UNITED NATIONS
ESWATINI

Joint Analysis of Eswatini's National Budget for the Financial Year 2024/25

TABLE OF CONTENTS

Authors:
Mphucuko Mamba | UNRCO Economist
Shan Ni | UNICEF Social Policy Specialist
Dr Bongani Dlamini | UNRCO Partnership and Development Finance Officer

Supporting Authors:
Zanele Ngomane | UNRCO Economist Intern
Zitsile Khumalo | UNDP Economist Intern
Phuc Anh Hoang | UNRCO Intern

Designers:
Thoba Dlamini | Digital Communications Consultant

United Nations Country Team in the Kingdom of Eswatini.
Please refer to this publication as: United Nations
Eswatini Joint Analysis of Eswatini's National Budget for the
Financial Year 2024/25

KEY MESSAGES

The Kingdom of Eswatini's Financial Year 2024/25 national budget, themed "Nkwe for Growth," articulates a strategic fiscal blueprint aimed at propelling the nation toward enhanced economic growth and stability amid global economic fluctuations. This budget underlines Eswatini's resilience, forecasting a commendable gross domestic product (GDP) growth rate of 4.9%, underpinned by effective fiscal stewardship and the robust performance of crucial sectors.[1]

I. Budget Overview and Objectives

- Economic Resilience: Despite a global economic slowdown, Eswatini's economy is expected to achieve a significant GDP growth rate of 4.9%, fueled by key sectors and strategic fiscal policies.

- Fiscal Prudence: The budget reflects a commitment to sustainable economic health, targeting a debt-to-GDP ratio of 39% and a disciplined fiscal deficit of 1.96% of GDP.

- Strategic Sectoral Investment: The budget proposes an 11.3% increase, focusing on pivotal sectors like infrastructure, education, health, and agriculture. With E20.24 billion allocated for recurrent expenditures and E6.34 billion for capital investments.

II. Expenditure and Revenue Framework

- **National Expenditure**: The total budget for FY 2024/25 stands at E29.4 billion (31.7% of GDP), strategically distributed to foster economic stability, infrastructural development, and social welfare. This includes a notable increase in capital expenditure to drive public investment and sectoral growth.
- **National Revenue**: The projected government revenue for FY 2024/25 is estimated at E27.16 billion, marking a modest increase from the previous fiscal year. This boost is primarily driven by an 11.2% increase in receipts from the Southern African Customs Union (SACU), alongside domestic revenue growth from value added tax (VAT) and income taxes, reflecting a recovering domestic market.

III. Strategic Initiatives and Sectoral Focus

- **Business Environment Enhancement**: Initiatives like the corporate tax reduction to 25%, and the establishment of the State-Business Relations Forum, aim to stimulate investment and streamline business operations.

- **Private Sector and Micro, Small, and Medium Enterprises (MSMEs) Development:** The government introduces the Business Incubation Programme and the Kingdom of Eswatini Livestock Value Chain Development Project, among others, to bolster private sector growth and employment.

- **Economic Governance Strengthening:** Efforts include combating corruption, enhancing state-owned enterprises (SOEs), and implementing public financial management (PFM) reforms to fortify economic governance.

IV. Challenges and Fiscal Management

Eswatini's national budget for the fiscal year 2024/25 faces a multitude of challenges that

[1] Unless otherwise indicated, the findings in the present report are sourced from:
- MEPD and Central Bank of Eswatini, GDP Projections Review for Eswatini (January 2024 Update)
- Hon. Minister of Finance Neal Rijkenberg, Budget Speech 2024
- Ministry of Finance, Budget Estimates 2024-25

require careful attention and strategic planning. Key issues include managing fiscal deficits and debt levels to ensure long-term sustainability, addressing revenue volatility from sources like the SACU, and navigating global economic uncertainties such as inflation and supply chain disruptions. Implementing significant reforms outlined in the budget, ensuring domestic social and political stability, and managing external sector vulnerabilities with partners like South Africa are crucial priorities to maintain economic stability and fiscal health.

Furthermore, the impacts of climate change, challenges in social sector expenditure and governance, and the need for transparency and accountability in public financial management add layers of complexity to Eswatini's budgetary concerns. Proactive measures to mitigate climate-related risks, improve social sector services, and enhance governance practices will be essential to fostering sustainable development and resilience in the face of evolving economic and environmental challenges. Addressing these issues will require a comprehensive approach, effective implementation of reforms, and continuous monitoring to steer Eswatini toward sustained macroeconomic stability and responsible public finance management in the upcoming fiscal year.

1. LATEST ECONOMIC DEVELOPMENT AND BUDGET OBJECTIVES FOR FINANCIAL YEAR 2024/25

Eswatini's economy is projected to maintain its resilience and stability amidst a global economic slowdown, with an impressive real GDP growth rate forecasted at 4.9% for the financial year 2024/25. This builds on a solid 4.8% growth in the previous fiscal year, and a strong average growth rate of 3.1% between 2020 and 2022, which surpassed the two-decade average. The country's robust performance is underpinned by **strong showings in key sectors** like manufacturing, construction and services. Inflationary pressures have been a challenge, with average inflation predicted to remain at 5% in 2024 due to global supply chain disruptions and escalating energy costs, prompting the Central Bank of Eswatini to adopt a restrictive monetary policy to counter these pressures.

