



PARLIAMENT OF THE KINGDOM OF LESOTHO

AN AGGRESSIVE DOMESTIC RESOURCE MOBILISATION AND
EXPENDITURE PRIORITISATION IS AN IMPERATIVE

Budget Speech to Parliament for the
2010/2011 Fiscal Year

By

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Maseru – Lesotho

12th February 2010

Madam Speaker,

Allow me to pay respects to:

His Majesty King Letsie III and Head of State

The Right Honourable the Prime Minister and Head of Government

The Honourable Deputy Prime Minister and Leader of the House

The Honourable President of the Senate

My Colleagues, Honourable Ministers of His Majesty's Government

Honourable Members of both Houses of Parliament

Excellencies Heads of Diplomatic Missions and International Organisations

Distinguished Senior Government Officials

Distinguished members of the Media

The entire Basotho nation across Lesotho and abroad

Ladies and Gentlemen

1. The theme of my Budget Statement last February was:

“Despite the ravaging financial storms, Lesotho must remain focused on (attaining) high, shared and sustainable growth and (on) protecting the poor.”

2. The economic and financial storms have ravaged the world economy during 2009. Summits of leaders of industrialised and developing countries have taken place and counter-cyclical fiscal stimulus packages have been implemented. As a result, there are flickering signs that the global economy is beginning to recover.

3. Lesotho, for its part, has been buffeted by these financial and economic storms. But, it has remained **focused** on the economic fundamentals of pursuing **high, shared and sustainable growth, reducing poverty, creating jobs and protecting the poor, orphans and vulnerable children and old citizens**. It has remained focused on:

- **maintaining** sound macro-economic framework that will protect the country from plunging into a financial crisis;
- **investing** in the construction of more urban and rural roads through Local Councils and Central Government;
- **extending** village water supplies and sanitation and accelerating water connections in the urban areas;
- **expanding** the fixed line, cellular, and electricity networks and household connections;
- **investing** in free primary education whose first cohort results have been satisfactory at the Junior Certificate level in 2009; **constructing** new secondary schools and additional classrooms; and
- **improving and refurbishing** of clinics and **constructing** a new modern 440 bed referral hospital that will treat Basotho in Lesotho rather than refer them outside the country.

4. Lesotho has remained focused on **fighting HIV and AIDS**; and extending the care and treatment of Children with HIV and AIDS. It is

building satellite clinics in all the ten districts of Lesotho. It has partnered with the Christian Health Association of Lesotho and other development partners to deliver coverage over a wider area and to include more people.

5. Lesotho has remained focused on **linking the people living in the mountains with those in the lowlands** by constructing bridges on Senqu and Senqunyane; **continuing** feasibility studies and designs of the trunk roads from Thaba Tseka to Sani Pass and from Sani Pass to Mokhotlong; and reconstruction of the Oxbow-Mokhotlong road as well as the South 1 road from Maseru to Mafeteng and Morija to Matsieng and back to South 1 at Ha Moruthoane.

6. Lastly, Government has remained focused on developing phase II of the Lesotho Highlands Water Project by completing the feasibility studies, negotiating Heads of Agreement on the financing and construction of Polihali Water Reservoir and generating hydropower. Phase II is likely to cost between six and seven billion Maloti, and like phase I, contribute to the establishment of high quality infrastructure and other social services for people living in the environs of the project.

Preparation of the Five-Year National Development Plan

Madam Speaker

7. The Honourable House will recall that, after countrywide consideration, Lesotho adopted a Vision 2020, on the basis of which Poverty Reduction Strategy which ended in 2007, was prepared. While the Strategy achieved much of its objectives, it did not receive anticipated resources from our development partners to be fully implemented. In addition to the Poverty Reduction Strategy, the Government has used the annual budget proposals and Medium Term Expenditure Framework (MTEF) to implement some of the objectives of Vision 2020. Even the 2010/11 budget derives its overarching development goals from the Vision 2020.
8. During the coming year, the Government will launch a process for the preparation of a Five-Year National Development Plan whose implementation will start in April 2012/13. The process will be led by the Department of Planning of the Ministry of Finance and Development Planning and will involve widespread consultations with stakeholders. Assuming that the constitutional amendment of the National Planning Board will have been passed by this house, it will constitute an appropriate forum for consultation, review and monitoring of the progress on plan preparation, implementation, MDGs and other National and international goals.
9. These are but a few examples of how Government has kept its focus on the overarching development objectives despite the current economic and financial turmoil.

The 2010/11 Budget

10. This year's Budget looks beyond the crisis even though it is constrained by lack of resources. It calls on all Basotho to tighten our belts and use this crisis as an opportunity to mobilise more domestic revenues and cut wasteful expenditures, fraud and corruption in all Government activities. It calls on all of us to reverse a growing culture of dependency on hand-outs from the state and to adopt a long-term fiscal strategy that aligns expenditures to long-term domestic revenues and not SACU revenues. The SACU imports which are difficult to forecast or predict because they depend on policy developments elsewhere in the world of trade. Finally, this year's budget calls for efficiency in delivering public services and collecting taxes, fees and charges.

International and Regional Economic Developments Affect Lesotho's economic Outlook

Madam Speaker,

11. It is important for this Honourable House to appreciate that Lesotho is not an island unto itself. It is connected to the rest of the world through trade, international communications technology, finance and transport. A container full of jeans, T-shirts or sweaters, cut and stitched by a beautiful Mosotho lady that you and I may know at Ha Thetsane, Ha Nyenye or Maseru, will probably end its journey in a Distribution Centre of Levi Strauss in San Francisco or Gap or Old Navy in the United States. When a motor mechanic that bought

those jeans is laid off in Detroit or his salary is cut, he is likely to delay buying another pair from Lesotho until he finds a new job. This is why we have an interest in what happens to economic growth and unemployment in the U.S., the Euro-Zone, Asia and Africa including in our only neighbour, South Africa.

12. According to the International Monetary Fund, the U.S. economy contracted by 5.5 percent and 1 percent in the first and second quarters of 2009. In October 2009 unemployment was recorded at 10.2 percent, the highest level since 1983. For us, this means Americans have less disposable income to buy our exports and underscores the **need and urgency to diversify our markets and export products.**
13. Economic developments in the Euro-Zone followed a similar pattern to the U.S. output declined by 4.9 percent and 4.8 percent in the first and second quarters of 2009 while unemployment was recorded at 9.4 percent and 9.6 percent over the same quarters. Lesotho does not export much to the Euro-Zone but it is a target market that beckons to us and which has granted Lesotho **duty-free and quota-free access to its market under the Interim Economic Partnership with the EU.**
14. South Africa is our main trading partner and employs over 50,000 of our people in its mines and industries, excluding those in services and other tertiary sectors. In 2009 the South African economy contracted by 6 percent and 3 percent in the first and second quarters

of 2009, respectively. The provisional figure for the last half year is about 1.9 percent. Unemployment is estimated at 24.5 percent with some further lay-offs still possible if commodity exports do not pick up strongly.

15. Economic contraction in the South African mines and industries has caused a retrenchment of our migrant workers with consequent declines in remittances though we have no firm figures. Clearly, this will affect the living standards in the rural areas where most of the workers come from. But an even greater impact of economic contraction of South Africa is transmitted through SACU revenue shares and the method used to calculate these shares to member states.

