from 345,000 in 2007 to 287,634 in 2008. This is due to improved food production given the good rains in some parts of the country during this period. The status of the agricultural industry is showing a positive growth as a result of the good and timely rains amidst poor selling prices; high production costs and the social costs of HIV/AIDS. Nonetheless, total number of people who benefited from food aid handouts was about 400,000
79. The incidence of poverty is not uniformly distributed within the country. The Lubombo and Shiselweni regions remain the most affected by high and increasing levels of poverty. According to our Vulnerability Assessment, the Lubombo region has the highest number of people classified as vulnerable to food insecurity and accounts for 30 percent of total vulnerable people in the country.

80. The increasing numbers of vulnerable people, mainly resulting from the adverse effects of HIV/AIDS, have created pressure for change in traditional household structures. The family structure has evolved to include single parent families, grandparent-headed families to child-headed families. This has escalated the challenges of parenting. The effects of such an evolution are long term and need targeted interventions. Key among these interventions is the protection of the human resource development agenda, which is a guarantee of future growth of our economy. In this regard Government has increased the allocation for bursaries orphans and vulnerable children (OVC) to E130 million and has further made provision to continue with the school feeding schemes by allocating E18 million. To improve incomes and empower the nation at grass roots level the Regional Development Fund has been increased to E80 million, and this will be complemented by the ongoing Community Poverty Fund.
81. Other than the increasing vulnerability of the population, government notes with concern the impact of a shrinking population as revealed by the 2007 population census results. The dynamics of a shrinking population coupled with poverty and HIV/AIDS can not be ignored. In order for government interventions to improve the standards of living of the population, it is important to observe the population dynamics and incorporate them into development programmes. In Swaziland, the low fertility rates and the effects of HIV/AIDS have developed a new population pyramid shape, called the *population chimney*, where the population pyramid is less broad at the bottom and the number of 5-9 year olds is greater than 0-4 year olds. Further, a dramatic change occurs around the 15-19 year cohort, after the age at which people first become sexually active and when those infected early in their sexual lives begin to die off within the 25 – 29 year age group.
82. Mr Speaker, I am also disturbed by the increased incidences of disasters in our country. If I was not a Christian who believes that God is a Loving God, I would be arguing that we are being punished for some reason. However, these are clearly sign of the impact of the much talked about Global Warming phenomenon, which I am sure most of thought it is a subject to be debated in the developed countries, which had nothing to do with us. For long term management, government has identified the need for a more proactive disaster preparedness strategy. However, in this budget, disaster management interventions have been allocated a total of E100 million to cater for water supply, food rations and the fight against alien invasive species which are threatening our environment.

10.2 Curbing HIV/AIDS spread

83. Mr. Speaker, let me now turn to the depressing issue of HIV/Aids which poses one of the greatest challenges this country has ever faced. In doing so, I wish I could change my tone of voice in dealing with this matter to emphasize its importance and the urgent need to do something drastic as a nation.

84. Firstly, let me deal with the challenge of prevention. My colleague the Minister for Health recently announced the outcome of last year's sentinel survey which seems to indicate that the epidemic is stabilizing, albeit, at a very high level. Many prevention programmes are being implemented. Knowledge of HIV is now high in Swaziland compared to other countries in the region. The prevention of mother to child transmission is now reaching 70% of pregnant women. Recent studies indicate that there has been a significant reduction in people reporting that they had multiple partners in the last 12 months. The male circumcision program is starting to gain momentum. All these programs are having an impact on the epidemic. The recent study on Modes of Transmission indicates that the incidence (% of the population infected in a year) has dropped from some 6% in 2000 to about 3% today, this is still unacceptably high. The challenge is to reduce incidence to around 2% or below to get the epidemic under control.
85. The second challenge is that of treatment. Free anti-retroviral therapy is available to all who need it and some 33000 people (about 50% of those who need it) are on this life saving medication. HIV is now being managed as a chronic disease like any other. However we are still losing too many citizens to the disease because they do not present themselves for treatment. The Demographic Health survey indicates that only 9% of men and 22% of women tested for HIV in the last 12 months. The challenge is to save more lives by increasing the numbers of people who test so that they can be enrolled on treatment if necessary.
86. The third challenge is the impact of the epidemic. The impact is clearly visible in the poverty and numbers of orphans and vulnerable children we see. The DHS reports that there are about 150,000 OVCs (31% of the child population). Programs by the Ministry of Education are meeting with success. Enrolment has increased significantly over the last 5 years from a low of about 70% to over 90% today. School feeding programs have rolled out to primary schools and are to be introduced to secondary and high schools this year. There are kaGogo centres built in each chiefdom to manage interventions at community level and there are more than 800 neighbourhood Care Points (NCPs) providing feeding for children in need. More NCPs are to be built this year. The challenge is that we must assist these children to grow up and become productive responsible citizens of our country.
87. Mr. Speaker, our donors have pledged more funding for the fight against HIV, for which we are extremely grateful. The Global Fund on Aids, TB and Malaria have been the biggest donor to the country in this regard and, with the consolidation of Rounds 4 & 7, there is about E300 million to be spent per annum over the next 5 years on the fight against HIV. Recent commitment by the US Government could potentially contribute a further amount in excess of E250 million per annum. As I mentioned earlier, the challenge is now with us to revisit our strategies and make sure that these funds translate into lower

new HIV infections. From our own resources E53.4 million has been allocated to NERCHA to continue their work in fighting this pandemic.

