

**EXAMINING FACTORS THAT LEAD TO THE INCREASING DEFICIT IN
THE GOVERNMENT OF SWAZILAND**

A MINI THESIS SUBMITTED IN PARTIAL FULFILMENT

OF THE REQUIREMENTS FOR THE DEGREE OF

**MASTER OF BUSINESS ADMINISTRATION
(MANAGEMENT STRATEGY)**

OF

THE UNIVERSITY OF NAMIBIA

BY

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STUDENT NUMBER: 201512800

OCTOBER, 2017

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ABSTRACT

This study investigated the factors that lead to fiscal deficits in the Swaziland Government. The study's purpose was to gain insight into the causes of the fiscal deficits in the Swaziland Government. The main objective of this study is to examine the factors that lead or influence the increasing budget deficit in the Government of Swaziland. Specific objectives were: to ascertain the laws, regulations, government practices and methods that relate to the collection of revenue and government spending, to establish the revenue generation mechanisms that are in place in government and find out how these can be improved and to determine the key challenges the government faces in expenditure controls.

The study used the mixed method research design which employed both qualitative and quantitative research methods with no sample but employed the Distributed Log (DL) approach using time series secondary data from 1968-2017. Data from the findings revealed that government practices and overspending are the main culprits of budget deficit in the form of overspending, decrease in revenue, a slow growing economy, outdated subvention policy, poor revenue collection methods, corruption, withdrawal of Withholding tax and also the fluctuation of SACU receipts. The study recommends that Swaziland must reduce, its reliance on SACU revenues by enhancing her revenue generating capacity in order to finance her expenditure adequately and help increase the multiplier that further generates output for economic growth. A quantitative research study is recommended to measure the real extent of budget deficit prevalence.

Key words: fiscal, deficit, government, economic growth Swaziland

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DL	Distributed Lag
Economic Gr	Economic Growth
EFC	Economic Freedom Fighters
Ex La Po	Export Loans and Policies
FDC	Finance Portfolio Committee
FPE	Free Primary Education
GDP	Gross Domestic Product
Gov Spen	Government Spending
HMIS	Human Management Information System
IRFs	Impulse response functions
IMF	International Monetary Fund
JVs	Joint Ventures
MoEPD	Ministry of Economic Planning and Development
MoF	Ministry of Finance
MoPS	Ministry of Public Service
M3	Money supply
MDC	Movement for Democratic Change
NFT	New Flat Tax
OLS	Ordinary Least Squares
OPEC	Organization of the Petroleum Exporting Countries
Other Res Var	Other Residual Variables
OVC	Orphan and Vulnerable Children

LIST OF ACRONYMS

ADF	Augmented Dickey Fuller
ADL	Autoregressive Distributed Lag
ANC	African National Congress
Ca	Constant Variable
DA	Democratic Alliance
DF	Dickey Fuller
Dif	Deficit
DL	Distributed Log
Econ Gr	Economic Growth
EFF	Economic Freedom Fighters
Ex La Po	Existing Laws and Policies
FPC	Finance Portfolio Committee
FPE	Free Primary Education
GDP	Gross Domestic Product
Gov Spen	Government Spending
HMIS	Human Management Information System
IRFs	Impulse response functions
IMF	International Monetary Fund
JVs	Journal Vouchers
MoEPD	Ministry of Economic Planning and Development
MoF	Ministry of Finance
MoPS	Ministry of Public Service
M3	Money supply
MDC	Movement for Democratic Change
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OLS	Ordinary Least Squares
OPEC	Organization of the Petroleum Exporting Countries
Oth Re Var	Other Remaining Variables
OVC	Orphan and Venerable Children

PBC	Public Budget Committee
Sec to Cab	Secretary to Cabinet
SACU	Southern African Customs Union
SACUr	Southern African Customs Union receipts
SADC	Southern African Development Countries
SRA	Swaziland Revenue Authority
TTN	Tax Tin Number
US Dollar	United State dollar
USA	United States of America
VAT	Value Added Tax
VARs	Vector Auto regressions

ACKNOWLEDGEMENTS

I would like to extend my sincere thanks to **Dr. Paul Nkemngu** who worked tirelessly as my supervisor and devoted his time, guidance and support throughout the period of my research study. Thank your family and friends for all the support and love.

DEDICATION

This thesis is dedicated to my family and to those individuals who assisted me in pursuing my studies.

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DECLARATION

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CHAPTER 1: INTRODUCTION

1.0 Introduction

This chapter provides an introduction to the study of examining factors that lead to the increasing deficit in the government of Swaziland. The introduction has the following components: background information; statement of the problem; purpose of the study; objectives of the study; the rationale of the study; significance of the study; delimitations of the study; the summary of the chapter and organization of the thesis.

1.1 Background

Deficit occurs when the government spends more money than it can collect in taxes (Buhari, 1994). According to Buhari (1994) fiscal deficits is the gap between the government's total spending and the sum of its revenue receipts and non-debts capital receipts. Government spending includes all government consumption, investments and transfer payments. Government makes revenue through taxes. When collected revenue falls below what government spends in that fiscal year, then that is what is described as a budget deficit.

Although Swaziland is a small country, but the deficit is a major problem in the government. The deficit has been increasing every year since 2014. The deficit in 2014 was at 4% of total budget and the following year it rose to 16% of total budget. The deficit currently stands at 56% of total budget and in the year to end in March, 2018, the deficit is estimated to be 45% of total budget and that means the deficit increased from 4% to

56% in four years (Finance Report, 2017).

The causes of fiscal budget deficit in Swaziland may not be the same as those of other countries. Swaziland is a Kingdom led by non-elected leader while South Africa for example, is a republic led by an elected president who stays in office not more than ten consecutive years. This therefore means that budget deficit factors that are affecting the Republic of South Africa may not necessarily be the same as those affecting the Kingdom of Swaziland.

Inflation and interest rates have not been identified as the main culprits in the budget deficit as per the revelation of some studies conducted in the Asian Countries (Krugman, 1998). In those countries deficit was experienced in governments while inflation was quite low. Inflation is the continuing rise of prices. On the other hand, public debt has been identified as one of the factors leading to budget deficit in the government. In the United States of America for example, public debt has been identified as the main cause of budget deficit (Kumar & Baldacci, 2010). Financial Institutions in those countries had their interest rates charged to borrowers fluctuate frequently.

In the Southern African Development Countries (SADC) in which Swaziland is a member, budget deficit is mostly centred on government practices and overspending (Calitz & Siebrits, 2003). There is also too much dependence on SACU receipts and poor revenue collection methods, among others. The study would therefore have to verify whether it is the case with Swaziland or not.

1.2 Persistent Fiscal deficit

Persistent fiscal deficit can hamper the economic growth and development of an economy (Anwar & Ahmad, 2012) and the Kingdom of Swaziland is not exclusive to that. Swaziland has not stabilized from fiscal deficit ever since the year 2007, the time when a number of world economies were facing global financial meltdown (Szado, 2009). From that time, the Government of Swaziland has been having challenges to improve and grow the state of the economy due to a number of reasons. These include the decrease in revenues as major companies seized operations, the decline of market opportunities, the rising of inflation and the devaluation of some currencies.

1.3 Effects of persistent deficit

1.3 .1 How Persistent Deficit Affects Economic Growth

Proper budget planning, monitoring and execution remain fundamental to the economic growth of a country. Proficient preparation of budgets leads to success of any organization (Dlamini, 2015). The relationship between budget deficit and macroeconomic variables such as growth, inflation, interest rates, trade deficit, exchange rates among others, represent one of the most widely debated topics among economists and policy makers in both developed and developing countries (Saleh, 2003). In any economic system, measures such as fiscal budget and deficit are always essential for government to consider when shaping various developmental aspirations (Wosowei, 2013).

Government fiscal operation is recognized as an important tool for stimulating economic

growth. Fischer (1993) mentions budget deficit or budget surplus as one of the most important macroeconomic factors that have an impact on economic growth. Siegal (1979) asserts that the magnitude of government fiscal surplus or deficit is probably one of the most important statistics used to measure the impact of government fiscal policy on the economy.

1.3 .2 How Persistent Deficit Affects Government Operations

Governments are providers of public goods (Demeny, 1975). Public goods include the army, the police, health services and education among others. Governments are appointed by citizens to manage the affairs of the country. Their responsibilities include among others:

- Ensuring the security of a state
- Maintain law and order internally
- Protect citizens
- Take care of the welfare of its citizens
- Responsible for the health and education of citizens

In order for the government to fulfil those above mentioned services, it must have sufficient funds (Demeny, 1975). The government is not a profit making organization but its revenues come from taxes. The more taxes are collected the more cash flow into the government and the easier it becomes to meet daily, monthly and yearly obligations. The less money collected, the fewer the amounts available to meet daily, monthly and yearly

obligations and the worse the situation becomes. Any government that fails to meet the needs of its citizens and also operates below the expectation of its citizens is likely to be easily overthrown (Anwar & Ahmad, 2012). It is for those reasons that most governments try by all means to please its citizens at the expense of the budget. Persistent budget deficit is therefore not good in the operation of the government in many ways including the following:

- There is no guarantee that salaries will be paid timely
- The government would struggle to provide essential services
- Some government services would be delayed, suspended or cancelled
- Some government ministries or departments may not be able to meet their objectives due to the non-availability of funds.

1.3 .3 How Persistent Deficit Affects the Private Sector

Budget deficit has not only been a major concern in the Swaziland Government, it has also been a major concern in the private sector as well (Finance Report, 2017). The government is not a close entity but it interacts with the private sector in many ways. The private sector is the one that drives the economy. It drives the economy through trade, investments and consumption. Since the private sector is in business, it buys and sells locally, outside borders and even internationally thus attracting foreign currencies. The private sector also invests in businesses inside and outside the country. Persistent Deficit affects the private sector as well in many ways including the following:

- The government buys from the private sector and if the government is not able to pay its suppliers or delay their payments, the private sector will face difficulties in their operations as well.
- The government gets revenue from taxes so if the private sector does not have money because the government is unable to pay them, it would not be able to pay taxes and thus resulting into collecting less revenue than it should.
- The policies that guide the smooth operation of the private sector and also have financial implications that are likely to be affected.

Investment is the major drive of economic growth and if a country does not invest, there is no way its economy can grow. Consumption is also a major drive of economy growth more especially when it focuses on things that attract Value Added Tax (VAT). The law of supply and demand is relevant here. The more a product is demanded, the need for firms to increase the supply for that specific product and that results to the addition of staff. The more spending is on things that attract VAT, the more tax is collected and that results to the increase in revenue. Moreover, the government has other roles to play to the private sector in order for it to work effectively and efficiently. Some of the government responsibilities to the private sector include the following:

- The government is responsible for creating a conducive environment for the private sector to work on and one that will enable the private sector to create job opportunities.
- The government must make laws and regulations that guide the operation of the private sector.

- The government buys from the private sector
- The government collects taxes from the private sector

Due to the government's connectedness to the private sector, whenever, anything goes wrong to the government, the private sector is affected in one way or another. For- instance, when the government does not have money, it will not be able to honor its short- term, mid-yearly and yearly obligations. In such situations, the government will not be able to pay salaries, suppliers, bills, interest and contracts among others.

1.3 .4 How Persistent Deficit Affects Individual Citizens

Deficit is not good even at personal level (Finance Report, 2017). When one is unable to meet his monthly needs, life becomes difficult and uninteresting. It is even worse when the government is stuck in deficit for a long time. That means the beneficiaries will have to wait a long time before accessing government services. For-instance, the Swazi government, due to the persisting deficit was unable to stock travel documents for a period of more than three weeks. The public was negatively affected because they wanted to travel to their respective destinations but were unable to do so since the government had not paid her suppliers with the appropriate documents on several occasions. The suppliers in return, stopped supplying the travel documents to the government, by way of forcing it to clear its debts.

This is not the only way the public suffers due to the government poor financial states. Another tangible example is the recent shortage of certain medications in government

hospitals (Finance Report, 2017). Some people even died due to the shortage of medications, especially those medications for chronic diseases. Other individuals were saved by medications they acquired from private pharmacies. The situation was so dire that a patient who had financial difficulties had less chances of surviving.

1.3 .5 How Persistent Deficit Affects Government Projects

At the beginning of the financial year, government ministries set their objectives and formulate strategic plans. Strategic plans are the means to get to what one wants to achieve. Ministries spend a lot of money amount in formulating strategic plans and having a larger share of that amount going to the consultant. After putting in all those efforts, it is disappointing only to be told that the government had no money to finance the proposed projects. It is not only that, Government ministries have difficulties in paying their monthly bills, suppliers and to provide other supplies due to the non-availability of funds. Some ministries have their telephone lines cut off by service providers because they owe a lot of money. In most cases, the situation is such that there is absolutely no money to clear the debts (Finance Reports, 2017). Roads are also neglected because the government cannot pay constructors and other projects are suspended due to this monster named deficit.

1.3 .6 How Persistent Deficit Affects Government Borrowing Abilities

Financial institutions have difficulties in lending money to any government that is faced with the problem of persistent deficit because of the uncertainty surrounding it. Financial

institutions are in business, so if anyone borrows their money, that money has to be paid back with interest at a specified date. Before lending money, financial institutions need to have a guarantee that the money borrowed will be returned with interest at a specified period (Saleh, 2003). It is for that reason financial institutions conduct an assessment to determine the ability of returning that borrowed amount with interest at the time agreed upon.

Any government that has the problem of persistent deficit is not likely to get any assistance before fulfilling certain conditions. For instance, in the year 2011, the International Monetary Fund (IMF) imposed certain conditions to the Swaziland Government when the state requested for assistance from the organization. International banks do not lend money without the approval of IMF. Therefore, one of the requirements from the banks is for countries to get the approval from IMF. In the case of the Swaziland Government, the IMF imposed certain conditions and those were included in the organization 2012 Progress Report. Some of the conditions were as follows:

- The government must cut down salaries by 15%
- The government must reduce its staff by 25%
- The government must freeze increment for the next five years
- The government must consolidate ministries who have almost the same responsibilities
- The government must freeze new recruitments
- The government must abolish vacant posts.

Unfortunately, some of the organizations conditions were not met, and as a result, the government got deeper and deeper into deficit.

