



PARLIAMENT OF THE KINGDOM OF LESOTHO

2020/21 MID-TERM BUDGET REVIEW

“Inter-ministerial collaboration, multi-disciplinary approaches and subsidiarity to tackle poverty, malnutrition, and joblessness focusing on service delivery at the local level amid the COVID 19 pandemic”

BY

HONOURABLE THABO SOPHONEA (MP)

MINISTER OF FINANCE

MASERU, LESOTHO

18TH NOVEMBER 2020

MR SPEAKER,

Allow Me to Pay My Respects to:

His Majesty King Letsie III and Head of State

The Right Honourable the Prime Minister and Head of Government

The Honourable President of The Senate

The Chief Justice and Judges of The High Court

The Honourable Deputy Prime Minister and Leader of The House

My Colleagues, Honourable Ministers of His Majesty's Government

Honourable Members of Both Houses of Parliament

Their Excellencies, Heads of Diplomatic Missions and International

Organisations Present Here

Distinguished Members of The Media

The Entire Basotho Nation Here in Lesotho and Abroad

Ladies and Gentlemen

INTRODUCTION

1. **Mr. Speaker**, I would like to thank this Honourable House for awarding me an opportunity to present the Mid-Year Budget Review for 2020/21 and to lay the foundation for the 2021/22 budget. It is worth noting that this is the first Budget Review in our history to be laid before the Parliament of the Kingdom of Lesotho and in line with the commitment that my predecessor, now, the Right Honourable the Prime Minister made in the 2020/21 Budget Speech. This initiative is in line with prudent financial management and embraces the underlying principles of transparency and accountability set, which are also basic tenets of the current coalition agreement. The mid-term budget review serves as an opportunity to present the socio-economic developments and budget performance vis-a-vis the projections made when the Appropriation Bill was passed. It also helps to determine the economic implications for the remaining months of this fiscal year, and the coming years.
2. The Government has developed the National Strategic Development Plan (NSDP) II as a guiding policy document to assist in addressing the macroeconomic challenges. The strategic thrust for the National Budget continues to be the implementation of various reforms; innovative approach to accelerate investment; inclusive and sustainable economic growth; private sector led job creation that contributes towards improving the livelihoods of all Basotho.
3. **Mr. Speaker**, let me remind this Honourable House that the main priority sectors for the plan period are agriculture, manufacturing, tourism and creative industries as well as technology and innovation. These priorities are attainable through strategic implementation of ministerial activities. The ministerial budgeting approach has, however, proven to yield insignificant results due to

fragmented activities. These challenges were further exacerbated by the emergence of COVID-19. Hence, the adoption of the new initiative of cluster budgeting for the coming financial year to foster an integrated approach to governance.

ECONOMIC AND POLITICAL SETTING

4. **Mr. Speaker**, Lesotho's economy is directly linked with that of South Africa and its economic swings are the biggest single influence on our economy. South African economic performance has a bigger influence on SACU pool where Lesotho receives a greater share of its revenues. However, SACU receipts are unstable and are expected to decline over the medium-term.
5. Agriculture remains the major source of livelihood for over 70 percent of the population living in the rural areas. In 2018/19, 32.5 percent of rural households obtained their income from subsistence farming, while wages from other employment constituted 19.3 percent. However, continuous drought and poor farming practices have led to increased food insecurity crisis from time to time making Lesotho one of many in developing countries that depend on food-aid and imports.
6. Poverty, unemployment and inequality continue to be major threats in Lesotho. This are mirrored in low Human Development Index which stands at 0.49 – ranking at 160 out of 188 countries. Population living below the national poverty line is estimated at 34 percent, while the Gini Coefficient has increased from 0.51 to 0.55 in 2019 signalling growing levels of inequality. The reported overall unemployment rate is estimated at 32.8 percent and is highest among women and youth at 39.7 percent and 32.3 percent, respectively.

7. As a constitutional kingdom, Lesotho is governed by a legislative democracy. However, over the past two decades, the country's democracy has been marked by episodes of political instability which were trailed by a series of general elections resulting in the formation of different coalition governments. Changes in composition of these coalition governments have created a position where policy consistency within government is fading.

GLOBAL AND DOMESTIC ECONOMIC OVERVIEW

8. **Mr. Speaker**, COVID-19 pandemic has caused an exceptional global health and economic crisis which has brought severe hardships, massive job and income losses, especially to developing and least developed countries such as Lesotho.
9. In addition to the hardships brought by the pandemic, the demand for, and price of many commodities has declined sharply, increasing the vulnerability of many commodity-dependent African countries. Production and supply chains have also been affected by travel and trade restrictions, which have also exacerbated food insecurity. The lockdown in South Africa in particular and closure of borders also had a knock-on effect on remittances destined for Lesotho.
10. **Mr Speaker**, tourism sector and recreational activities also suffered a huge set back amid lockdowns across SADC and SACU regions and within the country. This has put tourism related economic activities to a standstill. The biggest challenge that Lesotho has to battle with, is maintaining jobs in this sector under the current situation. Transport and logistics sector is also hit hard following reduced operating capacity and reduced economic activity. Nonetheless, the

government is toiling towards an array of policies aimed at addressing these problems.

