



THE GOVERNMENT OF LESOTHO

THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

CITIZEN`S GUIDE TO THE 2023/2024 BUDGET

"From Reconstruction and Recovery to Growth and
Resilience"

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**FOREWORD BY THE HONOURABLE
MINISTER OF FINANCE AND
DEVELOPMENT PLANNING**

The budget estimates tabled set the foundation for reconstruction, and recovery of the Government economy while consolidating growth and building resilience.

In preparing this budget, Government had to strive to balance allocations for effective service delivery and public investment spending that boosts the private sector to generate meaningful growth. In this budget, Government had to strive to balance allocations for effective service delivery and public investment spending that boosts the private sector to generate meaningful growth.

Overriding objective of this budget is to accelerate inclusive, employment generating and poverty reducing economic growth. It is therefore of utmost importance to recalibrate institutional setting governance, policies, expenditure and accountability frameworks to align with this policy direction, securing social stability in the context of an economy that is not growing or regressing is almost impossible.

There's reverse causality between growth of the economy and the commonly known and cited pillars of a stable democracy, namely a functional and efficient judiciary, an executive that implements laws and programs efficiently and an oversight body that performs its role effectively.

Government of Lesotho's key priority is to secure inclusive and sustainable growth by focusing on food self-sufficiency through improved productivity in agriculture, aggressive industrialization and building of value chains, rehabilitation and building of key infrastructure that supports the private sector to thrive, improving our beneficiation in the extractive industries and in the exploitation of all our natural resources.

Our success requires that we uproot corruption and embezzlement of public funds in all its forms, instituting national reforms that will secure us peace and stability and exercising zero tolerance.

Macroeconomic stability, growth and equitable distribution of resources can be attained even within the difficult context that we are in if we give ourselves an opportunity to earnestly work at it.

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.



MACROECONOMIC TRENDS AND OUTLOOK

The global and regional economic environment continues to be bullish. Geopolitical tensions and ecological changes are taking a toll on global economic growth. COVID 19 has still not ended. But the world has quickly adjusted to a new normal of living with it.

A combination of the intensity of climate change and the conflict between Russia and Ukraine has introduced new twists to the global challenges. Food and energy prices soared during the FY2023/24.

This has prompted Central Banks to resort to monetary policy tightening across the globe. Amid these volatile conditions, recent data released by the IMF indicate that growth for 2022 is estimated at 3.4 percent. Global growth is projected to fall to 2.9 percent in 2023 before rising to 3.1 in 2024.

GOVERNMENT REVENUES

The overall target for Government revenue is **M25.1 billion** made up of tax revenue, non-tax revenue, SACU receipts and grants.

RECURRENT EXPENDITURE

These are expenditure for day to day running of the Government such as payment of salaries and other obligations. For 2023/24 fiscal year the recurrent expenditure amounts **M20.3billion** including debt service.

CAPITAL EXPENDITURE

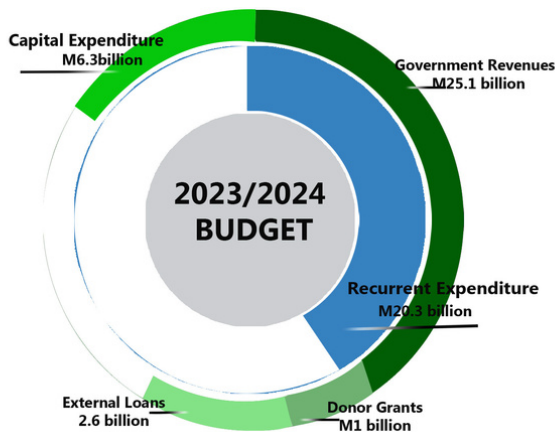
These are expenditures for investments component of the budget such as roads construction and erections of structures like buildings. For 2023/24 fiscal year the capital expenditure amounts to **M6 323 431 990**.

DONOR GRANTS

These are monies given by development partners with no obligation to be repaid. For the 2023/24 fiscal year they are projected at **M1 025 668 772**.

EXTERNAL LOANS

These are monies coming from development partners with obligation to pay back with minimal interest. They are projected at **M2 607 217 244** for the 2023/24 fiscal year.



