



**PARLIAMENT OF THE KINGDOM OF LESOTHO
BUDGET SPEECH TO THE PARLIAMENT OF THE KINGDOM
OF LESOTHO FOR THE 2021/22 FISCAL YEAR**

*“Navigating the New Norm towards Transformation and
Economic Recovery”*

BY

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MINISTER OF FINANCE

MASERU, LESOTHO

17TH FEBRUARY 2021

MR SPEAKER,

Allow Me to Pay My Respects to:

His Majesty King Letsie III

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**, it is my privilege and honour to introduce the first budget of the current administration. The Right Honourable the Prime Minister has given us a clear challenge: this budget should leave a mark that will change the economic history of Lesotho, despite the challenges that face us. The Lesotho we want, is the one that is free from poverty, inequality, and joblessness especially among the youth.
2. This budget has been prepared at a challenging time but at the same time it presents an opportunity to introduce fundamental reforms to restructure our economy. COVID-19 will be with us for some time and we, therefore, need to “*Navigate the New Norm towards Transformation and Economic Recovery*”.
3. **Mr Speaker**, over 109 million people globally have contracted the coronavirus and over two million have sadly succumbed to the disease. This has stressed health systems in most countries across the world, resulting in an unplanned and an escalation in health-related expenditure. Lesotho has not been spared from the pandemic. To date, more than 9,000 people have contracted the virus and over 200 deaths have been recorded. It is with greatest respect that I would like to offer my condolences to families that have lost their loved ones to this disease.
4. The COVID-19 pandemic has not only been a health crisis but has also adversely impacted the economy. Global business activity has contracted as supply and value chain disruptions dampened the demand for goods in general and commodities in particular. The consequence has been loss of jobs and livelihoods for millions of people as countries implemented containment and mitigation measures.
5. **Mr Speaker**, let me provide highlights of economic developments and prospects on the global and regional front, and their impact on our domestic economy.

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT AND PROSPECTS

6. The 2020 global economic projections point to a contraction of 3.5 percent owing to the adverse effects of the COVID-19 pandemic. Advanced economies are likely to contract the most by 4.9 percent this year compared to the growth of 1.6 percent in 2019. Emerging markets and developing economies are set to decline by 2.4 percent after growing by 3.6 percent in 2019. China is the only economy expected to register a slower growth of 2.3 percent in 2020 compared to 6.0 percent in 2019.
7. The global economy is projected to grow by 5.5 percent in 2021 and by 4.2 percent in 2022. This is due to an increased ability to control COVID-19 transmission through vaccination and an observance of WHO protocols. In line with recovery in global activity, global trade volumes are forecast to grow by 8.1 percent in 2021, before moderating to 6.3 percent in 2022.
8. Sub-Saharan Africa economic activity is expected to contract by 2.6 percent from a positive outturn of 3.2 percent in 2019. The larger economies of Nigeria and South Africa are projected to contract by 3.2 percent and 7.5 percent, respectively. However, Sub-Saharan Africa recovery is expected to be at 3.2 percent in 2021, before expanding to 3.9 percent in 2022. Similarly, the recovery will particularly be driven by two major economies.

MACROECONOMIC PERFORMANCE AND OUTLOOK

9. **Mr Speaker**, the overall economic growth is estimated to decline to -5.8 percent of GDP in 2020/21 before rebounding to the average of 4.7 percent in the medium-term. The growth trajectory is underpinned mainly by agriculture, mining, manufacturing, and construction sectors. The expected increase in crop production will boost agriculture to the moderate growth of 2.6 percent in 2020/21. In the medium-term agricultural sector is expected to grow by an average of 2.3 percent supported by higher growth of livestock farming.

10. The mining sector is estimated to have contracted by staggering 15.1 percent in 2020/21 before recovering to 6.4 percent in 2021/22. This contraction comes after all mining companies were placed under care and maintenance in the second half of 2020 due to disruptions from the pandemic. Over the medium-term, the mining sector is expected to grow steadily at an annual average rate of 3.7 percent. This is based on anticipated recoveries of higher-grade gem diamonds at one of the biggest mines, coupled with expected rise in production and diamond prices.
11. The manufacturing sector is set to record a disappointing growth of -14.2 percent in 2020/21, with textiles, clothing, footwear, and leather expected to contract by 18.6 percent due to disrupted supply chain and demand side shocks caused by COVID-19 pandemic. The reduction in factory activity has led to huge cost cutting measures employed by firms. These measures have led to decrease in employment of 3.5 percent in the first quarter of 2020/21, while on average 7.3 percent of the jobs have been lost to date. In 2021/22 the sector is expected to recover to 4.6 percent before growing at an annual average rate of 5.3 percent in the medium-term. This growth will be supported by the roll-out of the COVID-19 vaccine which will supposedly improve global economic outlook, particularly the recovery in US and RSA.
12. Government construction projects for 2020/21 fiscal year have been deferred due to lockdown and budget reallocation towards COVID-19 mitigation measures at the beginning of the year. The pandemic has not only affected public investment projects but also private projects thereby detrimentally affecting the sector to plummet by -13.0 percent in 2020/21. In 2021/22, the sector is set to experience strong growth of 19.5 percent before expanding by 34.3 percent in the medium term following expected commencement of all previously suspended projects as economies open.
13. Annual inflation is projected to be around 4.1 percent by the end of 2020/21 fiscal year and is expected to be in line with South Africa's inflation outlook. This was mainly driven by an increase in the prices of Food and non-alcoholic beverages and Clothing and footwear. Inflation is expected to maintain a steady trajectory in 2021/22 through the medium term and is estimated to average 5 percent.

14. **Mr. Speaker**, the external sector's vulnerability has been exacerbated by the impact of the pandemic. Trade deficit is expected to widen in 2020/21 as exports contracted by a higher magnitude in contrast to imports. Both demand and supply factors account for lower exports. Higher trade balance deficit along with low-income inflows from miners in South Africa will supersede strong SACU revenue leading to higher current account deficit of 7.9 percent of GDP in 2020/21 from 3.0 percent of GDP in 2019/20. Trade will worsen further in the medium-term in line with expansion in imports related to construction activities. The improvement in the diamond sector will somewhat counterbalance higher import though the deficit is expected to persist. This coupled with expected decline in SACU revenue will worsen the current account into the medium-term.
15. Reserves in months of import cover are projected at 4.9 months in 2020/21 from 4.7 registered in 2019/20. The buildup is underpinned mainly by robust SACU revenue and the emergency support under Rapid Credit Facility and Rapid Financing Instrument received from IMF amounting to 49.1 million US dollars. In the medium-term, they are estimated to decline to the low of 3.5 months of import in 2023/24 which is about the lowest conventional threshold. The projected weakening fiscal position is the underlying factor behind the decline, and this is a thread to macroeconomic stability.

FISCAL POLICY

16. **Mr. Speaker**, revenue collection for 2020/21, is expected to recover to 54 percent of GDP, after it had steadily declined for four consecutive years at an average of 48 percent of GDP. The decline was mainly due to the continuous feeble economic activity, globally and at national level. The frail economic conditions had ramification effects on tax and non-tax revenue collection amidst the revenue mobilisation efforts made to increase revenue through higher tax rates and broadening of the tax base. The recovery in 2020/21 was enhanced primarily by SACU revenue which is shared ax-ante.
17. Domestic tax has also been growing at a steady declining rate of 22 percent of GDP in the past two years and a further deterioration of

around 19 percent of GDP is expected in 2020/21. This reflects adverse effects of COVID-19 as well as the prevailing deficiency of effective monitoring and management of non-tax revenue.

18. In 2021/22 revenue target was set under a lot of strain; the already ailing domestic economy coupled with the COVID-19 pandemic shock. The total revenue is projected to decline by 7 percentage points lower than the previous year, recording 47 percent of GDP. This is underpinned by a sharp fall of SACU revenue from 27 percent in 2020/21 to 16 percent of GDP in 2021/22. In the medium-term, domestic revenue is set to slowly recover with the post COVID-19 mitigation measures which is believed to bring the economic activity back to normal. However, SACU revenue is expected to decline due to uncertainties and volatility faced by the SACU pool coupled with the expected huge negative adjustment in 2022/23.
19. Mr. Speaker, in 2020/21, a projected outturn in total expenditure is estimated at 57.7 percent of GDP comprising of 44.1 percent of GDP and 13.6 percent of GDP in recurrent and capital spending, respectively. This demonstrates a slight decline from 2019/20 total expenditures in nominal terms. While most components of recurrent spending are expected to maintain the upward trajectory, operating costs are expected to decline consequent to the government policy of rationing expenditure through the release of monthly warrants. A drastic cut in international travel is also attributed to the expected decline in this category. The policy is hailed as crucial in ensuring efficiency in public finance management. On the other hand, caution must be exercised not to curtail operating costs that are required for service delivery, the focus must be on unproductive consumption.
20. A record increase in subsidies is expected in 2020/21 due to social assistance initiative by the Government as a response to mitigate the impact of the pandemic. While this measure was inevitable, it came at an economic cost of the forgone infrastructure development.
21. In 2021/22 through the medium-term, expenditure is projected to increase drastically to 60.3 percent of GDP against slower revenues and the fiscal position will remain weak through the medium term. Capital

budget will rebound to 15.7 percent of GDP in 2021/22 as the government remains committed to alleviate the development gap and promote growth and job creation. The Government is faced with a need for a tight fiscal consolidation effort to counter the effects of the pandemic and lingering fiscal imbalances while at the same time advancing productive capacity.

22. The ensuing developments in revenue and expenditure will result in the overall fiscal deficit of 3.0 percent of GDP in 2020/21 before ballooning to 13.1 percent in 2021/22 and will average 10.2 percent of GDP in the outer years. These fiscal imbalances are unsustainable and exert a considerable pressure on our international reserves which need to be maintained at an adequate level to preserve the peg. They further impose downside risks to our debt which is currently moderate and may result in distasteful debt distress. The urgency of fiscal consolidation and implementation of the economic reforms cannot be overemphasised.

Financing and Debt Management Strategy

23. **Mr Speaker**, the total Public and Publicly guaranteed debt stood at M19.6 billion at the end of January 2021, with the external debt reaching M15.1 billion and Domestic Debt standing at M4.5 billion. The Debt Sustainability Assessment (DSA) has highlighted the rapid increase in the countries debt levels over the past three years, particularly on the domestic side driven mainly by the persistent high budget deficits, while on the external side the main driver has been the consistent depreciation of the Lesotho Loti against the major external currencies in our debt portfolio such as the US Dollars, the British Pound Sterling and the Euro including the basket of currencies such as the Special Drawing Rights. The countries total debt to GDP reached 58.1 percent, while the external debt to GDP reached 45 percent with the domestic debt making the remaining 13.1 percent of GDP. While the total debt to GDP is rapidly approaching the 60 percent SADC and global threshold, other solvency debt burden indicators such as External debt to Exports remain well below their thresholds, with the Liquidity thresholds of debt burden distress such as the external debt to exports and revenues also being well below their indicative thresholds.