SACU Revenues are Unpredictable as Anchor For Expenditure Policy Planning

Madam Speaker,

16. SACU revenue had increased from M1,422 million in 2003/4 to M4,900 million in 2008/9 and 2009/10, respectively. In 2010/11 it is projected to decline by 60 percent to M2,162 million and to M1,695 million in 2011/12 before recovering to M3,725 million in 2012/13. This fluctuation is due to a number of reasons. First, Customs Duties dominate the Revenue Pool and it is difficult to project accurately what the imports of the member states of SACU are likely to be in any one year since they depend on policy developments in member and

non-member states. The level of imports affects the customs duties that go into the Revenue Pool, hence the members' respective shares. Second, global trade tariffs have shown a declining trend over the years and may decline much more sharply after the present Round of WTO negotiations. This means the size of the pool will also be expected to decline, resulting in lower shares for members. Third, with an increasing trend towards formation of larger free trade areas, the revenue from customs duties will become less and less.

17. Looking at Government Recurrent Expenditures from 2003/04 to 2009/10 one observes that they have increased by M4,878 million while domestic tax and non-tax revenues increased by only M2,273 million. Thus SACU revenues financed the extra two billion increase in recurrent costs.

Madam Speaker,

18. Lesotho will be well-advised to anchor its **long-term expenditure planning on the long term growth of domestic revenue**. SACU revenues should only be used to finance investment rather than expansion of recurrent budget, in particular wages and salaries. Most countries observe a similar principle.
19. The SACU Council of Ministers have recently reaffirmed the commitment of their countries to the objectives of SACU and agreed to work towards making SACU an anchor of the SADC Customs Union. They further agreed to set a taskforce of senior officials to

review how SACU can be modernised and made to contribute to the harmonisation of industrialisation and competition policies.

Economic and Fiscal Performance in 2009/10

Madam Speaker,

20. At the time of preparing the 2009/10 Budget, the global financial and economic crisis had already impacted negatively on our economy. We had already seen a decline in the demand for our textile exports, reduction in our mining operations and in some cases, total closure of firms leading to worker lay-offs and deterioration in economic activity. As a result, I presented a budget that was intended to counter the effects of the crisis, particularly to secure jobs and preserve the economy. Hence, I proposed an unusually large budget deficit of around 10 percent of GDP.
21. The preliminary estimate for growth in 2009 is 2.1 percent compared to 4.4 percent in 2008, which represents a decline of over 50 percent. In 2010 growth is projected to recover to 3.6 percent boosted by mining, manufacturing and telecommunications. Inflation on the other hand, has been generally subdued declining from around 10 percent a year ago to 4.2 percent at the end of 2009, largely due to a slowdown in food and fuel inflation.
22. During 2009, exports, especially of garments, suffered the brunt of a collapse in demand in the United States, which remains Lesotho's

largest textile market. Exports to the United States declined by over 30 percent during the two years between 2007 and 2009 and by about 20 percent between December 2008 and December 2009. The market for diamonds has equally been battered by a decline in global prices of more than 50 percent during the same period.

23. In 2009/10, Government had budgeted revenue of M9,942 million inclusive of grants of M1,079 million. However, expected outturn amounts to M9,379 million, which is M563 million or 6 percent lower than budget. The major contributors to the shortfall are the M390 million retained in the SACU pool to offset higher payments made in 2008/09 and M452 million in grant disbursements that were lower than budgeted. However, other revenue sources, especially domestic taxes, are expected to perform above target, thus off-setting part of this shortfall.
24. On the expenditure side, Parliament approved a total budget of M11,687 million split into M8,237 million and M3,450 million, for recurrent and capital expenditures, respectively. The year-end expenditures are expected to record M10,065 million or 86 percent, with recurrent reaching M7,536 million or 102 percent, and capital of M2,529 million or 73.3 percent of the budget.
25. The forecasts that followed presentation of the Budget pointed to a further deterioration in economic performance and possible fiscal stress, which forced the Government to introduce cuts in the already approved Budget. Furthermore, the introduction of the new Integrated

Financial Management Information System (IFMIS) assisted in ensuring that expenditures were restricted to approved activities only. Hence the deficit for 2009/10 is expected to be 4.7 percent of GDP instead of the 10 percent budgeted.

Madam Speaker

26. I have in the past expressed the Government's concern on the low absorption rate for the Capital Budget. Preliminary estimates, however, indicate that during 2009/10 we may be able to utilise 73 percent of the capital appropriation of M3,450 million. This is encouraging and we hope that Ministries will effectively implement development projects on time and within budgets because their benefits will touch the lives of the majority of Basotho, while at the same time promoting the growth required for poverty reduction.

27. The Recurrent Budget is expected to record expenditure of M7,536 million compared to M8,237 million approved for the year. The bulk of the expenditures continue to go towards wages, salaries, goods and services. These two components account for 66 percent of all recurrent expenditures. The accelerated growth of these expenditure items seen in the last five years undermines the much needed growth of the development expenditures. In light of resource constraints, Government will have to adopt strategies which give priority to and redirect resources towards capital expenditure or investment. Specifically, Government should keep recurrent expenditures

relatively constant and capital expenditures growing until the two are somewhat balanced.

The 2010/11 Budget Allocations and their Macro-economic Implications

Madam Speaker

28. The 2010/11 Budget has been prepared in the context of weak global and sub-regional economic performance, resulting in a decline in revenues, especially customs. As a result, SACU shares which have traditionally contributed about 60 percent to our revenues, are now projected at M2,162 million, representing a decline of M2,756 million between 2009/10 and 2010/11. This means that the Government's ability to finance its expenditures has been reduced by an equivalent amount.
29. The proposed budget assumes an aggressive belt-tightening in expenditures by reducing waste, inefficiencies, fraud and tardiness in delivering services to the public. Specifically, international travel has been reduced back to 2007/08 levels; furniture purchases have been eliminated; training and workshops have been eliminated; vehicle short-term hire has been eliminated; and other expenditures on goods and services have been substantially reduced or cut.
30. On the revenue side, it assumes a wholesale revision of rates, charges and fines, some of which have not been reviewed in line with

inflation for over twenty years. It also proposes a total review and restructuring of the methods by which Government collects revenues. In this context, Government is considering extending the mandate of the LRA to collect of all revenue for the Government. The Government will also review its operations with a view to letting the private sector manage under contract those services which it can do better than the Government. Examples which come to mind are the dispensaries in Government hospitals, the printing of licenses, vehicle discs and registration plates.

31. The Budget proposes a total expenditure of M10,476 million. M6,906 million of which is Recurrent Expenditure while M3,570 million is Capital Expenditure. These expenditures will be financed through Government Revenue of M6,474 million; Grants, inclusive of budget support, of M1,809 million from our development partners and M502 million from external soft loans from multilateral development institutions. This will result in a deficit of M2,034 million or 12 percent of GDP, which will be financed by making use of Government deposits and introduction of Government bonds.

32. In line with Government's policy to restrict the growth of recurrent expenditure, the 2010/11 budget proposes a reduction of M1,331 million or 16 percent in Recurrent Expenditure and an increase of M119 million or 3.5 percent in capital. We expect that this trend will continue to a point where there will be an appropriate balance between recurrent and capital expenditure. But the success of this outcome requires tight management and supervision at all levels.

Madam Speaker

33. This Honourable House will appreciate the extent of the seriousness of the problem we now face. More than ever in the past, we need to exercise utmost prudence in the allocation and use of public funds, with continued and greater focus on expenditure controls that would result in growth, improved service delivery and reduction in vulnerability.