11. The global economy is ascending from the lowest points to which it had plummeted during the Great Lockdown in April. Though recovery in China has been faster than anticipated, the global economy's climb back to pre-COVID-19 levels of activity is inclined to setbacks.

12. Global growth is expected to contract by 4.4 percent in 2020, an upward revision from June 2020 projection of -4.9 percent. This upward revision in projections reflects better-than-projected second quarter GDP outturns, mostly in advanced economies, where activity improved sooner than expected after lockdown regulations were relaxed in May and June. A recovery of 5.2 percent is projected in 2021 before normalising at 3.5 percent in the medium-term.

13. **Mr. Speaker**, the impact of COVID-19 pandemic has been transmitted into Lesotho's fragile economy through diverse ways as earlier mentioned. This has resulted into downward revision of growth forecast as opposed to the projected growth in the 2020/21 national budget. The GDP growth has been revised down from 2.0 percent to -3.4 percent, mainly reflecting weaker domestic demand and total investment, exports, and global growth.

14. In the medium-term overall growth is expected to recover to 2.3 percent in 2021/22 before narrowing to 1.6 percent in 2022/23. These will stem from the expected recovery in the agricultural sector, a rebound in construction activities, an improvement in diamond and textile sectors as the global economy recovers.

15. **Mr Speaker**, turning to the external sector, the pandemic is expected to have a negative impact on the balance of payments in 2020/21. The trade deficit will

deteriorate reflecting a slowdown in exports. Although the income account will continue to register a surplus due to robust SACU receipts, remittances from mine workers will remain subdued.

16. Official International Reserves measured in months of import cover are projected at 4.5 by the end of 2020/21. Underpinning these developments are lower imports due to subdued economic activity and higher level of international reserves than projected. They are expected to deteriorate to 3.8 months of import in 2021/22 to finance the current account and fiscal deficits. This is far below the 5 months' policy target.

17. **Mr. Speaker**, the Government has overtime adopted expansionary expenditure policy despite a restrained resource envelope. The fiscal position deteriorated since 2015/16 and the distress is projected to continue throughout the medium-term. Furthermore, reliance on SACU receipts makes fiscal policy to be vulnerable to external shocks. These also had a procyclical effects on the annual budgets as expenditures increase in periods of high receipts and vice versa. The fiscal imbalances put pressure on international reserves which is a threat to the Loti/Rand peg that has effects on macroeconomic stability and fiscal sustainability.

18. Therefore, to finance the fiscal gap and the anticipated spill over effects on international reserves, the Government received emergency financing assistance under the Rapid Credit Facility and Rapid Financing Instrument, amounting to 49.1 million US dollars. The government has also committed to implement economic reforms in the short to long term to avert the expansionary path of fiscal policy. These include: expenditure control which is already ongoing, enhancing collection of student loans and reviewing the model for

granting educational loans to ensure efficiency and sustainability; Reviewing the foreign policy and rationalizing the Foreign Missions, Introduction of fiscal rules, review Public Service Employment and Performance Management Policy and publishing of awarded COVID-19 related procurement contracts.

19.**Mr. Speaker**, revenue collections are expected to be lower than the budgeted estimates in the fiscal year. Tax revenues, mainly Corporate Income Tax and VAT are correlated to the level of economic activity and are therefore expected to decline reflecting a deteriorating economic performance. The slowdown in mining activities has had a dire impact on royalties' receivable. SACU revenues remain immutable as they are shared ex-ante.

20.Overall, total revenue is expected to decline by 14 percent against the budget estimates in the current fiscal year. In the medium-term, all components of revenue are expected to improve with the exception of SACU. This stems from an inevitable negative adjustment anticipated in 2022/23 which will halt the forecasted improvement in other revenue components. Total revenue will decline from 52.0 percent of GDP in 2020/21 to 42.5 percent of GDP in 2022/23.

21.**Mr. Speaker**, it is estimated that the recurrent expenditure will decline by 9 percent against the budget estimate. All recurrent items are expected to decline with exception of subsidies due to COVID-19 related mitigation measures. The lower expected budget outturn on compensation of employees is on account of the current performance which portrays that the budgeted amount will not be fully expended. Use of goods and services is below budget because of the government policy of rationing expenditure through the release of monthly warrants. In the medium-term, recurrent budget will continue to be confined as a fiscal consolidation measure.

22.**Mr Speaker**, the Ministry of Finance has taken a journey to have a Treasury Single Account, which centralises and consolidates all the government cash. This development has strengthened the monitoring of all Government Bank Accounts to monitor and effectively forecast the cash. The initiative has been very helpful during these trying times when COVID-19 has dried government sources with minimal revenue and increasing expenditure. We hope to continue in this journey and include the development projects to operate in the centralised monitoring through the IFMIS.

23.A substantial cut of 30 percent was effected on capital budget which was reallocated to subsidies. This is not an ideal situation as it is a deterrent to economic growth since development budget is significantly required to fill in the infrastructure gap that is deemed a catalyst for economic growth. This policy move driven by the COVID-19 crisis counteracts the NSDP objective of attaining high economic growth and job creation. The policy of the Government in the medium-term is to inject more funds into investment projects in order to fuel economic growth.