88. I have, at this point, to express my gratitude to all our donors and cooperating partners for their continuing assistance to Swaziland in this battle against this virus. I would also like to recognize the efforts of all those entities within the country who are delivering vital services to people and communities. Your efforts are appreciated.
89. Finally, on this point Mr Speaker, I am encouraged by the way the nation has mobilized against HIV. There are many activities being implemented at community, chieftaincy, Inkhundla and regional level clearly indicating a coordinated concerted effort to fight this pandemic

10.3 Creating Employment Opportunities

90. Mr. Speaker, the level of unemployment remains high in the country, due to the economy's inability to create new jobs. This has been confirmed by the Labour Force Survey of 2007, which indicates that out of a total labour force of 559,528 only 222,771 people are employed, reflecting an unemployment rate of 28.2 percent. Official unemployment rates vary between the four regions, from 27.1 percent in Manzini to 31.8 percent in the Lubombo region.
91. About two-thirds of the urban population is economically active compared to less than half of the population in the rural areas. In terms of gender, men's labour force participation rate is higher at 59.2 percent, while that of women is 45.2 percent and similarly unemployment rate for women is higher at 31.2 percent compared to 25.7 percent for men.
92. Mr. Speaker, our statistics affirm that investing in education enhances the chances of employment as persons with a diploma or higher education have a lower unemployment rate of 5.9 percent than those with only on-the-job training at a rate of 9.0 percent and those with no training having the highest unemployment rate of 34.4 percent.
93. It has been discovered that some children below the official employment age of 16 years are engaged in some profitable labour activities, a feature that is common in the agriculture sector. The Employment Bill to be presented to Parliament soon will look into the issue of child labour, including strengthening government support on the implications and effects of HIV/AIDS as well as the discrimination in employment. There will also be the complete review of the current Employment Act.
94. Mr Speaker, this budget proposes projects that will enhance employment opportunities and stimulate growth. These include the Lower Usuthu River Basin Project, Sikhuphe airport development, improving the road network, private and community based projects and the revival of the mining sector. We cannot forget the input of investment promotion measures made by SIPA

and our development finance institutions that continue to support the development of Small and Medium Enterprises (SMEs).

95. Mr. Speaker, I am very disappointed by the premature exit of our national team, Sihlangu from the 2010 FIFA World Cup. I had already made some significant investment in my Sihlangu regalia and had procured, albeit transparently, my *vuvuzela* for this purpose. The hosting of the 2010 FIFA World Cup is now only expected to benefit the country through spill-over effects particularly under Tourism. The World Cup preparation task team is working hard to ensure that Swaziland adequately captures the positive externalities. The completion of the Millennium Projects, notably the Sikhuphe Airport and Mavuso Sports Centre, are targeting this opportunity. It is expected that this will be one other avenue to be fully exploited in terms of creating job opportunities for the Swazi Nation.

10.4 Strengthening the Health System

96. Mr Speaker, I am grateful to “the Economist” at CANGO, who continuously publishes articles that remind government of her responsibilities, though sometimes you wish he could pay us a visit to discuss these matters face to face. In an article by Mr. Mbongeni Nhleko of the Times of Swaziland, dated Wednesday February 25, he continued to point out a number of things that he would like to see in the budget. Among those things was a reminder of our commitments under the Abuja Declaration of spending a minimum of 15% on Health. Well Sir, I am happy to report that we have surpassed that target in this year’s budget. While the estimates reflect 11.5%, expenditure in the health sector accounts for 17.2% of the national budget, which includes contributions by our cooperating partners.
97. In an effort to ensure that this money translates into meaningful health services, Government is embarking on a number of initiatives to improve efficiency in the spending of this budget. Key among these is the commitment to reform the procurement and distribution processes of medical supplies as well as provide for the required specialised personnel.
98. Mr Speaker, an urgent intervention commenced on 16th February 2009 to strengthen the Ministry’s procurement and stores functions. The support is being provided by two specialists who will work very closely with the Health staff to ensure that the intervention is within the context of the Government’s Procurement Reform.
99. This budget provides for an increase of about E100 million to cater for medical supplies, equipment and new posts. However, the challenge is the high staff turnover which seriously affects service delivery in health facilities. Government is engaged in advocacy to entice Swazi health practitioners who are studying and living abroad to come back to the country. Another initiative by the Ministry of Health to improve services to the people is their entering

into bilateral agreements with the governments of Cuba and the Republic of China on Taiwan for the provision of medical missions to service the country's major hospitals. The ROC medical team will now provide services in remote areas of the country through outreach programmes.