In 2023, the external sector showed improvement with a current account surplus of E3.3 billion (3.9% of GDP) and gross official reserves providing 2.8 months of import cover. The financial sector remains robust with strong liquidity and capitalization, although non-performing loans peaked at 8% in August 2023. Private sector credit growth increased to 10.1% up to October 2023, reflecting sustained economic recovery across industries, despite challenges posed by elevated interest rates. The 2024/25 budget underscores Eswatini's commitment to achieving a record GDP growth rate of 10.2% by 2028, signaling a strategic path towards economic leadership within the continent through development initiatives and macroeconomic stability.

Noteworthy fiscal prudence is demonstrated through a declining debt-to-GDP ratio of 39% and a fiscal deficit projection of E1.76 billion, equivalent to 1.90% of GDP, reflecting the government's commitment to sustainable investment in critical areas such as social services to align with long-term development goals. The national budget for FY 2024/25, themed ***"Nkwe for Growth,"*** signifies a comprehensive financial blueprint aimed at promoting economic stability, growth, and resilience. With an 11.3% budget increase, strategic resource allocation totaling E20.24 billion for recurrent spending and E6.34 billion for capital programs emphasizes the government's holistic approach to national development. Key objectives in 2024 include accelerating economic growth, leveraging increased revenues from the Southern African Customs Union (SACU) to drive public investment, job creation, and overall national development. This financial strategy acknowledges challenges like the El Niño phenomenon, expenditure arrears, and the imperative for accelerated structural reforms, reflecting a balanced and forward-looking approach to steer Eswatini toward sustained prosperity and development.

2. NATIONAL BUDGET FRAMEWORK

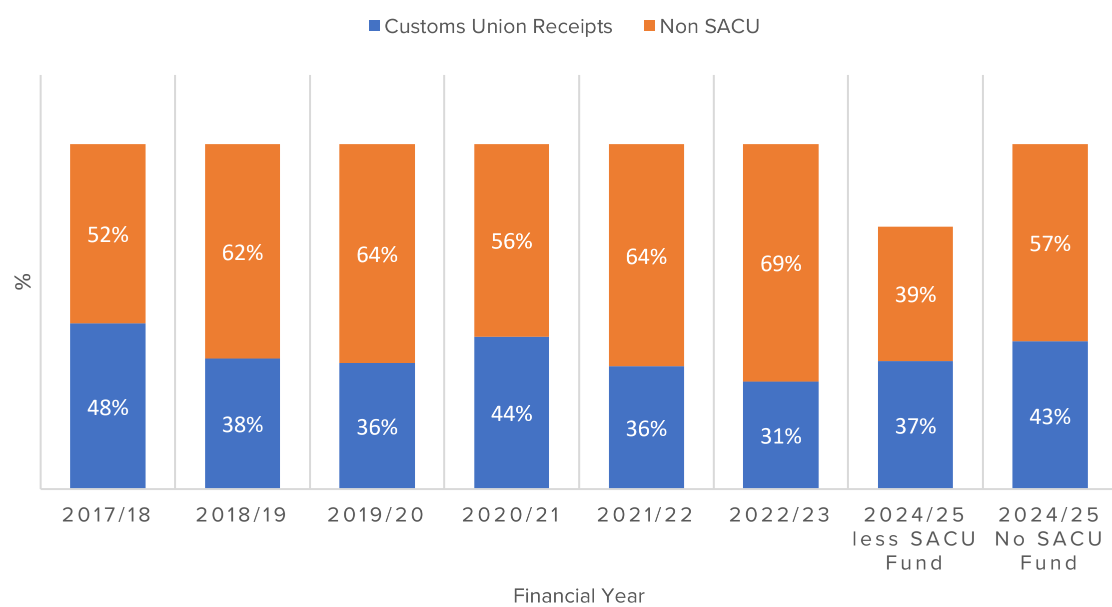
For FY 2024/25, Eswatini's fiscal framework is strategically designed to harness increased government revenues, primarily spurred by SACU inflows, presenting a budget meticulously aligned with national priorities and devoid of financing gaps. The Minister of Finance unveiled a fully financed budget, forecasting a narrow budget deficit of 2% of GDP, reflecting a robust approach to fiscal management and economic stewardship.

2.1 Fiscal Performance and National Revenue Outlook

Projected government revenue including grants for FY 2024/25 is estimated at E27.66 billion, or 29.9% of GDP, indicating a 8.5% increase from FY 2023/24. This escalation is buoyed by an 11.2% increase in SACU receipts to E13.07 billion, underscoring their critical role in the nation's revenue architecture. Despite SACU's revenue volatility, the government aims to reduce its dependency on these receipts to 30% of total revenue, emphasizing the need to diversify income sources. The introduction of a SACU Stabilization Fund, poised for enhancement with an additional E1.5 billion during FY 2024/25, exemplifies a strategic initiative to buffer the budget against revenue fluctuations.

Non-SACU revenue is anticipated to grow by 17% to E15.41 billion, driven by increases in VAT and individual income tax, reflecting a recovering domestic market. Income taxes are expected to climb by 12.4%, with corporate and personal income taxes predicted to experience significant growth, evidencing the economy's positive trajectory.

Figure 1: National Revenue: SACU and Non SACU



2.2 National Expenditure and Investment Priorities

For FY 2024/25, Eswatini plans to capitalize on the SACU revenue windfalls by increasing its public spending budget by 9% to E29.4 billion, demonstrating a strategic application of a tax-and-spend fiscal policy. This approach allows for enhanced public expenditure in response to increased tax revenue, affirming the government's dedication to fostering economic growth and development. Specifically, the allocation for capital expenditure is set to increase to 21.5% of the total budget, up from 19.8% in the previous fiscal year, signifying a strong commitment to infrastructure development and public services. Concurrently, recurrent expenditure is projected to grow by 9.3% to E20.24 billion, reflecting continuous support for essential government functions and services.