24.The ensuing fiscal developments will result in the overall fiscal deficit of 4.4 percent of GDP in 2020/21. As expenditure continues to outpace total revenue, the fiscal imbalances are expected to persist and register an average deficit of 3.1 percent of GDP in the medium-term.

RESPONSE TO THE COVID-19 PANDEMIC AND OTHER MACROECONOMIC SHOCKS

25.**Mr. Speaker**, Government approved measures to mitigate the socio-economic impact of COVID-19 pandemic. A budget of M698 million was allocated to

public health for clinical, prevention and management measures related to the pandemic. The 2020/21 budget reallocation of M1.2 billion was approved for food security and social protection.

26. The tax relief measures implemented were largely underpinned by deferment. Taxes covered under this initiative were Company Income Tax, Pay As You Earn, and the VAT. The tax relief measures allowed businesses to have the much-needed cash by easing on cash flow problems faced by businesses during the trying times.

27. **Mr. Speaker**, the Central Bank of Lesotho introduced interventions at the economy level, industry level and consumers' level. These include: lowering of the policy rate from 6.5 percent per annum to 3.5 percent per annum; temporary relaxation of the prudential requirements that the financial institutions should comply with; requesting commercial banks to lighten the burden on consumers who were affected financially by the pandemic through payment holidays; requesting insurance companies to provide a three months' premium holiday to policyholders and allowing the policyholders to renegotiate their policy contracts.

28. **Mr Speaker**, with regard to food security it is estimated that population with food insecurity in urban areas is around 179,000 and 720,000 in rural areas since March 2020. To provide relief to this vulnerable population, Government has released M100 million for agricultural subsidies to increase food production and nutrition situation whilst maintaining the right level of grain reserves.

29. **Mr. Speaker**, in preventing, detecting and responding to the threat posed by COVID-19, Government developed the COVID-19 Emergency Preparedness

and Response Project financed by a loan from the World Bank to the tune of M92.1 million. Focus was put on screening travellers at ports of entry and on diagnosing cases by setting up designated testing and laboratory sites. The project also assisted in provision of timely data lab information for guiding decision-making and mitigation activities. To this end, the project supports medical supplies, equipment, training and capacity building of frontline health workers and implementation of digital health solutions to name a few.

BUDGET PERFORMANCE AND IN-YEAR ADJUSTMENTS

30.**Mr. Speaker**, I wish to emphasise that the 2020/21 fiscal year commenced during the time when governments were facing social and economic meltdown due to the COVID-19 pandemic. In the wake of this pandemic, the Government was forced to revise down the Revenue Estimates, while being in dire need of financial resources to implement the prevention, treatment and mitigation measures of the pandemic as well as other Government obligations.

31. Even though the pandemic has negatively affected the fiscus, Government is still committed to directing its modest spending power towards improving Basotho livelihoods as it pursues its goal of attaining an inclusive and sustainable economic growth, coupled with private sector led job creation.

32.**Mr. Speaker**, this Honourable House may recall that government had initially targeted revenue collection of M19,3 billion prior to COVID-19. Following the pandemic, the revised estimates amounting to M17,1 billion was presented to this Honourable House. The downward revisions were done under the Ministries of Finance and Mining with the anticipation of low collections on taxes and royalties respectively due to the pandemic.

33. The mid-year revenue collection recorded M8,0 billion which is lower than the anticipated M8,5 billion. Major revenue collections are from SACU receipts and tax revenue.
34. **Mr. Speaker**, reviewing progress on implementation of this year's budget is imperative, particularly in the prevailing economic situation. The 2020/21 budget continues to follow an undesirable trend of a consumption spending economy as opposed to investment spending. The recurrent budget accounts for 87 percent of the total budget, which is an increase of around 32 percent from last year's recurrent budget. On the other hand, capital budget dropped by 5 percent.
35. The appropriated annual budget for this fiscal year is M23,8 billion of which recurrent expenditure constitutes M18,1 billion, whilst the capital budget is M5,6 billion. Capital budget consists of Government funding, Donor Grants and Loans of M2,7 billion, M858.2 million and M2,1 billion, respectively.
36. Following the Budget approval by Parliament in June 2020, the Cabinet reallocated M374 million and M810 million from Recurrent and Capital Budget respectively to finance the prevention and mitigation measures for the COVID-19 pandemic. The mitigation measures included salaries subsidy of the factory workers, promotion of agricultural productivity through expanded subsidies and implementation of the social protection mitigation, to cater for vulnerable people and the elderly aged between 60 and 69 years. Furthermore, funds were allocated for implementation of the response plan for the Micro, Small and Medium Enterprise (MSMEs') cash flow, of which Government has mandated LRA to implement the rent relief scheme as part of the economic relief measures to the business sector.

