

LCN Budget Analysis Programme

Time	Activity
17:30-18:00	Registration
18:00- 18:30	Introductions and objectives
18:30-19:00	Presentation of the Budget Analysis
19:00-20:00	General Discussions including inputs from Partners
20:00 - 20:15	Discussions Continue and way forward
20:15-20:40	Dinner
20:40 - 21:30	Refreshments and Departure



BUDGET ANALYSIS

Budget analysis dialogue by LCN
and RSDA held at Victoria Hotel on
the 12th March 2019



Presentation Outline

- ▶ Introductions and Objectives
- ▶ The country outlook
- ▶ Pillars of a budget
- ▶ 2019/2020 Budget Estimates
- ▶ Preliminary conclusions on the budget



Introductions

- ▶ Lesotho Budget is premised on the Section 7 (1) of the Public Financial Management and Accountability (PFMA) Act,
- ▶ It stipulates that Ministry of Finance prepares the Budget Strategy Paper (BSP) every fiscal year to guide and underpin the formulation of the National budget.
- ▶ BSP provides an assessment of recent macroeconomic and fiscal performances and a macroeconomic outlook for the coming years
- ▶ BSP also sets out country's policy goals and strategic priorities



objectives

- To link the budget estimates with country priorities
- To check whether the budget conforms to the macro-economic stability
- To assess allocation for agricultural infrastructure for Marketing
- To assess marketing infrastructure and allocation for value chain
- To check whether the budget is pro-poor or not



Country Profile

- ▶ Population estimate to 2,008,801
- ▶ 45,607 Estimates for people with disabilities
- ▶ 57.1% lives below poverty line
- ▶ 24% unemployment rate–(BOS 2014/15)
 - Averaged 32.34 since 1991–2017
 - Reaching highest pick of 44.16 in 1998
 - Reaching the lowest of 22.9 in 2000
- ▶ 25% HIV Prevalence Rate DHS 2014



Challenges for 2019/20 budget

The 2019/20 budget formulated against daunting challenges of:

- Poverty, hunger & stinging joblessness
- Ill-health
- Unproductive education
- Limited fiscal resources to redress the situation
- Consistent shortfall in cash and foreign reserves
- Volatile SACU revenues
- Depreciation of ZAR against major world currencies
- Strong recurrent expenditure growth putting pressure on budget deficit
- 5.1% inflation rate
- M2.4 billion deficit



Bedrock for 2019/20 budget.

Consistency of

- ▶ Medium–Term Fiscal Framework
- ▶ Medium –Term Expenditure Framework to national priorities
- ▶ Efficiency ,effectiveness and value for money in public expenditure
- ▶ Adopt a budget that is affordable, sustainable, credible and responsive to growing needs
- ▶ Achieve efficiency in domestic revenue mobilisation
- ▶ Improving monitoring transparency and accountability and
- ▶ Curtailment of accumulation of arrears



2019/20 Estimates

- ▶ The budget proposes projected revenue of M18.1 billion
- ▶ Expenditure high due to
 - Wage Bill High amounting to M6.1 billion (34%)
 - M3.3 billion on goods and services and
 - M1.8 billion on social welfare benefits
- ▶ Deficit to be financed non increment of public servants salaries
- ▶ LRA to miss target by over M400m
- ▶



Policy options introduced

- ▶ Reduction for ministerial travel
- ▶ Elimination of supplemental subsistence
- ▶ Travel economy safe HMK, PM,MPs and Statutory officers
- ▶ Reduction of phone expenses
- ▶ Reduction of government fleet costs
- ▶ Adoption of UN lower rates for travel costs
- ▶ Active implementation of Decentralisation Policy
- ▶ Reduction of foreign missions
- ▶ LRA to collect non-tax revenue
- ▶ Reduce ministerial gross salary by 5%
- ▶ Eliminate the interest benefit on MPs Loans
- ▶ Construction of geoscience lab **only needs PAC**
 - Para 32 2017/18 budget, 2013/14 para 55, 2014/15 para 77
 - 2018/19 para 18, 2019/2020 para 44



Policy options for 2018/19

- ▶ Curtail international travel
- ▶ Price caps on goods procured by gvt– only in Africa where gvt prices are higher
- ▶ Liability insurance for every vehicle registered
- ▶ Rationalising government fleet for benefit of Basotho– let it be Basotho not ‘Basotho’
- ▶ Efforts to remove ghosts workers
- ▶ Introduction of Electronic Funds Transfer to expedite payment of private sector
- ▶ Ministers to refrain from Procuring– **Does government have capacity**
- ▶ To sell post bank shares to Basotho