24. Therefore, the recent DSA assesses Lesotho's risk of overall and external debt distress at moderate level despite the impact of COVID-19 shock but risks to debt sustainability have risen. These results point to the importance of building economic buffers to mitigate external shocks and maintaining a conservative approach to new borrowing. Controlling the current expenditure and hence curbing the budget deficits in the short to medium-term remains essential to reduce pressure to expand domestic borrowing, restore the external balance and mitigate vulnerabilities. Carefully appraising and vetting new investment projects is recommended to ensure that new borrowing is directed to combatting the spread of COVID-19 while the acquisition of the virus vaccine is prioritised and secondly, to stimulate the economic recovery from the effects of COVID-19.

COVID-19 SOCIO-ECONOMIC RESPONSE

25. **Mr. Speaker**, Lesotho like many countries is going through bereavement as a result of the havoc wreaked by the COVID-19 pandemic. The economic and social disruption being caused by this pandemic is distressing. It is profoundly moving how the pandemic has threatened an already modest economic stability in our country. The government has been working tirelessly to mitigate the impact of this pandemic on Basotho and their livelihoods while laying a path to recovery.

26. Government set priorities on the health sector needs, particularly on the requirements of the health sector personnel. Funding was allocated for procurement of adequate personal protective equipment to ensure a safe working environment of health workers. A nationwide capacity building was undertaken in all spheres of the sector, inclusive of the private companies, to ensure infection management and control, proper surveillance and prudent case management. As an incentive and acknowledgement of the risk exposure on frontline health workers, Government approved provision of allowances to supplement their salaries across the entire sector.

27. The Government in collaboration with Development Partners, Non-Governmental Organisations (NGOs) and the Private Sector provided investment and technical assistance in the fight against this pandemic.

Priority was also put-on procurement of medical supplies together with diagnostic and biomedical equipment.

28. **Mr. Speaker**, Government launched a new initiative for contact tracing and reporting by village workers known as “Bophelo Ka Mosebeletsi” in Quthing and Mokhotlong. In Maseru, an oxygen plant which is imperative for uninterrupted supply of oxygen was launched. The Government procured ambulances to service the Linakeng Health Centre in Butha-Buthe, Semonkong Health Facility, Mokhotlong and Motebang Hospitals. Furthermore 90 hand washing facilities were installed in the ten districts.
29. Mr. Speaker, the fiscal support measures were introduced to assist businesses and households during these trying times. The Government implemented the rent relief measures for Small, Medium and Micro Enterprises in response to the COVID-19 pandemic. therefore M1.3 million was disbursed to registered and compliant businesses.
30. 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 ease cash flow problems faced by businesses during the trying times.
31. **Mr Speaker**, it is worth mentioning that regardless of the COVID-19 turmoil, studies indicate that knowledge and awareness of the pandemic has spread at high levels resulting in behavioural change. It is worth noting that 21.5 percent of households had received some form of social assistance since the outbreak of COVID-19, either in the form of free food or direct cash transfer. On the other hand, a wage subsidy for factory workers for the duration of 3 months was implemented.
32. The Government signed Partial Credit Guarantee scheme with the Lesotho National Development Corporation worth M350 million, in order to partially off-set the impact of the lockdown on the medium and large enterprises.

33. **Mr Speaker**, in an effort to stimulate the economic activity, the Central Bank of Lesotho (CBL) lowered its policy rate from 6.5 percent per annum to 3.5 percent per annum. The bank temporarily relaxed the prudential requirements that the financial institutions should comply with, so as to increase the scope of lending and to offer lenient credit limit exposure requirements by banks in concurrence with CBL. It also lightened the burden on financial consumers who were affected financially by the pandemic through banks' payment holidays, three months' premium holiday by insurance companies and allowing the insurance policyholders to renegotiate their policy contracts.
34. With limited mobility and interpersonal contact brought by the measures to prevent the spread of COVID-19, the CBL promoted the use of contactless payment channels. It revised mobile money transaction thresholds on tiers 2 and 3 of the Know Your Customer requirements. The application of these revised transaction thresholds was extended for further period of six months starting in January 2021.
35. **Mr. Speaker**, the government secured external funding in a form of loans and grants for the COVID-19 pandemic response. The COVID-19 related activities received funding from the World Bank amounting to USD 7.5 million while USD 24.1 million was received from IMF for an emergency support, to meet urgent balance of payments needs which stemmed from the pandemic. Grants from the European Union and from the Government of the United States of America amounting to EUR5.5 million and USD36.9 million respectively were received towards COVID-19 related activities.
36. **Mr. Speaker**, at this juncture, allow me to share with this Honorable House the developments on the access of the much-anticipated COVID-19 vaccine.
37. Lesotho is part of the global pooled procurement initiative coordinated by the COVID-19 Global Access Facility known as COVAX. The Facility has been established by the Immunization Alliance Partners with obligations which include facilitation of the vaccine access in all Low-to-Middle Income Countries (LMICs) irrespective of their economic situation. Lesotho will access the COVID-19 vaccine through the COVAX Facility. As part of the COVAX Facility Advanced

Market Agreement (AMC), which Lesotho is part of, the country will be fully subsidized for COVID-19 vaccines covering 20 percent of the population.

38. This Honourable House will note that there is a minimal supply of the COVID-19 vaccine globally hence its shipment is expected in phases. Efforts to exceed the 20 percent coverage of our population requires cost sharing with the COVAX Facility for supplementary doses as opposed to that fully subsidised by the COVAX AMC donors.
39. Government is developing a strategic introduction of the vaccine, guided by the vaccine introduction standards and guidelines together with the technical expertise of the global partners. Technical groups to work on smooth accessibility of the vaccine have been established through the Ministry of Health, which will embark in the Planning and Coordination, and Service Delivery, Vaccine Supply and Cold Chain Logistics, Data Management and Surveillance, and Demand Generation and Promotion working groups

PERFORMANCE OF THE 2020/21 BUDGET

40. **Mr Speaker**, moving on to the budget performance, may I reaffirm that the 2020/21 budget implementation was undertaken during the pandemic whose impact has been shattering on human health and our economy. The performance, therefore, deviated significantly from what was initially planned in the previous budget speech as priorities had to change.
41. This Honourable House will recall that the initial signal for the inevitable deviations was flagged by the downward revision of the targeted revenue collection. The estimated collection for 2020/21, dropped by M2.2 billion based on the then projected effects of COVID-19 on taxes and royalties.
42. **Mr Speaker**, on the expenditure side, the appropriated annual budget for 2020/21 was M23.8 billion, constituting the recurrent budget of M18.1 billion and the capital budget of M5.6 billion. Thus, the expenditure was held constant as the revenue target declined, leading to an uptick in deficit.

43. The financing of the COVID-19 management and control measures had a crowding-out effect on planned programmes as the Government avoided further expansion of the deficit. M1.2 billion was reallocated towards COVID-19 mitigations measures.
44. **Mr Speaker**, most projects funded entirely by the Government of Lesotho, which were at the initial stage, were deferred. Given the tightness of the fiscal space, it was also befitting to temporarily cease feasibility studies, designs, and environmental impact assessments for new projects as Government works on the economic reconstruction and recovery plan. In addition, 25 percent of the aggregated allocations for construction, maintenance, and upgrading of roads was reallocated towards COVID-19 relief programme.
45. **Mr Speaker**, even though education is an imperative component of human development, the education sector continues to endure the devastating impact of COVID-19. A disruption in schooling resulted in construction related projects and equipping of science laboratories in selected secondary schools to be temporarily suspended.
46. The Government strives to increase the participation of Basotho in sports and recreational activities, however, amid the COVID-19 conditions, the Government had to halt some of the planned sporting activities. In the current fiscal year, Lesotho had to host the African Union Sports Council games hence the “Region 5 Youth Games project” was approved. However, given the COVID-19 protocol which include social distancing and restricted movement, these games were suspended, and the funds reallocated towards the COVID-19 mitigation measures.

ECONOMIC RECOVERY

47. **Mr. Speaker**, the COVID-19 induced recession has been the worst recession in memory that has affected well over 90 per cent of world economies. It is the economic crisis that is induced by a health crisis. As we are battling the debilitating effects of both the health and the economic crises, it is also incumbent upon us to think about economic recovery and restoration of the lives of our people. The lasting recovery

of the economy is largely dependent on the extent to which the health crisis is resolved. Thus, resolving the health crises remains a paramount priority to limit the negative impacts on the economy, and our response must be exceptional in speed, scale, and selectivity.

48. The Government announced fairly early and at the start of the pandemic a host of measures that were meant to assist the nation to cope with the impending crisis. But we now need to look ahead. At the outset, it is important to note that our economy has not been performing well for a number of years and COVID-19 has brought to the fore our deep-seated structural problems which require us to re-think, re-strategize and re-draw economic development policy regime that is agile and robust enough to mitigate these challenges.

49. The recovery plan is still under preparation, but our drive towards a sustainable economic recovery path is encored on the following three (3) pillars:

- i. Dealing effectively and decisively with COVID 19 to limit the rate of infections and deaths, in order to protect and preserve the country's human capital base. This is a prerequisite to any meaningful attempt or policy aimed at rebuilding our economy.
- ii. The need to secure macroeconomic stability to support sustainable and inclusive growth. The quest to grow the economy and generate the much- needed jobs has always been and remains at the top of the agenda of the Government but that is premised on sustainable fiscal deficit, maintaining sound external balances, and ensuring low and stable inflation rates. It is also essential to adopt a sustainable and cautious approach to resource mobilisation that aims to secure sufficient resources to address COVID-19 and stimulate economic growth while maintaining sustainable debt levels, allowing the private sector sizeable room to expand investments.
- iii. A sound but agile economic policy framework that is forward looking, allocates most of the scarce resources towards investment and capital formation that has high rate of return. In

addition, the policy framework that respond to health threat and its immediate social, economic, and financial impact.

50. **Mr. Speaker**, as mentioned earlier, the Lesotho economic growth had been sluggish before the occurrence of COVID-19 pandemic. In its endeavour to build and recover the economy, the Government proposes acceleration of the implementation of the National Strategic Development Plan II (NSDP II) through further prioritisation of key programmes and actions that will create jobs and stimulate economic growth.

51. **Mr Speaker**, the Government will increase economic productivity, develop private sector, and increase jobs. Government aims to achieve sustainable growth through a private sector led employment creation by empowering indigenous Basotho entrepreneurs and continuous improvement of the investment climate. Government intends to review and amend a number of policies and laws that will facilitate for the development of the private sector. Red carpet treatment for ‘real’ investors should be a reality in Lesotho. I say ‘real’, because I need to discern real investments from a plethora of money laundering schemes that come from all the corners of the earth. Basotho ba heso, let us do proper screening of the offers that come our way, because if such money reaches our financial system, the country can be blacklisted as a haven for dirty money.

