



**PARLIAMENT OF THE KINGDOM OF LESOTHO
BUDGET SPEECH TO THE PARLIAMENT OF THE KINGDOM
OF LESOTHO FOR THE 2023/2024 FISCAL YEAR**

***“From Reconstruction and Recovery to Growth and
Resilience.”***

By

**HONOURABLE RETSELISITSOE MATLANYANE, MP
MINISTER OF FINANCE AND DEVELOPMENT PLANNING**

MASERU, LESOTHO

27th FEBRUARY 2023

Mr. Speaker,

Allow Me to Pay My Respects to:

His Majesty King Letsie III and Head of State

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 here Present

Distinguished Members of The Media

Sechaba sohle sa Basotho ka hare le ka ntle ho naha

Bo 'M'e le Bo Ntate

I. INTRODUCTION

1. **Mr. Speaker**, the budget estimates I'm tabling this afternoon set the foundation for reconstruction, and recovery of our economy while consolidating growth and building resilience.
2. In preparing this budget, we had to strive to balance allocations for effective service delivery and public investment spending that boosts the private sector to generate meaningful growth, whilst rebuilding our buffers so that we strengthen our resilience and restore macro-fiscal stability and stimulate growth.
3. **Mr. Speaker**, the overriding objective of this budget is to accelerate inclusive, employment generating and poverty reducing economic growth. It is therefore of utmost importance to recalibrate institutional settings, governance, policies, expenditure and accountability frameworks to align with this policy direction.
4. In the face of resource constraints and many needs, it is an absolute necessity for us to focus on key priorities and sequence our programs carefully to derive maximum value and impactful outcomes from the start.
5. **Mr. Speaker**, securing social stability in the context of an economy that is not growing or regressing is almost impossible. There's reverse causality between growth of the economy and the commonly known and cited pillars of a stable democracy, namely a functional and efficient judiciary, an executive that implements laws and programs efficiently and an oversight body (being this august house) that performs its role effectively. When the economy does not perform, all these structures will fail to perform their duties. Equally, if these structures fail to perform their duties, the economy will not perform.

6. Our key priority therefore is to secure inclusive and sustainable growth by focusing on food self-sufficiency through improved productivity in agriculture, aggressive industrialization and building of value chains, rehabilitation and building of key infrastructure that supports the private sector to thrive, improving our beneficiation in the extractive industries and in the exploitation of all our natural resources and of course strengthening governance and accountability in all institutions, especially in the public sector and key institutions.
7. Obviously, our success requires that we uproot corruption and embezzlement of public funds in all its forms, instituting national reforms that will secure us peace and stability and exercising zero tolerance to all types of crimes to humanity.
8. It is our fervent hope and prayer that all Basotho, can work towards the attainment of these priorities because we all need and deserve a better Lesotho.
9. Macroeconomic stability, growth and equitable distribution of resources can be attained even within the difficult context that we're in if we give ourselves an opportunity to earnestly work at it.
10. **Mr. Speaker**, let me put into context the circumstances under which we are operating and within which this budget was prepared.

II. MACROECONOMIC TRENDS AND OUTLOOK

11. **Mr Speaker**, the global and regional economic environment continues to be bullish. Geopolitical tensions and ecological changes are taking a toll on global economic growth. COVID 19 has still not ended. But the world has quickly adjusted to a new normal of living with it. A combination of the intensity of climate change and the conflict

between Russia and Ukraine has introduced new twists to the global challenges. Food and energy prices soared during the FY2022/23. This has prompted Central Banks to resort to monetary policy tightening across the globe. Amid these volatile conditions, recent data released by the IMF indicate that growth for 2022 is estimated at 3.4 percent. Global growth is projected to fall to 2.9 percent in 2023 before rising to 3.1 in 2024.

12. Within the region, particularly in South Africa, growth is projected to weaken in 2023, reflecting weaker external demand, extensive power outages and structural constraints. In this regard, South African National Treasury projects growth to slow to 0.3 percent in 2023 before picking to 0.7 percent in 2024, while inflation is expected to ease and average 5.4 percent in 2023 and decelerate further to 4.4 percent in 2024.
13. Over and above all these global and regional challenges, we are compelled to tackle the impact of slow growth on our public finances, to answer to the expectations of Basotho for transformed, education, health care services, industrialisation, better service delivery and good governance.
14. The mixture of various requirements and constrained resources may seem overwhelming. The question remains; how do we deal with such complications? What do we focus on? What do we prioritise? How do we support investment in inclusive growth? How do we stop corruption and wasteful spending?

Domestic Economic Performance and Outlook

15. **Mr. Speaker**, the Kingdom of Lesotho has been facing difficult challenges of consistently deteriorating economic conditions for a

about a decade now. Lesotho's per capita GDP has declined from M16,888 in 2020 to M16,885 in 2021 in current prices. In 2022 alone, food and fuel prices increased significantly bringing us to register an inflation rate of 8.7 percent from 5,7 in 2021. Income inequality has increased as the gap between the rich and poor widened significantly.

16. At below 5 percent, our rate of economic growth is far below that which is consistent with the desired NSDP target (which is already very low depending on when it was set). For the past five years spanning 2017/18 – 2021/22, we have experienced economic contractions of about 1.7 percent on average. In 2022/23, growth is estimated at 1.8 percent and projected to accelerate to 2.3 percent in 2023/24.
17. **Mr Speaker**, turning to the external sector, our current account deficit widened by 5.4 percent of GDP in FY2022/23. This was driven by a significant drop in SACU revenues in recent years despite recovery of exports in the third quarter of 2022. However, the external position is expected to improve to a surplus of 9.6 percent of GDP in 2023/24 supported by higher transfers.
18. In the same manner, the global financial system stability outlook remains bleak. Financial stability risks have increased as result of high inflation, tightening financial conditions, and elevated commodity prices amongst others.
19. The value of the Loti is mostly affected by changes in capital flows to Emerging Markets and Developing Economies and global risk perceptions that filter through the Rand-Loti peg. The appreciation of the currency against major international currencies reduces Lesotho's export competitiveness while the depreciation of the loti increases input costs since raw materials are sourced from international markets.

Coupled with weak global demand, these dynamics will have an adverse impact on the trade balance.

20. With regard to gross international reserves, the Central Bank of Lesotho maintained NIR above the target floor of 120 percent of M1 (money supply plus callable deposits) to safeguard the peg. In 2023/24, the NIR is expected to remain above the target floor due to strong recovery in SACU revenue.
21. **Mr. Speaker** permit me to remind this Honourable House that in FY2022/23, this august house approved a total revenue of **M19.9 billion**. This amount comprised of M9.5 billion from tax revenue, grants of M2.3 billion, non-tax revenue of M2.6 billion and SACU revenue of M5.4 billion.
22. **The approved total expenditure** for the same year **was M23.4 billion**. Of the total approved expenditure M16.3 billion was for recurrent spending, while M6.7 billion in investment spending.
23. **The approved budget had projected a fiscal deficit of M3.3 billion which is equivalent 7.7 percent of GDP.**
24. Based on performance up to the third quarter of FY22/23, it is expected that to the end of the FY22/23, M18.6 billion in total revenue will have been collected. The underperformance in revenue collection is due to the Bills that were not passed by the 10th Parliament on time.
25. With regards to expenditure, projections point that M15.8 billion will have been spent on recurrent expenditure while M5.5 billion will have been spent on capital expenditure.

