

What do you expect from the national Budget?: Analysis of 2006/07 Budget Speech

Lesotho Council of NGOs

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Getting rid of poverty and other social inequalities is of course a long term undertaking. Nevertheless, it is possible to gauge the extent to which government is moving in the direction of meeting its commitment to social and economic aims through a scrutiny of its budgetary activities. Examination of a public budget matters because budgets are powerful policy tools with profound implications for social equity outcomes.

In analysing the 2006/07 budget speech it is therefore imperative to do so within the framework of the Lesotho Poverty Reduction Strategy. This strategy is based on a three-year consultative and participatory process involving communities and stakeholders nationwide. Working groups, composed of key policy makers, representatives of NGOs, the private sector and academics prepared a series of sectoral and thematic position papers that describe how best government might respond to the concerns of the poor over the next few years. The foundation of the plan has been laid by communities throughout the country. Their priorities, which form the basis of the Lesotho Poverty Reduction Strategies, are crystal clear and perfectly reasonable.

Analysis of 2006/07 Budget Speech

As has been said, this analysis is done within the framework of PRS. First of all we would like to thank the Minister of Finance and Development Planning for recognising the need to own the objectives of the PRS as “a nation, regardless of party or organisational affiliation”.

The main focus areas and emphasis as stated in the 2006/2007 budget speech give a priority to first Infrastructure Development, second Improving delivery of health services both at clinic and hospital levels. Increasing food productivity ranks as the fourth area of focus in this speech. While this is a commendable effort by the government the question still remains: Are efforts being made to redirect the national budget to match the needs of the poor as they have been directed in the National Poverty Reduction Strategy? The idea of democratic rule is founded on the persistent belief that citizens can through effective and efficacy deliberations govern themselves. Democracy assumes that ordinary people have capacity and the means to determine their destination. Is the Lesotho National Budget following this order?

I hope we will all agree that Basotho ranked employment creation as their number one priority. Throughout the country Basotho identified the lack of meaningful employment as the most fundamental cause of poverty. Statistics from various surveys confirm a direct relationship between levels of employment and levels of poverty: i.e. those with formal sector jobs that provide regular income are far better off than those who depend on informal activities or subsistence agriculture. Households that do not have a wage earner are most likely to fall into a situation of chronic poverty.

In addition, the Lesotho's economy is largely dominated by the Small Micro and Medium Enterprises “SMMEs”. There are distortions in the policy that support this sector hence creating a gap in accelerating economic growth. We would like to see the national budget addressing issues of SMME's through a wide variety of measures, that include: building the skills of Basotho entrepreneurs through training; development of sustainable market opportunities; the provision of business counselling and mentoring; support to business associations; piloting rotational markets and establishing new market centres equipped with modern technology; improving access to credit through the reintroduction of credit schemes and financial services that are demand-led, market driven and flexible in nature

The second priority had been Agriculture and Food Security **as opposed to putting it as the fourth focus area in the speech**. In a land that once exported surplus grains to the towns of South Africa, there is now hunger. In over 60% of the communities involved in the PRS consultation “lack of food” was mentioned as a defining feature of poverty. Throughout the country people described how their communities have progressively become more and more food deficient since the 1970s. They blamed a combination of issues but the end result is the same: hunger. The prospects for increasing staple food production are not good. Lesotho remains highly dependent on cereal imports. Agriculture is often uneconomical while production is inadequate. The current trend confirms that the production of cereal crops has been declining over the years.

We recognise the potential of agriculture to contribute and provide sustainable livelihoods to a significant section of the society. Not only that, it is also recognised that Agriculture can create a significant number of jobs and thus securing households income and food security at the same time. As some 60% of the annual cereal requirement has to be imported at the going regional market price, household purchasing power therefore plays an important

role in household food security. The country budget interventions should therefore clearly go beyond food aid. It is imperative to follow the PRS aims to address food security through an increase in agricultural production, employment creation and income enhancement.

The GOL has committed itself to begin systematic implementation of the most important priorities described in the PRS that is, investing more on the economic sectors and infrastructure services. While there is commitment to reduce corporate tax from 35% to 25% for other industries and from 15% to 10% for manufacturing and farming, the 2006/2007 budget allocations still indicate that "social services account far more than the economic sectors. In addition, while the reduction of these taxes mean attraction of investment in the country, it also means reduction in the country's tax base and hence reduction in the country's revenue. Surprisingly, the budget allocations do not indicate any efforts to increase domestic investment to sustain the tax base.

While it is undoubtedly very true that those who are unable to respond to economic growth opportunities must be assisted in ways that increase their access to various public goods and services which the private sector is unable to provide, the question is; can the nation sustain these social sectors without greater investment and focus on the economic sectors? The answer is obviously no.

In recent years the private sector has demonstrated that, under the right circumstances, it has the capacity to stimulate economic growth and rapidly expand employment opportunities. With the introduction of the Africa Growth and Opportunities Act (AGOA), for example, industrialists based in Lesotho were able to increase production and employment considerably. However, it is important to identify niches through which the country can take advantage of. This should be more of investments on local private sector for its potential to offer income as well as contributing to the country's tax base. It is disappointing to find that under the national capital budget sectors that have been identified as having potential to increase local employment such as tourism account to zero allocation.

Recently stakeholders have been holding meetings trying to shape proposals for the Millennium Challenge Account. One would think that this is another country's opportunity to concentrate on the economic growth; to improve the investment climate through infrastructure development that will adopt the concept of Public Private Partnership. But the situation is different, government still show prejudice of social sectors over economic sectors.

Experience shows that difficulties in alleviating poverty and delivering essential services in the past are results of resistance in recognising and underlining the need for certain shifts in programming. The application of more rigorous planning and budgeting procedures is expected to enable resources to be reallocated from activities of less need to activities of greater need.

Some hard choices therefore need to be made as the resources available are far from adequate to implement all of the objectives and strategies outlined under the various priority areas. For this reason, the nation has to provide strong leadership and co-ordinate a concerted response by various sectors of society. Strong political and administrative support is required in order to shift mindsets and embrace new thinking, priorities and approaches. The national budget should now shift from the supply led approach to the demand led approach. At its second year of its implementation it is still not clear how the Poverty Reduction Strategy is being implemented.