DEBT DEVELOPMENTS

Total Government debt at the end of January 2023 stood at **M22 billion** which is an increase of **M3 billion** from the previous financial year. Domestic debt stock stands at **M4.3 billion** and accounts for 19.4 percent of total public debt stock. Foreign currency denominated debt stands at **M17.7 billion**, accounting for 77.7 percent of total debt.

During FY23/24, Government contracted new debt of **M873.6** from the domestic money and capital markets. This represented a shortage of **M826.4 million** compared to a planned **M1.7 billion**. Borrowing from external sources exclusively for capital expenditure added **M914.3 million** to debt stock in FY22/23.

A further **M2 billion** (13.2 percent of total debt) increase is attributable to exchange rate losses. Debt service for FY22/23 is expected to reach **M2.5 billion** and budgeted to further increase to **M3.1 billion** in FY23/24 fiscal year. In accordance with our Debt Sustainability Analysis Framework, overall risk of debt distress is assessed to be moderate with reasonable space to absorb shocks.

ADMINISTRATION ACCOUNT

This is commonly known as Contingencies Fund and is Appropriated for unforeseen events. **M300,000,000** is approved for 2023/24 fiscal year.

ARREARS AND CASH MANAGEMENT

The creation and accumulation of arrears is a reflection of serious fiscal mismanagement. It is reflective of weaknesses in the internal control environment of the system and deficiencies in the public financial management framework, loopholes in the systems and inefficiencies in management. These cannot be allowed to go on and must be stopped forthwith. Accumulation of arrears jeopardizes continuity of business, undermines the overall credibility of the budget, renders the accounting system, fiscal reporting and accountability dysfunctional.

Arrears signifies the collapse of systems that make up a proper and efficient system of governance. amongst others, the practice of procurement outside of the established system and policies is a situation that cannot be sustained and must stop forthwith.

The established system does not allow payments for mis-procured goods and services, and certainly such will neither be considered nor accommodated for payment. The potency and impact of fiscal policy has for years now been compromised by this malpractice and misconduct that has been left to prevail unabated for too long. And today, as a nation, we are paying a heavy price of living in the squalor of an underdeveloped economy that is not only growing but regressing.

ARREARS

We are faced with a mammoth task of restoring the integrity of public financial management and pursuing macroeconomic stability. The reconstruction and restoration of macroeconomic stability is not cheap and is going to cost us dearly. But it is a cost and work that we must face with bravery, determination and absolute resolve to restore the integrity of the only policy that we currently have at hand to save us.

In recognition of this challenge, the Ministry of Finance and Development Planning has developed a strategy to manage arrears in the coming fiscal year. The strategy aims to manage arrears in a structured manner and enhance expenditure controls and budget reliability among others, avoiding the accumulation and creation of new arrears.

The strategy will deal with the underlying causes of occurrence and accumulation including impact of arrears to the economy. It includes a roadmap to clear existing stock and move towards elimination of arrears. The strategy will be used by all Ministries, Departments, Agencies, Local Governments, Public Corporations and State Enterprises.

In an effort to enhance cash management activities government established a Treasury Single Account which enhances proper cash management and is set to link bank accounts through which the Government transacts with a consolidated view of its cash position. It is also expected to improve financial reporting.

ECONOMIC GROWTH STRATEGY FOR 2023/2024

The economic strategy for this FY23/24 focuses on;

Economic Reconstruction and Recovery

This is to be achieved through structural transformation and sizable investments into the following productive sectors: agriculture, industries that build valued chains to produce jobs, the extractive sector with the aim to enhance beneficiation of Basotho in the exploitation of our natural resources, reconstruction of infrastructure and building of new infrastructure.

Economic Transformation and Diversification

Central to economic transformation and economic diversification are a competitive investment climate, peace and stability, mobilization and efficient intermediation of savings, technology development and adoption, investments in infrastructure that enables business development, a competent and competitive labour force.

Restoration of Macro-fiscal stability and consolidation of public financial management reforms to entrench fiscal discipline. Efficient use of resources and improved controls and accountability.

Build Systems and Enhance Capacity

The Government will build systems and enhance capacity of relevant institutions to fight economic crimes, especially corruption, money laundering and close any potential conduits for terrorism financing, focus on enhancing productivity, promoting diversification and value chain development through use of improved technology.

Increase Production

In the same vein the Government of Lesotho shall facilitate the increased production of meats (poultry, beef and pork) as well as eggs, fish and milk by farmers to satisfy local demand and processing for export.

The Government of Lesotho shall up-scale its production of green and renewable energy (through increased capacity of generation of solar, wind and hydropower) with the view to be self-sufficient in energy and export by participation in the regional power pool. In this regard, maintenance of the 'Muela infrastructure is key to facilitating energy access. Government shall continue to invest in water conservation and catchment management, and management of pollution and the environment at large.

Tourism

Tourism and hospitality remain a critical growth sector whose potential is yet to be tapped fully.

ICT Infrastructure Development

ICT infrastructure development shall be aligned with e-government priorities, opportunities in e-commerce and provision of efficient services.

Development programmes underpinning the ability of young people to access and create good quality jobs, continual investment in health in particular sustained funding for prevention and treatment of HIV/AIDS, and gender inequalities.

FISCAL STRATEGY FOR THE MEDIUM TERM (FY23/24-FY25/26)

The medium-term fiscal strategy aims at reinforcing long term fiscal sustainability and providing sufficient buffers to guard against domestic and external shocks and imbalances. It also helps to make it easier for the private sector to secure financing for large investment projects from multilateral institutions as it improves the credit rating of a sovereign. In pursuit of macro-fiscal stability, the government shall work hard over the medium term to reduce Lesotho's dependence on volatile SACU receipts by working towards a state where recurrent expenditures can be covered by tax and non-tax revenues.

Key measures that will be implemented to achieve this outcome include:

- Maintaining reserves of not less than 4.5 months of import cover as a buffer against both external and fiscal shocks.
- Reducing high and unsustainable level of recurrent spending.
- Reduction in the wage bill through restructuring of the public service and consolidation of ministries to remain with sufficient numbers of staff.

- Improved collection of domestic non-tax revenues.
- Mobilizing additional resources, especially grants to finance public investments and crowding-in private investment.
- Institute measures to improve tax efficiency.
- Outsourcing some of the services that government currently provides to the private sector for efficiency.
- Review some of the fees and charges for services to reflect the cost of such services.
- Use of subsidies programs that are target to relevant groups.

REVENUE STRATEGY

Tax Reform Legislation



Ministry of Finance and
Development Planning



Revenue Services
Lesotho

Ministry of Finance and Development Planning and Revenue Services Lesotho (RSL) will ask the Parliament for the enactment tax reform legislation aimed at addressing areas of tax collection leakages.

In this regard, the Income Tax Amendment Bill and the Tax Administration Bill remain priorities.

The Kingdom of Lesotho and the United Arab Emirates have concluded negotiations and are soon expected to sign a Double Taxation Agreement (DTA) during 2023/24.



Double Taxation Agreement

Integrated revenue management system and cashless collection of revenue will be implemented in FY23/24 to ensure that government moneys are protected from leakages. Non- tax revenues will be collected through the IFMIS system that will issue digital receipts.

In order to minimise cash handling, the government shall utilise cashless collections through Mobile Network Operators and the banks using all avenues that will eliminate cash handling and promote accountability. A pilot of six ministries is already in operation on computerised receipting of the revenue.

EXPENDITURE STRATEGIES

- It is crucial to improve budget implementation, monitoring and outcomes while managing and mitigating risks to the realization of desired results. In this initiative, implementation plans, and management accounts will be reviewed regularly to ensure accountability, transparency and efficiency.
- This framework of governance is a requirement for all ministries and public institutions to engender a culture of accountability and delivery of desired outcomes.
- Payroll control will require that it be mandatory that personnel database and payroll records be linked, regularly updated, and reconciled.
- Payroll audits shall be undertaken regularly to identify weaknesses in the control system.
- Verification of the goods and/or services delivered by a supplier to ensure that they conform to the specified quality and quantity at affordable prices.

FISCAL POLICY POSITION

The overall revenue target is estimated at **M25.1 billion**, of which, SACU revenue is **M10,1 billion**, tax revenue; **M10.9 billion**, non-tax revenue of **M2.8 billion** and grants at **M1.2 billion**. At this level, total revenue is percent over the 2022/23 revenue estimated outturn.

The proposed total expenditure is **M24.1 billion** of which recurrent budget is **M17.8 million** and capital budget is **M6.3 million**. The overall 2023/24 budget proposals have increased by 6.7 percent over the 2022/23 budget. Much of the 6.7 percent increase however is attributed to contractual obligations, such as rent, transfers and foreign exchange fluctuations.

The proposed revenue and expenditure allocations for 2023/24 are projected to result in a fiscal surplus of approximately **M1.0 billion** or 2.5 percent of GDP. The fiscal surplus is due to the higher SACU receipts expected in 2023/24 by 25.4 percent of GDP.

SECTORAL ISSUES AND ALLOCATIONS FOR 2023/2024

Inclusive and Sustainable Economic Growth and Private Sector-Led Job Creation.

This is a critical aspect of any country's development strategy. It is characterized by an economy that grows in a manner that benefits all members of society, A key driver of such growth is private sector-led job creation and livelihood opportunities by businesses and enterprises.

The tourism sector has been identified as one of the priority sectors that will enhance sustainable and inclusive economic growth and private sector job creation. Plans for the sector that this budget will address are related to investment promotion and marketing Lesotho as a preferred tourism destination in order to stimulate recovery as the sector was hard hit by the COVID 19 pandemic.

The new investments include construction of additional facilities by Semonkong Operator to enhance adventure activities for purposes of improving engagement of tourists, thus improve experience, tourist spent and overnight stays.

Government together with the World Bank will launch an initiative that aims to boost the availability of financial products and business support services, primarily for small and medium-sized enterprises (**MSMEs**) and entrepreneurs, with a particular focus on women and youth. The two priority value chains targeted by this initiative are horticulture and the textile and clothing industry.

HUMAN AND SOCIAL DEVELOPMENT

The Government is continuing its mission to provide efficient health care systems by improving access to basic primary healthcare services. Due to COVID-19 pandemic, communicable and non-communicable diseases had been neglected, therefore, Government will take corrective measures to fight and treat these diseases. The country has also made enormous progress in the fight against HIV/AIDS. It has surpassed the UNAIDS 90-90-90 and has exceeded the second and third 90 targets, achieving 90-97-92.

This budget proposes **M3.2 billion** for financing health sector programmes. This will allow deployment of the health work force in critical areas, procurement of critical equipment in hospitals, and implementation of disease prevention programmes. The planned works will also proceed for the cancer centre.



The development of three new programs, namely, Air Conditioning and Refrigeration, Paramedics and Private Security, with support from the industry will be offered by Vocational centres in the country.

The Government will continue to support Free Primary Education Program, and as such **M238 million** has been set aside for this purpose. In addition, **M2.5 billion** has been set aside to finance other educational programmes in basic and higher education. with regards to social vulnerability, **M1.1 billion** has been set aside to take care of our most vulnerable citizens.

INFRASTRUCTURE DEVELOPMENT



Government is committed to improving infrastructure, which will also support growth and employment creation. **M3.2 billion** has been proposed to cater for infrastructure programmes.

Towards roads and bridges construction, rehabilitation and upgrading, the government has set aside **M1.4 billion** in the following districts:

Maseru district

- the bridge across Koro-Koro River on Mahlabatheng to Ha Mofoka Road will be constructed.
- Moshoeshoe road, Kofi Annan road and St. Michaels to Roma road Lepeli to Thakeli, Maliele- Mpele will be rehabilitated.

Mafeteng district

- Tsoaing bridge on Motsekuoa to Mantšeli Road will be rebuilt.

Mohale's Hoek district

- the Tsoaloane to Ha Khitsane via Liphiring road will be constructed.
- More bridges will be built in Mokhasi-Luka, Ramosothoana-Ralimpe, Sefateng-Baruting, Ntlhasinye-Makhetheng, Ntja-Jobo, Thaba-Ntšō -Moiketsi.