52. MSMEs are the backbone of our economy, but access to finance, markets and in some quarters appropriate technology remain as big constraints to growth. We are working on a strategy for incubation in selected sectors so that they can also participate in international markets effectively. The uptake of matching grants and credit guarantee facilities are being supported by enhancing BEDCO business strategy to offer the required business support services.

53. **Mr Speaker**, as the NSDP II indicates, we will continue to focus our efforts and investments in the following sectors to lead us to recovery namely agriculture, manufacturing, tourism and mining.

54. Agriculture: We plan to increase agricultural production and scale up commercialisation efforts by broadening the scope of existing

programmes financed by the World Bank, IFAD, African Development Bank, FAO and other partners. These programmes include Smallholder Agricultural Development Project II (SADP II) to increase access to finance through matching grants scheme that stands at M100 million; development of value chains in partnership with the private sector for horticulture, leather, wool and mohair as well as spices and essential oils just to mention the first mover industries. We expect the trade hub to play a critical facilitatory role in this regard. The Government is also finalising a M50 million financing facility for tractors and other agricultural machinery.

55. In relation to nutrition sensitive and climate smart agriculture, the Ministry of Agriculture and Food Security will among others promote community level gravity fed irrigation projects, short cycle livestock and food processing projects and consolidate research efforts on selected products to improve productivity. A PPP project for a modern slaughter facility is under way and a transactional advisor has been engaged to assist the Government to reach the most viable deal.
56. It is also important to note that the national irrigation master plan has been completed. It reveals that we have 53,130 hectares that can be irrigated at the cost of M12.6 billion. In the medium-term, the focus will be on rehabilitation of existing infrastructure and development of infrastructure for 24 percent of irrigation land (12,652 ha). We anticipate that the horticultural projects under MCA II will also contribute significantly in tapping the potential horticulture that Lesotho possess.
57. All these initiatives need to be supported by a progressive agricultural inputs production and marketing system, robust market intelligence and information system and extension services. This requires complementarity between the Government, Private sector, and experienced non-profit organizations in the extension of agricultural support services. We expect cannabis markets to also recover in the medium-term and to align with the completion of zoning plans to preserve prime agricultural land for horticulture and identify appropriate land for cannabis production.

58. **Mr Speaker**, with regard to manufacturing, the Government will promote diversification of the manufacturing sector through investments in agro-processing and promotion of access to new markets. In order to improve efficiency in the manufacturing sector, the Government will finalise and implement the special economic zones policy to pave the way for pipeline agro-pole projects, including off-shoots from the economic lab process and agro-industrial projects promoted by LNDC and BEDCO. Resources will be mobilised to complete Belo phase I industrial infrastructure and accelerate implementation of water and energy projects in the area. It is expected that vehicles to catalyse investments will be created for well-planned residential housing and allied services in and around the industrial park.
59. Tourism is one of the most hard-hit sectors across the world. Countries have to look at alternatives and cooperation in the region also remains critical. The niche for Lesotho lies in ecotourism. This means that we need to protect our fragile natural ecosystems to benefit from it now and in the future.
60. The mining and mineral sector is still at its nascent stage and the Government recognises the potential for natural resources rents from mining sector to transform the economy through supporting other employment-creating sector such as agriculture and manufacturing. Thus, the Government intends to increase the efficiency of mineral resources by promoting artisanal mining, improve regulatory framework for mining sector and promote inter-sectoral linkages and mining beneficiation. The mining tax code will also be enhanced in line with international best practices to ensure equitable distribution of benefits.
61. **Mr Speaker**, the growth of key sectors that I mentioned need to be supported by appropriate economic infrastructure, building human capital through development of appropriate skills required by the labour market as well as building health systems. We also recognise that good governance and building effective institutions are the lynch pin for sustainable growth and recovery.

62. The Government will build an enabling infrastructure platform to increase productivity in key growth and social sectors by promoting investments in e-governance and digital transformation; maintenance of existing infrastructure, especially roads and bridges, ensure sustainable access to safe and adequate water supply and sanitation for households and industries; and promote energy accessibility by households and industries. An integrated medium to long-term Infrastructure Development Master Plan is under preparation to direct programming of resources and obtain desired outcomes as defined in the Sustainable Development Goals commitments. The energy atlas has also been completed and will enable an investment portfolio to be developed for the energy sector to ensure smart investment partnerships with the private sector and the communities.
63. The improvement of quality of education remains a major concern for Lesotho, and COVID-19 has held us back in implementing a number of programmes in this regard. However, we should not waste a crisis, but tap opportunities that come with it. The advent of COVID-19 has accentuated the need to enhance digital infrastructure and skills plus innovative e-learning solutions from basic to tertiary levels. We will review the current programming of resources to create space for quality and equitable e-education. It is a new normal, let us embrace it. Lesotho can export services in this area, where it has comparative advantage. There is no reason why a Sesotho teacher cannot teach in Botswana and South Africa but based in Lesotho. In addition, national skills audit is being undertaken to inform the improvement of relevance and applicability of skills in the country. The Government also aims to improve TVET institutions as well as putting in place the means testing mechanism which will enable a well targeted sponsorships of Basotho. Quotas for scholarships in the region and locally will increasingly be limited to priority areas. It therefore means that institutions need to transform their programmes and curriculum in line with the changing market demands.
64. The Government will improve the health system capacity and specifically enhance the capacity to respond to COVID-19 and other similar pandemics. The Government is currently finalising COVID-19 vaccination plan to ensure readiness for implementation in April 2021.

Moreover, the government intends to adequately equip the health sector with the requisite work force and improve the health sector infrastructure such as intensive care units and supply of medical equipment. The village health worker system is still the bulwark of primary health care and needs nurturing and fortification. We will enhance capacity of regional hospitals with the requisite workforce, equipment, and other resources to cope with increasing demands on the health system. We are working on a plan to break the impasse at Tšepong, I shun to say at Queen 'Mamohato Memorial Hospital. We have to find a solution through negotiation or long-standing arbitration process. The Government of China has provided a grant to build the Maseru district hospital, where construction could have started if it were not for COVID-19 pandemic. The investment will contribute to growth and jobs as well. We need to explore ways of strengthening existing and creating new partnerships locally, regionally, and internationally to improve service delivery. Mental health, issues of sexual and reproductive health require special attention and new modes of delivery to ensure access.

65. Good Governance and Rule of Law remains at the core of successful implementation of national development agenda. To that end, government will facilitate the implementation of the national reforms and ensure that strong public and constitutional institutions are established or strengthened to ensure accountability, protection of human rights, to restore trust and confidence of the people and to fight corruption. Corporate governance will be addressed to entrench adoption of corporate governance principles and regulation of public enterprises. Government will also implement the public sector reforms by ensuring delivery of services to the public effectively and efficiently as well as to strengthen National Planning and Coordination; and put in place legislative frameworks that are responsive to the provisions of National Decentralisation Policy.

SECTORAL ISSUES AND ALLOCATIONS FOR 2021/22

66. **Mr Speaker** let me now focus on the 2021/22 sectoral issues and proposed budget allocations.
67. The Government of Lesotho total expenditure is proposed at M23.8 billion of which recurrent budget is M18 billion and capital budget is

M5.7 billion. The recurrent expenditure has decreased by 1 percent while capital expenditure has increased by 2 percent. The increase in capital budget is attributed to the increasing donor financing.

68. **Mr speaker**, I now present the sectoral allocations of the proposed 2021/22 Budget.

Investment Promotion

69. It should be noted that for those countries that are still growing, despite global economic headwinds, public investment is the engine of economic growth. To finance the investment needed for sustainable growth, we have the institutional capacity to blend international and domestic savings, and to combine public and private sector financing to mitigate risk and reduce the cost of capital. M1.7 billion has been allocated towards the sector.

Mining

70. **Mr Speaker**, the Government is in the process of reviewing the existing legal and regulatory framework for the mining sector to create an enabling environment for policy strategy. This will enhance competitiveness, transparency, predictability, and consistency as an aid for attracting more investment into the mining sector.

71. The Sector is improving and there are 8 companies holding mining leases for diamonds, even though due to impact of COVID-19, only 4 are operational. There are also 22 companies with mining leases for dolerite quarries, eight for sandstone quarries and one mining clay. As much as the restriction in movement in the world's largest diamond trading centres resulted in fewer diamond buyers being able to engage in trade and some of our mines suspending operations, diamond mining is still viewed as the mainstay and an enabler of Lesotho's economic development.

Agriculture

72. In its quest to invest in the commercialisation and diversification of agricultural production, the Government will continue to subsidise agricultural inputs. Promotion of climate smart agriculture will continue for both livestock and crop farmers and would be replicated to other farmers in other districts in support of a sustainable

commercial agriculture. Through strategic partnerships with key stakeholders and Development Partners, the Government continues to develop climate change adaptation strategies and advise the farming community to adopt and use them.

73. The Government through Small-Holder Agriculture Development Project II is implementing a Contingency Emergency Response Component, where Food and Agriculture Organization (FAO) has been contracted to undertake the responsive intervention by providing agricultural inputs to small-scale farmers. Inputs include grains and vegetable seeds, shade nets, small-scale irrigation system and water tank. Funds amounting to M80 million have been disbursed to FAO as an implementing agency. Cereal crop seeds have been distributed in the three mountain districts of Thaba-Tseka, Mokhotlong and Qacha's Nek targeting 5,000 farming households.
74. Majority of beneficiaries have already planted maize. Additional 200 metric tonnes (MT) of beans and 26.6 MT of fertilizer (2:3:2) already distributed to 15,000 lowlands beneficiaries in the four districts of Quthing, Mohale's Hoek, Leribe and Butha-Buthe. In 2021/22, Wool and Mohair Promotion Project (WAMPP) set aside M25 Million to subsidise feeds at 50 percent.

Economic growth and Job creation

75. **Mr Speaker**, pursuant to achieving the Government strategic priorities of increasing inclusive and sustainable economic growth and private sector-led job creation, the Government is conducting group sessions locally and in South Africa for retrenched workers and their beneficiaries in order to manage their savings and create self-employment. Furthermore, a skill transfer programme from foreign experts to locals has been initiated to build-on the available scarce skills through Ntlafatso Skills Training Centre.
76. In order to continue with economic growth through trade during the COVID-19 era, the Ministry of Trade and Industry established an online licensing system that renders a fully-fledged online service linked with online payments. These services are issuance of traders and manufacturing licenses, and their renewals. Furthermore, the Ministry launched the Lesotho Trade Information Portal in

December,2020. This portal is hosted by LNDC and provides a single platform to access all trade related information in Lesotho, detailed information on applicable processes, procedures, measures and Government Ministries and Agencies providing related services. This is part of trade facilitation and improvement of business climate in Lesotho.

