



CITIZEN'S GUIDE TO THE 2017/18 BUDGET

04/08/2017

**“Pursuing Fiscal Sustainability within
the Context of Political Instability and
Insecurity”**



MINISTRY OF FINANCE

FOREWARD BY THE HONOURABLE MINISTER OF FINANCE

It is my pleasure to welcome you to Lesotho's citizen guide of the National Budget for the fiscal year 2017/2018. This time again, the Citizen Guide is being published to help you, the Citizens of Lesotho to understand the budget process in order to increase your awareness and ownership of Government programmes planned for the citizens. This marks the second year the Ministry of Finance provides the public with a user-friendly overview of the National Budget. It is our responsibility to explain to the citizens how we intend to raise and spend public resources.

The National Budget is a tool through which Government policies are translated into action. Our goal in providing this budget guide is to help citizens understand how the budget is articulated and managed. This makes the budget a more open, transparent and accessible document, enabling citizens to have a better understanding of the budget process and eventually be in a better position to influence, monitor and assess the effectiveness of Government's policies. The budget citizens' guide outlines general issues regarding the National Budget, the priorities for the fiscal year 2017/2018 and the role and importance of citizen's participation in the budget process.

This budget has been prepared under the difficult environment which require us to pursuing fiscal sustainability within the context of political instability and insecurity in the medium to long term. But this desperately requires concerted and strategic leadership and effective institutions across the whole spectrum of the nation.

The fiscal year 2016/2017 represented the last year of National Strategic Development Plan (NSDP) and this budget's spending for 2017/2018 will also be devoted to developing the new NDSP.

At this point, let me thank everyone for their contribution during both planning and budgeting consultations. These dialogues have been highlighted as a tool that will help us achieve our objectives as we prioritise better our scarce resources. There is no reason therefore as to why we cannot continue to succeed despite the fact that we shall have to intensify our efforts to dealing with weaker global economy, declining donor aid flows and rising wage bill. It is my sincere hope that this guide will enhance public awareness of the budgeting process and promote citizen participation and ownership of Government programmes. This will ensure that Government plans and budgets are implemented in line with the will of its citizens and help to improve their livelihood. To this end, I call upon all citizens to continue to participate in this process going forward.

Dr Moeketsi Majoro

Minister of Finance

INTRODUCTION

This is another edition of Citizens' Budget which explains the Government budget for year 2017/18 in a simplified manner. The term Government budget means the annual estimates of the revenues, other receipts and the expenditures of the Government (including grants to local authorities) submitted for Parliamentary approval within a given period. These estimates aim at implementing policy decisions made by Government to achieve a set of macroeconomic objectives. Budget is more than just numbers. It reflects the Government's policy priorities, ultimately, are about delivering better services to the people and improving their livelihood. In order for this budget to achieve the above, it is aligned to: The Vision 2020; Sustainable Development Goals (SDGs); and the extended Strategic National Development Goals (NSDP).

WHAT IS THE NATIONAL BUDGET?

The National Budget is a plan of income and expenditure running over a period of 12 months, from 1st April, to 31st March. Through the budget, Government plans how much revenues it will raise and how the resources will be distributed among different programmes and agencies. In the budget, Government shows how revenues from taxpayers, grants and loans will be used. The focus is on key priorities from different sectors like Economic Growth, Agriculture, Education, Health, Infrastructure and Social Protection. National Budget is prepared based on national and global economic perspective. It is influenced by the nation's economy and the way it is prepared and executed affects the economic performance of the country. For example; when the economy is doing poorly, people are earning less and unemployment is high. In this atmosphere, revenues decrease and budget deficit grows.

HOW BIG IS THE NATIONAL BUDGET?

Total Expenditure Estimates for 2017/2018 amount to M18,709.3 million, representing an increase of 7 percent over 2016/2017 budget of M17,423.8 million. The Total Recurrent Expenditure Estimates has increased by 9 percent, while Public Debt has increased by 15 percent from M867.0 million in 2016/2017 to M995.7 million in 2017/2018. The Capital Expenditure Estimates have increased by 3 percent from M5,064.7 million in 2016/2017 to M5,202.6 million in 2017/2018 against an increase of 7 percent of the Recurrent Expenditure Estimates. This is due to a decline in GOL financing, donor grants and loans.

The Budget Estimates for 2017/2018	2016/2017	2017/2018	% Change
Withdrawal from the Consolidated Fund	17 423.8	18 709.3	7%
Total Recurrent Expenditure	12 359.1	13 506.7	9%
· Recurrent Expenditure	9 865.2	10 643.6	8%
· Statutory Expenditure	1 526.9	1 767.4	16%
· Principal Repayment	544.3	638.6	17%
· Interest on Public Debt	322.6	357.2	11%
· Administration Account	100.0	100.0	0%
Capital Expenditure	5 064.7	5 202.6	3%
Financing	15 473.9	16 774.3	8%
· Government Revenue	13 370.8	14 994.8	12%
· Donor Grants	1 169.5	1 072.2	-8%
· External Loans	933.6	707.3	-24%
The Estimated Resources Gap	-1 949.9	-1 935.0	-1%

HOW IS THE BUDGET FINANCED?

Before any Government can decide how and where to spend money, it must first determine what resources will be available to spend in the coming year. The country's revenues are constituted by domestic, and external resources.

DOMESTIC RESOURCES

The overall target is estimated at M14,994.8 million, of which, SACU is M6,154.2 million, tax revenue is M7,604.3 million and non-tax revenue is M1,236.3 million. This is an overall revenue increase of 12 percent over the 2016/2017 target of M13,370.8 million.

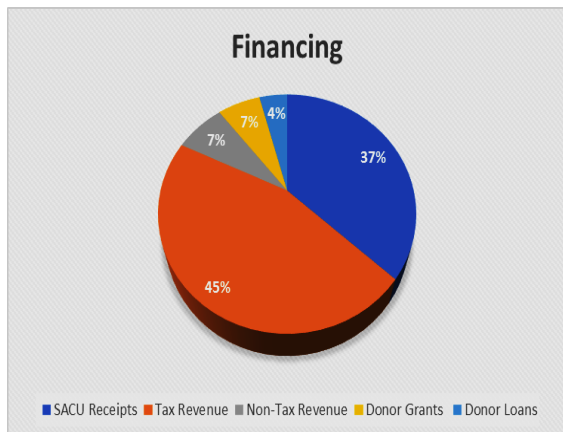
EXTERNAL GRANTS:

These are monies given by development partners with no requirement to be repaid. For the 2017/2018 Budget, they are projected at M1,072.2 million which demonstrates a decrease of 8% compared to 2016/2017 external grants.

EXTERNAL LOANS:

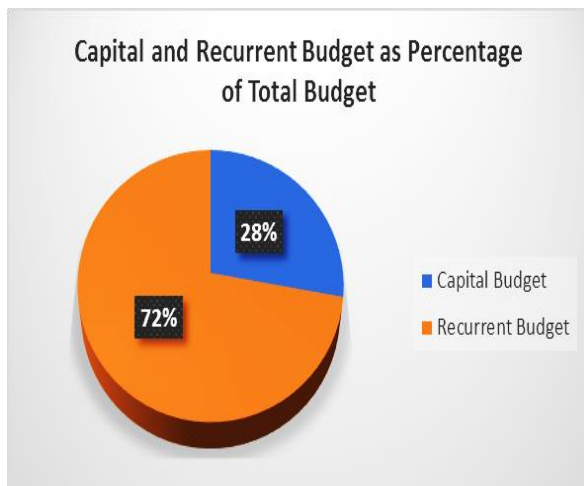
These are funds lent from foreign Governments and International Organisations with Government obligation to pay back. For the 2017/2018 Budget, external loans are projected at M707.3 million, which demonstrates a decrease of

24% compared to 2016/2017 external borrowing.

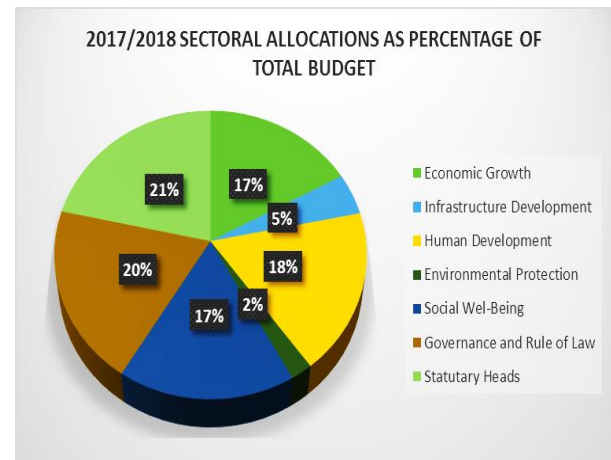


BREAKDOWN OF EXPENSES

The resources are allocated to different sectors of the economy - health, agriculture, infrastructure, education, and others. Line Ministries, Local Authorities and Districts have the responsibility to spend this money in line with the law on activities which will help the country achieve its objectives effectively.



HOW THE MONEY IS PLANNED TO BE SPENT?



In the pursuit of its mandate and objectives, the Ministry of Trade and Industry will undertake a number of activities, such as, trade and market access facilitation, development of industrial infrastructure, and the establishment of effective national standards and quality infrastructure, in order to create an enabling environment for business and private sector development.



The budget has proposed M194.8 million for this Ministry.

Government aims at making the Micro, Small and Medium Enterprises (MSMEs) sector the pillar of the economy. This budget will be used to promote the establishment of Cooperatives and MSMEs so as to provide jobs for youth, women and other vulnerable groups, and curb the prevailing poverty and unemployment. To this extent M112.0

million is allocated towards the construction of Market Centres, Silos and Slaughter Houses as well as refurbishment of the BEDCO Estates and the Lesotho Cooperatives College.

The contribution of tourism to economic growth globally is continuing to rise, backed by a strong demand from international travellers, particularly those from emerging markets. The potential of a well-developed tourism industry for Lesotho is near-limitless in terms of attracting foreign exchange and its overall contribution to the country's economic development. Lesotho is fortunate to possess a wealth of touristic assets, such as outstanding natural beauty, a mountainous landscape that averages way above sea level, a high-altitude facility, and a unique cultural identity, to mention but a few. These factors greatly enhance its competitive edge in the international tourism industry, and make the tourism sector in Lesotho very ripe for investment. Therefore, the sum of M220.8 million is proposed for the Ministry of Tourism, Environment and Culture.



In this advent of changing climate conditions, the Ministry of Agriculture and Food Security, through strategic partnerships, is continually developing and assisting the farming community to use recommended climate change adaptation strategies. The ministry continues to support all efforts made by our local farmers by providing enhanced extension services, and agricultural inputs subsidies, amongst other things. This budget proposes M483.4 million for the Ministry of Agriculture and Food Security.





The Ministry of Water intends to complete the review of the Water and Sanitation Policy of 2007 and the Water Act of 2008 in 2017/2018. The Ministry also continues to prioritise integrated catchment management for insuring the sustainability of water and reduction of soil erosion. Government continues to support the construction of water supply and sanitation facilities in the urban and rural areas. These include Tsikoane Water Supply and Sanitation Scheme, Metolong Dam project, Katse-Matsoku-Lejone Water Supply and Sanitation project. Therefore, the sum of M892.3 million is given to this Ministry.



This budget also proposes an allocation of M316.0 million to the Energy Sector. With the change in life style and extinction of other sources of energy which were previously relied on, it has become evident that the need for electrification even in the remote/and rural areas is essential. Therefore, the Government continues rural electrification programme budgeted at M120.0 million, and Northern Districts Electrification budgeted at M86.5 million.



Infrastructure Development: The Road infrastructure is the backbone of the economy in that it facilitates access to service delivery centres and enhances socio-economic development. Therefore, this budget proposes M916.0 million towards the construction of roads and bridges, through the Ministries of Public Works and Transport and of Local Government and Chieftainship.



In the 2017/2018 financial year, 330 kilometres of rural roads and 20.3 kilometres of urban roads will be constructed. Furthermore, Government will continue with the construction of footbridges, Leshoele-Mathokoane road, Likalaneng-Thaba-Tseka Upgrading road, among others.

The Government is committed to ensuring a healthy nation through immunisation campaigns, health education, the fight against both communicable and non-communicable diseases, and the development of human resources for health,

among other things. Let us be reminded that Lesotho is ranked second in the world with an HIV prevalence rate of 25 percent. The Government, through the Ministry of Health, and supported by Development Partners, launched the Test and Treat guidelines for HIV throughout the Country. It is worth noting that Lesotho is the first country in sub-Saharan Africa to implement these new guidelines, which recommend that Anti-Retroviral Treatment (ART) be administered to all persons who test positive for HIV, as soon as possible after diagnosis, regardless of their CD4 status and clinical stage. The Ministry has also increased the treatment sites from 116 to 120, rolled out the community Art Group Model, and initiated a multi-month drug supply.



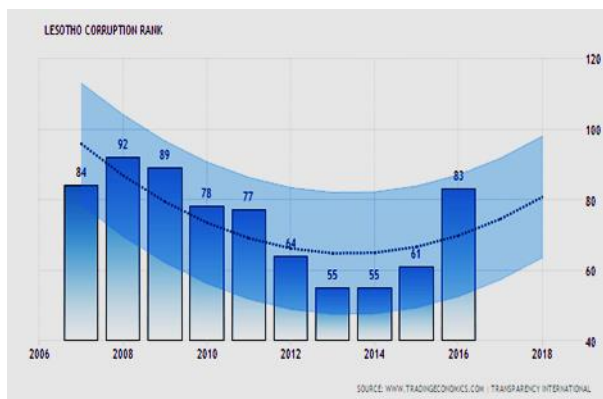
The Education Sector continues to be confronted with challenges relating to issues of quality at the basic education level, as well as limited classrooms to absorb the increasing entrants into the education system.

On the question of the quality of education at the basic level, funds will be dedicated towards the intensification of school inspections in order to provide support to teachers and to the schools' leadership. The target for the coming financial year is to improve the schools' inspections, by visiting all the 341 secondary schools and 1478 primary schools. Besides quality, inspections will also focus on ensuring compliance with Government policies on school feeding, ECCD provision, inclusiveness of education

and payment of the Government levy. M 2,320.1 million is proposed for this Ministry on the recurrent budget.



Good Governance, rule of law and the fight against corruption are the cornerstones of any progressive society. Corruption remains a serious challenge to development not only in Lesotho, but globally as well. In the past two years, Government invested in strengthening the capacity of the Directorate on Corruption and Economic Offences (DCEO) in forensic investigation and information technology infrastructure as well as refurbishing the DCEO Offices. The Directorate stepped up its effort in the fight against corruption by engaging a multi-sectoral approach through the National Anti-Corruption Strategy and Action Plan. Asset forfeiture has been introduced as a strategy towards ensuring that crime does not pay. Arrangements are at an advanced stage for the declaration of assets by public officials and it is hoped that the Members of Parliament will file their declarations before the end of September, 2017. DCEO's is increased by nearly 40 percent to help it have some teeth. Government will also continue with the Public Financial Management Reforms to ensure that financial resources allocated each year make a difference in the delivery of public services and the livelihoods of the citizens.



PROVIDING SOCIAL SUPPORT FOR THE DESTITUTE AND THE POOR

With regard to social well-being, the National Social Protection Strategy identifies the Child Grant Programme (CGP) as a flagship programme to alleviate poverty and increase investment in the health and education of orphans and other vulnerable children. Currently Child Grant Programme (CGP) covers 36 out of 67 community councils. But this year, with assistance from The World Bank, the Ministry of Social Development will expand this programme to cover all the community councils in the Country.

Social Protection			
	2016/17	2017/18	% Change
Old Age Pension	580	700	21%
Child Grant Programme (CGP)	1710	2140	25%
Total	2290	2840	46%

ADDITIONAL EXPENDITURE MEASURES

As part of reducing expenditure, Government has taken a decision to implement the following measures:

- Ministers and equivalent ranks will no longer fly first class;

- Ministers will no longer travel for more than 7 days;
- Ministers must reduce their delegations to international meetings;
- Ministers utility cars will be downgraded;
- Government will enter into framework contracts with potential suppliers at lower negotiated prices;
- Government will improve its payment record with PSs being surcharged for each late payment;
- Government will establish an independent mechanism for reviewing salaries and benefits of political posts;
- Government will also establish a mechanism to review remuneration in state owned enterprises to ensure equity and fairness in the public sector.
- Salaries for staff in foreign missions will be reviewed;
- Government will review the communications circular and introduce caps on call entitlements;
- Government officials should use free and secure services;
- Data roaming should be turned off and used only where critically needed;
- Ministries, departments and agencies including State-Owned-Enterprises are directed to undertake exercises to deliver public services cost-effectively.

WHY SHOULD CITIZENS PARTICIPATE IN MONITORING AND EVALUATION?

Citizens and civil society have the right to monitor the implementation of the budget of Government. Citizens are encouraged to monitor performance of works and services done by service providers. Citizens' participation in the monitoring and evaluation of budget execution provide Government with an opportunity to be accountable to the citizens on the use of public funds. This increases citizens'

confidence in the Government using their money and thus promote citizens' understanding and ownership of Government programs which increases the likelihood of their success. To this end, Citizens should request managers of public funds to report on the level of implementation of planned and budgeted activities. Districts should hold open days to provide citizens with information about Government activities. These open sessions are important in monitoring implementation and evaluation of performance contracts.

The Newsletter is available on the Ministry of Finance website: <http://www.finance.gov.ls>

WHAT CAN YOU DO WITH THIS INFORMATION?

The budget becomes a law after it is passed by Parliament. After the approval, the budget can be found in the official Government Gazette or in the Ministry of Law and Constitutional Affairs - Government Printing. A soft copy of the complete Appropriation Act can be accessed at the Government website: www.gov.ls/www.finance.gov.ls of the Ministry of Finance.

In addition, every fiscal year, the Government produces a Citizen's Guide to the budget that is distributed in all districts and Civil Society Organizations. A soft copy of the Citizen's Guide to the budget is also available on the website of the Ministry of Finance.

It is the right of every Mosotho to have information about the National Budget. Talk to your neighbours, Government Officers or your Leaders about this information and share it with other people in your community!

This guide is published under the authority of the Minister of Finance.
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