



CITIZEN'S GUIDE TO THE 2020/21 BUDGET

“Inter-ministerial collaboration, multi-disciplinary approaches and subsidiary to tackle poverty, malnutrition, and joblessness focusing on service delivery at the local level”

26/02/2020



**MINISTRY OF
FINANCE**

FOREWORD BY THE HONOURABLE MINISTER OF FINANCE

Fellow citizens let me welcome you to the citizen's guide to the National Budget for the fiscal year 2020/21. Every year the budget speech and proposals are presented to the Parliament and important decisions are made on how the public money will be spent and the amount of revenues needed to fund such expenditures.

The Citizens Guide aims to briefly explain how public purse will be used in 2020/21 fiscal year. It is a simplified version of the budget speech and allows citizens to better understand issues contained in the Budget Speech which is more detailed and expressed in more technical terms. This is therefore expected to enable the citizens to take part in informed debate about the choices made by their Government.

With the limited fiscal resources and unlimited needs of the people, I am dedicated towards ensuring financial transparency and accountability at the forefront of our decisions today in order to have a better tomorrow. This can only be possible if each citizen is knowledgeable about the deliverables of their Government. It is thus critical that the entire Lesotho political leadership seriously put this country and its people ahead of their personal interests.

Dr Moeketsi Majoro

Minister of Finance

INTRODUCTION

This year's Budget marks the fourth Budget of this Coalition Government and paves way for the elections in 2022. For the past three years, this Administration has been leading an effort to rebuild our economy within very challenging economic and fiscal conditions, but on many occasions where our country has been under suffering, it has demonstrated overwhelming flexibility. This Administration inherited a financial economic crisis characterized by depleted international reserves and slow structural growth. This was assumed to be merely cyclical and would soon disappear, but it has continued and now we fully understand that our woes emanate partly from factors we have control over. Persistent economic slowdown in South Africa, slow growth of our exports and volatility of SACU revenues – none of which our country has control over – have negatively affected our economy.

Thus, the mandate of this Government remains clear, to provide the citizens with an honest, clean, transparent and effective administration; revive the economy after several years of economic stagnation; implement an innovative approach to accelerating investment and job creation; and repair the fiscal accounts, which were seriously damaged by wasteful expenditure.

WHAT IS COVERED BY THE NATIONAL BUDGET?

The National Budget covers all government spending and revenues by. Ministries, Departments and Agencies of the Government of Lesotho. There are also State-Owned Enterprises which are financed by the Government of Lesotho

which in turn 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 2020/21 Budget is financed through Government Revenues, Grants from development partners and external borrowing.

GOVERNMENT REVENUES

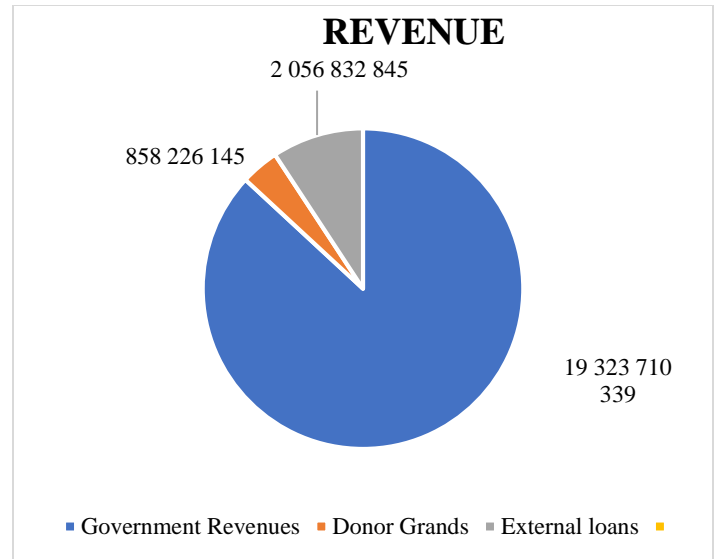
The overall target for Government revenues is M19.3 billion. This is made up of tax revenues and non-tax revenues collected by the Government of Lesotho

DONOR GRANTS

These are monies given by development partners with no obligation to be repaid. For the 2020/21 fiscal year they are projected at M858.2 million

EXTERNAL LOANS

These are monies coming from development partners with obligation to pay back with minimal interest. They are projected at M2.1 billion for the 2020/21 fiscal year.



