



PARLIAMENT OF THE KINGDOM OF LESOTHO

**“Pursuing fiscal sustainability within the context of political
instability and insecurity”**

BUDGET SPEECH TO PARLIAMENT FOR THE 2017/2018 FISCAL

YEAR

BY

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MINISTER OF FINANCE

MASERU, LESOTHO

19th JULY 2017

Mr. Speaker,

Allow me to pay my respects to you and through you 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

Excellencies, Heads of Diplomatic Missions and International Organisations
present here

Senior Government Officials

Distinguished members of the Media

The entire Basotho Nation here in Lesotho and abroad

Ladies and Gentlemen

Introduction

1. Let me start off by noting with great humility, the honour bestowed on me by the Right Honourable the Prime Minister less than a month ago to be the nation's Finance Minister. I would also like to thank the people of Thetsane #33 for the trust they have placed on me.

2. Today, as I present the policy and financial proposals for the 2017/18 Fiscal Year, I wish to register from the outset that these are formulated under very challenging global, regional and local environments. Countries are facing contracting economic conditions with painful impacts on jobs, especially for the youth. Closer home, mounting insecurity, political instability and the deterioration in the rule of law have dampened the prospects for our economy and unless these are reversed quickly, economic recovery is likely to be protracted.

3. This is a transition budget in which Government has not, for legal reasons, not had adequate time to ensure that all the feasible campaign policies are incorporated. That task will be for next fiscal year.

Global economic performance and prospects

Mr. Speaker,

4. Let me provide highlights of economic developments and prospects on the global and regional front, and their impact on our domestic economy. The slow and uneven global and regional recovery continues to have negative effects on Lesotho's export potential. Persistent economic slowdown in South Africa is impacting negatively on the employment of Basotho mineworkers, our exports and the stability of SACU revenues. We look forward to the expected recovery in South Africa of 0.8 percent in 2017 and 1.6 percent in 2018, owing to the improvements in the mining and agricultural sectors.

5. Further afield, economic activity gained momentum in the second half of 2016 due to recovery in global manufacturing which had weakened severely in 2015. The cyclical recovery in manufacturing and trade together with buoyancy in global financial markets, is expected to lead to global growth of 3.5 percent in 2017 and 3.6 percent in 2018, respectively. This will augur well for Lesotho's garment exports, although we will have to confront the erosion of Lesotho's competitiveness in the US from Asia and elsewhere in Africa.

Domestic economic performance and outlook

Mr. Speaker,

6. Let me share a few facts on our own economy. Following tiny growth of only 1.7 percent in 2015/16 and 2.1 percent in 2016/17, we project a recovery of economic activity averaging 3.4 percent over the medium term, building on agricultural production which declined significantly in 2016 due the El Niño, but is expected to recover significantly during the 2017/18 crop year. Area planted rose sharply by 139 percent over the 2016/17 crop year.

7. **Mining** growth is also projected at 17.3 percent in 2017/18 from 8.1 percent in 2016/17, as a result of the recapitalisation of Liphobong Diamond Mine which has recently resumed full production. The recovery in global demand for diamonds is, as in South Africa, supporting growth in the diamond mining industry during this period.

8. As we all know, Lesotho's **manufacturing** activity is dominated by textiles and apparel and the sector's exports are predominantly destined to the United States and South Africa. In 2015/16, 70 percent of Lesotho-made garments were

exported to the United States under AGOA, while 30 percent terminated in South Africa. This represents a significant shift from reliance on the US market towards our neighbour, as only ten years ago, no more than 5 percent of Lesotho's apparel entered the South African market. While textiles and clothing exports to non-AGOAs destinations are expected to grow, exports to the US market are set to remain under pressure due to stiff competition from Asian producers.

Mr. Speaker,

9. In the **external sector**, the overall **Balance of Payments** continues to portray vulnerability to external shocks. In 2016/17, the current account balance is expected to worsen further from a deficit of 8.6 percent in 2015/16 to 15.6 percent due to a significant drop in SACU receipts and flat remittance income. In the short term, Lesotho can avail balance of payments support, but the country must transform quickly and produce more and export more. This is the challenge both business and government must address in earnest in the coming months.

10. Official international reserves in months of imports were recorded at 4.5 in 2016/17 from a high of 6.1 months observed in 2015/16. The deterioration came from lower SACU revenues and a draw-down on reserves to finance the large budget deficit in 2016/17. Reserves will deteriorate further to 4 months of imports in 2017/18, but should stabilise and begin to recover during 2018/19 and 2019/20 to the Government's desired policy benchmark of 5 months of imports with bold steps to control spending. Overall in 2016/17, Inflation in Lesotho is expected to average 6.6 percent mainly due to increase in cost of food and non-alcoholic beverages. Inflation is projected to decline marginally in 2017/18 to 6.3 percent.

11. Interest rates in Lesotho follow the same trend as those in South Africa. The prime lending rate has remained stable and is currently set at 7 percent, in line with that of South Africa. Commercial bank prime lending rate also averaged 11.7 percent from June to December 2016. The 1-year Deposit rate remained unchanged at 3.5 percent over the review period. The large margin between the lending and the deposit rates imply low lending by commercial banks, despite high demand for start-up and working capital. In the coming months, Government plans to set up a committee to develop proposals on lending to start-ups and small businesses. This Committee will also review the two-government partial risk guarantee schemes which have to date been a dismal failure.

12. The Government of Lesotho debt peaked at M12.6 billion in December, 2016 due in part to sharp depreciation of the Loti against the US Dollar and domestic debt amounted to M1.1 billion. Analysis of the sustainability of our debt suggests that Lesotho could quickly face the risk of debt distress. There is therefore need to slow down spending to levels that can be matched by revenues.

Budget outcome and fiscal policy

Mr. Speaker,

13. Allow me to now briefly elaborate on the Government's fiscal policy stance as well as budget performance for 2016/17 and proposed allocations for 2017/18. Fiscal policy continues to be the main instrument for macro-economic policy and management in Lesotho. The inability of our economy to generate adequate domestic revenue, declining SACU revenues, and increasing recurrent expenditure fuelled by a growing wage bill, call for a major fiscal consolidation for the next few years. This policy intervention has to involve a much more stringent fiscal strategy that aims at returning Lesotho to a sustainable fiscal path, providing sufficient fiscal space for financing investments in jobs, while ensuring that we maintain a sufficient foreign reserve buffer against possible domestic and external shocks. Without fiscal consolidation, Government runs the risk of drawing down within the next year all its deposits, and thus jeopardise the parity between Loti and the Rand. Given Lesotho's dependence on imports, a collapse in the peg between the Loti and the Rand would lead to fiscal and trade crises.

14. Government will intensify efforts to reduce reliance on the volatile and pro-cyclical SACU receipts and move to a situation where all the recurrent expenditures are covered by domestic revenue sources. As it is, domestic taxes only cover wages and salaries, with the balance of spending funded by less reliable revenue sources. The development component of SACU revenue and any additional revenue resulting from over-performance of the revenue pool and donor funds should be used to finance one-off infrastructure and other capital expenditures and to build and maintain sufficient reserves for financing future capital spending. Capital expenditure should be directed to projects and programmes that aim at providing the minimum infrastructure required to support rapid private investment.

15. The Lesotho wage bill as a proportion of national output is the largest in the world. It has grown from just over 10 percent of GDP two decades ago to the current 19 percent and its growth has been financed by the reduction in the share

of goods and services, which has cumulatively reduced the labour productivity of the civil service. Thus, the burden of reducing spending will fall significantly on the proper management of the wage bill evolution, including by strengthening institutions, human resource and public financial management. One of these wage bill management strategies which the Government is already implementing is the amendment of the Teaching Service Regulations. As of June 2016, teachers' salaries are no longer paid based on qualifications only, but also on performance and availability of vacant positions to which teachers are being promoted. In addition, Government is implementing biometric registration of all public servants and intends to limit wage increases to below the increases in domestic revenues.