34. The Government will, in the long term, observe a budget deficit guideline of 3 percent of GDP to preserve fiscal sustainability. However, we appreciate that right now it is also important to provide funding for critical infrastructural investment and the associated recurrent expenditures to support a speedy recovery of the economy. Hence, despite the reduced revenues, Government needs to maintain requisite levels of expenditure to fulfil this objective. The 2010/11 budget deficit is thus higher than this prescribed guideline in order not to throttle economic growth and squeeze the attendant recurrent expenditure. But, it is extremely important that this is closely monitored to ensure that we revert back as quickly as possible to sustainable deficit levels that will not put pressure on future budgets.

Sectoral Issues and Budget Allocations

Madam Speaker,

35. Turning to the budget allocations of some major sectors, I will only highlight the capital budget allocations. I must emphasise at the outset that Government expenditures are driven by the need to promote growth through the development of a minimum infrastructure platform to support private sector investment and to build the necessary skills, effective institutions and structures. This platform will consist of roads, power, water and telecommunications. Where optimal, private sector financing for some large projects will be mobilized in the form of Public-Private Partnerships (PPPs). The Government is in the process of developing guidelines for such financing arrangements.

Infrastructure

36. Infrastructure in the form of roads, electricity and water supplies is the corner-stone of all development, particularly as it relates to industrialisation. Our economy is unhealthily dependent on the textile sector. Experience in the past two years, when the sector suffered diminishing demand for its output, sends an important message that production must be diversified. To do so, we need to develop

adequate industrial infrastructure to support alternative production, including agro-industries. We already have indications that a number of foreign investors are ready to locate in Lesotho, but are restricted by the lack of infrastructure and business skills.

37. In the last Budget, resources were put aside to support programmes aimed at speeding up economic recovery. Out of these resources, Government provided an amount of M51 million to support the construction of factory shells at Ha Tikoe and Ha Nyenye. In addition, M16 million has been set aside to finance access roads and water supply for the Tikoe Industrial Park. M50 million has been set aside to create a Credit Guarantee Facility which is being set up to give Small, Micro and Medium Scale Enterprises access to credit and training. Commercial Banks are willing to participate in this Facility.
38. We have set aside M191 million or 5 percent of the capital budget for the construction and maintenance of urban and rural roads under the Ministry of Local Government and Chieftainship. Rural bridges will receive M98 million or 3 percent of the capital budget. Urban and main roads will receive M537 million or 15 percent of the capital budget. M59 million will finance industrial infrastructure development in Maseru.
39. An essential part of our industrial development is the provision of water supply and waste water management to the industrial companies. M154 million has been allocated to water and sanitation infrastructure which will support industrial development.

Water Resource Development

40. During 2009/10 the Government initiated negotiations with the Government of South Africa for the implementation of the second phase of the Lesotho Highlands Water Project, which will involve construction of the Polihali Dam in Mokhotlong. The project is anticipated to commence during 2013. In 2010/11 an amount of M418 million is being proposed for the development of other water supply projects across the country. I should indicate that about M146 million of this amount has been set aside specifically for water supply projects in the rural areas. The Government will continue to work with development partners, notably Irish Aid, the European Commission, the Millennium Challenge Corporation and the Government of South Africa for the continued support in developing water resource in Lesotho, an important area for the attainment of the Millennium Development Goals.

41. The contract for the design of the Metolong Dam Project was awarded in late 2009 and construction is expected to start during the coming financial year. During the past year, focus has been on providing advance infrastructure to facilitate access to Metolong project site and the supply of utilities for the project and a clinic.

Energy

42. Furthermore, M107 million has been set aside to develop projects for the electrification of rural areas with the provision of renewable energy in areas where the conventional grid supply is unavailable.

Madam Speaker

43. During the winter of 2008, we experienced difficulties in the supply of electricity, which created the infamous load shedding and disruptions in economic activity. This phenomenon was reversed in 2009 when we had the opportunity to purchase additional electricity from Mozambique to take care of the additional winter consumption. We expect that during the coming year, we will engage potential financiers to increase the capacity of the 'Muela Hydropower project to supply more electricity and possibly export any excess.
44. As we noted last year, electricity is a crucial input for all sectors of the economy. Economic growth is highly dependent on the availability and reliability of power. While the Muela Hydropower Station fully satisfies power demand in summer, winters see large demand shortages. The 2008 winter confirmed that we cannot rely on ESKOM to fill the gap. However, the Power Purchase Agreement with the Government of Mozambique last year alleviated the problem. Nevertheless, in the longer term, the Government is evaluating

several options to build new hydroelectric plants that will enable Lesotho to satisfy its own needs and export surpluses to the rest of the region.

45. Government is also continuing to invest in renewable energies, including solar and wind power, to provide electricity in the rural areas. M40 million has been allocated to roll out these programmes in 2010/11, with support from the Global Environment Fund.

Financial Sector Reforms and Strengthening

46. The on-going global financial crisis confirms the dangers of weak supervision by the regulators. It is therefore important to instil prudence in the operations of financial institutions through the review of legislation and regulations to ensure that there are no loopholes and public deposits are well protected and guaranteed. This means that Government must ensure that the management of financial institutions is well supervised and regulated by the Central Bank.
47. The Government of Lesotho, in partnership with its development partners, will continue the reforms and modernisation of the financial sector with a view to creating a better regulatory and policy environment and to expand financial access to entrepreneurs, SMMEs and the poor, particularly in the rural areas. The Government, in partnership with IFAD, under the Rural Financial Intermediation Programme (RUFIP) will continue to support the Lesotho Post Bank to develop market-led financial products with

particular focus on rural population and the low segment market, and the support for community based Rural Savings and Credit Groups.

48. Together with the World Bank, under the FIRST Initiative Project, the Government will continue with the support of the development of a National Policy for Non-Bank Financial Institutions (NBFIs), revision and adoption of the regulatory and supervisory framework for these institutions. These interventions will strengthen the existing NBFIs as well as encourage the emergence of new players. With the support of the United States Treasury and the East and Southern African Anti Money Laundering Group the Government is focusing on the implementation of anti-money laundering and the financing of terrorism. Initial staff has been recruited and is undergoing training to establish the Financial Intelligence Centre.

Tourism

49. As I indicated last year, tourism has a great potential to increase incomes and provide jobs, especially in the rural areas. However, to tap this potential requires identification and development of specific and unique activities that will make Lesotho a preferred tourist destination. The on-going road construction and rehabilitation projects in the mountains – Oxbow Mokhotlong-Sani Top-Underberg (RSA) and Sani Top to Thaba-Tseka-Maseru- will stimulate tourism. What remains a challenge is to build more accommodation and train the Hotel or Lodge operators and tour guides. The Republic of Cyprus has offered some scholarships and training in all aspects of

the industry. Building accommodation and service facilities will allow Lesotho to profit more from people who are currently only “daytime” tourists who come into the country with their packed lunch boxes. Our mountains provide the best scenic experience and an extraordinary breath of fresh, clean air and we must take advantage of these.

50. The cultural village in Thaba-Bosiu is almost complete. We expect that the resources amounting to M16 million which has been proposed for 2010/11 will complete works on the village and facilitate its formal opening. The tourism sector has in addition been allocated M19 million, to finance the construction of a National Museum and the completing of the Maluti Conservation and Development Project.

To support such investments, the Ministry of Tourism will also encourage private entrepreneurs by simplifying the process of accommodation and catering licenses.

Agriculture

51. The share of agriculture in the economy continued to decline during the last decade and so has productivity in all its subsectors. The Government has subsidised inputs to farmers including purchase and sale of mechanical equipment at subsidised rates. Unfortunately all these initiatives have suffered low repayment rates by the farmers including Block Farmers.