Notably, debt service payments have seen a significant increase, nearly 50%, reaching E2.3 billion, marking a consistent upward trend in interest payments from E0.48 billion in FY 2021/22 to E1.12 billion in FY 2022/23, and then to E1.56 billion in FY 2023/24. This escalation highlights the growing fiscal challenge of managing debt service costs while balancing the need for sustainable economic development.

The budget's structure, with a slight reduction in the proportion of recurrent expenditure from 71% to 69% of the total budget, alongside an increase in capital expenditure, underscores Eswatini's strategic focus on long-term development projects. This financial planning reflects the nation's prudent fiscal management, aiming to enhance infrastructure and public services, while carefully navigating the complexities of debt service obligations to ensure fiscal stability and sustainable growth.

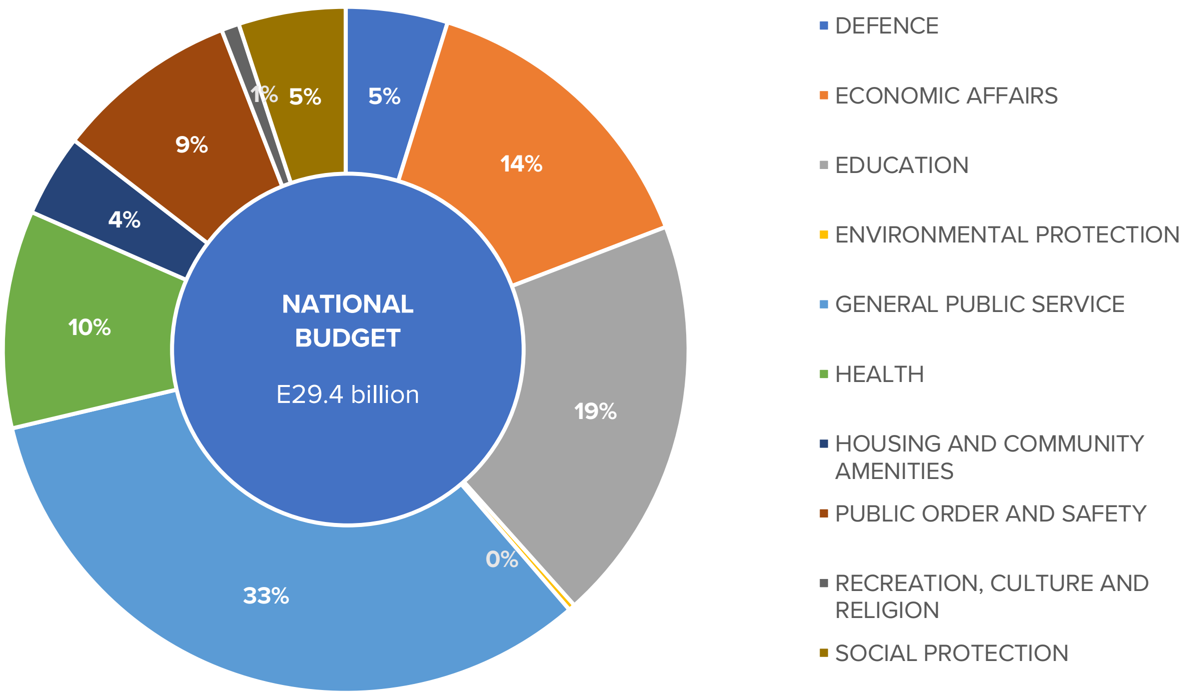
2.3 Fiscal Deficit and Debt Management

For FY2024/25, Eswatini projects a budget deficit of 1.96%, slightly up from 1.7% in FY 2023/24, reflecting a balanced approach towards maintaining fiscal stability and ensuring debt sustainability. Despite this careful fiscal management, the issue of domestic arrears presents a continuing challenge. As of February 2024, the Finance Ministry reported outstanding payments totaling E1.75 billion, equivalent to around 2% of GDP. This sum includes E750 million owed to various suppliers and E1 billion earmarked for government projects awaiting funding. The persistence of these arrears, despite the implementation of an arrear clearance strategy since FY 2020/21, underscores the cash flow challenges faced by the government.

To address this, the government has earmarked E 650 million from an anticipated Johannesburg Stock Exchange (JSE) listing to alleviate the backlog of payments to suppliers. This initiative is part of a broader strategy to engage the South African financial market for sovereign borrowing. With a ZAR 4 billion (E 4 billion, USD 210 million) program planned for listing on the JSE, the government aims to access funds in tranches, utilizing these resources to clear supplier arrears and fill any financing gaps. This forward-looking financial maneuver is designed not only to manage immediate fiscal challenges but also to leverage financial markets to support Eswatini's long-term economic stability and growth.

3. KEY SECTORAL BUDGET ALLOCATION

Figure 2: Cross-classification Budget Allocation 2024/25



In FY 2024/25, the government of Eswatini strategically allocated its budget across various sectors to foster national development, address critical societal needs, and promote sustainable economic growth. The budget distribution underscores a significant emphasis on education, healthcare, agriculture, and infrastructure development, with a keen focus on enhancing the country's resilience to both economic and environmental challenges.