Mr. Speaker,

16. The 2016/17 targeted revenue was M12,808.0 million, of which SACU revenue was M4,519.0 million, tax revenue; M6,251.2 million, and non-tax revenue; M2,037.8 million. Total revenue collected is M12,079.9 million, which falls short of target by some by nearly 729 million. On the spending side, Parliament appropriated M17,423.8 million, with M12,359.1 million being recurrent costs, and M5,064.7 million, capital outlays. The appropriated budget had proposed a fiscal deficit of M2,662.7 million or 9.6 percent of GDP. The 2016/17 actual recurrent and capital expenditures amounted to M11,827.7 million and M2,739.4 million, respectively. The fiscal deficit of M2,285.3 million was financed entirely by reduction in government deposits and foreign currency reserves, which fell from 6.1 to 4.5 months of imports.

17. It is noteworthy that the implementation of capital projects continues to lag. The establishment of the Public-Sector Investment Committee (PSIC) in 2013 was intended to ensure that projects are "shovel-ready" when they are funded so that they have the full twelve months of implementation. Also of concern, are the large reallocations from underperforming capital projects to fund subventions, provision of education utilities, road infrastructure improvement and development of case management systems at the Judiciary. In addition, there were large extra-budgetary expenditures amounting to M682 million, to cover fleet service costs related to Bidvest Bank, Compact I maintenance funds to the Lesotho Millennium Development Authority (LMDA), construction of the Royal Palace, the 2017 snap elections, shortfall on teachers' salaries, and an unplanned beef production project. These were funded by Government raiding the NMDS Trust Fund to the tune of M450 million and bond proceeds issued for monetary purposes. These large outlays point to significant weaknesses in compliance with public financial

management practices and in particular the inability of government to prioritise its spending before it is approved by Parliament.

2017/18 fiscal policy stance and financing

Mr. Speaker,

18. The strategic objective of Government's fiscal policy remains that of maintaining fiscal prudence to ensure long-term macro-economic stability and sustainability. Achieving this objective will require broadening and diversifying domestic revenue sources to sufficiently cover recurrent expenditures so that SACU revenue and donor funds are used to finance infrastructure and other capital expenditures and maintain sufficient reserves for financing forward capital spending commitments. In addition, the Government will endeavour to create fiscal space through continuous reduction in recurrent expenditures.

Mr. Speaker,

19. Let me now focus on the 2017/18 budget allocations. The proposed total expenditure is M18,709.3 million of which recurrent budget is M13,506.7 million and capital budget is M5,202.6 million. The overall 2017/18 budget proposals have increased by 7 percent over the 2016/17 budget. Much of the 7 percent increase however is attributed to contractual obligations, such as rent, transfers and foreign exchange fluctuations.

20. The overall revenue target is estimated at M16,035 million, of which, SACU revenue is M6,154.2 million, tax revenue; M7,604.3 million and non-tax revenue; M1,236.3 million. At this level, total revenue is 15.8 percent over the 2016/17 revenue outturn.

21. The proposed revenue and expenditure allocations for 2017/18 are projected to result in a fiscal deficit of M1,597.7 million or 4.8 percent of GDP. Taking into account that SACU revenues improved by 3.3 percent of GDP, this still very high deficit suggests once more that Government should move quickly with fiscal consolidation.

22. It is proposed that the 2017/18 Budget deficit be financed from budget support for up to M400 million, issuance of domestic bonds for up to M450 million and drawdown of reserves for the balance. This financing strategy is cautiously calibrated to avoid full crowding out of the still fragile private sector and to restrain

the depletion of international reserves. With this financing strategy, Government is targeting a reserve level of 4 months of imports in 2017/18 and a recovery to a target of 5 months in the next couple of years. Additional austerity measures will be studied and introduced next fiscal year to avert a fiscal crisis and to preserve lending room for the private sector.

Economic growth, jobs creation and the private sector

Mr. Speaker,

23. Lesotho's growth diagnostic work identifies poor education, poor health, poor investment climate and failing state as critical impediments to growth and job creation. Political instability, politicisation of the public service, and weak institutions are the hallmarks of a state of failure. At the same time, there is emerging dynamism in Lesotho's private sector, which combined with a rehabilitated government could place Lesotho on upward growth trajectory. The next NSDP, whose implementation will start in 2018/19, will consolidate the efforts of the private and public sectors to focus on jobs.

24. During 2017/18, Government will re-launch a dialogue with the private sector in a collaborative effort to accelerate investment, economic growth and job creation. This social compact will define the specific roles to be played by the private sector, civil society, local government councils, and the central government and will determine modalities for mutual accountability. This type of dialogue, which was launched in 2014 as the job summit process, will result in job creation actions for each of the participating partners and will form part of the implementing plan for the NSDP.

25. The private sector faces many constraints, but financing is one of the most limiting. Government will implement the Financial Inclusion Strategy which seeks to:

- i) increase access to financial products and services in the rural areas by bringing access points closer;
- ii) deepening usage of financial products across a wide spectrum of instruments; and

iii) increase the take-up and effective use of mobile money and digital finance products and services, especially where such products and services are more affordable.

26. Again, in support of the development of the Lesotho private sector, the **Ministry of Trade and Industry** will undertake trade and market access facilitation, development of industrial infrastructure at Tikoe and Ha Belo, and establishment of effective national standards and quality infrastructure. The Ministry will also present to Parliament the **Business Licensing and Registration Bill**, the **Competition Bill** and **Trade and Tariff Administration Bill**. When passed, these bills will simplify trade licensing, reduce uncompetitive firm behaviour, and consolidate the administration of tariffs under the SACU Agreement. M194.8 million is proposed for this Ministry.

27. The Private Sector Competitiveness and Economic Diversification programme is spearheading the economic diversification, enterprise assistance and investment climate reform. However, the good work generated in the last decade needs to be scaled up significantly. Building on this, and during the course of the year, Government will establish a cabinet-level investment climate reform process similar to that under the Job Summit process.

28. Micro, Small and Medium Enterprises are the pillar of our economy. To increase job intake of these enterprises and to expand business opportunities for the youth, Government will promote and support the establishment of cooperative enterprises, construct market centres and slaughter houses, and refurbish BEDCO Estates and the Lesotho Cooperatives College. To this extent, M211.9 million is proposed to be allocated to the Ministry of Small Business Development, Cooperatives and Marketing. Lack of security of tenure as well as safety prevent these enterprises from investing and expanding their operations even when opportunities present themselves. The Ministry of Local Government will explore policy options for extending security of tenure to these enterprises wherever they are located.

29. The Government of Lesotho continues to identify tourism as a key pillar of development in its quest to diversify the economy. To further promote tourism, Government will during 2017/18 introduce a regulatory regime to promulgate sound tourism legislation to regulate the tourism sector for the benefit of domestic investors. In addition, government will review the cost of obtaining a visa and divest

its interest in Molimo Nthuse Lodge, Bokong and Liphofung chalets, Thaba-Chitja Island and Sehlabathebe chalets to aid job creation and good upkeep of these facilities. These will be transferred transparently and without any form of conflict of interest to Lesotho tourism investors. Grading of tourism facilities is also ongoing to uphold international service standards. Government will also complete the revised tourism master plan, tourism investment policy and promotion strategy, and the community-based tourism blue print. An amount of M220.8 million is proposed for the **Ministry of Tourism, Environment and Culture**.

