

**PARLIAMENT OF THE
KINGDOM OF
LESOTHO**

Results Do Matter

Budget speech to Parliament for the
2006/2007 Fiscal Year

By

Honourable Timothy T. Thahane
Minister of Finance and Development Planning
Maseru, Lesotho
8th February 2006

Madam 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 Deputy Prime Minister and Leader of the House

The Honourable President of the Senate

My Colleagues, Honourable Ministers of His Majesty's Government

Honourable Members of both Houses of Parliament

Excellencies Heads of Diplomatic Missions and International Organisations

Distinguished Senior Government officials

Distinguished members of the Media

The entire Basotho nation across Lesotho and abroad

Ladies and Gentlemen

Madam Speaker

1. I have the honour to present to the Honourable Members of the two Houses of Parliament, Financial Estimates for Fiscal Year 2006/2007 for their scrutiny and appropriation. I have provided, for their information and noting the Medium Term Expenditure Framework (MTEF). It shows budget estimates for Fiscal Year 2006/2007 and projections for Fiscal Years 2007/2008 and 2008/2009 for a number of Ministries such as Agriculture and Food Security, Education and Training, Health and Social Welfare, Employment and Labour, Tourism, Environment and Culture, and Gender, Youth, Sports and Recreation.

2. MTEF enables Parliament and the Public to see the sources and amount of revenue that can be expected in the next three years and how the Government proposes to allocate it.

Key National Development Objectives

3. Honourable Members will recall that Vision 2020 and national objectives for poverty eradication were prepared through a broad consultative and participatory process. It included representatives of political, social, academic, economic, employers, workers, professionals, women and youth organisations. We therefore, own these objectives as a nation, regardless of Party or organisational affiliation. The Government's Poverty Reduction Strategy has been discussed and found sound by the Executive Boards of the World Bank and The International Monetary Fund. The challenge is to implement them with vigour and determination.

4. Lest anyone has forgotten these national objectives, let me state them briefly:

- to create jobs and generate income;
- to increase agricultural production and food security;
- to develop infrastructure;

- to deepen and consolidate democracy, good governance, public safety, security and accountability of the elected to the electorate; accountability of government to Parliament; and accountability of Public Servants to Cabinet;
- to improve the quality and access to education;
- to improve the quality and access to health care;
- to manage and conserve the environment and the soil of our land;
- to improve the efficiency and delivery of services to the citizens; and,
- Above all, to intensify the fight against HIV and AIDS, especially the KYS (Know Your Status) Campaign.

The Fight against HIV and AIDS Must Escalate

Madam Speaker

5. HIV and AIDS pose the greatest challenge to the long term development and survival of this nation. It is robbing it of its future by taking away its young people, its professionals and its most productive workers. The Government has therefore declared HIV and AIDS enemy Number One. It calls on all of us to take action against it.

6. In this Campaign, the Government will aggressively step up testing, counselling, education and prevention. It will provide care, anti-retrovirals, treatment and support for children and adults living with HIV and AIDS. And it will assist and support orphans of HIV and AIDS who are numbering close to 100,000 or 5% of current population estimates. These are large numbers by any standards.

7. As national leaders, Madam Speaker challenged us at the Opening of the National Assembly last Friday to take a stand. She called on Honourable Members to lead by example, because “a leader, who leads by pointing the way, does not leave footprints for his followers”

- Let us seek to know our status.
- Let us lead the KYS Campaign
- Let us encourage our followers to follow our footsteps.

8. Considerable progress has been made in creating and developing appropriate institutions for the fight against HIV/AIDS. AIDS clinics have been opened in all 18 Government and Christian Health Association of **Lesotho** hospitals, as well as well as the Senkatana Clinic in Maseru.