100. Government continues to strengthen hospitals infrastructure in the country. This budget provides E80 million to commence the construction of Lubombo regional hospital, E15 million for institutional housing at the TB hospital in Manzini; E43.8 million for the procurement of medical equipment and E25 million for the rehabilitation of Mbabane Government hospital. Discussions are ongoing with cooperating partners and financial institutions to come up with financing packages to support the health sector and improve on service delivery. An intensive care unit will be constructed at RFM Manzini with the assistance of the Republic of China on Taiwan.
101. Mr. Speaker, I know I have said this when I talked about HIV/AIDS but I need to say it again. I deeply appreciate the complementary services provided by non-government agencies in health service delivery in the country. Government recognizes their contribution in spite of all the challenges they face.

10.5 Social Welfare

102. Mr. Speaker, government continues to give priority towards improving the welfare of the citizens, particularly the elderly, the disabled and children. In order to guide the delivery of social welfare services in the country, a social welfare policy has been drafted and will be submitted to Cabinet for approval shortly. The development of the Strategic Plan for Social Welfare to guide in the implementation of social welfare programmes is ongoing and expected to be in place before the end of the financial year.
103. In an effort to address the needs of the elderly people, government has been able to conduct a national survey to determine the number and the geographical distribution of the elderly. The introduction of the elderly grant has gone a long way in easing the burden on the elderly, considering the increased responsibilities they have. We are under no illusion that the money they get is enough to cater for their needs. However, it is what the Government can afford at this stage. I am happy to announce that Government is increasing the grant to E600 from E500 per quarter, totalling E144 million for the 60,000 elderly in our records. I appeal to all the younger members of our society to protect the elderly and supplement the assistance provided by government, instead of burdening them with children and neglecting them. We should all appreciate that they are the source of knowledge and wisdom for the family and community. A review of the grants to members of Umsizi and their Widows has been done and the budget proposes an increase of about E100 on their monthly allowances.

104. Mr Speaker, as a result of the increased disease burden the number of orphans and vulnerable children continues to increase. Government in collaboration with UNICEF has been able to establish a National Database Unit for the orphans, abandoned children and abused children. Standards and guidelines for the operation of alternative care institutions have been developed to address the increasing phenomenon. This is to ensure that in addition to education, vulnerable children also get psycho-social support.
105. Government is also concerned about the plight of the disabled. In order to address their needs, a survey was conducted in eight Tinkhundla Centres. Community based rehabilitation outreach services have been successfully undertaken in all the eight pilot sites. In addition, a part time sign language course has been initiated to facilitate easy communication with the speech and hearing impaired groups. Government has signed the International Convention on the rights of persons with disabilities and is in the process of ratifying it.
106. Towards addressing their needs, an allocation of E500, 000 has been made to the Ekululameni Training Centre to assist in skills development. The high school for the deaf is now operational and the budget allocation has been increased by E580,000 to cater for operational expenses. I wish to encourage parents to send their children to both the primary and high schools. I am impressed with the performance of the primary school for the deaf and wish to once again congratulate the students and the teachers for the 100 percent pass rate in grade 7.

10.6 Agriculture sector

107. Mr. Speaker, the smallholder agricultural sector remains the largest contributor to the livelihoods of the rural population. Maize is still the dominant crop and remains the staple food grown by the majority of rural households in the communal Swazi Nation Land (SNL), which accounts for about 86 percent of total land planted.
108. Government will continue to invest in Agriculture and is confident that this sector has the potential for employment creation, increased productivity and overall contribution to the economy. Further, this sector is the main raw material provider for the agro-based industries. Government has increased the budget allocation to the sector to address the critical issues raised at the National Agriculture Summit –Indaba in July 2007.
109. Mr. Speaker as part of the initiative to revitalise the agriculture sector, government will continue to develop water harvesting infrastructure with emphasis on the multiple use of water resources. Ongoing activities include the development of schemes under the Lower Usuthu Smallholder Irrigation Project (LUSIP), Komati Downstream Development Project (KDDP), smallholder schemes in Nceka, Ngwempisi, Buseleni and the earth dam construction programme in the lowveld.