1.4 Major Steps Taken by the Government to Reduce Fiscal Deficit

Several efforts have been made by the Swaziland Government to reduce the deficit such as the establishment of the Swaziland Revenue Authority (SRA) in 2011, the revision of the Southern African Customs Union (SACU) Revenue Sharing Formula, the reduction of ministries' budgets, the suspension of overtime payments, the reduction of politician's salaries, the freezing of new recruitments and the abolishing of vacant posts, among others. Despite all these efforts by the Swaziland Government, the deficit still remains high. In the past three years, the deficit increased to 56% of total expenditure (Finance Reports, 2017). The deficit has made it impossible for the Government to deliver essential services as, it is struggling to pay even its short-term obligations which include salaries, creditors, bills, rent and others (Finance Report, 2017).

Consequently, the objective of this study is to examine the factors that lead or influence the increasing budget deficit in the Government of Swaziland, to analyze the laws, regulations, government practices and methods that relate to the collection of revenue and government spending, to analyze the revenue generation mechanisms that are in place in government and also how these can be improved and also to determine the key challenges the government faces in expenditure controls. It is envisaged that the study's results, if used, may contribute to the body of knowledge in this field, as well as assist in creating awareness about the causes of the prolonged deficit in the Government of Swaziland

during the aforementioned period.

1.5 Problem Statement

Although, Swaziland is a small country, deficit is a major problem in the government. The deficit has been increasing every year since 2014. Its effects are visible in very critical sectors of Swaziland's life including government, citizenry and the private sector. Several efforts have been made by the Swaziland Government to reduce the deficit but to no avail. There are many studies conducted on persistent deficit; however, to the researcher's knowledge, some of the factors that are responsible for the budget deficit leading to the country's poor financial state have not been identified before, hence the need for the current study. The researcher hopes that through its findings, the current study would contribute invaluable knowledge in this field.

1.6 Purpose of Study

The purpose of the study was therefore, to investigate factors that lead to budget deficit in the Swaziland Government with the view to come out with recommendations on how the deficit can be reduced or if possible be eliminated.

1.7 Objectives of Study

The main objective of this study is to examine the factors that lead or influence the increasing budget deficit in the Government of Swaziland. Specific objectives of the study include the following:

1. to ascertain the laws, regulations and government practices that lead to deficit (qualitative approach).
2. to investigate government spending that lead to deficit (quantitative approach).
3. to established whether the Government is too much dependent on SACU (quantitative approach).
4. to establish the revenue generation mechanisms that are in place in government and examine the methods that relate to the collection of revenue and also to find out how these can be improved (qualitative approach).
5. to determine the key challenges, the government faces in expenditure controls (qualitative approach).

1.7 Organisation of the Thesis Report

The thesis consists of five chapters. Chapter one has already been discussed above.

1.8 Rationale of Study

Several efforts have been made by the Swaziland Government to reduce the deficit. Despite all these efforts made by the Swaziland Government, the deficit still remains high.

1.9 Significance of the Study

Beneficiaries of the study include legislators and policy makers who may be empowered by the study's findings to inform and enrich them to make wise policy choices to tackle the challenge of deficit currently and persistently facing Swaziland.

1.10 Delimitation of Study

Out of all the factors that may be causing deficit in the Kingdom of Swaziland, this case

study will look only on the factors that are within the government.

1.11 Chapter Summary

This chapter has conceptualised the research problem thus justifying why it is worth all the resources that will be invoked in it. First the introduction and background in the study has been presented. This has been followed by the statement of the problem, aim of the study, objectives of the study, rationale of the study, the significance of the study, delimitation of the study and the chapter summary.

1.12 Organization of the Thesis Report

The study comprises five chapters. Chapter one has already been discussed above. Chapter two takes as through the introduction, theoretical framework, and empirical review of studies. Chapter three consists of introduction, research design, methods and tools of data collection, and analysis and ethical considerations. Chapter four focuses on data analysis, interpretation and discussions of findings. Chapter five presents the summary of the study, conclusions and recommendations. The next chapter presents reviewed literature.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical budget deficit framework which informs the study and a review of literature on the concept of persistent deficit and the factors that lead to the increasing deficit as guided by the research objectives of the study; followed by the empirical studies supporting the problem under investigation.

2.1 Theoretical Framework

Persistent budget deficits have increased economists' interest in theories and evidence about fiscal policy (Barro, 1988). There are generally three schools of thought concerning the economic effects of budget deficits. These are Neoclassical, Keynesian, and Ricardian. The Neoclassical is an approach to economics that relates supply and demand to an individual's rationality and his ability to maximize utility or profit. Neoclassical economics uses mathematical equations to study various aspects of the economy.

Neoclassical paradigm envisions farsighted individuals planning consumption over their own life cycles. Budget deficits raise total lifetime consumption by shifting taxes to subsequent generations. If economic resources are fully employed, increased consumption necessarily implies decreased saving. Interest rates must then rise to bring capital markets into balance. Thus, persistent deficits "crowd out" private capital accumulation.

In the current economic environment, most economists would agree that these consequences would be highly detrimental. Since deficit have real effects which would

last for a longer period, the Neoclassical paradigm provides a good theory of the permanent component of deficit. The neo-classical approach also supports the idea that fiscal deficits negatively affects economic growth based on the argument that an increase in consumption reduces saving which reduces interest rates and the result is a decline in private investments. This crowding out effect reduces the ability of the government to influence economic activity through fiscal measures (Bailey, 1971; Buiter, 1977).

Under the Keynesian view, a significant fraction of the population is thought as liquidity constrained as it has high propensities to consume out of current disposal income. Any temporary significant reduction in taxes has an immediate and quantitative impact on aggregate demand more especially, if initially, the economy's resources were not fully utilised. The national income would rise as a result. Savings and capital accumulation would not be negatively affected due to the fact that deficit stimulates both consumption and national income. Though the Keynesian framework describes the effect of the temporary component of the deficit, appropriately timed deficit has beneficial consequences.

The Keynesian theory alleges that budget deficits are good enough during economic downward spiral more so because:

- An increase in public debt slows down the rise in unemployment, limiting the impact and duration of the economic recession and in the long run leading to overall better economic performance, with limited effect on the ratio of public debt to GDP.

- An increase in the ability of the economy to supply output in the long run is inevitable, particularly if private investment is stimulated and also if the government's deficit is spent on such things as infrastructure, basic research, public health and education.
- An increase in the size of the market, due to the government deficit, can stimulate the economy by raising business profitability and spurring optimism which encourages private fixed investment in factories, machines and stimulate the demand further and encourage the rise in employment. However, an increase in the government payroll, depresses the economy in the long-run.

Ricardian view, argues that successive generations are linked through voluntary, altruistically motivated resource transfers. Under certain conditions, this implies that consumption is determined as a function of dynastic resources and that is calculated as the total resources of a taxpayer and all of his descendants. Since deficits merely shift the payment of taxes to future generations (the present discounted values of taxes and expenditures must match), they leave dynastic resources unaffected. The Ricardian equivalence approach is advanced by Barro (1989) who argues that an increase in budget deficits, say due to an increase in government spending, must be paid for either now or later, with the total present value of receipts fixed by the total present value of spending. The relationship between budget deficit and economic growth will be neutral (Bittante, 2013).

Apart from the three schools of thought (Neoclassical, Keynesian, and Ricardian), there are other two theoretical frameworks in which deficit is viewed. There is the Classical theory and Budget theory. The Classical Theory implies that a market based economy is inherently self-regulating. It will achieve equilibrium on its own without government interference. The Classical Theory of budgeting advocated surplus budget when government spending was meagre and remained confined to negative functions of a police state. The budget deficit is worked out on the basis of budget estimates wherein total expenditure is more than the total receipts of the government in a particular budget year. The total receipts and total expenditure include revenue as well as capital figures on both the sides.

Budget theory on the other hand, is the academic study of political and social motivations behind government and civil society. There are normally three types of government budget. There is a balanced budget, deficit budget which the study is all about and there is surplus budget. Balanced budget is when government receipts or revenue is equal to the government expenditure. Deficit budget on the other hand is when government revenues are less than government expenditure. Surplus budget is when revenues are greater than government expenditure.

Deficit financing in Germany brought about a large quantity of money in circulation in the economy and that increased monetary income and demand for goods. That resulted to the rise of prices due to the non-corresponding increase in the supply of goods and that created disaster. An almost similar situation occurred in the USA in 1930, whereby they confronted a situation of great depression and massive un-employment. According to

Keynes, a logical of deficit financing to fight cyclical depressions in capitalist countries and to eliminate mass unemployment is necessary. Keynes further advanced that employment depended on the propensity for consumption and to overcome that, he suggested deficit financing to finance public projects. According to him, that would increase the purchasing power of people and result in effective demand for goods. Keynes called it a 'multiplier effect' and in that way according to him, the economy could be revived and lifted from depression through deficit financing.

In India, deficit economy financing has been resorted to generate resources to finance investment and accelerate the process of economic development and that assisted in the rapid formation of capital for economic growth by breaking the supply of money in the economy without a corresponding increase and that bottlenecks and structural rigidities in the economy to increase productivity. Moreover, that had provided a stimulus for economic development by financing investment, employment and output in the economy. However, it had negative effects in the rise in prices of goods and services. That was mainly because the deficit financing was only increasing in the supply of goods and services. Though, that inflationary character of deficit financing changes the pattern of investment, it results to forced savings by people. The negative effects on balance of payments, increased economic inequalities and increased credit creation by banks. It is a transitional situation and as development adds to the capacity of the people and the nation, the debt situation can ease and income and employment situation get stabilized.

Asian countries articulate that interest rates and inflation are the main causes of fiscal deficit in many countries. While other continents are of the view that government practices

and overspending are the main culprits in the budget deficit. For instance, in the United States of America public debt is the main cause of fiscal deficit. In the Organization of the Petroleum Exporting Countries (OPEC), inflation is the main cause of budget deficit.

In the African continent government spending and practices are the main causes of budget deficit. According to Roubini (1991), an increase in the degree of political instability appears to lead to greater budget deficits. Roubini further argued that fiscal deficits are partly determined by political factors and that; cross-country differentials in budget deficits may depend on measures of political instability. The researcher concurs with Roubini that countries with a high degree of political instability are more exposed to deficit than those countries with a lower degree of political instability. In countries where protest and strike actions occur almost on a daily basis, the deficit turns out to be high. Jobs suffer as employees leave their working stations to join protests or strikes and that results into decrease of total output. Eventually, the effects would extend to the government. The government's revenue will fall and unemployment will increase.

The issue of fiscal deficit can also be viewed on one's geographical location. Most countries that are rich in mineral resources are politically unstable. This usually occurs in countries rich in oil resources like Libya and Egypt, among others. In addition, countries led by an elected head of state are more likely to experience deficit towards elections than countries that are led by monarchs. Out-going governments, are forced to spend more than what the country can afford merely to please the electorate. They make sure, that they bribe the electorate in order to win the elections and all these monies that are used are taken from state funds; whereas, in countries led by the monarch, spending has nothing to

do with elections.

According to Anwar and Ahmad (2012), the major problem of developing economies is incidence of persistent deficit in their budgets, the impacts of which are bad for most developing countries as investors weigh the risk of investing in countries that are full of uncertainty. Moreover, Anwar and Ahmad (2012), in their empirical findings concurred with Agnello and Souza (2009) that there exists a long-run relationship between the budget deficit and political variables. Both Anwar and Ahmad (2012) and Agnello and Souza (2009) are of the same view that deficit is typically associated with a high level of political instability and less democracy.

The reviewed literature is in line with the above authors' findings in that when deficit exists, government operations are not very smooth and everything become stiff and difficult to achieve. The government would not have money to meet its short-term and long-term commitments. On one hand, short-term commitments include paying salaries, interest on borrowed loans, paying creditors, paying bills among others. On the other hand, long-term commitments include loans and other commitments that mature more than five years. If long term debts are not paid on time, they accumulate into arrears and likewise the interest will accumulate as well. The arrears or interest would eventually reach a point where it will become impossible to pay.

Fatima, Ahmed and Rehman, (2012) in their work intended to find the relationship between budget deficits and economic growth. They considered an application of unit root test and Ordinary Least Squares model using Pakistan dataset of budget deficit and output

growth for the period 1978 to 2009. They established that there is a negative impact of the budget deficit on the economic growth as a result of government's shortage of resources to meet their expenses in the long run. In their study, they concluded that the different development projects started by the government increase growth in one hand, but on the other hand leave the administration in jeopardy to meet the actual expenses. They also found that an increase in inflation has a negative effect on Gross Domestic Product (GDP) hence governments need to take measures to control the deficit with the view to achieving a certain level of the economic growth.

Odhiambo et al (2013), conducted a study to establish the extent to which fiscal deficits and economic growth are related and further investigated ways in which those fiscal deficits (transmission mechanisms) have effects on the growth and development of the Kenyan economy. Their study used both exploratory and causal research designs and employed time series secondary data for a period of 37 years (1970-2007), and was estimated using OLS method. The study also performed various econometric tests such as Dickey Fuller (DF) and Augmented Dickey Fuller (ADF) unit root test. The study found a positive relationship between budget deficits and economic growth, incongruent with the Keynesians assertion and hence recommended prudent financial management and enhanced revenue collection by revenue the authority so as not to crowd-out private sector investment by borrowing domestically.

Fehiman (2015) used time series secondary data for 28 years (1983-2010). The causal relationship of budget deficit and economic growth in the long run was tested by Granger Causality test and with other econometric methods such as; Dickey Fuller and Augmented

Dikey Fuller unit root tests. The Autoregressive Distributed Lag (ADL) approach was also used to estimate the relation between all other variables. The findings were similar to most of the Keynesian approach literature except that the significant causal relationship between non-productive expenditure and economic growth Isolations had a negative impact on private investment and this makes government investment and other spending important revenue source for the economy.

Kosimbei (2009) underpinned his study on the Mundell- Fleming model and applied Vector Auto regressions (VARs) together with annual time series data for the period 1963 to 2007 to evaluate the empirical effects of budget deficits on macroeconomic performance. The selected macroeconomic variables included were current accounts of the balance of payments, private consumption, private investments, money supply, treasury bill rates, and real GDP. The study established that the budgeting process had loop holes something which perpetrated budget deficits.

Deficit economies survived mostly on public debt (Roubini,1989) These loans or borrowing for development investments are made available by the bankers, financial institutions and the people. They represent the form of promises by the treasury to pay to holders these promises a principal sum and interest on the principal amount. The government guaranteed lenders that it would pay the principal amount at a future date agreed upon by both parties and to have the interest paid on yearly basis. The debt incurred by the government may be redeemable or unredeemable. The redeemable debts have to be paid off at a specified date while the irredeemable debts have no time limit. The irredeemable debts provide no data on when the principal amount would be paid but

interest on the loan paid is periodically. Public debt can be external or internal.

External public debts are debts that are sourced outside the country, from foreign governments and institutions. On the other hand, internal public debts are those that could be sourced inside the country from individuals, businesses and financial institutions. External or internal, the government has an obligation to pay them on a specified date with interest computed yearly. Any government that survives with a persistent deficit budget, is not likely to honour any of its obligation unless the debt that had been sourced was to be invested and subsequently improve the economy.

The sources of budget deficits included the level of economic development, growth of revenues, instability of government revenues, government control over expenditures and the extent of government participation in the economy. The impulse response functions (IRFs) revealed that budget deficits have a significant effect on: private consumption, private investments, money supply (M3), treasury bills rate, current account and real GDP. The causes of fiscal deficit or factors leading to fiscal deficit are not homogenous and the debate about the causes of fiscal deficits remain inconclusive. The causes of fiscal deficit could be viewed from diverse perspectives.

Poterba, (1994) observes that regional economic downturns and increased expenditure demands often lead to substantial state budget deficits (Poterba, 1994). Poterba further revealed that, more restrictive state fiscal institutions, such as "no-deficit-carryover" rules and tax and expenditure limitations, are correlated with more rapid fiscal adjustment to unexpected deficits.

Political factors are also important. When a single party controls the state house and the governorship, deficit adjustment is much faster than when party control is divided (Anwar & Ahmad, 2012). In gubernatorial election years, tax increases and spending cuts are both significantly smaller than at other times. The researcher concurs with the author that in coalition governments, when parties do not agree on anything, everything comes to a standstill. For example, there was a coalition government in Zimbabwe where Zanu PF came together with Movement for Democratic Change (MDC) that coalition government did not last due to the differences between the parties. The other example is when the Democratic Alliance (DA) and Economic Freedom Fighters (EFF) formed a coalition government in Tshwane. The two are always in disagreement on many things as a result Tshwane is behind in terms of progress compared to other governments where the African National Congress (ANC) has the majority.

Resource allocation for the repayment of public debt will act as a constraint to production and will generate crowding-out effects. A deficit budget is held responsible for high inflation, low growth, a current account deficit and private investment and consumption crowds out (Chaudhary & Abe 1999). In monetarist framework, deficits tend to be inflationary because when monetization takes place, it will lead to an increase in money supply and ceteris paribus, increase in the rate of inflation in the long run (Gupta, 1991).

Thus persistent fiscal deficit can hamper the economic growth and development of an economy. The researcher agrees with Gupta because when there is an oversupply of money in the economy, devaluation of currency and inflation are inevitable and when the state bank of a deficit government prints more money to overcome the problem of its

shortage, the strength of that currency falls. In Zimbabwe for instance, the country's state bank printed more notes in an attempt to overcome the shortage of money in the country. As a result, there was an oversupply of bank notes, such that the local currency lost its value.

The effects would not only be on the government, but the private sector would also be affected as well (Finance Report, 2017). In fact, the whole country would be affected. What would then follow would be protests and strike actions that would be on the increase regularly across the country. For example, in Zimbabwe, strikes and protest actions were regular as the people of Zimbabwe were calling for the resignation of their former president, Robert Mugabe. In most cases, protests and strike actions are harmful and distrustful. These may even lead to the devaluation of the local currency. Once the local currency lost its value, it means the people of that country would have to part with more money when buying than when it was before the currency lost its value. Things become very expensive and inflation is inevitable. It would be very expensive to import and money kept into banks would immediately lose its value.

The rise in prices for basic commodities, essential services and transportation could also make employees to force the government to adjust their salaries. On the other hand, the government may not have the necessary funds to adjust salaries due to the pending deficit. As a result, conflict would be inevitable. Employees would have no other option but to force the government to increase salaries through strike actions. In most cases, more strikes or protests end up being political, something that may lead to citizens opting for the vote of no confidence to the current government.

2.2 Empirical Studies

The researcher has been employed by the Swaziland Government since 2005. His first appointment was that of Accounts Officer in the Ministry of Public Service and he was tasked with the payment of salaries. In the year 2010, the researcher was promoted to the Management Service Division (MSD) under the same ministry as an Assistant Management Analyst. In the year 2013, the researcher was promoted again to the position of Management Analyst under the same department. The researcher has been holding the position of Management Analyst up to this very date.

At MSD, the researcher's responsibilities include report writing, researching, wage-bill monitoring and representing the department in Public Budget Committee (PBC). While working for the government, the researcher observed the following irregularities:

- The inefficiency of the Human Resource Management Information System (HRMIS). The system allows more than one officers to share the same post and as a result you find that there are more officers on the ground than those in the Establishment Register. The study conducted by the researcher revealed that 1% of the government officers share posts. The system does not lock one officer to one post. In some cases, you find that a post would appear vacant when in actual fact, there is someone occupying it and if another person is linked to the same post, sometimes the system accepts the action when in actual fact it should not.
- The HRMIS does not communicate with the Payroll System. The Payroll System allows officers with no posts to be salaried and this action is making it impossible

to control the wage-bill.

- Some officers were either not found in their duty stations or their whereabouts were unknown yet they are salaried every month. A Payroll Audit Study conducted by the government in the year 2013 revealed that some officers had absconded, died and others misplaced.
- Tender prices were inflated such that in many cases, the prices were double or even three times the market costs of the ordered commodities. For-instance a pen which cost an average price of E7.00 in the market, on tender the same item had its price varied between E14.00 to E17.00. As a result, the government is paying more than what it should have paid if the market price was used.
- Most government storerooms are packed with abandoned stock items. Some were not needed when they were bought and others might had been needed on small quantities but the ordering officer for reasons known to him or her decided to order in large quantities.
- There are too many external travels. Some government officers undertake trips very often such that less than 25% of their time was spent doing office work yet there were no physical benefits to the government for such trips. External travels are the second most spending item after procurement (Finance Report, 2017). In the year that ended in March, 2017, 40% of total Recurrent (excluding the wage-bill) was spent on procurement and 25% on external travel. External travel are those trips that are taken outside Swaziland.
- Government vehicles are also misused. Government controls are weak. A large percentage of government fuels is used on personal errands. According to the

Finance Report (2017) there is a need to strengthen the abuse of government vehicles.

- The government is losing a lot of money in the payment of Rentals. Ten percent of government Recurrent Expenditure goes to Rentals. Rentals are the amounts paid as rent to landlords. The government rent offices and houses and these amounts are incremental yearly. The amount is becoming expensive for the government. The government once came up with the option of selling all government houses and pay housing allowance to all government officers but that option was abandoned.

The introduction of Withholding tax equal to 10% in 2008. Withholding tax is the amount of money owed to suppliers withheld by the government and sent directly to the Swaziland Revenue Authority or the former Income Tax Department as partial corporate tax payment. The introduction of that type of tax came with many advantages which included the following:

- The government's cash flow was always healthy. There was enough cash available to pay bills, suppliers, salaries and other government expenses. The government at that when withholding tax was in place was in surplus. This is illustrated in table 4.4 of the study.
- The tax encouraged compliance among suppliers. A supply that has been charged withholding tax was more likely to fix his house in order knowing that all the money that had been deducted from the company would have to be paid back by the state. The tax department used to issue Exemption Certificates to those

suppliers who complied. The purpose was to disallow any buyer including the government from deducting the 10% Withholding tax from that specific supplier. An Exemption Certificate is a document that gives a person, company or the state official permission not to deduct the 10% Withholding tax from the person or supplier covered in the certificate.

In the year 2010, the Withholding tax was withdrawn and that created a lot of trouble for the government. The government cash inflows became unhealthy. It became difficult to pay bills and suppliers and the situation was eventually uncontrollable.

The government is losing about E50 million annually as per a statement made by the Minister of Health during a budget presentation by the Ministry of Health in the 2018 Public Budget meeting in respect of medical expenses for people who have been transferred to hospitals in the Republic of South Africa. The Minister also stated that government is making plans to source the equipment and the personnel required to have these patients treated in the country. If the Minister's dreams become a reality, the government would realise savings equal to E50 million.

2.3 Chapter Summary

This chapter has presented a review of related literature relevant to the study. The chapter began with the introduction. This has been followed by the theoretical framework of the study and lastly empirical studies and various concepts on the subject under study presented by various researchers and scholars.

The three general approaches of the effects of deficit and two theories have been discussed. The Neoclassical approach, Keynesian approach and the Ricardian approach viewed the effects of deficit from different angles. The Neoclassical paradigm provides a good theory of the permanent component of deficit since it provides the most relevant insight for public policy while the Keynesian describes the effect of the temporary component of deficit.

The Classical Theory of budgeting also advocated surplus budget when government spending was meagre and remained confined to negative functions of a police state. The budget deficit is worked out on the basis of budget estimates wherein total expenditure is more than the total receipts of the government in a particular budget year. The next chapter presents the study's methodology.

3.2 Data Collection and Analysis

Data was collected from Reports, Estimates book and Establishment Register from the Government of Swaziland Public Budget Committee (PBC). PBC comprises of three ministries (Ministry of Finance (MoF), Economic Planning and Development (MoEPD) and the Ministry of Public Service (MoPS)). These three ministries are called central ministries because of the role they play in the compiling of the budget. In fact, they are the ones responsible for the budget and for the budget to be complete it has to consist of Revenue, Wage Bill and Capital Project. All the three ministries have different

CHAPTER 3 METHODOLOGY

3.0 Introduction

This chapter discusses the research methodology that was used in conducting the study. It starts with the description of the research design; data collection techniques, validity and reliability/trustworthiness strategies; data analysis and finally outlines ethical considerations of the study.

3.1 The Research Design

A research design is a plan structure and strategy for investigation in-order to obtain answers to the research problem or research questions (Creswell, 2005). This study used the mixed method research design employing the Distributed Log (DL) approach. The mixed method design utilizes both the qualitative and quantitative methods to generate data.

3.2 Data Collection and Analysis

Data was collected from Reports, Estimates book and Establishment Register from the Government of Swaziland Public Budget Committee (PBC). PBC comprises of three ministries (Ministry of Finance (MoF), Economic Planning and Development (MoEPD) and the Ministry of Public Service (MoPS)). These three ministries are called central ministries because of the role they play in the compiling of the budget. Infact, they are the ones responsible for the budget and for the budget to be complete it has to constitues of Recurrent, Wage-bill and Capital Project. All the three ministries have different

responsibilities. MoF is responsible for the budget as well as Recurrent Expenditure. MoEPD is responsible for capital expenditure and MoPS on the other hand is responsible for the wage-bill.

There are two departments under the Prime Minister's Office (Private and Cabinet)

According to the Establishment Register (2017/2018), there are twenty-one (21) government ministries and twelve (12) departments. The twenty-one Ministries are the Ministry for Finance, Ministry of Public Service, the Ministry for Economic Planning and Development, Private and Cabinet (Prime Minister's ministry), Deputy Prime Minister's Office, Ministry for Tourism and Environmental Affairs, Foreign Affairs and International Cooperation, the Ministry for National Defence and Security, Tinkhundla Administration and Development, Natural Resource and Energy, Agriculture, Housing and Urban Development, Commerce, Industry and Trade, Education and Training, the Ministry for Labour and Social Security, Information, Communication and Technology, Health, the Ministry of Justice and Constitutional Affairs, Home Affairs, Public Works and Transport and the Ministry of Sports, Culture and Youth Affairs. There are three departments under the Ministry for Finance namely: Treasury and Stores, the Internal Audit Department and the Audit Department.

The Internal Audit Department is missioned to deliver an independent assessment of financial regulatory, operational risks and control effectiveness to the organizations management and the executive authority and provide control expertise to minimize risk, improve process quality and enhance operational effectiveness in furtherance of the Ministries' goals (Audit Report, 2016). On the other hand, the Audit Department looks at whether procedures were followed on the utilization of state resources.

There are four Departments under the Ministry for Justice and Constitutional Affairs namely: Elections and Boundaries Commission, Judiciary Department, Anti- Corruption Commission and His Majesty's Correctional Services.

There are two departments under the Prime Minister's Office (Private and Cabinet) namely: Royal Swaziland Police and Parliament. Other Departments include Fire and Emergency Services which is under the Ministry of Housing and Urban Development, Geological Surveys, Minerals and Mines which is under the Ministry of Natural Resources and Energy and the Central Transport Administration which is under the Ministry of Public Works and Transport.

All the above mentioned ministries and departments towards the end of the government financial year send their requests to either, MoPS, MoF or MoEPD depending whether that request is of Capital nature or Recurrent less the Wage-bill or the Wage-bill. If its Capital, the request would be sent to MoEPD who will then deliberate on it and present it to the Public Budget Committee (PBC) and if it succeeds then it will be taken to the PBC. Likewise, MoPS will look at all the requests from different ministries and departments, conduct reviews, analyze, recommend and present those requests to PBC for funding.

The same applies to MoF who would look at Recurrent Expenditure excluding the Wage-bill and present to PBC to go through. Therefore, it is MoF, MoPS and MoEPD who incorporate all the requests into the following year budget plan to be presented to Cabinet and the Finance Portfolio Committee (FPC) before it can be presented to Parliament for adoption.

The study adopted a mixed method approach however; there was no population and sampling because the study used only secondary data. The information that has been used was sought from Reports, Establishment Registers dating back from 2007 to currently, Estimates Books and the Human Management Information System (HMIS). To come up with the conclusions, the study employed Distributed Log (DL) approach. For the qualitative approach, content analysis was used to analyzed data and for the quantitative approach, data was analyzed using the Statistical Package for Social Science tool (IBM SPSS). Multiple Regression analysis was also used to measure the strength of the relationship between deficit; government spending, fluctuation of SACU receipts, economic growth and existing laws and policies. Where deficit is the dependent variable and where; government spending, fluctuation of SACU receipts, economic growth and existing laws and policies are all explanatory or independent variables. The ϵ will represent the residual (other remaining variables). The model is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \epsilon$$

The model is customized as follows:

$$\text{Dif} = \text{Ca} + \text{Gov Spen} + \text{SACUr} + \text{Econ Gr} + \text{Ex La Po} + \text{Oth Var}$$

Where: Dif = Deficit

Ca = Constant Variable (not changing variables)

Gov Spen = Government Spending

SACUr = Southern African Customs Union receipts

Econ Gr = Economic Growth

Ex La Po = Existing Laws and Policies

Oth Re Var = Other Remaining Variables

There are normally two types of government expenditures namely; Recurrent Expenditure and Capital Expenditure. Recurrent expenditures are all on-going expenses such as salaries, travelling expenses, tenders, bills, petrol, contracts and hospitality to name but a few. Recurrent Expenditure can also be defined as all payments other than for capital assets, including on goods and services, (wages and salaries, employer's contributions), interest payments, subsidies and transfers.

Against these background, Capital Expenditure are payments made for the acquisition of fixed assets, stock, land or other intangible assets. Examples of capital projects include the building of roads, schools, hospitals and other millennium projects. For the purpose of this study, the Recurrent expenditure has not included the wage-bill. The wage-bill has been treated as a separate expenditure altogether. This was done in order to establish the highest government expenditure in the budget. The wage-bill is the total sum of gross wages of an establishment (excluding the employer's contribution).

This particular study used time series secondary data from 2007-2017. This was before the economic meltdown of 2007/2008 which also severely affected the Kingdom of Swaziland. Another important reason for the selection of this period is that it includes a shift in South Africa's regime where Swaziland receives most of its imports and revenue.

Worth noting is that the factors that lead to fiscal deficit are not homogenous in different continents of the world. For-instance, Asian countries articulate that interest rate and inflation are the main causes of fiscal deficit in many countries while other continents are of the view that government practices and overspending are the main culprits in the budget

deficit.

Information from all the sourced documents were recorded into excel for the period between 2007 and 2017. Five columns were created into the excel sheet. On the first column, the years in which the sampling is taken from, were recorded. On the second column, the total budget was recorded, on the third column, total revenues were recorded and on the last column surplus or deficit were recorded.

There are six tables and seven figures underneath. The first table compared the Total Budget against Total Revenue from the year 2007 to 2017. The second table show the relationship between SACU receipts and the deficit for a period of 9 years. The third table focused only on the expenditure part of the government where the expenditure was divided into Recurrent Expenditure (excluding the wage-bill), the Wage-bill and the Capital Expenditure. The fourth table focused only on the revenue side. Here, Domestic Generated Revenue and SACU receipts are compared to determine the most generating mechanism. The fifth table demonstrates the different sources of revenue between 2007/2008 and 2016/2017. The last table is about the Wage-bill and this one shows the amount spent on salaries and the number of employees on different periods.

Table 4.1 is made out of five columns. The years in which the samples were taken are shown in the first column. The second column shows the total budget or government expenditure and the third, fourth and fifth columns show the total Revenue, Budget Surplus and percentages respectively. On the other hand, Table 4.2 is made out three columns. The years in which the samples were taken from are shown in the first column.

The second and the third columns show SACU receipts and Deficit respectively. Table 4.3 from the opposite point of view, is comparing the Recurrent Expenditure less the Wage-bill, the Wage-bill and the Capital Expenditure. The three types of government expenditure are compared to determine the most spending expenditure. The findings supported that the factors that lead to fiscal deficit in the Government Swaziland are due to overspending, decrease in revenue, a slow growing economy, laws and regulations, poor revenue collection methods and also the fluctuation of SACU receipts. The years in which the sample were taken is recorded in the first column, the Total Budget is recorded in the second column, Recurrent is recorded in the third column, Personnel Costs is recorded in the fourth column and Capital Projects are recorded in the fifth.

The three many sources of government revenues are compared in Table 4.4. The years in which the sample were taken is recorded in the first column, Domestic Generated Revenue is recorded in the second column, SACU receipts are shown in the third column and Grants are shown in the fourth column. Table 4.5 on the other hand, has three columns. Domestic generated revenue is shown in the first column, SACU receipts are shown in the second column and Grants are shown in the third column. Table 4.5 compared the three different sources of government revenue for the past 9 years. Table 4.6, which is about the Wage-bill statistics has three columns, the first column records the years in which the sample were taken, the second column is the Personal costs and the third column is the number of government.

For ease of interpretation, the findings were transformed into figures (graphs, pie charts and line charts). Findings were compared to easily identify the most spending item. These

are presented in the subsequent chapter, Chapter 4.

3.3 Ethical Considerations of the Study

In getting the required information, the researcher had to write letters to the Principal Secretaries for the three central ministries and their departments requesting permission to collect information from reports, Estimates books and Establishment Registers. The three central ministries are the Ministry of Finance (MoF), the Ministry of Economic Planning and Development (MoEPD) and the Ministry of Public Service (MoPS) These three central ministries received requests from different ministries respectively, scrutinized them and made recommendations. The Swaziland Public Budget Committee (PBC) comprises the three central ministries whose meetings are chaired by Director Budget from the MoF. The three central ministries are responsible for working on the budget and recommend to Cabinet, who in return, takes the budget to parliament for adoption.

The Principal Secretaries for all three ministries were assured of anonymity and since the data that had been used is very crucial and sensitive, ethical issues such as privacy, confidentiality and integrity would be adhered to. Generated data would then be kept in a lockable safe for five (5) years after which it would be destroyed.

3.4 Chapter Summary

This chapter presents a description of the methodology used for the study which includes the research design, data collection procedures and analysis, and ethical considerations. This study used the mixed method research design employing the Distributed Log (DL)

approach. The mixed method design utilizes both the qualitative and quantitative methods to generate data. Data was collected from reports, Estimate books and Establishment Registers from the Ministry of Finance which is responsible for Recurrent Expenditure, the Ministry of Public Service which is responsible for the Wage-bill, the Ministry of Economic Planning and Development which is responsible for Capital Projects. This particular study used time series secondary data from 1968-2017. This was the period when the Kingdom of Swaziland had attained her independence from the British. Another important reason for the selection of this period is that it includes a shift in South Africa's regime where Swaziland receives most of her imports and revenue. The subsequent chapter presents the results and discussions of the findings.

...the Actual Outcome figures will be above those figures that were in the budget and if the budget was over-estimated, the figures in the Actual Outcome will be below the budget. Please note that the star inserted on other tables indicate that those figures are not actual figures but projected figures.

4.1 Expenditure and Revenue

4.1.1 Comparison of Expenditure and Revenue

Trend of Government Dealings

Table 4.1

Financial Year	Total Budget	Revenue	Deficit or Surplus	Percentage
2017/2018 *	21,175,354	15,837,435	-5,741,904	45

CHAPTER 4: RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the data analysis and the discussion of the main findings of the study. The information used in this chapter has been sourced from Estimate books from 2005/2006 to 2017/2020. In the Estimate Books there is an Actual Outturn, Revised Budget, Projection without policy changes, Projection with policy changes. An Actual Outturn is a budget that has been reconciled with the actual figures on that particular year and that usually happens in the month of July which is four months after the previous year budget estimate. The reconciliation of the two would indicate whether the budget was under-estimated or over-estimated. If it was under-estimated, the Actual Outturn figures will be above those figures that were in the budget and if the budget was over-estimated, the figures in the Actual Outturn will be below the budget. Please note that the star inserted on other tables indicate that those figures are not actual figures but projected figures.

4.1 Expenditure and Revenue

4.1.1 Comparison of Expenditure and Revenue

Trend of Government Dealings

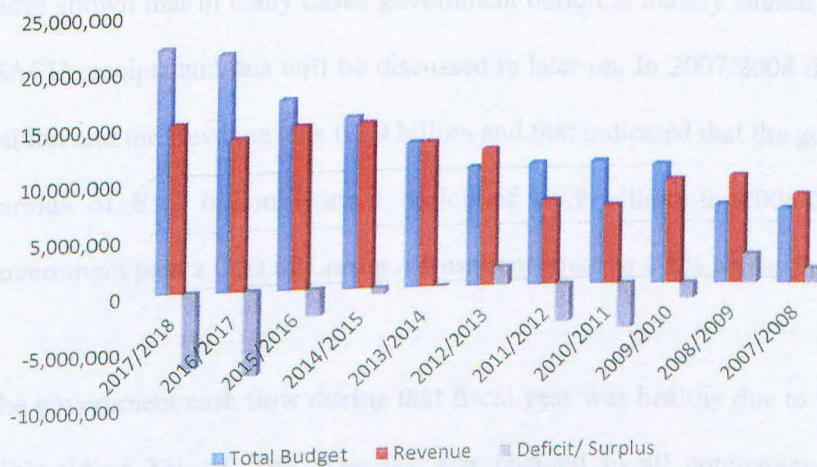
Table 4.1

Financial Year	Total Budget	Revenue	Deficit/ Surplus	Per cent %
2017/2018 *	21,779,354	15,037,450	-6,741,904	-45

2016/2017	21,193,882	13,629,240	-7,564,642	-56
2015/2016	16,998,644	14,621,320	-2,377,324	-16
2014/2015	15,304,434	14,743,570	-560,864	-4
2013/2014	12,889,818	12,910,450	20,632	0
2012/2013	10,567,402	12,177,650	1,610,248	13
2011/2012	10,815,451	7,488,890	-3,326,561	-44
2010/2011	10,935,357	6,984,710	-3,950,647	-57
2009/2010	10,616,750	9,252,810	-1,363,940	-15
2008/2009	7,024,394	9,610,750	2,586,356	27
2007/2008	6,629,376	7,943,620	1,314,244	17

Source: Estimate Books (2005-2020)

Figure 4.1



Source: Estimate Books (2005-2020)

Table 1 above shows the Total Budget, Total Revenue, Deficit or Surplus for the periods between 2007/2008 to 2017/2018 Financial Years. The total budget moved from E6.6 billion in 2007/2008 Financial Year to E21.8 billion in 2017/2018 Financial Year. Likewise, total revenue moved from E7.9 billion in 2007/2008 to E15.0 billion in 2017/2018 Financial Year. This means that spending had increase by 230% and revenue had increased by 90% in ten years. Spending had increased above revenue by 140%. The difference is too much for a small economy like Swaziland. It is also noted that the government was on a surplus of E1.3 billion during 2007/2008 Financial Year and surprisingly, in 2017/2018 Financial Year, the government is now on a deficit of E6.7 billion.

The Total Budget moved from E6.2 billion in 2006/2007 to E6.6 billion in 2007/2008 Financial Year. In the same period the government revenue was equal to E5.3 billion and that indicates that in 2006/2007, the government was on a deficit of E0.9 billion. Trends have shown that in many cases government deficit is mainly caused by the declining of SACU receipts and this will be discussed in later on. In 2007/2008 the budget was E6.6 billion and the Revenue was E7.9 billion and that indicated that the government was on a surplus of E1.3 billion from a deficit of E0.9 billion in 2006/2007, although the government paid a Cost of Living Adjustment equal to 4.5% across the board.

The government cash flow during that fiscal year was healthy due to the introduction of Withholding Tax of 10%. The tax was charged to all companies that supplied the government with goods and services. The charge was levied at the time a payment is made. Companies which complied with the directive of the former Income Tax Department (a

department that was responsible to collect all types of taxes apart from those collected on the country's borders) were advised to seek for an Exemption Certificate. An Exemption Certificate is a certificate issued by the tax collectors to buyers requesting the latter not to deduct Withholding Tax when paying the company that is covered in the certificate. The deductions of Withholding Tax assisted the government in improving cash flow and as a result the government had enough money in circulation at that time.

In 2008/2009, the budget was at E7.0 billion which indicated an increase of E0.4 billion from the budget of 2007/2008. Revenues for the same period increased from E7.9 billion in 2007/2008 to E9.6 billion in 2008/2009. The government realized a surplus of E2.6 billion on the same period. The E0.4 billion rise in the budget was as a result of the national Elections that were conducted in the year 2008 and the payment of Cost of Living Adjustment equal to 10.5%. The revenue for the same period was increased as a result of the Withholding Tax that was charged by the government.

In 2009/2010, the budget rose again from E7.0 billion to E10.6 billion. The rise in expenditure was as a result of the introduction of Free Primary Education, the payment of Cost of Living Adjustments equal to 12% across the board and the additional of three ministries and two departments. Free Primary Education was introduced in Grade 1 and was rolled out to Grade 2 incrementally the following year until Grade 7.

Government also added three ministries and that were the Ministry of Tinkhundla Administration and Development, Labour and Social Security and the Ministry of Information, Communication and Technology among others. The two departments that

were added at that period was the Elections and Boundaries Commission and Internal Audit. Prior to 2009/2010, the functions of the Ministry of Tinkundla Administration and Development was under the Deputy Prime Minister's Office and those of Ministry of Labour and Social Security were under the Ministry of Commerce, Industry and Trade. The Ministry of Information, Communication and Technology was under the Ministry of Public Service. The Internal Audit was under Treasury and Stores while Elections and Boundaries Commission was under the Ministry of Justice and Constitutional Affairs. In the same period the Revenue dropped from E9.6 billion to E9.3 billion resulting to a budget deficit of E1.4 billion.

In 2010/2011, the budget rose again from E10.6 billion in 2009/2010 to E10.9 billion due to the on-going programme of Free Primary Education (FPE) and the payment of Cost of Living Adjustment which was equal to 4.5% across the board. In the same period, the revenue dropped from E9.3 billion in 2009/2010 to E7.0 billion. The drop in revenue was due to the decline of SACU receipts which moved from E5.2 billion in 2009/2010 to E2.6 billion in 2010/2011. The decline in revenue was also due to the financial crisis of 2008 which came hard on Swaziland in 2010/2011. Most companies were affected by this financial crisis which resulted to the closing down of some companies and the layoff of many workers. The government makes revenue through taxes and if the same people who pay tax are laid off, the government will lose more revenue. The two scenarios led to a budget deficit of E4.0 billion from a budget deficit of E1.4 billion in 2009/2010.

In 2011/2012, the budget dropped from E10.9 billion in 2010/2011 to E10.8 billion. The decline of E0.1 billion in budget was due to the suspension of overtime allowances,

recruitment freeze, the suspension of Cost of Living Adjustments among others. Revenue for the same period improved from E7.0 billion in 2010/2011 to E7.5 billion and that improvement of E0.5 billion was due to the increase in both domestic revenue and SACU receipts. Domestic and SACU receipts revenues moved from E4.3 billion and E2.6 billion in 2010/2011 to E4.6 billion and E2.9 billion respectively. The improvements in revenue resulted to a decline in budget deficit from E4.0 billion to E3.3 billion. The rise in domestic revenue was due to the establishment of Swaziland Revenue Authority (SRA) in 2010 and started its operation in 2011. Among other alternative service deliveries, SRA brought along many advantages to the former Income Tax and Customs Department.

In 2012/2013, the budget dropped again from E10.8 billion in 2011/2012 to E10.6 billion and the decline in government expenditure was due to the suspension of overtime allowance, recruitment freeze and the suspension of Cost of Living Adjustment. In the same period revenue improved from E7.5 billion to E12.2 billion. The improvements in revenue was due to an increase in SACU receipts which improved from E2.9 billion in 2011/2012 to E7.0 billion in 2012/2013 and in the same period Domestic Revenue also improved from E4.6 billion to E5.1 billion. The huge improvement in revenue resulted to a budget surplus of E1.6 billion in 2012/2013.

In 2013/2014, the budget rose from E10.6 billion to E12.9 billion and that rise in government expenditure was due to the Elections that were held in 2013, the lifting of the suspension of the Cost of Living Adjustments and recruitment freeze and the payment of a Once-Off Payment equal to 17 % to all civil servants which was paid together with a Cost of Living Adjustments equal to 5%. In the same period there was also an

improvement in revenue which improved from E12.2 billion in 2012/2013 to E12.9 billion. The improvement of E0.7 billion was due to the rise in SACU receipts which improved by E0.1 billion and domestic revenue which improved by E0.5 billion. The other E0.1 billion came from Grants.

In 2014/2015, the budget rose again from E12.9 billion in 2013/2014 to E15.3 billion and the rise in government expenditure was due to the payment of Cost of Living Adjustment of 6.5% which was paid to all civil servants across the board, the unbanning of the overtime allowances and recruitment freeze among others. In the same period revenue improved from E12.9 billion in 2013/2014 to E14.7 billion and that improvement was due to the increase in SACU receipts which rose by E0.3 billion, domestic revenue rose by E0.9 billion and Grants improved from E0.2 billion in 2013/2014 to E0.8 billion in 2014/2015.

In 2015/2016, the budget rose again to E17.0 billion from E15.3 billion in 2014/2015 and that rise in government expenditure was due to the unbanning of the overtime allowances, recruitment freeze and the payment of Cost of Living Adjustments of 6.5% across the board. In the same period revenue declined from E14.7 billion to E14.6 billion and that was due to the fall on SACU receipts which declined from E7.5 billion to E7.0 billion and that resulted to a budget deficit of E2.4 billion from a budget deficit of E0.6 billion in 2014/2015.

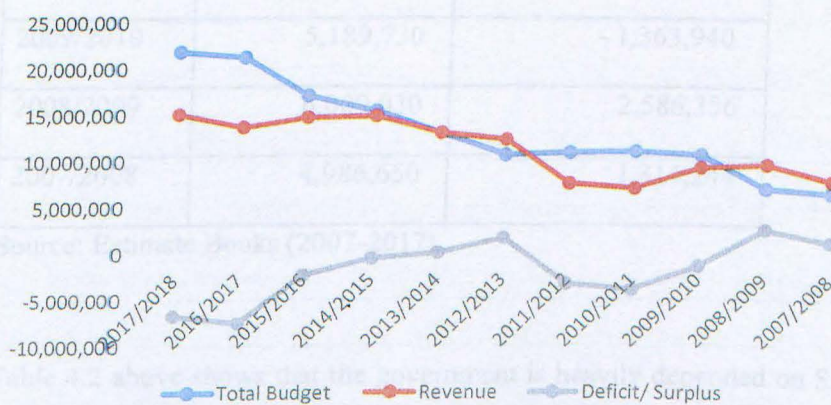
In 2016/2017, the budget rose again to E21.2 billion from E17.0 billion and that was due to the review of salaries for civil servants which amounted to E1.5 billion, the unbanning

of allowances, recruitment freeze, the hosting of SADC summits and the rise in investment on capital projects which rose from E3.7 billion in 2015/2016 to E5.3 billion in 2016/2017. In the same period revenue dropped from E14.6 billion in 2015/2016 to E13.6 billion and that was due to the fall on SACU receipts which declined from E6.9 billion in 2015/2016 to E5.3 billion in 2016/2017 and that increased the deficit from E2.4 billion in 2015/2016 to E7.6 billion in 2016/2017.

The budget estimate for 2017/2018 is E21.8 billion showing an increase in the budget of E0.6 billion and the revenue is anticipated at E15.0 billion from E13.6 billion due to an improvement in SACU receipts which improved from E5.3 billion in 2016/2017 to E6.3 billion in 2017/2018. A deficit equal to E6.7 billion is anticipated in this period. For ease of interpretation Figure 4.2 below show the trend of Total Budget, Revenue and Deficit for the periods from 2007/2008 to 2017/2018 Financial Years.

Trend of Government Dealings over the years

Figure 4.2



Source: Estimate Books (2005-2020)

4.1.2 Trends of SACU Receipts Over the Years

Following the above discussions, the researcher is of the view that the Swaziland Government is heavily depended on SACU and this is illustrated in Table 4.2 below.

SACU Receipts over the Years

Table 4.2

Financial Year	SACU Receipts	Deficit/ Surplus
2017/2018	6,289,000	-6,741,904
2016/2017	5,252,100	-7,564,642
2015/2016	6,930,560	-2,377,324
2014/2015	7,486,670	-560,864
2013/2014	7,154,140	20,632
2012/2013	7,062,520	1,610,248
2011/2012	2,881,090	-3,326,561
2010/2011	2,628,940	-3,950,647
2009/2010	5,189,730	-1,363,940
2008/2009	6,009,030	2,586,356
2007/2008	4,986,650	1,314,244

Source: Estimate Books (2007-2017)

Table 4.2 above shows that the government is heavily depended on SACU. In the year, 2008/2009 SACU receipts rose from E5.0 billion to E6.0 billion and that resulted to a

surplus equal to E2.6 billion. In the year 2009/2010, SACU receipts fell from E6.0 billion to E5.2 billion. The decline in SACU in this period resulted to a deficit of E1.4 billion. In 2010/2011, SACU receipts fell again from E5.2 billion to E2.6 billion and that resulted to a deficit of E4.0 billion.

In the year 2011/2012, there was a slight improvement on SACU of E0.3 billion and due to that slight improvement, the deficit decreased by E0.7 billion, though the decline of deficit was also caused by other players such as, the decrease in government spending and the rise in domestic generated revenue. In the year 2012/2013, there was a sharp increase in SACU receipts of E7.1 billion from E2.9 billion in 2011/2012, indicating an increase of E4.2 billion in revenue. The E4.2 billion rise in SACU came as a surprise to the government and that led to a surplus of E1.6 billion. SACU receipts increased again in 2013/2014 from E7.1 billion to E7.2 billion. However, surplus fell from E1.6 billion to E0.02 billion and that was due to the increase in government spending which rose from E10.6 billion in 2012/2013 to E12.9 billion in 2013/2014.

In 2014/2015, there was an increase in SACU receipts again from E7.2 billion to E7.5 billion. However, that increment was swallowed by a sharp increase in government spending which moved from E12.9 billion to E15.3 billion, indicating a rise in spending of E2.4 billion. As a result of the increase in government spending a deficit of E0.6 billion was experienced in that year. In 2015/2016, SACU receipts fell from E7.5 billion to E6.9 billion and that decline on SACU led to a deficit of E2.4 billion from a deficit of E0.6 billion in 2014/2015. In the same period government spending increased from E15.3 billion to E17.0 billion, indicating a rise on spending of E1.7 billion. In 2016/2017, there

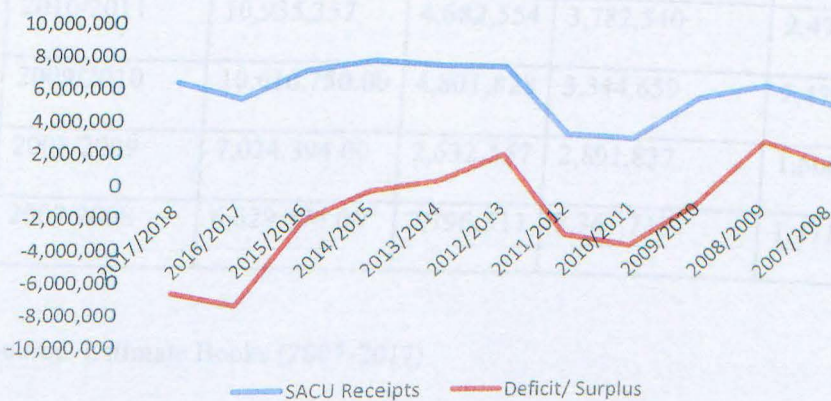
was a decline in SACU receipts from E6.9 billion to E5.3 billion, indicating a decline in SACU of E1.6 billion. The decline in SACU also led to a deficit of E7.6 billion and that was the highest deficit the government ever experienced in ten years.

In 2017/2018, there has been a slight improvement in SACU receipts of E1.0 billion from E5.3 billion in 2016/2017 to E6.3 billion in 2017/2018. However, a deficit of E6.7 billion is anticipated.

Figure 4.3 below shows a negative relation between SACU receipts and the deficit. When SACU receipts increase, the deficit decreases and when SACU receipts decrease, the deficit increases. For-instance in 2016/2017, they fell from E6.9 billion to E5.3 billion, the deficit increased also from E2.4 billion to E7.6 billion, indicating a 56% deficit rise. In 2010/2011, they receipt fell from E5.2 billion to E2.6 billion, the deficit increased from E1.4 billion to E4.0 billion, indicating a 57% rise.

Trend of SACU Receipts over the years

Figure 4.3



Source: Estimate Books (2007-2017)

4.1.3 Discussions of the Government Expenditure Components

The study further investigated the three components of government expenditure which are Recurrent Expenditure, Wage-bill and Capital project and came out with the following revelation. The figures on table 3 below have been taken from the Estimates Books and the Establishment Registers.

Government Expenditure

Table 4.3

Financial Year	Total Budget	Recurrent	Personnel Costs	Capital Project
2017/2018 *	21,779,354	9,333,583	6,866,327	5,579,444
2016/2017	21,193,882	9,392,432	6,505,358	5,296,092
2015/2016	16,998,644	7,953,539	5,319,827	3,725,278
2014/2015	15,304,434	6,889,532	4,804,481	3,610,421
2013/2014	12,889,818	5,986,836	4,469,515	2,433,467
2012/2013	10,567,402	5,217,111	3,923,527	1,426,764
2011/2012	10,815,451	4,683,062	3,847,760	2,284,629
2010/2011	10,935,357	4,682,554	3,782,540	2,470,263
2009/2010	10,616,750.00	4,801,828	3,344,659	2,470,263.00
2008/2009	7,024,394.00	2,632,557	2,891,837	1,500,000
2007/2008	6,629,376.00	2,796,511	2,361,738	1,471,127

Source: Estimate Books (2007-2017)

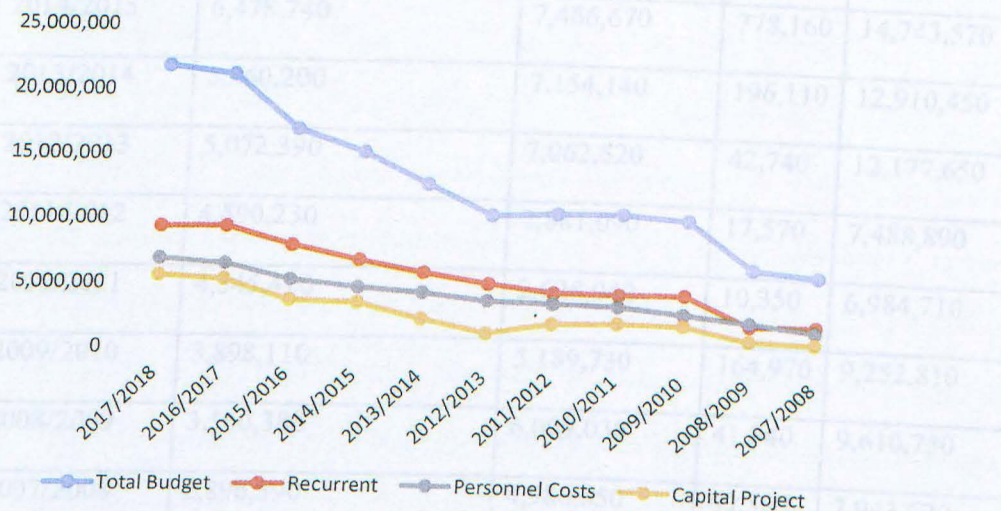
In the year 2007/2008, Recurrent less the Wage-bill took a large chunk of the budget, followed by the Wage-bill and Capital expenditure came behind with 22%. In the year 2008/2009, the Wage-bill took a lead in the total government spending by 41%. The rise in Wage-bill was mainly caused by the implementation of circular 2 of 2008 (Cost of Living adjustment for civil servants) and the increase in the number of employees.

In the year 2009/2010, the Recurrent Expenditure took a large chunk of the budget by 45%, followed by the Wage-bill with 32%. In all the other years to 2017/2018, the Recurrent Expenditure has been leading in the government spending, followed by the Wage-bill and lastly Capital projects. This finding has indicated that government's most expenditure was coming from Recurrent component and little is done in investing in Capital projects. The trends are shown in the graph below. Figure 4.4 below illustrates that the country invests less in Capital projects. The major government expenditure has always been Recurrent Expenditure less the Wage-bill followed by the Wage-bill as a separate expenditure. The only period the Recurrent Expenditure fell below the Wage-bill but above Capital project was in 2008/2009 and that was due to the implementation of Circular No. 2 OF 2008 and the rise in the number of employees.

In 2008/2009, the government spent E2.6 billion on Recurrent Expenditure, E2.9 billion on Wage-bill and E1.5 billion on Capital projects and that meant the government was doing little to generate revenue. A large percentage of the revenue was spent in Tenders, Tours, fuel, contracts and bills. For-instance in 2016 the government was owing E2.0 billion and E0.5 billion to supplies and bills respectively (Finance Report, 2017).

