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UNICEF LESOTHO

2019/20

# Education Budget Brief



*This budget brief is one of four that explores the extent to which the national budget addresses the needs of children under the age of 18 in the Kingdom of Lesotho. It analyses the size and composition of education budget allocations for the fiscal year 2019/20, and offers insights into the efficiency, equity and adequacy of past spending in the sector. The main objectives of this brief are, firstly, to synthesize complex budget information so that it can be easily understood by all stakeholders and, secondly, to put forth key messages which can inform decision-making around policy and budgeting.*

*Budget data used in this brief were provided by the Ministry of Finance. To adjust expenditures for inflation, the consumer price index was used, which has the original base year of 2010. To obtain inflation-adjusted expenditures, the base year of the consumer price index was changed to that of 2014/15.*



## Key messages

- **Despite government commitment to ensure access to quality education, many children are still deprived of basic and secondary education.** About 61 per cent of preschool-aged children and 41.5 per cent of secondary-school-aged children are out of school. This situation calls for the government to revisit the size and composition of budgets to ensure all levels of education get a fair share of available resources.
- **The education sector budget, at 2.622 billion maloti (M), has declined by 1.4 per cent in nominal terms and 6.9 per cent in real terms compared to the previous year.** Given current fiscal space limitations, the focus of government should be on improving value for money in education.
- **The government has increased the share of the sector's spending on secondary education.** In the current year, secondary education has received 31.9 per cent of the education budget, up from 28.2 per cent in the past fiscal year. Technical and vocational education and training and early childhood care and development will reflect some increases in their respective budget shares. They will receive, respectively, 1.8 per cent and 0.4 per cent of the education budget.
- **Preschools continue to receive the lowest share of the education budget.** Only 0.4 per cent of the budget of the Ministry of Education and Training was allocated to early childhood care and development this fiscal year. To achieve the government's strategic goals (access and quality) at this education level, more public investment is required.
- **The wage bill has increased by M45.7 million, whereas the non-wage recurrent budget has declined by M78.3 million.** The government should address this imbalance by increasing allocations to other recurrent transactions in the education sector.
- **Education budget credibility has deteriorated, especially of the development budget.** The government is encouraged to examine underlying reasons for persistent budget credibility problems.

## 1

## Background

## 1.1 Overview

The Kingdom of Lesotho's national vision is to have a literate and productive society with well-grounded moral and ethical values. The Ministry of Education and Training implements this vision through the Education Sector Plan, 2016-2026. The plan prioritizes four key areas: (i) improved education access; (ii) better education quality and equity; (iii) enhancement of relevance and applicability of skills; and (iv) expansion and upgrading of technical and vocational education and training institutions.

### Education opportunities are offered through formal and informal systems.

Formal education deals with five education levels, namely: 2,204 pre-primary schools; 1,478 primary schools; 341 post-primary schools; 26 technical and vocational

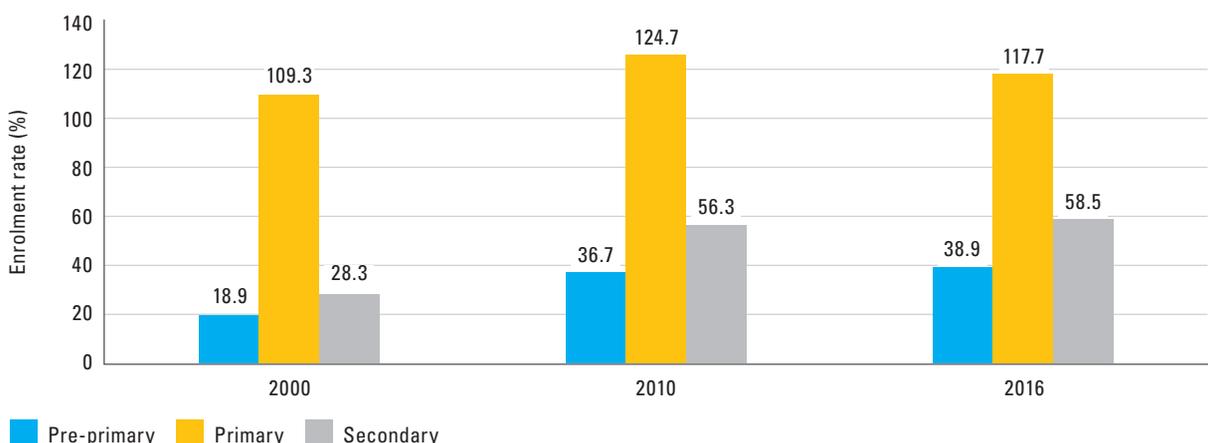
schools; and 14 higher education establishments.<sup>1</sup> For youths and adults out of the formal education circuit, the non-formal education system gives learning opportunities by providing primary and secondary education.

## 1.2 Challenges

### Lesotho's children face many challenges in accessing their education rights, especially at pre-primary and secondary levels.

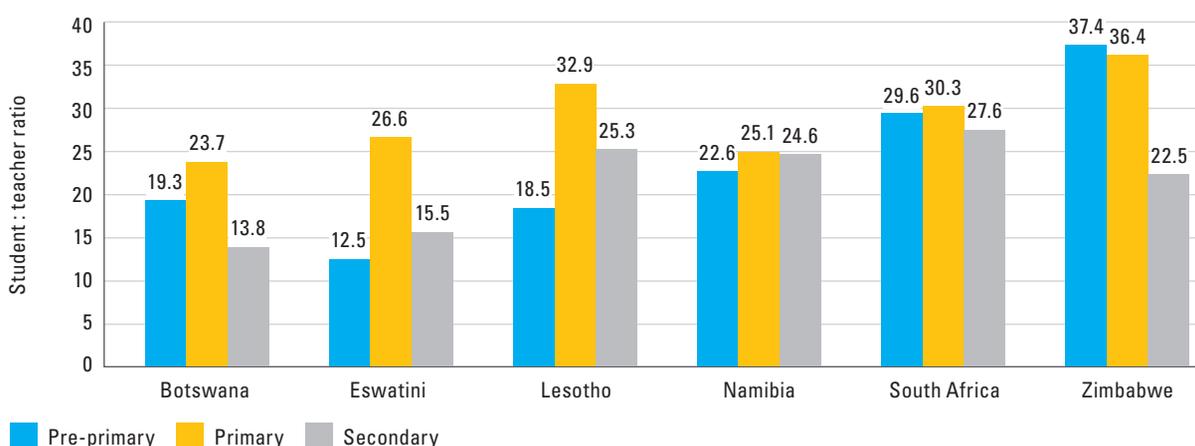
The gross enrolment rates in pre-primary and secondary schools are 38.9 per cent and 58.5 per cent, respectively (Figure 1).<sup>2</sup> This means that about 61 per cent of preschool-aged children and 41.5 per cent of secondary-school-aged children are deprived of education. The gross enrolment rate for primary education is over 100 per cent because this level of education

Figure 1: Gross enrolment rates in Lesotho's education sector, 2019



Source: World Bank Group development indicators online (2019).

Figure 2: Student-to-teacher ratios among member states of the Southern African Customs Union, 2019



Source: United Nations Educational, Scientific and Cultural Organization's Institute for Statistics (2019).

is free of charge. About 80 per cent of children who enrolled in primary education in 2018 could complete primary education.<sup>3</sup> For lower secondary and upper secondary school, completion rates were estimated at 44 per cent and 32 per cent, respectively. School fees and distance to school are the two main reasons why most children drop out of secondary education. It is, however, important to note that literacy rates are still relatively high at 87 per cent for youths and 90 per cent for adults.

**Important inequality issues are highlighted when analysing access to Lesotho education.** The Lesotho 2018 Multiple Indicator Cluster Survey estimated, for instance, that the participation rate of boys in secondary education is much lower than that of girls. Male children of lower secondary-school age were twice as likely to be out of school as female children. Gender parity indices were 1.01 for primary, 1.58 for lower secondary and 1.36 for upper secondary education.<sup>4</sup> When the child's area of residence was considered, the survey showed that urban children attended significantly more secondary education than rural children.<sup>5</sup> The wealth quintile divide showed that the widest gap in participation

in organized learning was between children in the poorest and richest households.

**Education spending is inequitable.** Using the 2017/18 Continuous Multipurpose Household Survey and Household Budget Survey,<sup>6</sup> the government has estimated that 49 per cent of public education expenditure is consumed by post-secondary students, who represent 15 per cent of the learner population. The remaining 51 per cent of public education expenditure benefits 85 per cent of learners (primary and secondary school).

**At the regional level, Lesotho fares well in their student-to-teacher ratio at pre-primary school level with one teacher serving about 19 children.** Only Swaziland, with one teacher serving about 13 children, scores better than Lesotho (Figure 2). In primary education, however, Lesotho is one of the worst performers among the Southern African Customs Union member countries, with 33 students per teacher. Similarly, Lesotho has a ratio of 25.3 students per teacher in secondary education, which is exceeded only by South Africa. These are the average student-to-teacher ratios in Lesotho; ineffective deployment has, however, led to



an uneven distribution of teachers. There is a weak relationship between the numbers of learners and teachers deployed to schools. In rural schools, the extent to which deployment of teachers follows enrolment is 25.7 per cent and in urban schools it is 58.3 per cent.<sup>7</sup> Improving this situation need not have implications for the wage bill, but would have a positive impact on the quality of education.

**Given limited fiscal space, the education sector needs to be more efficient with the teaching resources available.** There is also a need to provide schools with sufficient non-salary learning inputs (books, stationery, etc.), especially secondary schools, which are not free of charge.

### Takeaways

- Low enrolment rates in pre-primary and secondary education require examination and reprioritization of resources in the education sector to ensure that children have access to quality education at all levels.
- Removing cost barriers and improving the supply of pre-primary and secondary schools have the potential to increase enrolment in these two levels of education.
- Addressing the high number of out-of-school adolescent boys requires improvements in the quality and relevance of education, strengthened monitoring and the provision of alternative pathways in education for these children.
- Significant quality gains can be made without implications for the wage bill by improving efficiency in the deployment of teachers and other education resources.

## 2

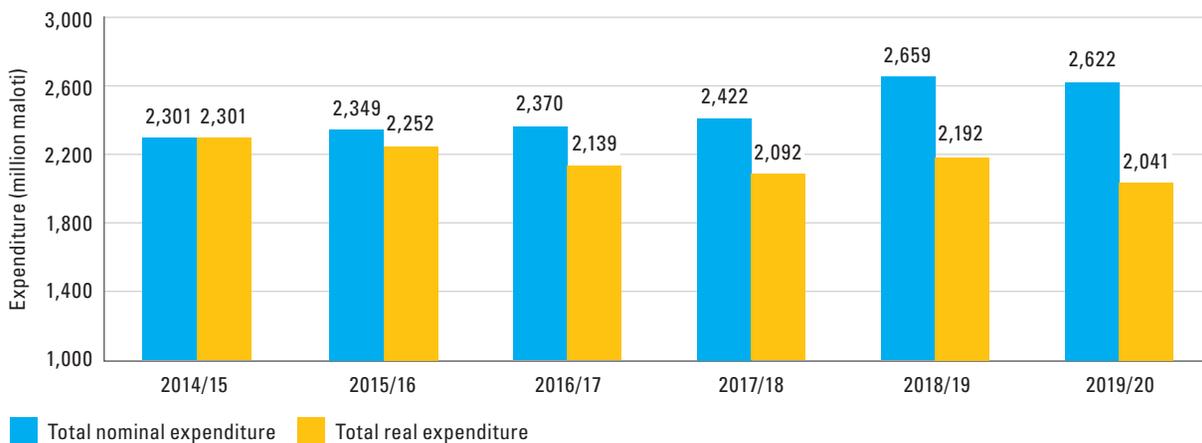
# Education spending trends

The total education budget (M2.622 billion) has declined by 1.4 per cent in nominal terms and 6.9 per cent in real terms compared to the previous year.

Until this fiscal year, budget allocations to the education sector were increasing,<sup>8</sup>

albeit slowly (Figure 3). The cut in education spending is mainly due to limited fiscal space. Given this scenario, the focus of government should be to improve value for money in education spending.

Figure 3: Approved nominal and real budgets for the education sector



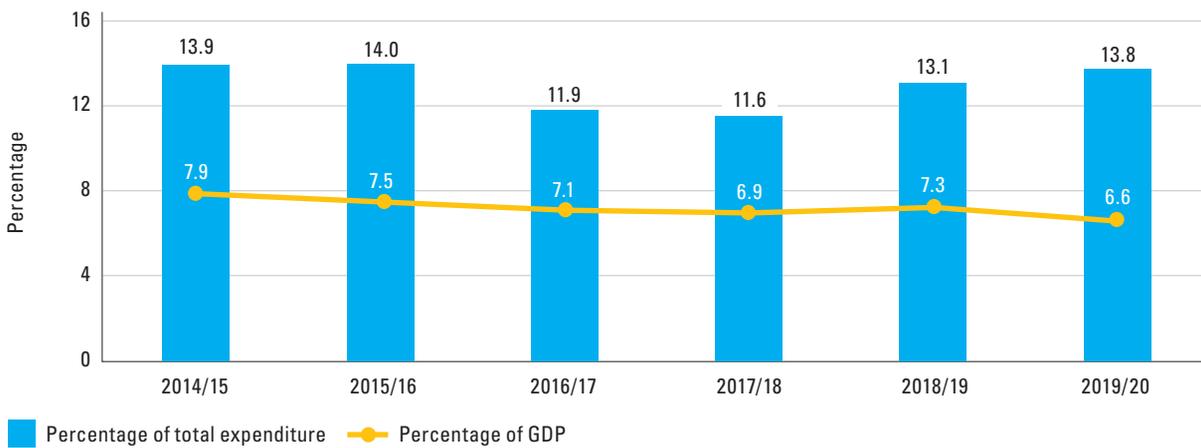
Source: Author's own calculations based on data from World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates books (2018/19 and 2019/20).

Although the education budget has declined in absolute terms, its share of the total government budget has increased. Education's share of the budget is up slightly from 13.1 per cent in 2018/19 to 13.8 per cent in 2019/20. This increase is, however, largely a reflection of a 6.1 per cent decline in the national budget. Despite this improvement of budget share, the supply of education goods and services by government could be negatively affected, as the budget amount will be reduced. To

improve efficiency, government may want to carry out expenditure consolidation in favour of non-salary learning inputs (books, stationery and training) and capital goods (reception classes, etc.). This is critical to alleviate the still important deprivations afflicting Lesotho's children in this sector.

As a share of gross domestic product, however, the education budget declined from 7.3 per cent in 2018/19 to 6.6 per cent in 2019/20. This is its lowest level in

Figure 4: Education budget, as a percentage of total national budget and of GDP



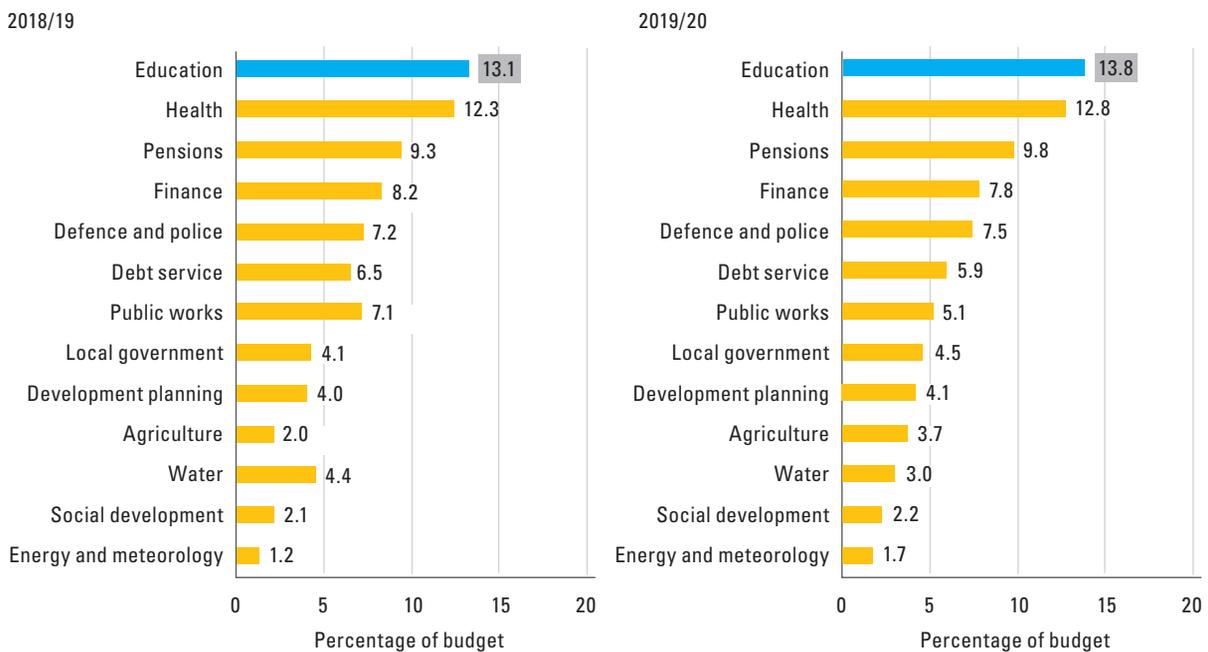
Source: Author’s own calculations based on data from World Bank Group Boost database (up to 2018/19), Lesotho’s budget estimates books (2016/17–2019/20) and Lesotho’s budget speeches (2018/19 and 2019/20).

the period under review (Figure 4). It is very important that the educational element of the country’s human capital be preserved – if not increased – to maximize multiplier effects and achieve strong and sustainable growth.

**Despite cuts, the education sector has been allocated the highest share of the total government budget.** Education has

been allocated 13.1 per cent, followed by health (12.3 per cent) and pensions (9.3 per cent), as shown in Figure 5. It is also important to note that the education sector has undergone the smallest budget cut of all social sectors this fiscal year; that is, 1.4 per cent or M37.2 million. The budget cut for health is 1.9 per cent or M46.8 million, for social development is 2.0 per cent or M8.4 million and for water

Figure 5: Approved expenditure budget in selected government sectors



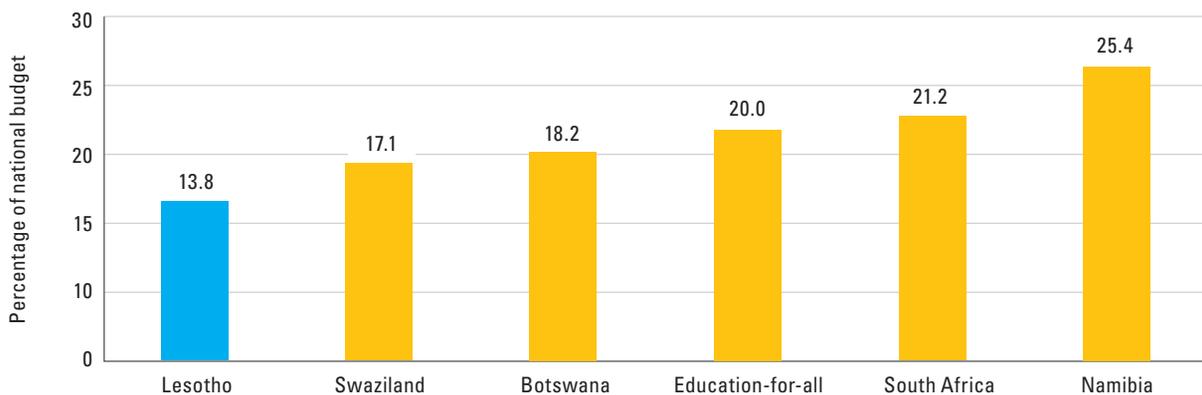
Source: Author’s own calculations based on Lesotho’s budget estimates books (2018/19 and 2019/20).

is 37.5 per cent or M337.4 million. The education share of the total budget still falls short of the 20 per cent benchmark by nearly seven percentage points.

**Compared with its neighbours, the proportion of Lesotho's expenditure to education remains the lowest in the**

**Southern African Customs Union.** Figure 6 shows that Namibia and South Africa are the only countries that currently exceed the 20 per cent education-for-all benchmark by spending 25.4 per cent and 21.2 per cent, respectively, of their national budgets on education.<sup>9</sup>

Figure 6: Approved education expenditure budgets, 2019/20



Source: Own estimates based on data from the budget estimates books of the respective countries for the financial year 2019/20.<sup>10</sup>

### Takeaways

- This fiscal year, the education expenditure budget is set to decline by 1.4 per cent in nominal terms and by 6.9 per cent in real terms. This adverse trend calls for increased focus on efficiency and effectiveness of spending to achieve value for money.
- Despite suffering a decline, education remains a top spending priority of the government.

# 3

## Composition of education spending

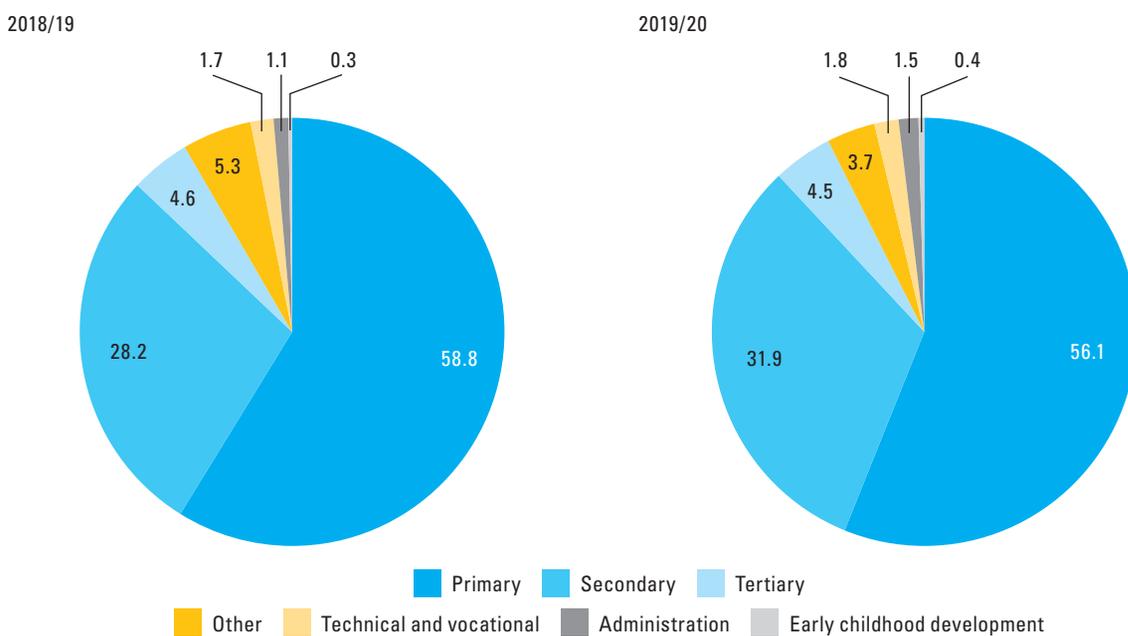
**In the current year, the majority of sector resources are for primary education.**

Primary education has been allocated 56 per cent of the sector’s budget; secondary education, 32 per cent; and pre-primary education, 0.4 per cent. The share of the sector budget allocated to technical and vocational education and training increased slightly from 1.7 per cent in 2018/19 to 1.8 per cent in 2019/20, while the share of the sector budget allocated to early childhood care and development increased from 0.3 per cent to 0.4 per cent. Tertiary education received 4.5 per cent in 2019/20, down from 4.6 per cent in the previous year (Figure 7).

**The small budget allocation to preschool education is a major concern.**

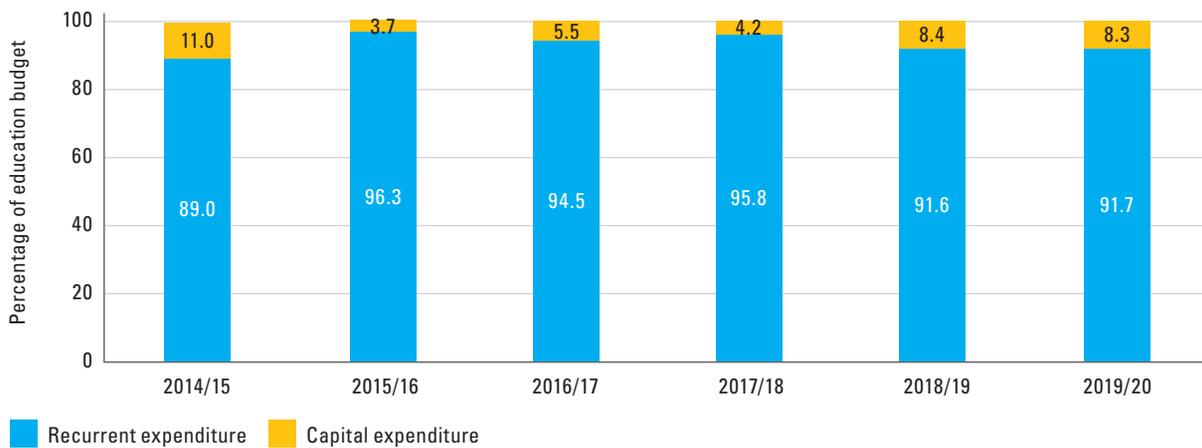
The improvement in access and quality pursued by the government in this education subsector requires adequate public resources. Family needs for preschools are immense; there is a need to improve the supply of preschool services as only 23 per cent of children aged 3–5 years were enrolled in preschool in 2017. Given limited public preschools, private early childhood care and development centres have proliferated with limited supervision from the Ministry of Education and Training and high fees. This is an issue that requires close monitoring by the government.

Figure 7: Percentage share that education programmes receive of education budget



Source: Lesotho’s budget estimates books (2018/19 and 2019/20).

Figure 8: Composition of education budget by economic classification



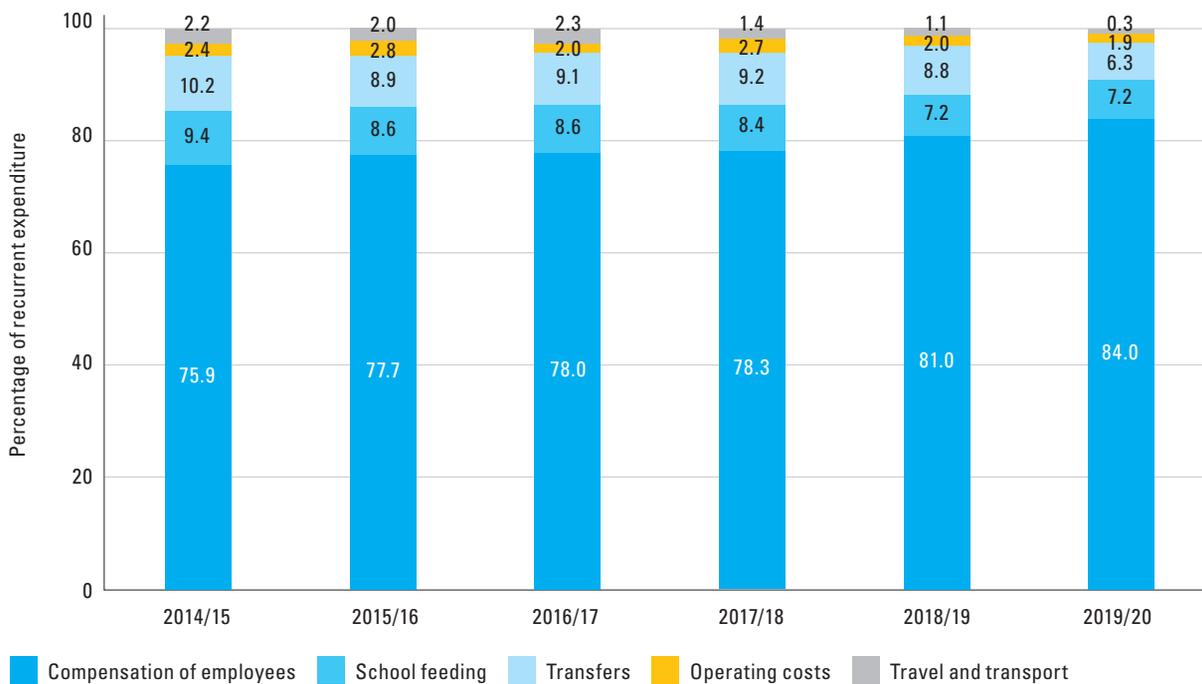
Source: Author's own calculations based on data from World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates book (2018/19 and 2019/20).

**Not all resources for tertiary education are accounted for through the Ministry of Education and Training.** For instance, the Ministry of Education and Training does not account for student bursaries, which represent significant government resources benefiting tertiary education. According to the National Manpower Development Secretariat budget, tertiary student bursaries have been allocated M582.4 million of the government's total budget in 2019/20, up from M577.0 million in 2018/19. This makes education spending highly unequal because only a small number of students receive tertiary education.

**The recurrent expenditure budget continues to dominate the education budget, receiving 91.7 per cent of the sector's budget in 2019/20.** This is similar to the budget of 2018/19 (Figure 8). In fact, recurrent expenditures have never been below 89 per cent of education's expenditure budget over the past five years. This means very little budget (8.3 per cent) is left for education's capital (development) budget. With government's policy of significantly increasing reception classes in primary education as of 2020/21, the capital budget should be increased.



Figure 9: Composition of recurrent budget by economic classification



Source: Author's own calculations based on data from World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates book (2018/19 and 2019/20).

Salaries and wages will get the lion's share of the sector's recurrent expenditure budget (Figure 9). This share has increased from 81 per cent in 2018/19 to 84 per cent in 2019/20. This increase is not due to inflation, as the government

has decided to implement a zero cost-of-living wage adjustment for public servants in 2019/20. Less than 2 per cent of the recurrent budget is allocated to operating costs, and the budget for school feeding has been cut for 2019/20.

### Takeaways

- Early childhood education receives the lowest investment from the education budget. The subsector is allocated 0.4 per cent of the education budget, yet about 66 per cent of preschool-age children are deprived of pre-primary education.
- About 92 per cent of the education budget in 2019/20 was allocated to recurrent expenditure – primarily for compensating employees – indicating a spending imbalance prone to inefficiencies within the sector.
- Prior to allowing salary increases, government should assure more efficient deployment of teachers to schools.
- Student bursaries for tertiary education managed outside the Ministry of Education and Training have increased in 2019/20. As only a small number of students are eligible for tertiary education, Lesotho's education spending is regressive.

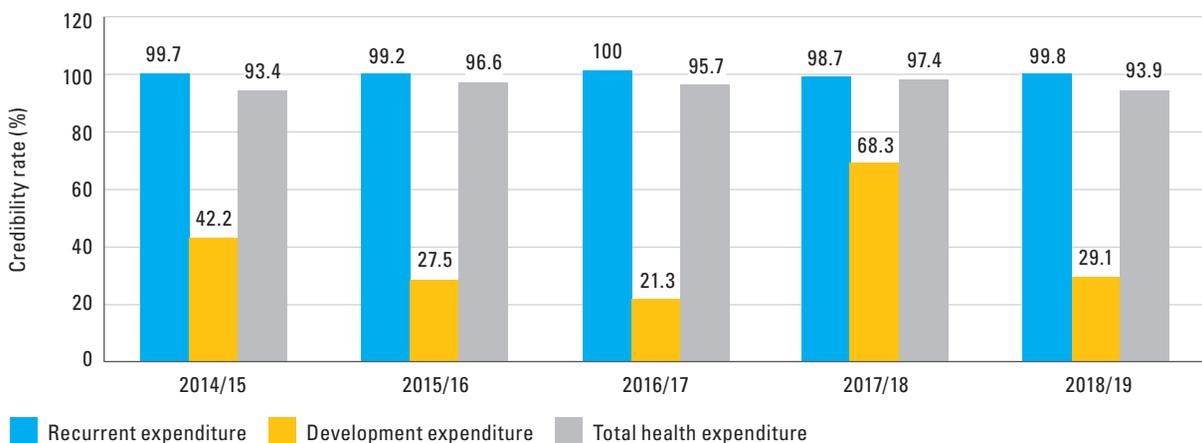
## 4

# Budget credibility and execution

**Budget credibility in the education sector has deteriorated, especially for capital expenditure.** The budget credibility rate<sup>11</sup> declined to 93.9 in 2018/19, after it had significantly improved to 97.4 per cent in 2017/18. Education's recurrent budget has a high credibility

rate. This disparity is probably because the recurrent budget is prioritized and entirely covered by government revenue, whereas for the capital budget, although a significant portion of resources come from government, donors provide the remaining portion.