52. In the coming year, the Government will set up a Joint Task Team between the Ministries of Finance and Development Planning and of Agriculture and Food Security to develop an investment programme in collaboration with The World Bank, IFAD and FAO. The Team must consider:

- Development of input markets in partnership with the private sector and using the Voucher system, as in Malawi to target subsistence farmers and associations;
- Examine and propose an action plan to develop marketing of outputs including becoming part of the supply chain retailers;
- How to re-energise the wool and mohair industry by increasing both the quality and quantity of wool and mohair produced in Lesotho through training of wool farmers in better husbandry, shearing, sorting and classifying of wool and by constructing and rehabilitating wool sheds;
- Re-energising and commercialising the dairy industry;
- Creating a viable commercial subsector of chicken-layers and broilers as well as piggeries, an abattoir and cold storage;
- Establishing a network of silos throughout the country in order to facilitate the purchase of crop outputs; and

- Consider the pros and cons of subsidizing the purchase of outputs rather than inputs.

53. The task team will invite participation of farmers, banks, investors, and other experts. It is expected that the Team will submit its report within six months.

Mining

Madam Speaker,

54. The recovery in the price of diamonds will make it possible for some of the mining companies that had suspended their operations to resume in the near future.

55. Letšeng Diamond Mine expects to produce approximately 100,000 carats during 2010. Mothae mine, which is expected to be as productive as Letšeng, will come on line in two years time. Liphobong and Kao mines have recently been taken over by new investors. For the first time, one of the mines includes local investors. It is expected that 2010/11 will see a productive mining sector whose contribution to GDP will increase from 7 percent to 9 percent. The sector is expected to contribute to Government's revenues. The Government in turn will continue to support the companies and the adjoining communities with necessary infrastructure.

Small and Medium Enterprise Initiative

Madam Speaker

56. You will recall that the Government of Lesotho made a strong commitment to develop the small and medium enterprise sector in Lesotho. The Ministry of Finance and Development Planning initiated a training of trainers programme aimed at building local capacity for entrepreneurial skills that could be extended to all small and medium scale enterprises. To date, a total of 35 training workshops have been held and over 500 participants trained in various management skills including preparation of business plans. It is worth noting that the participants also included youth, the bulk of which were graduates who have not been able to secure employment in both the public and private sector. 85 percent of the participants are in the process of finalising their business plans for new enterprises/expansion project to be submitted to the local commercial banks for financing. We intend to continue this programme as we believe it will open opportunities for the expansion of the business sector and reduce unemployment.

Social Protection

57. The Government remains committed to supporting the vulnerable sections of the population, particularly the elderly and orphaned and vulnerable children. To this end, the old age pension, which was introduced in 2004 will continue to be provided. While it was our wish

to see the pension increase annually, the current fiscal constraints render it difficult at this time to effect any increases in the per capita pension. I should however indicate that the number of our senior citizens is increasing, and therefore on the whole the financial requirement from the Government is also increasing. In 2010/11 we have set aside M300 million for old age pensions. This represents an increase of M12 million from the budget in 2009/10.

58. Regarding the orphaned and vulnerable children, Government has been providing support over the last several years, through the support of various donors. In the current financial year over 27,000 orphans were provided with food packages, shelter and educational support. Global Fund is providing an amount of M68 million for life-skills education and their social welfare. In addition, the Government is working with the European Commission and UNICEF to introduce a Child Support Grant worth M360 per family per quarter to support 60,000 Orphaned and Vulnerable Children.

Human Development

Health

59. The Health sector continues to face a number of management and shortage of professional staff. Working with development partners, the Ministry of Health and Social Welfare plans to address these challenges including the procurement, storage and distribution of

drugs. It is in this area that consideration will be given to outsourcing the management of dispensaries to the private sector.

Construction and refurbishment of the first set of the 150 clinics supported by the U.S. Millennium Challenge Corporation will start this year and the filter clinics at Mabote, Likotsi and Lithabaneng are expected to be opened this year and the referral hospital scheduled for completion early next year.

60. HIV and AIDS continue to be our biggest challenge, which is severely affecting our productive capacity. Lesotho has received M354 million from the Global Fund to scale up services for the next two years. The Government will use such funds to strengthen chronic care services for people living with HIV and AIDS as well as reducing its negative social and economic impacts on individuals, families and communities.

61. Government continues to provide critical infrastructure for improved health services. To this end, an amount of M154 million is proposed in the budget for completion of the referral hospital. A further M126 million from Millennium Challenge Corporation is proposed for construction and rehabilitation of rural clinics and laboratories across the country.

Education

Madam Speaker,

62. The policy of Government to provide Education for All is beginning to bear fruits with the first cohort of Free Primary Education (FPE) having satisfactorily completed the Junior School Certificate in 2009. This policy has earned Lesotho world-wide recognition and represents one of the key MDGs that we are likely to attain.
63. As Government continues to implement the Free Primary Education, facilities have to be increased at the secondary level to be able to cope with the increased intake, while improving the curriculum to meet modern requirements. The Budget therefore proposes an allocation of M72 million for support to secondary education.
64. In 2010/11, the Government is proposing M161 million for capital expenditure and M1,487 million for recurrent expenditure in the education sector.

Recovery of NMDS Bursary Loans

Madam Speaker,

65. We continue to experience a lot of problems with the scholarships programme. The cost to Government of supporting tertiary education has grown at an alarming rate in the last three years. This Budget

proposes M469.6 million to finance scholarships in 2010/11. This represents an increase of about M87.8 million or 23 percent. While the Government is committed to providing support in priority areas for which there are skills shortages, some strategies will need to be adopted to ensure sustainability of the programme. During the coming year therefore, Government will undertake a thorough review to come up with a more sustainable programme.

66. The declining revenues coupled with the increasing number of students seeking funding support, force the Government to review its modalities for loan recovery. At its inception, the scheme was designed to be a revolving fund, where new scholarships would be financed out of recoveries of previous loans. However, recovery has not been as expected largely because we are unable to track some of the students who eventually get employed in the South Africa and cannot be tracked down. Government will therefore seek concrete and sustainable strategies to recover the outstanding balances for the people inside the country in the public and in the private sector. Among the new methods under consideration is the involvement of the Banks and the Credit Bureaus. Let me appeal to everyone including parents that owe NMDS to start making voluntary payments before we track you down.

Public Service Delivery

67. Productivity of the public service has remained a serious concern of the larger public for quite a while. Government is committed to

improving the quality of service delivery both at the central and local government levels. More than any time before, the decline in resources now makes it imperative that operational efficiency and effectiveness are drastically improved.

68. In the coming year, Government will continue intensifying the implementation of the ongoing Public Sector Improvement and Reform Programme (PSIRP). This has three core components; improving public financial management; decentralising services to bring them closer to the people; and reforming the management of the public service.

69. The new Integrated Financial Management Information System (IFMIS), came online on the 1st April 2009. Although the system initially suffered some teething problems, it has now stabilised and will be extended to the districts to support financial operations for the central and local authorities. The intention is to link the central financial operations with those of the district councils through the district sub-accountancies. This system will ensure effective control of public expenditure and enhance timely production of public annual accounts.

Madam Speaker,

70. We often hear complaints from the public on the poor service delivery in some Government offices. We intend, through the Ministry of Public Service to introduce a Performance Management System

linked to the budget on the basis of which performance of each public servant will be determined. I wish to indicate here that any continued under-performance by public servants will be taken seriously and punished accordingly. The Government will no longer tolerate public criticism for poor service delivery without taking appropriate action.