3.1 Agriculture

In FY 2024/25, Eswatini allocated E1.55 billion (5.27% of the national budget) to the agriculture sector, showing a 4.9% decrease from the previous year's E1.63 billion. The allocation highlights the sector's importance in the country's economy, with targeted investments such as E59 million for the Input Subsidy Programme through the National Maize Corporation (NMC) and E35million for the Agriculture Revolving Fund to support rural farmers. Additionally, E630 million is designated for the Mkhondvo-Ngwavuma Water Augmentation Program 1A (MNWAP 1A) for the Mpakeni dam construction, and E2.084 billion for the MNWAP IB project for a canal from the dam to improve irrigation. Furthermore, E417 million is allocated to the LUSIP II project, showcasing the government's dedication to advancing agricultural infrastructure projects.

3.2 Education

In FY 2024/25, Eswatini allocated E5 billion (17.01% of the national budget) to the education sector, showcasing a strong commitment to improving education at all levels nationwide. This budget is strategically distributed to address various crucial areas, with E3.94 billion for recurrent and capital expenditures, including E200 million for infrastructure development. E194 million is designated for the Orphans and Vulnerable Children's (OVC) Fund to ensure access to education for disadvantaged children, while E647 million (USD34 million) is allocated for scholarships to support higher education pursuits. E65 million is earmarked for workforce enhancement by converting temporary teaching positions to permanent roles, aiming to enhance education quality. Moreover, initiatives like introducing Grade 0 in 340 schools and allocating E15 million to the school feeding program emphasize the importance of foundational learning and nutritional support for academic success.

3.3 Health

In FY 2024/25, Eswatini allocated E3 billion (10.2% of the national budget) to the health sector, falling short of the African Union's 15% target set in the 2001 Abuja Declaration. Despite this, significant progress has been made, exceeding UNAIDS targets for HIV/AIDS treatment and viral suppression ahead of the 2025 deadline, and effectively managing the COVID-19 pandemic with a mortality rate of around 2%. Key investments include establishing Pressure Swing Absorption Oxygen plants at Hlathikhulu Government Hospital and Nhlangano Health Centre, powered by solar energy to reduce electricity costs, expanding the healthcare network to ensure a health facility within an 8 km radius, operationalizing the Emergency and Referral Complex at Mbabane Government Hospital, constructing new clinics, and broadening renal services in hospitals for enhanced national health coverage. Plans are also in place to address drug shortages, capacity constraints, and structural inefficiencies through streamlining the supply chain and transforming the Central Medical Stores into an independent entity to improve procurement and distribution efficiency.

3.4 Skills Development, Social Transfers and Employment

In FY 2024/25, the Eswatini government's strategy focuses on addressing the skills gap and supporting vulnerable populations through targeted policies and initiatives for sustainable development and economic growth. Key efforts in skills development and education include the review of the National Human Resource Development Policy and the establishment of a National Skills Development Master Plan to prioritize human capital development effectively. The tertiary education budget has been increased from E361 million to E647 million, enabling the clearance of tuition fees and the provision of 1000 additional scholarships to accommodate the growing number of high school graduates. The introduction of the Student Revolving Fund in 2024/25 aims to create a sustainable financial framework for scholarships nationwide, enhancing access to education and skills training.

In social transfers and employment initiatives, Eswatini has allocated E748.6 million (2.55% of the national budget) to support vulnerable groups and mitigate poverty. This includes E600 million for elderly grants and increased assistance for persons with disabilities, extending coverage to 14,459 eligible individuals and raising the disability grant to R400, a boost of E120. The government also provides funding for emergency relief efforts, emphasizing urban resilience post-natural disasters, and implements employment programs like the SEDCO – ESERA Entrepreneurship Project and the Youth Enterprise Revolving Fund to stimulate job creation and support 250 youth-owned enterprises, with the goal of generating 500 jobs. Additionally, the Eswatini Livestock Value Chain Development Project reinforces economic activity and sustainability among agricultural entrepreneurs.

3.5 Water and Sanitation

In FY 2024/25, the Eswatini government allocated E684.7 million (2.33% of the national budget) towards enhancing water and sanitation infrastructure, demonstrating a strong commitment to improving living standards nationwide by addressing critical water and sanitation needs. Key initiatives included investing E275 million in the Manzini Regional Water and Sanitation Project to develop regional infrastructure, completing eight rural water schemes benefiting 14,490 individuals, and improving water supply to six urban and peri-urban areas. The government also drilled over 150 groundwater boreholes, extending clean water access to about 4,500 homesteads, in line with the goal of achieving universal potable water access. Future endeavors highlight the continuous dedication to water accessibility, with the upcoming Lomahasha - Namaacha Cross Border Water Supply Project commencing in September 2024 and the allocation of E292 million for the Shiselweni Water Supply and Sanitation Project, aiming to expand potable water access, particularly in rural communities.

3.6 Energy

The Eswatini government's energy strategy focuses on advancing sustainable energy solutions and strengthening the country's electrical infrastructure, with a strategic emphasis on renewable energy and grid resilience. This comprehensive approach is projected to boost economic growth. Renewable energy initiatives include upgrading the Maguga Hydro Plant by 10MW, constructing the new 13.5MW Lower Maguduza Hydro Plant, integrating an additional 75MW of solar power and a 40MW biomass power plant into the national grid, and authorizing a total capacity of 12.91 MW for solar PV-based generators to enhance local generation capacity in alignment with Eswatini's COP28 commitments.

In terms of electricity network infrastructure development, key projects include the construction of a new 55KM 132KVA transmission line from Edwaleni via Siphocosini to Mbabane to enhance electricity supply in the Hhohho Region. Additionally, the ongoing project supported by the World Bank to upgrade the Shiselweni Region's network with a transmission line from Nhlangano to Lavumisa and substations in Hluti, Matsanjeni, and Lavumisa aims to improve network resilience and electrify 8,000 households, with completion expected in 2024. Furthermore, through the Rural Electrification Access Fund, the government is accelerating rural household electrification to achieve 100% electricity access by 2030, with 11,000 households already gaining electricity in the past year, significantly progressing towards the electrification target.

