



THE GOVERNMENT OF LESOTHO

THE MINISTRY OF FINANCE

*“Building a Resilient, Sustainable and innovative Economy:
Fiscal Consolidation amid COVID-19”*

CITIZEN’S GUIDE TO THE 2022/2023 BUDGET

2 MARCH 2022

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THROUGH

THE MINISTRY OF FINANCE

CITIZEN'S GUIDE TO THE 2022/2023 BUDGET

FOREWORD BY THE HONOURABLE
MINISTER OF FINANCE

This year's budget like that of last year is presented under the difficult shocks of world economic downturn brought about several factors like high oil prices and effects of COVID-19. The Kingdom is also expected to hold National and Local Government Elections in September 2022 and this comes with a huge cost for the Government of Lesotho. The resources used to finance the expenditures in the National Budget come from you, the people of Lesotho. For this reason, the Ministry of Finance has prepared, a Citizen's Guide to the Government's Budget for Financial Year 2022/2023. We believe that knowledge empowers, and the Government of Lesotho is interested in empowering all Basotho. As such,

we want the fundamentals of the National Budget to be understood by all. Furthermore, we seek to ensure that all segments of the Basotho population understand the expenditure programme that will be undertaken during the financial year beginning on April 1 to further advance the country's job creation along with persistence in addressing the Covid-19 and its effects. It is hoped that with this Citizen's Guide, each citizen of Lesotho will be able to identify with the efforts to improve the lives of all Basotho through its Programmes

Hon. Thabo Sophonia

Minister of Finance

INTRODUCTION

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Lesotho is still recovering from the curse of COVID-19. The budget speech presents a mix of policies that will set a firm foundation for shifting the development path to a sustainable one. Our efforts must focus on the promotion of private sector-led economic growth and job creation. We should also build resilient health systems, reduce vulnerability and maintain peace and security. Lastly, we must build institutions to improve service delivery, fight corruption and crime.

WHAT IS COVERED BY THE NATIONAL BUDGET?

The National Budget covers all of Government spending and revenues. It includes Ministries, Departments and Agencies as well as the State-Owned Enterprises which are financed by the Government and are expected to generate revenue for the Government. All these sectors are financed through the Budget of the Government of Lesotho to deliver goods and services to the public.

WHERE DOES THE MONEY COME FROM?

The 2022/23 Budget is financed through Government revenue, grants from Development Partners and external borrowing.

GOVERNMENT REVENUES

The overall target for Government revenue is M17,535,444,775 made up of tax revenue, non-tax revenue and SACU receipts.

DONOR GRANTS

These are monies given by development partners with no obligation to be repaid. For the 2022/23 fiscal year they are projected at M2,114,215,431.

EXTERNAL LOANS

These are monies coming from development partners with obligation to pay back with minimal interest. They are projected at M2,885,654,422 for the 2022/23 fiscal year.

HOW IS THE MONEY GOING TO BE USED?

The 2022/23 Budget is divided into two categories of expenditure: Recurrent and Capital Expenditure. There is also the Administration Account which is put aside for unforeseen incidents. The total Expenditure is targeted at M20,837,355,420.

RECURRENT EXPENDITURE

These are expenditure for day to day running of the Government such as payment of salaries and other obligations. For 2022/23 fiscal year the

recurrent expenditure amounts M13,773,524,603.

CAPITAL EXPENDITURE

These are expenditures for investments component of the budget such as roads construction and erections of structures like buildings. For 2022/23 fiscal year the capital expenditure amounts to M6,763,830,817.

ADMINISTRATION ACCOUNT

This is commonly known as Contingencies Fund and is Appropriated for unforeseen events. M300,000,000 is approved for 2022/23 fiscal year.

GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS IN 2021/2022:



Global economy is projected to slow to 4.4 percent in 2022 from 5.9 percent in 2021 before weakening further to 3.8 percent in 2023. Sub Saharan Africa is forecasted to grow at 3.7 percent in 2022 to 4 percent in 2023. However, high energy prices and elevated inflation are expected to carry along with them uncertainty in the medium-term global growth. Inflation

before expanding to 4 percent in 2023. However, high energy prices and elevated inflation are expected to carry along with them uncertainty in the medium-term global growth. Inflation prospects for 2022 have been revised upwards to 4.8 percent from 4.5 percent and is expected to be moderate at 4.5 percent in 2023. Domestic growth is expected to remain resistant at 2.3 percent before expanding to 2.5 percent in 2023/24.

BUDGET PERFORMANCE



The several waves of COVID-19 and heavy rains are expected to continue to weigh heavily on our economy. The economic contractions together with projected lesser SACU revenues have added weight on our external and fiscal positions. The current crisis has reaffirmed the need to steer the economy towards private sector-led growth and build economic resilience to deliver sustainable and inclusive development. The Lesotho Revenue Authority (LRA) maintained excellent performance in support of Government drive to provide services to our people. In the previous fiscal year, LRA collected M7.2 billion against the estimated M6.4 billion resulting in a surplus of M745 million. In the current fiscal year, tax revenue collection is projected to be M7.4 billion against the estimate of M6.6 billion, creating a tax revenue collection surplus of M702 million. This is a very pleasing trend against

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ECONOMIC GROWTH STRATEGY

The economic strategy during this coming fiscal year has the twin objectives of restoring economic activity and accelerating the pace of socio-economic transformation. This economic recovery will be achieved through boosting aggregate demand by restoring domestic consumption, renewing private and public investment, and enhancing export promotion. Our economic growth policy in the fiscal year 2022/23 and in future seeks to achieve the following broad objectives;

- Promoting macroeconomic sustainability, as key foundations for economic growth and development.

- Consolidate efforts to improve the investment climate.
- Enhance access to finance.
- Develop supporting infrastructure for growth, including digital transformation.
- Promote green economy.
- Promote employability of youth.
- Promoting peace and national security
- Mitigate the impact of COVID-19 pandemic.
- Promoting local products.
- Operationalisation of bureau of standards.
- Timely payment of government suppliers and clearance of domestic arrears.

SECTORAL ISSUES AND ALLOCATIONS FOR 2022/23

The Government of Lesotho total expenditure is estimated at M24.8 billion of which the recurrent expenditure is M18.1 billion and the capital expenditure is M6.8 billion.

Mining

The feasibility study of Artisan and Smallscale Mining (ASM) on localisation of diamond trading has been undertaken and 9 sites were found to have potential.



INVESTMENT PROMOTION

Trade and Industry

We need a productive private sector investment for increased exports and value chain. The blending approach is essential to finance massive investments needs of this country and M1.7 billion has been allocated towards this sector. The Ministry of Trade and Industry has developed the National Trade Policy Framework together with its requisite strategy, the National Export Strategy, both spanning for the period 2021-2025. The strategy is meant to strengthen capacities of producers and service providers in strategic export potential sectors.



The public will now be invited to apply for licensing following the approval of the Mines and Minerals act 2005 Amendment bill.



Agriculture and Food Security

As a way of addressing high inputs costs, the Government will continue to procure and subsidise agricultural inputs at the rate of 60:40 to farmers. In continuing to address households and national food insecurity and enhancing commercial agriculture for block farmers. The initiative will cover both winter and summer cropping season for 2022/23 agricultural year.

INFRASTRUCTURE SERVICES

Energy

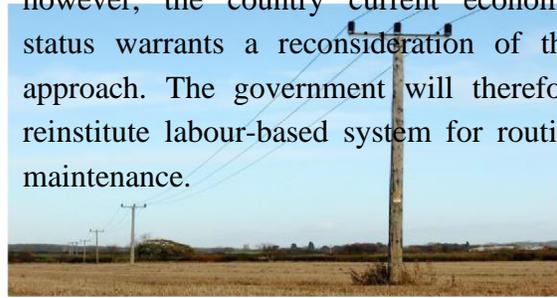
Adequate and well-maintained infrastructure will provide our country with strong economic stimulus that will assist in rebalancing our economic growth. M4.4 billion has been allocated to this sector. The Government has embarked on distributing electricity to the southern region of the country and will undertake the Environmental and Social Impact Assessment for construction of Ha Mofoka to Qacha's Nek 132KV line in the coming fiscal year.

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Roads

The Government has over the years engaged contractors for routine maintenance of roads; however, the country current economic status warrants a reconsideration of this approach. The government will therefore reinstitute labour-based system for routine maintenance.



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Transport

To comply with International Civil Aviation Organisation standards, Moshoeshoe I International Airport will be maintained. The rehabilitation works will resume in full swing in the coming fiscal year. This follows the engagement of a project management consulting firm to oversee all aspects of the project.