Figure 10: Budget credibility rates



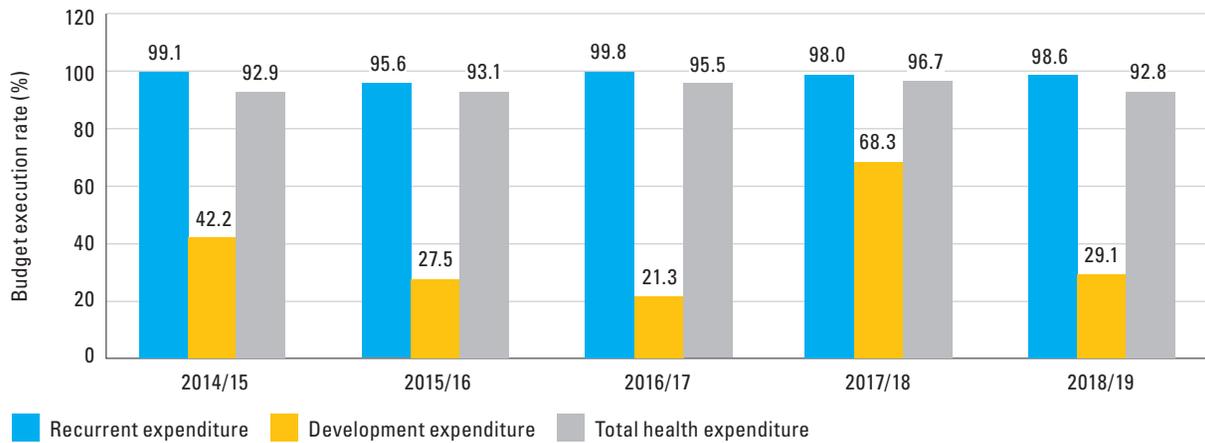
Source: Author's own calculations based on World Bank Group Boost database and Lesotho's budget estimates book (2018/19).

**Budget execution rates reached their lowest level of 92.8 per cent in 2018/19.**

Education budget execution rates increased steadily from 92.9 per cent in 2014/15 to 96.7 per cent in 2017/18 (Figure 11). The execution rate then dropped in 2018/19, reaching a low of 92.8 per cent. Of concern is the greatly limited execution rate of the

development budget. Its high of 68.3 per cent in 2017/18 was followed by a sharp decline to 29.1 per cent in 2018/19. It should be noted that the education sector has been able to spend 100 per cent of the capital budget released (as opposed to approved or revised budget) by the Ministry of Finance in each year of the period under review.

Figure 11: Budget execution rates



Source: Author’s own calculations based on World Bank Group Boost database and Lesotho’s budget estimates book (2018/19).

### Takeaways

- The deterioration in education budget credibility has potential to compromise the quality of services delivered.
- The execution rate dropped in 2018/19, reaching a low level of 92.8 per cent. Low and erratic execution rates are persistent for education’s capital budget.



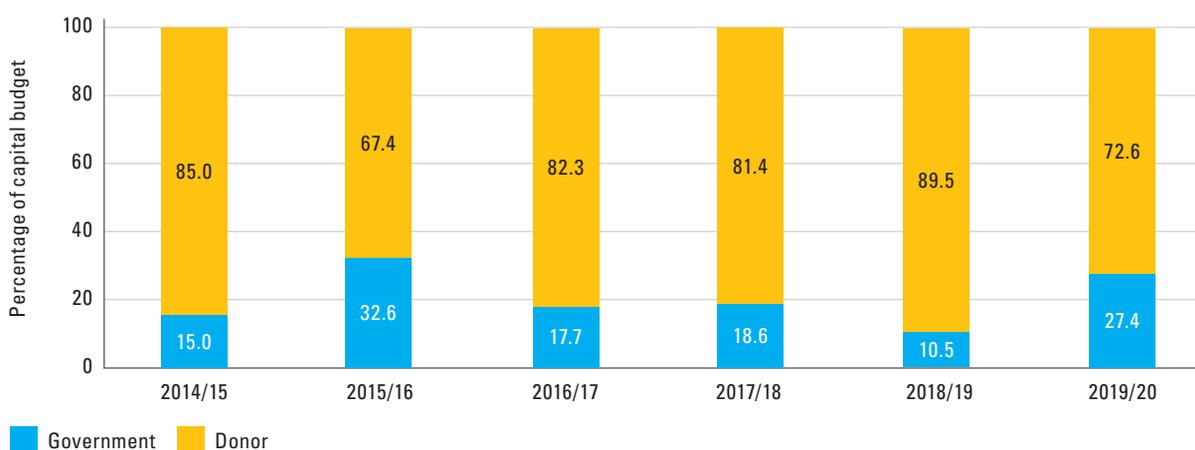
## 5

## Sources of finance

**Government remains the main source of education financing.** Government revenue will cover 94 per cent of the education budget in 2019/20, up from 92.5 per cent last fiscal year. Grants and loans from donors will cover the remainder. Government resources will finance the entire recurrent budget.

**Donor resources have been earmarked for the capital budget.** However, donor funding for the capital budget is set to decline by M41.1 million in 2019/20. This decline will be partially compensated for by an increase in government financing of M36.4 million, which will represent 27.4 per cent of the education capital budget (Figure 12).