Mr. Speaker,

30. In an effort to diversify the economy and to create jobs, the government will scale up commercial production of deciduous fruit in the country by promoting investment in this new sector. The pilot phase of this initiative has demonstrated that Lesotho has comparative advantage over South Africa in terms of quality of produce and time to market, with Lesotho fruits ripening 2-3 weeks earlier than those from South Africa due favourable climatic conditions. A national suitability map of deciduous fruits has been produced in preparation for the roll out. The project is in the process of developing a strong value chain for the sub-sector with focus on strengthening the supply side, removing market barriers and meeting market requirements. The intention is to bring on stream an additional 50 hectares during the current financial year.

31. The Ministry of Agriculture and Food Security will continue to subsidise all agricultural inputs and mechanical operations, roll out greenhouse and shade nets, rehabilitate irrigation schemes, manage and control the spread of animal diseases, undertake feasibility studies for commercial beef production, and construct wool sheds to boost wool and mohair production. The biggest challenge confronting farmers are the impacts of climate change and affordable modalities for adaptation. This budget proposes M483.4 million to the Ministry of Agriculture and Food Security.

Mr. Speaker,

32. As indicated earlier, the contribution of mining to the economy is expected to more than double. While the sector contributes significantly to revenues, the sector's low job creation potential require considerable investment before sizable number of jobs can be created. In this respect, Lesotho must expand mining activity by attracting investment. To do this, the **Ministry of Mining** is spearheading the construction of a geoscience laboratory to diversify mineral extraction and attract

investment. The Ministry is also in the process of issuing prospecting licenses through competitive bidding; an approach which is to be commended as it improves governance and transparency and raises the potential for attracting investment. An allocation of M36.2 million is proposed for the Ministry of Mining.

Infrastructure to support investment and social purposes

Mr. Speaker,

33. **The Ministry of Water** Affairs intends to complete the review of Water and Sanitation Policy of 2007 and Water Act of 2008 in the Financial Year 2017/18. The Ministry also continues to prioritise integrated catchment management for insuring sustainability of water and reduction of soil erosion. Government continues to support the construction of water supply and sanitation facilities in the urban and rural areas, amongst others, Tsikoane Water Supply and Sanitation Scheme, Metolong Dam project, Katse-Matsoku-Lejone Water Supply and Sanitation project. M892.3 million is proposed for this Ministry.

34. This budget also proposes an allocation of M316.5 million to the **Energy Sector**. With the change in life style and extinction of other sources of energy which were previously relied on, it has become evident that the need for electrification even in the remote/and rural areas is essential. Therefore, the Government proposes M169.0 million for the ministry to connect 10,000 households in Leribe and Botha-Bothe to power.

35. Road and aviation infrastructure is the backbone that connects both remote and urban areas of the country. It improves access to service delivery centres and enhances socio-economic development. The budget thus proposes M916 million towards the construction of roads and bridges, through the Ministries of Public Works and Transport and of Local Government and Chieftainship. In 2017/18 financial year, 330 kilometres of rural roads and 20.3 kilometres of Maputsoe and Mohalalitoe urban roads will be constructed. Furthermore, Government will continue with the construction of footbridges nationwide, the Leshoele-Mathokoane road, and the Likalaneng-Thaba-Tseka road upgrading.

36. Rehabilitation of Moshoeshoe I International Airport will commence this fiscal year and when complete will allow Lesotho to comply with the International Civil Aviation Organisation (ICAO) standards and provide a facility for growth in the aviation industry. The work will include amongst others strengthening of

existing runway, rehabilitation of the terminal building, and improvement of aeronautical ground and apron lighting. Government will also explore the possibility of working with the Mohlakeng Council to turn the airport area into a business district anchoring the aviation service. There are sporadic reports that some global aviation players may be interested in this broader aviation and industrial concept.

37. The people of Lesotho should begin to see a return on their public investments in telecommunications and technology infrastructure. The general absence of Lesotho from the internet impacts directly on our ability to sell Lesotho as a serious tourist or business destination. The Ministry of Communications, Science and Technology plans to install a fast, safe and reliable platform for all government telecommunications and internet services. Government ministries, private business and individual citizens will all be assisted to develop a proper and significant web presence. E-government services where Basotho can begin to receive educational materials, have access to health and consultative services and apply for enrolment at schools and tertiary institutions will all start to become a reality in 2017-2018. M120 million is proposed for the Ministry of Communications, Science and Technology.

38. Starting in 2017, the Government will support efforts to evolve Radio Lesotho and TV Lesotho from being a captured state propaganda broadcaster into a national broadcaster with emphasis on equitable, fair and unbiased broadcasting. This change in operating culture will coincide with an investment in new equipment and broadcasting technologies. M20 million will be invested in 2017/18 in sourcing local content for radio and television. This Government will, through investment over the next three years, foster the emergence of local production houses that can harness this talent, supported by local content licensing.

39. In 2017/18, the ministry will support the new innovation hub at the National University of Lesotho and develop a framework for the coordination of research across all areas of Government. Following a realignment exercise to be undertaken in next few months, the Ministry will increasingly focus on science and technology.

Social sector proposals

Mr. Speaker,

40. The **Education Sector** faces challenges emanating from poor quality at basic education level, as well as limited infrastructure and equity. The education system has, for years, been unable to produce graduates capable of fending for themselves in the world of work, hence the escalating youth unemployment, both from tertiary and high school level. The bulk of requested funds are geared towards intensification of school inspections in order to provide support to teachers and school leadership to discharge their duties with outmost professionalism and dedication. The target for the coming financial year is to improve the inspection cycle, by visiting all the 341 secondary schools and 1,478 primary schools by end March 2018. Besides quality, inspections will also focus on ensuring compliance with Government policies on school feeding, Early Childhood Care and Development (ECCD) provision, inclusiveness of education and payment of the Government levy. Work will also be undertaken to rehabilitate classrooms and construct new science laboratories.

41. Lesotho has operated, since 1978, a loan bursary scheme managed by the National Manpower Development Council and Secretariat to fund students at tertiary level. The design of the programme has remained static over these years and now has the following challenges:

- i) the demand for loans is far in excess of what Lesotho can currently provide; the fund perpetuates inequality, as a significant number of recipients are from families that can afford to pay for themselves;
- ii) the subsidy levels are so high as to exclude private sector involvement in the provision of loan bursaries and thus limit the number of recipients to only those covered by taxpayer resources; and finally
- iii) the fund arrangement undermines the independence of education providers as their fee adjustments must be tailored to what the Fund can afford.

42. To address these limitations, the Loan Bursary Fund (LBF) is presently pursuing comprehensive reforms with the aim to develop appropriate policies and legislation to enhance efficiency and effectiveness in the administration of the fund. M3 billion is proposed for the education sector under the ministries of Ministry of Education and Training and of Development Planning

Mr. Speaker,

43. Turning to the to the **Social and Well-being Sector**, the proposed budget for this sector is M2.5 billion. The Government is committed to ensuring a healthy nation through immunisation campaigns, health education, the fight against both communicable and non-communicable diseases, and the development of human resources. Lesotho is implementing the **Test and Treat** guidelines which recommend that Anti-Retroviral Treatment (ART) be administered to all persons who test positive for HIV as soon as possible after diagnosis despite their CD4 status of clinical stage. The Ministry of Health is also implementing nationwide, the Lesotho Population Based HIV Impact Assessment to generate data on HIV and AIDS on the entire population. The survey will enable better understanding of the impact of HIV in the Country.

