



ANOTHER LESOTHO IS POSSIBLE:

Analysis of the 2009/10 Fiscal Budget

Lesotho Council of NGOs

Presented to the Economic and Development Cluster of the National Assembly on the 6th March 2009

Background

Lesotho Council of Non - Governmental Organisations (LCN) is an umbrella organisation of civil society organisations, social movements, youth organisations, women organisations, Faith Based organisations and Community Based Organisations in Lesotho. LCN derives its mandate from the need to develop Lesotho socially, politically and economically, by promoting public participation in all development processes. The mission of LCN is to stimulate, promote and build capacity within Lesotho NGOs so that they are a stable, democratic, transparent, skilled, empowered, sustainable and responsive to their beneficiaries' needs and those of the voiceless and marginalised. In order to undertake this mandate, LCN has developed several programs that capacitate its membership and the general public to understand and translate public policy and other development processes to determine whether such meet their different expectations.

LCN considers a national budget as a vital tool in promoting economic growth and poverty reduction, and has developed a programme with which it capacitates its members to participate in the budget cycle, that includes, budget analysis and tracking. Budget is one of the major policies of any institution from the household to government level. At the household the budget is designed in a manner that it finances the needs of all family members, ranging from schools fees to acquisition of property, and in that case, it is much easier to capture the needs of each member, and decide timely, whereas in the case of government it takes months or even years to establish a need. Thus the arising role to the civil society organisations will be to ensure that identified needs of the populace are integrated into the budget, and that the government delivers,

and it is accountable to its electorate. This analysis is looking as to whether the budget responds to the needs of the populace, does it address the poverty trappings of the society.

Lesotho is now classified as a middle income economy unlike in the previous fiscal year where it was considered a least developed country. This unfortunately happens at the time when the world's economy is in decline. The notion of free market perfections has been proven wrong by the credited crunch which was eventually flanked by western government having to intervene to prevent Banking giants to collapse. This is the time that developing countries like Lesotho got to realise the risk that privatisation has left our economies with. The decision to locate production sites has become political rather than economic as western politicians are determined to get jobs for their voters. The multinational corporations that bought the privatised parastals are shutting production sites in subsidiary countries.

Budget Response to poverty trends in Lesotho:

- The public budget exercise is defined as an occasion to take stock of the year that ended
- It provides government with the opportunity to inform the nation on how it proposes to better their development in the coming fiscal year
- The public budget is a tool that supports policy intentions, where policy matters, budget matters even more
- Public Budget is a tool for development meaning that it provides a framework for public expenditure
The process of generating state revenue is a shared responsibility
- It is a burden that requires citizenry participation
- Civil society organizations consider budget presentation as another mechanism for the government to account to electorate
- Budget presentation is a critical accountability indicator together with the audit report

Yesteryear's Budget Realities:

- Budget Speech for the 2008/2009 was emphasizing on the promotion of private sector,
- Health and education were major components of social services

- The theme was “*The Race for Jobs, Better Life, High and Sustainable Growth must be won*”
- People who needed food assistance were 400,000
- HIV and AIDS prevalence was 23.5%
- Unemployment rate was 40%
- Democratic Deficit as evidenced by post elections conflicts
- Poverty prevalence is 43% while 40% is in abject poverty
- Lesotho is a Least Developed Country

Today’s Budget Realities:

- People who needed food assistance are 350,000 with agricultural output decline of 8.6%
- HIV and AIDS prevalence was 23.5%
- Unemployment rate is 36%
- Democratic Deficit as evidenced by post elections conflicts
- Poverty prevalence is 43% while 40% is in abject poverty
- Global Economic Downturn
- This year’s theme “*Despite the ravaging financial storms, Lesotho must remain focused on high, shared and sustainable growth and protecting the vulnerable*”
- Lesotho is a Middle Income Economy

Overall Civil Society Commentary:

- There is general appreciation that the budget is trying to respond to global challenges
- With limited capabilities we hope Lesotho will cope
- We are also hopeful the rural communities will be given preference
- We hope education and agriculture allocations will bring about change in rural livelihoods

Public Budget Response:

- Due to global challenges as diagnosed by the Minister, we can conclude that:
- Poverty will be deepening
- The purchasing power of the poor people is declining

- Unemployment will be on an increase
- Elderly people will be burdened with support and care
- Minister indicates that there will be SMMEs, but if there is no capital for them, it will be difficult to realize this objective.
- The commercial banks are reluctant to play the role of credit provider
- The M112m and M50m allocated for rural development will not be adequate if poverty prevalence is around 43%. There is need to decentralize resources to the community council level

Agriculture and Food Security

- Poor Basotho farmers are in dire need of subsidy- government-farmer partnership is the answer to our production woes.
- Budget allocation for the block farming programme was inadequate.
- Inputs provision to the farming community should be timely planned.
- Indigenous livestock species rearing vs. GM varieties practices and promotion.
- Traditional practices in draught of horse power vs. cattle power
- Range management is not explicitly covered.
- Increasing food prices not addressed adequately - HungerFREE Lesotho is possible.
- The budget does not put organic agriculture as a competitive advantage for Lesotho.