26. The projected performance is likely to result in a fiscal deficit of M2.8 billion (equivalent to 7.7 percent of GDP).

1. Debt Developments

27. **Mr Speaker**, total Government debt at the end of January 2023 stood at M22 billion which is an increase of M3 billion from the previous financial year. Domestic debt stock stands at M4.3 billion and accounts for 19.4 percent of total public debt stock. Foreign currency denominated debt stands at M17.7 billion, accounting for 77.7 percent of total debt.

28. During FY22/23, Government contracted new debt of M873.6 from the domestic money and capital markets. This represented a shortage of M826.4 million compared to a planned M1.7 billion.

29. Borrowing from external sources exclusively for capital expenditure added M914.3 million to debt stock in FY22/23. A further M2 billion (13.2 percent of total debt) increase is attributable to exchange rate losses. Debt service for FY22/23 is expected to reach M2.5 billion and budgeted to further increase to M3.1 billion in FY23/24 fiscal year.

30. In accordance with our Debt Sustainability Analysis Framework, overall risk of debt distress is assessed to be moderate with reasonable space to absorb shocks.

2. Arrears and Cash Management

31. **Mr Speaker**, the creation and accumulation of arrears is a reflection of serious fiscal mismanagement. It is reflective of weaknesses in the internal control environment of the system and deficiencies in the public financial management framework, loopholes in the systems and inefficiencies in management. These cannot be allowed to go on and must be stopped forthwith.

32. Accumulation of arrears jeopardizes continuity of business, undermines the overall credibility of the budget, renders the accounting system, fiscal reporting and accountability dysfunctional. It signifies the collapse of systems that make up a proper and efficient system of governance.
33. **Mr. Speaker**, amongst others, the practice of procurement outside of the established system and policies is a situation that cannot be sustained and must stop forthwith. The established system does not allow payments for mis-procured goods and services, and certainly such will neither be considered nor accommodated for payment.
34. **Mr. Speaker**, the potency and impact of fiscal policy has for years now been compromised by this malpractice and misconduct that has been left to prevail unabated for too long. And today, as a nation, we are paying a heavy price of living in the squalor of an underdeveloped economy that is not only growing but regressing. We are faced with a mammoth task of restoring the integrity of public financial management and pursuing macroeconomic stability. The reconstruction and restoration of macroeconomic stability is not cheap and is going to cost us dearly. But it is a cost and work that we must face with bravery, determination and absolute resolve to restore the integrity of the only policy that we currently have at hand to save us.
35. In recognition of this challenge, the Ministry of Finance and Development Planning has developed a strategy to manage arrears in the coming fiscal year. The strategy aims to manage arrears in a structured manner and enhance expenditure controls and budget reliability among others, avoiding the accumulation and creation of new arrears. The strategy will deal with the underlying causes of occurrence and accumulation including impact of arrears to the

economy. It includes a roadmap to clear existing stock and move towards elimination of arrears. The strategy will be used by all Ministries, Departments, Agencies, Local Governments, Public Corporations and State Enterprises.

36. In an effort to enhance cash management activities government established a Treasury Single Account which enhances proper cash management and is set to link bank accounts through which the Government transacts with a consolidated view of its cash position. It is also expected to improve financial reporting.

III. ECONOMIC GROWTH STRATEGY FOR 2023/2024

37. **Mr Speaker**, the economic strategy for this FY23/24 focuses on economic reconstruction and recovery while enhancing growth and building resilience through economic transformation from a consumer-based economy to a producer and export-driven economy.
38. This is to be achieved through structural transformation and sizable investments into the following productive sectors: agriculture, industries that build valued chains to produce jobs, the extractive sector with the aim to enhance beneficiation of Basotho in the exploitation of our natural resources, reconstruction of infrastructure and building of new infrastructure (soft and hard) that facilitates active participation of the private sector, strengthening governance and accountability in private and public institution and leveraging on innovative technology for efficiency.
39. Private sector development and participation is central in ensuring the reconstruction, recovery and resilience of the economy. The role of government is to intervene in ways that crowd-in private investment,

thus encouraging growth that exploits the full capacity of our productive potential.

40. Central to economic transformation and economic diversification are: a competitive investment climate, peace and stability, mobilisation and efficient intermediation of savings, technology development and adoption, investments in infrastructure that enables business development, a competent and competitive labour force and human capital that is relevant to the needs of the economy, and the effective exploitation of the demographic dividend.
41. **Mr. Speaker**, our road to recovery and growth that produces employment and reduces poverty is anchored on the pursuit and achievement of the following:
42. Restoration of Macro-fiscal stability and consolidation of public financial management reforms to entrench fiscal discipline. Efficient use of resources and improved controls and accountability. These are critical in rebuilding confidence of the local and foreign investors, as well as development partners in our public policy and management.
43. **Mr Speaker**, in terms of investment competitiveness in 2019, Lesotho was ranked 122 out of 190 countries from 106 in 2018. This requires aggressive implementation of the Investment climate reform agenda. Otherwise, Lesotho will be disadvantaged in attracting the much-needed investment in areas where Lesotho has competitive advantages. We are compelled to be forward looking and dynamic and develop futuristic industries that are driven by innovation and technology development (such as sustainable production technology, Health care predictive analytics, digital education, fintech, nanotechnology and others).

44. Furthermore, we will build systems and enhance capacity of relevant institutions to fight economic crimes, especially corruption, money laundering and close any potential conduits for terrorism financing.
45. We shall focus on enhancing productivity, promoting diversification and value chain development through use of improved technology and mechanization, especially in the agricultural and manufacturing sectors.
46. We shall adopt appropriate technology and advanced mechanization including appropriate seed and fertilizers inputs as well as climate smart technologies in agriculture to increase yield of basic grains, legumes, vegetables and deciduous.
47. In the same vein the Government of Lesotho shall facilitate increased production of meats (poultry, beef and pork) as well as eggs, fish and milk by farmers to satisfy local demand and processing for export.
48. The Government of Lesotho shall up-scale its production of green and renewable energy (through increased capacity of generation of solar, wind and hydropower) with the view to be self-sufficient in energy and export by participation in the regional power pool. In this regard, maintenance of the 'Muela infrastructure is key to facilitating energy access.
49. Government shall upscale efforts to ensure access to clean water and sanitation for Basotho and further forge alliances with countries in the region to build infrastructure that facilitates transfer and distribution of water to the SADC region.

50. In this regard, government shall continue to invest in water conservation and catchment management, and management of pollution and the environment at large.
51. The Government of Lesotho shall improve institutional arrangements for participation in the extractive industry (particularly the mining sector) to ensure better beneficiation by current and future generations of Basotho in these important resources.
52. Tourism and hospitality remain a critical growth sector whose potential is yet to be tapped fully. The angelic mountains that envelop the white gold, the flora and fauna as well as the unique culture offer a memorable experience which needs to be offered to the world. We therefore also need to conserve biodiversity for now and for the future generations.
53. **Mr Speaker**, Lesotho is ranked 120 out of 140 countries in terms of infrastructure development, which reflects low national investment competitiveness. It is important then to rebuild, rehabilitate and build climate resilient key infrastructure. This initiative is meant to facilitate internal and external trade.
54. Furthermore, ICT infrastructure development shall be aligned with e-government priorities, opportunities in e-commerce and provision of efficient services. In this regard, the development of complementary skills and change management are key.
55. Exploiting the Demographic Dividend (DD), which is the benefit that can be derived from changing age structure of our country's population also remains critical for sustainable development. Lesotho has a youthful population. The DD study completed in 2022 has recommended investment in high quality education and relevant skills

development programmes underpinning the ability of young people to access and create good quality jobs, continual investment in health in particular sustained funding for prevention and treatment of HIV/AIDS, and gender inequalities to ensure that the demographic dividend is realised.