44. Beyond HIV and AIDS, the cancer epidemic needs to be addressed urgently. The cost of cancer referrals to the Republic of South Africa for radiotherapy is skyrocketing. As part of cost-cutting and sustainability of treatment, the Government is considering construction of a Cancer Treatment Centre (CTC) whose operation is expected to start next fiscal year. Also, the Government of Japan has donated 10 dialysis machines and a dialysis centre has been established at Motebang Hospital and is expected to start operations next month.

45. With regard to **Social Development**, the National Social Protection Strategy identifies the Child Grand Programme (CGP) as a flagship programme to alleviate poverty and increase investment in health and education of orphans and vulnerable children. Consequently, the grant programme will increase coverage from 26,000 households to 38,000 across 36 community councils.

Planning and governance

Mr. Speaker,

46. As indicated earlier, the Government of Lesotho has extended the current National Strategic Development Plan (NSDP) in order to provide strategic policy direction for the financial year 2017/18. The Ministry of Development Planning is in the process of developing the next NSDP, which will strengthen the implementation of the aspirations of Basotho as outlined in Vision 2020. It will be a five-year planning document which will be developed in consultation with Basotho. The Ministry has been allocated M135.4 million towards completion of the strategic plan, undertaking the Household Energy Consumption Survey,

finalisation and dissemination of the 2016 Population and Housing Census results, reforming the NMDS Loan Bursary Fund, and the development of the jobs strategy.

47. An allocation of M1,492.8 million is earmarked for the **Ministry of Finance** to collect tax revenue, maintain assets built under the first MCA Compact, fight money laundering and financing of terrorism, implement public financial management reforms, strengthen public procurement, reduce wage payment irregularities and improve human resource practices. Government will pass new procurement legislation to eliminate corruption including to prevent public servants from tendering for government contracts. At this point, I would also like to remind my newly appointed colleagues not to be tempted to involve themselves directly in the procurement process and to remember that as ministers, our role is political direction and general supervision of our ministries. The Bidvest Bank fleet decision is one spectacular example of how far things can go wrong when cabinet is directly involved in procurement decisions.

48. Good Governance, rule of law and the fight against corruption are the cornerstones of any progressive society. Corruption remains a serious challenge to development not only in Lesotho, but globally as well. The 2016 Population and Housing Census indicates that there are 70,000 citizens of age 70 years and higher. However, our Old Age Pension payroll is presently sitting at 86,000, raising the question of how since the advent of the pension scheme, 16,000 people have found their way onto the pension payroll? Efforts are underway to eliminate ghosts and others fraudulently receiving pensions and also to lower the cost of administering the pension.

49. In the past two years, Government invested in strengthening the capacity of the Directorate on Corruption and Economic Offences (DCEO) in forensic investigation and information technology infrastructure as well as refurbishing the DCEO Offices. The Directorate stepped up its effort in the fight against corruption by engaging a multi-sectoral approach through the National Anti-Corruption Strategy and Action Plan. Asset forfeiture has been introduced as a strategy towards ensuring that crime does not pay. Arrangements are at an advanced stage for the declaration of assets by public officials and I hope that this Honourable House will file their declarations before the end of September, 2017. It is proposed that the budget of the DCEO be increased by nearly 40 percent to help it have some teeth.

Mr. Speaker,

50. In the labour market, the Directorate of Dispute Prevention and Resolution (DDPR) will be strengthened by appointment of four additional arbitrators who will assist in the speedy resolution of disputes and labour related grievances. A judge has been appointed to fill the vacant position of the President of the Labour Court and two deputies will be appointed during the course of the year to ensure full functionality of the court.

Miscellaneous proposals for fiscal year 2017/18

Mr. Speaker,

51. Government will soon institute the much-awaited constitutional, political, security and administrative reforms process. An independent and inclusive process will be established and legislated to drive the reforms. Government is presently reaching out to the international community for assistance.

52. While the fiscal situation remains challenging, regular revision of the old age pension remains necessary, given the expanding family burden old people have to bear. The 2017/18 budget proposal raises the Old Age Pension and to the Lesotho Liberation Army veterans to M700 per month and this is in line with campaign promises by this Government. In addition, this budget also proposes an upward adjustment of the Child Grant Programme by 25 percent.

53. The public-sector wages and salaries automatically rise by a notch equivalent to 2 percent of the current wage. These notch increases have already been included since April, 2017. On top of these adjustments, the budget proposes an across-the-board adjustment of 3 percent on the wages and salaries for the fiscal year ended 2016/17. These adjustments are becoming increasingly difficult in an environment of declining revenues and the rapidly growing wage bill. Going forward, it is hoped that the Public-Sector Modernisation Programme will assist Government in controlling the size of the public sector and hence the growth of the wage bill. Future wage adjustments will be governed by the increase in domestic revenues as well as Public Service Performance Management Framework to ensure that increments are linked to service delivery.

54. In line with the above adjustment, it is proposed that the applicable tax credit and threshold be adjusted by 3 percent to avoid graduation into higher tax brackets which can reduce and undermine the value of the take home pay of employees. It is, therefore, proposed that the annual tax credit be increased from M6,725 to

M6,927, so that the lowest annual salary at which individuals start paying tax is increased from M33,625 to M34,634, and the threshold for higher earners be increased from M56,964 to M58,673.

Additional spending measures

55. As part of reducing expenditure, Government has taken a decision to implement the following measures:

- Ministers and equivalent ranks will no longer fly first class. The requisite amendment will be made to legislation concerning benefits of Members of Parliament;
- Ministers will no longer travel for more than 7 days without express permission of the Prime Minister based on elaborate justification;
- Ministers should reduce their delegations to international meetings to exactly the limited number needed for the minister to perform effectively;
- When time of replacement comes, Ministers' utility cars will no longer be replaced with the Toyota Landcruiser; instead a lower specification and cheaper vehicle will be purchased;
- For procurement of accommodation, hotel catering, international travel, and other common supplies, Government will enter into framework contracts with potential suppliers at lower negotiated prices. In return, Government will improve its payment record with principal secretaries being surcharged for each late payment;
- As a way to remove conflict of interest, Government will establish an independent mechanism for reviewing salaries and benefits of political posts;
- Government will also establish a mechanism to review remuneration in state owned enterprises to ensure equity and fairness in the public sector. This review will also extend to salaries for staff in foreign missions;
- The June 2017 Circular on telecommunication entitlements is extravagant. The Government Secretary, working the Ministry of Communications and of Finance will review the circular and introduce caps on call entitlements.

Meanwhile, to lower the cost of voice calls and roaming, government officials should use free and secure services such as Skype, WhatsApp audio, FaceTime and other VoIP services. Data roaming should normally be turned off and used sparingly where critically needed. The Ministry of Communications will provide the requisite training for senior officials.

- Finally, ministries, departments and agencies including state-owned-enterprises are directed to undertake exercises to deliver public services cost-effectively.

Conclusion

Mr. Speaker,

56. As I conclude, I wish to reiterate that the Budget I have just presented assumes a number of actions that the Government would necessarily have to take to control expenditure and intensify revenue collection in the medium-term. Most importantly and given the difficulty in stimulating the economy in the short-term and therefore mobilise revenue rapidly, it will be left to Government to implement policies that seek to contain expenditure both in the short and the medium term. We have in the past enjoyed growing revenue, especially SACU shares, and in the process entertained spending that would not assist us in growing the economy. It is now opportune for the Government to consider options for curbing expenditure and ensuring reserves build-up in anticipation of difficult times ahead. During the coming year, Government will explore revenue and expenditure measures that will guide our budget process for 2018/19 and the return to fiscal sustainability.

Mr. Speaker,

57. All of what is planned for 2017/18 can only be successful if we, as a collective, put our hands together in ensuring success. Macro-economic stability and sustainability can only be guaranteed in an atmosphere of political stability and security. More importantly, fiscal discipline and the rule of law will ensure that where transgressions have been committed, the perpetrators are brought to book and public funds recovered. It is our duty as public servants to deliver on the promises made to the people of this country and to lift the poor and destitute out of their predicament. I therefore call on all my colleagues in Cabinet and public servants as a whole to join hands and turn these commitments into reality.

58. I wish to express my sincere gratitude for the support I received from the Right Honourable the Prime Minister and the Honourable Deputy Prime

Minister, as well as my colleagues in Cabinet during the preparation of this budget. I wish to also acknowledge the inputs of the staff of the Ministry of Finance and of Development Planning, and indeed all public servants in putting this budget together. Our gratitude goes to our Development Partners; without whose assistance we would not be able to implement some of the very important programmes proposed in this Budget. As we say in Sesotho 'Le ka moso'. Lastly, I wish to thank the people of Thetsane #33 and my family for the enduring support during the election campaign and since then. The widespread destitution we observed should linger in our hearts and guide all of us to rescue this country from the abyss.

KHOTSO, PULA, NALA!

ANNEX I

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2014/2015 - 2019/2020							
Budget Item	Actual 2014/15	Actual 2015/16	Budget 2016/17	Actual 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
REVENUE	14 582.5	15 299.9	14 413.7	13 845.0	16 035.0	16 682.7	17 759.0
Tax revenue	5 785.4	6 578.1	7 298.7	7 044.2	7 604.3	8 600.5	9 215.0
Taxes on income, profits, and capital gains	3 058.6	3 643.7	4 018.2	3 726.5	4 225.7	4 535.7	4 863.1
Income tax - payable by individuals	1 651.9	1 701.6	1 954.3	1 944.1	2 037.7	2 088.4	2 184.6
Income tax - payable by corporations and other enterpr	878.1	1 121.6	1 230.6	985.9	1 228.4	1 383.2	1 514.0
Income tax - other	528.6	820.5	833.4	796.4	959.7	1 064.0	1 164.6
Taxes on property	139.0		175.0	362.5	213.4	242.4	270.7
Taxes on goods and services	2 343.6	2 683.2	2 842.5	2 665.6	2 790.2	3 434.3	3 658.1
Value-added tax	2 116.8	2 210.2	2 354.5	2 254.0	2 362.7	2 985.5	3 186.4
Excise taxes	206.7	447.6	388.0	388.0	405.0	425.7	448.3
Taxes on specific services	8.1	9.0	8.2	8.9	8.7	8.9	8.7
Taxes on the use of goods and on permission to use of	12.1	16.3	12.8	14.8	13.8	14.2	14.8
Taxes on international trade and transactions	242.7	250.0	256.4	288.5	373.5	386.7	421.7
Other taxes	1.5	1.2	6.6	1.2	1.5	1.5	1.4
Grants	495.7	966.1	1 169.5	866.5	793.4	833.9	878.1
Other revenue	1 267.3	1 357.1	1 351.7	1 415.2	1 483.1	1 625.4	1 739.9
Property income	347.4	428.0	359.4	396.9	373.6	413.5	444.3
Interest			5.9	0.0			
Dividends	311.9	401.5	319.9	361.0	341.2	381.0	411.7
Rent	35.5	26.6	33.6	35.9	32.5	32.5	32.6
Sales of goods and services	911.9	915.8	976.2	1 006.6	1 098.5	1 199.8	1 283.6
Electricity Muela	61.6	60.9	67.6	56.5	63.7	69.5	74.5
Water Royalties - LHDA	740.1	740.5	771.4	837.1	907.7	995.7	1 069.4
Administrative fees	31.0	40.2	41.2	42.4	47.8	52.2	55.9
Incidental sales by nonmarket establishments	79.2	74.2	95.9	70.5	79.4	82.4	83.8
Fines & forfeits	3.9	3.6	2.7	3.4	3.6	3.7	3.9
Miscellaneous and unidentified revenue	4.2	9.6	13.4	8.3	7.4	8.5	8.1
SACU	7 034.1	6 398.6	4 593.8	4 519.0	6 154.2	5 623.0	5 926.0
EXPENSE (Statutory + Non Statutory + Salary Increas	-9 936.0	-11 180.7	-11 787.3	-11 637.2	-12 901.9	-13 289.0	-14 070.7
Compensation of Employees	-4 743.6	-5 400.4	-5 910.7	-5 759.8	-6 208.5	-6 552.5	-7 060.4
Wages and salaries	-4 001.2	-4 591.9	-5 098.3	-4 835.2	-5 223.1	-5 576.0	-6 005.2
Employer contributions	-742.5	-808.5	-812.4	-924.6	-985.4	-976.5	-1 055.2
Use of goods and services	-2 477.7	-2 829.1	-2 871.9	-2 801.6	-3 186.5	-3 307.1	-3 477.1
Interest Payments	-177.2	-274.1	-322.7	-282.5	-377.2	-443.4	-472.9
Nonresidents	-132.7	-198.4	-221.7	-208.0	-249.4	-271.4	-264.1
Residents other than general government	-44.5	-75.7	-101.0	-74.5	-127.8	-172.0	-208.8
Subsidies	-201.4	-250.7	-267.7	-415.9	-307.9	-364.8	-336.4
Grants	-812.5	-764.4	-757.1	-920.9	-989.2	-785.4	-824.9
To foreign governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
To international organizations	-22.5	-8.1	0.0	-4.9	-39.6	-39.6	-39.6
Extra Budgetary Units	-754.6	-725.4	-689.6	-890.5	-926.1	-721.1	-759.3
Local Government	-35.4	-31.0	-25.5	-25.5	-23.5	-24.7	-26.0
Social benefits	-768.2	-883.3	-932.1	-843.4	-1 048.7	-1 095.3	-1 151.9
Other expense	-692.7	-686.6	-695.1	-542.8	-705.5	-696.4	-701.0
Student Grants	-661.6	-661.6	-661.6	-496.6	-641.1	-641.1	-641.1
Other expense	-31.1	-25.1	-33.5	-46.2	-64.4	-55.3	-59.8
NON FINANCIAL & FINANCIAL ASSETS	-62.6	-92.1	-30.2	-70.3	-78.4	-44.1	-46.3
Capital Budget	-5 001.6	-4 726.3	-4 947.4	-5 123.6	-5 202.6	-5 672.6	-5 923.0
<i>of which: Non-financial Assets</i>	<i>-2 927.0</i>	<i>-3 594.1</i>	<i>-3 303.1</i>	<i>-3 322.4</i>	<i>-3 392.3</i>	<i>-3 710.7</i>	<i>-3 871.2</i>
GoL	-2 984.5	-2 844.3	-2 844.3	-3 020.6	-3 423.1	-3 597.7	-3 788.4
Donor Grants	-893.9	-951.8	-1 169.5	-1 169.5	-1 072.2	-1 126.8	-1 186.6
Donor Loans	-1 123.2	-930.2	-933.6	-933.5	-707.3	-948.0	-948.0
CASH SURPLUS / DEFICIT	848.2	-416.9	-2 662.7	-2 285.3	-1 597.7	-1 780.7	-1 716.2
% GDP	3.4%	-1.6%	-9.6%	-7.8%	-4.8%	-5.0%	-4.5%
GDP	24 944.6	26 424.5	27 616.8	29 374.1	32 963.8	35 944.8	38 473.0
NET CASH INFLOW FROM FINANCING ABTIVITIE	-683.5	903.3	2 662.7	2 914.9	1 597.7	1 780.7	1 716.2
FINANCIAL ASSETS	-1496.5	599.7	2231.2	2471.5	848.5	774.2	922.8
Domestic (Change in Deposits)	-1 496.5	599.7	2 231.2	2 471.5	848.5	774.2	922.8
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIABILITIES	813.0	303.6	431.4	443.4	749.2	1 006.5	793.4
Domestic	159.1	145.9	42.2	13.8	447.8	600.0	500.0
Securities	142.3	107.2	42.2	13.8	447.8	600.0	500.0
Loans	16.8	38.7	0.0	0.0	0.0	0.0	0.0
<i>of which Pension Liabilities</i>	<i>0.0</i>						
Foreign	653.9	157.7	389.3	429.6	301.5	406.5	293.4
Loans	653.9	157.7	389.3	429.6	301.5	406.5	293.4
Disbursements	965.7	594.7	933.6	888.8	940.0	948.0	948.0
Repayments	-311.8	-437.0	-544.3	-459.2	-638.6	-541.5	-654.6
<i>Statistical Discrepancy</i>	<i>164.7</i>	<i>486.4</i>	<i>0.0</i>	<i>629.5</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Months of Import Coverage	6.2	6.1	5.2	4.5	4.0	3.7	3.2

ANNEX II

REVENUES AND EXPENDITURES AS % GDP FOR FISCAL YEARS 2012/2013 - 2017/2018							
Budget Item	Actual 2014/15	Actual 2015/16	Budget 2016/17	Actual 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
REVENUE	58.5	57.9	52.2	47.1	48.6	46.4	46.2
Tax revenue	23.2	24.9	26.4	24.0	23.1	23.9	24.0
Taxes on income, profits, and capital gains	12.3	13.8	14.5	12.7	12.8	12.6	12.6
Income tax - payable by individuals	6.6	6.4	7.1	6.6	6.2	5.8	5.7
Income tax - payable by corporations and other enterpr	3.5	4.2	4.5	3.4	3.7	3.8	3.9
Income tax - unallocable	2.1	3.1	3.0	2.7	2.9	3.0	3.0
Taxes on property	0.6	0.0	0.6	1.2	0.6	0.7	0.7
Taxes on goods and services	9.4	10.2	10.3	9.1	8.5	9.6	9.5
Value-added tax	8.5	8.4	8.5	7.7	7.2	8.3	8.3
Excise taxes	0.8	1.7	1.4	1.3	1.2	1.2	1.2
Taxes on specific services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on the use of goods and on permission to use or	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Taxes on international trade and transactions	1.0	0.9	0.9	1.0	1.1	1.1	1.1
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	2.0	3.7	4.2	3.0	2.4	2.3	2.3
Other revenue	5.1	5.1	4.9	4.8	4.5	4.5	4.5
Property income	1.4	1.6	1.3	1.4	1.1	1.2	1.2
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	1.3	1.5	1.2	1.2	1.0	1.1	1.1
Rent	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales of goods and services	3.7	3.5	3.5	3.4	3.3	3.3	3.3
Electricity Muela	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Water Royalties - LHDA	3.0	2.8	2.8	2.8	2.8	2.8	2.8
Administrative fees	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Incidental sales by nonmarket establishments	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Fines & forfeits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous and unidentified revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SACU	28.2	24.2	16.6	15.4	18.7	15.6	15.4
EXPENSE (Statutory + Non Statutory + Salary Increase)	-39.8	-42.3	-42.7	-39.6	-39.1	-37.0	-36.6
Compensation of Employees	-19.0	-20.4	-21.4	-19.6	-18.8	-18.2	-18.4
Wages and salaries	-16.0	-17.4	-18.5	-16.5	-15.8	-15.5	-15.6
Employer contributions	-3.0	-3.1	-2.9	-3.1	-3.0	-2.7	-2.7
Use of goods and services	-9.9	-10.7	-10.4	-9.5	-9.7	-9.2	-9.0
Interest Payments	-0.7	-1.0	-1.2	-1.0	-1.1	-1.2	-1.2
Nonresidents	-0.5	-0.8	-0.8	-0.7	-0.8	-0.8	-0.7
Residents other than general government	-0.2	-0.3	-0.4	-0.3	-0.4	-0.5	-0.5
Subsidies	-0.8	-0.9	-1.0	-1.4	-0.9	-1.0	-0.9
Grants	-3.3	-2.9	-2.7	-3.1	-3.0	-2.2	-2.1
To foreign governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
To international organizations	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1
Extra Budgetary Units	-3.0	-2.7	-2.5	-3.0	-2.8	-2.0	-2.0
Local Government	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Social benefits	-3.1	-3.3	-3.4	-2.9	-3.2	-3.0	-3.0
Other expense	-2.8	-2.6	-2.5	-1.8	-2.1	-1.9	-1.8
Student Grants	-2.7	-2.5	-2.4	-1.7	-1.9	-1.8	-1.7
Other expense	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
NON FINANCIAL & FINANCIAL ASSETS	-0.3	-0.3	-0.1	-0.2	-0.2	-0.1	-0.1
Capital Budget	-20.1	-17.9	-17.9	-17.4	-15.8	-15.8	-15.4
GoL	-12.0	-10.8	-10.3	-10.3	-10.4	-10.0	-9.8
Donor Grants	-4.5	-3.5	-3.4	-3.2	-2.1	-2.6	-2.5
Donor Loans	-3.6	-3.6	-4.2	-4.0	-3.3	-3.1	-3.1
CASH SURPLUS / DEFICIT	848.2	-416.9	-2 662.7	-2 285.3	-1 597.7	-1 780.7	-1 716.2
% GDP	3.4%	-1.6%	-9.6%	-7.8%	-4.8%	-5.0%	-4.5%
GDP	24 944.6	26 424.5	27 616.8	29 374.1	32 963.8	35 944.8	38 473.0
NET CASH INFLOW FROM FINANCING ACTIVITIE	-2.7	3.4	9.6	9.9	4.8	5.0	4.5
FINANCIAL ASSETS	-6.0	2.3	8.1	8.4	2.6	2.2	2.4
Domestic	-6.0	2.3	8.1	8.4	2.6	2.2	2.4
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIABILITIES	3.3	1.1	1.6	1.5	2.3	2.8	2.1
Domestic	0.6	0.6	0.2	0.0	1.4	1.7	1.3
Securities	0.6	0.4	0.2	0.0	1.4	1.7	1.3
Loans	0.1	0.1	0.0	0.0	0.0	0.0	0.0
of which Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	2.6	0.6	1.4	1.5	0.9	1.1	0.8
Loans	2.6	0.6	1.4	1.5	0.9	1.1	0.8
Disbursements	3.9	2.3	3.4	3.0	2.9	2.6	2.5
Repayments	-1.2	-1.7	-2.0	-1.6	-1.9	-1.5	-1.7
<i>Statistical Discrepancy</i>	<i>0.7</i>	<i>1.8</i>	<i>0.0</i>	<i>2.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Months of Import Coverage							

ANNEX III

ANNUAL % CHANGE IN REVENUES AND EXPENDITURES			
Budget Item	Budget 2016/17	Budget 2017/18	% Change
REVENUE	14 413.7	16 035.0	11.2
Tax revenue	7 298.7	7 604.3	4.2
Taxes on income, profits, and capital gains	4 018.2	4 225.7	5.2
Income tax - payable by individuals	1 954.3	2 037.7	4.3
Income tax - payable by corporations and other enterprises	1 230.6	1 228.4	-0.2
Income tax - unallocable	833.4	959.7	15.1
Taxes on property	175.0	213.4	21.9
Taxes on goods and services	2 842.5	2 790.2	-1.8
Value-added tax	2 354.5	2 362.7	0.3
Excise taxes	388.0	405.0	4.4
Taxes on specific services	8.2	8.7	6.7
Taxes on the use of goods and on permission to use or perform activities	12.8	13.8	7.4
Taxes on international trade and transactions	256.4	373.5	45.7
Other taxes	6.6	1.5	-77.2
Grants	1 169.5	793.4	-32.2
Other revenue	1 351.7	1 483.1	9.7
Property income	359.4	373.6	4.0
Interest	5.9	0.0	-100.0
Dividends	319.9	341.2	6.7
Rent	33.6	32.5	-3.4
Sales of goods and services	976.2	1 098.5	12.5
Electricity Muela	67.6	63.7	-5.8
Water Royalties - LHDA	771.4	907.7	17.7
Administrative fees	41.2	47.8	15.9
Incidental sales by nonmarket establishments	95.9	79.4	-17.2
Fines & forfeits	2.7	3.6	31.6
Miscellaneous and unidentified revenue	13.4	7.4	-44.8
SACU	4 593.8	6 154.2	34.0
EXPENSE	-11 787.3	-12 901.9	9.5
Compensation of Employees	-5 910.7	-6 208.5	5.0
Wages and salaries	-5 098.3	-5 223.1	2.4
Employer contributions	-812.4	-985.4	21.3
Use of goods and services	-2 871.9	-3 186.5	11.0
Interest Payments	-322.7	-377.2	16.9
Nonresidents	-221.7	-249.4	12.5
Residents other than general government	-101.0	-127.8	26.5
Subsidies	-267.7	-307.9	15.0
Grants	-757.1	-989.2	30.7
To foreign governments	0.0	0.0	
To international organizations	0.0	-39.6	
Extra Budgetary Units	-689.6	-926.1	34.3
Local Government	-25.5	-23.5	-7.8
Social benefits	-932.1	-1 048.7	12.5
Other expense	-695.1	-705.5	1.5
Student Grants	-661.6	-641.1	-3.1
Other expense	-33.5	-64.4	92.1
Capital Budget	-4 947.4	-5 202.6	5.2
GoL	-2 844.3	-3 423.1	20.4
Donor Grants	-1 169.5	-707.3	-39.5
Donor Loans	-933.6	-1 072.2	14.8
CASH SURPLUS / DEFICIT	-2 662.7	-1 597.7	
% GDP	-9.6%	-4.8%	
GDP	27 616.8	32 963.8	

ANNEX IV

REVENUES AND EXPENDITURES AS % OF TOTAL FOR FISCAL YEARS 2012/2013 - 2017/2018							
Budget Item	Actual 2014/15	Actual 2015/16	Budget 2016/17	Actual 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
REVENUE	100.0						
Tax revenue	39.7	43.0	50.6	50.9	47.4	51.6	51.9
Taxes on income, profits, and capital gains	21.0	23.8	27.9	26.9	26.4	27.2	27.4
Income tax - payable by individuals	11.3	11.1	13.6	14.0	12.7	12.5	12.3
Income tax - payable by corporations and other entities	6.0	7.3	8.5	7.1	7.7	8.3	8.5
Income tax - unallocable	3.6	5.4	5.8	5.8	6.0	6.4	6.6
Taxes on property	1.0	0.0	1.2	2.6	1.3	1.5	1.5
Taxes on goods and services	16.1	17.5	19.7	19.3	17.4	20.6	20.6
Value-added tax	14.5	14.4	16.3	16.3	14.7	17.9	17.9
Excise taxes	1.4	2.9	2.7	2.8	2.5	2.6	2.5
Taxes on specific services	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Taxes on the use of goods and on permission to use	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on international trade and transactions	1.7	1.6	1.8	2.1	2.3	2.3	2.4
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	3.4	6.3	8.1	6.3	4.9	5.0	4.9
Other revenue	8.7	8.9	9.4	10.2	9.2	9.7	9.8
Property income	2.4	2.8	2.5	2.9	2.3	2.5	2.5
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	2.1	2.6	2.2	2.6	2.1	2.3	2.3
Rent	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Sales of goods and services	6.3	6.0	6.8	7.3	6.9	7.2	7.2
Electricity Muela	0.4	0.4	0.5	0.4	0.4	0.4	0.4
Water Royalties - LHDA	5.1	4.8	5.4	6.0	5.7	6.0	6.0
Administrative fees	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Incidental sales by nonmarket establishments	0.5	0.5	0.7	0.5	0.5	0.5	0.5
Fines & forfeits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous and unidentified revenue	0.0	0.1	0.1	0.1	0.0	0.1	0.0
SACU	48.2	41.8	31.9	32.6	38.4	33.7	33.4
EXPENSE (Statutory + Non Statutory + Salary Inc)	100.0						
Compensation of Employees	47.7	48.3	50.1	49.5	48.1	49.3	50.2
Wages and salaries	40.3	41.1	43.3	41.5	40.5	42.0	42.7
Employer contributions	7.5	7.2	6.9	7.9	7.6	7.3	7.5
Use of goods and services	24.9	25.3	24.4	24.1	24.7	24.9	24.7
Interest Payments	1.8	2.5	2.7	2.4	2.9	3.3	3.4
Nonresidents	1.3	1.8	1.9	1.8	1.9	2.0	1.9
Residents other than general government	0.4	0.7	0.9	0.6	1.0	1.3	1.5
Subsidies	2.0	2.2	2.3	3.6	2.4	2.7	2.4
Grants	8.2	6.8	6.4	7.9	7.7	5.9	5.9
To foreign governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
To international organizations	0.2	0.1	0.0	0.0	0.3	0.3	0.3
Extra Budgetary Units	7.6	6.5	5.9	7.7	7.2	5.4	5.4
Local Government	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Social benefits	7.7	7.9	7.9	7.2	8.1	8.2	8.2
Other expense	7.0	6.1	5.9	4.7	5.5	5.2	5.0
Student Grants	6.7	5.9	5.6	4.3	5.0	4.8	4.6
Other expense	0.3	0.2	0.3	0.4	0.5	0.4	0.4
NON FINANCIAL & FINANCIAL ASSETS	100.0						
Capital Budget	100.0						
GoL	59.7	60.2	57.5	59.0	65.8	63.4	64.0
Donor Grants	17.9	20.1	23.6	22.8	20.6	19.9	20.0
Donor Loans	22.5	19.7	18.9	18.2	13.6	16.7	16.0

ANNEX V

Ministry	2016/17					2017/18				
	Recurrent Budget	Capital Budget				Recurrent Budget	Capital Budget			
		GoL	Donor Grants	Donor Loans	Total		GoL	Donor Grants	Donor Loans	Total
Agriculture and Food Security	177.9	136.3	8.2	81.9	226.5	174.5	155.9	41.7	107.5	305.1
Health and Social Welfare	1 768.9	37.8	155.8	-	193.6	1 959.0	79.3	167.9	32.9	280.1
Education and Training	2 236.9	20.4	106.8	-	127.2	2 320.1	19.1	83.5	-	102.6
Finance	484.1	359.6	378.7	93.0	831.3	754.7	288.0	399.2	50.9	738.1
Trade and Industry, Cooperatives & Marketing	43.0	64.1	32.7	-	96.9	50.6	84.5	59.3	-	143.7
Development Planning	798.3	79.5	6.9	-	86.4	764.1	7.0	5.5	-	12.4
Justice, Human Rights & Rehabilitation	215.6	50.0	-	-	50.0	233.9	45.0	-	-	45.0
Home Affairs & Public Safety	151.8	145.0	-	-	145.0	225.3	150.0	-	-	150.0
Prime Minister's Office	135.5	-	-	-	-	128.9	-	-	-	-
Communications, Science and Technology	122.8	134.3	14.6	-	148.9	121.0	155.0	93.8	64.9	313.8
Law & Constitutional Affairs	75.5	-	-	-	-	74.9	20.0	-	-	20.0
Foreign Affairs & Intern Relations	357.9	-	-	-	-	351.1	-	-	-	-
Public Works & Transport	156.6	818.7	330.0	100.0	1 248.7	154.7	799.2	-	146.8	946.0
Forestry & Land Reclamation	56.7	130.0	-	-	130.0	57.0	157.0	-	-	157.0
Energy, Meteorology and Water Affairs	34.4	136.9	39.8	170.7	347.4	31.1	248.5	15.3	21.5	285.4
Labour & Employment	48.6	-	-	-	-	58.8	-	-	-	-
Tourism, Environment & Culture	86.9	49.5	-	-	49.5	90.1	118.7	12.0	-	130.7
Auditor General's Office	28.9	-	-	-	-	29.3	-	-	-	-
His Majesty's Office	7.2	53.0	-	-	53.0	7.8	100.0	-	-	100.0
Public Service Commission	7.9	-	-	-	-	12.1	-	-	-	-
Defence & National Security	589.7	34.5	-	-	34.5	665.7	56.8	-	-	56.8
National Assembly	81.7	-	-	-	-	80.8	-	-	-	-
Senate	19.5	-	-	-	-	22.5	40.0	-	-	40.0
Ombudsman	7.7	-	-	-	-	8.4	-	-	-	-
Independent Electoral Commission	237.5	-	-	-	-	274.6	-	-	-	-
Local Government & Chieftainship affairs	483.9	361.1	5.3	-	366.3	479.8	395.4	-	-	395.4
Gender, Youth, Sports & Recreation	83.5	20.5	0.9	-	21.3	85.1	18.3	1.0	-	19.2
Public Service	36.3	-	-	-	-	40.0	3.0	-	-	3.0
Judiciary	100.5	10.0	-	-	10.0	106.8	26.0	-	-	26.0
Social Development	195.5	5.0	36.0	-	41.0	228.2	6.0	57.2	-	63.2
Directorate of Corruption and Economic Offences	23.5	-	-	-	-	32.0	-	-	-	-
Mining	29.2	9.9	-	-	9.9	28.0	8.2	-	-	8.2
Police and Public Safety	608.4	30.0	-	-	30.0	646.4	50.0	-	-	50.0
Small Business Development, Cooperatives and Marketing	62.8	74.1	-	-	74.1	99.9	112.0	-	-	112.0
Water Affairs	143.1	345.1	53.8	488.0	886.9	193.3	280.3	135.9	282.8	699.0
Sub Total	9 698.3	3 105.3	1 169.5	933.6	5 208.4	10 590.5	3 423.1	1 072.2	707.3	5 202.6
Principal Repayment	544.3					638.6				
Interest Charges	322.6					357.2				
Pension & Gratuities	1 404.1					1 679.9				
Statutory Salaries & Allowances	41.9					47.7				
Subscriptions to International Organisation	77.7					80.2				
Refund to erroneous Receipts	3.0					3.0				
Centralised Items	-					9.7				
Administration Fund (Contingency)	100.0					100.0				
Total	12 192.0	3 105.3	1 169.5	933.6	5 208.4	13 506.7	3 423.1	1 072.2	707.3	5 202.6

ANNEX VI

Expenditure by Ministry as % of Total - Capital and Recurrent										
Ministry	2016/17					2017/18				
	Recurrent Budget	Capital Budget				Recurrent Budget	Capital Budget			
		GoL	Donor Grants	Donor Loans	Total		GoL	Donor Grants	Donor Loans	Total
Agriculture and Food Security	1.5	4.4	0.7	8.8	4.3	1.3	4.6	3.9	15.2	5.9
Health and Social Welfare	14.5	1.2	13.3	0.0	3.7	14.5	2.3	15.7	4.7	5.4
Education and Training	18.3	0.7	9.1	0.0	2.4	17.2	0.6	7.8	0.0	2.0
Finance & Development Planning	4.0	11.6	32.4	10.0	16.0	5.6	8.4	37.2	7.2	14.2
Trade and Industry, Cooperatives & Development Planning	0.4	2.1	2.8	0.0	1.9	0.4	2.5	5.5	0.0	2.8
Justice, Human Rights & Rehabilitation	6.5	2.6	0.6	0.0	1.7	5.7	0.2	0.5	0.0	0.2
Home Affairs & Public Safety	1.8	1.6	0.0	0.0	1.0	1.7	1.3	0.0	0.0	0.9
Prime Minister's Office	1.2	4.7	0.0	0.0	2.8	1.7	4.4	0.0	0.0	2.9
Communications, Science and Technology	1.1	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Law & Constitutional Affairs	1.0	4.3	1.2	0.0	2.9	0.9	4.5	8.8	9.2	6.0
Foreign Affairs & Intern Relations	0.6	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.4
Public Works & Transport	2.9	0.0	0.0	0.0	0.0	2.6	0.0	0.0	0.0	0.0
Forestry & Land Reclamation	1.3	26.4	28.2	10.7	24.0	1.1	23.3	0.0	20.7	18.2
Energy, Meteorology and Water Affairs	0.5	4.2	0.0	0.0	2.5	0.4	4.6	0.0	0.0	3.0
Labour & Employment	0.3	4.4	3.4	18.3	6.7	0.2	7.3	1.4	3.0	5.5
Tourism, Environment & Culture	0.4	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Auditor General's Office	0.7	1.6	0.0	0.0	1.0	0.7	3.5	1.1	0.0	2.5
His Majesty's Office	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Public Service Commission	0.1	1.7	0.0	0.0	1.0	0.1	2.9	0.0	0.0	1.9
Defence & National Security	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
National Assembly	4.8	1.1	0.0	0.0	0.7	4.9	1.7	0.0	0.0	1.1
Senate	0.7	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Ombudsman	0.2	0.0	0.0	0.0	0.0	0.2	1.2	0.0	0.0	0.8
Independent Electoral Commission	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Local Government & Chieftainship affairs	1.9	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0
Gender, Youth, Sports & Recreation	4.0	11.6	0.4	0.0	7.0	3.6	11.6	0.0	0.0	7.6
Public Service	0.7	0.7	0.1	0.0	0.4	0.6	0.5	0.1	0.0	0.4
Judiciary	0.3	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.1
Social Development	0.8	0.3	0.0	0.0	0.2	0.8	0.8	0.0	0.0	0.5
Directorate of Corruption and Economic Offences	1.6	0.2	3.1	0.0	0.8	1.7	0.2	5.3	0.0	1.2
Mining	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Police and Public Safety	0.2	0.3	0.0	0.0	0.2	0.2	0.2	0.0	0.0	0.2
Small Business Development, Cooperatives and	5.0	1.0	0.0	0.0	0.6	4.8	1.5	0.0	0.0	1.0
Water Affairs	0.5	2.4	0.0	0.0	1.4	0.7	3.3	0.0	0.0	2.2
Principal Repayment	1.2	11.1	4.6	52.3	17.0	1.4	8.2	12.7	40.0	13.4
Interest Charges	4.5					4.7				
Pension & Gratuities	2.6					2.6				
Statutory Salaries & Allowances	11.5					12.4				
Subscriptions to International Organisations	0.3					0.4				
Refund for Erroneous receipts	0.6					0.6				
Centralised Items	0.0					0.0				
Administration Fund (Contingency)	0.0					0.1				
	0.8					0.7				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0