As illustrated in a chart above, the large chunk of revenues comes from revenues collected by the Government followed by external loans then donor grants

HOW IS THE MONEY GOING TO BE USED?

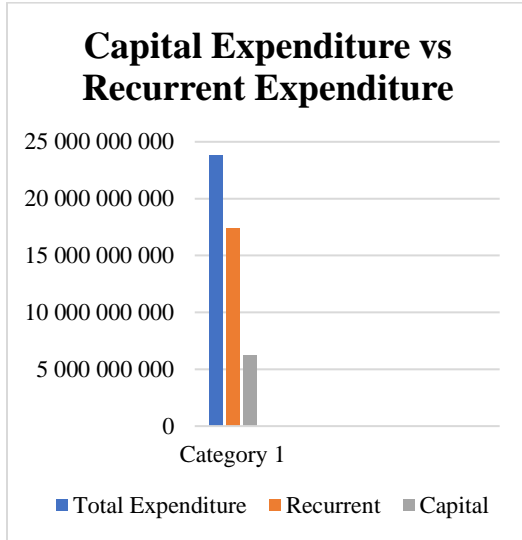
The 2020/21 Budget is divided into two categories of expenditure: Recurrent Expenditure and Capital Expenditure

RECURRENT EXPENDITURE

These are expenditure for day to day running of the Government like paying salaries and other expenditures. For 2020/21 fiscal year the recurrent expenditure amounts to M17.4 billion.

CAPITAL EXPENDITURE

These are expenditures for investments component of the budget like road construction and erection of structures like buildings. For 2020/21 fiscal year the capital expenditure amounts to M6.3 billion.



As illustrated in a chart above, the Government of Lesotho’s Recurrent Budget is more than double the Capital Budget which is a concern for development.

HOW IS THE MONEY ALLOCATED?

TRADE AND INDUSTRY

The Tikoe phase III infrastructure and factory shells located in Maseru was launched by LNDC in the last financial year with an investment to the tune of M450 million and is expected to be completed at the end of 2021. This development is expected to accommodate 3000 workers in manufacturing and processing when completed.

The M800 million Phase I of the Belo infrastructure and factory shells in Butha Buthe was launched in 2018 and it is expected to be completed by the end of 2019/20 fiscal year. This development will create over 14000 jobs in

manufacturing and processing when completed.

The LNDC in partnership with the private sector is conducting a series of studies for development of the first Special Economic Zone (SEZ). These studies will be undertaken in Mafeteng and Berea districts.

In 2019/20 fiscal year, LNDC in partnership with the private sector has launched a M405 million industrial hemp and super foods project in Qeme, Maseru district. The project is expected to roll out over three-year period.



WOOL AND MOHAIR INDUSTRY

The Government of Lesotho has invested more than M400 million to improve economic and climate resilience of the industry. Lesotho has 4 million small stock of approximately 1.8 million hectares of rangeland. The commercial industry is estimated at about M900 million, but the government recognises that this value could increase with careful selection of interventions and investments. Government recognises that less than half of the sale value of wool and mohair goes to farmers with rest benefitting intermediaries.



MINING

Mineral exploration is an important prerequisite to the development of mineral industry; Though, lack of geological and geospatial information is a major limitation on Lesotho's ability to maximise its potential for exploration of mineral resources, in 2019/20 financial year, the Ministry of Mining managed to collect 125 samples for anomaly area number 7 in the Mohale's Hoek district for verification of previous results.



TOURISM AND CRATIVE INDUSTRIES

The 2020/21 budget will see completion of the new National Museum and Semonkong Tourist Information Centre. In the upcoming medium-term budget framework, emphasis will be moved away from large capital investments and begin to focus on greater marketing of the country to stimulate tourist numbers as

well as micro interventions in the M1-5 million range.

The Sehlabathebe National Park integration into the Trans-frontier Conservation Area as well as the enactment of legislation to reduce the use of plastics and protect biodiversity will receive priority. The deployment of young people under the Graduate Programme will be utilized to create an inspectorate and compliance unit.



AGRICULTURE, FOOD PRODUCTION AND CLIMATE CHANGE

The Government is implementing Smallholder Agricultural Development Programme, which aims to support farm production, marketing of produce and insulating farmers against climate change events through financial grants. 121 more grants amounting to M37 million were recently awarded to deserving farmers, while a study on irrigation masterplan and investment framework has been commissioned.

The Ministry of Small Business Development, Cooperatives and Marketing is in the process of constructing a Northern Region Fruits and Vegetables Fresh Produce Market Centre at Tsikoane in Leribe. The

construction of the Centre is expected to be completed at the end of the 2019/20 fiscal year and the market center will serve at least 400 commercial farmers in the Northern Region. Plans are underway for construction of Southern Region Fruits and Vegetables Fresh Produce market Centre in Litsoeneng, Mphahlele's Hoek and build Piggery and Poultry slaughterhouse at Ha Foso in Maseru.



INFORMATION AND COMMUNICATION

To implement phase II of the e-Government Infrastructure Project, the Government will increase broadband coverage in rural and unserved areas through construction of 48 mobile sites to improve 4G coverage and support the completion of a 96 km Optical Ground Wire (OPGW) fiber network from Roma to Thaba-Tseka to improve the quality of service delivered to mobile data end-users in the Thaba-Tseka district.

Government has expanded access for Private radio stations such that they can connect to LNBS transmitters countrywide. Currently, Leribe and Thaba-Tseka have been switched on from the Lancer's Gap transmitter with more stations to be switched on during the coming year.



INFRASTRUCTURE SERVICES

M100 million has been set aside to develop advanced infrastructure projects identified through the April 2019 investment laboratory. Arrangements are underway to set up a national Delivery Unit, and to train the unit staff

Roads and Bridges

Government is facing a challenge of trade-offs between maintenance and new investments in road construction, while considering this challenge, Government is assessing bundling of new road tenders with maintenance plans for whoever wins the tenders. This will ensure construction companies consider the risk of poor workmanship during construction. While for gravel roads, the Government will introduce the use of perma-zyme bonding materials in the construction of unpaved roads in order to increase durability and maintenance.

The construction of Marakabei-Monontsa and Mpiti-Sehlabathebe roads is progressing satisfactorily and with more than 200 people presently employed under both projects. More than 200 footbridges were constructed with the

assistance of the World Bank in the districts of Maseru, Leribe, Berea, Mokhotlong, Quthing, Thaba-Tseka and Mafeteng. More bridges will be built in the coming fiscal year.

As part of the need to raise adequate funding for road maintenance, Cabinet approved that toll gates rates be increased from M40 to M45 for Light Motor Vehicles; M80 to M85 for Medium Heavy Vehicles; M120 to M125 for Large Heavy Vehicle and M280 to M295 for Extra-Large Heavy Vehicles.



Water

The Lesotho Lowlands Water Supply Project will abstract water from the Hlotse river into treatment plant that would convey water to Hlotse and Maputsoe and all other villages along the pipeline. Mafeteng and Mohale's Hoek project will abstract water from Makhalleng river and convey water to the two towns. The feasibility study for the construction of Makhalleng Dam which will supply the Republic of Botswana with surplus water is ongoing.

Water and Sewerage Authority (WASCO) will implement the Greater Maseru Water Supply Project which will install water mains, pump stations and storage reservoirs. The project will benefit the following urban areas of Maseru; Ha Makhoathi, Ha Bosofo, Parts

of Mazenod, Ha 'Masana, Ha Tsautse, Qoaling, Ha Tšhame, Ha Lesia, Parts of Ha Mabote, Parts of Tšhenola, Parts of Ha Foso, Marabeng and Berea. The Ministries of Finance and of Water are finalising financing arrangements for conveyance of water to communities of Matsieng.



Energy

At Ha Ramarothole in Mafeteng district, two solar power stations – one owned and to be operated by a new government entity and the other a private investment by IPower will commence construction. Financing agreement has already been signed with China Eximbank while the letter of support is being negotiated with IPower and could be signed in few months.

Construction of 10 mini-grids and 10 energy-centers is planned for 2020/21 fiscal year in Mokhotlong, Thaba-Tseka, Mohale's Hoek, Quthing and Qacha's Nek districts. This will bring the most needed electricity supply to these areas.



CENTRAL BANK OF LESOTHO
Banka e Kholo ea Lesotho

FINANCIAL INCLUSION AND FINANCIAL SECTOR DEVELOPMENT

The Ministries of Finance, of Small Business Development, Corporate and marketing and the Central Bank of Lesotho conducted a national sectoral assessment on microfinance in 2018. The report of this assessment was adopted by the Government and has therefore become a basis for the development of a microfinance scheme. The development of a policy in support of implementation of the microfinance scheme is being finalised.

The Financial Consumer Protection Policy that introduces a framework for protection of financial consumers in Lesotho against bad market conduct practices by financial institutions has been approved. It further protects financial consumers against illegal or harmful conduct by market participants that provide financial products and services on a commercial basis. The initiative will lead to job creation and improved skills to Government to oversee and implement ICT initiatives and contribute to Lesotho's economic growth.

EDUCATION AND SKILLS DEVELOPMENT

Funds have been set aside for implementation of new teacher's salary structure, teacher's training on new curriculum and Early Childhood Care and Development (ECCD). The strategic objective of the Ministry of Education and Training is to contribute towards human resource development through investment in early ages. Government is working with UNICEF to design and fund early childhood care programme to be rolled out across the country in the next few years.

The Ministry of Education and Training will in 2020/21 localise the three remaining subjects, namely Information Technology, Business Education and Economics. It will further review the curriculum and its assessment policy including finalisation of the amendment of the Technical and Vocational Act of 1984 to reflect modern technologies.



HEALTH AND WELLNESS

To achieve the 90 percent target of the Drug Susceptible TB, the Government is intensifying efforts to reach this desired goal by improving quality of TB treatment; referrals; support and screening at community level, entry points and facility level, to minimise losses of patients including children diagnosed.

The National HIV and AIDS policy has been developed and validated and was launched by His Majesty King Letsie III on the 29th November 2019 during the commemoration of World AIDS Day, which was hosted by Sefikeng Community. A cost multi-sectoral National Operation Plan for 2020/21-2022/23 has been developed and it will be utilised to mobilise the required resources for the National HIV and AIDS response.

To provide affordable cure for cancer in the country, the Ministry of Health is in the process of constructing a cancer treatment center as well as training of Radiation Oncologists and medical Physicists in different African institutions.



SOCIAL GRANTS

The African Committee of Experts on the Rights and Welfare of Children (ACERWC) has relocated permanently from Ethiopia to Lesotho. The office space and other logistics for the office will be funded by the Government of Lesotho.



SPORTS INFRASTRUCTURE

Cabinet has re-examined the proposal for the financing of sports infrastructure to host international games and concluded that the hosting of games should be within the affordability of the Lesotho fiscus. The M339 million is set aside to cater for infrastructure, logistical and hosting costs. Going forward, Lesotho should prepare carefully both technically and to ensure that necessary infrastructure is made available across the country.



POLITICAL AND CONSTITUTIONAL REFORMS

The Office of the Prime Minister has been central to the facilitation of the national reforms processes at both strategic and operational level. As a nation, we will advance to the next phase which include National Reforms Authority interpretation of Phase I outcomes, followed by the implementation of the national reforms. M37 million has been allocated to ensure the success of the national reforms.



PUBLIC SECTOR REFORM

The Ministry of Public Service has moved swiftly to issue a directive to all Human Resources personnel to suspend monthly salaries of all unaccounted records for both Civil Servants and Civil Pensioners, and in March 2020, those records shall be terminated. The termination will also include deceased

Public Servants who still receive monthly salaries.

The Government will review and rationalise diplomatic missions; align the country's representation abroad with the ongoing changes in international communities; establish new joint commissions with key and strategic countries; resuscitate and revitalise the existing joint commission to achieve the country's development objective.