110. One can not fault us for our excitement in the completion of the Lower Usuthu Dam Construction, given the experience with the Komati Development Project. This development opens all sorts of opportunities for local farmers in this area. This is expected to directly benefit a total of 30, 000 people, which is 2618 households, making a big dent on poverty in the country.
111. Mr. Speaker, Government will embark on a diversification programme where farmers are encouraged to plant according to agro-ecological suitability mainly in the dry Middle veld and Lubombo. Government will be promoting the cultivation of drought tolerant crops that will go a long way in reducing the food shortages. We extend our sincere gratitude to the Food and Agriculture Organization (FAO) for providing farmers in the affected areas with free agricultural inputs. I encourage our farmers to take advantage of the assistance and the good rains to maximise food production.
112. Mr. Speaker, the overall budget towards agriculture and food security has increased by over 200 percent over the past four years. The intention is to intensify efforts to improve water management, commercialisation of agriculture and enhancing agricultural production and productivity to attain food security. Government also continues to implement the National Adaptation Strategy (NAS) to help the local sugar industry adapt to changes in the EU sugar protocol for Swaziland. The key areas of focus are competitiveness of the sugar industry, agricultural diversification and support to small holder farmers.
113. Talking about food security Mr. Speaker, I am deeply concerned about the rapid conversion of prime agricultural land into real estate. One thing we should realise as a nation is that there is limited arable land in the 17,000 square kilometres that is Swaziland. The more we exercise our so called right of doing whatever we want on our land, the more food insecure we get. I am encouraged that the relevant ministries in Government are getting together to devise strategies to curb this terrible practice.

10.7 Providing Education for All

114. Mr. Speaker, I know that every one is waiting eagerly to hear what I have to say about the much talked about free primary education. Well, let me indulge them Mr. Speaker. The Government of Swaziland has scaled up efforts to ensure that all children, irrespective of their socio-economic status, have access to education. The Orphaned and Vulnerable Children's (OVC) Fund, initiated by His Majesty in 2002 has increased tremendously since its inception, from E16 million then to E130 million. This bursary programme has benefited over 100, 000 children who would have otherwise never been to school. With the support of NERCHA, the number of children benefiting from this fund increased from a mere 38 000 in 2003 to 97 000 in 2007. In 2008, about 111, 878 children benefited from the OVC Fund. Special gratitude is extended to other non-governmental organisations who have enhanced education enrolments by providing for school fees for some OVC's.

115. The School Capitation Grant Scheme, which is being implemented by the Ministry of Education with the assistance of the EU, will continue giving support to primary schools. In 2008, the scheme had been extended to 250 schools, benefiting a total of 25 983 OVCs. In 2009, the programme is expected to cover all primary schools.
116. Mr Speaker, studies have been conducted on the government's efforts in support of education. We have been hailed as one of the countries whose spending in this sector reflects our seriousness about developing human resources. This sector has consistently accounted for the biggest share of total spending in our budgets. The commitment to free primary education, should it be implemented in the manner proposed, would therefore result in this sector shooting up and squeezing out the other critical sectors of our economy. It is for this reason that in implementing it, Government reallocates from Tertiary Education, which takes up a large share of education spending, which is inconsistent with practices in other economies.
117. Mr. Speaker, major achievements have been recorded in the introduction of Information Communications Technology (ICT) education in schools. A curriculum for ICT education has been developed and is still under review. The Ministry of Education is in the process of formalizing a policy that will guide the implementation of ICT in schools. This will be done in collaboration with the Ministry of Information, Communication and Technology.
118. Mr Speaker, government will regulate the operations of private schools and training institutions to safeguard the interest of parents and ensure quality education. This will entail accreditation of these institutions. I would like to urge my colleague in the Ministry of Education to treat this matter with the urgency it deserves.

11. PUBLIC DEBT

119. Mr Speaker, indications for the quarter ending December 2008 are that Swaziland's external liabilities in Emalangeni terms increased slightly, primarily due to the depreciation of the local currency against the US Dollar and other major currencies in which most of the country's liabilities are denominated. As at the end of December 2008, total external debt stock including private sector non-guaranteed debt stood at E3.98 billion, denoting an increase of 6.7 percent from the revised figure of E3.73 billion recorded in September 2008. Public external debt (which includes public and publicly guaranteed debt) stood at E3.58 billion at the end of December 2008, reflecting an increase of 8.5 percent from the figure of E3.3 billion recorded the previous quarter.
120. Mr. Speaker, the external debt for central government stood at E3.36 billion when compared to E3.08 billion recorded in September 2008. Based on the international critical debt ratios, Swaziland still ranks low compared to other African countries. Our total debt stock to GDP stands at 19 percent whilst our

total debt stock to exports of goods and services stands at 26 percent. Both figures are below the critical debt ratio levels recommended by the International Financial Institutions. While this implies a capacity to borrow for development, we cannot afford to be complacent about our low debt ratios but must persevere to keep our expenditure focused on productive undertakings.

121. Mr Speaker, there were no new loans contracted during 2008, while two loans contracted from the Government of Germany for the construction of the Mpaka-Siteki road and the Mnjoli dam matured.
122. To finance future infrastructure development, government is engaged in discussions with international financial institutions to secure loans through the blend facility which is a combination of both the commercial and concessional financing. This is as a result of the country's classification as a Middle Income Country (MIC), which renders us not eligible for concessional funding. A study of our classification was done with the assistance of UNDP and Commonwealth and government is looking into it once again.
123. Mr Speaker, with the dynamics in our debt portfolio, there is a need to develop an integrated debt strategy for Swaziland that addresses the financing of our future deficits in a responsible and timely manner. Such a strategy would require us to critically examine both the domestic and external debt options to protect ourselves from volatile and declining revenue sources in the long-run, bearing in mind the cost and risks associated with such funds. Government also has to develop the domestic capital markets.