3.7 Infrastructure Development

The Eswatini government is focusing on infrastructure development, particularly in transportation, with substantial investments in road, railway, and air travel systems to stimulate economic growth and accessibility. A noteworthy investment of E390 million is allocated for the maintenance and rehabilitation of roads, targeting the upgrade of around 500 km of roads from gravel to tar across all regions of Eswatini. Additionally, partnerships with the private sector are being formed for re-graveling, blading, and grading service roads to expand road network coverage. The Roads Authority Act (2023) is supporting these initiatives by introducing new strategies for road network enhancement. In terms of railway expansion, a significant project from Sidvokodvo to Lothair in South Africa is in progress to enhance the movement of bulk commodities and establish a crucial link for rail traffic, improving trade routes to major ports like Durban, Richards Bay, and Maputo. Furthermore, the Royal Eswatini National Airways Corporation (RENAC) has relaunched the national airline, currently serving four destinations, despite initial challenges such as baggage transfer accreditation. Efforts are being made to address these issues, highlighting the significance of air travel for enhancing connectivity within the country.

3.8 National Security

The Eswatini government has continued to invest largely in the security sector, underscoring its commitment to maintaining national safety and fostering a conducive environment for social and economic development. In FY 2024/25, the security cluster ministries, which included the police, defense force, and correctional service, received an allocation of E3.6 billion (12.24 % of the national budget). This substantial commitment underscores the government's prioritization of national security and public safety as foundational elements for the country's social and economic development.

3.9 Wage Bill

Eswatini's wage bill, as the most substantial single line of expenditure, remains a significant component of the national budget. For FY 2024/25, compensation to employees is set at E9.8 billion (33.33% of the total national budget). These figures indicate a significant allocation towards compensation for employees, reflecting the government's substantial investment in its workforce relative to the overall fiscal and economic framework of the country.), marking a 9.41% increase from FY 2023/24. This allocation underscores its substantial impact on the country's fiscal dynamics. Despite the absence of a cost-of-living adjustment announcement in the Budget Speech, the sizeable increase in the wage bill highlights the government's ongoing commitment to its workforce amidst economic considerations.

4. REFORMS TO IMPROVE BUSINESS CLIMATE AND PUBLIC FINANCIAL MANAGEMENT

Eswatini's government has taken significant steps to enhance the ease of doing business, foster private sector development, and strengthen economic governance to spur growth and ensure a stable, corruption-free business environment.

4.1 Ease of Doing Business Improvements

In efforts to improve the ease of doing business in Eswatini, several key initiatives have been implemented. Notably, the corporate tax rate has been reduced from 27.5% to 25% effective from July 1, 2024, aligning Eswatini with other African countries like Mauritius (15%) and Botswana (22%) to attract more business investments. A State-Business Relations Forum has been established to create a competitiveness council aimed at eliminating investment barriers, promoting foreign direct investment, and enacting legislative changes to support investment growth. Additionally, amendments to the Special Economic Zones Act are being made to drive reforms and improve the investment climate. The government is also constructing more factory shells to entice new investors and assist micro, small, and medium enterprises (MSMEs) in the manufacturing sector. Furthermore, the VAT registration threshold is increasing from E500,000 to E900,000, lowering compliance costs for small businesses, while a Presumptive Tax regime will be introduced for businesses with a turnover below E500,000 for simpler tax calculations. Lastly, various business-friendly reforms are being introduced, including the establishment of a Commercial Court, Small Claims Courts, an electronic trading platform at the Eswatini Stock Exchange, and streamlined company registration processes to further enhance the business environment.

4.2 Promoting the Private Sector Development

Efforts to promote private sector development in Eswatini include initiatives such as the Business Incubation Programme, providing entrepreneurs with resources like office space, mentorship, and finance linkages. The Eswatini Livestock Value Chain Development Project is set to benefit 300 cattle and goat producers in all four regions of the country. Moreover, the SEDCO Youth Enterprise Revolving Fund aims to generate 500 jobs by assisting 250 youth-owned enterprises with training and mentorship, highlighting a focus on youth empowerment and job creation in the private sector.

4.3 Strengthening Economic Governance

In efforts to strengthen economic governance in Eswatini, various initiatives have been implemented. These include the implementation of a National Anti-Corruption Policy, the development of a National Corruption Risk Assessment framework, and the establishment of a tripartite Anti-Corruption task team to investigate and prosecute corruption cases. However, the Anti-Corruption Commission (ACC) faces funding challenges, with a budget of E24.8 million in FY 2024/25, reflecting a 2.5% decrease from the previous fiscal year. Ongoing support is provided to the Office of the Auditor General to enhance audit efficiency and fund recovery efforts. Additionally, struggling State-Owned Enterprises (SOEs) received an additional E150 million in funding, with a decision to write off PAYE tax arrears for compliant SOEs to improve their financial sustainability. Public Financial Management reforms include the introduction of the Integrated Financial Management and Information System (IFMIS) to enhance financial management and transparency, which will integrate with the Electronic Government Procurement System in FY 2024/25. Furthermore, procurement reforms are underway with the launch of the Electronic Government Procurement System to improve efficiency, transparency, and local participation in public procurement processes.

5. RISKS TO THE NATIONAL BUDGET

Eswatini faces several risks to its macroeconomic stability and public finance in the upcoming fiscal year, including:

- Continued Fiscal Deficits and Debt Levels: Despite efforts to stabilize finances, Eswatini struggles with fiscal deficits and rising public debt, requiring continuous monitoring and prudent management to avoid further escalation.