Figure 12: Financing sources of capital budget in education sector

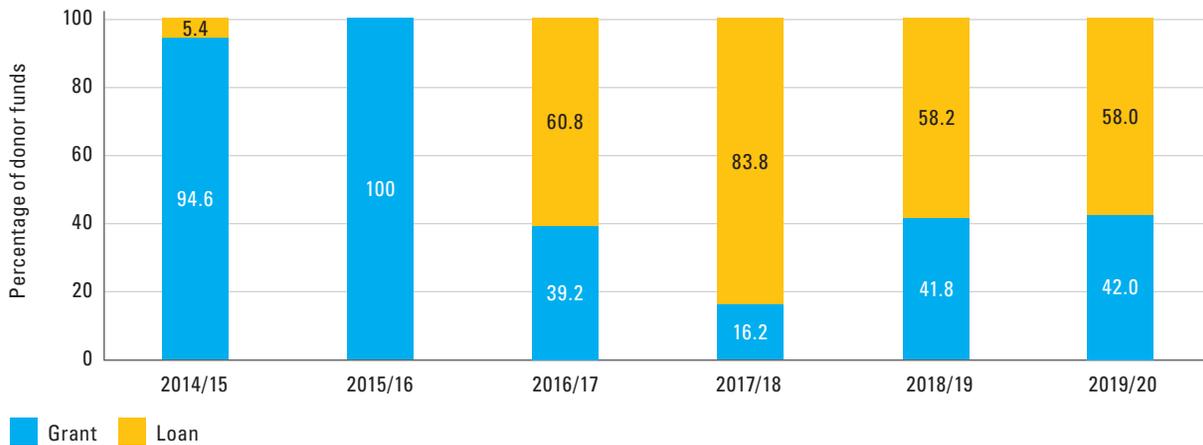


Source: Author's own calculations based on World Bank Group Boost database (up to 2018/19) and Lesotho's budget estimates books (2018/19 and 2019/20).

**The contribution of grants in the capital budget will stabilize.** For the second fiscal year in a row, grants represent about 42 per cent of donor funds to education's capital budget. Given their neutral impact on debt, grants are healthy external financial resources; government is increasingly seeking grants to pursue its programmatic

obligations towards children's deprivation in education. In the past, grants dominated donor contributions to education's capital budget in Lesotho (Figure 13). With further improvements in public financial management and accountability, donor confidence should be firmed up and trigger more external development assistance.

Figure 13: Composition of donor funds allocated to education capital budget



Source: Author’s own calculations based on World Bank Group Boost database and Lesotho’s budget estimates books (2018/19 and 2019/20).



### Takeaways

- Grants represent about 42 per cent of external resources to finance the education sector’s capital budget. Government has managed to maintain the contribution of mobilized grants, which should help improve fiscal sustainability.
- There is potential for Lesotho to leverage more international resources for the education sector through improvements in public financial management and accountability.

## 6

## Policy issues

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**Unclear policies guiding teachers' deployment remain an obstacle to quality education.** According to Lesotho's Education Sector Plan for 2016–2026, the process of deploying teachers across Lesotho's schools is not guided by clear policies. This lack of guideline clarity is said to be one of the factors explaining the current imbalance between the supply and demand of teachers in schools. For instance, there is no clear deployment policy for teachers with disabilities. Therefore, strengthening the law and regulatory framework in the education sector would support the Ministry of Education and Training's efforts to distribute available resources effectively.

**Bursaries granted to orphans and vulnerable children for their secondary education are not accounted for by the Ministry of Education and Training.** The Ministry of Social Development is responsible for ensuring that eligible children receive these education grants. However, allocated budgets have been insufficient to cover all orphans and

vulnerable children. Eligible children are students who have lost one or both parents; have a sick, disabled or incarcerated parent; or are considered needy. The expenditure allocated for these children is an important contribution of the government to improve access of marginalized children to secondary education.

**The reporting of tertiary education expenditures in Lesotho is challenging.** The Ministry of Education and Training's budget accounts for only a small portion of expenditures meant to benefit this education level. For instance, the Ministry of Development Planning, through the National Manpower Development Secretariat, manages tertiary bursaries; this raises a transparency issue. Allocation of these bursaries needs to be improved for equity purposes. Wages and salaries paid to public servants dealing with the bursaries should be reflected somehow in the tertiary education wage bill. The government should endeavour to improve the budget presentation by strengthening, inter alia, its functional classification.

## Endnotes

- 1 Kingdom of Lesotho's Education Sector Plan for 2016–2026 (August 2016).
- 2 Data are from World Development Indicators of World Bank Group online (2019).
- 3 As per UNICEF's Lesotho Multiple Indicator Cluster Survey (MICS) completed in 2018.
- 4 This is defined as the ratio of female children to male children in the concerned level of education.
- 5 The area parity indices (i.e., rural children to urban children) is 1.00 for primary education, 0.67 for lower secondary and 0.66 for upper secondary. Adjusted net attendance is used.
- 6 Ministry of Education and Training of the Kingdom of Lesotho, 'Draft Education Sector Analysis', September 2019 (Table 40 and Figure 70, page 73).
- 7 Ministry of Education and Training of the Kingdom of Lesotho 'Draft Education Sector Analysis', September 2019.
- 8 Approved expenditure budget is the expenditure budget voted by Parliament. Originally voted amounts are considered for fiscal years without budget revision, which is rare in Lesotho. Revised budgets are considered when such a procedure did happen. The level of real expenditure budget is estimated using the consumer price index from Lesotho's Bureau of Statistics (base fiscal year is 2010), which is further rebased up to 2014/15.
- 9 Expenditure considered in the calculations is expenditure voted by Parliament, as reported in the budget books of the respective countries. Comparison is made only with countries in the Southern African Customs Union.
- 10 The budget estimates book (2019/20) (Lesotho); estimates of revenue, income and expenditure for the period 01 April 2019 to 31 March 2022 (Namibia); budget expenditure, 2019/20 (South Africa); estimates of expenditure from the consolidated and development funds, 2019/20 (Botswana); and estimates for the period 1 April 2019 to 31 March 2022 (Eswatini).
- 11 Defined as the variance between approved budget and released budget.



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