37. Government also launched 3 months matching grant scheme for MSMEs targeting tourism, including hotels and restaurants, transport and informal businesses with the scope to expand as impacts of COVID-19 continue to emerge, to be administered by Private Sector Competitiveness Project.
38. **Mr. Speaker**, the government signed a re-insurance Partial Credit Guarantee Scheme with Lesotho National Development Corporation (LNDC) worth M350 million. To date, three projects are supported under the scheme with total loans amounting to M3.8 million. In line with the government contribution, the LNDC allocated M60 million towards capitalisation of the remaining financial instruments namely; Quasi-Equity Fund and Project Preparation Fund resulting in a total funding envelope of M410 million.
39. **Mr. Speaker**, a supplementary budget of M400 million has been allocated and spend towards clearing arrears to the tune of M1,2 billion. The government is fully committed to clear the remaining arrears. It is also in our plan to deter further accumulation of the arrears.
40. The budget for compensation of employees accounted for M7,8 billion which constitutes 45 percent of the total recurrent budget. This is a continuous reflection of a prevailing high wage bill. The expenditure recorded M3,2 billion translating into 42 percent of the budget for remuneration. Thus, the annual expenditure is expected to fall within the budgeted parameters.
41. Funds allocated to transfers such as Queen ‘Mamohato Memorial Hospital, pensions, NMDS student grants and grants to institutions of higher learning, constitute the second largest chunk of the budget accounting for M4,5 billion.

The expenditure thereof, recorded M2,1 billion translating to 46 percent of the funds allocated to grants.

SECTORAL PERFORMANCE

42.**Mr. Speaker**, with regard to facilitation of job creation, I am pleased to announce that the construction of Belo factory shells is close to completion. Construction of access roads and associated works as well as wastewater treatment facility has been completed. Preparations for domestic water distributions are at an advanced stage. Construction of Tikoe Phase III infrastructure, retaining walls, pumping stations and bridge construction are at more than 30 percent complete while the factory shell construction has just started. The Honourable House will recall that creation of 17 000 jobs is anticipated upon operation of these two factory shells.

43.**Mr. Speaker**, the agricultural sector has potential for job creation and poverty reduction. Nonetheless, Lesotho continues to experience a decline in food production due to climate change among other factors. In order to intensify crop production, the Government is working towards enhancing access to inputs by providing farmers with subsidised seeds, fertilizers, farming implements, and by rehabilitating irrigation systems and strengthening extension services. The sale of inputs to local Basotho farmers set at 60 percent subsidy is ongoing.

44.The Ministry is implementing a Contingency Emergency Response Component, through Food and Agriculture Organization of the United Nations to provide agricultural inputs for small-scale farmers country wide. The distribution of the inputs is ongoing in the districts of Thaba-Tseka,

Mokhotlong and Qacha's Nek. The Funds amounting to M80 million have been allocated towards this intervention.

45. The Ministry implemented share cropping with field owners in 2019/20 summer cropping at a sharing ratio of 70:30 for government and farmers respectively in Butha-Buthe; Mopeli block, Leribe: Ralikuku Block, Berea: Tsereokane, Selakhaphane and Bakeng block and Maseru: Motemekoane and Toloane Block. The Government's share of produce has been packaged and over 1,000 bags of 70kg have been handed over to the Ministries of Social Development, of Gender and Youth, Sports and Recreation and the Prime Minister's Office for distribution to the needy. In the current financial year, the Government entered into winter share cropping in the Southern Districts whereby 580 hectares planted wheat and harvesting will be done in December.

46. The Government has created an opportunity for the farmers to buy inputs at 60 percent subsidy. As a business opportunity, the Ministry has identified 67 traders to sell in remote areas at a reasonable profit margin. This opportunity enables easier access of inputs at villages across the country.

47. **Mr Speaker**, the agricultural sector carries out its mandate through amongst others, the following projects: Irrigation Crop Production; Wool and Mohair Promotion; Agriculture Productivity Programme for Southern Africa; Mushroom and Smallholder Agricultural Development Projects. The Government funding for these projects amount to M28.5 million and the expenditure recorded M8.3 million following resumption to normalcy after lockdown in the second quarter.

48.**Mr. Speaker**, as it was reflected in the budget speech, around M400 million has been earmarked for improvement of the climatic and economic resilience of the Wool and Mohair industry. In the current financial year, the Wool and Mohair project was allocated M207.7 million and the mid-year expenditure sat at M47.1 million. The government is advocating for improved breeds and fibre quality through supplementing subsidized feeding for better nutrition, expanding local fodder production, amongst others.

49.The Ministry is implementing a Culling and Exchange Programme where the farmers exchange 4 culled animals (low productive goats and sheep) with one improved ram/buck through auction. The main objective of this programme is to improve rangelands and productivity. This programme was successfully implemented in Berea, Butha-Buthe and Mokhotlong in the current financial year.

50.The Supply Chain of Animal Feed, Forage and Veterinary Drugs Revolving Fund was established in 2017 to assist farmers with subsidised feeds and drugs for animals. The fund was expanded with an intention to accommodate the COVID-19 Wool and Mohair Production Programme Response Plan. The Budget for this relief fund amounted to M11 million, of which M2 million has been released to Lesotho Wool and Mohair Growers Association (LWMGA) for procurement of feeds.

51.**Mr. Speaker**, regarding the Government's initiative to increase broadband coverage to rural and unserved areas, 7 transmitter shelters have been constructed and signal distribution equipment has been installed at Thaba-Tseka, Leribe, Mafeteng, Quthing, Lebelonyane, Qacha's Nek and Mokhotlong.