- SACU Revenue Volatility: Reliance on volatile SACU revenues poses budget stability risks, with any unexpected declines potentially constraining public spending and impacting government programs.

- Global Economic Uncertainty: Global challenges like inflation, supply chain disruptions, and geopolitical tensions may reduce exports, increase import costs, and raise borrowing expenses, necessitating strategic responses for economic stability.

- Implementation Risks: Reforms such as public procurement and tax reforms carry risks, with delays hindering fiscal improvements and economic growth.

- Domestic Social and Political Stability: Social and political unrest could disrupt economic activities, deter investment, and strain the budget, highlighting the importance of maintaining stability.

- External Sector Vulnerabilities: Trade dynamics with South Africa and external uncertainties pose risks, potentially affecting trade patterns and economic progress.

- Climate Change and Environmental Risks: Increasing climate-related risks could impact agriculture and water resources, requiring emergency spending and diverting funds from other areas.

- Social Sector Expenditure and Governance Challenges: Investment in social sectors faces challenges like health sector issues and governance concerns, necessitating effective fund allocation and governance transparency.

Addressing these risks requires comprehensive economic management, timely reform implementation, and constant monitoring to ensure sustained macroeconomic stability and responsible public finance management in Eswatini.

6. IMPLICATIONS FROM THE NATIONAL BUDGET

6.1 Policy Implications

- Fiscal Discipline and Strategic Debt Management: Eswatini should enforce strict budget controls and prudent debt management practices. Adopting a robust Medium-Term Debt Strategy focused on high-return investments and monitoring debt sustainability are crucial for responsible financial decision-making.

- Economic Revitalization and Sectoral Diversification: Policies should support SME growth, agricultural productivity, and diversification into high-potential sectors. Enabling policies, regulatory reforms, and incentives are needed to drive sustainable economic growth and job creation.

- Public Procurement Integrity and Anti-Corruption Initiatives: Implementing systems like IFMIS and Electronic Government Procurement with strong anti-corruption measures is essential for transparency, efficiency, and responsible fund utilization in Eswatini.

- Tax Policy Reform and Economic Stimulation: Tax reforms should aim to stimulate economic activity while ensuring fiscal stability. Monitoring the impact of reforms on the economy and public revenues is vital for alignment with economic development goals.

- Infrastructure Development and Maintenance Prioritization: Prioritize infrastructure projects based on returns and societal impacts. Implement robust project management, oversight, and public-private partnerships for efficient infrastructure development that drives sustainable growth.

- Strategic Allocation and Optimization of Social Expenditure: Refine social expenditure strategy by reallocating resources efficiently across key sectors like education, health, and social protection. Emphasize a holistic social protection framework, targeted investments in education and health, and value-for-money approaches to ensure effective utilization of funds for the benefit of the most vulnerable populations.

6.2 Implications for UN Country Team (UNCT)

- Strengthening Social Sector Development and Advancing SDG Attainment: UN agencies can align efforts with Eswatini's social sector priorities to enhance infrastructure, disease surveillance, and public services. By implementing programs, advocating policies, and building capacity, they can support social safety nets and reduce vulnerabilities. Collaboration with IFIs, donors, and NGOs aims to reduce inequalities and improve social well-being in line with SDG goals.

- Sustainable Economic Growth and Infrastructure Development: UN agencies can assist Eswatini in sustainable economic development by providing expertise for infrastructure projects meeting standards. Collaboration can create an inclusive economic environment, promoting entrepreneurship, job creation, and youth empowerment crucial for SDG progress.

- Governance Enhancement and Capacity Building: UN agencies can support Eswatini's governance reforms through knowledge exchange and capacity-building. Strengthening frameworks and promoting transparency can enhance public service delivery and governance, aligning with the national SDG agenda.

6.3 Implications for International Financial Institutions (IFIs)

- Macroeconomic Stability and Fiscal Management: IFIs can provide policy advice, technical support, and financial assistance to help Eswatini enhance fiscal discipline, improve debt management practices, and stabilize the economy. This support is crucial for maintaining economic resilience and fostering sustainable development pathways in alignment with IFIs' mandates.

- Infrastructure Development and Regional Connectivity: IFIs can offer financial and technical assistance for Eswatini's infrastructure projects, driving national economic growth and promoting regional integration. By supporting infrastructure development, IFIs help Eswatini leverage its geographic position and natural resources for broader economic benefits.
- Private Sector Development and Financial Inclusion: IFIs can assist Eswatini in fostering SME growth and enhancing financial inclusion through tailored programs and policies. By supporting private sector development and improving access to financial services, IFIs contribute to creating a favorable investment climate and boosting entrepreneurial activity and employment opportunities.
- Structural Reforms and Economic Governance: IFIs can support Eswatini's structural reforms, such as public procurement, tax systems, and SOE reform, by providing expertise and resources. By helping streamline processes, implement tax reforms, and enhance SOE efficiency and transparency, IFIs contribute to building a framework of accountability, efficiency, and sustainability in the public sector, essential for sustained economic growth.

7. CONCLUSION

In conclusion, the Joint Analysis of Eswatini National Budget for the fiscal year 2024/25 provides a detailed and strategic roadmap for economic development and fiscal management. The budget exemplifies the government's commitment to fostering sustainable growth and resilience in the face of global economic challenges. With a projected GDP growth rate of 4.9% and a targeted fiscal deficit of 1.96% of GDP, the budget reflects a well-thought-out approach to disciplined economic management and sustainable development.