IV. FISCAL STRATEGY FOR THE MEDIUM TERM (FY23/24 THROUGH FY25/26)

56. **Mr Speaker,** since Lesotho's economic problems emanate from mismanagement of the fiscus, it is important to outline a fiscal strategy separately from the growth strategy.
57. The medium-term fiscal strategy aims at reinforcing long term fiscal sustainability and providing sufficient buffers to guard against domestic and external shocks and imbalances. Prudent fiscal management is crucial to sustain confidence of investors and development partners. It also helps to make it easier for the private sector to secure financing for large investment projects from multilateral institutions as it improves the credit rating of a sovereign.
58. In pursuit of macro-fiscal stability, the government shall work hard over the medium term to reduce Lesotho's dependence on volatile SACU receipts by working towards a state where recurrent expenditures can be covered by tax and non-tax revenues. The development component of SACU revenue and donor funding will be used to finance infrastructure and capital spending, as well as to create a development and stabilization fund. This fund shall also be complemented by a part of earnings from natural resources.
59. Key measures that will be implemented to achieve this outcome include:

- Maintaining reserves of not less than 4.5 months of import cover as a buffer against both external and fiscal shocks.
- Reducing high and unsustainable level of recurrent spending. Active monitoring and implementation of tighter controls over recurrent expenditure budgets to ensure that existing resources are utilised more effectively and efficiently as well as targeting no real increases in recurrent spending over the next three years (excluding maintenance of assets).
- Reduction in the wage bill through restructuring of the public service and consolidation of ministries to remain with sufficient numbers of staff.
- Improved collection of domestic non-tax revenues.
- Mobilising additional resources, especially grants to finance public investments and crowding- in private investment.
- Institute measures to improve tax efficiency.
- Outsourcing some of the services that government currently provides to the private sector for efficiency
- Review some of the fees and charges for services to reflect the cost of such services
- Use of subsidies programs that are target to relevant groups

REVENUE STRATEGIES

60. **Mr Speaker**, in terms of revenue collection strategies, the Ministry of Finance and Development Planning and Revenue Services Lesotho (RSL) will continue to knock on the door of this august House for the enactment of tax reform legislation aimed at addressing areas of tax collection leakages and modernization of tax collection in a digital world. In this regard, the Income Tax Amendment Bill and the Tax Administration Bill remain priorities.
61. RSL will launch e-filing for all taxpayers for PAYE, VAT and CIT, through Lesotho Tax Modernization Project.

62. The RSL shall introduce VAT fiscalization through the e-invoicing solution, to fiscalize all transactions in the wholesale and retail sectors, thereby eliminating the need for output VAT audits and easing the burden of compliance for taxpayers.
63. **Mr Speaker** on the bi-lateral tax cooperation, I am pleased to announce to this Honourable House that the Kingdom of Lesotho and the United Arab Emirates have concluded negotiation and will soon are expected to sign a Double Taxation Agreement (DTA) during 2023/24.
64. **Mr Speaker**, Integrated Revenue Management System and Cashless Collection of Revenue will be implemented in FY23/24 to ensure that government moneys are protected from leakages.
65. Non- tax revenues will be collected through the IFMIS system that will issue digital receipts.
66. In order to minimise cash handling, we shall utilise cashless collections through the Mobile Network Operators and the banks using all avenues that will eliminate cash handling and promote accountability. A pilot of six ministries is already in operation on computerised receipting of the revenue.
67. The Ministry of Finance and Development Planning has held a successful Hackathon competition supported by development partners to design and produce the digital signature. The transition to digital signatures will minimise fraud and theft of government funds and will improve the internal Controls.
68. Government will also implement a Diaspora Policy in order to strengthen Diaspora engagement and participation in the

development of the country through investments, tourism, skills transfer and humanitarian projects amongst others.

EXPENDITURE STRATEGIES

69. **Mr. Speaker,** it is crucial to improve budget implementation, monitoring and outcomes while managing and mitigating risks to the realization of desired results. In this initiative, implementation plans and management accounts will be reviewed regularly to ensure accountability, transparency and efficiency. This framework of governance is announced here as a requirement for all ministries and public institutions to engender a culture of accountability and delivery of desired outcomes. In addition to these, constant reconciliation of public accounts, tracking of audit findings and rendering audit findings as binding and mandatory is key and will be pursued in earnest.
70. This initiative requires a functional and effective performance monitoring system to be instituted and followed to reinforce accountability.
71. **“Re hloka ho fetola mokhoa oa rona oa tsebetso molemong oa ntsetso pele ea naha”**
72. **Mr Speaker,** this government’s aim is not so much to reduce expenditures given the prevailing global and domestic economic conditions. Rather, the aim is to direct resources to productive ventures that stimulate investment by the private sector and away from recurrent spending safe for recurrent spending that strictly supports productive spending directly. It is this manner of expenditure control that will secure us growth.

73. In practice, this brings several direct and indirect benefits. Having said that I must stress that reduction of wasteful spending must and will be avoided to secure us the necessary fiscal space to grow this economy and build buffers.
74. The following strategies are going to be implemented:
75. **Payroll control** will require that it be mandatory that personnel database and payroll records be linked, regularly updated, and reconciled. Where the two are not routinely or automatically reconciled, special audits will be required to identify ghost workers and pensioners and remove them from the payroll.
76. It shall be mandatory that temporary employees must be enrolled in the HRIMS system that is linked to the National ID System, Budget system and IFMIS. These systems will be reconfigured to disallow manual intervention.
77. Payroll audits shall be undertaken regularly to identify weaknesses in the control system. Government will consolidate and reorganize Ministries to maintain an adequate size of personnel. The processes of doing this will be communicated by the Ministry of the Public Service, Employment and Labour.
78. Verification of the goods and/or services delivered by a supplier to ensure that they conform to the specified quality and quantity at affordable prices. This control will also apply to the wages/personnel expenditure in the sense that a designated official certifies that the respective staff have performed their duty during the time period for which wages are to be paid.

79. **Mr Speaker,** significant public spending takes place through the public procurement system. The main objective of the government as a purchaser is to obtain high-quality goods and services at a competitive price. Government will introduce e-procurement and centralised procurement in order to manage overpricing and minimize fraud and corruption.
80. The benefits of eProcurement and government procurement reform represent a significant economic value added for businesses by lowering costs and making it easier to do business. The use of electronic workflows and improved access can significantly reduce the time it takes to complete procurement processes, leading to transactional efficiency for both suppliers and governments.
81. Ultimately, government will set-up an independent procurement institution whose mandate would be purely to focus on sizable procurement, capacity building and professionalization of the procurement cadre. Similar to other countries and institutions such an appointed institutions should use blockchain based procurement systems that is auditable and capable of rooting out corruption.
82. To strengthen and quicken service delivery and curb fraud, all domestic payments will be made through Electronic Funds Transfer in FY23/24.

