

Summary of Lesotho 2010/11 BUDGET

EXPENDITURE: The Budget proposes total expenditure of M10, 476 million, which is lower than the 2009/10 proposed budget of M11, 687 million (actual outturn M10, 065 million). M6, 906 million of which is Recurrent Expenditure (vs. M8, 237 million in 2009/10 budget) whereas M3, 570 million is Capital Expenditure (vs. M3, 550 million in 2009/10 budget). 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. Measures to reduce expenditure include cutting on international travel, furniture purchase, training and workshops and vehicle hire.

REVENUE: Expenditure will be financed through Government Revenue of M6, 474 million (vs. M8, 883 million in 2009/10 budget); Grants, inclusive of budget support of M1, 809 million (vs. M1, 078 million in 2009/10 budget) from our Development partners and M502 million from external soft loans (vs. M383 million in 2009/10 budget) from Multilateral Development institutions. Measures to raise revenue include revision of rates and charges and fines and method of collecting revenue.

BORROWING: The discrepancy between revenue and expenditure will result in a deficit of M2, 034 million (vs. M1, 307 million in 2009/10 budget) or 12 percent of GDP (vs. 8% in 2009/10 budget). The deficit will be financed by making use of government deposits and introduction of government bonds.

SALARY ADJUSTMENTS: An across the board salary increase of 3.5% (from 1st April 2010) for the public servants has been proposed.

ECONOMY: Economic growth is forecasted to recover to 3.6% in 2010, up from the preliminary estimated growth of 2.1% in 2009.

INFRASTRUCTURE: Government has provided M51 million to support the construction of factory shells at Ha Tikoe and Ha Nyenye. 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 so that SMME can get access to credit.

M191 million or 5% of capital budget has been set aside for the construction and maintenance of urban and rural roads. Rural bridges will receive M98 million, that is 3% of capital budget. Urban and main roads will receive M537 million that is 15% of capital budget. M59 million will finance industrial infrastructure in Maseru. M154 million has been allocated to water and sanitation infrastructure.

WATER RESOURCE DEVELOPMENT: In 2010/11 an amount of M418 million is being proposed for the development of other water projects across the country. M146 million of this amount has been set aside for water supply projects in the rural areas.

ENERGY: M107 million has been set aside to develop projects for the electrification of rural areas with the provision of renewable energy.

M40 million has been allocated to roll out programs in renewable energies in the rural areas.

FINANCIAL SECTOR REFORM: Government will ensure that the management of financial institutions is well supervised and regulated by the Central Bank.

TOURISM: Resources amounting to M16 million have been allocated to complete the works on the Thaba – Bosiu cultural village. The sector has been allocated M19 million in addition to finance the construction of a National Museum and the completion of the Maluti Conversation and Development Project.

AGRICULTURE: The share of agriculture in the economy continued to decline during the last decade. The 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 will consider the following:

- Development of inputs markets in partnership with the private sector.
- Examine and propose an action plan to develop marketing of outputs including becoming part of the supply chain retailers.
- How to re-energize the wool and mohair industry by increasing

both quality and quantity of wool and mohair produced in Lesotho.

- Re-energizing and commercializing of 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 inputs.

The task team will comprise of farmers, banks, investors, and other experts.

MINING: 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. Letseng Diamonds is expected to produce approximately 100, 000 carats during 2010, Mothae mine, which is expected to be as productive as Letseng, will come on line in two years time. Lihobong and Kao mines have recently been taken over by new investors.

It is expected that 2010/11 will see a productive mining sector whose contribution to GDP will increase from 7% to 9%.

SMALL AND MEDIUM ENTERPRISE INITIATIVE: The Government of Lesotho has made a strong commitment to develop the small and medium enterprise sector. To this end, a total of 35 training workshops have been held and over 500 participants trained in various management skills including preparation of business plans. 85% of the participants are in the process of finalizing business plans.

HEALTH: Lesotho has received M354million from the Global Fund in order to up services regarding the HIV and AIDS challenge for the next two years.

Construction and refurbishment of 150 clinics will start this year as well as the opening of filter clinics at Mabote, Likotsi and Lithabaneng.

Millennium Challenge Corporation is supporting the rehabilitation of rural clinics and laboratories with an amount of M126million and an amount of M154million is proposed in the budget for the completion of the referral hospital.

Outsourcing the management of dispensaries to the private sector will be considered, this in an effort to address challenges including procurement, storage and distribution of drugs.

SOCIAL PROTECTION: The old age pension will continue to be provided, however the current fiscal constraints render it difficult to effect any increases in the per capita pension. In 2010/11 M300 million has been set aside for old age pensions. This represents an increase of M12 million from the budget in 2009/10.

EDUCATION: M72 million has been put aside for support to secondary education and M469.6million to support tertiary education (scholarships). A total of M1, 487 million has been allocated in recurrent costs and M161 million in capital to Education sector.

PUBLIC SERVICE DELIVERY: Government will continue intensifying the implementation of the ongoing Public Sector Improvement and Reform Programme.

The new Integrated Financial Management Information System (IFMIS) will be extended to the districts to support financial operations for the central and local authorities.

Through the Ministry of Public Service a Performance Management System is to be introduced linked to the budget which will be used to determine the performance of each public servant.

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