One key aspect of the budget is the emphasis on strategic sectoral investments and prudent fiscal measures. By increasing allocations in critical areas such as education, health, agriculture, and infrastructure, the government aims to improve living standards, stimulate economic activity, and drive long-term growth. Additionally, initiatives like reducing the corporate tax rate to 25% and implementing ease of doing business reforms are designed to create a conducive environment for businesses, attract investments, and promote job creation.

The budget also addresses various challenges that Eswatini faces, including fiscal deficits, SACU revenue volatility, and global economic uncertainties. Through proactive measures such as the establishment of a SACU Stabilization Fund and efforts to diversify revenue sources, the government demonstrates its commitment to addressing these vulnerabilities and ensuring economic stability. By prioritizing fiscal discipline, prudent debt management, and efficient resource allocation, Eswatini aims to navigate the complexities of the global economy while fostering sustainable growth.

Furthermore, the budget underscores the government's dedication to enhancing the business environment, strengthening public financial management, and promoting private sector development. Initiatives such as the VAT registration threshold increasing to E900,000 and allocating E3 billion (10.2% of the national budget) to the health sector highlight the government's focus on key sectors for improved service delivery and economic stability. These efforts align with the broader national developmental objectives and aim to create a conducive economic climate for inclusive growth and prosperity.

In summary, the FY 2024/25 budget for Eswatini sets the stage for sustainable development and inclusive growth. Through a combination of strategic investments, reform initiatives, and efficient resource allocation, Eswatini is well-positioned to navigate economic challenges, ensure macroeconomic stability, and pave the way for a resilient and prosperous future for its citizen.

8. APPENDIX

Figure 1: Cross-Classification of Expenditure by Functional and Economic Classifications - Budget 2024/25 (%)

	Expenditure by Functional and Economic Classifications [E'000]				Percentage of Total Expenditure for each Economic Classification [%]			
	Wages	**Use of goods & services**	**Grants**	**Expenditure**	**Wages**	**Use of goods & services**	**Grants**	**Expenditure**
General Public Services	1,447,745	1,412,418	1,847,582	9,599,129	15%	35%	41%	33%
Defense	1,108,629	234,258	916	1,413,803	11%	6%	0%	5%
Public Order and Safety	1,931,188	505,587	20,847	2,544,486	20%	12%	0%	9%
Economic Affairs	447,941	330,161	924,807	4,224,227	5%	8%	20%	14%
Environmental Protection	21,233	5,343	42,264	90,845	0%	0%	1%	0%
Housing & Community amen.	61,078	21,581	407,700	1,141,570	1%	1%	9%	4%
Health	1,044,511	1,226,137	393,839	3,016,988	11%	30%	9%	10%
Recreation, Culture & Religion	32,407	52,404	58,693	246,844	0%	1%	1%	1%
Education	3,681,269	276,645	794,915	5,651,198	37%	7%	18%	19%
Social Protection	64,316	15,281	33,681	1,486,048	1%	0%	1%	5%
Total	***9,840,317***	***4,079,815***	***4,525,244***	***29,415,138***	***100%***	***100%***	***100%***	***100%***

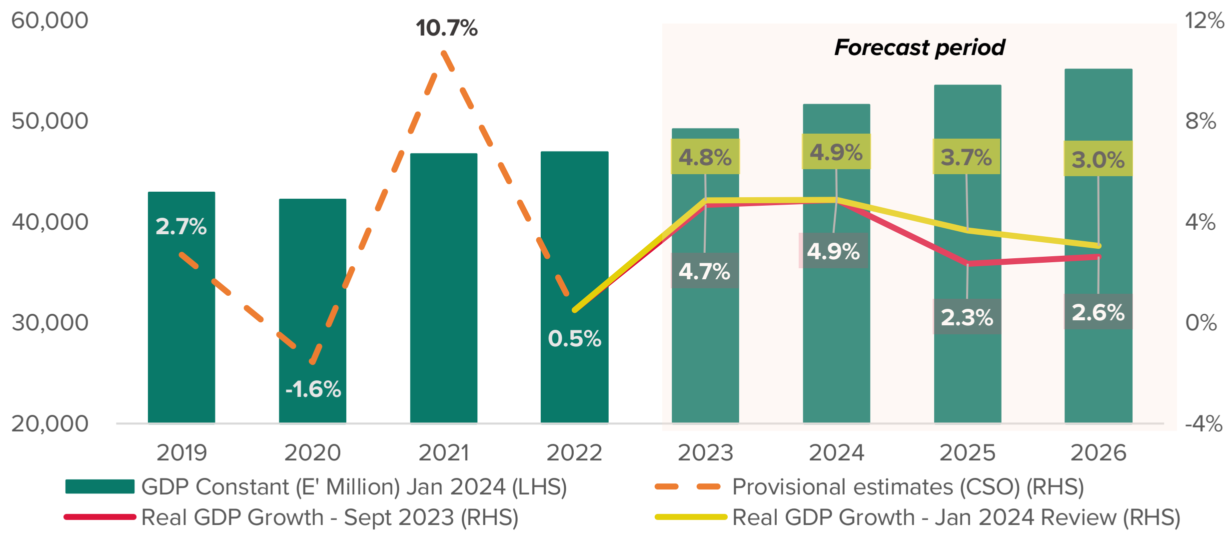
Source: Ministry of Finance, Budget Estimates 2024/25