DECENTRALISATION

During the current fiscal year, work resumed to accelerate implementation of the Decentralisation Policy that was adopted in 2014. Thus far, Government has identified seven pilot Ministries – Health, Local Government and Chieftainship, Forestry and Land Reclamation, Social Development, Mining, Energy and Meteorology, and Water in which work has commenced of matching human resources on the functions to be decentralised to local councils. A concept note has been developed for Fiscal Decentralisation, which will be followed by deployment of the requisite legal framework. A Fiscal Decentralisation Policy will be developed during the coming year to guide Public Financial Management at the Local Authority level.



YOUTH APPRENTICESHIP AND PUBLIC WORKS PROGRAMME

Over 15,500 graduates, and 87,000 youths have registered for the apprenticeship programme. The graduates are dominated by two disciplines; namely teaching and administration/ management professions. It is estimated that the actual numbers are much higher because many youths have approached the Ministry indicating that they did not know about the programme or thought that the registration was politically motivated. The Ministry has now decided to undertake and update registration in April 2020 to ensure the accuracy of our statistics. We also discovered that Lesotho Private Sector does not have the capacity to absorb all the 3,500 graduates as only 400 have been absorbed and it is now incumbent on Government to absorb the remainder. M300 million is set aside for this programme.



WHAT ARE OTHER PROPOSALS

To increase domestic revenue, we propose the following measures to be implemented in the coming fiscal year;

- 15 Lisente increase on Oil Levy
- 3 percent and 1 percent adjustment on VAT on Telecommunications and Electricity respectively
- The 2020/21 salaries are adjusted by 5 percent across the board, to offset the projected inflation of 4.8 percent. To protect the lower salary grades from the tax burden rising from the adjustment, the tax credit is increased from M800 to M840 per month while the tax threshold is adjusted from M5,090 to M5,350 per month
- The Old Age pension is raised from M750 to M800 per month

The reform on national tax policy and administration required the amendment of the following pieces of legislature in order to boost our capacity to collect revenue:

- Income Tax Act to amongst other introduce the mining taxation regime, small business taxation regime and to address transfer pricing risks;
- VAT Act to achieve for example, exemption of exports from VAT rather than the current dispensation of zero rating, taxation of electronically provided services and reverse charge mechanism for imported services;

- Tax Administration Bill intended to modernise, streamline and harmonise our tax procedure, such as regulation of tax agents, Furthermore, this Bill seeks to provide relief of tax in cases of serious hardships.
- Alcohol and Tobacco Levy to increase revenue collection which was projected to be around M200 million annually

This budget does not propose any new tax reform initiative but rather introduces proposals to expedite implementation of the previously announced tax policy reforms.

WHY SHOULD CITEZENS PARTICIPATE IN BUDGET FORMULATION, MONITORING AND EVALUATION?

Citizens have the right to participate in formulation and monitoring of the implementation of the National Budget. There is a misconception that the national budget is for Government officials only, the truth is the national budget is for the entire citizens of the country as the budget is developed to answer the needs of the citizens. The budget should be demand driven in order to address the challenging conditions of our people rather than supply driven where officials develop the budget without consulting the owners of the budget, the citizens. It is therefore important to the citizens to collectively engage Government officials and public representatives about their needs. Government Offices are there to serve the people and citizens should not shy away from consulting about the activities the government intends to undertake.

WHAT CAN YOU DO WITH THIS INFORMTION?

This booklet is Lesotho's 2020/21 Citizens' Budget. It is a simplified version of the proposed 2020/21 National Budget that was presented by the Honorable Minister of Finance on Wednesday 26th February 2020.

The Citizens' Budget explains how the Government propose to raise money and where it intends to spend it, in a simplified manner that is easy for citizens to understand. You are, therefore, encouraged to read the Citizens' Budget and if you have any comments, please contact your area Member of Parliament (MP) to raise the matter during the Parliamentary debate on the Budget.

You are also encouraged to follow the debates by MPs on the proposed 2020/21 National Budget on Radios and Televisions. After the approval, the budget can be found in the form of Government gazette at the Ministry of Law and Constitutional Affairs – Government Printing. A soft copy of the complete Appropriation Act can be accessed at the Ministry of Finance's website: www.finance.gov.ls

In addition, every fiscal year, the Government produces a Citizen's Guide to the budget that is distributed in all districts and Civil Society Organisation. A soft copy of the 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 neighbour, Government Officials or your Leaders about this

information and share it with other people in your community.



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