Salary Adjustments

Madam Speaker,

71. This Budget, as I have already indicated, has not been an easy one to put together. In as much as we still propose a high budget deficit, we are confident that going forward the adjustments to recurrent expenditures that we have introduced will slow down the growth in recurrent costs.

72. The recent economic recession and the resultant increase in the prices of basic commodities have to some extent eroded the purchasing power of public servants' wages and salaries. While Government cannot at this time propose significant salary adjustment, after taking into account the level of inflation and other factors, I would propose that a modest adjustment of 3.5 percent be awarded to all public servants across the board.

73. Before I conclude, Madam Speaker, allow me to express on behalf of the Government and all the people of Lesotho appreciation to all development partners. We know that the economic and financial

situation in some of your countries has been worse than ours, but you have stood with us and continue to support our endeavours. I thank you.

74. Finally, I wish to express my deep appreciation to the Right Honourable the Prime Minister, the Honourable Deputy Prime Minister and Chair of the Budget Committee, and members of the Budget Committee for their support and encouragement. I also wish to thank the Governor and the staff of the Central Bank for their valuable contribution.
75. Last but not least, I wish to express my heartfelt thanks and appreciation to the Budget Team in the Ministry of Finance and Development Planning under the Principal Secretary. They worked hard without any complaints. I thank you all.

Madam Speaker,

76. I look forward to the successful implementation of the 2010/2011 Budget proposals. But, as Walter Cronkite, a well known American Broadcaster and Anchor for CBS Network once said

“Success is more permanent when you achieve it without
destroying your principles”

Khotso! Pula! Nala!

Annex I

| GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2010/2011 - 2012/2013 | | | | | | |
|--------------------------------------------------------------------------|--------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| Budget Item | Outturn 2008/09 | Budget 2009/10 | Projected Outturn 2009/10 | Budget 2010/11 | Budget 2011/12 | Budget 2012/13 |
| REVENUE | 8,888.2 | 9,942.3 | 9,376.9 | 8,283.5 | 7,910.2 | 10,222.3 |
| Tax revenue | 2,858.0 | 2,699.3 | 3,149.8 | 3,448.8 | 3,752.8 | 4,111.6 |
| Taxes on income, profits, and capital gains | 1,538.5 | 1,458.3 | 1,860.3 | 2,072.9 | 2,290.0 | 2,521.4 |
| Income tax - payable by individuals | 850.7 | 809.1 | 892.1 | 988.6 | 1,075.4 | 1,183.0 |
| Income tax - payable by corporations and other enterprises | 383.3 | 364.6 | 752.9 | 842.7 | 948.3 | 1,045.1 |
| Income tax - unallocable | 304.5 | 284.6 | 215.3 | 241.6 | 266.2 | 293.3 |
| Taxes on property | 74.6 | (a) | 83.8 | 89.9 | 101.6 | 114.2 |
| Taxes on goods and services | 1,097.7 | 1,138.1 | 1,128.3 | 1,182.4 | 1,239.3 | 1,313.8 |
| Value-added tax | 987.7 | 1,064.5 | 1,011.5 | 1,053.2 | 1,099.1 | 1,160.7 |
| Excise taxes | 98.9 | 68.6 | 106.6 | 119.0 | 129.9 | 142.4 |
| Taxes on specific services | 5.0 | 5.0 | 4.7 | 4.6 | 4.5 | 4.8 |
| Taxes on the use of goods and on permission to use or perform activities | 6.1 | (a) | 5.5 | 5.6 | 5.8 | 5.8 |
| Taxes on international trade and transactions | 139.2 | 94.9 | 69.7 | 96.2 | 114.3 | 154.7 |
| Other taxes | 8.0 | 8.0 | 7.6 | 7.4 | 7.7 | 7.6 |
| Grants | 289.0 | 1,078.5 | 627.3 | 1,809.1 | 1,604.8 | 1,433.2 |
| Other revenue | 840.6 | 856.4 | 682.2 | 863.7 | 857.9 | 952.4 |
| Property income | 376.9 | 375.9 | 130.5 | 143.5 | 167.3 | 185.1 |
| Interest | 10.5 | 10.4 | 7.4 | 7.5 | 7.5 | 8.0 |
| Dividends | 362.4 | 361.5 | 117.5 | 130.3 | 155.4 | 172.5 |
| Rent | 4.0 | 4.0 | 5.7 | 5.7 | 4.4 | 4.6 |
| Sales of goods and services | 420.0 | 436.9 | 515.8 | 580.5 | 647.5 | 721.3 |
| Electricity Muela | 27.1 | 27.0 | 98.3 | 109.7 | 119.7 | 131.3 |
| Water Royalties - LHDA | 324.1 | 341.2 | 343.3 | 388.1 | 437.4 | 491.0 |
| Administrative fees | 26.6 | 26.6 | 28.7 | 32.0 | 34.9 | 38.3 |
| Incidental sales by nonmarket establishments | 42.2 | 42.1 | 45.5 | 50.8 | 55.5 | 60.8 |
| Fines & forfeits | 1.4 | 1.4 | 6.5 | 6.5 | 6.5 | 4.3 |
| Miscellaneous and unidentified revenue | 42.4 | 42.2 | 29.4 | 33.1 | 36.6 | 41.6 |
| SACU | 4,900.6 | 5,308.1 | 4,917.7 | 2,161.9 | 1,694.7 | 3,725.1 |
| EXPENSE | -5,955.6 | -7,338.3 | -7,535.7 | -6,748.0 | -6,587.3 | -7,014.0 |
| Compensation of Employees | -2,203.5 | -3,080.2 | -2,834.1 | -3,048.3 | -3,144.5 | -3,478.9 |
| Wages and salaries | -2,017.7 | -2,609.5 | -2,548.5 | -2,685.6 | -2,776.5 | -3,074.9 |
| Employer contributions | -185.7 | -470.7 | -285.6 | -362.7 | -368.0 | -404.0 |
| Use of goods and services | -2,102.5 | -2,198.3 | -2,383.8 | -1,767.3 | -1,773.3 | -1,794.0 |
| Interest Payments | -118.9 | -153.9 | -122.1 | -178.6 | -113.3 | -112.4 |
| Nonresidents | -65.8 | 66.8 | -62.6 | -63.5 | -73.9 | -75.0 |
| Residents other than general government | -53.1 | 87.0 | -59.6 | -42.2 | -39.4 | -37.5 |
| Subsidies | -204.0 | -27.4 | -11.0 | -204.4 | 0.0 | 0.0 |
| Grants | -564.8 | -690.8 | -743.8 | -267.5 | -286.0 | -304.6 |
| To foreign governments | -5.0 | | 0.0 | 0.0 | 0.0 | 0.0 |
| To international organizations | -19.3 | -18.5 | -19.8 | -20.4 | -21.8 | -23.2 |
| Extra Budgetary Units | -364.7 | -437.8 | -407.6 | -74.2 | -79.4 | -84.5 |
| Local Government | -175.8 | -234.5 | -316.3 | -172.9 | -184.9 | -196.9 |
| Social benefits | -226.9 | -550.2 | -652.1 | -573.1 | -579.7 | -596.5 |
| Other expense | -535.1 | -637.5 | -788.7 | -708.8 | -690.4 | -727.5 |
| Student Grants | -350.0 | -381.8 | -498.4 | -510.6 | -492.3 | -529.4 |
| Other expense | -185.1 | -255.7 | -290.3 | -198.1 | -198.1 | -198.1 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | | | | | |
| Capital Budget | -1,834.0 | -3,450.4 | -2,529.1 | -3,569.6 | -3,846.2 | -3,728.2 |
| GoL | -1,203.9 | -1,988.9 | -1,530.5 | -1,688.9 | -1,688.9 | -1,688.9 |
| Donor Grants | -220.8 | -1,078.5 | -627.3 | -1,379.1 | -1,604.8 | -1,433.2 |
| Donor Loans | -409.3 | -383.0 | -371.3 | -501.6 | -552.5 | -606.0 |
| <i>Expected Loan Performance</i> | | | | -301.0 | | |
| CASH SURPLUS / DEFICIT | 1,098.5 | -846.4 | -687.8 | -2,034.1 | -2,523.3 | -519.9 |
| % GDP | 8.2% | -5.8% | -4.7% | -12.3% | -13.8% | -2.6% |
| Balance under Expected Loan Performance | | | | -1,833.5 | | |
| % GDP | | | | -11.1% | | |
| GDP | 13,438.0 | 14,709.3 | 14,709.3 | 16,565.2 | 18,244.4 | 19,986.4 |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | -788.7 | 846.4 | 687.8 | 2034.1 | 2523.2 | 519.8 |
| FINANCIAL ASSETS | -365.9 | 1056.4 | 943.4 | 1765.9 | 2517.1 | 797.6 |
| Domestic | -363.0 | 1,059.3 | 946.3 | 1,768.3 | 2,523.2 | 803.1 |
| Foreign | -2.9 | -2.9 | -2.9 | -2.4 | -6.1 | -5.4 |
| LIABILITIES | -422.8 | -210.0 | -255.6 | 268.3 | 6.2 | -277.8 |
| Domestic | -628.6 | -373.4 | -373.4 | 5.6 | -6.9 | -245.4 |
| Securities | 28.4 | -123.4 | -123.4 | 5.6 | -6.9 | 4.6 |
| Loans | -57.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which Pension Liabilities | -600.0 | -250.0 | -250.0 | 0.0 | 0.0 | 0.0 |
| Foreign | 205.8 | 163.4 | 117.8 | 262.7 | 13.1 | -32.4 |
| Loans | 205.8 | 163.4 | 117.8 | 262.7 | 13.1 | -32.4 |
| Disbursements | 409.3 | 383.0 | 371.3 | 501.6 | 225.1 | 179.4 |
| Repayments | -203.5 | -219.6 | -253.5 | -239.0 | -212.0 | -211.8 |
| <i>Statistical Discrepancy</i> | <i>309.9</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |

Notes: (a) Captured by other categories of taxation in previous classification methodology.

Annex II

| REVENUES AND EXPENDITURES AS % GDP FOR FISCAL YEARS 2010/2011 - 2012/2013 | | | | | | |
|---------------------------------------------------------------------------|--------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| Budget Item | Outturn 2008/09 | Budget 2009/10 | Projected Outturn 2009/10 | Budget 2010/11 | Budget 2011/12 | Budget 2012/13 |
| REVENUE | 66.1 | 67.6 | 63.7 | 50.0 | 43.4 | 51.1 |
| Tax revenue | 21.3 | 18.4 | 21.4 | 20.8 | 20.6 | 20.6 |
| Taxes on income, profits, and capital gains | 11.4 | 9.9 | 12.6 | 12.5 | 12.6 | 12.6 |
| Income tax - payable by individuals | 6.3 | 5.5 | 6.1 | 6.0 | 5.9 | 5.9 |
| Income tax - payable by corporations and other enterprises | 2.9 | 2.5 | 5.1 | 5.1 | 5.2 | 5.2 |
| Income tax - unallocable | 2.3 | 1.9 | 1.5 | 1.5 | 1.5 | 1.5 |
| Taxes on property | 0.6 | | 0.6 | 0.5 | 0.6 | 0.6 |
| Taxes on goods and services | 8.2 | 7.7 | 7.7 | 7.1 | 6.8 | 6.6 |
| Value-added tax | 7.4 | 7.2 | 6.9 | 6.4 | 6.0 | 5.8 |
| Excise taxes | 0.7 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 |
| Taxes on specific services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Taxes on the use of goods and on permission to use or perform activities | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 |
| Taxes on international trade and transactions | 1.0 | 0.6 | 0.5 | 0.6 | 0.6 | 0.8 |
| Other taxes | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Grants | 2.2 | 7.3 | 4.3 | 10.9 | 8.8 | 7.2 |
| Other revenue | 6.3 | 5.8 | 4.6 | 5.2 | 4.7 | 4.8 |
| Property income | 2.8 | 2.6 | 0.9 | 0.9 | 0.9 | 0.9 |
| Interest | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Dividends | 2.7 | 2.5 | 0.8 | 0.8 | 0.9 | 0.9 |
| Rent | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sales of goods and services | 3.1 | 3.0 | 3.5 | 3.5 | 3.5 | 3.6 |
| Electricity Muela | 0.2 | 0.2 | 0.7 | 0.7 | 0.7 | 0.7 |
| Water Royalties - LHDA | 2.4 | 2.3 | 2.3 | 2.3 | 2.4 | 2.5 |
| Administrative fees | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Incidental sales by nonmarket establishments | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Fines & forfeits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous and unidentified revenue | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| SACU | 36.5 | 36.1 | 33.4 | 13.1 | 9.3 | 18.6 |
| EXPENSE | -44.3 | -49.9 | -51.2 | -40.7 | -36.1 | -35.1 |
| Compensation of Employees | -16.4 | -20.9 | -19.3 | -18.4 | -17.2 | -17.4 |
| Wages and salaries | -15.0 | -17.7 | -17.3 | -16.2 | -15.2 | -15.4 |
| Employer contributions | -1.4 | -3.2 | -1.9 | -2.2 | -2.0 | -2.0 |
| Use of goods and services | -15.6 | -14.9 | -16.2 | -10.7 | -9.7 | -9.0 |
| Interest Payments | -0.9 | -1.0 | -0.8 | -1.1 | -0.6 | -0.6 |
| Nonresidents | -0.5 | 0.5 | -0.4 | -0.4 | -0.4 | -0.4 |
| Residents other than general government | -0.4 | 0.6 | -0.4 | -0.3 | -0.2 | -0.2 |
| Subsidies | -1.5 | -0.2 | -0.1 | -1.2 | 0.0 | 0.0 |
| Grants | -4.2 | -4.7 | -5.1 | -1.6 | -1.6 | -1.5 |
| To foreign governments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| To international organizations | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Extra Budgetary Units | -2.7 | -3.0 | -2.8 | -0.4 | -0.4 | -0.4 |
| Local Government | -1.3 | -1.6 | -2.2 | -1.0 | -1.0 | -1.0 |
| Social benefits | -1.7 | -3.7 | -4.4 | -3.5 | -3.2 | -3.0 |
| Other expense | -4.0 | -4.3 | -5.4 | -4.3 | -3.8 | -3.6 |
| Student Grants | -2.6 | -2.6 | -3.4 | -3.1 | -2.7 | -2.6 |
| Other expense | -1.4 | -1.7 | -2.0 | -1.2 | -1.1 | -1.0 |
| Capital Budget | -13.6 | -23.5 | -17.2 | -21.5 | -21.1 | -18.7 |
| GoL | -9.0 | -13.5 | -10.4 | -10.2 | -9.3 | -8.5 |
| Donor Grants | -1.6 | -7.3 | -4.3 | -8.3 | -8.8 | -7.2 |
| Donor Loans | -3.0 | -2.6 | -2.5 | -3.0 | -3.0 | -3.0 |
| <i>Expected Loan Performance</i> | 0.0 | 0.0 | 0.0 | -1.8 | 0.0 | 0.0 |
| CASH SURPLUS / DEFICIT | 1,098.5 | -846.4 | -687.8 | -2,034.1 | -2,523.3 | -519.9 |
| % GDP | 8.2% | -5.8% | -4.7% | -12.3% | -13.8% | -2.6% |
| Balance under Expected Loan Performance | | | | -1,833.5 | | |
| % GDP | | | | -11.1% | | |
| GDP | 13,438.0 | 14,709.3 | | 16,565.2 | 18,244.4 | 19,986.4 |