Good Governance:

- No national consultation of stakeholders about local government elections postponement from 2010 to 2012.
- Democratic processes not budgeted for except for elections.
- Portfolio committees not afforded adequate funding in order to monitor the government.
- Unclear public consultation process for policy development including the budget itself. There is a need for a budget item for this purpose.

Employment:

- Provide alternative employment for retrenched employees from the Textile Industry
- How many jobs does the SMME program intends to create?
- What are plans to assist the street vendors that are continuously been chased from the streets of Maseru?
- Government should introduction of maximum wage policy (The lowest paid employee of a company should not be paid less than 10% of the Highest paid employee of the same company)
- Other plans to absorb the trenched miners from RSA into the economy of Lesotho and utilization of their skills and expertise.
- Is there a plan to absorb the graduates of the tertiary institutions from Lesotho and abroad into the economy activities

Health:

- Rollout ARV's access following KYS to those in dire need of the service rather than current arrangement
- Is free health system working- how do we provide health centres with medications.
- Is there control of emerging pharmacies next to the GOL health centres?
- Establishment of national pharmaceutical quality assurance council- to curb and test the many muti and concoctions.
- Prioritization of HIV and AIDS against other equally contagious diseases like TB
- The government should develop a consumer policy to protect the populace from profit driven corporations and individual.

Education:

- The government intends to introduce Which students will feed this secondary school if there are no special primary schools?

- What is the meaning of special school today? Is an institution of only disabled people in the exclusion of all others? Is government thinking of reintroducing segregation?
- As state parties to the Convention on the Rights of Persons with Disabilities, why do they not think of something developmental, like inclusive education embodying special education for learners with multiple disabilities who cannot be included?
- People with Disabilities need inclusive education. They need a twin track approach in schools where all types of people with disabilities mix with other learners so that they acquire education at the same level as others. The only requirement is that special facilities have to be made at school to ensure inclusion.
- Government has to start with some special primary schools before it can build a secondary school.
- Need to abandon COSC as it does not address the basic education needs of our society.
- English language is not passport to quality education and should not be used to determine the fate of students.
- Need for basic education that responds to today's technological and economical needs.
- There is a need to establishment secretariat for Council for Higher Education (CHE) for proper regulation of institutions of higher learning
- Training of teachers on special education to address the disabled and other challenged pupils in the learning environment.
- There is a need to train Doctors, Engineers, and other specialist as we have managed with accountants

Closure of Financial Records

The proposal of the honourable minister is totally out of proportion the Parliament has allocated those resources and there is a given provision of the law as to what should happen with misappropriation of public funds. This will be setting precedence if parliament is to accord that amnesty. The collapse of Lesotho Pharmaceutical Corporation (LPC) amongst others is a clear symbol of what happens when stewards are not held accountable. LPC employed scores of Basotho and provided bread for many Basotho and provided a huge opportunity for growth.

There are oodles of activities that civil servants have undertaken for the sake of spending. The first question will be do we need a closure of books or a proper investigation of what happened and who guilty of misappropriation of public funds. Did this Parliament allocate resources for the acquisition of trucks and caterpillars for districts councils in the 2008/09 fiscal year? This is a very positive expenditure that we do not find any reason that the Ministry of Local had to exclude it from its plans. If there is this closure as per request of the Honourable Minister there will be many criminals who continue to hold public office while should be serving their sentences. It will be a crop of disappointment for the entire if the Parliament is to let the untrustworthy stewards do away with this sin.

Our society is in ruins and there is no sign of hope for better future given the declining revenues from SACU as well as the global economic downturn. There has to be a proper investigation of what happened with those public funds and culprits must suffer the consequences. Parliament should ensure that all funds should be brought to government treasury even if it means going offshore to track those that might have been shipped.

Conclusion:

Oodles of funds are lost in hotel expenses because of the delays in payment of services rendered. The most unfortunate aspect of this delay is that those workshops are held having approved. The budget should be allocated according to MTEF as piloted in a few ministries with the plans to make it universal. The proposals that are laid by the minister of keeping transport cost at last year levels and reducing workshops do not suggest that we are intending to hold ministries accountable for their lack of execution. The most important question is whether we really better positioned to cry foul of absorptive capacity. There is a need to have a well defined way in which the populace could contribute to the national budget development. The need to review the manner in which our budget is formulate is long over due and we appeal to this Parliament to enact laws that will ensure that the scarce resources of this nation address the needs of the electorates. The manner in which we are building up budget is more of a palliative than prophylactic to the lives of ordinary citizens of Lesotho. There is a need to coordinate the efforts of both civil society and government towards the development of Lesotho. This is a very important partnership that will result in a more open and inclusive society. The global economic downturn has proved Bretton Woods's theory of private sector led economy erroneous as the

CEOs of the world's most powerful multinationals seek public fund to bailout their privately owned companies. Markets are never perfect because there are Billions of American Dollars that enter into the so called formal economy illegally. According to Ndikumana & Boyce 2008 Lesotho has lost about \$893.4 between 1975 and 2004 in capital flights¹. This money accounts to almost 50% of the National Budget the opportunity cost of having opened floodgates for our resources is priceless in this economic hardships.

¹ Ndikumana L. & Boyce B.K. (2008) New estimates of Capital Flights from Sub Saharan Africa: Linkages with external borrowing and policy options