52.Regarding the infrastructure development, construction and maintenance of roads and bridges was appropriated M563.2 million of which M146 million was reallocated to cater for COVID-19 mitigation measures. The total mid-year expenditure was M258.2 million that translates to 62 percent of the budget. The two major roads under construction are Mpiti to Sehlaba-Thebe and Marakabei to Monontša. The work is progressing satisfactorily.

53.The Government has increased access to drinking water in the urban and rural areas including maintenance of the existing networks and boreholes as well as increasing capacity of service providers. Maintenance works in all the 10 districts in the country are still in progress, whereby 153 villages have been identified and are being inspected.

54.**Mr. Speaker**, government has prioritized expansion of power generation through implementation of Ramarothole Solar Power Station Project. construction of the two solar power stations at Ha Marothole in Mafeteng is yet to commence with a disbursement of M504 million. Construction of ten mini-grids and energy-centre is ongoing in Mokhotlong, Thaba-Tseka, Mohale’s Hoek, Quthing and Qacha’s Nek to ease burden on the already existing electricity supply. Ministry of Energy was allocated M160 million, but the budget was revised down to M57 million due to budget reallocation to COVID-19 mitigation measures. Expenditure performance is at M9.7 million which translates to 17 percent of the revised budget at the end of second quarter of the financial year.

55.**Mr. Speaker**, for the Education Sector, funds were mainly allocated for teachers’ salary arrears, new salary structure, training on new curriculum and

Early Childhood Care and Development (ECCD). The recurrent budget for the Ministry is M2.6 billion and expenditure amounts to M1.2 billion. The first phase of migrating from the old salary structure to the new salary structure has been successfully implemented.

56. Funding amounting to M56.0 million was secured towards COVID-19 response in the education sector from Global Partnership for Education, to cover all the schools with Personal Protective Equipment (PPE). The school reopening strategy was developed in response to COVID-19. The Government has supplied the Ministry with 769 water tanks installed in different schools with an intension to assist schools as well as benefiting surrounding communities.

57. **Mr. Speaker,** The COVID-19 pandemic has had significant negative impact on the health system creating health challenges and affecting provision of health care services. However, amidst COVID-19 pandemic, the government identified and implemented alternative strategies including 3 to 6 months ARVs dispensing to stable HIV positive patients, community distribution of HIV self-testing kits, door to door vaccination services, ante natal and post-natal care. Skilled health workers including Doctors and Mid wives and essential drugs and supplies were repositioned to the front-line health facilities. The TB prevalence survey was completed, and findings disseminated to stakeholders.

58. The Ministry has also made great achievements by establishing open Laboratory for testing COVID-19 at the National Reference Laboratory. Electronic health register has been expanded to other health facilities. The government has also approved the provision of risk allowances to all front-line health workers in an effort to acknowledge the work-related risks associated with COVID-19.

59. Demolition of Queen II hospital has been completed to pave way for the construction of Maseru District Hospital. Construction of NDSO warehouse is ongoing and will be completed this financial year.

60. **Mr. Speaker**, as government continues to support vulnerable groups of the society through different social grants programmes, M290.1 million was allocated and revised to M302.2 million during the course of the year. Expenditure of M118.1 million which is about 39 percent of the revised allocation, was mainly driven by an increase of 11,457 of households that receive Child Grants. The Ministry received additional funds from the World Bank for the Child Grant Program which expanded to 50,593 households.

61. **Mr. Speaker**, the Ministry provided food parcels to 12,600 households at an average of 100 people per council for three months. Distribution of food parcels for the third phase is ongoing though there is an increase in the level of vulnerability. This means if emergency relief is not provided on time more people will fall into poverty trap.

62. With regard to international sporting events, Lesotho was supposed to host international games in December 2020. The games were postponed due to COVID-19 pandemic and the approved budget of M339 million was revised downwards to M159 million which was reallocated to COVID-19 mitigation measures.

63. **Mr. Speaker**, you may recall that the Government has introduced the Youth Apprenticeship Programme in 2019/20 to address the high rate of unemployment amongst the youth. The programme has been allocated M300 million in the current financial year, for Basotho youth to be placed in different

local entities with the intention of giving them experience that will eventually help them to get permanent positions in both Public and Private Sectors. Among registered graduates, 431 youth have been placed in various companies. Some of the apprentices have already been absorbed into permanent employment. Furthermore, 986 Youth have been placed in 24 constituencies for rehabilitation/maintenance/building of community assets and 42 Liaison officers in all the 24 operational constituencies.

64. In relation to improving Investment climate, Consumer Protection Bill is at Parliament. Business Licencing and Registration Act and Security interest in Moveable Property Act are in place and these are critical for catalysing private investment. We have made significant progress in streamlining business and property registration and in launching and operating a credit bureau. But more concerted efforts are needed in improving the services in the entire business cycle, from starting a business until the operational stage, particularly, construction permits, access to finance. This will also reduce government dominance in the economy. It is also this Government policy to increase survival and complementarity between MSMEs and big players in different sectors.