V. FISCAL POLICY POSITION

83. **Mr Speaker,** Let me now focus on the 2023/24 budget allocations. The overall revenue target is estimated at M25.1 billion, of which, SACU revenue is M10,1 billion, tax revenue; M10.9 billion, non-tax revenue of M2.8 billion and grants at M1.2 billion. At this level, total revenue is 27.2 percent over the 2022/23 revenue estimated outturn.

84. The proposed total expenditure is M24.1 billion of which recurrent budget is M17.8 million and capital budget is M6.3 million. The overall 2023/24 budget proposals have increased by 6.7 percent over the 2022/23 budget. Much of the 6.7 percent increase however is attributed to contractual obligations, such as rent, transfers and foreign exchange fluctuations.
85. The proposed revenue and expenditure allocations for 2023/24 are projected to result in a fiscal surplus of approximately M1.0 billion or 2.5 percent of GDP. The fiscal surplus is due to the higher SACU receipts expected in 2023/24 by 25.4 percent of GDP.
86. Although a fiscal surplus is budgeted for the fiscal year 2023/24, Government is still committed to develop domestic bond market (Capital Market) as well as to speed up infrastructure development our Country is badly in deficit of. To this regard, Government plans to issue M500 million long-term securities to accelerate implementation of development projects.

VI. SECTORAL ISSUES AND ALLOCATIONS FOR 2023/2024

1. Inclusive and Sustainable Economic Growth and Private Sector-Led Job Creation

87. **Mr Speaker,** inclusive and sustainable economic growth is a critical aspect of any country's development strategy. It is characterized by an economy that grows in a manner that benefits all members of society, regardless of their income level or social status, while also being environmentally sustainable.
88. A key driver of such growth is private sector-led job creation and livelihood opportunities by businesses and enterprises. This approach recognizes that a thriving private sector is fundamental to generating

and poverty reduction. The economy has to be set on a new *a new growth trajectory of at least 5 to 7 per cent per annum*

89. **Mr Speaker,** the tourism sector has been identified as one of the priority sectors that will enhance sustainable and inclusive economic growth and private sector job creation. Plans for the sector that this budget will address are related to investment promotion and marketing Lesotho as a preferred tourism destination in order to stimulate recovery as the sector was hard hit by the COVID 19 pandemic.
90. The new investments include construction of additional facilities by Semonkong Operator to enhance adventure activities for purposes of improving engagement of tourists, thus improve experience, tourist spent and overnight stays.
91. The traditional events that act as major tourist magnets will be resuscitated and enhanced through such programmes as organising Basotho Diaspora Homecoming Event in partnership with International Organization for Migration to host Basotho from about 48 countries in the world to come and tour the attractions sites in view of creating Lesotho Tourism Ambassadors new tourism investment leads.
92. **Mr Speaker,** Government together with the World Bank will launch an initiative that aims to boost the availability of financial products and business support services, primarily for small and medium-sized enterprises (MSMEs) and entrepreneurs, with a particular focus on women and youth.
93. This endeavour seeks to promote financial inclusion by improving the efficiency and dependability of digital services offered by the government to businesses, as well as by increasing access to financial

services that can help facilitate the establishment and operation of new businesses.

94. This initiative will also improve business environment by reducing the time and cost involved in regulatory compliance, especially for MSMEs, it makes it easier for entrepreneurs to start and run their own businesses. In addition, the project aims to enhance the resilience of firms in the face of climate change, pandemics, and other natural disasters.
95. The initiative also aims to enhance the emerging entrepreneurial ecosystem and improve access to early-stage financing for start-ups and youth-owned businesses. This will be achieved through the establishment of an entrepreneurship hub in Maseru, as well as the support of digitalization among MSMEs. Private investment in high-potential value chains will also be facilitated, with a focus on upgrading skills and promoting the adoption of sustainable production practices to boost productivity and promote environmentally friendly growth.
96. The two priority value chains targeted by this initiative are horticulture and the textile and clothing industry. Specifically, the initiative aims to aid the recovery of textile companies while promoting the participation of Basotho-owned firms in the value chain. In terms of horticulture, the initiative seeks to promote the growth and development of this sector through various measures that will be outlined in more detail later on. This sector which includes trade, tourism and industrial promotion, plus SMME development has the proposed allocation of **M475.2 million** .
97. **Mr Speaker**, with the aim of ending hunger, achieving food security and improving nutrition and promoting sustainable agriculture, farmers will be supported by continuing to increase access to

agricultural inputs and provide technical support to increase productivity and output. This continued effort will increase grain production of maize from 27,900 tonnes to 438,000 tonnes, wheat from 5,700 tonnes to 48,700 tonnes and beans from 43,000 tonnes to 97,500 tonnes by 2027.

98. The Ministry will continue to promote climate smart agriculture for small- and large-scale farmers using cost effective technologies. It is important to also note that the Government has developed an irrigation master plan that was developed with the support of the World Bank. The plan covers around 53, 000 hectares, with an estimated cost of over US\$ 800 million. The focus for the coming fiscal year will be on supporting the rehabilitation of existing infrastructure and to package the initiative to promote local and foreign investment, using different facilities that have been created to access finance.
99. Farmers that have capacity to acquire agricultural equipment and machinery will be assisted to access the existing facilities, which includes credit guarantee facility with the Post bank and matching grant schemes mentioned earlier.
100. The Ministry will also work with MCC to undertake preliminary works under market driven irrigated agriculture which aims at the development of 2000 hectares at Tsoili-Tsoili, Manka, Likhakeng in the Berea/Leribe districts and Phamong in Mohale's hoek in the next 5 years.
101. Production of wool and mohair are the main agricultural exports, and it has increased more with the assistance of Wool and Mohair Promotion Project on culling and exchange and Government will continue to support farmers to produce 8000kg of wool and

1000kg of mohair in the coming financial year. The agricultural sector is proposed an allocation of **M1.1 billion**.

2. Human and Social Development

2.1. Key pillars for prevention and improved health service delivery

102. **Mr Speaker**, the Government is continuing its mission to provide efficient health care systems by improving access to basic primary healthcare services. Due to COVID-19 pandemic, communicable and non-communicable diseases had been neglected, therefore, Government will take corrective measures to fight and treat these diseases.
103. Government has joined a global move to find all missing TB patients and treating them successfully. Operation "Hlasela lefuba" has been launched and is ongoing.
104. The country has also made enormous progress in the fight against HIV/AIDS. It has surpassed the UNAIDS 90-90-90 and has exceeded the second and third 90 targets, achieving 90-97-92. These findings position the country well as it aims to achieve the even more ambitious UNAIDS target of reaching 95-95-95 targets by 2025.
105. **Mr Speaker**, it is worth noting that progress has been made in the administration of chemotherapy in country at an oncology clinic, community based chronic care targeting newly diagnosed diabetes and hypertension clients, cervical cancer screening for women between 20 and 65 years.