77.**Mr Speaker**, to maintain and retain FDI in the country, Lesotho has developed and launched the AGOA Response Strategy and Action Plan. The strategy provides a comprehensive plan to increase exports from Lesotho to the United States (US) and to attract more US investment into Lesotho. The program is aimed at increasing exports to US and to promote a free-market system and expand US-Africa trade and investment. This trade initiative offers access to the US market consisting of over 300 million people. The AGOA secretariat is housed and being implemented by LNDC. The suggested priority potential export products for Lesotho to the US under AGOA are textiles, apparel, and footwear, natural/organic products, bottled water, canned food, handicrafts, leather, and leather accessories.

78. In an effort to increase number of jobs generated in the manufacturing sector nine (9) new large-scale manufacturing licenses were granted. Lesotho has ratified the SACU plus Mozambique and the United Kingdom Economic Partnership Agreement (SACUM-UK EPA). The SACUM- UK EPA seeks to avoid any disruption in trade as a result of Brexit. The Agreement came into force in January 2021. The Financing Agreement between Lesotho and the EU has been signed, by the Ministry of Finance and the EU Delegation. The signing of the Financing Agreement allows for the implementation of the EPA Action Document with the 6-million-euro funding. This will be used to develop value chains that will participate in the regional space and ultimately internationally. The focus is to assist Basotho to set up businesses and participate in the value chains and this will aid in creating employment.

79. Lesotho has ratified the African Continental Free Trade Area (AfCFTA) which brings together countries on the African Continent. The AfCFTA provides a large market of M1.4 billion for Lesotho`s

goods and services. The trade in goods under this Agreement began trading from January 2021.

Information and Communication

80. Ministry of Communications, Science and Technology through the implementation of E-Government Infrastructure project will increase broadband coverage in rural and unserved areas through construction of 48 Mobile sites. This construction will be undertaken over the medium-term. The project will further construct 96 km fiber network from Roma to Thaba-Tseka in order to improve the quality of E-services.
81. The Government digital services will be strengthened through the development of Government Electronic Payment Gateway and the Rural Community Payment Network. Under this project 40 common digital services centers will be established. The ministry will also review and develop a legal regulatory, policy and institutional frameworks to lay the ground for the private sector-led economic growth and job creation. The ICT policy Review and Cyber Security Bill are at an advanced stage.

Infrastructure Services

82. **Mr Speaker**, provision of infrastructure is most critical for promoting economic activity by increasing the potential supply capacity of the economy. Adequate infrastructure in the form of roads, bridges, electricity, transport, and water as well as their efficiency is also needed to integrate the economy in otherwise economically sluggish areas. M3.7 billion has been allocated the sector.

Roads and Bridges

83. As part of regional collaboration to enhance tourism opportunities, the Government will continue with the construction of the two major roads of Marakabei-Monontša and Mpiti-Sehlabathebe which are both progressing satisfactorily with over 500 Basotho employed under the two projects. Construction of Thaba-Tseka-Katse road has commenced amidst the COVID-19 challenges facing the global community.

84. The Government through partnership with World Bank under Transport Infrastructure and Connectivity Project (TICP) has completed construction of 22 footbridges while construction of additional 8 footbridges is underway. In the 2021/22 fiscal year the Government will construct more additional footbridges at Lenyakoane-Pelele, 'Mamaebana, Ramotjalotjalo in Leribe. In Mafeteng, constructions will be in Mahaneng-Malimong, Motlokoa-Ntsie and Mphamo-Malaleng. Lastly in Quthing, the construction will be in Makobobong-Lithakong, Lithakong and Mokae-Mapheelle.
85. **Mr speaker** upon realising dilapidated Government's buildings, the Government has embarked on full maintenance of its residential and non-residential buildings. The Memorandum of Understanding has been signed between the Ministries of Development Planning and of Public Works to commence the maintenance works. This is an initial step towards a comprehensive maintenance.
86. The Ministry of Local Government has completed construction of Mazenod and Berea Community Councils while Malingoaneng Principal Chief's office and Ratau Community Council are at an advanced stage. In 2021/22 fiscal year, the Ministry will undertake construction of Makeoane Community Council and Butha-Buthe Principal Chief's offices.

Transport

87. Mr Speaker, Government will vigorously rehabilitate Moshoeshoe I International Airport with the objective of meeting International Civil Aviation Organisation standards. To guard against fire outbreak the Government intends to procure a Fire Truck for provision of reliable cover service to retain international standard of service.
88. Construction of One-Stop-Shop Business Facilitation Centre at Ha Foso has been completed and is fully operational since November 2020. The facilitation Centre will offer services offered by Department of Traffic, LRA, INTERPOL and CID. The Facility will reduce the waiting time taken to register motor vehicles and acquire licenses to maximum of 15 minutes. For efficient and timely production of number plates, three independent service providers have been engaged for provision of service at Northern, Central and Southern Regions. To

date, a total of 10,000 new number plates have been produced to cover the backlog.

89. Lesotho has had a challenge of domestic freight for a long time. In February 2020, a newly and locally registered airline called Mohahlaula was introduced to relief the provision of transport services especially in the mountainous areas where access to socio-economic services is normally a challenge. The airline will offer charter and scheduled domestic and international operations for both passengers and cargo which in turn will boost tourism activities.

Water Resource

90. **Mr Speaker**, Government continues with its commitment to increase access to drinking water in both urban and rural areas. Notwithstanding the challenges and delays resulted from the COVID-19 pandemic, the Integrated Catchment Management Project is ongoing in six catchment areas in the country namely, Khubelu, Hlotse, Makhaleng, Senqunyane, Maletsunyane and Likhetla. Successful implementation of this programme is expected to rehabilitate and conserve catchment areas, rehabilitate agricultural lands and improve resilience and livelihoods of communities. This project is expected to create 1,280 jobs.
91. The Lesotho Lowlands Water Development Project (Phase II) is in its second year of implementation. It is being financed in Zones 2 and 3 (Hlotse and Maputsoe) by the World Bank to the tune of 68.4 million Euros: and in Zones 6 and 7 (Mafeteng and Mohale's Hoek) by the European Investment Bank and the European Union to the tune of 82 million Euros and 41 million Euros, respectively. The project will develop bulk water infrastructure, which includes a water treatment facility, transmission networks and reservoirs in each project region. The project will generate about 1,938 jobs during its implementation.
92. The Government has engaged with the Arab Financiers to support the development of bulk water system and distribution networks to the communities of the areas clustered as; Butha-Buthe Urban, Belo, Seboche, Selomo, Khukhune, Serutle, Nqechane, Phelandaba, Qalo, Qholaqhoe, Khabo, and Levi's Nek at the combined sum of 94.2 million

US Dollars which will benefit a population of more than 160,300 people, 84 schools, 132 churches, and 17 institutions.

93. **Mr Speaker**, the second phase of the Lesotho Highlands Water Project (LHWP II) has commenced, and the advance infrastructure programme is at an advanced stage. To date more than 1200 job opportunities, of which 950 (80 percent) are Basotho have been created. It is expected that expenditure under the LHWP II activities will be in the order of M4 billion in the fiscal year 2021/22. The tender for the construction of the main works, water transfer works (dam and tunnel) and for the consultancy services for the design and construction supervision of the hydropower component will be advertised in the first and second quarter of 2021/22 fiscal year.
94. It is expected that the main works water transfer component will create more than 3000 job opportunities. This is good news for Lesotho as it will assist in the reduction of unemployment figures. As in the Phase I, it is expected that the second phase of the LHWP will be one of the key economic stimuli in the country, it will amongst others create business and tourism opportunities, enhance skills development, and contribute to the government revenue.
95. The Detailed Designs for supplying Ha Mantšebo and Matsieng with water from Metolong Dam are completed and construction will commence in the first quarter of the 2021/22 fiscal year.
96. The Government through the Ministry of Water has started with the preparations to review the Lesotho Highland Water Project Treaty. In this long-awaited assignment, the Ministry of Water shall make thorough consultations and engage all stakeholders for the success of the special assignment that is intended to benefit the Basotho nation.

Energy

97. **Mr Speaker**, in an effort to increase electricity generation in the country, the Ministry of Energy signed the eight concession agreements with a private company to develop mini grids in rural areas to provide electricity to 6,000 households. Furthermore, 10 agreements with four private companies were signed to establish energy shops for energy

efficiency and solar lanterns in five districts of Mokhotlong, Thaba-Tseka, Quthing, Qacha's Nek and Mohale's Hoek.

98. The Lesotho Electricity Generation Company (LEGCO) has been established to oversee the construction and the commencement of phase I and phase II of Ramarothole Solar Electricity Generation Facility in Mafeteng which will generate 30MW solar electricity. Furthermore, the implementation agreement was finalised with an Independent Power Producer to start the construction of 20MW solar generation. The Lesotho Renewable Energy and Energy Access Project for off-grid electrification and grid extension to 6 industrial zones (Butha-Buthe Ha-Belo, Maseru Tikoe I and II, Mokhotlong, Berea and Qacha's Nek) was launched in the third quarter of 2020/21 fiscal year.
99. In 2021/22 fiscal year about 1,100 households and 2 schools will be electrified at Belo Industrial Zone in Butha-Buthe district and 16 mini grids will be launched in rural areas.

Human and Social Development

100. **Mr Speaker**, sustainable economic growth and development requires resources and a healthy manpower to meet the future demand and growth required by a country. The Government is still committed in to strengthening human capital as a catalyst to productive sectors with the greatest potential for job creation and inclusive economic growth. An allocation of M6.9 billion has been allocated towards this sector.

Health and wellness

101. The health system has been strengthened through the installation of teleconferencing infrastructure in 30 health facilities, which include 18 hospitals. This infrastructure has enabled continuation of training, mentorship, and supervision of health care workers virtually for HIV/TB and COVID-19 interventions. In addition, this teleconferencing infrastructure supported the largest healthcare worker training on Advanced HIV Disease (AHD) management in which a total of 278 healthcare workers were trained on AHD management virtually over a 3-day period.

102. In 2021/22 fiscal year the Ministry will, roll-out implementation of the Village Health-Workers Programme Policy linking with local governance structures. Amongst others the rollout will include maintaining consistency in monthly payment for Village Health Workers (VHWs) stipend; districts and stakeholders sensitisation on the new village health program policy; procurement of VHWs kits and protective clothing; 6-week initial trainings for VHWs across districts and continuation of essential PHC services in the context of COVID-19. Sensitisation of VHWs on COVID-19 and their role in surveillance.
103. **Mr Speaker**, the country has made enormous progress in the fight against HIV/AIDS. In the area of Anti-Retroviral Therapy (ART) Optimization - the HIV programme has responded to the need to improve the lives of people living with HIV by improving the type of ARV drugs being provided in the country. The current ART coverage is over 70 percent and to date 224 health facilities are providing ART in the country inclusive of both public and private facilities. In 2021 the ministry will be focusing on improving the provision of quality HIV prevention, treatment, and care services.
104. There has been a call for establishment of a radiotherapy (cancer) Centre in-Country. In preparation for this, an Oncology Clinic for cancer treatment has been established at Senkatana Centre and will soon offer chemotherapy services. The Centre performs cervical cancer screening and treatment for pre-cancer lesions and refers cancer clients requiring specialised treatment to Bloemfontein.
105. **Mr Speaker**, the Ministry of Health has achieved a great milestone by launching the Health Sector Turn-Around Strategy in December 2020 in Maseru. The Strategy is aimed at ensuring that the Ministry adopts Primary Health Care (PHC) as an overarching strategy for delivery of health services in Lesotho. It will also inculcate a culture of oversight and accountability at all levels of the health systems; and ensuring that the programmes have the requisite resources and capacity to deliver essential services and last but not least strengthening citizen engagement such as Councillors, District Administrators and Chiefs for ownership and responsibility of improved health outcomes.