- ▶ CAN THERE BE A REPORT ON PROGRESS



Agricultural sector overview

- ▶ MAFS allocated M703.8
- ▶ Over 4,000 hectares of land will be planted grains
- ▶ 107ha for vegetables
- ▶ 120ha for deciduous fruits
- ▶ Block farming to still continue under input subsidy
- ▶ WFP to buy local for school feeding
- ▶ Promotes consolidation of small holdings into commercial anchor farms
- ▶ Anchor farmers to evolve as mentors



Agricultural sector overview

- To expand commercial vegetable farming and horticulture
- To optimize use of arable land
- SADP to be scaled up to a national level
- To provide 300 ewes as breeding stock
- While it is good to derive tax from wool and mohair the budget is silent on compensating farmers as the new system incubates
- Budget not strong on climate adaptation and resilience mechanism



Agricultural sector overview (BFP)

By 2020, The Ministry of Agriculture and Food Security shall have capacitated its clientele towards sustainable and commercialized agricultural production to enhance food and nutrition security.

- ▶ For 2019/2020 LCN and RSDA will track MAFS budget on the following objectives
- ▶ To increase agricultural production and productivity
- ▶ To increase commercialisation and diversification of agriculture production
- ▶ To reduce malnutrition rate at both household and national level



Education Sector overview

- ▶ MOET allocated M 3.1 billion
- ▶ (17% of the total National Budget)
- ▶ M2.4 billion allocated to MOET
- ▶ M577 million for loan bursaries
- ▶ M35 million will be for payment of teachers arrears
- ▶ M11 million for teachers training
- ▶ M60 million a top-up funding for constructions of classrooms, laboratories, particularly in the rural areas.



Education Sector overview cont...

- ▶ MOET will develop transition policy to facilitate progression learning from lower basic education schools to secondary schools.
- ▶ Upgrade and build appropriate infrastructure in 4 high schools (St Catherines, Abia, Motsekuoa, & Mt Royal) for learners with special educational needs
- ▶ NMDS review and amendment of legal framework governing the LBF (Loan Bursary Fund) including the National Manpower Development Council (NMDC) Act of 1978 and the LBF regulation of 1978
- ▶ Further to review and improve Resource Mobilisation and Financing Model by changing endorsement and repayment of loan from partial to actual incurred costs of sponsorship
- ▶ NMDS will develop the “Means Testing Mechanism” which seek to ensure that bursaries are granted in favour of students from financially disadvantaged families



Health Sector overview

- ▶ MOH allocated M 2.4 billion
- ▶ (11% of the total National Budget)
- ▶ To improve health sector, GOL has secured 36 Cuban doctors to be engaged in hospitals and clinics around the country
- ▶ MOH will further employ 35 Basotho doctors and 252 nurses
- ▶ To tackle Cancer effectively the Ministry has developed a comprehensive National Cancer Control Plan expanding Cancer and Renal Care Services by sending patients for treatment at Apollo Hospital in India
- ▶ Health professionals (doctors, nurses, & pharmacists) have been trained in India to facilitate the establishment of National Chemotherapy Centre in Lesotho



Health Sector overview cont...

- ▶ With Regard to HIV/AIDS, in reducing incidences and increasing the coverage of ART (Anti-Retroviral Treatment) the Ministry will continue to provide increasing multi month ARV dispensing to cover 3-6 months
- ▶ MOH will further increase targeted HIV testing and services to key populations such as Factory Workers, the Lesbian Gay Bisexual Transgender and Intersexual LGBTI community, migrant workers, adolescent and young women



Preliminary Conclusions

- ▶ No tangible budget allocations to foster reform agenda and consolidation of peace and stability
- ▶ Good intentions on agriculture should be matched by equal budget allocation
- ▶ No legal intension to implement stringent measures like
 - Cutting of salaries
 - Loan Repayments of parliamentarians
 - Amending senior officials contracts
- ▶ The budget proposes strong industrial policy yet is very thin on the Manufacturing and diversification
- ▶ Tourism sector very weak yet it has huge potential of return on investment
- ▶ We can only hope that this time around that the minister gets political will
- ▶ The minister has not indicated how the deficit is to be financed
- ▶ The minister did not say anything about reserves as opposed to CBL ceiling of USD745m



LCN Conclusions

- ▶ The budget offers some positive signs in addressing Lesotho's most pressing issues
- ▶ The government, however, needs to focus more on:
 - ▶ Quality of public spending as it is critical for making the state more effective
 - ▶ Ensuring full implementation of Decentralisation Policy
 - ▶ Implementation of youth employment grant beyond lip service



What are your reactions to the 2019/20 budget?

- ▶ Does it bring hope as it espouses?
- ▶ What are sectoral needs that the Government missed?
- ▶ To what extent is the budget pro-poor
- ▶ How can civil society engage with government on the opportunities and gaps in the 2019/20 budget?

