



Ministry of Finance
Government of Lesotho

Budget & Fiscal Bulletin
First Quarter – 2015/16

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Foreword from Principal Secretary of the Ministry of Finance

I am pleased to release the inaugural issue of the Fiscal Bulletin, which contains revenue and expenditure figures for the first quarter of 2015/16 fiscal year. This publication will allow Basotho citizens, the private sector, other interested stakeholders, and development partners to review and assess the nation's public finances. It paves the way to a new horizon of increased openness and transparency in the area of Public Finance Management (PFM).

Transparency in governance has become a central force around the world – both in developed and developing nations. Deepened democratic changes; move to a market my¹ and introduction of market forces²; the role of governments from an operator to a regulator; the move to decentralization; and increased voices of civil societies have changed the paradigm. These have led to a new concept of authority and brought sweeping reforms in the public sector. As these changes have taken shape, the international financial institutions (such as the African Development Bank - AfDB, the International Monetary Fund - IMF, the World Bank - WB etc.) and development partners have encouraged governments to make their financial data more transparent. At the Ministry of Finance (MoF), we believe that fiscal transparency is vital.

We are taking major steps in public finance reforms so that our scarce revenues and the valued resources from our citizens and the development partners are accountable, transparent, and equitable. The financial transactions should be flowing through the government's Treasury Single Account to avoid irregularities. The budget process should guide the nation's public spending. Revenue measures should be progressive. Financial reporting should be comprehensive and regular. The procurement process should be accessible in a fair manner. Services should be efficiently and effectively delivered by the Government of Lesotho for the benefit of the nation.

This bulletin will support our efforts in the area of fiscal transparency.

I would like to commend the various departments in the Ministry of Finance, Ministry of Development Planning and other agencies for their inputs and support.

I hope you find this publication useful. It will be available on the MoF's website. Your comments would be appreciated and would be useful to help us serve you better. For more information, please visit <http://www.finance.gov.ls>.

The bulletin is divided into three sections. Section One discusses the macroeconomic outlook and issues that correspond with the submission of the FY 2015/16 budget to Parliament. Section Two presents the budget and fiscal developments and is divided into three sub-sections, which deal with the execution of the Government's budgetary transactions (recurrent and capital expenditures) and revenue collection. Section Three provides a summary of the Government's initiatives in the PFM reform arena.

Introduction

This bulletin reports and informs various ministries and agencies, the public, donors, and civil society about Government's revenues and expenditures performance. It reports revenue collections and expenditure outlays for the first quarter of FY 2015/16. It should be noted that the elections and the formation of the new Government led to a late approval of the budget. This resulted into lower execution than usual.

The 2015/16 fiscal year's total approved budget is Maloti (M) 16,718.8 million, of which the recurrent budget is M 11,992.5 million and the capital budget is M 4,726.3 million. This compares with a total of M 15,835.1 million for fiscal year 2014/15. For the recurrent budget, the year-over-year growth is nearly 17 percent, largely reflecting the size of and the annual increase of 6 percent in the wage bill.

The revenue target for the current financial year is M 15,321.4 million which is an increase of 5.1 percent over the 2014/15 outturn of M 14,575.3 million.

Section 1 – Macroeconomic Developments

In 2015/16, real GDP growth is expected to hover around 2.4 percent, compared to a marginally higher rate of 3.6 percent in 2014/15, underpinned by a projected deterioration in the secondary industries due to the expected worsening performance of the manufacturing and construction sectors. The textile and apparel sector is expected to register a negative growth of 5.2 percent in 2015/16 owing to uncertainties that surrounded renewal of the African Growth and Opportunities Act (AGOA) and eligibility of Lesotho.

The South African Customs Union (SACU) receipts are expected to decrease significantly in 2015/16 to about 25 percent of GDP from just above 30 percent in 2012/13 and remain low over the medium-term – reaching about 18 percent of GDP by 2018/19. With limited alternative revenue sources, the Government's fiscal space and expenditure are expected to shrink accordingly, and would require robust domestic revenue collection and improvements in the quality of expenditure.

¹Market economy is an economic decision and the pricing of goods and services are guided solely by the aggregate interactions of a country's citizens and businesses and there is little government intervention or central planning.

²Market forces refer to the economic factors affecting the price of, demand for, and availability of a commodity.