Annex III

| ANNUAL % CHANGE IN REVENUES AND EXPENDITURES | | | |
|--------------------------------------------------------------------------|---------------------------|---------------------------|-----------------|
| Budget Item | Budget 2009/10 | Budget 2010/11 | % Change |
| REVENUE | 9,942.3 | 8,283.5 | -16.7 |
| Tax revenue | 2,699.3 | 3,448.8 | 27.8 |
| Taxes on income, profits, and capital gains | 1,458.3 | 2,072.9 | 42.1 |
| Income tax - payable by individuals | 809.1 | 988.6 | 22.2 |
| Income tax - payable by corporations and other enterprises | 364.6 | 842.7 | 131.1 |
| Income tax - unallocable | 284.6 | 241.6 | -15.1 |
| Taxes on property | (a) | 89.9 | |
| Taxes on goods and services | 1,138.1 | 1,182.4 | 3.9 |
| Value-added tax | 1,064.5 | 1,053.2 | -1.1 |
| Excise taxes | 68.6 | 119.0 | 73.5 |
| Taxes on specific services | 5.0 | 4.6 | -8.3 |
| Taxes on the use of goods and on permission to use or perform activities | (a) | 5.6 | |
| Taxes on international trade and transactions | 94.9 | 96.2 | 1.4 |
| Other taxes | 8.0 | 7.4 | -7.4 |
| Grants | 1,078.5 | 1,809.1 | 67.7 |
| Other revenue | 856.4 | 863.7 | 0.8 |
| Property income | 375.9 | 143.5 | -61.8 |
| Interest | 10.4 | 7.5 | -27.7 |
| Dividends | 361.5 | 130.3 | -64.0 |
| Rent | 4.0 | 5.7 | 42.8 |
| Sales of goods and services | 436.9 | 580.5 | 32.9 |
| Electricity Muela | 27.0 | 109.7 | 306.2 |
| Water Royalties - LHDA | 341.2 | 388.1 | 13.7 |
| Administrative fees | 26.6 | 32.0 | 20.4 |
| Incidental sales by nonmarket establishments | 42.1 | 50.8 | 20.6 |
| Fines & forfeits | 1.4 | 6.5 | 375.3 |
| Miscellaneous and unidentified revenue | 42.2 | 33.1 | -21.6 |
| SACU | 5,308.1 | 2,161.9 | -59.3 |
| EXPENSE | -7,338.3 | -6,748.0 | -8.0 |
| Compensation of Employees | -3,080.2 | -3,048.3 | -1.0 |
| Wages and salaries | -2,609.5 | -2,685.6 | 2.9 |
| Employer contributions | -470.7 | -362.7 | -22.9 |
| Use of goods and services | -2,198.3 | -1,767.3 | -19.6 |
| Interest Payments | -153.9 | -178.6 | 16.1 |
| Nonresidents | 66.8 | -63.5 | -195.0 |
| Residents other than general government | 87.0 | -42.2 | -148.5 |
| Subsidies | -27.4 | -204.4 | 645.9 |
| Grants | -690.8 | -267.5 | -61.3 |
| To foreign governments | 0.0 | 0.0 | |
| To international organizations | -18.5 | -20.4 | 10.1 |
| Extra Budgetary Units | -437.8 | -74.2 | -83.0 |
| Local Government | -234.5 | -172.9 | -26.3 |
| Social benefits | -550.2 | -573.1 | 4.2 |
| Other expense | -637.5 | -708.8 | 11.2 |
| Student Grants | -381.8 | -510.6 | 33.7 |
| Other expense | -255.7 | -198.1 | -22.5 |
| Capital Budget | -3,450.4 | -3,569.6 | 3.5 |
| GoL | -1,988.9 | -1,688.9 | -15.1 |
| Donor Grants | -1,078.5 | -1,379.1 | 27.9 |
| Donor Loans | -383.0 | -501.6 | 31.0 |
| <i>Expected Loan Performance</i> | 0.0 | -301.0 | |
| CASH SURPLUS / DEFICIT | -846.4 | -2,034.1 | |
| % GDP | -5.8% | -12.3% | |
| Balance under Expected Loan Performance | | -1,833.5 | |
| % GDP | | -11.1% | |
| GDP | 14,709.3 | 16,565.2 | |

Annex IV

| Ministry | 2009/10 | | | | | 2010/11 | | | | |
|------------------------------------------------|------------------|----------------|----------------|--------------|----------------|------------------|----------------|---------------|--------------|---------------|
| | Recurrent Budget | Capital Budget | | | | Recurrent Budget | Capital Budget | | | |
| | | GoL | Donor Grants | Donor Loans | Total | | GoL | Donor Grants | Donor Loans | Total |
| Agriculture & Food Security | 166.3 | 35.0 | 0.0 | 15.0 | 50.0 | 144.4 | 41.0 | 0.0 | 15.0 | 56.0 |
| Health & Social Welfare | 809.4 | 230.0 | 145.0 | 32.0 | 407.0 | 800.6 | 250.3 | 203.3 | 39.0 | 492.6 |
| Education and Training | 1537.5 | 65.0 | 125.0 | 30.0 | 220.0 | 1487.0 | 37.4 | 113.2 | 10.0 | 160.6 |
| Finance & Development Planning | 816.4 | 390.3 | 158.9 | 11.0 | 560.2 | 797.0 | 81.2 | 491.0 | 26.3 | 598.5 |
| Trade and Industry, Cooperatives and Marketing | 68.0 | 45.0 | 16.0 | 4.0 | 65.0 | 52.2 | 24.0 | 20.4 | 0.0 | 44.4 |
| Justice, Human Rights and Rehabilitation | 229.2 | 21.9 | 0.0 | 0.0 | 21.9 | 199.5 | 19.7 | 0.0 | 0.0 | 19.7 |
| Home Affairs and Public Safety | 437.4 | 30.0 | 0.0 | 0.0 | 30.0 | 364.4 | 14.0 | 0.0 | 0.0 | 14.0 |
| Prime Ministers' Office | 114.2 | 5.0 | 0.0 | 0.0 | 5.0 | 99.2 | 5.0 | 0.0 | 0.0 | 5.0 |
| Communications, Science and Technology | 101.7 | 41.9 | 0.0 | 0.0 | 41.9 | 75.9 | 37.0 | 0.0 | 0.0 | 37.0 |
| Law & Constitutional Affairs | 69.6 | | | | | 60.6 | | | | |
| Foreign Affairs and International Relations | 326.7 | 9.5 | 0.0 | 0.0 | 9.5 | 283.8 | 16.0 | 0.0 | 0.0 | 16.0 |
| Public Works and Transport | 223.9 | 362.5 | 180.0 | 124.0 | 666.5 | 184.1 | 396.0 | 163.8 | 76.1 | 636.0 |
| Forestry and Land Reclamation | 55.9 | 112.0 | 0.0 | 0.0 | 112.0 | 40.9 | 112.0 | 0.0 | 0.0 | 112.0 |
| Natural Resources | 91.9 | 142.3 | 397.5 | 151.0 | 690.8 | 74.9 | 156.4 | 319.0 | 335.2 | 810.6 |
| Employment and Labour | 44.0 | | | | | 35.4 | | | | |
| Tourism, Environment and Culture | 69.7 | 21.7 | 0.0 | 0.0 | 21.7 | 53.2 | 34.5 | 0.0 | 0.0 | 34.5 |
| Auditor general's Office | 17.9 | | | | | 17.8 | | | | |
| His Majesty's Office | 8.5 | 10.0 | 0.0 | 0.0 | 10.0 | 6.6 | 20.0 | 0.0 | 0.0 | 20.0 |
| Public Service Commission | 6.4 | | | | | 5.2 | | | | |
| Lesotho Highlands Development Authority | | 79.0 | 3.8 | 16.0 | 98.8 | | 79.0 | 0.0 | 0.0 | 79.0 |
| Defence and National Security | 402.7 | 15.0 | 0.0 | 0.0 | 15.0 | 349.6 | 15.0 | 0.0 | 0.0 | 15.0 |
| National Assembly | 58.6 | | | | | 50.7 | | | | |
| Senate | 16.4 | | | | | 12.6 | | | | |
| Ombudsman | 7.5 | | | | | 5.3 | | | | |
| Independent Electoral Commission | 135.8 | | | | | 27.4 | | | | |
| Local Government and Chieftainship Affairs | 380.4 | 270.5 | 29.0 | 0.0 | 299.5 | 303.8 | 272.1 | 17.2 | 0.0 | 289.3 |
| Gender and Youth, Sports and Recreation | 70.8 | 102.3 | 23.3 | 0.0 | 125.6 | 57.2 | 78.2 | 51.1 | 0.0 | 129.3 |
| Public Service | 27.1 | | | | | 23.0 | | | | |
| Sub-Total | 6,293.8 | 1,988.9 | 1,078.5 | 383.0 | 3,450.4 | 5612.2 | 1688.9 | 1379.1 | 501.6 | 3569.6 |
| Principal Repayment | 219.6 | | | | | 239.0 | | | | |
| Interest Charges | 142.2 | | | | | 178.6 | | | | |
| Pensions and Gratuities | 1177.1 | | | | | 681.7 | | | | |
| Statutory Salaries and Allowances | 11.8 | | | | | 22.9 | | | | |
| Subscriptions to International Organisation | 20.5 | | | | | 20.4 | | | | |
| Other | 3.0 | | | | | 51.3 | | | | |
| Administration Fund (Contingency) | 160.0 | | | | | 100.0 | | | | |
| Total | 8028.0 | | | | | 6906.1 | | | | |