9. Furthermore, Government, with the assistance of the Baylor College of Medicine and Bristol Myers Squibb has constructed a Paediatric Centre of Excellence at Botšabelo. This was inaugurated on the International AIDS day last December. The clinic at Leribe has been opened with the assistance of the Ontario Hospital Group while the one at the Queen Elizabeth II Hospital has been assisted by the Clinton Foundation. The Government has also entered into a partnership with private sector doctors for the distribution of anti-retrovirals. But all these arrangements will come to naught if we do not get ARVs. Anti-retrovirals are too expensive for many people and for a poor country like **Lesotho**. To ensure their long term availability to the currently infected people, something must be done to make their cost affordable.

10. In addition, the National AIDS Commission has been established, to replace the **Lesotho** AIDS Programme Coordinating Authority and a Board appointed.

Millennium Development Goals (MDGs) are Achievable But There are Bumps Ahead

Madam Speaker

11. Lesotho's national development goals are consistent with the Millennium Development Goals (MDGs). Their achievement by 2015 will also mean attainment of MDGs. But the greatest threat to their achievement is lack of resources. The exclusion of Lesotho from the Debt Cancellation given to Highly Indebted Poor Countries (HIPC) compounds the problem and accentuates the risks of non-achievement.

12. In 2007 when the current standard 7 class graduates, we will achieve an important MDG Goal of universal access to primary education. But, this will leave us with few classrooms and teachers at secondary school level, hence an urgent need for additional support from our Development Partners who have also committed themselves to the attainment of MDGs.

13. The size and composition of our Public debt reflects Lesotho's commitment to maintenance of sound and prudent economic and financial policies that avoid unsustainable debt levels. Our stock of public debt, currently estimated at M4.4 billion, has consistently fallen from 100% of the Gross Domestic Product (GDP) in 2000/2001 to 54% today. However, this has been achieved at great cost to our people and a sacrifice to growth and investment.

Madam Speaker

14. Honourable members will recall my statement in this House when welcoming the UK and G8 debt cancellation initiative. I said that debt cancellation should be extended to all low-income countries including Lesotho. It is difficult to understand how countries that are bigger and richer than Lesotho and that face less vulnerabilities than Lesotho have been forgiven their debts while every penny is being exacted from us. Like HIPC, we face great resource constraints. Like HIPC we must reduce poverty. Like HIPC we must accelerate growth and achieve MDGs. Like HIPC we seek a better life for all our people. But we question the perverse incentives that punish those who manage their economic affairs prudently and pay their debts on time.

Local Government Elections A Giant Step

Madam Speaker

15. During 2005 Lesotho took a giant step of unprecedented historical proportions. It held successful and peaceful local elections that will bring Government and services closer to the people and empower them to take part in the decisions that affect their lives. Previous Governments had talked about Local Government but never actually put the building blocks in place. This year the Government has done so and structures are now in place to deliver soon.

16. Another noteworthy point about the local elections is the large number of women that stood for and got elected. The law reserved 30% of the Constituencies for women contestants. But Basotho elected 58% women Councillors – far above the indicative target set by the African women for elected officeholders.

17. The challenge is for these Local Government structures to get to work and develop capacity to manage their affairs including finances and to monitor delivery of services to their communities.

Economic Fundamentals Remain Sound but the Textile Sector is Going through a Rough Patch

Madam Speaker,

18. Lesotho's economic fundamentals remain sound even though the Textile sector is going through a rough patch. Last year I warned that dark clouds were gathering for textiles as a result of the end of the Multi-Fibre Agreement (MFA), competition from the Asian textile producers and the appreciation of the Rand/Loti vis-à-vis the US Dollar. Between 1999 and 2004, textile exports in this sub-sector increased from about US\$100 million to US\$450 million, and employment was over 50,000 Basotho workers at the peak of our exports. However, this has fallen to 48,000 in 2004 and 37,500 in 2005. Growth has declined from 3.1% in 2004 to an estimated 1.2% in 2005 and is expected to increase to 1.7% in 2006. Many textile companies are still here, but they are struggling. Although the situation has stabilised and some purchase orders continue to come in, we are not out of the woods yet.