106. In order to address the social determinants of TB and part of Community TB Care, the Ministry through its World Bank TB project in collaboration with Ministry of Small Businesses Development, Cooperatives and Marketing is assisting willing Village Health Workers to establish cooperative - Peoples Savings and Credit Cooperatives (SACCOS). Each health facility in Leribe, where the project is being implemented, has to establish one cooperative, thus 28 cooperatives are expected from each of Leribe's 28 facilities. To date 14 have been fully established and contracts signed and are going to receive first payments based on performance.

107. **Mr Speaker**, the Ministry of Social Development has increased National Information System for Social Assistance (NISSA) coverage to all 64 community councils and is expected to cover all Urban Councils by March 2021. The number of Child Grants Program beneficiaries have been increased to 50,457 from 41,091 households and this translates to 151,371 children benefiting from the program.

108. Going forward, the plan is to increase the number of households receiving child grant by 14,000 to bring the total to 64,457 and to further cover vulnerable urban households.

Education and skills development

109. The Ministry of Education and Training faced significant challenges during the 2020/21 fiscal years due to COVID-19 pandemic, however, the Ministry was able to construct 2 additional classrooms in 18 primary schools and 2 science laboratories in two schools. The Ministry also developed the Education Sector COVID-19 Response Plan and has so far managed to secure a total funding of approximately M61.5 million from Global Partnership for Education and the World Bank.

Governance, Rule of Law and Security Agencies

110. Mr. Speaker, by having strong institutions of governance, rule of law and security, this Government will give Basotho the stability of knowing that their rights are respected and protected. The Government will continue to protect our country and its citizens against any forms of threats, be it domestic or foreign. This sector has been allocated M2.4billion.

Safety and Security

111. **Mr Speaker**, deployment of troops by the Lesotho Defense Force along the borders and within the country in strategic areas with high prevalence of crime such as Maputsoe, Masianokeng bypass, Mafeteng, Matsieng and other areas helped reduce crime in such areas. The LDF played a leading role in assisting the Lesotho Mounted Police Services with curbing of stock theft as well as assisting in the Country's efforts in preventing the spread of COVID-19 pandemic.

112. **Mr Speaker**, the focus of the 2021/22 will be to enhance the operational effectiveness of the Military and NSS and to further promote peace and stability within and outside Lesotho. The intelligence will be provided for strategic and operational decision making. Participation of Bilateral and Multilateral relations in order to be able to identify, monitor and neutralise emerging threats that have potential to undermine the country's national security. The Ministry will further assist in the fight against COVID-19 pandemic by deploying more troops to ensure adherence to COVID-19 regulations.

113. The Ministry of Police and Public Safety recorded tremendous success in detention and investigation of serious crimes which for a long time troubled the nation. Cases have been investigated and suspects brought before the courts of laws with others being sentenced. Through the office of the Prime Minister, the Ministry launched Operation Restore Hope in collaboration with other security agencies, The Community Policing Committees were resuscitated and given training. Actions were taken against officers who were engaged in police brutality and the Lesotho Mounted Police Services contributed a lot in upholding COVID-19 regulations.

114. In 2021/22 fiscal year, the Ministry will continue with its commitment to provide safety and security through its programs in partnership with communities and all relevant stakeholders. The construction of Sehong-Hong, Semonkong, Mantšonyane, Thabana-Morena and Qacha's Nek Police Posts will commence in 2021/22 fiscal year.

Fight against corruption

115. In collaboration with the High Court of Lesotho, the DCEO is in the process of establishing a specialised Anti-Corruption Court, in the light of backlog of cases in the courts of laws. The fight against corruption requires a good investment at the beginning while corruption is rife as is the case in Lesotho and once it is effectively put under control, we no longer must spend much but only to maintain.

Law and Reforms

116. A shared vision to implement reforms and mechanisms for achieving sustainable peace, unity and reconciliation emerged among Basotho and Development partners in 2012. Since then, Lesotho embarked on various efforts to implement reforms but not much was accomplished. Thus, in 2017, most of the Political Party Leaders who contested elections signed the ‘**Reform Pledge**’ and thereby decided to implement the comprehensive national reforms. With the inauguration of the National Reforms Authority (NRA) and the appointment of the Secretariat in 2020/21 fiscal year, the NRA is now in the position to implement the decisions of Plenary II.

117. Mr. Speaker, the Government remains committed to setting up the National Human Rights Commission that will be in line with Paris Principles in 2021/22 fiscal year and I would like to take this opportunity to express gratitude to all our Development Partners and stakeholders with whom we travelled this journey.

118. Mr. Speaker, a well-functioning judicial system is one of the key prerequisites for creation of a conducive environment for economic growth. The Judiciary has therefore prioritised access to courts services and timely disposal of cases. To improve efficiency and access to justice, the Judiciary has already started preparing for construction of the Southern Region Court Complex project that will be based in Molepolole. Furthermore, the preparations for appointing 2 Judges together with the complementary staff who will provide High Court services in the northern region at the newly built Tsifa-li-Mali Court Complex is already underway.

119. During the difficult lockdown periods, the Judiciary was able to implement Court of Appeal Amendment Rules which allowed the Court

to hold sessions virtually, thereby successfully holding 2 sessions so far. The High Court is also contemplating issuing the Rules on the utilisation of virtual hearings in order to minimise the spread of the deadly COVID-19 pandemic during the first term session.

120. The Judiciary is collaborating with other Justice Sector Departments to put into operation the Integrated Case Management System which will be rolled out to other courts in the districts. This strategy will significantly reduce the notorious backlog of cases.

121. Mr. Speaker, The Anti-Trafficking in Persons Act, 2011 has been amended and passed in both houses of Parliament. Verification of documents at borders towards combating human trafficking and deportation of non-citizens with fraudulently acquired Lesotho legal documents like, residence permits, passports and identity cards has been a success. The Ministry of Home Affairs will establish detention center for foreigners awaiting trials or deportation.

122. Furthermore, the Governments of Lesotho and the Republic of South Africa are in consultations to establish One Stop Border Shop in Maseru and Maputsoe.

Elections

123. The Government through Independent Electoral Commission (IEC) is finalising the review of constituency boundaries which started two years ago but could not be completed due to the absence of IEC Commissioners. The Commission will harmonise the electoral laws with the aim of holding the Local Government elections and National Assembly elections concurrently. Subsequently re-registration of voters with the aim of improving quality of voter register and develop civic voter education curriculum as to improve participation of stakeholders in electoral process. An amount of M136 million is set aside for the initial preparation of the 2022 National Elections.

Decentralisation

124. **Mr Speaker**, the Government seeks to improve governance through Fiscal decentralization, which is a critical element in any decentralised system. This initiative will improve the efficiency of

public service delivery through preference matching and allocative efficiency. Local governments have an informational advantage over the central government in deciding which provision of goods and services would effectively meet citizens' needs. The geographical closeness of the public institutions to the local population will also foster accountability and improve public service outcomes.

125. Gradually decentralising budget preparation and enhancing capacity at the district level is key for service delivery as well as development of fiscal framework and Public Financial Management and Accountability Act to incorporate fiscal decentralisation.

Youth Apprenticeship Programme

126. Mr Speaker, youth unemployment is a pressing policy challenge particularly, in Lesotho. The investment in youth is the only way to ensure their meaningful participation in socio-economic life of our country. For our youth, the transition from school to the productive work is slow and often unsuccessful due to inadequate marketable (or appropriate) skills amongst others.

127. To date the programme has placed 1,210 graduates across different companies. 64 have resigned going into formal employment, whilst 13 have been absorbed into permanent employment by the companies they were placed with. 1,452 undergraduate youth have been placed in community development projects which include maintenance of public assets such as roads and dams. While mostly these are maintenance projects, Qacha's Neck district has embarked on initiating new roads from scratch and Rothe youth have resuscitated the old orchard which had collapsed.

128. Mr Speaker, the Government is expanding more apprenticeship packages for both graduates and undergraduates with the guidance and in collaboration with the relevant stakeholders, in the areas of security services, health services, education, road maintenance etc.

129. In the coming fiscal year, the Government will embark on consultative studies regarding the establishment of a Youth Fund. The fund will serve as an exit package for the youth in starting new businesses at the end of their contract.

130. Mr. Speaker, the Government aims to establish the ‘Youth Inservice Camp Training Programme’ with view to promote patriotism and loyalty in our youth community. This program will provide support for development of youth aimed at enhancing their social skills and functional competencies in various fields of their life career progression. It is also aimed at identification and development of youth with potential multi-disciplinary skills requiring civic education to equip them with basic concepts, methods, techniques, and practical application based on identified needs to provide them with knowledge and skills. This specially designed fundamental training of non-military nature will be introduced to train the youth in amongst others; personal discipline and moulding of character, civic education, patriotism, and civic participation in private industry.

131. In an effort to coordinate the various youth programmes, the Government is setting up a nation-wide Youth Employment Stimulus Programme anchored on social protection framework that will argument and consolidate existing programmes. This programme will generate widespread and relevant employment and skills re-tooling for our youths to assist them with transition into formal labour market. The programme has three key components namely Public and Civil Works Component, Apprenticeship Component and Business Development, Creativity, and Innovation Component. The programme targets 164 000 youth’s participation over a period of three years who will be engaged on a 6-month rotation.

132. The programme cost is estimated at M700 million which shall be contributed by the Government and Development Partners over a period of three years with the first M300 million to be spent during this fiscal year.