65. **Mr. Speaker**, for the remaining months of the current fiscal year the government intends to focus more on COVID-19 related expenditures to manage and minimise the rate of infection. In this regard, the government will publish procurement contracts and audit reports for COVID-19 expenditures to enhance transparency in the use of public funds. Government is in talks with Development Partners to assist in procuring and securing COVID-19 vaccine once it is available.

66. To minimise the level of arrears, we will continue to release monthly warrants to match the collected revenues and deter unauthorised procurements in order to manage the fiscal sustainability. The ministries therefore, will have to re-prioritise within the current priorities. We will continue to monitor the level of the public debt to ensure that it remains within the sustainable parameters.

CONCLUSION

67. **Mr Speaker**, as I conclude, may I reiterate that the Mid-Term Budget Review make an overall assessment of a budget and economic performance for the first half of the year, before putting forward the policies guiding the 2021/22 budget estimates. It is, however, imperative that government continue to focus on the 2020/21 Budget objectives of private sector led job creation in order to bring the economy back on a growth path.

68. Finally, **Mr Speaker**, I wish to register my profound appreciation to the Right Honourable the Prime Minister; the Deputy Prime Minister and Chairperson of the Cabinet Budget Committee, the members of the Cabinet Budget Committee for the guidance they have provided to me on the performance review laid before you today. I also wish to thank our development partners that have provided technical and financial support through this difficult time. I hope that they will continue to work with us in collaboration with all the stakeholders in crafting and facilitating the implementation of the envisaged recovery plan. It would also be remiss of me not to thank companies, Non-Governmental Organisations and citizens that provided food and financial support to families in need during this difficult time. We must ensure that we build the resilience of our economy, and the Government cannot do it alone.

69.I cannot thank my family enough for the unwavering support they continue to render to me in my assignment. I am indebted to my senior officials for their selflessness and dedication in the preparatory and professional work they have produced for your attention today. I also wish to thank the officials of the Ministry of Finance who have gone to the districts in support of this Mid-term budget review. This is my maiden and first Mid-term budget statement. I will forever be grateful for this rare opportunity.

Khotso Pula Nala!

ANNEX I				
GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2020/2021 - 2022/2023				
Budget Item	Budget 2020/21	Projection 2020/21	Budget 2021/22	Budget 2022/23
REVENUE	20,181.9	17,353.8	15,602.6	15,934.3
Tax revenue	7,944.1	5,771.6	6,670.2	7,117.7
Taxes on income, profits, and capital gains	4,359.7	3,042.0	3,548.9	3,703.0
Income tax - payable by individuals	2,358.4	2,127.2	2,199.3	2,249.7
Income tax - payable by corporations and	1,091.5	365.6	706.9	761.2
Income tax - other	909.8	549.1	642.7	692.0
Taxes on goods and services	3,583.7	2,729.6	3,120.4	3,413.8
Value-added tax	3,168.8	2,306.4	2,688.0	2,894.3
Excise taxes	394.2	397.7	410.8	496.8
Taxes on specific services	1.6	3.3	1.6	1.7
Taxes on the use of goods and on permis	19.0	22.2	20.0	21.0
Other taxes	0.8	0.0	0.9	0.9
Grants	1,108.4	1,106.5	1,193.7	1,296.8
Other revenue	2,148.8	1,495.1	1,674.5	1,800.4
Property income	831.3	332.8	389.5	452.5
Dividends	299.0	117.8	164.6	172.9
Rent	454.0	203.8	213.7	268.5
Sales of goods and services	1,313.1	1,161.4	1,282.6	1,346.1
Electricity Muela	61.2	49.4	64.3	67.5
Water Royalties - LHDA	1,060.0	1,040.3	1,113.0	1,168.6
Administrative fees	52.1	30.1	54.7	57.4
Incidental sales by nonmarket establishme	139.8	41.7	50.7	52.5
Fines & forfeits	3.7	0.8	1.5	0.9
Miscellaneous and unidentified revenue	0.8		0.8	0.9
SACU	8,980.5	8,980.5	6,064.3	5,719.3
EXPENSE (Statutory + Non Statutory + Sa	15,694.2	14,297.9	12,307.2	12,719.9
Compensation of Employees	7,201.1	6,564.9	6,903.3	7,192.2
Wages and salaries	6,643.8	5,979.2	6,275.7	6,538.4
Use of goods and services	3,565.5	2,348.4	1,952.1	2,015.7
Interest Payments	484.8	524.5	530.0	556.5
Nonresidents	280.7	304.5	296.9	311.8
Residents other than general government	204.1	220.0	233.1	244.8
Subsidies	217.8	1,027.2	415.1	415.1
Grants to international organisations	36.9	0.2	0.2	0.2
Grants to other general government unit	1,175.1	1,174.8	881.1	881.1
Social benefits	2,061.9	1,705.5	1,023.3	1,056.9
Other expense	952.3	952.4	602.1	602.1
Student Grants	904.4	904.4	577.0	577.0
Other expense	47.9	48.0	25.1	25.1
Capital Budget	6,264.7	4,519.8	4,381.9	4,450.8
GoL	3,349.7	1,818.7	1,764.3	1,807.6
Donor Grants	858.2	844.1	936.0	937.0
Donor Loans	2,056.8	1,857.0	1,681.6	1,706.2
CASH SURPLUS / DEFICIT	-1,778.0	-1,463.9	-1,086.4	-1,236.5
GDP	37,751.5	33,372.8	35,825.1	38,047.3
TRANSACTIONS IN FINANCIAL ASSET	1,777.9	1,463.9	1,086.4	1,236.5
FINANCIAL ASSETS	-1,692.3	-2,608.3	-1,559.5	-1,741.1
Domestic (Change in Deposits)	-1,692.3	-2,607.8	-1,559.3	-1,740.8
Foreign	0.0			
LIABILITIES	85.5	-1,144.3	-473.1	-504.7
Domestic	1,160.0	-2,210.0	-1,323.9	-1,338.4
Securities	-277.0	-1,327.0	-840.9	-855.4
Loans	-83.0	-83.0	-83.0	-83.0
<i>of which Pension Liabilities</i>	<i>0.0</i>			
Foreign	1,245.5	1,065.7	850.7	833.7
Loans	1,245.5	1,065.7	850.7	833.7
Disbursements	2,056.8	1,857.0	1,681.6	1,706.2
Repayments	-811.3	-791.3	-830.9	-872.4
Months of Import Coverage	4.4	4.6	3.8	3.1