19. There is, however, light at the end of the tunnel. Government is taking some bold steps to support the sector and to diversify products and export markets. Instead of joining the chorus of voices of those who want to restrict textile exports from the Peoples Republic of China, Lesotho has invited China to be a partner in solving the problems and generating jobs; in forming joint ventures; in training our people in quality assurance; and in financing and construction of Knitted Fabric Mills to anchor these textiles.

20. Second, to attract new investment and retain existing companies. Government has reviewed tax policy and incentives to make them more attractive to new and existing investors. Government has also reviewed the operations of VAT Refunds to see how they can ease the cash flow of companies. In this regard, I will make some announcements later in my speech.

21. Third, Government will vigorously promote textiles and diversify the economy into, among others, sandstones, agro-industries and agri-business, tourism and quarrying and mining.

Past Lessons Inform New Strategies for the Future

22. Development is a complex process. It requires continuous review of the journey travelled and drawing of lessons for future strategies, policies and plans. Our analysis and introspection during the past year have taught us certain lessons that have shaped the Government's strategy for expanding opportunities for people and private companies to create jobs and improve living standards.

First performance, Feedback and Results on the Ground Matter

23. Good plans have been prepared in the past; good policies approved by Cabinet and allocation of resources made by Parliament. But results on the ground have been poor due to weak performance; follow-up and feedback.

24. Second, Implementation Capacity in Line Ministries is Critical for use of Funds. Each year unspent funds are returned to Treasury because Ministries have been unable to use them with the budget year. It is therefore not surprising that our rate of growth has been so low and erratic. Unspent funds cannot generate high and sustainable growth. Commenting on the critical nature of capacity, reducing poverty and accelerating growth, recent study by the World Bank states that: "Building Effective States; Forging Engaged Societies" states that: "The capacity of individuals, organisations, and institutions to set goals and achieve them, the capacity to budget resources and use them for agreed purposes, the capacity to manage the complex processes and interactions that constitute political and economic system – all are essential"

25. Third, corruption and fraud between our neighbour and ourselves and between syndicates and business on the one hand, and some public servants on the other, robs the country and poor taxpayers of large amounts of money.

26. Fourth, improving and removing impediments for doing business in Lesotho requires a coordinated and concerted programme to improve investment. Poor investment climate and unnecessary and slow processes in immigration; in company registration and licensing; in connecting electricity, telephones and water; in receiving timely payments from Government including Tax and VAT refunds; and in getting commercial and criminal cases heard and disposed of timeously. The Chief Justice has scheduled extra Court Sessions to deal with backlogs and delays in the delivery of justice.

27. Fifth, the link between our academic training and the practical skills and disciplines required at work floor levels is very weak. 28. Sixth, the procedures and processes for supplying services for Government procurement and tendering are cumbersome and costly. According to Smart Partnership principles, the Partnership between Government and the private sector must be transparent, mutually beneficial and efficient. It must support the growth of the business sector as a whole.

Partnership against Cheque Fraud and Other Financial Crimes

29. During the last few months, the Government has discovered some fraud syndicates that steal Government and private business cheques. They operate a recycling scheme whereby cheques previously paid are re-introduced in the payment and clearance system to be repaid again. These syndicates involve collaboration between people in Government; in banks in South Africa and Lesotho; some Lawyers and private companies; cheques that have initially been deposited in commercial banks somehow find their way out of the banks' systems and end up in personal accounts in Lesotho or South Africa. Trust Accounts of some Lawyers appear to be used to receive and forward funds.

30. In Lesotho some foreign owned shops are used to cash these stolen cheques in exchange for merchandise or cash. It also appears that most of the old local passports are used to commit this fraud.

31. For the protection of businesses, government, and innocent citizens, effective immediately, Government cheques should be cashed only at banking institutions and Lesotho Post Bank. Any business that cash Government cheques must shoulder the risk of their non-payment by Government if they are found to be stolen. In those areas, especially in the mountains where there are no banks, businesses should insist on two forms of picture identifications such as a passport, a voter registration card, or a drivers' license, all bearing a photograph of the presenter and payee. Other forms of photographic identification could be used, especially by shops in remote areas. Those businesses that do not follow these guidelines, will suffer considerable loss.

32. To tackle the partnership of fraud syndicates across our common borders, we will strengthen the cooperation between our investigative and law enforcement organs in our two neighbouring countries. These will include collaboration between SARS and LRA; between the Financial Intelligence Unit and the Treasury Investigation Unit; and between the Scorpions and our Directorate for Corruption and Economic Offences. Parliament will also be asked to pass Anti-Money Laundering Law before mid-year. It will have asset forfeiture clauses.

An Agenda to Improve the Investment Climate

33. In general, Government response to economic shock of Textiles and the lessons learned from introspection is to implement far-reaching and long overdue reforms to improve the investment climate and provide incentives and opportunities for companies to establish in Lesotho so as to create jobs for Basotho, especially young Basotho. This agenda for reform requires accelerated financing and construction of Metolong Dam to provide water to industries; and, it requires improvement in road, energy and communications infrastructure. Within the next two months we will meet with potential co-financiers of the Metolong Dam, such as the Kuwait Fund, the Saudi Fund, the OPEC Fund, BADEA, the European Investment Bank and the World Bank to agree on financing principles, appraisal and construction of the Dam.

34. The Government has also embarked on a joint program with the World Bank and the International Finance Corporation to improve Lesotho's investment climate for doing business and for replacing Queen Elizabeth II Hospital through a Private Public Partnership (PPP). Improvement in the investment climate will involve:

- Simplifying and streamlining of Immigration, customs and work permit procedures and processes;
- Reducing the time it takes to register a company from the present 92 days to under one week;
- Reducing the 564 hours it takes to pay taxes to less than 24 hours;
- Computerising the land titles and deeds, registration and introducing mortgage market to stimulate housing and finance and construction;
- Speeding up the passage of Married persons Equality Bill which will give women entrepreneurs access to credit in their own rights;
- Modernising and updating of the leasing and hire purchase legislation;
- Reforming and decentralising Government Procurement to line Ministries and District Councils within a framework of strict oversight and financial controls. This reform should be completed by 1 July, 2006.
- Updating and modernising the Pension Proclamation of Laws, including introduction of defined contribution pension scheme for Public Servants and regulation of other Retirement Annuities.

35. Efficient and reliable communications infrastructure is also important for successful private sector development. The Peoples Republic of China has agreed to assist Lesotho to construct FM and TV Towers to transmit voice and pictures throughout the country. Discussions are also about to start for joint venture in telecommunications. The Government's goal is to connect most schools and villages with telephones and wireless technology. E-Schools and distance learning cannot become a reality for most of our students and adults without this vital communication, technology and infrastructure. Neither can small entrepreneurs grow.

Tax Policy and Incentives

36. Southern Africa is becoming an ever more competitive place to do business. Lesotho's long standing 35% company tax rate has had to compete with more favourable rates both globally and closer to home. The close proximity of South Africa and SACU allows companies to operate over the border and pay tax in South Africa on income earned in Lesotho, and to shift operations and profits to take advantage of the differential tax rates. To deal with this situation and to improve our competitiveness the Government proposes to cut the company tax rate from 35% to 25% effective 1st April. This proposal goes hand-in-hand with the Government's stated objective of encouraging private sector-led growth through our Private Sector Development Strategy.

37. But we intend to go further. For many years Lesotho has operated a two tier company tax system, with income from manufacturing and farming enjoying a preferential 15% rate. This rate helped attract investors in Lesotho's clothing and textile industry and has supported the production of other manufactured goods, for example, television sets, bricks and garden umbrellas. To further support our manufacturing industries and to attract new investors we propose to lower the 15% preferential rate to 10%.