Annex V

| Expenditure by Ministry as % of Total - Capital and Recurrent | | | | | | | | | | | |
|----------------------------------------------------------------------|-----------------------------|-------------------------|------------------------|--------------|--------------|----------------|-----------------------------|-------------------------|------------------------|--------------|--|
| Ministry | 2009/10 | | | | | 2010/11 | | | | | |
| | Recurrent Budget | Capital Budget | | | | Total | Recurrent Budget | Capital Budget | | | |
| GoL | | Donor Grants | Donor Loans | Other | GoL | | | Donor Grants | Donor Loans | Other | |
| Agriculture & Food Security | 2.1 | 1.8 | 0.0 | 3.9 | 1.4 | 2.1 | 2.4 | 0.0 | 3.0 | 1.6 | |
| Health & Social Welfare | 10.1 | 11.6 | 13.4 | 8.4 | 11.8 | 11.6 | 14.8 | 14.7 | 7.8 | 13.8 | |
| Education and Training | 19.2 | 3.3 | 11.6 | 7.8 | 6.4 | 21.5 | 2.2 | 8.2 | 2.0 | 4.5 | |
| Finance & Development Planning | 10.2 | 19.6 | 14.7 | 2.9 | 16.2 | 11.5 | 4.8 | 35.6 | 5.2 | 16.8 | |
| Trade and Industry, Cooperatives and Marketing | 0.8 | 2.3 | 1.5 | 1.0 | 1.9 | 0.8 | 1.4 | 1.5 | 0.0 | 1.2 | |
| Justice, Human Rights and Rehabilitation | 2.9 | 1.1 | 0.0 | 0.0 | 0.6 | 2.9 | 1.2 | 0.0 | 0.0 | 0.6 | |
| Home Affairs and Public Safety | 5.4 | 1.5 | 0.0 | 0.0 | 0.9 | 5.3 | 0.8 | 0.0 | 0.0 | 0.4 | |
| Prime Ministers' Office | 1.4 | 0.3 | 0.0 | 0.0 | 0.1 | 1.4 | 0.3 | 0.0 | 0.0 | 0.1 | |
| Communications, Science and Technology | 1.3 | 2.1 | 0.0 | 0.0 | 1.2 | 1.1 | 2.2 | 0.0 | 0.0 | 1.0 | |
| Law & Constitutional Affairs | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Foreign Affairs and International Relations | 4.1 | 0.5 | 0.0 | 0.0 | 0.3 | 4.1 | 0.9 | 0.0 | 0.0 | 0.4 | |
| Public Works and Transport | 2.8 | 18.2 | 16.7 | 32.4 | 19.3 | 2.7 | 23.4 | 11.9 | 15.2 | 17.8 | |
| Forestry and Land Reclamation | 0.7 | 5.6 | 0.0 | 0.0 | 3.2 | 0.6 | 6.6 | 0.0 | 0.0 | 3.1 | |
| Natural Resources | 1.1 | 7.2 | 36.9 | 39.4 | 20.0 | 1.1 | 9.3 | 23.1 | 66.8 | 22.7 | |
| Employment and Labour | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Tourism, Environment and Culture | 0.9 | 1.1 | 0.0 | 0.0 | 0.6 | 0.8 | 2.0 | 0.0 | 0.0 | 1.0 | |
| Auditor general's Office | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | |
| His Majesty's Office | 0.1 | 0.5 | 0.0 | 0.0 | 0.3 | 0.1 | 1.2 | 0.0 | 0.0 | 0.6 | |
| Public Service Commission | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Lesotho Highlands Development Authority | 0.0 | 4.0 | 0.4 | 4.2 | 2.9 | 0.0 | 4.7 | 0.0 | 0.0 | 2.2 | |
| Defence and National Security | 5.0 | 0.8 | 0.0 | 0.0 | 0.4 | 5.1 | 0.9 | 0.0 | 0.0 | 0.4 | |
| National Assembly | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Senate | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Ombudsman | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Independent Electoral Commission | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Local Government and Chieftainship Affairs | 4.7 | 13.6 | 2.7 | 0.0 | 8.7 | 4.4 | 16.1 | 1.2 | 0.0 | 8.1 | |
| Gender and Youth, Sports and Recreation | 0.9 | 5.1 | 2.2 | 0.0 | 3.6 | 0.8 | 4.6 | 3.7 | 0.0 | 3.6 | |
| Public Service | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Principal Repayment | 2.7 | | | | | 3.5 | | | | | |
| Interest Charges | 1.8 | | | | | 2.6 | | | | | |
| Pensions and Gratuities | 14.7 | | | | | 9.9 | | | | | |
| Statutory Salaries and Allowances | 0.1 | | | | | 0.3 | | | | | |
| Subscriptions to International Organisation | 0.3 | | | | | 0.3 | | | | | |
| Other | 0.0 | | | | | 0.7 | | | | | |
| Administration Fund (Contingency) | 2.0 | | | | | 1.4 | | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |