



**PARLIAMENT OF THE KINGDOM OF LESOTHO**  
**BUDGET SPEECH HIGHLIGHTS FOR THE 2022/2023 FISCAL YEAR**

*“Building a Resilient, Sustainable and Innovative Economy: Fiscal Consolidation amid COVID -19”*

**BY**

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**HIGHLIGHTS OF THE BUDGET SPEECH**

**THEME:** *“Building Resilient, Sustainable and Innovative Economy: Fiscal Consolidation Amid Covid- 19”*

## **Context**

### **GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS IN 2021/2022**

#### **The budget is prepared in the context of**

- Slow - down of Global economy from 5.9 to to 4.4 percent in 2022
- Sub-Saharan Africa is forecasted to grow at 3.7 percent in 2022 before expanding to 4 percent in 2023.
- RSA grows modestly at 2.1 per cent with Inflation prospects for 2022 have been revised upwards to 4.8 percent and behave similarly in the medium-term and translate to inflation rate of around 5 per cent for Lesotho
- Slow- down of COVID 19 globally and domestically, but uncertainty lurks
- Geo-political tensions in Europe

#### **Macro-fiscal situation and Outlook**

- Based on these global and regional developments and expected government and private sector investments, Domestic economic growth is expected to recover at a modest rate of 2.3 per cent in 2022/23 and keep similar pace in the next 2 years
- The size of Fiscal deficits and financing gaps are smaller, but accommodate recovery spending
- Lesotho is classified as at moderate debt risk and therefore new debt has to bring high returns
- Through containment of government expenditure, international reserves are expected to be at acceptable rates of above 4 months of import cover

## **BUDGET PERFORMANCE 2021/22**

### **Budget outturn**

Projected outturn is as follows:

- Revenue to be M16.7 billion compared to budget of M15.5 billion, Recurrent expenditure is M14.2 compared to M16.3 billion
- Capital expenditure at M5.6 billion compared to the budget of M5.7 billion

Despite 3 Waves of COVID–19 and heavy rains which instigated extensive social and economic disturbances, the following were achieved

### **Major Achievements**

- Kept expenditure under control as the outturn shows
- Mobilise financing for development: successfully negotiate the compact II, COVID 19 mitigation
- Stemmed the tide of COVID 19
- Implement public Financial management reforms:
- Infrastructure Development: Mpiti- Sehlabathebe; Ramarothole Solar power generation and on-course to rebuild infrastructure worn out by heavy rains
- 440 sanitation facilities (VIP latrines) have been completed in 21 villages serving the population of 9,100 people. During construction 21,000 jobs
- Water connection for Households through Metolong, connected over
- Initiated a number of Rural Electrification projects, with connection of 8,000 households.
- Promoted Food production through agricultural subsidy valued at over M140 million
- Various operations to keep peace and stability and Contributed towards peace and security in the Region - Mozambique

The current crisis has reaffirmed the need to steer the economy towards private sector led growth and build economic resilience to deliver sustainable and inclusive development.

## **Economic Strategy**

The economic recovery will be achieved through boosting aggregate demand by restoring domestic consumption, renewing private and public investment, and enhancing export promotion. Construction and Mining sectors will be major economic drivers for Lesotho.

Major investments to Drive growth are:

- Compact II – Irrigation and Horticulture; Health systems development
- Full operation of Belo industrial operations
- Poli-hali dam construction
- Government infrastructure Development to support growth
- Public Private investments for infrastructure

## **Budget Allocation**

The Government of Lesotho total expenditure estimates is proposed at M24.8 billion of which the recurrent expenditure is M18.1 billion and the capital expenditure is M6.8 billion.

## **SECTORAL ISSUES AND ALLOCATIONS**

- **Economic Sector** has been allocated m1.7 billion which is mostly made of trade, mining. Agriculture and range management.
- **Infrastructure Services has been allocated** M4.4 billion which is mostly made up of energy, roads and foot bridges, transport, and water resources.
- **Human and Social Development** has been allocated M7.2 billion which is made up education and skills, development, health, and wellness.
- **Governance, Rule of Law and Security** has been allocated M2.7 billion which will go towards rule of law, anti-trafficking of persons, national assembly and local government elections, public safety, and national reforms.
- **Public Finance Reforms**, the government will implement gender responsive budgeting (GRB), GRB is a strategy that will promote the goal of gender equity and by allocating specific budget for both female and male

beneficiaries in programmes. The government is aware of the challenges surrounding the pension schemes. In the coming fiscal year, we commit to embark on the reforms on pension schemes to address the discrepancies.

## **NEW POLICY PROPOSALS FOR THE 2022/23 BUDGET**

- The 2022/23 budget will be fully realised if the following legal frameworks are passed before the dissolution of the 10<sup>th</sup> Parliament. These are:
  - (i) Value Added Tax (VAT) Amendment Bill
  - (ii) Income Tax (Amendment) Bill
  - (iii) Tobacco and Alcoholic Products Levy Bill 2020
  - (iv) Tax Administration Bill
  - (v) Lesotho Revenue Authority (LRA) Amendment Bill
  - (vi) Harmonisation Bill – as one of the conditions for compact ii
- Wages and salaries to be adjusted by 5 percent across the board.
- Tax credit to be adjusted upwards from m10,080 to m10.560 per annum.
- Old Age Pension to be increased by M50 per month effective 1<sup>st</sup> April 2022.

Major economic transformation is expected in 2024 – 2025, if we protect all the pipeline investments through peace and stability and meeting all the agreed prior actions, including gender reforms, fighting human trafficking, implement public financial management reforms and fight corruption.

We need to implement prioritized NRA reforms agenda in line with available fiscal space and ensure youth participation and inclusion of all disadvantaged groups in policy development and programming, improve public sector productivity, as well as deeper decentralization.