NEW POLICY PROPOSALS FOR 2021/22 BUDGET

133. Mr Speaker, this budget is also supported by new revenue and collection efficiency measures. During 2021/22 fiscal year, the Government intends to introduce the following policy measures and legislation that are proposed in order to make this budget a reality:

- i. Increased VAT rate on electricity by 1 percent from 9 to 10 percent. Projected yield amounts to M93.5 million.
 - ii. Curbing of **Perpetual VAT refunds due to zero-rating of mining exports**. The expected revenue is M200 million.
 - iii. Royalties (Export sales tax on diamonds at 15% mine rate): The proposal is to treat royalties as a deductible expense for tax purposes. Expected collection totals M232 million.
 - iv. Excise taxes
 - v. Introduction of alcohol and tobacco levy at 15 and 30 percent, respectively. Projected collection amount to M286.6 million.
134. Mr Speaker, this government intends to implement the following expenditure policy measures to curb waste and control expenditure:
- i. Project Implementing Units will face-out as contracts come to an end.
 - ii. The secondment regulations will be revisited and amended accordingly
 - iii. Parastals salaries will be reviewed with a purpose of standardising them.
 - iv. Government Employment Policy will be revised amongst others, to reduce the high wage bill.
 - v. Rationalisation of foreign missions will be finalised in 2021/22 fiscal year.
 - vi. Means testing will be finalised for implementation in 2022/23 fiscal year.
 - vii. Performance based increment will be implemented in 2022/23 fiscal year to replace automatic notching.
 - viii. The Government will engage in the review of on-going projects and projects on the pipeline with a view to create fiscal space for new investment projects that will boost economic growth and reduce unemployment.
 - ix. Sectoral planning and budgeting will be instituted in preparation of 2022/23 budget to enhance economic development.
 - x. Ministry of Finance will start negotiations for a medium-term IMF program to address the long existing structural problems that will help to restore macroeconomic stability.
 - xi. Government will gradually adopt a cashless system for both revenue collection and retail trading.

- xii. Mr Speaker, for all these measures to occur, this Honourable House is urged to prioritise all the proposed laws that will assist in implementation of 2021/22 budget.

CONCLUSION

135. **Mr Speaker**, as I mentioned in the beginning of my speech that this estimates and policy proposals are made under economic challenges, it is therefore our responsibilities to steer the ship in the right direction by taking bold measures even if they prove to be unpopular for as long as we are convinced that they are for the benefit of Basotho and will prevent economic collapse.
136. We are convinced that we need further fiscal consolidation by in particular holt the growth of recurrent expenditure by focusing on measures that will contain the wage bill. In this regard, the government can only accommodate notch increase for public sector salary bill. In the coming years, even this adjustment will be based on performance.
137. I also want to point out that the social grants budget have also grown significantly in order for us to reduce vulnerability. Therefore, we can only maintain the current levels of social grants and expand coverage of vulnerable groups by implementing the disability grant.
138. The efficiency gains to be obtained through reducing payment modalities and consolidation of functions will be used in the future to improve coverage. The honourable house will agree with me that hard times call for unprecedented decisions and actions to turn around the economy. You will realise that the government has used the limited fiscal space to direct resources towards job creation and shared economic growth.
139. 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 budget laid before you today.
140. 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.

141. 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. This is my maiden and first budget statement. I will forever be grateful for this rare opportunity.

KHOTSO! PULA! NALA!

ANNEXURES

ANNEX I

| GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2019/2020 - 2023/2024 | | | | | |
|---|---------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|
| Budget Item | Actual 2019/20 | Projection 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
| REVENUE | 16,412.5 | 18,040.4 | 17,253.8 | 18,406.2 | 18,370.0 |
| Tax revenue | 7,501.4 | 6,161.2 | 7,340.1 | 8,123.7 | 8,543.9 |
| Taxes on income, profits, and capital gains | 4,052.1 | 3,215.1 | 3,595.0 | 3,842.9 | 4,053.5 |
| Income tax - payable by individuals | 2,195.7 | 2,295.1 | 2,199.3 | 2,322.4 | 2,408.0 |
| Income tax - payable by corporations and | 1,004.4 | 258.4 | 737.6 | 796.5 | 861.9 |
| Income tax - other | 851.9 | 661.7 | 658.1 | 724.1 | 783.6 |
| Taxes on goods and services | 3,449.2 | 2,946.0 | 3,742.4 | 4,279.8 | 4,489.2 |
| Value-added tax | 2,906.6 | 2,482.0 | 3,046.0 | 3,300.2 | 3,487.0 |
| Excise taxes | 527.5 | 440.7 | 667.9 | 948.4 | 970.1 |
| Taxes on specific services | 3.5 | 4.7 | 3.0 | 5.7 | 6.5 |
| Taxes on the use of goods and on permis | 11.6 | 18.6 | 25.5 | 25.5 | 25.5 |
| Taxes on international trade and transactio | | | | | |
| Other taxes | 0.0 | 0.1 | 2.7 | 0.9 | 1.2 |
| Grants | 1,255.9 | 1,161.7 | 1,590.1 | 1,296.8 | 1,311.4 |
| Other revenue | 1,429.0 | 1,736.9 | 2,315.8 | 2,456.0 | 2,544.3 |
| Property income | 531.6 | 579.8 | 912.8 | 957.1 | 961.0 |
| Dividends | 175.8 | 117.8 | 319.2 | 319.2 | 320.9 |
| Rent | 348.3 | 444.8 | 522.4 | 566.7 | 568.9 |
| Sales of goods and services | 896.1 | 1,156.3 | 1,398.8 | 1,496.5 | 1,581.3 |
| Electricity Muela | 31.9 | 49.1 | 58.0 | 67.5 | 67.9 |
| Water Royalties - LHDA | 793.2 | 1,036.9 | 1,174.1 | 1,250.4 | 1,333.2 |
| Administrative fees | 12.5 | 20.5 | 45.5 | 57.4 | 59.1 |
| Incidental sales by nonmarket establishme | 58.5 | 49.8 | 121.2 | 121.2 | 121.2 |
| Fines & forfeits | 1.3 | 0.8 | 3.3 | 1.5 | 2.0 |
| Miscellaneous and unidentified revenue | | | 1.0 | 0.9 | |
| SACU | 6,226.2 | 8,980.5 | 6,007.8 | 6,529.7 | 5,970.4 |
| EXPENSE (Statutory + Non Statutory + Sa | 13,521.0 | 14,599.0 | 16,301.0 | 16,755.4 | 16,952.6 |
| Compensation of Employees | 5,890.6 | 6,067.8 | 7,114.9 | 7,274.7 | 7,438.5 |
| Wages and salaries | 5,425.2 | 5,486.3 | 6,412.8 | 6,565.6 | 6,722.2 |
| Use of goods and services | 3,161.1 | 2,978.9 | 3,122.1 | 3,122.1 | 3,122.1 |
| Interest Payments | 479.5 | 490.2 | 810.8 | 851.4 | 873.8 |
| Nonresidents | 227.2 | 270.3 | 440.5 | 462.5 | 481.0 |
| Residents other than general government | 252.3 | 219.9 | 370.4 | 388.9 | 392.8 |
| Subsidies | 338.0 | 901.5 | 850.4 | 850.4 | 850.4 |
| Grants to international organisations | 34.4 | 0.1 | 38.8 | 38.8 | 38.8 |
| Grants to other general government unit | 1,098.4 | 1,611.3 | 855.3 | 1,109.4 | 1,120.4 |
| Social benefits | 1,687.4 | 1,816.7 | 2,460.7 | 2,460.7 | 2,460.7 |
| Other expense | 831.5 | 732.4 | 1,047.8 | 1,047.8 | 1,047.8 |
| Student Grants | 761.5 | 703.4 | 951.0 | 951.0 | 951.0 |
| Other expense | 69.9 | 29.0 | 96.8 | 96.8 | 96.8 |
| Capital Budget | 5,320.6 | 4,519.8 | 5,737.6 | 5,792.8 | 5,858.9 |
| GoL | 2,909.8 | 1,818.7 | 2,128.8 | 3,065.6 | 3,131.7 |
| Donor Grants | 1,015.1 | 844.1 | 1,327.4 | 1,021.0 | 1,021.0 |
| Donor Loans | 1,395.7 | 1,857.0 | 2,281.5 | 1,706.2 | 1,706.2 |
| CASH SURPLUS / DEFICIT | -2,429.1 | -990.1 | -4,784.9 | -4,142.0 | -4,441.5 |
| % GDP | -7.2% | -3.0% | -13.1% | -10.3% | -10.2% |
| GDP | 33,714.1 | 33,118.7 | 36,572.3 | 40,351.7 | 43,448.3 |
| TRANSACTIONS IN FINANCIAL ASSE | 1,816.9 | 990.1 | 4,784.9 | 4,142.0 | 4,441.5 |
| FINANCIAL ASSETS | 2,395.4 | -1,095.6 | -4,744.6 | -4,737.4 | -5,008.9 |
| Domestic (Change in Deposits) | 2,395.4 | -1,095.4 | -4,743.8 | -4,736.6 | 28.0 |
| Foreign | 0.0 | 1.0 | 2.0 | 3.0 | 4.0 |
| LIABILITIES | -578.5 | -105.5 | 40.3 | -595.4 | -567.4 |
| Domestic | -1,445.8 | -2,210.0 | -1,323.9 | -1,338.4 | -1,338.4 |
| Securities | -229.5 | -1,327.0 | -840.9 | -855.4 | -855.4 |
| Loans | -216.3 | -83.0 | -83.0 | -83.0 | -83.0 |
| <i>of which Pension Liabilities</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign | 867.3 | 2,104.5 | 1,364.1 | 743.0 | 771.0 |
| Loans | 867.3 | 2,104.5 | 1,364.1 | 743.0 | 743.0 |
| Disbursements | 1,395.7 | 2,895.8 | 2,281.5 | 1,706.2 | 1,706.2 |
| Repayments | -528.4 | -791.3 | -917.3 | -963.2 | -963.2 |
| Months of Import Coverage | 4.7 | 4.9 | 4.5 | 4.1 | 3.5 |