106. **This budget proposes M3.2 billion for financing health sector programmes.** This will allow deployment of the health work force in critical areas, procurement of critical equipment in hospitals, and implementation of disease prevention programmes. The planned works will also proceed for the cancer centre.
107. **Mr Speaker,** Government in its efforts to enhance and accelerate human capital development. Key reforms will be implemented to align skills development with labour market needs, address inequities in bursary policies and improve administration of scholarships. In particular, the Ministry of Finance and Development Planning will finalise and implement the Loan Bursary Fund Reform Program including the development of Student Bursary Policy, Act and Means Testing Mechanism with the reengineered Students Sponsorship Management and Administration System (SSMAS).
108. Thus, to sustain bursaries financing, the award criteria will be reviewed and connected to the financial neediness of applicants and targeted priority sponsored studies. It will be important to strengthen governance and management, including means to replenish the Fund. To this end a total of **M1.1 billion** for loan bursary scheme is proposed.
109. **Mr Speaker,** skills mismatch in the country to augment the private sector has always been a major cause of youth unemployment. In response, the Government through the Ministry of Education and Training will improve curriculum and programmes in institutions of higher learning. To name the few, the National University of Lesotho will introduce MSc in Integrated Catchment Water Resources while Engineering in Water & Environment and Engineering Specialising in Irrigation and Agricultural Drainage will be introduced at Lerotholi Polytechnic.

110. The development of three new programs, namely, Air Conditioning & Refrigeration, Paramedics and Private Security, with support from the industry will be offered by Vocational centres in the country.
111. The house will recall that apprenticeship programme was initiated as a way to improve employability of graduates combined with labour-based infrastructure development programmes at community level which was aimed at improving employability of youth, to develop disciplined workforce and regular engagement of youth. In order to improve transparency and competition, all requests for apprentices by the private sector and government Ministries will be advertised on government website and social media platforms and applications will be done on-line as well as interviews where feasible.
112. The databases for registration will be shared with local authorities and rotation for labour-based programmes will be done in a transparent manner. It is the intention of Government to consolidate all apprentice related programmes under one institution and transfer labour-based infrastructure programme to the relevant technical ministries. This also presents an opportunity for the design of new projects to be supported under the programme. An allocation of **M300 million** is proposed for this programme.
113. Investment in Early Childhood Care and Development (ECCD) is essential for improved and enhanced learning by students as they progress through the education ladder and significantly result in reduced repetition and dropout rates. The new ECCD curriculum has been developed and will be implemented to improve and better organize numeracy, literacy and mapping of all the ECCD centres in the country for purposes of rendering support and monitoring compliance to standards.

114. **Mr Speaker**, climate change wreaked havoc on the school infrastructure year in, year out, rendering multitudes of students to learn under difficult and compromised conditions. classrooms and ablution facilities in selected primary and secondary schools in the districts of Quthing, Maseru, Mohale's Hoek, Berea and Leribe will be reconstructed and rehabilitated. **M110.4 million** of development budget has been allocated to finance improvement of primary and secondary schools.

115. The Government will continue to support Free Primary Education Program, and as such **M238 million** has been set aside for this purpose. In addition, **M2.5 billion** has been set aside to finance other educational programmes in basic and higher education.

116. **Mr Speaker**, with regards to social vulnerability, **M1.1 billion** has been set aside to take care of our most vulnerable citizens. As I have indicated earlier, the living conditions of many Basotho have worsened. In our quest to restore household buying power of the marginalised groups of our society, government will increase **Child Grants from M120 per month to M200 per month and Disability Grants from M400 to M600**. The number of Orphans and Vulnerable Children (OVCs) receiving bursary will be increased from **26,400 to 36,000**.

117. In order to improve efficiency in paying these grants, use of mobile money will be implemented. This move will reduce operational costs, make payments more predictable and increase frequency of payments for those that are paid on a quarterly basis.

3. Infrastructure Development

118. **Mr. Speaker**, as you may recall that in my midterm review statement, I had indicated that our Government is committed to improving

infrastructure, which will also support growth and employment creation.

119. **Mr Speaker**, due to heavy rainfalls consequent upon climate change, several crucial infrastructure was destroyed across the country, cutting connectivity between the communities and essential services. To this end **M3.2 billion** is proposed to cater for infrastructure programmes.
120. Towards roads and bridges construction, rehabilitation and upgrading, government has set aside **M1.4 billion** in the following districts:
121. **Maseru district**, the bridge across Koro-Koro River on Mahlabatheng to Ha Mofoka Road will be constructed. Also, Moshoeshoe road, Kofi Annan road and St. Michaels to Roma road Lepeli to Thakeli, Maliele-Mpeli will be rehabilitated.
122. **Mafeteng District**, Tsoaing bridge on Motsekuoa to Mantšeli Road will be rebuilt.
123. **Mohale's Hoek**, the Tsoloane to Ha Khitsane via Liphiring road will be constructed. Furthermore, more footbridges will be built in Mokhasi-Luka, Ramosothoana-Ralimpe, Sefateng-Baruting, Ntlhasinye-Makhetheng, Ntja-Jobo, Thabantšo-Moiketsi.
124. **Quthing**, the Pali to Leihloana, Malibeng to 'Mone, Pulane to Sekokoaneng roads will be attended to.
125. **Thaba-Tseka**, a dilapidated road between Kou and Motau will be restored. The Government will mobilise resources for construction of the 60 km road between Katse and Thaba-Tseka and another one joining the two districts of Thaba-Tseka and Mokhotlong.

126. Rehabilitation of the road between 'Malesaoana and Botha-Bothe will resume to recover the already deteriorated pavement structure.
127. The Government will also restore connectivity between Hlotse and Pitseng through the reconstruction of Sebothoane and Khanyane culverts and Mosisi to Mpeako road in Leribe district.
128. Finally, Kepi to Telukhunoana road in Berea district and Nyokololi to Tiping in Mokhotlong.
129. Mpilo Boulevard extension will continue to be constructed by MCC.
130. Construction and renovation of Mants'onyane and Mashai police posts, Makeoane Community Council and Phamong Principal Chiefs Office will also continue.
131. Government has also set aside **M393 million** for completion of the long-standing construction of the Royal Palace and Senate and proposed provision of **M51.7 million** for the rehabilitation of the Moshoeshoe I International Airport whilst long-term plans are allowed to take shape.
132. **For new investments, M150 million** is proposed for construction of Bus Terminals across the country.
133. There are on-going negotiations with development partners to finance the completion of the circuit that connects Katse – Thaba-Tseka – Taung – Mokhotlong. The Government will also package the critical road infrastructure development projects for mobilisation of funding through traditional and innovative financing mechanisms.
134. **Mr Speaker, for the water sector**, this financial year will coincide with the start of major works phase II of the Lesotho Highlands Water

Project (LHWP II). As you may be aware, this is one of the stimuli to our economy. The Polihali Dam, Tunnel and Senqu bridge tenders were awarded towards the end of 2022, to a combined value of just under **M20 billion**. The launch of the Polihali works is anticipated to happen soon. The Advance Infrastructure is planned to be mostly complete by end of 2023, whilst Environmental and Social programmes will be continuing.

135. **Katse** dam Mini-hydropower project development funded under Japanese grant of **M184 Million** is anticipated to resume in the first quarter of this fiscal year.
136. **Mr Speaker**, the moratorium which was placed on the adjustment of the tariff that Lesotho Electricity Company purchases electricity from 'Muela hydropower plant has been uplifted. The cost reflective tariff is yet to be determined by the regulator.
137. The Lesotho Lowland Water Development Project (Phase II) – Zones 2 and 3 that is going to supply water to Hlotse and Maputsoe and villages around the pipelines routes is in the process of construction of bulk water and distribution infrastructure. Furthermore, Phase III will concentrate on supplying water to Botha-Bothe including Belo Industrial Park and parts of Leribe.
138. In order to ensure reliable and sustainable water supply to the Lowlands of Lesotho, the Ministry is undertaking feasibility study for envisaged multipurpose dam on Makhalleng River to supply Mafeteng and Mohale's Hoek and surplus water to the Republic of Botswana. Feasibility studies for dams on Hlotse, Ngoajane and Maletsunyane Rivers is planned for 2023/2024 financial year.