Government Expenditure Trends over the years

Figure 4.4



Source: Estimate Books (2007-2017)

4.1.4 Discussions of the Components of Government Revenues

The study compared the three types of government revenue which are Domestic Generated Revenue, SACU receipts and Grants as shown in Table 4 below. Domestic revenue comprises of Income tax, Customs tax, VAT, Fuel Tax and Other Taxes.

Recurrent Expenditure Trends

Table 4.4

Financial Year	Domestic Generate Revenue	SACU Receipts	Grants	Total Revenue
2017/2018 *	8,748,450	6,289,000	0	15,037,450

2016/2017	7,563,690	5,252,100	813,450	13,629,240
2015/2016	7,361,350	6,930,560	329,410	14,621,320
2014/2015	6,478,740	7,486,670	778,160	14,743,570
2013/2014	5,560,200	7,154,140	196,110	12,910,450
2012/2013	5,072,390	7,062,520	42,740	12,177,650
2011/2012	4,590,230	2,881,090	17,570	7,488,890
2010/2011	4,345,420	2,628,940	10,350	6,984,710
2009/2010	3,898,110	5,189,730	164,970	9,252,810
2008/2009	3,560,380	6,009,030	41,340	9,610,750
2007/2008	2,896,590	4,986,650	60,380	7,943,620

Source: Estimate Books (2007-2017)

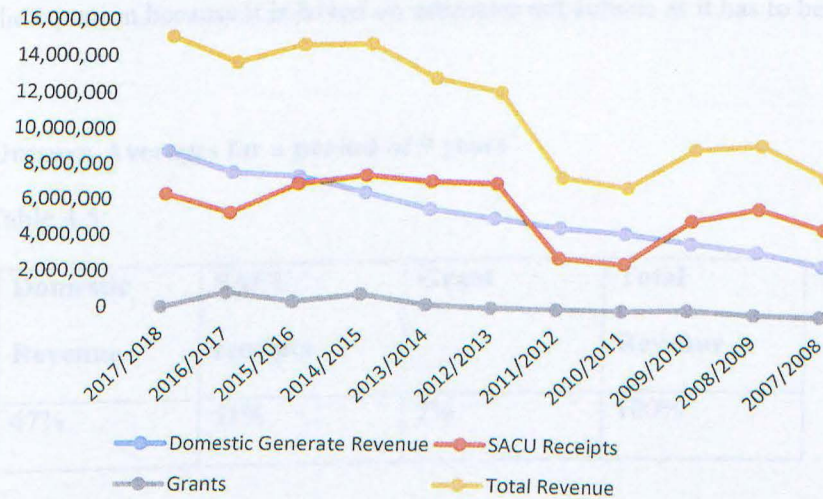
In 2014/2015, 49% of total revenue came from domestic generated revenue, 51% came from SACU receipts and 0% came from grants. In 2013/2014, 55% of total revenue came from domestic generated revenue, 44% came from SACU receipts and 1% came from grants. In 2012/2013, 52% of total revenue came from domestic generated revenue, 47% came from SACU receipts and 1% came from grants. In 2011/2012, 58% of total revenue came from domestic generated revenue, 41% came from SACU receipts and 1% came from grants. In 2010/2011, 61% of total government revenue came from domestic generated revenue, 38% came from SACU receipts and 1% came from grants. Domestic revenue also improved again by 19% from 42% to 61% and SACU receipts also fell by 18% from 56% to 38%. In 2009/2010, 56% government revenue came from SACU receipts, 42% came from domestic revenue and 2% came from grants. There was an improvement on domestic generated revenue of 5% and SACU fell from the previous year by 7%. In 2008/2009, 63% of total government revenue came from SACU receipts, 37% came from domestic revenue, indicating a slight improvement in generated revenue from 36% to 37%. In 2007/2008, 63% of government revenue came from SACU receipts, 36% came from domestic generated revenue and 1% came from grants.

In 2011/2012, 61% of government revenue came from domestic generated revenue, 39% came from SACU receipts and an un-significant percentage came from grants. There was a slight improvement of 1% on SACU receipts, from 38% in 2010/2011 to 39% in 2011/2012. In 2012/2013, 42% of government revenue came from domestic revenue, 58% came from SACU receipts and an un-significant percentage came from grants. Domestic generated revenue in the same period fell from 61% to 42%, indicating a decline in domestic generated revenue of 19%. In the same period SACU receipts improved by 19%. In 2013/2014, 43% of total revenue came from domestic generated revenue, 56% came from SACU receipts and 2% came from grants and that indicated a 1% improvement on domestic generated revenue and 2% drop on SACU receipts.

In 2014/2015, 44% of total revenue came from domestic generated revenue, 51% came from SACU receipts and 5% came from grants. In 2015/2016, domestic generated revenue contributed 51% to total revenue, 47% came from SACU and 2% came grants. In 2016/2017, domestic generated revenue contributed 56% to total revenue, 39% from SACU receipts and 5% from grants. In 2017/2018, 58% of total revenue is expected from domestic revenue, 42% came from SACU receipts and the amount for grants is not yet known. Figure 4.5 below illustrates the trends in Domestic generated revenue, SACU receipts and Grants for the period between 2007/2008 to 2017/2018.

Recurrent Expenditure Trends

Figure 4.5



Source: Estimate Books (2007-2017)

4.1.5 Outturn Average for the Past 9 years

Below is a table and a pie chart showing the average distribution of the sources of revenue between 2007/2008 and 2016/2017 Financial Years. The investigation revealed that 47% of government revenue came from domestic revenue, 51% came from SACU receipts and 2% came from grants for the past 9 years from 2007/2008 to 2016/2017. These are Outturns or actual figures. It is an indication that the Swaziland Government is too much dependent on SACU receipts and that is very dangerous for the country. Without SACU, Swaziland is disable and with SACU Swaziland is able. That is why the deficit is uncontrollable due to the fact that, it depends on external forces which the country has no influence on. These statistics also reveal that Swaziland had not been doing enough to increase domestic generated revenue. All along, its budget was SACU based. When

SACU receipts improve, the government budget rises and when SACU receipts decline, the budget became un-financeable. Please note that (2017/2018) has not been included in the equation because it is based on estimates not actuals as it has to be.

Outturn Averages for a period of 9 years

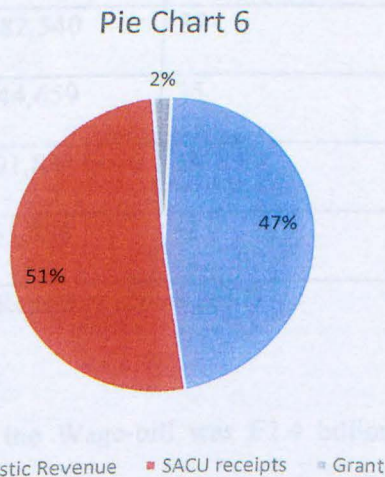
Table 4.5:

Domestic Revenue	SACU receipts	Grant	Total Revenue
47%	51%	2%	100%

Source: Estimate Books (2006-2017)

Outturn averages for a period of 9 years shown as a figure

Figure 4.6



Source: Estimate Books (2006/2017)

4.1.6 Discussing the wage-bill

The study further investigated the trends in the Wage-bill and the number of employees from 2007/2008 to 2017/2018 Financial Years. Please note that the figures for 2017/2018 are projection.

Wage-bill Trend Statistics

Table 4.6

Financial Year	Personal Costs	No. of Employees	No. of Employees
2017/2018 *	6,866,327	48	48,159
2016/2017	6,505,358	43	43,455
2015/2016	5,319,827	42	41,736
2014/2015	4,804,481	41	40,527
2013/2014	4,469,515	39	38,956
2012/2013	3,923,527	38	38,107
2011/2012	3,847,760	38	37,841
2010/2011	3,782,540	37	37,373
2009/2010	3,344,659	35	35,256
2008/2009	2,891,837	33	33,192
2007/2008	2,361,738	32	32,370

Source: Establishment Registers (2006-2017)

In the year 2007/2008, the Wage-bill was E2.4 billion for 32,370 employees and in 2008/2009, the Wage-bill increased to E2.9 billion for 33,192 employees. The rise of E0.5 billion was as a result of a recruitment exercise that was conducted in that period and the

payment of Cost of Living Adjustments of 10.5% across the board. In 2009/2010, the Wage-bill increased again to E3.3 billion paying 35,256 employees, indicating E0.4 billion rise on the Wage-bill. The rise on the Wage-bill was due to the increased number of government employees and the payment of Cost of Living Adjustment of 12% across the board. In 2010/2011, the Wage-bill kept on increasing by recording an increase of E0.5 billion from E3.3 billion in 2009/2010 to E3.8 billion in 2010/2011 and that increment came from the increase in the number of government employees from 35,256 in 2009/2010 to 37,373 in 2010/2011. A Cost of Living Adjustment of 4.5% across the board was also paid to all civil servants.

In 2011/2012, the Wage-bill increased by an insignificant of E65 million and the number of employees also increased by 266 employees. The increment was due to additional number employees and the revision of Finance Circular No. 1 of 2005. Finance Circular No. 1 OF 2005 was specifically made for the terms and conditions of politicians. Politicians are those government officers who are either appointed by the king or elected and that excludes Principal Secretaries (PSs). That circular increased the allowances of politicians and it also added several positions under the Prime Minister's Office, Deputy Prime Minister's, Ministers 'Office and Regional administrators' Office.

In 2012/2013, the Wage-bill increased by E0.1 billion as a result of the Revised Finance Circular No. 1 of 2005. The year 2013 was the end of the term of office for politicians, so a huge amount was used to pay pensions for politicians. The number of government employees also increased from 37,841 the previous year to 38,107 in 2012/2013. In 2013/2014, the Wage-bill increased from E3.9 billion to E4.5 billion and the number of

government employees also increased from 38,107 to 38,956. The increment of E0.6 billion was due to the payment of a Once off Payment of 17% across the board and the payment of Cost of Living Adjustment of 5% which was also paid across the board. Elections were also held in 2013, marking the beginning of the first session of the 6th Parliament.

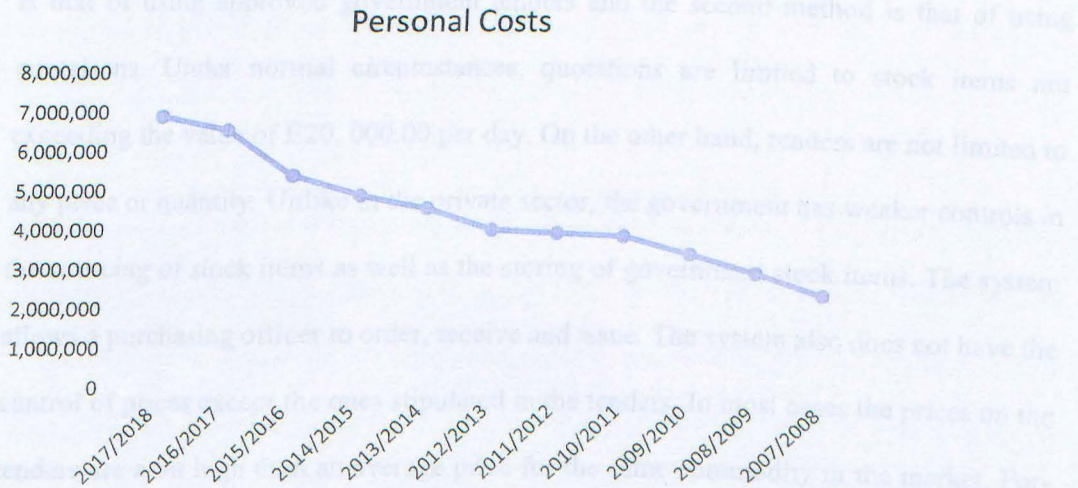
In 2014/2015, the Wage-bill rose from E4.5 billion to E4.8 billion and the number of employees rose from 38,956 to 40,527, indicating an increase of E0.3 billion in the Wage-bill after an additional 1,571 new employees. That increment was due to the unbanning of overtime allowances, the unfreezing of recruitment and the payment of Cost of Living Adjustment of 5.5% among others. In 2015/2016, the Wage-bill rose again from E4.8 billion to E5.3 billion and the number of employees also increased from 40,527 to 41,736. The increment was also due the above mentioned resolutions. A Cost of Living Adjustment of 6.5% was also paid across the board.

In 2016/2017, the Wage-bill rose by a huge amount from E5.3 billion to E6.5 billion showing an increase of E1.2 billion and the number of employees also rose from 41,736 to 43,455. The 23% increase on the Wage-bill was due to the review of salaries for civil servants and the adjustment of salaries for politicians as a result of the review. According to Finance Circular No. 1, (2005) a salary for a Minister shall be 1.2 times to that of the highest paid civil servant which in this case is the Secretary to Cabinet (Sec to Cab). Any increase on the salary of Sec to Cab means an increase in the salary of a Minister and subsequently an increase to the salaries of all politicians because they are somehow connected.

In this current financial year (2017/2018), the Wage-bill is estimated to be E6.9 billion and the number of employees are estimated to be 48,159, if the current trend continues. Figure 4.7, below shows the trend of the Wage-bill from 2007/2008 to 2017/2018. Please note that from (2007/2008 to 2016/2017) there are actual figures and 2017/2018 are estimates.

Wage-bill Trend Statistics over the years

Figure 4.7



Source: Establishment Registers (2006-2017)

4.2 Procurement

Procurement means the acquisition by purchase, rental, lease hire purchase, licensing, franchise or any other contractual means of any goods, works, services or assets or any combination of goods, works, services or assets. Public procurement means procuring using public funds, whether wholly or partially (Swaziland Procurement Act, 2011).

The Swaziland Government buys from the private sector. It buys utilities, services, computers and cartridges, stationery, cleaning materials, uniforms to name but a few. The government buys from the private sector through approved tenderers. Tenderers are approved by a board that is set up by the Minister for Finance. The challenge is that the rules forbid the government to buy from any company beside a tendered company even though the prices are cheap.

There are normally two types of buying stock items from the private sector. The first type is that of using approved government tenders and the second method is that of using quotations. Under normal circumstances, quotations are limited to stock items not exceeding the value of E20, 000.00 per day. On the other hand, tenders are not limited to any price or quantity. Unlike in the private sector, the government has weaker controls in the sourcing of stock items as well as the storing of government stock items. The system allows a purchasing officer to order, receive and issue. The system also does not have the control of prices except the ones stipulated in the tenders. In most cases the prices on the tenders are a bit high than an average price for the same commodity in the market. For instance, a pen which costs an average price of E7.00 in the market, in an approved government tender, the cost ranges between E14.00 and E17.00 depending on the company's price list.

4.3 Collection Revenue Method

The current collection revenue method allows only companies or individuals who have a Tax Tin Number (TTN) to pay tax. It is a reality that those companies or individuals who

have not registered for tax are robbing the government in terms of taxes yet they benefit from government services. For instance, transport owners who are the most road users, almost all of them are not registered for taxation yet they complain about poor road conditions in some areas.

It is the duty of the Swaziland Government to pay scholarship for every Swazi child who enrolls in any college or university. The problem occurs when the money has to be paid back to the government so that other children benefit from the same services. People who benefited from the fund some many years ago had not been repaying scholarship money up to this very date. Some of them are working for the same government but that money has not been deducted from their salaries, mainly because of the system setup.

Beneficiaries of the scholarship are expected to pay only half of the amount that was awarded to them by the government. It means that if the government had awarded student E100, 000.00 in respect of all enrolment, tuition and related Allowances in a certain institution, for the duration of the training period, that student would be expected to pay back the E50, 000.00, which is half of the awarded amount. Moreover, that money is paid back only when the beneficiary has secured employment. If the beneficiary dies or for one reason or the other, is unable to get formal employment or does not come forward to make arrangements for the money to be deducted, then the state loses millions worth of Emalangeni in the process.

4.4 ANALYSES AND RECOMMENDATIONS

4.4.1 The Creation of Employment Opportunities

It is not the responsibility of the state to create jobs but the state has the obligation of creating a proper ground for the private sector to create jobs. According to Addington (2012) the public sector helps unleash the private sector to invest and create jobs. Addington's main focus was in the United States of America (USA) where he outlined that the state should promptly take five specific actions: enact the New Flat Tax (NFT), free state energy resources, grant effective free trade negotiating authority, stop excessive government regulation and end the artificially high pricing of labour for federal construction projects under the Davis-Bacon Act and government-mandated projects labour agreements.

Addington believed that the Flat Tax would encourage economic growth, investment and job creation, improve federal finances through growth-generalized revenues without tax increased, strengthen the economy against future economic shocks and improve the USA competitiveness in global economy. According to him, the Flat tax would abolish the individual Income tax, Payroll tax, Capital gains tax, Dividends tax, Estate tax on expenditure of individuals and a single tax on the domestic net cash flow of businesses. From the individual income, the amount the individual spends would be taxed but the amount the individual saves would not be taxed.

Addington further argued that the universal principle of tax-free individual savings would create a strong incentive for pro-growth, job creation savings and investment. Similarly,

the reduction in business tax rates would spur investment, job creation and competition. Moreover, the state would cut permanently the maximum corporate tax rate. The researcher does not concur with the writer on the ground that no one pays more or less than anyone else in a flat system. In this kind of tax system lower income earners are likely to pay more or less than higher income earners. The system favours highly paid individuals than lowly paid individuals. Those who are lowly paid would have difficulties in meeting their day to day financial challenges due to high tax imposed on them. Moreover, the flat tax system is not good for developing countries because those countries are characterised by high unemployment, stiff economic growth, job loses, hunger and lack of sanitation among others. The progressive tax system is the most suitable one for developing countries like Swaziland. Progressive tax systems have tiered tax rates that charge higher income individuals higher percentages of their income and offer the lowest rates to those with the lowest incomes. Job creation improves the revenue in many ways:

- The country revenue will increase through Personal taxes, Corporate taxes and
- Companies or firms will pay tax to the government and by so doing the government will have sufficient cash to meet its day to day obligations.
- The people who will be employed in those companies or firms will also pay tax to the government and by so doing the government will have sufficient cash inflow to meet its day to day obligations.
- The people will spend their salaries in many different ways and in items that attract Sales tax or VAT. The more the people sow into the economy, it grows as manufacturers manufacture more products and lenders lend more money.
- Companies or firms or individuals will invest their savings into the economy making it to grow even further.

Swaziland will need to expand its opportunities to increase its energy supply and that will encourage job-creation. Swaziland is rich in-terms of mineral resources. The country has a lot of coal which it can use to generate electricity to be used internally. Swaziland currently buys 80% electricity outside the country. To make things worse, this electricity is un-affordable because it is very expensive and its price keeps on increasing every year. Three years ago with E100.00 one used to get 99.9 units of electricity current but in 2017, for the same amount, one gets only 64.5 units. That translates to a reduction of approximately 12 units per year. In three years to come for the same amount one is guaranteed to get 28 units. The price of electricity has become very expensive to lowly paid Swazi people. The creation of Power plants that will generate electricity using coal will greatly assist the country in many ways including the following:

- It will create job opportunities for the Swazi people.
- The country revenue will increase through Personal taxes, Corporate taxes and VAT.
- Internal generated electricity will be very cheap and affordable
- The price of electricity is not going to be influenced by external forces
- The country will benefit from being independent, so it will not be influence by decision of other countries.

Coal is not the only mineral resource in Swaziland; there are other mineral resources like gold, asbestos and iron ore. If all these minerals could be revived that could help to create jobs. Back in the early 1980's all the mines were fully operational. As a result, the government was always in surplus.

Wherever a country can produce a useful product at a relatively lower cost than businesses in another country and the businesses in that country can produce a different product at a relatively lower cost, then the economies of both countries benefit if the businesses trade those products between them (Addington, 2012). The researcher concurs with the author in three different dispensations.

- In the employer's point of view
- In the employee's point of view
- In the government's point of view.

The employer benefit from economies of scale because the business produce more with less costs.

4.4.2 Encourage Partnerships in Local Companies to open New Markets

The state should encourage local companies to work together in opening new markets. There are so many companies and mines that closed down some years ago due to different reasons. When the companies and mines closed down, the impact of revenue reduction was severe to the state. The state has an obligation to look for investors in those companies and mines. If a serious investor is not found, the state should look for other options like creating a dialogue where it will encourage successful businesses to come together and open or take over the operations of the closing companies. These efforts could assist in creating employment opportunities for the Swazi people and in a way to ensure the accomplishment of Vision 2022.

4.4.3 Shift Some Government Services to be paid by Employees (Elderly Grants,

OVC, etc.)

The state should shift some government services to be paid by the employees. Government services like Elderly Grants and Orphan and Venerable Children (OVC) grants can be shifted to the shoulders of the workers. This will help in reducing the burden in the shoulders of the government. Workers need to be convinced that we all going to be old someday, so thinking about the future is the best option to embrace. A percentage not more than half a per cent from each employee across the country could assist in creating an account of the elderly and vulnerable children.

The amount could be collected monthly and kept at the Central Bank until it a time comes when it is required. The amount would have to be released every month on the approval of the Deputy Prime Minister who is in charge of the Elderly and OVCs. The fund could also be used for paying allowances for the community police, community development officers and other social service responsible for the country's development, community's protection, or someone who is "an eye" for the chieftom or even provides advisory services to the community. These people's lives could be changed for the better and they in turn could contribute to economic growth through spending.

4.4.4 Invest on Capital Projects that will Create Revenue

The country needs to invest in capital projects that will create revenue. The economic growth of any country is centred on three things namely: investment, consumption and trade. There is no way the economy of Swaziland would grow outside these three boundaries. It is for these reasons why Swaziland needs to invest in projects that assist in

the generation of revenue as opposed to those which become white elephants or revenue drainers. The investments have to be within projects that will create employment opportunities for many people, more especially to the unemployed.

4.4.5 Introduce Toll gates or Collect Petrol Levy

The state makes revenue through taxes. If some taxes are not imposed to end users, the government will have difficulties in providing services efficiently and effectively. Roads are used by drivers; the government should impose on drivers a certain fee for using the country's roads. It does not make sense to build a very expensive road but lack resources for its maintenance. It also does not make sense to wait for the budget over a small thing that has happened in the road. The government has to create an account for the maintenance of the country's roads and having that finance by road users. The account could be kept in the Central Bank and be managed by the Minister responsible. That amount has to be charged from toll- gates or petrol levy.

4.4.6 Review Certain Charges like Motor Licensing

Some charges were last reviewed thirty years ago, like motor licensing which was last reviewed in the early eighties. Thirty-years later, the citizens are still paying the same service charge. Everyone ought to be serious about defeating the deficit. In other words, for the country to defeat deficit, a review in many services needs to be conducted to ascertain if the service charges are still relevant or not.

4.4.7 Control Tender Prices

The findings of the study further revealed that the Recurrent less wage-bill is the most

contributing culprit in the government expenditure followed by the Wage-bill. The government spends most of the money on tendering. Suppliers charge the government exuberant amounts. The government pays without doing any investigation of what those items cost in the market. Last year (2016/2017), the government had problems in paying suppliers because she did not have money. It owed suppliers money amounting to about two billion Emalangeni. The government did not have this money; as a result, suppliers had to wait for more than six months without their dues paid. If the prices had not been inflated the state would have owed them half of that amount. The researcher proposes for the controlling of prices at the time the order is processed. An average price of commodities must be installed in the ordering system to discourage ordering officers from inputting prices above the one controlled by the system. For instance, if a ball point pen costs E5.00 in the market but when tendered, it costs E10.00. The system will not allow any price more than the E5.00 and that will assist in controlling tender prices. Once tender prices are properly controlled the state will have enough money to provide other services.

4.4.8 Create Data Base for all Stock Items

The state needs to create a data base for all stock items. In most stores, there are many things that are hidden. The system will need to work like the one that is found in most car dealers, where all items are monitored using a computer. All incoming items are punched into the system and all out going items are also punched outside the system. The system is also good in locating items in other similar dealerships. For-instance, BMW Swaziland is able to source an item in any of the BMW outlets. The government needs to create a similar system which will assist in knowing what is in-stock and what is out of stock and

be able to enter into another ministries' data-bases to find out whether what the ordering officers are looking for is in-stock or not.

4.4.9 Introduction and Encouragement of Internal Trading

The state needs to use and encourage internal trading. Internal trading is a system that is commonly used in most developed countries. This system encourages ministries or departments to trade among themselves, instead of sourcing and ordering items from suppliers. This system involves the non-movement of cash but balances through the use of Journal Vouchers (JVs). The money will be transferred into the account of the supplying ministry. The ordering officer of the buying ministry will have to first source the item needed in the data base of the supplying ministry. If the item is found then the buying ministry will have to engage the supplying ministry and if the two ministries agree, then a JV (movement of funds) will be issued to the supplying ministry for the item ordered. With this system in place, no money will move outside the government but only balances. The system has three benefits:

- The government will have enough cash flow because no funds will be paid outside the government.
- The system will help in fighting corrupt practises.
- The system will assist in keeping the stores up to date.

4.4.10 Reviving Withholding tax

Withholding tax is tax that is charged to a supply during payments. The purpose of the tax

is to encourage compliance among suppliers. A supply that has been charged withholding tax is more likely to fix his house in order knowing that all the money that has been deducted from the company will have to be paid back by the state. The state used to charge suppliers withholding tax from 2007 to 2009 and during that time the state had no problem with cash flow. An amount equal to 10% was deducted when making payments to suppliers. There were three benefits of this tax at that time:

- The tax assisted the government to have adequate cash flow to meet its day to day obligations.
- The tax encouraged companies to comply in paying tax.
- The tax assisted in identifying those companies which evaded paying tax.

4.4.11 Subventions

Subvention is money paid either annually or half yearly or quarterly to companies that are either half owned or wholly owned by the state. The government has the obligation of assisting those companies to be self-dependent. The problem is that the government keeps on sub venting even when those companies are well established and record millions in profits. The government has to review the subvention policy to desist from losing money unnecessarily.

4.4.12 Increase and Improve Revenue Collections Methods

The state should improve the current revenue collection method by encouraging compliance to all people. The government and all businesses must be charged withholding

tax for all payments it made to suppliers unless an Exemption Certificate obtained from Swaziland Revenue Authority (SRA) is forwarded. That amount has to be furnished to the authority and be injected into the government.

The government needs to improve the current revenue collecting methods. For instance, people who benefited from the government scholarship twenty years ago, have their debt not taken by the state. The state continuously fails to deduct money from those who work for the government and those who are employed somewhere else. The revenue collection method needs to improve to enable anyone who benefited from the fund to be traced where ever he or she is.

4.4.13 Restrain the Wage bill

Budgeting and controlling personnel expenditure is one of the main concerns of government in many countries so as to ensure effective macroeconomic and fiscal policy management; economy and efficiency in government operations; and, ultimate, parity and uniformity in government pay structure. The growth in the number of government employees has resulted in a greater portion of government expenditures being allocated to salaries and wages and attention focused on problems encountered in formulating and controlling personnel expenditures. The growth in personnel numbers has increased influence in the civil service unions who have simultaneously created new realities in government budget formulation and implementation.

“Most recently and more importantly, the necessity of reducing government deficits in almost all countries has called for downscaling of the government wage

bill. Since in the 1980s, this aspect has become the central point in policy-making of all countries. These phenomena now pose new challenges to decision-makers in transition economies as well. The challenges refer to the number of posts and active man power, as well as to revision in government structure”, (Sarraf, 2008, page 9).

According to Bill Dorotinsky; et al, (2009), the key is to look for targeted measures that produce savings and reduce the wage bill without adversely affecting service delivery. He however pointed out that there are other options for restraining the wage bill such as retaining savings from vacant positions, outsourcing some functions, consolidation of some functions which are currently performed by different ministries, encouragement of voluntary retirement, recruitment freeze, review/ rationalized allowances, removal of ghost and double dippers employees and the trade-in of non-active posts and these are discussed at length below.

4.4.13.1 Posts Reduction

Sarraf (2008) stated that posts reduction is one of the best options in restraining the wage bill. Post reduction is a processing of maximizing output with fewer positions. The process begins by identifying the strength and capabilities of each employee, aligning it as per the employee’s skill and experience. Studies have shown that a skilful and experienced employee is capable of doing a task alone that could be performed by two unskilled and inexperienced officers in a given time.