Figure 2: Summary of Revenue Estimates 2020/21 – 2025/26

	2020/21 Act.	**2021/22 Act.**	**2022/23 Proj.**	**2023/24 Budget Estimate**	**2024/25 Proj.**	**2024/26 Proj.**
E billions						
TOTAL REVENUE AND GRANTS	**19.3**	**18.0**	**19.0**	**24.6**	**25.7**	**26.2**
Revenue	19.1	17.8	18.4	24.0	25.0	25.5
Customs Union Receipts	8.4	6.4	5.9	10.3	9.9	9.4
Grants	0.2	0.2	0.6	0.6	0.7	0.7
TOTAL EXPENDITURE	**22.3**	**21.3**	**23.2**	**26.4**	**26.2**	**26.0**
Statutory Expenditure (excl. Redemption)	1.9	1.8	1.9	2.1	1.9	1.8
Appropriated Recurrent Expenditure	15.4	15.7	17.0	18.5	18.9	19.0
Capital Expenditure	5.0	3.8	4.2	5.9	5.4	5.2
BUDGET DEFICIT	**3.0**	**-3.3**	**-4.2**	**-1.8**	**-1.8**	**0.1**
TOTAL FINANCING	**3.0**	**3.3**	**4.2**	**1.8**	**0.5**	**-0.1**
Drawdown on Foreign Loans	3.9	2.5	2.0	3.4	2.9	2.7
Redemption of Public Debt	-0.5	-0.5	-0.6	-1.1	-1.6	-1.3
Net Domestic Borrowing	2.0	1.3	0.0	-0.5	-0.8	-0.1
Other Net Domestic Financing	-2.4	0.0	2.7	0.0	0.0	-1.4
Percentage of GDP						
TOTAL REVENUE AND GRANTS	**29.0**	**25.1**	**25.1**	**30.2**	**29.3**	**28.2**
Revenue	28.7	24.9	24.4	29.4	28.6	27.4
Customs Union Receipts	12.6	8.9	7.8	12.6	11.4	10.1
Grants	0.4	0.2	0.8	0.8	0.8	0.7
TOTAL EXPENDITURE	**33.6**	**29.7**	**30.7**	**32.4**	**29.9**	**28.0**
Statutory Expenditure (excl. Redemption)	2.9	2.5	2.6	2.5	2.1	1.9
Appropriated Recurrent Expenditure	23.2	21.9	22.5	22.7	21.6	20.5
Capital Expenditure	7.5	5.3	5.6	7.2	6.1	5.6
BUDGET DEFICIT	**-4.6**	**-4.6**	**-5.5**	**-2.2**	**-2.1**	**0.2**
TOTAL FINANCING	**4.6**	**4.6**	**5.5**	**2.2**	**0.5**	**-0.2**
Drawdown on Foreign Loans	5.8	3.5	2.6	4.1	3.3	2.9
Redemption of Public Debt	-0.8	-0.8	-0.7	-1.3	-1.8	-1.4
Net Domestic Borrowing	3.1	1.8	0.0	-0.6	-1.0	-0.2
Other Net Domestic Financing	-3.6	0.0	3.6	0.0	0.0	-1.5

Source: Ministry of Finance, Budget Estimates 2024/25

Figure 3: Real GDP trends (2019-2026)



Source: Central Statistics Office, Macro Forecasting Team

Figure 4: Growth Rates by Production Sectors (2022 – 2026)

	GDP Growth Rates by Production Sectors						
	2022	**2023***	**2023****	**2024***	**2024****	**2025****	**2026****
Primary Sector	**5.2%**	**-0.2%**	**-1.8%**	**6.9%**	**5.8%**	**2.1%**	**2.1%**
Agriculture & Forestry	5.1%	-0.7%	-2.5%	4.9%	3.9%	1.9%	2.0%
Mining	17.3%	35.5%	46.5%	100.5%	84.5%	6.8%	4.9%
Secondary Sector	**-0.4%**	**2.7%**	**1.4%**	**5.8%**	**5.8%**	**4.4%**	**3.0%**
Manufacturing	-0.6%	1.2%	1.2%	4.2%	3.8%	3.9%	3.9%
Construction	0.3%	17.9%	4.0%	32.3%	32.7%	7.9%	-9.6%
Tertiary Sector	**0.1%**	**6.7%**	**8.2%**	**3.9%**	**4.0%**	**3.5%**	**3.1%**
Wholesale & Retail	2.5%	3.9%	6.0%	4.0%	4.2%	1.4%	2.3%
Information Comm. Technology	-8.7%	12.5%	17.3%	6.0%	4.2%	10.6%	5.6%
General Govt. Services	4.7%	9.9%	7.7%	-1.0%	3.5%	1.5%	1.5%
Overall Real GDP Growth	**0.5%**	**4.7%**	**4.8%**	**4.9%**	**4.9%**	**3.7%**	**3.0%**
GDP Constant (E' millions)	**46,915**	**49,111**	**49,186**	**52,706**	**51,581**	**53,465**	**55,095**
GDP Current (E' millions)	**78,390**	**84,879**	**84,847**	**97,182**	**92,642**	**98,640**	**105,918**

Source: Central Statistics Office, Macro Forecasting Team
Notes: * represents projections as at September 2023, ** denotes projection as of January 2024's Review

The Kingdom of Eswatini's Financial Year 2024/25 national budget, themed "Nkwe for Growth," articulates a strategic fiscal blueprint aimed at propelling the nation toward enhanced economic growth and stability amid global economic fluctuations. This budget underlines Eswatini's resilience, forecasting a commendable gross domestic product (GDP) growth rate of 4.9%, underpinned by effective fiscal stewardship and the robust

UNITED NATIONS
ESWATINI