Quthing district

- The Pali-Leihloana, Malibeng-'Mone, Pulane-Sekokoaneng roads will be attended to.

Thaba-Tseka district

- A dilapidated road between Kou and 'Matau will be restored.
- The government will mobilise resources for the construction of the 60 km road between Katse and Thaba-Tseka and another road joining the districts of Thaba-Tseka and Mokhotlong.

Leribe district

- Rehabilitation of the road between 'Malesaoana and Butha-Buthe will resume to recover the already deteriorated pavement structure.
- The connectivity between Hlotse and Pitseng will be restored through the construction of Sebothoane and Khanyane culverts .
- Road construction between Mositi and Mpeako.

Berea district

- Construction of Kepi-Telukhunoana road.

Mokhotlong district

- The construction of Nyokololi-Tiping road.

Construction and renovation of Mantšonyane and Mashai police posts, Makeoane Community Council and Phamong Principal Chief's office will also continue. **M393 million** has also set aside for completion of the long-standing construction of the Royal Palace and the Senate Chambers.

For new investments, **M150 million** has been set aside for construction of bus terminals across the country.

Under the Lesotho Lowlands Water Development Project (Phase II), the construction process of bulk water supply and distribution infrastructure to Hlotse and Maputsoe; and villages around the pipeline routes is on going. Furthermore, the Phase III of the Project will concentrate on supplying water to Butha-Buthe including Belo Industrial Park and parts of Leribe. For 2023/24 Fiscal year **M1.2 billion** has been set aside for water sector.

The energy sector has been allocated **M462.1 million** for soil conservation at Ramarothola solar project site, Lesotho Renewable Energy and Energy Access project as well as Rural Electrification Programme.

GOVERNANCE AND ACCOUNTABILITY

Good governance is essential for creating a stable and predictable environment that fosters economic growth, social progress, and the protection of human rights. This sector



has been allocated **M5.7 billion** to finance programmes under justice and law, planning and public finance management, security sector and others. **M214.6 million** has been reserved for local elections in this budget.

Ministry of Finance and Development Planning will work with Ministry of Foreign Affairs to effectively promote Regional and global integration and mobilise development finance.

In partnership with European Union and World Vision, the Government has embarked on a journey to improve children's court to an internationally accepted child friendly environment. Four districts of Maseru, Berea, Leribe and Mohale's Hoek have been earmarked for this project.

CROSS CUTTING ISSUES – POVERTY, GENDER, ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

Natural disasters characterised by strong winds, unpredictable and heavy rainfalls, that have destroyed the national infrastructure, particularly roads, is clear evidence that Lesotho is highly vulnerable to climate change.

In the same manner, climate change has adversely contributed towards environmental degradation and biodiversity loss hence the Government has decided to bring together all Departments responsible for environmental protection under one roof. The government will not only protect the environment but will achieve this through jobs and revenue generating initiatives as well provision of meteorological services to support timely preparatory response initiatives against natural disasters associated with climate change. **M226.6 million** has been set aside for environment and climate change issues.

To ensure protection of environment, government will avail funds to finance environmental programmes through establishment of plastic levy. This endeavour will not only generate revenue but will discourage all forms of pollution.

Counter Domestic Violence Act 2022 and the Harmonization of the Rights of Customary Widows with the Legal Capacity of Married Persons Act 2022 will be translated into Sesotho. Since gender equality it's a cross cutting issue government sector will be supported to mainstream gender equality into their development plans and programmes through gender audit studies and gender responsive budgetin

POLICY ADJUSTMENTS

- Salaries and wages have been adjusted by 2.5 percent across-the-board to preserve the take home pay.
- Tax credit be adjusted upwards from **M880** to **M902** per month. An adjustment of the minimum annual taxable income from **M5,620** to **M5,760** per month.
- Old Age Pension, LLA and APC will be increased by **M50** to **M900** from **M850** per month.
- Child Grants is increased from **M120** to **M200** per month.
- Disability Grants is adjusted from **M400** to **M600** per month.
- The number of Orphans and Vulnerable Children (OVCs) receiving bursary will be increased from 26,400 to 36,000.

Citizen's Guide

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