| ANNEX II | | | | | |
|---|-------------------|-----------------------|-------------------|-------------------|-------------------|
| GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2019/20 - 2023/2024 [% of GDP] | | | | | |
| Budget Item | Actual 2019/20 | Projection 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
| REVENUE | 48.68 | 54.47 | 47.18 | 45.61 | 42.28 |
| Tax revenue | 22.2 | 18.6 | 20.07 | 21.0 | 20.6 |
| Taxes on income, profits, and capital gains | 12.0 | 9.7 | 9.8 | 11.4 | 11.3 |
| Income tax - payable by individuals | 6.5 | 6.9 | 6.0 | 6.1 | 5.9 |
| Income tax - payable by corporations and other | 3.0 | 0.8 | 2.0 | 2.9 | 2.9 |
| Income tax - other | 2.5 | 2.0 | 1.8 | 2.4 | 2.5 |
| Taxes on goods and services | 10.2 | 8.9 | 10.2 | 9.6 | 9.4 |
| Value-added tax | 8.6 | 7.5 | 8.3 | 8.3 | 8.2 |
| Excise taxes | 1.6 | 1.3 | 1.8 | 1.2 | 1.1 |
| Taxes on specific services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Taxes on the use of goods and on permission to | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Taxes on international trade and transactions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants | 3.7 | 3.5 | 4.3 | 2.9 | 2.8 |
| Other revenue | 4.2 | 5.2 | 6.3 | 5.6 | 5.4 |
| Property income | 1.6 | 1.8 | 2.5 | 2.1 | 2.1 |
| Dividends | 0.5 | 0.4 | 0.9 | 0.8 | 0.7 |
| Rent | 1.0 | 1.3 | 1.4 | 1.2 | 1.1 |
| Sales of goods and services | 2.7 | 3.5 | 3.8 | 3.4 | 3.3 |
| Electricity Muela | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Water Royalties - LHDA | 2.4 | 3.1 | 3.2 | 2.7 | 2.6 |
| Administrative fees | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Incidental sales by nonmarket establishments | 0.2 | 0.2 | 0.3 | 0.4 | 0.3 |
| Fines & forfeits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous and unidentified revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SACU | 18.5 | 27.1 | 16.4 | 21.2 | 19.9 |
| EXPENSE (Statutory + Non Statutory + Salary I | 40.1 | 44.1 | 44.6 | 41.2 | 40.3 |
| Compensation of Employees | 17.5 | 18.3 | 19.5 | 19.4 | 19.3 |
| Wages and salaries | 16.1 | 16.6 | 17.5 | 17.9 | 17.9 |
| Use of goods and services | 9.4 | 9.0 | 8.5 | 9.2 | 8.9 |
| Interest Payments | 1.4 | 1.5 | 2.2 | 1.3 | 1.2 |
| Nonresidents | 0.7 | 0.8 | 1.2 | 0.7 | 0.7 |
| Residents other than general government | 0.7 | 0.7 | 1.0 | 0.5 | 0.5 |
| Subsidies | 1.0 | 2.7 | 2.3 | 0.6 | 0.5 |
| Grants to international organisations | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 |
| Grants to other general government units | 3.3 | 4.9 | 2.3 | 3.0 | 2.9 |
| Social benefits | 5.0 | 5.5 | 6.7 | 5.2 | 5.0 |
| Other expense | 2.5 | 2.2 | 2.9 | 2.5 | 2.4 |
| Student Grants | 2.3 | 2.1 | 2.6 | 2.3 | 2.3 |
| Other expense | 0.2 | 0.1 | 0.3 | 0.1 | 0.1 |
| Capital Budget | 15.8 | 13.6 | 15.7 | 14.2 | 11.4 |
| GoL | 8.6 | 5.5 | 5.8 | 8.0 | 7.7 |
| Donor Grants | 3.0 | 2.5 | 3.6 | 2.2 | 2.1 |
| Donor Loans | 4.1 | 5.6 | 6.2 | 4.0 | 3.8 |
| CASH SURPLUS / DEFICIT % GDP | -7.2 | -3.0 | -13.1 | -10.3 | -10.2 |
| TRANSACTIONS IN FINANCIAL ASSETS AN | 5.4 | 3.0 | 13.1 | 11.3 | 12.1 |
| FINANCIAL ASSETS | 7.1 | -3.3 | -13.0 | -13.0 | -13.7 |
| Domestic (Change in Deposits) | 7.1 | -3.3 | -13.0 | -13.0 | 0.1 |
| Foreign | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LIABILITIES | -1.7 | -0.3 | 0.1 | -1.6 | -1.6 |
| Domestic | -4.3 | -6.7 | -3.6 | -3.7 | -3.7 |
| Securities | -0.7 | -4.0 | -2.3 | -2.3 | -2.3 |
| Loans | -0.6 | -0.3 | -0.2 | -0.2 | -0.2 |
| <i>of which Pension Liabilities</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign | 2.6 | 6.4 | 3.7 | 2.0 | 2.1 |
| Loans | 2.6 | 6.4 | 3.7 | 2.0 | 2.0 |
| Disbursements | 4.1 | 8.7 | 6.2 | 4.7 | 4.7 |
| Repayments | -1.6 | -2.4 | -2.5 | -2.6 | -2.6 |
| Months of Import Coverage | 4.7 | 4.9 | 4.5 | 4.1 | 3.5 |

| ANNEX III | | | |
|--|-------------------|-------------------|---------------|
| ANNUAL % CHANGE IN REVENUES AND EXPENDITURES | | | |
| Budget Item | Budget 2020/21 | Budget 2021/22 | % Change |
| REVENUE | 20,181.9 | 17,253.8 | -14.5 |
| Tax revenue | 7,944.1 | 7,340.1 | -7.6 |
| Taxes on income, profits, and capital gains | 4,359.7 | 3,595.0 | -17.5 |
| Income tax - payable by individuals | 2,358.4 | 2,199.3 | -6.7 |
| Income tax - payable by corporations and other enterprises | 1,091.5 | 737.6 | -32.4 |
| Income tax - other | 909.8 | 658.1 | -27.7 |
| Taxes on goods and services | 3,583.7 | 3,742.4 | 4.4 |
| Value-added tax | 3,168.8 | 3,046.0 | -3.9 |
| Excise taxes | 394.2 | 667.9 | 69.4 |
| Taxes on specific services | 1.6 | 3.0 | 87.4 |
| Taxes on the use of goods and on permission to use or perform activities | 19.0 | 25.5 | 34.1 |
| Taxes on international trade and transactions | | | |
| Other taxes | 0.8 | 2.7 | 215.4 |
| Grants | 1,108.4 | 1,590.1 | 43.5 |
| Other revenue | 2,148.8 | 2,315.8 | 7.8 |
| Property income | 831.3 | 912.8 | 9.8 |
| Dividends | 299.0 | 319.2 | 6.8 |
| Rent | 454.0 | 522.4 | 15.1 |
| Sales of goods and services | 1,313.1 | 1,398.8 | 6.5 |
| Electricity Muela | 61.2 | 58.0 | -5.2 |
| Water Royalties - LHDA | 1,060.0 | 1,174.1 | 10.8 |
| Administrative fees | 52.1 | 45.5 | -12.7 |
| Incidental sales by nonmarket establishments | 139.8 | 121.2 | -13.3 |
| Fines & forfeits | 3.7 | 3.3 | -11.5 |
| Miscellaneous and unidentified revenue | 0.8 | 1.0 | |
| SACU | 8,980.5 | 6,007.8 | -33.1 |
| EXPENSE (Statutory + Non Statutory + Salary Increase) | 15,694.2 | 16,301.0 | 3.9 |
| Compensation of Employees | 7,201.1 | 7,114.9 | -1.2 |
| Wages and salaries | 6,643.8 | 6,412.8 | -3.5 |
| Use of goods and services | 3,565.5 | 3,122.1 | -12.4 |
| Interest Payments | 484.8 | 810.8 | 67.3 |
| Nonresidents | 280.7 | 440.5 | 56.9 |
| Residents other than general government | 204.1 | 370.4 | 81.5 |
| Subsidies | 217.8 | 850.4 | 290.4 |
| Grants | 1,212.0 | 38.8 | -96.8 |
| Social benefits | 2,061.9 | 855.3 | -58.5 |
| Other expense | 952.3 | 2,460.7 | 158.4 |
| Capital Budget | 6,264.7 | 5,737.6 | -8.41 |
| GoL | 3,349.7 | 2,128.80 | -36.45 |
| Donor Grants | 858.2 | 1,327.36 | 54.66 |
| Donor Loans | 2,056.8 | 2,281.48 | 10.92 |
| CASH SURPLUS / DEFICIT | -1777.7 | -4,784.9 | 169.16 |
| % GDP | -4.7 | -13.1% | |
| GDP | 37,751.5 | 36,572.3 | -3.12 |

| ANNEX IV | | | | | |
|--|-------------------|-----------------------|-------------------|-------------------|-------------------|
| REVENUES AND EXPENDITURES AS % OF TOTAL FOR FISCAL YEARS 2019/20-2023/24 | | | | | |
| Budget Item | Actual 2019/20 | Projection 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
| REVENUE | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Tax revenue | 45.7 | 34.2 | 42.5 | 44.1 | 46.5 |
| Taxes on income, profits, and capital gains | 24.7 | 17.8 | 20.8 | 20.9 | 22.1 |
| Income tax - payable by individuals | 13.4 | 12.7 | 12.7 | 12.6 | 13.1 |
| Income tax - payable by corporations and other enterprises | 6.1 | 1.4 | 4.3 | 4.3 | 4.7 |
| Income tax - other | 5.2 | 3.7 | 3.8 | 3.9 | 4.3 |
| Taxes on goods and services | 21.0 | 16.3 | 21.7 | 23.3 | 24.4 |
| Value-added tax | 17.7 | 13.8 | 17.7 | 17.9 | 19.0 |
| Excise taxes | 3.2 | 2.4 | 3.9 | 5.2 | 5.3 |
| Taxes on specific services | 0.0 | 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 | 0.1 |
| Taxes on international trade and transactions | 0.0 | | | | |
| Other taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants | 7.7 | 6.4 | 9.2 | 7.0 | 7.1 |
| Other revenue | 8.7 | 9.6 | 13.4 | 13.3 | 13.9 |
| Property income | 3.2 | 3.2 | 5.3 | 5.2 | 5.2 |
| Dividends | 1.1 | 0.7 | 1.8 | 1.7 | 1.7 |
| Rent | 2.1 | 2.5 | 3.0 | 3.1 | 3.1 |
| Sales of goods and services | 5.5 | 6.4 | 8.1 | 8.1 | 8.6 |
| Electricity Muela | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 |
| Water Royalties - LHDA | 4.8 | 5.7 | 6.8 | 6.8 | 7.3 |
| Administrative fees | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 |
| Incidental sales by nonmarket establishments | 0.4 | 0.3 | 0.7 | 0.7 | 0.7 |
| Fines & forfeits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous and unidentified revenue | 0.0 | | 0.0 | 0.0 | |
| SACU | 37.9 | 49.8 | 34.8 | 35.5 | 32.5 |
| EXPENSE (Statutory + Non Statutory + Salary Increase) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Compensation of Employees | 43.6 | 41.6 | 43.6 | 43.4 | 43.9 |
| Wages and salaries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Use of goods and services | 23.4 | 20.4 | 19.2 | 18.6 | 18.4 |
| Interest Payments | 3.5 | 3.4 | 5.0 | 5.1 | 5.2 |
| Nonresidents | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residents other than general government | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subsidies | 2.5 | 6.2 | 5.2 | 5.1 | 5.0 |
| Grants to international organisations | 0.3 | 0.0 | 0.2 | 0.2 | 0.2 |
| Grants to other general government units | 8.1 | 11.0 | 5.2 | 6.6 | 6.6 |
| Social benefits | 12.5 | 12.4 | 15.1 | 14.7 | 14.5 |
| Other expense | 6.1 | 5.0 | 6.4 | 6.3 | 6.2 |
| Student Grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Budget | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| GoL | 54.7 | 40.2 | 37.1 | 52.9 | 53.5 |
| Donor Grants | 19.1 | 18.7 | 23.1 | 17.6 | 17.4 |
| Donor Loans | 26.2 | 41.1 | 39.8 | 29.5 | 29.1 |

