

**MINISTRY OF FINANCE**



**2022/2023**

**PRE-BUDGET  
CONSULTATIONS  
REPORT BY DISTRICTS**

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## **1.0 INTRODUCTIONS**

1. The 2022 Pre-budget consultations meetings were held in four districts of Leribe, Mohale's Hoek, Qacha's Nek and Mokhotlong on 3rd week of June going to the 1st of July. The anticipated audience were both the Urban and Local Councilors, District Council Secretaries, District Administrators as well as the business community.
2. The Budget Controller upon issuing the introductory remarks acknowledged that, the Ministry of Finance (MF) having been assessed by International Budget Partnership in Open Budget Survey of 2019, Lesotho scored very low on budget related issues, i.e. budget transparency, public participation and budget oversight. Upon this realisation and in addressing the country's deficiency as per the OBS results, the MF in partnership with UNICEF, initiated the pre-budget consultations across districts.
3. In the past two years when the exercise was initiated, the councilors were not part of the consultative processes, which has led to limited transparency in budget related matters. Upon introspection, the MF saw it fit to embark on a new and inclusive approach in the preparation of the 2022/23 National Budget. Hence the inclusion of Councilors in consultative processes as citizen representatives coupled with their proximity to the citizens, with regard to implementation of government policies and programmes.
4. The delegation from the Department of Budget was composed of the Budget Controller, the Deputy Budget Controllers and other staff from the Budget department. The purpose of these meetings was to seek policy direction on budget related matters for the 2022/23 National Budget preparation.

## **5. Issues of deliberation included:**

- i. whether the national budget is inclusive of citizens' interests, including children issues;
  - ii. the fairness of budget distribution;
  - iii. fair allocation of funds between the recurrent and development budget;
  - iv. revenue mobilisation - whether there are new revenues streams that the government could explore; ways to enhance revenue collection amidst the declining revenue collection exacerbated by the COVID-19 pandemic.
  - v. issues of SACU revenue and royalties -, how they should be utilised and whether there are measures that could be employed to enhance collection of SACU revenue.
6. The 2021 Budget Speech was used as a basis for discussion and to further sensitise the meeting on the government's development agenda and achievements. The audience was urged to suggest policies that could be adopted to improve the socio-economic status of the nation in their respective areas and the entire country

## **2.0 LERIBE – 22ND JUNE 2021**

### **2.1 Opening Remarks**

7. The inaugural 2022/2023 Pre-Budget Consultations was held in the districts of Leribe. The consultations were attended by the Chiefs and Councilors from different community councils of Leribe. The District Council Secretary opened the meeting, and the Budget Controller shared the purpose of the consultations which was to get the policy issues from the grassroots as the Chiefs and Councilors are the representatives of the people.

## 8. Issues of deliberation included;

- i. **Enhancement of revenue collection measure;** the Parliament and the Ministry of Local Government should fast-track the enactment of the Local Government Bill which includes the 'by-Laws' to allow the community councillors to do their job with authority. Inadequate access to national roads network hampers revenue collection. Provision of security services be strengthened especially with regard to revenues collection from reserved graze/pastoral land. Regions and districts should compete in revenue collection and a financial incentive be awarded to the prominent region/district. There is a lot of unaccounted revenue, revenue lost due to tax evasion and tax avoidance as a result of non-registered businesses. The government should strengthen revenue collection and mobilisation measures. There should be a clear plan as to how the natural resources contribute to the revenue of the country.
- ii. **Wetlands and rangelands be rehabilitated** for improved wool and mohair.
- iii. **Inaccessible local courts due to their proximity and limited number.** The government should consider decentralising the courts and having at least two local courts per district.
- iv. **When preparing the national budget, the focus should be on the country's financial muscle** (i.e. what the country has) as opposed to what the is consumed. The 2021/22 budget depicts that the recurrent spending alone is much higher than anticipated revenue. To address this issue, the country should consider reducing the loans, both Bi-lateral and Multi-lateral and

this will ease the debt burden the country is experiencing while simultaneously increasing revenue.

- v. **The Government should enhance capacity of the parliamentary committees** to monitor the use of public funds and appropriate actions be taken on poor management of public funds.
- vi. **The rural roads programme should fall under the Community Councils** because once rural roads are eroded, they are maintained using council funds and as such, funds allocated to the rural roads programme be transferred to local councils. There should also be maintenance plan for construction of roads across the country.
- vii. **There should be a program to teach Basotho about patriotism** and the programme be included in the school curriculum.
- viii. **The DCEO's capacity to deal with corruption should be enhanced** and the government should develop a unique revenue receipt and sensitise the nation as a measure to alleviate corruption.
- ix. **Consider increasing the allowances or salaries of Community Councilors and Chiefs**
- x. **Consider timely release of warrants and distribution of funds to the Community Council.** The delay hampers the immediate/speedy implementation of council programmes and most of the unused funds have to be retired back to the consolidated funds by the end of the fiscal year. The government should consider allowing the unspent funds to be carried forward to the next fiscal year to allow continuous, smooth and timely

completion of projects. The retired funds are not accounted for by the government.

- xii. **Funds allocated to community councils have been declining over time** and are far less than what has been planned (i.e. 5-year community council plan) and this has a negative impact on development. The government should revisit the criterion used in allocating funds to the community councils as the level of development varies across the councils, the number of councils differs per district and yet the funds are allocated equally.
- xiii. **Consider transferring the management of financial resources to the Community Councils** (i.e., Fiscal Decentralization implementation)
- xiv. **Undertake regular awareness of security related issues** including governance.
- xv. **High political party formation quota should be introduced** to curb the highly increasing number of political parties, which is costly to the government (funds allocated during elections and party management-post elections).
- xvi. **Consider rationalisation of Government Ministries** and those ministries with complementing mandates be merged (e.g., Ministry of Forestry and Land Reclamation be merged with Ministry of Local Government and Chieftainship).
- xvii. **There is no strategic plan on food security**, yet agriculture is deemed integral to Basotho livelihoods.

### 3.0 QACHA'S NEK - 24<sup>TH</sup> JUNE 2021

#### 9. Issues of deliberation included;

- i. ***Rationalisation of foreign missions;*** the Government should rationalise the foreign mission and maintain those that have economic value to the country and further revise strategy for appointing diplomats representing Lesotho in foreign countries; they should be appointed based on their merits rather than political affiliation. Foreign Missions are further deemed not to account for the use of government funds.
- ii. ***Budget allocation and distribution;*** there is a delay in disbursement and allocation of funds which negatively impacts the implementation of council's programmes and projects. The government should fast-track decentralisation of both services and fiscus to allow direct movement of funds from the Ministry of Finance to districts and councils, that is; the district and councils should be allocated their budget directly without going through the central ministry.
- iii. ***State-Owned Enterprises;*** the Government should refrain from engaging in public works but rather engage the private sector to undertake such works, and that public works be awarded to deserving Basotho as opposed to nepotism.
- iv. **Budget allocation for all the districts is evenly distributed yet the level of development, area, topography of districts differs.** This is quite a challenge for mountainous districts as they have been left behind in terms of infrastructure development, the villages are dispersed and hard

to reach and as such budget allocation should be done according to plans and be timely.

- v. **Revenue collection;** there has been a plan in the past to engage Lesotho Revenue Authority to collect non-tax revenue on behalf of the government. It is not clear as to how the initiative has developed and when it is anticipated to be implemented. This initiative will help the government to minimise revenue leakage to unintended bodies.
- vi. **Inadequate accountability of government funds;** there is no accountability on the government fund.
- vii. **The government should also consider revoking the Secondment Policy** as it hampers implementation of government policies and officials fails to account for the poor service delivery on the seconded post since they still hold secure permanent position in the civil service.
- viii. **poor coordination among government ministries;** Ministries, Agencies and Departments have a tendency of working in silos, yet the ultimate goal is to achieve the same goals. MDAs should have a clear consolidated consultations plan with the districts and avoid frequent visits by individual ministries.
- ix. **Double dipping;** there was a concern on the monthly salaries of the Principal Chiefs regarding whether they cease to earn their salaries upon their appointment as Senators. It was indicated that, for area Chiefs, they are not allowed to earn their monthly salaries and the old age pension simultaneously. This issue is deemed not to be fair on the area Chiefs as their monthly earnings are too low while the Senators even qualify for gratuity.

- x. **As a revenue collection measure**, the government should procure COVID-19 testing kits and conduct the test at point of entry as opposed to the current practice where tests are conducted in South Africa.

#### 4.0 MOHALE'S HOEK - 24TH JUNE 2021

##### 10. Issues of deliberation included:

- i. **The most and more often question were that of decentralisation** and Councillor appear to have passion to see themselves having ability to control their districts as long as power could be vested on them.
- ii. There could be an increase in revenue if the issue of decentralisation can be done.
- iii. The issue of officers who are placed at the districts, yet they are being controlled at the Central Government.
- iv. **Government should revise strategy for nominating diplomats** representing Lesotho in other countries; rather than being political they should be nominated on merits. Most of the foreign missions are no longer economically beneficial to the country Hence the government should rationalise them.
- v. **Decentralisation of budget allocations**, that is; the urban and district councils should be allocated their budget directly without going through the central ministry.
- vi. Budget distribution should be done according to plans and be timely.
- vii. There is no accountability on the utilisation of government funds.
- viii. Does principal chiefs' salary stop when they are appointed to the Senate?