38. To help support the recovery in our textile and clothing industry and to encourage diversification of our exports, we propose a zero percent company tax on income generated from exporting manufactured goods outside of our Customs Union. This preferential rate will only be valid for firms who are up-to-date on their tax payments and hold a current tax clearance certificate from the Lesotho Revenue Authority. Over the coming year we will examine how this zero percent rate can be extended to income earned on exports within the Customs Union. Furthermore the government is proposing to extend the upfront VAT refund scheme to cover all exporters.

Principles for Expanding Opportunities, Creating Jobs and Improving Living Standards through Performance

39. Taking account of the lessons from past Government and private sector performance, and the performance of the economy in 2005, Government has adopted a strategy that puts performance and results on the ground at the centre of its operations and reforms. This greater focus on outcomes will guide programme and sectoral preparation and implementation.

40. First, focus and resources will be channelled towards improving the investment climate by expanding opportunities for private sector, supporting farmers, micro-entrepreneurs, and local and foreign companies to investment in order to generate employment. Many laws affecting the investment climate date back to the colonial days and they must be systematically changed, reformed and modernised to manage the modern economy.

41. Second, focus and emphasis will be on improving Lesotho's international business competitiveness.

42. Third, in the allocation of resources, the Government will no longer spread itself so thin that it loses impact. Thus, in a given year, resources will be concentrated in certain areas or sectors to achieve visible and sustainable results before moving on to the next batch of sectors. Economies of scale are needed to achieve quick impact in a number of areas.

43. Fourth, District and Community Councils will assume an increasing role in monitoring performance and delivery of services by public servants in their localities. Who can best report, for example, on whether or not the officials at Monontša, Sani Pass, Tele, Maputsoe or Maseru Borders come to work or not, are rude or extort money from the public?

44. Fifth, the Cabinet Budget Committee, under the Chairmanship of the Honourable Deputy Prime Minister has been charged with the mandate to monitor budget implementation and performance throughout the year: This will involve the following tasks:

- To ensure that budget resources are allocated to priorities that have been approved by Government;
- To ensure that Ministries receive Budget allocations in accordance with clear and precise implementation plans that will use funds expeditiously;
- To monitor financial expenditures and physical progress of project implementation on a quarterly and half yearly basis and propose to Cabinet reallocation of resources from slow spending programmes to fast moving ones.

Principles of Cooperation with Development Partners

45. Many have heard that Lesotho lacks absorptive capacity, and that is why our development partners devote such little resources to it. While I have no sympathy for this explanation, I must admit that execution of the capital budget is slow and shows contradictory trends. Capital projects funded from local revenues tend to be implemented rapidly. Those funded from external loans and grants are implemented more slowly. This underutilisation of available loan and grant resources is costly and must not be tolerated. Cabinet has therefore mandated the Cabinet Budget Committee to track the projects and programmes on monthly, quarterly and mid-term basis. Nobody will escape the scrutiny. This will call for enhancing the monitoring and evaluation capacity of the Ministry of Finance and Development Planning.

46. Government will also begin better coordination of donor inputs to ensure aid effectiveness and recognition of the agreed principles of Government ownership, donor harmonisation and alignment of policies, and mutual accountability. Bilateral and Multilateral Development Agencies agreed in Paris last March to:

- base their support on national development strategies, institutions and procedures;
- implement common arrangements at country level for planning,
- funding, disbursement, evaluating and reporting on donor
- activities and aid flows under the Government Chairmanship; and,
- work together to reduce the number of separate reviews one after another.

Areas of Focus and Emphasis in 2006/2007 Estimates

47. In line with the principles outlined above, the 2006/2007 Budget will give priority and emphasis to the development and construction of Urban and Rural roads, water, electricity and communications infrastructure. In rural areas, Government will encourage joint planning of projects so as to create synergies and clusters or growth points where services can be obtained. For example, a clinic, a school, a post office, and a police station should be located close to each other to make it easier for people to find services in the same location.

48. Second, focus and emphasis will be given to improving delivery of health services both at clinic and hospital levels.

49. Third, emphasis will be on increasing allocation of resources for road maintenance and construction of footbridges in the mountains including some major bridges on the Senqu and Senqunyane rivers. The current rains have emphasised once more the need to link our communities and provide the way to bring services to them. Our mountains are beautiful but they are harsh, especially when it rains.

50. Fourth, focus will be on increasing food production. Three or four areas will be identified in 2006 for block farming and intensive demonstration before moving on to other areas. The Ministry of Agriculture and Food Security will encourage commercialisation of Agriculture through development in these blocks of Agro-industries, such as poultry, dairy, growing of vegetables, conservation farming as well as promoting household food production and security.

51. Fifth emphasis will be given to service delivery at all levels of Government. Following the successful Local Government elections in April last year, the 2006/2007 Budget will consolidate the Government policy of decentralisation of services closer to the people. In the coming year, the capacity of Local Government Authorities will be strengthened to deliver services more efficiently. In this budget, provision has been made for Local Authorities to

begin to improve service delivery. Furthermore, the budget will address infrastructure needs for urban towns as well as remote rural areas, which will be executed by Local Authorities.

52. Citizens must see an improvement in the delivery of services under a democratic government. The Budget Committee will consider how best to monitor service delivery so that Government can avoid construction of classrooms without teachers, clinics without staff or medicines and taps without water.

Madam Speaker,

53. Policies Performance and Results do matter in the use of Public Funds. The Government is determined to exact Performance and Results out of this Budget.

Highlights of Major Budget Allocations

54. The 2006/07 budget estimates propose ministerial allocations of M4,907.5 million of which M3,655.4 million is recurrent and M1,252.1 is capital expenditure. The estimates further propose a statutory expenditure of M895.4 million, constituting loan repayments of M325.9 million; interest charges of M205.7 million; pensions and gratuities of M295.8 million; statutory salaries of M13.0 million and subscriptions to international organisations of M16.4 million.

55. The estimates also propose financing of the expenditure out of government domestic revenue of M5,352.4 million comprising customs revenue of M3,087.8 million; income tax of M892.8 million; value added tax of M692.8 million; other tax revenue of M121.2 million; and non-tax revenue of M557.9 million, of which M250.0 million comes from water royalties emanating from the Highlands Water Treaty. Further external financing is proposed to come from donor grants of M429.8 million and loans of M296.9 million.

56. The estimated overall budget balance from the proposed revenue and expenditure is M277.8 million in surplus, which translates into 2.8 percent of Gross Domestic Product.

57. The proposed allocations for Infrastructure development and supporting services are as follows:

58. A second area of focus will be to improve health services both at clinic and hospital levels. The Ministry of Health and Social Welfare has allocated M386.5 million for this purpose.

Ministry of Public Works and Transport - M128.7 million

Ministry of Local Government - M272.2 million

Ministry of Natural Resources - M50.6 million

Ministry of Communications, Science and Technology - M47.4 million

59. Third, to continue the free primary education programme and complete the first cycle of the programme, the Ministry of Education and Training has been allocated M927.4 million from the consolidated fund.

60. The fourth area is food production through irrigation development. This will entail development of irrigation schemes coupled with intensive demonstration and extension services. Few schemes will be financed in the first instance, and lessons will be drawn from these and adapted to other areas across the country for implementation in future. The Ministry of Agriculture and Food Security will encourage commercialisation and diversification of agriculture through development of agro-industries and high-value products such as poultry, dairy and to improve the quality of wool and mohair. Parliament is requested to approve an allocation of M106.1 million for the Ministry of Agriculture and Food Security. The Ministry

will also intensify household food production and security and block and conservation farming in limited but clearly identified areas.

61. Fifth, efforts will be directed towards sustaining reforms for improved service delivery at all levels of Government. It will be important to continue with the current programmes on public sector improvement and reform through institutional strengthening, capacity and systems development, including building capacity of the established democratic institutions in order for them to carry out their oversight responsibilities effectively. The Ministry of Finance and Development Planning has embarked on a wide range of reforms concerning public financial management. These are expected to bear fruit over the next few years. Specific interventions will include:

- Reform of the Government's procurement system to take effect from 1st July 2006. This will ensure that procurement is decentralised to spending agencies and achieves value-for-money. It will be used as a vehicle for empowerment and development of the local private sector through clear and transparent preferences for local contractors and suppliers;
- Improvement in financial management, accountability and reporting in the public service through the introduction of an Integrated Financial Management Information System that will be installed in 2006/07 and rolled out to all ministries and local authorities over the following 5 years starting in April 2007;
- Completion of the sectoral Medium-Term Expenditure Frameworks (MTEF) in order to ensure that ministerial resource allocations accurately reflect national development objectives and priorities, efficient resource utilisation and the achievement of identifiable results;
- Improvement of management and accounting for Government's financial assets and liabilities through compilation and timely updating of an Asset Register of all Government properties;
- Improvement of the processes for monitoring of and accountability for project implementation;
- Clarification and reduction in the discretionary authority of public servants in order to reduce the scope for systemic corruption at all levels of government;
- Further streamlining of procedures to speed up payments in respect of services delivered to Government.

62. In order to carry out these reforms and for the government to effectively play its facilitative and administrative role as well as provision of public goods and services, Parliament is requested to approve the following expenditures:

Ministry of Finance and Development Planning (NMDS, LRA, Road Fund, Post Bank, CAS)
- M532.1 million

Ministry of Industry, Trade, Cooperatives and Marketing - M38.8 million

Ministry of Justice and Human Rights - M124.9 million

Home Affairs (including Police) - M211.4 million

Law and Constitutional affairs - M43.1 million

Foreign Affairs - M161.1 million

Forestry and Land Reclamation - M31.3 million

Employment and Labour - M23.3 million

Tourism, Environment and Culture - M40.1 million

Gender, Youth, Sports and Recreation - M31.5 million

Public Service - M15.7 million

Madam Speaker,

63. This is my third Budget Statement in this historic House. I have been privileged to work with you and the Honourable members. I have enjoyed both the serious and light moments and the camaraderie among the members of both Houses. I have been greatly enriched.

64. But there is one thing that has always bothered me. It is the lack of space for the public to come and be a part of the proceedings of these great Houses. Lack of gallery space and the inadequate working environment for members constitute a great challenge. The Recommendations of the Parliamentary Reform Committee and the support for empowerment of Parliament will result in increased productivity unless the space problem is solved.

65. I am pleased Madam Speaker to report that Government has decided that Parliament needs a new and better home that is in keeping with its power and status. M30 million has therefore been included to build a new Parliament in this Budget. China, in solidarity with Basotho has also decided to contribute its technical expertise and resources to this noble effort of our people.

Madam Speaker,

66. The increase in the cost of living as measured by inflation has averaged 4.6% during the last fiscal year. Accordingly, it is proposed that salaries for all public servants be adjusted by 5% across the board. As was the case last year, income tax bands will be adjusted by 5% in order to allow workers to keep more of their wages.

67. In conclusion, the coming fiscal year will see government devoting more effort to improving the investment climate for doing business, beginning a process of allocating resources in amounts that would make a meaningful impact both for economic growth and Basotho people and ensuring that the budget is fully implemented as approved by this Honourable House.

68. Finally, my gratitude is reserved for our cooperating partners for having walked the development path with us and for their new resolve to support fully the policies that Lesotho has chosen. The budget that I present before you today is unique in that it has been shaped significantly by the Cabinet Budget Sub-committee to whom I am greatly indebted. I would also like to thank my Cabinet colleagues for their patience and support, my staff for the long hours and the technical input behind the speech and those of our staff who are in the ten districts to discuss the Budget and provide answers.

69. I thank you for your attention.

KHOTSO! PULA! NALA!

Full annexures and details can be accessed at

<http://www.lra.org.ls/news/Budget%20Speech%200607%20internet.pdf>.