

UNIVERSITY OF ESWATINI
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION
MAY 2019

TITLE OF PAPER: PUBLIC FINANCE II

COURSE CODE: ECO 406/ECON 409

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS:

- 1) ANSWER QUESTION 1 (COMPULSORY)
- 2) CHOOSE **ANY ONE** QUESTION FROM THE REMAINING TWO QUESTIONS.

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Question 1 Compulsory (Total marks 45)

- a) Differentiate between administrative efficiency and flexibility as cannons of a good tax system. (5 marks)
- b) List the pros and cons of tax incentives in developing countries. Explain. (15 marks)
- c) It has been argued that transparency-enhancing reforms are better at making fiscal policy more credible as opposed to fiscal rules. Do you support this line of thinking? Explain. (10 marks)
- d) Using the current debt ratios for Eswatini, comment on the debt sustainability of the country. Given the fiscal challenges government is facing, what advice would you give policymakers on ensuring that debt levels are kept at sustainable levels? (10 marks)
- e) Discuss **any two** fiscal challenges facing the government of Eswatini for the past three years. (5 marks)

Question 2

- a) Discuss the objectives of public debt management. (12 marks)
- b) Define value-added tax. List the various broad forms of value-added tax. (4 marks)
- c) Discuss briefly the issues raised under fiscal consolidation, human capital development, revenue mobilisation and financial innovation in the budget for 2019. In your opinion is this budget pro-poor? Explain. (14 marks)

Question 3

- a) Define the following budget balances; conventional balance, current balance and primary balance. Why is each of these balances important? (10 marks)
- b) Why is property tax unpopular? (5 marks)
- c) Use a graph to show how the price elasticity of demand impacts on the excess burden of a tax. From the analyses what policy advice would you give policymakers when designing a tax system? (15 marks)