139. In another front, the Ministry also intends to establish Bulk Water entity to develop, operate and maintain bulk water infrastructure in the country under the entire Lesotho Lowlands Water Supply Scheme. **The 2023/24 budget proposes an allocation of M1.2 billion for the water sector.**
140. **Mr Speaker**, towards the energy sector, **M462.1 million** is proposed to be allocated for soil conservation at Ramarothole solar project site, Lesotho Renewable Energy and Energy Access Project as well as Rural electrification programme.
141. **Mr. Speaker**, on the ICT sector, the universal service fund, as an extra-budgetary unit, has the budget of **M60.8 million** maloti for mobile network expansion in cooperation with e-Government infrastructure project phase II. It will also finance access to Wi-Fi to institutions of higher learning, extending broadband connectivity to schools and promoting digital literacy in high schools. The fund will also support the extension of provision of infrastructure with bandwidth to district post offices. Negotiations are on-going for the construction of the broadcasting centre.
142. **I therefore propose that the Ministry of Information, Communication, Technology and innovation be allocated M249.3 million to finance e-government programmes, connectivity and other functions.**

4. Governance and Accountability

143. **Mr Speaker**, good governance is essential for creating a stable and predictable environment that fosters economic growth, social progress, and the protection of human rights. This sector has been

allocated **M5.7 billion** to finance programmes under justice and law, Planning and public finance management, security sector and others.

144. In the coming fiscal year, the government will be in a position to finance local government elections as scheduled. **M214.6 million has been** reserved for local elections in this budget.

145. **Mr Speaker,** The Ministry of Finance and Development planning will continue to consolidate public financial management reforms and improve systems to improve transparency, accountability, cost efficiency and reduce fraud, among others. In addition, the government will pursue implementation of cashless payment platforms and pilot various initiatives for online services.

146. The Ministry will also endeavour to improve public investment management and quality of statistics. We will work with Ministry of Foreign Affairs to effectively promote Regional and global integration and mobilise Development finance.

147. **Mr Speaker,** I wish to inform this Honourable house that Lesotho has just undergone the second Round of Mutual Evaluation Review (MER) in November 2022. We engaged in the second round of assessment while a dark cloud is still hanging over us- a public statement has been declared on Lesotho and has been posted on ESAAMLG website in December 2021. A road map to address issues and risks identified has been developed and monitored closely by Cabinet. We have to work very hard to reverse the position.

148. I, therefore, plead with all the key players to accord the ML/TF/PF financing the high priority in our operational plans so as to avoid the worst-case scenario of Lesotho being blacklisted.

State Owned Entities Reforms

149. **Mr Speaker**, the State-Owned Entities (SOEs) reforms and corporate governance remain critical to economic development of Lesotho. This is emphasized in the NSDP II and Mohlomi Code of Corporate Governance. Therefore, the SOEs are expected to align with government key policy documents to ensure accountability, transparency, efficiency and effectiveness in service delivery. In addition, the SOEs should enjoin the Government performance management system, which requires signing of performance management framework and performance contracts between the SOE and Parent Ministry. Furthermore, the SOEs are required to submit performance reports to the Ministry of Finance and Development Planning to conform with Public Financial Management and Accountability Act and other legal frameworks.

150. The Ministry will be responsible for coordinating the implementation of the second MCC Compact which is one of the most transformative grants we have received as a country since it tackles some of the most pressing challenges we face. It addresses the underlying challenges that wear down effectiveness and efficiency of the Government to provide the public with the goods and services necessary to stimulate and sustain private-sector led, poverty-reducing growth. The investment will lead to growth of the rural and overall economy with expansion of hundreds of small and medium businesses to improve the lives of thousands of Basotho. The Compact stands to change the narrative for socio-economic development in Lesotho and therefore, requires Basotho entrepreneurs to be ready to take advantage of this opportunity and utilize every American dollar that will be invested to our advantage.

151. It is proposed that the Ministry of Finance and Development Planning be allocated M2.1 billion for all functions, excluding loan bursary and

Ministry of Foreign Affairs and International relations at M426.6 million.

152. **With regards to access to justice and rule of law**, I propose that Ministry of Justice and Law and the Judiciary be allocated M327.8 million, 124.4 million, respectively.

153. The allocation includes **M74 million** for the combat of economic crimes , by the Directorate on Corruption and Economic Offences.

154. I must also mention that the government in partnership with European Union and World Vision, the Government has embarked on a journey to improve children's court to an internationally accepted child friendly level. Four districts have been earmarked to for this project, being Maseru, Berea, Leribe and Mohale's Hoek, respectively. These courts will have a child friendly environment.

155. **For the Security Sector, I propose that the Ministry of Defence, and National Security Services be allocated M640.2 Million and M104.3 Million, respectively. In addition, Parliament and other Governance functions be allocated M139.4 million.**

5. Cross Cutting Issues – Poverty, Gender, Environmental, Sustainability and Climate Change

156. **Mr Speaker**, recent natural disasters characterised by strong winds, unpredictable and heavy rainfalls, that have destroyed the national infrastructure, particularly roads, is clear evidence that Lesotho is highly vulnerable to climate change. In the same manner, climate change has adversely contributed towards environmental degradation and biodiversity loss. **M226.6 million** is proposed for environmental and climate change issues.

157. In order to ensure sustainable environmental conservation, Government decided to bring together all Departments responsible for environmental protection under one roof. Under the environmental sector, the Government will not only protect the environment but will achieve this through jobs and revenue generating initiatives as well as provision of meteorological services to support timely preparatory and response initiatives against natural disasters associated with climate change.

158. **Mr Speaker,** to ensure protection of environment, government will avail funds to finance environmental programmes through establishment of plastic levy. To this end, Environment Fund Regulations have already been tabled before both Honourable Houses.

159. This endeavour will not only generate revenue but will discourage all forms of pollution, particularly plastic waste which causes tremendous damage to ecosystem integrity.

160. To counter the negative impact of climate change, the Disaster Management Authority will resuscitate village disaster management teams and train them with necessary disaster preparedness, management and rehabilitation skills.

Gender, Youth and Culture

161. **Mr Speaker,** Counter Domestic Violence Act 2022 and the Harmonization of the Rights of Customary Widows with the Legal Capacity of Married Persons Act 2022 will be translated into Sesotho. Since gender equality is a cross-cutting issue, the Ministry will support government sectors to mainstream gender equality into their development plans and programs through gender audit studies and gender-responsive budgeting.

162. For fiscal year 2023/24, the Ministry aims to finalize the Youth Development Act and mobilize resources to hold National Youth Council elections. We will continue to disseminate the National Youth Policy to the youth of Lesotho and our stakeholders to increase awareness of this policy document.
163. Access to finance for youth remains a major concern. The government will therefore facilitate youth access to the established Entrepreneurship Development Fund to improve access to finance for youth seeking to start or improve their income generating projects.
164. The Ministry will continue to equip aspiring youth entrepreneurs with trainings to start and or improve their businesses, create an enabling environment for them to network and market their businesses and also offer support through mentorship programmes.
165. As another way to increase youth employment, the Ministry will continue to enhance employability of youth and instil the spirit of patriotism by engaging them as volunteers and placing them with host institutions for a period of two years to gain valuable work experience under the National Volunteers Corps programme.
166. **The total budget for Ministry of Gender, Youth, Sports, Arts, culture and Social Development is requested to be M1.4 billion.**

VII. CONCLUSION

167. **Mr Speaker**, as I conclude my speech, it is worth noting that we strived to balance budget allocations for service delivery and investment spending, while preserving and rebuilding reserves for macroeconomic stability and fiscal sustainability.

168. This budget provides a concrete platform for making considerable improvements in the year ahead through medium term. I therefore propose the following legal frameworks to be prioritised to ensure successful implementation of the 2023/24 Budget and realisation of the fiscal strategy:

- Value Added Tax (VAT) Amendment Bill
- Income Tax (Amendment) Bill
- Tax Administration Bill, and
- PFMA Bill.

169. In this connection, It is my fervent hope to join hands in doing things differently and better going forward to realise positive changes that are critical for inclusive growth and development. Public sector performance through competent and committed public servants will be central to our reforms. The private sector has to come on board so that we forge effective partnerships which help to empower and develop it as an engine for growth.

170. **Mr Speaker**, in concluding this financial policy, I propose to this Honourable House that the salaries and wages be adjusted by **2.5 percent across-the-board** to preserve the take home pay. Given the already high wage bill, the Government can only afford a modest adjustment to restrain further growth of the wage bill.

171. To ensure that low-income earners remain outside the tax bracket, I propose that, the tax credit be adjusted upwards from **M880 to M902 per month**. This will translate into an adjustment of the minimum taxable income from **M5,620 to M5,760 per month**.

172. **Mr Speaker**, in the same spirit that characterized the proposal on public servants, the Government proposes that the Old Age Pension be increased by **M50 to M900 per month** effective 1st April 2023.

173. **Mr Speaker**, finally, let me extend a word of gratitude to the Right Honourable the Prime Minister and his Cabinet for his able leadership and support in preparing this budget. I am also profoundly grateful to the staff of the Ministry of Finance and Development Planning as well as the rest of the public servants for their useful inputs in making this budget a success. I wish to also express, on behalf of the people and Government of the Kingdom of Lesotho, our appreciation to our Development Partners for their continued support in our course for development.

Khotso, Pula, Nala

ANNEX I

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2021/2022 - 2025/2026					
Budget Item	Actual 2021/22	Projection 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26
REVENUE	17 569,4	18 552,5	25 116,6	22 729,8	24 660,0
Tax revenue	7 756,5	8 784,7	11 005,5	11 947,2	13 126,9
Taxes on income, profits, and capital gains	4 087,9	4 434,0	5 676,1	6 385,8	6 902,9
Income tax - payable by individuals	2 320,3	2 417,9	2 575,6	2 697,7	2 816,1
Income tax - payable by corporations and other enterprises	925,4	1 127,8	2 111,0	2 575,0	2 883,5
Income tax - other	842,2	888,2	989,4	1 113,1	1 203,3
Taxes on goods and services	3 668,5	4 350,7	5 328,2	5 560,2	6 222,7
Value-added tax	3 051,2	3 759,3	4 429,7	5 078,1	5 716,4
Excise taxes	596,7	568,7	849,9	430,9	452,5
Taxes on specific services	20,5	22,7	24,2	25,6	26,9
Taxes on the use of goods and on permission to use or perform activities	0,1		24,4	25,6	26,9
Taxes on international trade and transactions					
Other taxes			1,2	1,2	1,3
Grants	1 756,6	2 262,0	1 182,8	1 242,0	1 297,7
Other revenue	2 048,3	2 106,4	2 779,9	2 918,9	3 064,8
Property income	659,1	697,5	847,7	890,1	934,6
Dividends	78,7	183,2	310,1	325,6	341,9
Rent	568,0	499,5	519,4	545,3	572,6
Sales of goods and services	1 388,9	1 408,8	1 929,2	2 025,6	2 126,9
Electricity Muela	60,1	58,3	84,0	88,2	92,6
Water Royalties - LHDA	1 303,2	1 332,7	1 612,4	1 693,0	1 777,7
Administrative fees	2,7		58,8	61,8	64,8
Incidental sales by nonmarket establishments	22,8	17,8	173,9	182,6	191,8
Fines & forfeits	0,4	0,0	3,0	3,1	3,3
Miscellaneous and unidentified revenue					
SACU	6 008,0	5 399,5	10 148,4	6 621,7	7 170,6
EXPENSE (Statutory + Non Statutory + Salary Increase)	13 583,8	15 816,3	17 776,9	17 367,3	17 964,3
Compensation of Employees	6 130,2	7 023,0	7 223,9	7 630,7	7 784,7
Wages and salaries	5 584,3	6 303,6	6 216,8	6 754,1	6 864,2
Use of goods and services	2 152,5	2 544,6	3 437,8	2 852,3	2 976,9
Interest Payments	441,8	766,3	1 036,6	1 088,4	1 142,8
Nonresidents	238,1	415,8	381,4	400,5	420,5
Residents other than general government	203,7	350,6	655,2	687,9	722,3
Subsidies	547,8	525,4	485,6	488,8	513,3
Grants to international organisations	47,4	84,5	50,8	53,4	56,0
Grants to other general government units	1 336,9	1 762,1	2 045,6	1 661,5	1 744,5
Social benefits	1 876,6	1 830,9	2 274,5	2 309,0	2 398,7
Other expense	1 050,5	1 279,5	1 222,1	1 283,2	1 347,4
Student Grants	950,0	1 030,5	1 109,2	1 164,7	1 222,9
Other expense	100,5	249,0	112,9	118,5	124,5
Capital Budget	5 587,7	6 763,8	6 323,4	6 086,5	6 384,0
GoL	2 249,2	1 764,0	2 690,5	2 272,0	2 385,2
Donor Grants	1 327,4	2 114,2	1 025,7	1 077,0	1 124,4
Donor Loans	2 011,1	2 885,7	2 607,2	2 737,6	2 874,5
CASH SURPLUS / DEFICIT	-1 602,1	-2 806,5	1 016,3	-724,0	311,7
% GDP	-4,8%	-7,7%	2,5%	-1,7%	0,7%
GDP	33123,6	36 484,7	39 886,9	42 848,2	46 452,4
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	-4 043,3	-1 586,8	1 102,8	-706,7	40,6
FINANCIAL ASSETS	-4 043,3	-1 586,8	1 102,8	-706,7	40,6
Domestic (Change in Deposits)	-4 043,3	-1 586,8	1 102,8	-706,7	40,6
Foreign	0,0	0,0	0,0	0,0	0,0
LIABILITIES	-6,2	2 317,9	86,5	17,3	-271,1
Domestic	-111,8	1 418,1	-341,9	-355,0	-368,1
Securities	-114,7	718,8	0,0	0,0	0,0
Loans	2,9	-150,7	-90,9	-105,0	-118,1
<i>of which Pension Liabilities</i>	0,0	0,0	0,0	0,0	0,0
Foreign	105,6	899,8	428,4	372,3	97,0
Loans	105,6	899,8	428,4	372,3	97,0
Disbursements	268,7	1 737,2	1 551,9	1 521,9	1 409,4
Repayments	-163,1	-837,4	-1 123,5	-1 149,6	-1 312,4
Months of Import Coverage	4,6	4,6	4,7	4,2	3,8