Water

The Government has a commitment of increasing access to drinking water to all Basotho both in rural and urban areas. The procurement of contractors to undertake construction of bulk water and distribution infrastructure under the Lesotho Lowland Water Development Project phase II will commence in the coming fiscal year. The project will supply water to Hlotse, Hlotse, Maputsoe, Mafeteng and Mofale's Hoek, and villages around the pipeline routes.



HUMAN AND SOCIAL DEVELOPMENT

Social Development

The success of every country is likened to the wellbeing of its citizens. The Government is thus committed to invest in every Mosotho to unleash their full potential. M7.2 billion has been allocated to this sector. The long-awaited Persons with Disability Equity Act, 2021 has since been enacted and the first disability grants to the severely disabled and poor citizens were paid in February 2022.



Education and Training

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This academic year has been the most challenging due to COVID-19 where a lot of children dropped out of schools due to loss of income of their parents and guardians. Global Partnership for Education (GPE) through UNICEF sponsored more than 3 500 students as part of COVID -19 relief. The Government therefore plans to increase the number of supported children through Orphan and Vulnerable Children Bursary Scheme to 28 000 in 2022 academic year.

Health

The construction of Maseru district hospital which commenced in 2021/22 is progressing well. Its completion will relief congestion at Queen Mamohato Memorial Hospital (QMMH) and other health centres around Maseru. The Government is also looking at various hospital management options to run QMMH effectively and efficiently.

GOVERNANCE, RULE OF LAW AND SECURITY

Rule of law is a corner stone for a secure and stable country. The Government is tirelessly working hard to ensure that every Mosotho is treated fairly and enjoys equal privileges. The Government will further continue to protect the country and its people against all forms of threats and injustice. This sector has been allocated M2.7 billion to this effect.

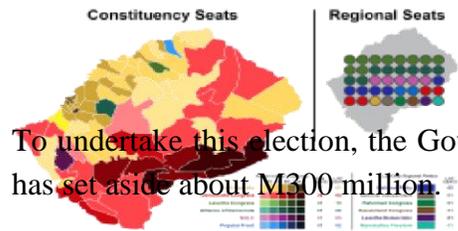
Human Trafficking

National Strategic Framework and Action Plan to Combat Trafficking in Persons (NSFAP), 2021-2026 has been endorsed and is ready for implementation. Subsequently the country has been upgraded from Tier 3, the junk status, to Tier 2, the watch list.



Elections

As a pre-condition for free and fair elections, the Independent Electoral Commission is in the process of executing all its key electoral activities in preparation for 2022 National Assembly and Local Government elections. To undertake this election, the Government has set aside about M300 million.



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Public Safety

To combat crime, the Government in collaboration with Vodacom Lesotho has launched a toll-free number 112 “MOKHOSI” to report incidences of serious crime in villages to the nearest Police Stations. The aim is to assist the Police in prevention, detention and swiftly attend to crime incidences.



Reform Agenda

The comprehensive national reforms process is firmly on course and there is no turning back; and notable progress is clearly visible. An excess of draft bills, policies and an omnibus Constitutional Bill have been produced and tabled before Parliament.



PUBLIC FINANCE REFORMS

The Government will also undertake Public

Finance Reforms by implementing GenderResponsive Budgeting (GBR) by piloting with four social sector ministries: Ministries of Health, of Education and Training, of Social Development and of Gender and Youth, Sports and Recreation.

Pension

The Government is also aware of the challenges surrounding the pension schemes. In the coming fiscal year, we commit to embark on reforms on pension schemes to address the discrepancies.

- Tobacco and Alcoholic Products Levy Bill 2020
- Tax Administration Bill
- Lesotho Revenue Authority ((LRA) Amendment Bill
- Harmonisation Bill - as one of the conditions precedents for Compact II coming into force.
- The proposed policy proposals for 2022/23 fiscal year are: Salaries and Wages to be adjusted by 5 percent across the board
- Tax credit to be adjusted upwards from M10,080 to M10,560
- Old Age pension be increased by M50 to M850 per month

NEW POLICY PROPOSALS FOR 2022/23 BUDGET

The 2022/23 Budget will be fully realised if the following legal frameworks are passed before the dissolution of the 10th Parliament.

These are:

- Value Added Tax (VAT) Amendment Bill
- Income Tax Amendment Bill
- Tobacco and Alcoholic Products Levy Bill 2020
- Tax Administration Bill



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