12. BUDGET PERFORMANCE

12.1 Actual outturn for 2007/08

124. Mr. Speaker, the actual outturn for 2007/08 shows a surplus of E788 million, which is 3.7 percent of GDP. Total revenue received including grants for 2007/08 amounted to E7.8 billion. A 6 percent drop in SACU receipts from E5.3 billion the previous year to E4.9 billion resulted in the 2007/08 total revenue increasing by just less than 1 percent from the 2006/07 actual outturn. Let me hasten to add that the drop in SACU receipts was only a result of an accounting entry because an adjustment which was expected to be received in 2007/08 came before the close of the accounts for 2006/07. Despite this drop SACU receipts continued to be the largest share of total revenue and grants, accounting for 63.1 percent.
125. Mr. Speaker, non-SACU revenue on the other hand grew by E376 million in 2007/08, reflecting a 13 percent increase from 2006/07. The major contributors to the non SACU revenue account remained Income Taxes, Sales Tax, and Property income. Compared to the previous year, Income Taxes grew by 7 percent, driven largely by a 13 percent growth in Individual Taxes

and a 3 percent growth in company taxes. Sales tax, which is another important source of revenue for government showed a robust growth of 20 percent from the E602, million collected in 2006/07 to E723 million in 2007/08. Allow me Mr. Speaker, to congratulate my officials in the Customs and Income Tax Departments for this excellent performance.

126. Poor performance was observed on the Sugar Export levy and Fuel Tax. The Sugar Export levy dropped by 3.09 percent reflecting the impact of the strong exchange rate which persisted through out the year. Fuel tax was the extreme outlier, showing a huge drop of 30 percent from 2006/07. An investigation initiated by the Ministry of Natural Resources and Energy will help us understand the root cause of the decline.
127. Mr. Speaker, non tax revenue, which includes property income, fees and fines and loan repayments showed a significant increase of 54 percent, from E189 million in 2006/07 to E347 million in 2007/08. Property income, the main driver of this category, included E138 million interest income generated from government deposits held with external financial institutions. Deposits with local financial institutions contributed interest income equivalent to E40 million, while other government's investments with the private sector contributed E19 million in dividends. It must be noted Mr. Speaker, that with the advent of the implementation of the Constitutional clause that compels us to turn over our reserves to the Central Bank to manage, this revenue item is now history, and instead, we are expecting to see it translate into higher Central Bank Profits, which are also revenue for Government.
128. Another important component of this category of revenues was the loan repayment, which includes repayment of loans on-lent by government to public enterprises. Although a bulk of these funds are used to service the debt with the financiers, it is gratifying to see the entities which received funding fulfilling their commitment to pay back their debts.
129. Total expenditure in 2007/08 was E7.3 billion, of which E5.3 billion is recurrent expenditure and E2 billion capital expenditure. Total recurrent expenditure increased by 12.8 percent compared to the outturn of the previous year. Expenditure on wages and salaries under performed, recording E2.8 billion against a budget of E3.2 billion. This was a result of unfilled vacant positions in the various government ministries and the deferring of the implementation of the voluntary early retirement programme.

12.2 Budget performance for 2008/2009

130. Mr. Speaker, you will recall that I presented to this Honourable House for appropriation, a budget deficit of E330 million, which was 1.4 percent of GDP. Preliminary figures indicate that the outturn will be a deficit of about 1 percent of GDP. This is a result of savings arising from the low implementation rate of the capital programme, the vacancy rate and the expenditure control measures that government has put in place.

12.2.1 Revenue

131. Total revenue collected by the end of the 3rd quarter (31st December 2008) amounted to E8 billion, reflecting that 92 percent of the E9.2 billion revenue budget had already been collected. It further reflects that there is a good chance that the remaining 8 percent will be achieved without much difficulty. A total of 72 percent of the collected revenue comes from SACU receipts, 16 percent from Income taxes, 9 percent from other trade taxes other than SACU receipts and 3 percent from non tax revenues.
132. Compared to the budget, SACU receipts were collected in full by the end of the third quarter. A total of E1.4 billion, which equates to 78 percent collection, out of a budget of E1.7 billion on Income taxes had been collected at the end of the third quarter. Sales tax collections were also performing exceptionally well at 79 percent of the target budget of E860 million. Non Tax revenue collected by the same period amounted to 81 percent of budget. In light of the good performance achieved at the end of the 3rd quarter, the projection of total revenues including grants has been increased by 2 percent from E9 billion to E9.2 billion.