4.4.13.2 Retaining Savings from Vacant Positions

Approved budgeted for positions that were left unfilled for the duration of a fiscal year has greatly reduced the wage bill by a significant per cent in most countries around the world. It's a norm that at the beginning of a fiscal year, countries allocate to line ministries a full budget amount for approved positions. If ten per cent of those positions remained unfilled for the duration of the fiscal year, savings amounting to ten per cent of the Wage bill will be realized at the end of that particular fiscal year. The ten per cent reduction is a significant amount when compared to the Wage bill. Though this method eliminates the possibility of staff reduction, it may somehow face some reluctance in some line ministries who were hoping to fill those vacant positions.

4.4.13.3 Staggering of Salary

The option of staggering salaries for all officers that went for training that is over and above twelve months also reduces the Wage bill. A twenty- five per cent cut is imposed per year to all officers who have gone for training over and above one year. Those officers who have taken a training that will extend up to the fourth year, a salary cut of seventy-five per cent will be imposed. The officer will be earning the remaining twenty-five per cent of his salary. Though this option may seem to be reducing the wage bill with a non-significant figure, it also has an effect in the reduction of the Wage bill.

4.4.13.4 Outsourcing of Some Functions

According to McLacity, et al, (1993), dl.acm.org, cited by 1005, out sourcing is the removal of some basic services from the parent organization to be better performed by a

third party. He describes the myths, metaphors and realities of outsourcing. Countries that are already outsourcing some functions like cleaning, security, collecting garbage have their Wage bill reduced dramatically.

4.4.13.5 Wage Reduction

Wage reduction is the process of reducing salaries by a significant amount. According to Sarraf, (2008) the Wage bill has grown up dramatically since the late 1980s. The increase was not only caused by the increase in the number of established posts but also by the continuous increase in wages. In some countries public officers earn more than those in the private sector. Gone are the days when the government was known as a non-paying organization. Public officers earn a lot these days.

The International Monetary Fund (IMF) has on several occasions called for the reduction of wages wherever they go but that call has faced reluctance in most countries. There are many reasons why most governments have difficulties in implementing the decision of the IMF. One reason may be that many countries are concerned with the consequences after the implementation as called by organization. Some countries believe that the call will cause political instability in their countries and others are of the view that the organization is up for something. In most cases this creates an inharmonious state and usually comes with changes in governments. “The power of the people is greater than, the people in power”, Ghonim (2012), argued that those who are in power are afraid that the reduction of wages will trigger changes in governments. Nevertheless, if this option is finally implemented it could cause a very significant fall in the wage bill.

4.4.13.6 Encouragement of Voluntary Retirement

“People hate work. They work because they are forced to” Warr; et al, (1975 p. 157). Some people feel, if permitted, they would choose or want to go home and rest. Voluntary retirement has been seen to be the best option for those who either hate work or are tired of working. Though this option is appearing as one of the best options in restraining the wage bill, there are challenges that have to be overcome before its implementation. The government must ensure that goals and objectives of line ministries will be preserved. For instance, if sixty- per cent of the key employees decide to take voluntary retirement, visions, goals and objectives of line ministries are likely to suffer. The focus therefore should be on those officers who are at the lower level or have little impact on the smooth operation of line ministries.

4.4.13.7 Consolidation of Some Ministries

The IMF in 2011 called for the consolidation of some line ministries in Swaziland. They advised the government to consider putting together ministries with almost the same responsibilities. Consolidation is the putting together of similar things. Consolidation has been found to be also a positive step towards reducing the wage bill in many countries. This option works the same way as that of posts reduction. The only difference is that the focus is on those positions which are at the top of the line ministry’s structure and those on the lower level are less affected.

4.4.13.8 Modernization

Modernization is the carrying out of duties by using the most recent methods. Modernization has come with many advantages and disadvantages. Some jobs which were known to be done by human beings are now performed by machines. Machines are able to do more than what human beings can do with reduced costs and extended hours. With the introduction of machines, a department with more than twenty staff members is likely to remain with less than half of the original staff registered.

4.4.13.9 Recruitment Freeze

Most countries freeze recruitment during recession and when the country is going through financial hardships. This is a decision that is usually taken by Cabinet ministers. They advise line ministries to work with the staff they have. The Swaziland government went through this from the year 2010 up to the end of 2013. This system works in such a way that even vacant positions that are due to statutory retirement are left unfilled for the duration of the period except those positions at strategic levels. A cabinet authority is required in order to fill those positions that are at strategic levels.

4.4.13.10 Reviewing of Allowances

In the last century there was continuity in the introduction of new allowances paid to officers. Some of these allowances are attached to the basic salary while others are stand alone. The most problematic ones are those which have a positive linear relation to the basic salary. They cause the wage bill to rise to an unacceptable standard. Examples of such allowances include housing allowance, commuted car allowances, entertainment

allowances, inducement allowance and constituency allowance. Other allowances that keep draining the government yet there are no longer relevant these days include Recruitment and Retention allowances.

4.4.13.11 Removal Ghost and Double dippers

Most governments are losing lots of money paying people who do not exist. Even if some of them do exist, it may either be that they have long abandon worked or retired. Ghost employees are dippers of the wage bill. The government is wasting a lot of money paying for officers who do not bring anything to it. The beneficiaries here may be either unknown or sometimes known. The Swaziland government has recently completed a pay roll and skills audit program. The objective of the program was to get rid of all officers who benefit unduly from the government thus causing the wage bill to rise. The study took two years to be complete and the outcome was very impressive. It was discovered that two per cent of the total number of employees in the civil service were found to be falling in the category of ghost employees.

4.4.13.12 Trade-in Redundant Posts

Some positions may have been essential a decade ago but of late they were found to be redundant. Line ministries are advised to trade-in those positions in return for those positions which are a necessity in the smooth operations of their ministry. The costs of both positions (the one traded-in and the one requested) are compared. If the cost of the latter is above that one of the former, the trade-in is not possible. It will only be possible if savings will be realized in the trade-ins. Moreover, positions that were left unfilled for

more than five years are abolished for good.

4.4.13.13 Post Movements from over Staff to Understaff

It is unlikely to find a situation where all departments or ministries are having the same workload or same challenges. In cases where other departments are having huge responsibilities while others have small responsibilities, it is wise to move employees from the idle side to the busy side and that is not going to have any impact in the wage-bill because they would still be keeping the same staff. This option of restraining the wage-bill is more accurate in the teaching field where you have many teachers' country wide teaching almost the same subjects. For-instance, if another school needs an English teacher, an idle English teacher may be transferred to the needy school. For this method to work effectively, the department of Education will have to find out whether the school register is adequate compared to school workload and once such investigation is concluded, then some teachers will have to be moved to where there is a demand

4.5 Chapter Summary

This chapter presented the data, an analysis of the data and the discussion of the main findings of the study.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Purpose of Study and Objectives

The main purpose of this study was to examine the factors that lead or influence the increasing budget deficit in the Government of Swaziland. The summary presented here is guided by the objectives of the study. The specific objectives of this study were to analyse the laws, regulations, government practices and methods that relate to the collection of revenue and government spending, to analyse the revenue generation mechanisms that are in place in government and also to find out how these can be improved and finally, to determine the key challenges the government faces in expenditure controls.

The research study conducted has led to some useful conclusions on the factors that lead to fiscal deficit in the Government Swaziland. The results revealed that the factors that lead to fiscal deficit were not homogenous in different continents of the world. Asian countries articulated that interest rate and inflation were the main causes of fiscal deficit in many countries. In the United States of America, public debt had been identified as the main cause of budget deficit. While other continents were of the view that government practices and overspending were the main culprits in the budget.

5.2 Methodology of the Study

In drawing conclusions, the study employed the Distributed Log (DL) approach. The mixed method design utilizes both the qualitative and quantitative methods to generate

data. Data was collected from Reports, Estimate books, Establishment Registers, Establishment Circulars, Finance Circulars and the Human Resource Management Information Systems (HMIS).

The study used time series secondary data from 2007-2017 and that was the period when the Kingdom of Swaziland had attained independence from the British. Another important reason for the selection of that period is that it included a shift in South Africa's regime where Swaziland receives most of its imports and revenue. More than 60% of Swaziland's revenue emanates from South Africa.

In summary, the findings of the study revealed that the factors that lead to fiscal deficit in the Government of Swaziland are due to an increase in government spending in the form external travel, increase in the number of government employees, increase in wages, inflated tender prices, introduction of Free Primary Education, additional of three ministries and two department and the unbanning of overtime payment and recruitment freeze, decrease in revenue, a slow growing economy, outdate subvention policy, poor revenue collection methods, withdrawal of withholding tax, corruption and also the fluctuation of SACU receipts to name but a few.

For ease of interpretation, the findings were transformed to Graphs, Pie charts and Line charts. Findings were compared to easily identify the most spending item.

5.3 Summary of the Findings

The study concluded that since 2012, the budget kept escalating. Previous budgets are lower than the current budgets. For instance, in 2012, the budget was E10.6 billion, the following year it rose to E12.9 billion. In 2014, it was E15.3 billion, the following year, it rose to E 17.0 billion. In 2016, the budget was E21.2 billion and in 2017, it is estimated to be E21.8 billion.

The study revealed that the highest deficit was experienced in 2010/2011 Financial Year where a deficit of 57% was recorded. It was followed by the year 2016/2017 Financial Year where a deficit of 56% was also recorded. It was discovered in the study that the Global Financial meltdown of 2008 was the main results of the deficit of 2010/2011 Financial Year and the Salary review for civil servants and the drop of SACU revenue were the main causes of the huge deficit that occurred in 2016/2017. The study also revealed that the highest surplus was experienced in 2008/2009 where a surplus of 27% was recorded. It was followed by the year 2007/2008 where a surplus of 17% was recorded. The introduction of Withholding tax, the increase in SACU revenue and the fact that most companies were operational during those years had resulted to a surplus. Companies like Usutu Pulp and the Royal Swaziland Sugar Corporation were fully operational. Another reason was that the Rand/ Lilangeni was strong when compared to the US Dollar.

Several efforts have been made by the Swaziland Government to reduce the deficit such as the establishment of the Swaziland Revenue Authority (SRA) in 2011, the revision of

the Southern African Customs Union (SACU) Revenue Sharing Formula, the reduction of ministries' budgets, the suspension of overtime payments, the reduction of politicians' salaries, the freezing of new recruitments and abolishing of vacant posts among others. Despite all these efforts made by the Swaziland Government, the deficit still remained high. In the past three years, the deficit increased to 56% of the total expenditure (Finance Reports, 2017). The deficit has made it impossible for the Government to deliver essential services as, it is struggling to pay even its short-term obligations which include salaries, creditors, bills, rent and others (Finance Report, 2017).

5.4 Implication of the study

Beneficiaries of the study include legislators and policy makers who may be empowered by the study's findings to inform and enrich them to make wise policy choices to tackle the challenge of the deficit currently and persistently facing Swaziland.

It is envisaged that the study's results, if used, may contribute to the body of knowledge in this field, as well as assist in creating awareness about the causes of the prolonged deficit in the Government of Swaziland during the aforementioned period. Since one of the obvious effects of the deficit is the misallocation of resources, the study may also help the government in making informed decisions and to correctly align its resources to boost economic development. Furthermore, the study may aid the kingdom to find alternative domestic means to generate revenue. Last but not least, the study's recommendations if implemented could help the government to be less reliant on SACU and also serve as a reference on factors causing deficit both locally and outside and how they can be

overcome.

5.5 Recommendations for action

The study recommends that Swaziland must reduce its reliance on SACU revenues by enhancing her revenue generating capacity in order to finance her expenditure adequately and help increase the multiplier that further generates output for economic growth. The study's recommendations if implemented could help the government to be less reliant on SACU and also serve as a reference on factors causing deficit both locally and outside and how they can be overcome.

The study also recommends the controlling of tender prices, encouragement of inside trading, outsourcing of some functions, encouraging of voluntary retirement, consolidation of some ministries or departments, taking advantage of technological innovations, reviewing of some allowances, removal of ghost employees, shifting of some services that are currently paid for by the state to be imposed to employees (elderly grants and OVC grants), the introduction of stiff laws to fight corrupt practices, increase compliance (taxes must be paid by everyone) and increase and review debt collection methods.

5.6 Recommendations for further research

The study makes the following recommendations for further research:

A quantitative study using in-depth interviews to ascertain the depth of the factors of persistent deficit is needed to measure the extent of its effect.

5.7 Conclusion

There is no country all over the world that is likely to develop with uncontrolled escalation of personal costs. A country develops through investing in capital projects. A country that spends more than fifty per cent of its budget on capital projects develops faster than the one that spends twenty per cent. A country that spends more on capital projects is more likely to overcome persistent deficit.

Though, it is true that government expenses benefit the people who pay taxes, government leaders should consider the country's financial capabilities first before providing additional service. A budget without expression is nothing but meaningless figures.

5.8 Chapter Summary

This chapter presented a summary, recommendations and conclusions of the study.

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7.0 APPENDICES

APPENDIX A: Letter from Editor

P. O. Box D 107
The Gables
Swaziland

06 December 2017

Dear Sir/Madam

To whom it may concern

This letter serves to confirm that Vusie Sipho Matsenjwa's mini thesis entitled, "Examining "Factors That Lead to the Increasing Deficit in the Government of Swaziland" has undergone the editing process as per the requirements of the university. The work was reviewed and a number of technical errors were found and substantive improvements were made on the report. I hope this comment satisfies your requirements.

Yours sincerely



Nomsa K. Masuku

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APPENDIX B: Letter to the Principal Secretary

REQUESTING INFORMATION

To Principal Secretary-----

My Name is Vusi Matsenjwa, I am currently pursuing an MBA programme in the University of Namibia and it is the University requirement to do a research study. I personal decided to 'EXAMINE THE FACTORS THAT LEAD TO THE INCREASING DEFICIT IN THE GOVERNMENT OF SWAZILAND'

I hope the following documents will assist in carrying out the study:

- Estimate Books (2005-2017)
- Finance Reports (2005-2017)
- Establishment Registers (2005-2017)
- Establishment Circulars (2007-2017)
- Finance Circulars (2005-2017)

I promise that information that I will use will not be shared with other people.

Your cooperation is appreciated.

Vusi Matsenjwa (Researcher)

Sign-----