ANNEX II

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2021/2022 - 2025/2026 [% of GDP]					
Budget Item	Actual 2021/22	Projection 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26
REVENUE	53,0	50,9	63,0	53,0	53,1
Tax revenue	23,4	24,1	27,6	27,9	28,3
Taxes on income, profits, and capital gains	12,3	12,2	14,2	14,9	14,9
Income tax - payable by individuals	7,0	6,6	6,5	6,3	6,1
Income tax - payable by corporations and other	2,8	3,1	5,3	6,0	6,2
Income tax - other	2,5	2,4	2,5	2,6	2,6
Taxes on goods and services	11,1	11,9	13,4	13,0	13,4
Value-added tax	9,2	10,3	11,1	11,9	12,3
Excise taxes	1,8	1,6	2,1	1,0	1,0
Taxes on specific services	0,1	0,1	0,1	0,1	0,1
Taxes on the use of goods and on permission to	0,0		0,1	0,1	0,1
Taxes on international trade and transactions					
Other taxes			0,8	0,8	0,9
Grants	5,3	6,2	3,0	2,9	2,8
Other revenue	6,2	5,8	7,0	6,8	6,6
Property income	2,0	1,9	2,1	2,1	2,0
Dividends	0,2	0,5	0,8	0,8	0,7
Rent	1,7	1,4	1,3	1,3	1,2
Sales of goods and services	4,2	3,9	4,8	4,7	4,6
Electricity Muela	0,2	0,2	0,2	0,2	0,2
Water Royalties - LHDA	3,9	3,7	4,0	4,0	3,8
Administrative fees	0,0		0,1	0,1	0,1
Incidental sales by nonmarket establishments	0,1	0,0	0,4	0,4	0,4
Fines & forfeits	0,0	0,0	0,0	0,0	0,0
Miscellaneous and unidentified revenue					
SACU	18,1	14,8	25,4	15,5	15,4
EXPENSE (Statutory + Non Statutory + Salary I	41,0	43,4	44,6	40,5	38,7
Compensation of Employees	18,5	19,2	18,1	17,8	16,8
Wages and salaries	16,9	17,3	15,6	15,8	14,8
Use of goods and services	6,5	7,0	8,6	6,7	6,4
Interest Payments	1,3	2,1	2,6	2,5	2,5
Nonresidents	0,7	1,1	1,0	0,9	0,9
Residents other than general government	0,6	1,0	1,6	1,6	1,6
Subsidies	1,7	1,4	1,2	1,1	1,1
Grants to international organisations	0,1	0,2	0,1	0,1	0,1
Grants to other general government units	4,0	4,8	5,1	3,9	3,8
Social benefits	5,7	5,0	5,7	5,4	5,2
Other expense	3,2	3,5	3,1	3,0	2,9
Student Grants	2,9	2,8	2,8	2,7	2,6
Other expense	0,3	0,7	0,3	0,3	0,3
	0,0	0	0	0	0
Capital Budget	16,9	18,5	15,9	14,2	13,7
GoL	6,8	4,8	6,7	5,3	5,1
Donor Grants	4,0	5,8	2,6	2,5	2,4
Donor Loans	6,1	7,9	6,5	6,4	6,2
	0	0	0	0	0
CASH SURPLUS / DEFICIT	-4,8	-7,7	2,5	-1,7	0,7
% GDP	0,0%	0,0%	0,0%	0,0%	0,0%
GDP	100,0	100,0	100,0	100,0	100,0
	0,0	0,0	0,0	0,0	0,0
TRANSACTIONS IN FINANCIAL ASSETS AN	-12,2	-4,3	2,8	-1,6	0,1
FINANCIAL ASSETS	-12,2	-4,3	2,8	-1,6	0,1
Domestic (Change in Deposits)	-12,2	-4,3	2,8	-1,6	0,1
Foreign	0,0	0,0	0,0	0,0	0,0
LIABILITIES	0,0	6,4	0,2	0,0	-0,6
Domestic	-0,3	3,9	-0,9	-0,8	-0,8
Securities	-0,3	2,0	0,0	0,0	0,0
Loans	0,0	-0,4	-0,2	-0,2	-0,3
<i>of which Pension Liabilities</i>	0,0	0,0	0,0	0,0	0,0
Foreign	0,3	2,5	1,1	0,9	0,2
Loans	0,3	2,5	1,1	0,9	0,2
Disbursements	0,8	4,8	3,9	3,6	3,0
Repayments	-0,5	-2,3	-2,8	-2,7	-2,8
Months of Import Coverage	4,6	4,6	4,7	4,2	3,8

ANNEX III

ANNUAL % CHANGE IN REVENUES AND EXPENDITURES			
Budget Item	Budget 2022/23	Budget 2023/24	% Change
REVENUE	19 731,9	25 093,0	27,2
Tax revenue	9 511,8	10 981,9	15,5
Taxes on income, profits, and capital gains	4 855,7	5 676,1	16,9
Income tax - payable by individuals	2 702,0	2 575,6	-4,7
Income tax - payable by corporations and other enterprises	1 664,9	2 111,0	26,8
Income tax - other	948,8	989,4	4,3
Taxes on goods and services	4 655,0	5 304,6	14,0
Value-added tax	3 835,7	4 406,1	14,9
Excise taxes	801,6	849,9	6,0
Taxes on specific services	8,5	24,2	185,2
Taxes on the use of goods and on permission to use or perform activities	9,2	24,4	166,3
Taxes on international trade and transactions	-	24,4	
Other taxes		-	
Grants	2 260,9	1 182,8	-47,7
Other revenue	2 559,7	2 779,9	8,6
Property income	922,5	847,7	-8,1
Dividends	405,6	310,1	-23,5
Rent	493,8	519,4	5,2
Sales of goods and services	1 633,7	1 929,2	18,1
Electricity Muela	58,0	84,0	44,8
Water Royalties - LHDA	1 381,6	1 612,4	16,7
Administrative fees	41,4	58,8	41,9
Incidental sales by nonmarket establishments	152,7	173,9	13,9
Fines & forfeits	3,3	3,0	-9,0
Miscellaneous and unidentified revenue	0,2	-	
SACU	5 399,5	10 148,4	88,0
EXPENSE (Statutory + Non Statutory + Salary Increase)	16 250,6	17 557,8	8,0
Compensation of Employees	7 887,0	7 055,9	-10,5
Wages and salaries	7 549,8	6 048,7	-19,9
Use of goods and services	2 733,8	3 437,8	25,8
Interest Payments	766,5	1 036,6	35,2
Nonresidents	415,7	381,4	-8,3
Residents other than general government	350,7	655,2	86,8
Subsidies	504,2	485,6	-3,7
Grants	1 433,0	2 096,5	46,3
Social benefits	1 786,3	2 223,5	24,5
Other expense	1 139,9	1 222,1	7,2
Capital Budget	6 763,8	6 323,4	-6,5
GoL	1 764,0	2 690,5	52,5
Donor Grants	2 114,2	1 025,7	-51,5
Donor Loans	2 885,7	2 607,2	-9,6
CASH SURPLUS / DEFICIT	-2806,5	1 211,8	-143,2
% GDP	-7,7%	3,1%	-139,7