ANNEX II

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2020/21 - 2022/2023 [% of GDP]

Budget Item	Budget 2020/21	Projection 2020/21	Budget 2021/22	Budget 2022/23
REVENUE	53.46	52.00	43.55	41.88
Tax revenue	21.0	17.29	18.62	18.71
Taxes on income, profits, and capital gains	11.5	9.1	9.9	9.7
Income tax - payable by individuals	6.2	6.4	6.1	5.9
Income tax - payable by corporations and other	2.9	1.1	2.0	2.0
Income tax - other	2.4	1.6	1.8	1.8
Taxes on goods and services	9.5	8.2	8.7	9.0
Value-added tax	8.4	6.9	7.5	7.6
Excise taxes	1.0	1.2	1.1	1.3
Taxes on specific services	0.0	0.0	0.0	0.0
Taxes on the use of goods and on permission to	0.1	0.1	0.1	0.1
Other taxes	0.0	0.0	0.0	0.0
Grants	2.9	3.3	3.3	3.4
Other revenue	5.7	4.5	4.7	4.7
Property income	2.2	1.0	1.1	1.2
Dividends	0.8	0.4	0.5	0.5
Rent	1.2	0.6	0.6	0.7
Sales of goods and services	3.5	3.5	3.6	3.5
Electricity Muela	0.2	0.1	0.2	0.2
Water Royalties - LHDA	2.8	3.1	3.1	3.1
Administrative fees	0.1	0.1	0.2	0.2
Incidental sales by nonmarket establishments	0.4	0.1	0.1	0.1
Fines & forfeits	0.0	0.0	0.0	0.0
Miscellaneous and unidentified revenue	0.0	0.0	0.0	0.0
SACU	23.8	26.9	16.9	15.0
EXPENSE (Statutory + Non Statutory + Salary I	41.6	42.8	34.4	33.4
Compensation of Employees	19.1	19.7	19.3	18.9
Wages and salaries	17.6	17.9	17.5	17.2
Use of goods and services	9.4	7.0	5.4	5.3
Interest Payments	1.3	1.6	1.5	1.5
Nonresidents	0.7	0.9	0.8	0.8
Residents other than general government	0.5	0.7	0.7	0.6
Subsidies	0.6	3.1	1.2	1.1
Grants to international organisations	0.1	0.0	0.0	0.0
Grants to other general government units	3.1	3.5	2.5	2.3
Social benefits	5.5	5.1	2.9	2.8
Other expense	2.5	2.9	1.7	1.6
Student Grants	2.4	2.7	1.6	1.5
Other expense	0.1	0.1	0.1	0.1
Capital Budget	16.6	13.5	12.2	11.7
GoL	8.9	5.4	4.9	4.8
Donor Grants	2.3	2.5	2.6	2.5
Donor Loans	5.4	5.6	4.7	4.5
CASH SURPLUS / DEFICIT % GDP	-4.7	-4.4	-3.0	-3.2
TRANSACTIONS IN FINANCIAL ASSETS AN	4.7	4.4	3.0	3.2
FINANCIAL ASSETS	-4.5	-7.8	-4.4	-4.6
Domestic (Change in Deposits)	-4.5	-7.8	-4.4	-4.6
Foreign	0.0	0.0	0.0	0.0
LIABILITIES	0.2	-3.4	-1.3	-1.3
Domestic	3.1	-6.6	-3.7	-3.5
Securities	-0.7	-4.0	-2.3	-2.2
Loans	-0.2	-0.2	-0.2	-0.2
<i>of which Pension Liabilities</i>	0.0	0.0	0.0	0.0
Foreign	3.3	3.2	2.4	2.2
Loans	3.3	3.2	2.4	2.2
Disbursements	5.4	5.6	4.7	4.5
Repayments	-2.1	-2.4	-2.3	-2.3