102.2.2 Expenditure

133. Mr. Speaker, the wage bill continues to increase and it stands currently at about 52 percent of the recurrent budget. Expenditure on personnel far exceeds the conventional benchmark of 35 percent. There is urgent need contain the wage bill and ensure sustainability. This is not easy though, given the huge demand for public spending particularly in the social sectors.
134. Mr Speaker, fuel pricing remains a challenge on CTA charges given the volatility. The 2008 hike led to a substantial increase in running costs for the government fleet. Ministries and departments are urged to avoid misuse of vehicles. Otherwise the expenditure on goods and services is expected to be on target.
135. Mr. Speaker, the implementation rate of the capital programme continues to be of concern, resulting in limited scope for new projects. There is need to find means of addressing the capacity problem in the Ministry of Public Works and Transport. In the current financial year, some of the small construction projects were assigned to the Micro-projects Unit on a pilot basis. As I reported earlier, this has been a huge success with 90% of these projects having been completed to date. We hope that the Unit will keep up this good track-record in the future.
136. The Ministry of Economic Planning and Development has strengthened their planning and monitoring systems to improve the performance of the capital programme. Government is awaiting the results of an audit into the capacity constraints in the implementation of construction projects and will incorporate the recommendations in the planning, funding and implementation of construction projects and these will integrate with the procurement reforms.

137. Furthermore, the Ministry of Economic Planning and Development is developing a policy on Public-Private Partnerships (PPP), which will provide another option of service delivery. Of particular interest will be in infrastructure development where the concept of a turnkey approach will be explored in health service provision in hospitals and other areas. These will be applied in next year's budget preparation. The policy will then be supported by appropriate legislation and funding options.

12.2.3 Public enterprises

138. Mr. Speaker, public enterprises continued to contribute in the development of the economy using the assets entrusted to them by Government. The thirty one public enterprises are currently entrusted with assets worth over E5 billion which they use to contribute in the development of the various sectors of the economy. With Governments' support our public enterprises have been able to generate revenue of over E1.6 billion during the 2008/09 financial year.
139. Mr. Speaker, it is Government's intention that public enterprises should try as much as they possibly can to generate their own revenue within the mandates and reduce reliance on Government. Time has come for government to get closer to profit making enterprises with a view to contribute to the investment of these profits in infrastructure for development instead of them translating into hefty salary packages and lucrative benefits for staff.
140. Mr. Speaker, Government will always urge public enterprises to follow good Corporate Governance principles and practices at all times. To this end public enterprises are kept abreast of good Corporate Governance principles by continuing with the training of all board members and Government is ready to deal with those who will be caught on the wrong side of the law. May I appeal to the people we appoint to sit in the Boards of these Public Enterprises to always put the interest of the people before their own.
141. Mr. Speaker, the Swaziland Television Authority (STVA) successfully experimented with broadcasting on satellite for two months beginning with the 40-40 double celebrations. They have also successfully implemented the studio digitalization project on time within the budget allocation. We have also seen an increase in local content in their programs. The Swaziland Television Authority is now up to date with its financial statements, for the first time in ten years. They have also put in place financial and procurement policies, an effort that is highly commendable.
142. Mr. Speaker, the International Telecommunications Union of which Swaziland is a member, directed all African, European and Middle East countries to be fully digital in terrestrial television broadcasting by June 2015. This calls for the roll out of new digital transmitters countrywide and switching off the analogue network by 2015. Rapid advancement in technology is affecting the way broadcasting is regulated and managed. Government is preparing to support STVA comply with this directive.

143. Mr. Speaker, in a bid to reduce reliance on imported energy, the Swaziland Electricity Company (SEC) is investigating ways and means of maximizing the potential of hydro schemes in the country. They have successfully commissioned the Maguga Power station, which generates 19 Mega Watts, located in the Northern part of the country. This recent investment is already bearing fruits for the country in that power imports at peak hours are somewhat reduced as a result of this new generation plant. The organization has already embarked on two pre-feasibility studies to maximize hydro power generation in the vicinity of Lower Maguduza along the Usuthu and Ngwempisi Rivers. The envisaged capacities at these sites are 20 Mega Watts and 120 Mega Watts respectively. If found to be viable, these will contribute significantly to the energy requirements of the country. It is expected that this study will be completed during the course of this financial year.
144. Due to the energy crisis in the SADC region, the cost of electricity is set to rise, whilst new generation capacity is under development. The cost of electricity is expected to double in the next 3 years and that will have a huge impact on economic growth.
145. Mr. Speaker, as you know the SwaziBank has come a long way from a prolonged history of challenges 10-15 years ago, which include a high level of non-performing loans, liquidity squeeze, lack of adequate capitalization, and frequent and disruptive management and leadership changes. It is my pleasure to report that public confidence in the bank has improved significantly such that the bank has been able to increase its asset base. The bank has been able to independently source funding locally and abroad to finance the asset growth without Government injecting any further capital for the past six years.
146. Mr. Speaker, challenges still abound though as it has become clear that to be in line with modern trends of banking and meet the global banking standards, the Bank has to review its strategic direction. SwaziBank can no longer continue running the two mandates concurrently, that is commercial and developmental banking, as this puts it in conflict with regulatory requirements. Government is considering a separation of these two functions and a strategic partnership is being sought for the commercial mandate. Parallel to this, Government is assessing how to continue with the developmental obligations.
147. Mr. Speaker, the University of Swaziland continued to provide higher education to Swazi citizens. There is, however, a need to continue expanding the physical infrastructure of the University so as to provide diverse programmes and meet the increasing demand to meet the skills requirement in the market. The University of Swaziland has embarked on a capital expansion programme to address shortage and congestion of teaching space and offices in all its campuses.