- ix. **As revenue collect measure**, the government should procure COVID-19 testing kits conduct the test at the point of entry as opposed to the current practice where tests are conducted in South Africa

## 5.0 MOKHOTLONG – 1ST JULY 2021

11. The consultative meeting commenced with a welcoming remark by the District Council Secretary (DCS), Mr. Orbed Morojele, who welcomed all those in attendance, appreciated the efforts of the Ministry of Finance on having realised the importance of both the urban and the local councilors as well as chiefs as they are purported to be central to offering service delivery to the citizens. The DCS further complimented the councilors for their dedication in undertaking their assignment despite the challenges and wished the meeting fruitful deliberations.
12. The Budget Controller, Mrs. Maleshoane Lekomola-Danziger delivered the opening remarks. She highlighted that the purpose of these consultative meetings is to seek policy direction that will inform the 2022/23 budget. She acknowledged that, having realised that in the past two years when the exercise was initiated, the councilors were not part of the consultative processes which has led to a limited transparency in budget related matters, the department has embarked on a new approach hence inclusion of councilors in consultations.
13. **Issues of deliberation included;**
  - i. **Fast-track the enactment of local government ‘by-laws’ for efficient and effective local councils.** Their inexistence inhibits councilors to exercise their duties of improving social,

economic and environmental protection and sustainability for the benefits of the districts.

- ii. Chiefs are left out during the consultative process** and their inclusion is paramount as they play a significant role in promoting governance and security at the community level. They are regarded as primary agents of development as they preside over criminal and civil cases which otherwise have an impact on the socioeconomic development of the communities.
- iii. *Decentralisation of government services and fiscus***; the central government should fast-track the implementation of National Decentralisation Policy including fiscal decentralisation.
- iv. Localise use of revenue receipt as per place of collection**; this will incentivize and benefit citizens of the concerned districts as they will be capable to finance their development agendas. There should be an introduction of competition programme on revenue collection among districts and financial incentive be awarded to the most efficient district. There can also be more revenue collection if toll gates are

introduced at Oxbow-Mokhotlong and Mokhotlong-Sani Pass roads. To enhance revenue collection, the government should introduce toll gates at Oxbow- Mokhotlong and Mokhotlong-Sani roads

- v. Funds allocated to community councils have been declining over time** and are far less than what has been planned (i.e. 5-year community council plan) and this has a negative impact on development. The government should revisit

the criterion used in allocating funds to the community councils as the level of development varies across the councils, the number councils differs per district, the topography of the districts differs (some are hard to reach) and yet the funds are allocated equally.

- vi. *Budget allocation be based on costed plan;*** during budget preparation by community councils, costs are attached to the plans that informs the budget but during budget approval, the costed plan is disregarded. This poses a problem of non-ending community projects.
- vii. No strategic plan on land issues, its protections and that of indigenous plants/resources.** The country is faced with severe land degradation and little is done to protect this important asset. To address this issue, land rehabilitation programmes should be included in the development budget. Due to lack of protection policy, our indigenous plants are also exploited by foreign citizens for their own benefit, and this does not only impact on revenue streams but also on exploitation of botanical and indigenous plants (‘Morobei (rosehip) Monokotsoai (wild berries), lekhala (aloe/agave, etc.).
- viii. Formalise employment of Rangers.**
- ix. Review and update laws governing land use: Local laws are** outdated and do not prohibit/discourage perpetrators to undertake illegal grazing on reserved grazing/pastoral land (lipatala tsa maboella le makhulo). At times perpetrators are charged exorbitant amounts as an austerity measure which is also an offence.

- x. Procurement of firefighting helicopter is necessary for timely extinguishing of runaway fires which threaten pastoral land and crops.
- xi. **Community council roads**; Procurement and maintenance of yellow plant equipment is costly. Given the declining budget allocated to districts, the plant is inadequate to cover multiple community councils in a district and it would be beneficial if maintenance of such community roads could be undertaken through manual work.
- xii. **Youth apprenticeship programme is available in some community councils** and employment is solely the responsibility of the Members of Parliament, yet developmental issues are the responsibility of the councilors. The programme is not undertaken in partnership with local councilors. There is a high likelihood of funds being misappropriated as issues pertaining to monitoring of community projects is not done in a transparent and holistic manner. There is also confusion as there is a thin line that distinguishes the Youth Apprenticeship Program (“Lihalahala”) from “Metseletsele” (slopes across the hills) as implemented by the Ministries of Finance and of Forestry and Land Reclamation, respectively.
- xiii. **Delay in release of warrants and distribution of funds to local councils hampers implementation of services.** Yellow plant attendants are said to only work for 6 months when funds have been distributed and reached the councils and the remaining funds at the close of fiscal year are retired back to the consolidated fund. There was a suggestion not to retire funds at

the end of the financial year but rather be carried forward to continue implementation of the community projects for which funds were appropriated.

- xiv. For intra-SACU trade, collection of VAT receipt at border posts be enhanced** as officers responsible for collection of declaration receipt makes it difficult in a way for receipt holder to declare goods purchased outside the country.
- xv.** Various new revenues streams were identified which will assist community councils in mobilising revenue and they can only be implemented when the “by-laws” have been enacted.
- xvi. Government should revise strategy for nominating diplomats representing Lesotho in other countries,** rather than being political they should be nominated on merits.



# THE GOVERNMENT OF LESOTHO

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