ANNEX III

ANNUAL % CHANGE IN REVENUES AND EXPENDITURES			
Budget Item	Budget 2020/21	Projection 2020/21	% Change
REVENUE	20,181.9	17,353.8	-14.0
Tax revenue	7,944.1	5,771.6	-27.3
Taxes on income, profits, and capital gains	4,359.7	3,042.0	-30.2
Income tax - payable by individuals	2,358.4	2,127.2	-9.8
Income tax - payable by corporations and other enterprises	1,091.5	365.6	-66.5
Income tax - other	909.8	549.1	-39.6
Taxes on goods and services	3,583.7	2,729.6	-23.8
Value-added tax	3,168.8	2,306.4	-27.2
Excise taxes	394.2	397.7	0.9
Taxes on specific services	1.6	3.3	108.0
Taxes on the use of goods and on permission to use or perform activities	19.0	22.2	16.4
Other taxes	0.8	0.0	-94.7
Grants	1,108.4	1,106.5	-0.2
Other revenue	2,148.8	1,495.1	-30.4
Property income	831.3	332.8	-60.0
Dividends	299.0	-117.8	-60.6
Rent	454.0	203.8	-55.1
Sales of goods and services	1,313.1	1,161.4	-11.5
Electricity Muela	61.2	49.4	-19.3
Water Royalties - LHDA	1,060.0	1,040.3	-1.9
Administrative fees	52.1	30.1	-42.3
Incidental sales by nonmarket establishments	139.8	41.7	-70.2
Fines & forfeits	3.7	0.8	-78.2
SACU	8,980.5	8,980.5	0.0
EXPENSE (Statutory + Non Statutory + Salary Increase)	15,694.2	14,297.9	-8.9
Compensation of Employees	7,201.1	6,564.9	-8.8
Wages and salaries	6,643.8	5,979.2	-10.0
Use of goods and services	3,565.5	2,348.4	-34.1
Interest Payments	484.8	524.5	8.2
Nonresidents	280.7	304.5	8.5
Residents other than general government	204.1	220.0	7.8
Subsidies	217.8	1,027.2	371.6
Grants	1,212.0	1,175.0	-3.1
Social benefits	2,061.9	1,705.5	-17.3
Other expense	952.3	952.4	0.0
Capital Budget	6264.7	4,519.8	-27.85
GoL	3,349.7	1818.73	-45.7
Donor Grants	858.2	844.10	-1.6
Donor Loans	2,056.8	1857.00	-9.7
CASH SURPLUS / DEFICIT	-1778.0	-1,463.9	
GDP	37,751.5	33,372.8	-11.60

ANNEX IV

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEARS 2018/2019 - 2022/2023				
Budget Item	Budget 2020/21	Projection 2020/21	Budget 2021/22	Budget 2022/23
REVENUE	100.0	100.0	100.0	100.0
Tax revenue	39.4	33.3	42.8	44.7
Taxes on income, profits, and capital gains	21.6	17.5	22.7	23.2
Income tax - payable by individuals	11.7	12.3	14.1	14.1
Income tax - payable by corporations and other enterprises	5.4	2.1	4.5	4.8
Income tax - other	4.5	3.2	4.1	4.3
Taxes on goods and services	17.8	15.7	20.0	21.4
Value-added tax	15.7	13.3	17.2	18.2
Excise taxes	2.0	2.3	2.6	3.1
Taxes on specific services	0.0	0.0	0.0	0.0
Taxes on the use of goods and on permission to use or possess	0.1	0.1	0.1	0.1
Other taxes	0.0	0.0	0.0	0.0
Grants	5.5	6.4	7.7	8.1
Other revenue	10.6	8.6	10.7	11.3
Property income	4.1	1.9	2.5	2.8
Dividends	1.5	0.7	1.1	1.1
Rent	2.2	1.2	1.4	1.7
Sales of goods and services	6.5	6.7	8.2	8.4
Electricity Muela	0.3	0.3	0.4	0.4
Water Royalties - LHDA	5.3	6.0	7.1	7.3
Administrative fees	0.3	0.2	0.4	0.4
Incidental sales by nonmarket establishments	0.7	0.2	0.3	0.3
Fines & forfeits	0.0	0.0	0.0	0.0
Miscellaneous and unidentified revenue	0.0		0.0	0.0
SACU	44.5	51.7	38.9	35.9
EXPENSE (Statutory + Non Statutory + Salary Increase)	100.0	100.0	100.0	100.0
Compensation of Employees	45.9	45.9	56.1	56.5
Wages and salaries	0.0	0.0	0.0	0.0
Use of goods and services	22.7	16.4	15.9	15.8
Interest Payments	3.1	3.7	4.3	4.4
Nonresidents	0.0	0.0	0.0	0.0
Residents other than general government	0.0	0.0	0.0	0.0
Subsidies	1.4	7.2	3.4	3.3
Grants to international organisations	0.2	0.0	0.0	0.0
Grants to other general government units	7.5	8.2	7.2	6.9
Social benefits	13.1	11.9	8.3	8.3
Other expense	6.1	6.7	4.9	4.7
Student Grants	0.0	0.0	0.0	0.0
Other expense	0.0	0.0	0.0	0.0
Capital Budget	100.0	100.0	100.0	100.0
GoL	53.5	40.2	40.3	40.6
Donor Grants	13.7	18.7	21.4	21.1
Donor Loans	32.8	41.1	38.4	38.3