13. 2009/10 BUDGET ESTIMATES

148. Mr. Speaker, the honey moon of budget surpluses has ground to a very painful halt, thanks to the tough global economic crisis. We should brace ourselves for a very tough medium term outlook, which calls for tough decisions to be taken. Estimates of revenue and expenditure indicate that the country is faced with serious fiscal challenges in the medium term. While our socio-economic challenges demand that we increase expenditures, this coincides with a projected decline in total revenue. This has necessitated the reforms in tax policy and administration that government has embarked on in an effort to improve revenue collection.

13.1 Tax Administration

149. Mr. Speaker, preparations for the establishment of the Swaziland Revenue Authority have experienced some delays but are now firmly underway and are at an advanced stage, with the Board of Directors in place. The recruitment of the Commissioner General, who will work with the Board in finalizing the full establishment of the Authority, including the recruitment of staff, is underway. I expect that the setting up process to be completed by July 2009, while a formal launch of this institution is planned for December 2009.

150. Mr. Speaker, the establishment of a Revenue Authority will not only help us improve our revenue collection, but it is also going to help us improve our service delivery to taxpayers. For instance, the automation that it is bringing will pave way for taxpayers to be able to file their returns electronically in the future.

151. Mr. Speaker, the collection of graded tax has for many years proved to be a drain on government resources. The costs incurred by government in collecting graded tax are by far more than the revenues generated. For this reason I shall be bringing to this Honourable House a Bill that will repeal this Act and pave a way for the release of resources to other revenue items with a much better yield.

152. Mr. Speaker, in my last Budget Speech, I announced a number of proposals to amend the Income Tax Order of 1975. In these proposals we intended to provide relief to various classes of taxpayers by reviewing a number of exemptions including giving partial exemption on bursary contributions, increasing the exempt portion of severance pay by widening the tax bands on Pay As You Earn and increasing the tax rebate applicable to the elderly. We also intended providing an exemption on interest and dividend income generated by certain classes of building society shares affordable to the low and middle income classes and interest income derived from co-operative societies.

153. Mr. Speaker I am pleased to announce that the Bill incorporating these initiatives which was passed by the Honourable House has received Royal assent and that those changes which were providing relief were implemented

retrospectively, while those that were imposing an additional tax burden were implemented from a date set after the gazetting of the legislation.

154. Mr. Speaker, in this coming financial year we shall conduct a study that will help us to review the current tax system. This is with a view to improve our competitiveness in the region, to readjust the tax system to ensure that all classes of taxpayers are given a fair and equitable share of the burden and to improve the collection of income tax revenues.
155. I shall also be bringing to this honourable House a Bill that will assist us to formally establish the Tax Advisory Committee, which all along has been operating on an ad-hoc basis, yet it plays a very important function in the formulation of tax. The Ministry is also exploring the possibility of setting up a tax policy unit, which will work closely with the Tax Advisory Committee in the formulation of tax policies in the country.
156. Mr. Speaker the setting up of the Revenue Authority will pave way for serious planning towards the replacement of the existing General Sales Tax system with a new Value Added Tax (VAT) system. We have deliberately scheduled the introduction of VAT to take place when the new Revenue Authority is operational in order to take advantage of the new information technology and institutional improvements. For now Swaziland remains the only country in the Southern African Customs Union applying General Sales tax on goods and services.
157. Mr. Speaker, in line with the requirements of the SACU Agreement that SACU Member States should apply similar customs and excise duties in the region, we have, as of the 11th February 2009, implemented increases on specific excise duties on tobacco and alcoholic beverages in line with the announcement made by my colleague the Minister for Finance of the Republic of South Africa. Excise duties on tobacco products have been increased as follows; 12.9 percent on cigarettes, 5.5 percent on cigarette tobacco, 8.63 percent on pipe tobacco; and 13 percent on cigars. On alcoholic beverages, excise duties have been increased by 14.7 percent on spirits; 9.5 percent on beer and alcoholic fruit beverages; 9.4 percent on fortified and sparkling wine; and 7.6 percent on natural unfortified wine. Details of these changes can be found in the amended SACU tariff schedule.

13.2 Revenue

158. Mr. Speaker, government revenue performance tends to follow the trend of the economic cycles. When the economic cycle was on the rise we enjoyed buoyant revenue yields, in most cases coupled with revenue overruns particularly on SACU receipts. Now the cycle is on a downward trend, and it is normal to expect a slow down in revenue performance. The current economic melt-down experienced by many of our trading partners in the region and overseas means that our trade with the global community will be significantly reduced, largely as a result of the weakening demand for goods and services.

159. Imports into the region will go down, as we have already seen in the case of the motor vehicles industry during the third quarter of 2008/09. Exports are also expected to drop significantly as more and more industries cut down on operations and lay-off a number of workers.
160. Mr. Speaker, the projected total revenue for 2009/10 is 3 percent lower than the revised budget for 2008/09. A further 4 percent drop is projected in 2010/11. The main cause of this overall decline is a 6.4 percent drop in SACU receipts expected in 2009/10 and a further 12.5 percent drop expected in 2010/11. For many years SACU receipts have been growing because the volume of dutiable imports into the SACU region and by extension the size of the SACU revenue pool have been growing at an unpredictable pace.
161. For the first time signs of a reverse in trend are being observed. For instance the South African National Treasury, which is currently the manager of the pool, announced in their October 2008 Medium Term Budget Policy Statement, that the original forecast pool of E53.2 billion approved by SACU at the beginning of 2008 will be revised downwards by 9 percent to E47.8 billion. The implication of this downward revision is that, the pool will soon be in deficit and Member States will have to finance this deficit from proceeds of future shares. It is therefore projected that in 2010/11 our share of SACU will be reduced by an amount equivalent to the overpayment made from the SACU pool in 2008/09.
162. Mr. Speaker, taxes on income from companies and individuals are expected to grow by 5.8 percent from the revised budget of E1.745 billion in 2008/09 to E1.846 billion in 2009/10. Growth in the outer years of the medium term is expected to average around 8 percent. The inherent assumption is that the Swaziland Revenue Authority will be in place and will help clear some of the administrative challenges we had in the past.
163. Sales Tax is expected to continue to increase at an average of 14 percent over the medium term, on account of the expected administration improvements linked to the new revenue collecting institution and other activities such as intensified inspections and the automation of the data capturing process which includes amongst others the introduction of the ASYCUDA system in some of the major Customs clearing points in the country.

13.3 Expenditure

164. Mr. Speaker, the budget I present today includes significant increases in both recurrent and capital allocations towards the social sector, state security and infrastructure development. This includes health, education, agriculture and social welfare taking up a total allocation of 44 percent of the budget. Mr. Speaker, let me briefly share the intricacies of my world with you. There can be no revival of the economy without economic growth. There can be no significant growth without investment in Economic Services and

Infrastructure. The voices that are advocating for significant growth in other categories of expenditure are growing louder and louder and very few are advocating for increasing expenditure in this sector. In view of my appreciation of the importance of this sector, it budgeted to take up 24.9 percent of the total budget.

165. Mr Speaker, on goods and services, the reforms on procurement are expected to yield savings which will be distributed to needy and priority areas of government. Government will continue with the maintenance and rehabilitation of buildings with the understanding that the pending disposal of the government housing stock will be finalised. This budget also provides for significant increases in allocations to subvented organisations in the social sector, which include health facilities and training institutions.

14. APPROPRIATION

166. Mr. Speaker, I now present to this Honourable House, the budget estimates for 2009/2010 as follows:

- a) Revenue plus grants at E9.373 billion
- b) Capital expenditure at E3.088 billion, including capital transfers
- c) Recurrent expenditure at E7.886 billion excluding statutory expenditures
- d) Total Expenditure of E11.359 billion.
- e) A deficit of E1.986 billion, which is 8 percent of GDP.

Mr. Speaker, in conclusion I wish to express my appreciation to my Cabinet colleagues and Members of Parliament for their guidance in producing this budget; members of staff in the central agencies for their hard work in putting the documents together; our cooperating partners who continue to contribute to the economic development of this country; the public and Civic Society for their continuous indication of their wishes and aspirations on the national budget, which challenges us to keep improving the quality of our budgets; all the men and women of God who pray for me and the success of this country; and my family for their unconditional love and support.

167. Mr Speaker, you will recall that in my last speech I reported that agreement had been reached with the relevant parties for the return of the E28 million which was paid as a deposit towards the purchase of a Jet. I further undertook to keep this Honourable House abreast with developments on this matter. I am happy to report that I have received confirmation that already a sum of E100m has been deposited with the government appointed agent. This money will be transferred to Government's account at Central Bank of Swaziland before the end of March 2009. As indicated last year, the money is targeted for use in social upliftment projects, especially in the health sector.

168. 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 2009/2010 financial year.