| ANNEX V | | | | | | | | | | |
|--|------------------|----------------|--------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
| Ministry | 2020/21 | | | | | 2021/22 | | | | |
| | Recurrent Budget | Capital Budget | | | | Recurrent Budget | Capital Budget | | | |
| | | GoL | Donor Grants | Donor Loans | Total | | GoL | Donor Grants | Donor Loans | Total |
| Agriculture and Food Security | 278.2 | 28.5 | 93.6 | 266.0 | 388.0 | 330.0 | 13.2 | 69.7 | 354.0 | 436.9 |
| Health | 2,564.5 | 92.3 | 297.8 | 154.2 | 544.3 | 2,390.7 | 26.6 | 389.2 | 166.3 | 582.1 |
| Education and Training | 2,616.8 | 47.2 | 58.5 | 111.5 | 217.3 | 2,474.9 | 15.3 | 60.3 | 65.6 | 141.2 |
| Finance | 1,093.7 | 306.4 | 268.1 | 43.6 | 618.0 | 917.0 | 289.9 | 488.0 | 104.9 | 882.8 |
| Trade and Industry | 42.5 | 163.0 | 5.0 | 82.0 | 250.0 | 34.0 | 149.6 | 4.8 | 110.9 | 265.3 |
| Development Planning | 1,008.6 | 184.3 | - | - | 184.3 | 1,034.2 | 85.9 | | | 85.9 |
| Justice, Human Rights & Rehabilitation | 242.5 | 59.3 | - | - | 59.3 | 234.2 | 28.4 | | | 28.4 |
| Home Affairs | 165.0 | 261.5 | - | - | 261.5 | 155.6 | 261.5 | | | 261.5 |
| Prime Minister's Office | 129.9 | - | - | - | - | 88.1 | - | | | - |
| Communications, Science and Technology | 191.6 | 28.4 | - | - | 28.4 | 177.6 | 28.4 | | | 28.4 |
| Law & Constitutional Affairs | 96.2 | 5.1 | - | - | 5.1 | 93.6 | - | | | - |
| Foreign Affairs & Intern Relations | 438.3 | 15.7 | - | - | 15.7 | 427.0 | 5.0 | | | 5.0 |
| Public Works | 91.6 | 315.2 | - | 530.4 | 845.6 | 71.4 | 370.6 | | 429.6 | 800.2 |
| Forestry & Land Reclamation | 156.7 | | | | - | 132.5 | - | | | - |
| Energy, Meteorology | 29.2 | 160.5 | 85.8 | 587.4 | 833.7 | 25.5 | 190.0 | 86.7 | 852.0 | 1,128.6 |
| Labour & Employment | 55.2 | - | | | - | 51.0 | - | | | - |
| Tourism, Environment & Culture | 84.9 | 24.4 | 9.3 | - | 33.7 | 77.2 | 13.0 | 6.3 | | 19.2 |
| Auditor General's Office | 32.4 | | | | - | 26.8 | - | | | - |
| His Majesty's Office | 13.2 | 109.8 | - | - | 109.8 | 10.3 | 20.0 | | | 20.0 |
| Public Service Commission | 14.7 | | | | - | 11.3 | - | | | - |
| Defence & National Security | 596.4 | 37.1 | - | - | 37.1 | 601.5 | 5.0 | | | 5.0 |
| National Assembly | 84.3 | | | | - | 89.3 | - | | | - |
| Senate | 19.1 | 39.5 | - | - | 39.5 | 25.2 | - | | | - |
| Ombudsman | 10.5 | | | | - | 6.7 | - | | | - |
| Independent Electoral Commission | 96.6 | | | | - | 225.3 | - | | | - |
| Local Government & Chieftainship affairs | 495.2 | 306.6 | - | - | 306.6 | 465.9 | 204.0 | | | 204.0 |
| Gender, Youth, Sports & Recreation | 118.9 | 189.3 | - | - | 189.3 | 64.5 | 12.3 | | | 12.3 |
| Public Service | 42.1 | - | - | - | - | 40.9 | - | | | - |
| Judiciary | 118.6 | 17.4 | - | - | 17.4 | 104.3 | 9.0 | | | 9.0 |
| Social Development | 290.1 | - | 30.0 | 90.1 | 120.1 | 299.3 | - | 8.0 | 3.5 | 11.5 |
| DCEO | 25.9 | | | | - | 19.8 | - | | | - |
| Mining | 26.8 | 14.2 | - | - | 14.2 | 20.2 | 2.3 | | | 2.3 |
| Police and Public Safety | 741.2 | 49.8 | - | - | 49.8 | 680.0 | 64.0 | | | 64.0 |
| Small Businesses Development | 78.2 | 56.9 | - | - | 56.9 | 61.7 | 18.5 | | | 18.5 |
| Water Affairs | 142.7 | 141.8 | 10.1 | 191.7 | 343.6 | 143.1 | 300.9 | 214.3 | 194.8 | 710.0 |
| Transport | 66.3 | 35.4 | - | - | 35.4 | 61.3 | 15.6 | | - | 15.6 |
| Sub Total | 12,298.6 | 2,689.6 | 858.2 | 2,056.8 | 5,604.7 | 11,672.2 | 2,128.9 | 1,327.4 | 2,281.5 | 5,737.7 |
| Principal Repayment | 2,173.1 | | | | | 2,444.3 | | | | |
| Pension & Gratuities | 2,326.2 | | | | | 2,769.8 | | | | |
| Statutory Salaries & Allowances | 40.4 | | | | | 38.7 | | | | |
| Subscriptions to International Organisations | 84.4 | | | | | 124.4 | | | | |
| Refund to erroneous Receipts | 2.3 | | | | | 2.3 | | | | |
| Centralised Items | 1,157.5 | | | | | 357.4 | | | | |
| Administration Fund (Contingency) | 100.0 | | | | | 600.0 | | | | |
| Disaster Management Authority | - | | | | - | 25.3 | | | | |
| Total | 18,182.5 | 2,689.6 | 858.2 | 2,056.8 | 5,604.7 | 18,034.5 | 2,128.9 | 1,327.4 | 2,281.5 | 5,737.7 |

| ANNEX VI | | | | | | | |
|---|------------------|----------------|------------------|----------------|--------------|--------------|--------------|
| Expenditure by Ministry as % of Total - Capital and Recurrent | | | | | | | |
| Ministry | 2020/21 | | 2021/22 | | | | |
| | Recurrent Budget | Capital Budget | Recurrent Budget | Capital Budget | | | |
| | | | | GoL | Donor Grants | Donor Loans | Total |
| Agriculture and Food Security | 1.6 | 6.3 | 1.8 | 0.6 | 10.9 | 12.9 | 6.3 |
| Health | 14.8 | 10.0 | 13.3 | 1.2 | 34.7 | 7.5 | 10.0 |
| Education and Training | 14.6 | 3.7 | 13.7 | 0.7 | 6.8 | 5.4 | 3.7 |
| Finance | 6.3 | 10.9 | 5.1 | 13.6 | 31.2 | 2.1 | 10.9 |
| Trade and Industry | 0.2 | 4.7 | 0.2 | 7.0 | 0.6 | 4.0 | 4.7 |
| Development Planning | 5.8 | 3.7 | 5.7 | 4.0 | - | - | 3.7 |
| Justice, Human Rights & Rehabilitation | 1.4 | 1.2 | 1.3 | 1.3 | - | - | 1.2 |
| Home Affairs | 0.9 | 4.3 | 0.9 | 12.3 | - | - | 4.3 |
| Prime Minister's Office | 0.7 | - | 0.5 | - | - | - | - |
| Communications, Science and Technology | 1.1 | 0.6 | 1.0 | 1.3 | - | - | 0.6 |
| Law & Constitutional Affairs | 0.5 | 0.1 | 0.5 | - | - | - | 0.1 |
| Foreign Affairs & Intern Relations | 2.5 | 0.3 | 2.4 | 0.2 | - | - | 0.3 |
| Public Works | 0.4 | 14.6 | 0.4 | 17.4 | - | 25.8 | 14.6 |
| Forestry & Land Reclamation | 0.9 | - | 0.7 | - | - | - | - |
| Energy, Meteorology | 0.2 | 13.9 | 0.1 | 8.9 | 10.0 | 28.6 | 13.9 |
| Labour & Employment | 0.3 | - | 0.3 | - | - | - | - |
| Tourism, Environment & Culture | 0.5 | 0.6 | 0.4 | 0.6 | 1.1 | - | 0.6 |
| Auditor General's Office | 0.2 | - | 0.1 | - | - | - | - |
| His Majesty's Office | 0.1 | 2.2 | 0.1 | 0.9 | - | - | 2.2 |
| Public Service Commission | 0.1 | - | 0.1 | - | - | - | - |
| Defence & National Security | 3.3 | 0.8 | 3.3 | 0.2 | - | - | 0.8 |
| National Assembly | 0.5 | - | 0.5 | - | - | - | - |
| Senate | 0.1 | 0.8 | 0.1 | - | - | - | 0.8 |
| Ombudsman | 0.1 | - | 0.0 | - | - | - | - |
| Independent Electoral Commission | 0.6 | - | 1.2 | - | - | - | - |
| Local Government & Chieftainship affairs | 2.8 | 6.2 | 2.6 | 9.6 | - | - | 6.2 |
| Gender, Youth, Sports & Recreation | 0.7 | 3.8 | 0.4 | 0.6 | - | - | 3.8 |
| Public Service | 0.2 | - | 0.2 | - | - | - | - |
| Judiciary | 0.7 | 0.4 | 0.6 | 0.4 | - | - | 0.4 |
| Social Development | 1.8 | 1.9 | 1.7 | - | 3.5 | 4.4 | 1.9 |
| DCEO | 0.1 | - | 0.1 | - | - | - | - |
| Mining | 0.2 | 0.3 | 0.1 | 0.1 | - | - | 0.3 |
| Police and Public Safety | 4.1 | 1.0 | 3.8 | 3.0 | - | - | 1.0 |
| Small Businesses Development | 0.5 | 1.1 | 0.3 | 0.9 | - | - | 1.1 |
| Water Affairs | 0.8 | 6.0 | 0.8 | 14.1 | 1.2 | 9.3 | 6.0 |
| Transport | 0.5 | 0.7 | 0.3 | 0.7 | - | - | 0.7 |
| Principal Repayment | 12.6 | | 13.6 | | | | |
| Pension & Gratuities | 12.8 | | 15.4 | | | | |
| Statutory Salaries & Allowances | 0.2 | | 0.2 | | | | |
| Subscriptions to International Organisations | 0.5 | | 0.7 | | | | |
| Refund to erroneous Receipts | 0.0 | | 0.0 | | | | |
| Centralised Items | 2.9 | | 2.0 | | | | |
| Administration Fund (Contingency) | 0.6 | | 3.3 | | | | |
| Disaster Management Authority | 0.6 | | 0.1 | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |