



**KINGDOM OF LESOTHO**

ELEVENTH PARLIAMENT

JOINT SITTING

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**Daily Hansard (Official Report)**

FIRST SESSION

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SECOND MEETING

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**Wednesday, 18<sup>th</sup> February, 2026**

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(Unrevised)

**NATIONAL ASSEMBLY CHAMBER**

**A JOINT SITTING**

**Wednesday, 18th February, 2025**

**[The House assembled at 09:00 a.m.]**

**[RT. HON. MR. SPEAKER AND HON. MADAM PRESIDENT in the Chair]**

**PRAYER**

**[The Chaplain Led the House in Prayer]**

**COMMUNICATION FROM THE CHAIR**

MADAM PRESIDENT: Order, Litho tse Khabane. Ke kopa ho le lumelisa le ho le amohela Tulong ena ea letsatsi la kajeno. Le tla hopola hore ho latela Section 12 Sub-section 2 of the Tenth Amendment to the Constitution, the President of the Senate and the Speaker of the National Assembly may convene a Joined Sittings of the House under the following circumstances;

1. The delivery of policy statements by the Prime Minister.
2. Presentation of the budget speech.
3. Addresses by visiting Heads of States, Governments and other dignitaries.

Today is one such day in which the 2 Houses will be together to listen to a Financial Policy Statement by the Hon. Minister of Finance and Development Planning. I will call upon the Rt. Hon. Mr. Speaker to read to you the temporary Standing orders that will guide the proceedings of today. Over to you, Rt. Hon. Mr. Speaker.

RT. HON. MR. SPEAKER: Kea leboha, 'M'e. Hon. Members, joaloka ha Mohlomphehi Mookameli oa Ntlo ea Senate a boletse. Ho ea lumelleha ka molao oo a o bontšitseng hore re le babeli le eena re ka bitsa liphutheho tse kopanetsoeng ke Matlo ana a mabeli. Ha hoo ho etsahala, e ba ho tla ba le melao ea nakoana e tsamaisang boemo bona. Ke tla bala melaoana eo.

## TEMPORARY STANDING ORDERS FOR JOINT SITTINGS OF THE HOUSES OF PARLIAMENT

1. Pursuant to Senate Standing Order No. 100 (1) (b) and the National Assembly Standing Order No. 110 (1) (b);

Notice to Members:

2. The Clerks shall issue notices to Members specifying the subject-matter, date, time and venue for the Joined Sitting presiding in Joined Sittings.

Presiding in Joint Sittings:

3. (1) At the Joined Sitting of the Houses of Parliament, the President of Senate and the Speaker of the National Assembly shall be Co-Chairpersons.

(2) If one of the Presiding Officers is not present, the Vice President or the Deputy Speaker as the case may be, may Co-Chair.

Procedure at Joint Sittings:

4. At any Joined Sitting, the procedure of any of the Houses shall apply with such variations as the Co-Chairpersons may consider necessary or appropriate.

Record of Proceedings of Joint Sittings:

5. The Clerks shall cause to be prepared a full record of proceedings of a Joint Sittings, and shall, as soon as practicable, publish it in

such form and manner as Presiding Officers may, from time to time, jointly direct.

Adjournment:

6. Joint Sittings of the two Houses of Parliament will adjourn Sine Die.

Ke ka mokhoa oo litaba tse na tsa kajeno tsa Phutheho ena e kopanetsoeng li emeng kateng. Ke ile ka bolela hore sepheo ke hore ke bale melao e re tsamaisang Phuthehong ena e kopanetsoeng.

Ke tla busetsa marapo ho 'M'e Mookameli oa Ntlo ea Senate.

Next item Mr. Clerk!

## PROCEEDINGS ON SUBSTANTIVE MOTIONS AND BILLS

### MOTION

#### 242. FINANCIAL POLICY

HON. DR. R. MATLANYANE (Minister of Finance): Kea leboha, Mohlomphehi. I rise to propose;

That this Hon. House gives general approval to Financial Proposals contained in the Estimates of Revenue and Expenditure for the Year 2026/27.

Honourable President; Honourable 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

His Lordship Chief Justice

The Honourable Deputy Prime Minister and Leader of The House  
My Colleagues, Honourable Ministers of His Majesty's Government  
His Lordship President of the Court of Appeal  
Honourable Members of the Council of State  
Honourable Leader of Opposition  
Honourable Judges of the High Court and Court of Appeal  
Honourable Deputy President of the Senate  
Honourable Deputy Speaker of the National Assembly  
Honourable Members of Both Houses of Parliament  
Their Excellencies, Heads of Diplomatic Missions, and International  
Organisations here present  
Distinguished Members of the Media  
Basotho ba heso, ka hare le ka ntle ho naha.  
Kea le lumelisa

## I. Introduction

1. Hon. President, Hon. Mr. speaker, I am pleased to present the Budget Estimates for the 2026/27 Fiscal Year,...

HON. SPEAKER:...Next time you mention those titles you say the Rt. Hon. Speaker...(APPLAUSE)...

HON. DR. R. MATLANYANE: Kea leboha, Mohlomphehi. May I beg your guidance, Rt. Hon. Speaker.

RT. HON. SPEAKER: Oh! Ke taba feela ea hore title ea Motsamaisi oa Lipuisano ka Sekhooa, ke Rt. Hon. Speaker - ka Sesotho Mohlomphehi Motsamaisi oa Lipuisano, 'me ke bona eka u bala Puo ea Senyesemane, che u ka baleha Sesothong, ha u fihla mono ua 'na ua re, Bahlomphehi Mookameli oa Ntlo ea Senate le Motsamaisi oa Lipuisano, empa ha u ea Senyesemaneng e tla ba Hon. President and Rt. Hon. Speaker...(APPLAUSE).

HON. DR. R. MATLANYANE: Kea leboha, Mohlomphehi Motsamaisi oa Lipuisano ka Ntlong ea Sechaba.

Hon. President, I am pleased to present the Budget Estimates for the 2026/27 Fiscal Year, guided by the Theme “Accelerating Economic Transformation; Building Resilience”

2. In recent years, our efforts have been directed towards restoring macro fiscal stability, strengthening governance and laying foundations for inclusive, broad-based and sustainable job creating growth.

3. These efforts, Bahlomphehi ba ka, were not only deliberate and necessary but informed by deep reflections of the underpinnings of our journey for development since time immemorial, as well as our beliefs and practices that have become norms and tradition, yet they collide with the basic principles of transformative and progressive economic policy. These efforts have helped us to stabilize our fiscal position, expand social protection, invest in infrastructure and build resilience in the face of external shocks.

4. However, stabilization is hardly a sufficient condition for prosperity. Foundations alone do not create opportunity. A nation does not transform by simply preserving what exists. It transforms by building what does not yet exist.

5. We now enter a new phase in our journey to transform our economy. A phase that needs clarity, resolve, and demands acceleration, structural reforms, and productive expansion.

Bahlomphehi, a phase that puts the needs and ambitions of Basotho to be placed ahead of those of individuals.

6. The time has come for us to move decisively from recovery to flight, from dependence to diversification, and from constraint to opportunity. These Budget Estimates, therefore, represent more than an Annual Financial Plan. It is a strategic instrument to re-shape the structure of our economy and to re-define ourselves. It is a commitment to unlock the productive capacity of our people, empower enterprise, and position Lesotho as a competitive participant in regional and global markets.

7. Hon. President, Rt. Hon. Mr. Speaker, the argument for transformation has never been more compelling. The global economic landscape has become bullish and hostile. Our economy continues to face structural constraints that limit growth and job creation. Youth unemployment remains unacceptably high.

8. Our revenue base remains vulnerable to external volatility and shocks, and global economic conditions – marked by geo-political tensions, technological disruption, and climate pressures – demand that we strengthen our economic resilience with urgency and foresight.

9. Yet within these challenges lie incredible opportunities – advancements in technology, tapping into and expansion of regional markets, growing demand for sustainable production and our own natural and human resources present pathways and opportunities to a more dynamic and diversified economy.

10. To seize these opportunities, we must empower the primary engine of sustainable growth – the private sector. Government must create a conducive environment, provide infrastructure, and ensure the stability within which enterprise can thrive. On the other hand, private sector must be willing to take risks, investment must expand, and innovation and creativity must be accelerated. Jobs must be

created not by temporary stimuli, but by sustainable productive activity.

11. Once again, this is a defining moment in our nation's development path. The decisions we take today will shape the trajectory of our economy for years to come. This Budget, therefore sets out a clear and deliberate course of action to transform Lesotho into a more productive, competitive and resilient economy driven by private sector initiative and supported by a capable and enabling state.

12. As we embark on this path, we do so with determination, conviction, and with confidence in the ingenuity and resilience of us as a people.

## II. RECENT ECONOMIC DEVELOPMENTS

13. Hon. President, Rt. Hon. Mr. Speaker, allow me to set the scene by giving a brief on recent economic developments, challenges and risks as well as opportunities, and thereby shed light on the economic environment underpinning the 2026/27 that I will later put before you.

14. Hon. President, Rt. Hon. Mr. Speaker, I now turn to the Macroeconomic environment underpinning the Budget Estimates for 2026/27 of the National Budget.

### Global And Regional Macroeconomic Developments

15. Global growth remains relatively resilient, projected at 3.3 percent in 2026 and 3.2 percent in 2027, supported by productivity gains, technological investments, and the transformative impact of artificial intelligence and technology. However, this resilience masks tightening financial conditions, elevated interest rates, rising public debt, climate-related shocks, and a shift toward more inwardlooking policy priorities. These dynamics have reduced the availability of concessional finance and reshaped global trade relations, making growth more uneven and less predictable.

## ZEROING IN GROWTH REGIONS

16. Growth in advanced economies is expected to remain stable at 1.8 percent in 2026 and 1.7 percent in 2027. The United States economy is forecast to expand by 2.4 percent in 2026, slowing to 2.0 percent in 2027, supported by favourable fiscal policies, easing interest rates, and corporate tax incentives. While this performance reflects resilience, it has not translated into improved outcomes for smaller, trade-dependent economies facing higher trade barriers.

17. Across emerging markets and developing economies, growth is projected at 4.2 percent in 2026, down from 4.4 percent in 2025, reflecting weaker capital inflows, heightened trade uncertainty, and increasing exposure to protectionist measures. China's growth is expected to moderate from 5.0 percent in 2025 to 4.5 percent in 2026 and 4.0 percent by 2027, while India's growth, after reaching 7.3 percent in 2025, is projected to stabilise at 6.4 percent in both 2026 and 2027. COMING DOWN TO SOUTH, SUB-SAHARAN AFRICA

18. Sub-Saharan Africa continues to show resilience but subdued growth, projected at 4.6 percent in both 2026 and 2027, supported by macroeconomic stabilisation and reforms. However, tighter external financing conditions, less secure trade preferences, and climate disruptions continue to weigh heavily on small, open economies. South Africa, Lesotho's principal economic anchor, is projected to grow by approximately 1.4 percent in 2026, supported by improved energy availability and stabilising macroeconomic conditions. This recovery supports relatively stable SACU revenues and remittance flows, but it remains stabilising rather than transformative and does not fundamentally alter the region's low-growth trajectory.

### Global Outlook

19. Looking ahead, global growth is projected to remain broadly steady, at around 3.25 percent over the medium term, while global inflation is expected to decline further towards 3–4 percent range.

However, risks remain tilted to the downside. These include renewed trade tensions, geopolitical shocks that could disrupt supply chains and commodity prices, and a potential reassessment of technology-driven productivity expectations that could weaken investment and trigger financial market corrections. Elevated public debt levels in several economies or number of countries may also exert upward pressure on long term interest rates, further tightening global financing conditions.

20. To put things in perspective, Honourable President, The Right Honourable Speaker, and Members we're faced with a global economy that is undergoing a fundamental transformation – a transition that is complex and painful to say the least and characterized by a movement from an orderly rules-based multilateral trading system. While global growth remains relatively resilient, the benefits of this growth are unevenly distributed. For small, open, and trade-dependent economies like ours, the operating environment has become significantly hostile and complex.

21. The multilateral trading system that once favoured economies such as ours is giving way to a more fragmented, protectionist, and competitive global order. Heightened trade tensions, tariff wars, and the strategic re-shoring of supply chains are redefining global commerce, resulting highly competitive order-highly competitive order, I must say. These shifts have direct and severe implications for us..

### Implications for Lesotho

22. For Lesotho, these global and regional shifts have had direct and severe consequences. Although growth in major economies remains positive, heightened trade barriers and uncertainty around trade preference regimes have weakened confidence in vulnerable economies. While Government successfully secured a one-year extension of AGOA and a moderation of tariffs to around 15 percent, tariffs remain elevated by historical standards, and global trade tensions continue to weigh heavily on long-term investment

planning. Heightened uncertainty in global trade and financial markets underscores the importance of preserving fiscal buffers, safeguarding external stability, and remaining vigilant to spill overs through trade, SACU revenues, and regional financial conditions.

23. The impact has been much pronounced in the textile, apparel, and mining sectors, historically our largest private-sector employers. International buyers are de-risking supply chains, diverting orders away from smaller economies. Factory and mine closures, job losses, and declining household incomes have followed, posing risks to employment, foreign exchange earnings, skills retention, and social stability. At the same time, external concessional financing has contracted sharply. The cancellation of MCC Compact II and other support reflects a structural withdrawal of grant financing rather than a temporary fluctuation, creating funding gaps in health, water, and agriculture.

#### Domestic Economic Developments

24. For our Economy, Economic growth in 2024/25 registered 4.2 percent, driven largely by the Works of Lesotho Highlands Water Project Phase II, with construction growing by 6.3 percent. The textile industry rebounded to 3.2 percent growth, from -11.1 percent in 2023/24, as firms accelerated order completion amid AGOA uncertainty around its renewal. This momentum proved temporary. In 2025/26, growth declined to 1.4 percent due to external shocks, including tighter conditions centred around tariffs on exports and a continued decline in global diamond prices. The downturn was most pronounced in textiles and mining, where reduced orders, layoffs, care and maintenance decisions, and cost-containment measures, including workforce reductions, mine-life revisions, and targeted royalty relief, were implemented to preserve cash flow and sustain operations.

25. Inflation remains contained, moderating to 4.3 percent in 2025 and stabilising at 4.5–4.7 percent over the medium term, supported

by easing food and fuel prices, though upside risks persist from exchange-rate volatility and global trade disruptions.

### Domestic Economic Developments

26. Hon. President, Rt. Hon. Mr. Speaker, looking further ahead, our medium-term projections show the economy growing sluggishly at 1.5 percent in 2027/28 and 1.6 in percent 2028/29. The improvement in the agricultural sector is expected to be anchored by enhanced breeding practices on livestock coupled with anticipated favourable weather conditions on crops. Even with this, there is much more moderated anticipation as the diseases continue to ravage our Livestock. In the manufacturing sector, operational factory spaces in Tikoe and Belo are anticipated to benefit the textiles and other manufacturing sectors. I beg, your pardon, there are also aspirations of diversifying into Regional and European market.

27. However, the growth anticipated from these initiatives will not offset the deterioration in AGOA related firms, resulting in worsening of the textile industry growth projections.

28. Once again, you will have to be cautious,

29. On the contrary, the mining industry over the medium term continues to be under pressure with the continued global demand and price slumps, oversupply and competition from synthetic diamonds and other factors Mining fell sharply with estimates showing marginally around -3.5 percent. Diamond sector pressures are expected to persist until global demand and prices stabilise, potentially limiting near term growth.

### Fiscal Developments and Outlook Revenue and Expenditure Performance

29. Hon. President, Rt. Hon. Mr. Speaker, In 2025/26, total revenue is estimated at M27.1 billion, equivalent to 60 percent of GDP, I beg your pardon Tax revenue amounted to M10.7 billion (24 percent of GDP), comprising M5.4 billion from income taxes and M5.3 billion

from taxes on goods and services. Value-added tax contributed M4.3 billion, while excise revenues stood at M1.0 billion. Grants amounted to M1.8 billion (4 percent of GDP), while other revenue totalled M5.4 billion (12 percent of GDP), including property income of M351 million. SACU receipts accounted for 20.4 percent of GDP, remaining a critical pillar of fiscal performance.

30. Recurrent expenditure is expected to total M19.3 billion (42.7 percent of GDP), including social benefits of M2.5 billion and interest payments of M1.1 billion. Capital expenditure amounted to M6.4 billion (14.2 percent of GDP). We expect The fiscal year will close with a headline surplus of approximately 3.2 percent of GDP, against an approved initial deficit of 2.5 percent of GDP. This is an account of 2 factors, higher water royalties of M4.7 or 4.8 billion as well as under performance or under execution of the capital budget. So, it is expected this outcome that we have, is cyclical and masks a persistent weakness of under execution and must be corrected.

#### 2026/27 Budget Outlook

31. For 2026/27, the revenue outlook is cautiously optimistic but cautious. Personal Income Tax is projected at M3.54 billion, this is above the M3.11 billion approved in 2025/26. Corporate Income Tax is projected at M1.11 billion, broadly stable. Value-added tax remains the main downside risk, with a projected M4.67 billion, below the M5.01 billion approved in 2025/26. This is a reflecting subdued consumption.

32. Total expenditure is budgeted at M30.9 billion (67.3 percent of GDP). Recurrent expenditure amounts to M21.94 billion (47.4 percent of GDP), while Capital Expenditure rises to M9.03 billion (19.7 percent of GDP), reflecting a decisive shift toward infrastructure investment and accelerated execution. Over the Medium Term, revenue is projected to stabilise at 67.8 percent of GDP in 2027/28 and 69 percent in 2028/29, while expenditure declines from 67.7 percent to 62.0 percent of GDP, resulting in fiscal surpluses of 2.9 percent and 7.0 percent of GDP respectively.

33. The external position has weakened due to declining textile and diamond exports. While the balance of payments remains supported by LHWP-II capital inflows, the current account deficit is expected to widen in 2026 before improving as construction imports normalise. Foreign reserves are

projected to remain adequate at around six months of import cover, though sensitive to SACU volatility, diamond prices, and fiscal execution risks.

34. The Government of Lesotho total debt stock as at end of January FY2025/26 amounted to M22.7 billion (50 percent of GDP), this is a decline of M667.2 million from M23.4 billion at the end of FY2024/25. This reflects a 3 percent reduction in our debt stock, with the debt to GDP ratio falling from 54.3 percent to 50 percent of GDP. The composition of public debt also shifted during the period, with share of domestic and external debt moving from 15.4 and 84.6 percent respectively to 16.9 and 83.1 percent respectively. The external debt portfolio remains mostly concessional at a share of 88.4 percent currently, this is despite the country graduating from IDA low income to low middle income country status, which presented the country with the hardened higher costs of borrowing from the international financial markets.

35. The country's debt risk rating remains unchanged from 2024/25 Fiscal Year at moderate level of debt distress with limited space to absorb shocks.

36. Hon. President, Rt Hon. Speaker, this macroeconomic context leads to one clear conclusion: I wish I could make it easier that the conclusion is that the reality that we are facing compels a deliberate shift in policy priorities— towards strengthening domestic revenue mobilisation we have to be inwards looking, the financial market out there is stringent, enforcing disciplined and efficient expenditure, and restoring credibility in policy execution. For us, building economic resilience is no longer optional but it is now binding; it is now the central organising principle guiding Government's policy

priorities for the 2026/27 financial year. Before turning to policy priorities, allow me Honourable President and Rt Honourable Speaker to highlight the risks and vulnerabilities posed by the current conditions.

### Risks and Vulnerabilities in 2026/27

37. Hon. President, Rt. Hon. Mr. Speaker, ke kopa ho bua ka Sesotho ke re ke masoabi hore ebe litaba tsena tseo ke ntseng ke bua ka tsona li ba thata ka puo ena ea rona. Empa ke ne ke ratile hore nka li bua ka Sesotho ele hore Mosotho e mong le e mong a ka utloa na re ntse re re'ng, empa li ba thata haholo, 'me ke tla kopa hore u tl'o u ntumelle ke bue ka Sesotho. Maemo ao re leng ho 'ona a thata haholo, ao lefatsé kapa moruo oa lefats'e o fetohileng haholo. Rea lemoha hore lefatsé nakong eo ho nang le lintoa, litsikitlano le litsekisano, re boetse re na le litaba tsena tsa technology kapa marang-rang le boemo ba leholimo bo sa tsitsang. Ka lehlalakoreng le leng hoa hlokomeleha hore linaha tsa lefatsé ka moka li batla li ichebile kapa ke re linaha tse kholo tseo esale re sebetsana le tsona ka lebaka la mathata ao li bang le ona ba qetella ba icheba hore na litlhoko tsa bona ke li feng. Hona ho etsa hore ho be thata ho rona hore chelete eo re neng re ntse re e fumana machabeng re boele re e fumane ha bonolo, ka hona ke nako ea hore re itlhahlobe bocha 'me boitlhahlobong boo ba rona ho molemo hore re shebe ka hare ho rona hore na re ka tseba ho sebelisa maoala afe kapa maano afe hore re fumane mokhoa oa ho tsoela pele ka tsona tseo Molimo a re fileng tsona re na le metsi, letsatsi le naha le tsohle tseo Molimo a re fileng tsona litaemane le batho. 'Me Mohlomphehi re lokela joale ho kopanya maboko a rona hore re sebelise lihloiloeng tseo re nang le tsona le tsohle tseo Molimo a re fileng tsona hore re bone hore li sebeletsa naha ea habo rona, re ntse re sebetsa hape le tsona linaha tseo re nang le setsoalle le tsona hore re se ke ra ba tsépe-ea-se-isane. Mohlomphehi litaba tsena li re ho rona re lokela joale ha rea litabeng tsena tsa likhakanyo tsa lichelete tsa selemo sena seo re tlo kena ho sona re lokela joale re itukise hore chelete e kang fumanehang e sebelisoa ka hloko haholo molemong oa nts'etso-pele le ntlafatso ea sechaba le naha ea rona 'me re kenye maano

ts'ebetsong hore hobe joalo. Ha lefats'eng hoba le litaba tsa mofuta o tje hona le hore linaha tse nyenyane joalo ka rona ke tsona tse utloang bohloko ho feta tse kholo. Joale re lokela ho lemoha taba eo, me re be re sebetse ka matla hore re le naha ea Lesotho mefere-fere ena e etsahalang ha e fela re be ntse re le naha e nang le boikemelo e ka

tsebang hore e iphelise re fete mathata ana me ebe e 'ne e tsoele-pele taba eo e re tlama hore le sesenyane seo re nang le sona re se boloke hore se re phelise hoba ha re tsebe tse tlang ka morao ha re tsebe tseo re tla kopana le tsona ka pele 'me taba eo re 'ne re e tse joalo re shebile hore sechaba le sona sea phela haholo sechaba se tlase-tlase mane se hlokang haholo, eleng taba eo re e bitsang Social protection. Mohlomphehi ke rata hore ke fetele pele ke bue ka hore na liqholotso tseo re li bonang li le teng ke li feng tseo re liaheletseng ka hare ho likhakanyo tsena tseo re nang le tsona. Ke kopa ke fetole leleme joale ke fetele ho Risk and Analysis

the Government remains committed to maintaining a sustainable fiscal path empa ke hlokomelise sechaba sa heso hore leha 'muso o na le boikemisetso bo joalo nts'etso -pele ea naha ke mosebetsi oa sechaba sohle, ke mosebetsi o kopaneloang ke 'muso, ke litsi tse ikemetseng esita le sona sechaba.'Muso ona o ikemeselitse, 'me re ka lakatsa,'me kea khothaletsa hore sechaba sa habo rona, litsi tse ikemetseng le bohle re keneng ka mafolo-folo hore re etse form partnerships morerong oa nts'etso-peleng ea naha ena re ke ke ra tseba hore 'Muso o sebetse o le mong o tla sebetsa 'moho le baahi le sechaba, esita le litsi tse ikemetseng le bohle. In this comittement the Government requires the partnership of all stake holders, Local and International empa ke bonts'e Mohlophahi hore in the context that I just highlighted, heavy reliance on SACU transfers, projected to stabilise at around 20 percent of GDP, continue to pose a major macro-fiscal vulnerability and risk to our country especially given South Africa's economic performance and regional and global trade dynamics. Ha khoebo e sa tsamae hantle lefatseng ka bophara, lekeno lena leo re le fumanang hotsoa selekaneng sa SACU hoba le ipapisitse le khoebo eba qholotso ho rona 'me ke hona ke reng re

lokela hore joale re bone, mekhoa ea ho ikemela re se ke ra its'etleha haholo-holo holim'a lekeno lena hobane ha rena taolo litabeng tse etsahalang lefas'eng tsa khoebo le khoebisano tse ka etsang hore lekeno lena le theohe. Honorable President and

Right Honorable Speaker External shocks...

Hon-Speaker: Ak'u kobe hanyane, Hana joale ho thoe ho etsahala eng moo, ae ke bolelloa hore ha hona le bothata ke nthonyana tse nyane feela, ke ne ke ts'ohile hore Ntlo ena e se ke ea oela, ae tsoela-pele Mohlomphehi Letona

External trade shocks, including new tariffs on our apparel exports combined with global diamond market weaknesses, threaten domestic revenue and reserve buffers. A minor decline in regional trade growth could necessitate a mid-year fiscal adjustment.

38. Fiscal risks also arise from contingent liabilities associated with State-Owned Enterprises and Public-Private Partnerships. Many SOEs continue to operate with significant levels of non-guaranteed debt, estimated at 1.4 percent of GDP. In addition, some legacy PPP contracts contain termination clauses representing potential exposure of up to 3.8 percent of GDP. A comprehensive audit of these agreements is underway to avoid risks that could breach the proposed 60-percent-of-GDP debt ceiling under the Fiscal Rules framework.

39. Trade barriers and protectionist policies in any form undermine investor confidence and long-term planning in vulnerable, trade-dependent economies. For Lesotho specifically, the impact exerts more pressure in the textile and apparel industry, historically our largest private-sector employer and a cornerstone of our export base. What was once our comparative advantage anchored by preferential access to one of the largest markets, has now become a structural vulnerability. International buyers are actively “de-risking” their supply chains, diverting orders away from smaller economies such as ours. The result has been factory closures, large-scale job losses,

and increased pressure on household incomes. This erosion of our industrial base poses long-term risks not only to employment, but also to skills retention, foreign exchange earnings, and social stability.

40. These factors make one conclusion inescapable: Lesotho can no longer rely on episodic growth, preferential access, or external financing to sustain jobs and public services. Resilience must now be built deliberately—through stronger growth, domestic revenue mobilisation, public financial management, and institutions capable of executing policy with speed and precision. Fiscal policy remains the ultimate central instrument and anchor for restoring confidence, social protection, and enabling private-sector-led growth.

41. Hon. President, Rt. Hon. Mr. Speaker, this state of affairs has led to an external financing environment that has tightened significantly. Globally, development assistance is being reprioritized as advanced economies face rising debt burdens, geopolitical tensions and associated threats, demographic shifts and pressures, and higher domestic spending needs. For low-income countries, this has translated into reduced concessional development assistance.

42. As traditional sources of grant support recede and global development finance becomes more selective, our resilience increasingly depends on how effectively we anchor growth within our immediate region. The regional economy is no longer a secondary consideration; it is now the primary buffer through which Lesotho must absorb external shocks, sustain trade, secure revenue and protect livelihoods. It is against this backdrop of reduced external financing and heightened fiscal responsibility that regional developments, particularly within the Southern African region, assume renewed strategic importance. The situation forces us to forge new strategic alliances as we strengthen existing partnerships.

43. Hon. President, Rt. Hon. Mr. Speaker, the bloated public-sector wage bill, estimated at approximately 17 percent of GDP, remains among the highest in the region and is fiscally unsustainable. It

crowds out spending on the most essential growth inducing infrastructure such as roads and bridges, health infrastructure, schools, and productive infrastructure. This must be contained as a matter of urgency. Government cannot be the employer of first choice and last resort. We must do everything to see that the private sector takes its rightful place and plays its role effectively in this country. To the private sector, government cannot be your only client. Once again I urge you to derisk from the Government You have to move into productive economic activities and sectors. There's no way around this. It has to happen, finally the withdrawal of international health finance has created and estimated annual funding gap of 1,5 Billion, that we also have respond to but I am glad also to report that we are appreciative to the Government and people of United States of America, for resuming the resumption of part of funding towards the control of HIV and Aids and communicable diseases including TB through the US department of State and through this an amount of 218 Million US Dollars will be dispersed over a period of five years starting from April 2026, this is an equivalent of M3.5 Billion. So the budget further introduces measures to internalized these costs through re-privatisation, capitalising on a efficiency gains and sustainable financing mechanisms without compromising physical stability.

44. In navigating a more uncertain global environment, Government has identified three strategic opportunities to strengthen resilience and unlock sustainable growth. First, we will accelerate product and market diversification to reduce concentration risks and expand export and domestic value chains. Second, we will forge new partnerships while deepening existing ones to mobilise investment, technology and access to markets. Third, we will pursue the strategic optimisation of all our natural resources, ensuring that they are managed prudently, leveraged for value-addition, and translated into lasting economic and social returns for the nation.

Fiscal Strategy and Medium-Term Policy Direction

45. Hon. President, Rt. Hon. Mr. Speaker, this macroeconomic context leads to a clear and unavoidable conclusion: Lesotho can no longer rely on preferential market access, episodic growth, or external financing to sustain jobs and public services. This reality compels a deliberate shift in policy priorities— towards strengthening domestic revenue mobilisation, enforcing disciplined and efficient expenditure, and restoring credibility in policy execution. Building economic resilience is no longer optional; it is now the central organising principle guiding Government’s policy priorities for the 2026/27 financial year that I now turn.

46. This fiscal stance allows Government to fund national priorities while maintaining stability. despite the risks that I have just metioned. As we do so we must be aware and ready to mitigate implimentations risks linked to ambitious capital programmes that have not been implemented. SACU revenue volatility continues to pose significant uncertainty, given the large share of SACU receipts in total revenue. Implementation risks linked to the ambitious capital programme may hinder timely execution. Additionally, projected increases in interest payments to both residents and non-residents demand careful monitoring.

47. Hon. President, Rt. Hon. Mr. Speaker, I now turn to Government’s fiscal strategy, which underpins this Budget and guides our policy choices over the medium term.

48. Lesotho’s fiscal position has improved in recent years, supported by strong SACU receipts and higher water royalties. While this has provided temporary relief, it has also underscored a clear reality: our public finances remain highly exposed to external and cyclical revenues. Sustainable fiscal management therefore requires discipline in good times, not only adjustment in difficult times .

49. Government’s fiscal strategy is anchored on three objectives: maintaining macro-fiscal stability, reducing vulnerability to revenue volatility, and creating durable fiscal space for growth-enhancing investment and human development. Within this framework, fiscal

policy will be guided by the structural balance rather than temporary windfalls, to avoid pro-cyclical spending and protect future budgets.

50. To strengthen resilience, Government will institutionalise mechanisms to save a portion of revenue windfalls especially from SACU and mineral-related revenues, while allowing transparent and measured use during periods of economic stress. This approach will smooth expenditure, protect priority programmes, and enhance fiscal credibility, including through the finalisation of regulations to establish a fiscal stabilisation fund.

51. Hon. President; Hon. Speaker: Reducing excessive dependence on SACU remains a central pillar of this strategy. Government will intensify domestic revenue mobilisation through strengthened tax administration, improved compliance, and modernised payment systems to reduce leakages from the system. The focus will be on broadening the tax base and improving efficiency rather than increasing the burden on compliant taxpayers or vulnerable households. To this end, the Tax Administration Bill Amendments, Income Tax Amendments, and VAT Administration Bill will be tabled in the 2026/27 financial year.

52. Non-tax revenues will also receive renewed attention. Fees, charges, penalties and resource-based revenues will be managed with greater transparency and predictability to ensure fair and reliable returns from public assets. In this regard, Government is actively engaging with the Republic of South Africa on the review of the water royalty framework under the Lesotho Highlands Water arrangements, to better reflect the economic value of this strategic national resource, evolving cost structures, and long-term sustainability, in a cooperative and mutually beneficial manner.

53. Hon. President, Rt. Hon. Mr. Speaker, the global mining sector is undergoing a period of pronounced adjustment. The sustained decline in rough diamond prices has placed pressure on operating mines, employment, and long-term investment, particularly in Lesotho's high-cost, deep-level operations. Mining remains a

strategic pillar of our economy, and Government's response is guided by a clear principle: fiscal rigidity that accelerates mine closures ultimately destroys jobs, revenue, and national assets. Government is therefore developing an overarching, rules-based fiscal stabilisation framework for the mining sector, prioritising employment preservation, continuity of operations, and extension of mine life during periods of market distress.

54. On the expenditure side, Government's priority is not merely how much we spend, but how well we spend. While protecting essential services in health and education, Government will strengthen the efficiency, targeting, and delivery of social protection programmes to ensure resources reach the most vulnerable households. At the same time, firm control will be exercised over rigid recurrent expenditures, particularly the wage bill, to preserve space for operations, maintenance, and high-quality capital investment.

55. Capital spending will increasingly be driven by project readiness and execution capacity, with priority given to projects that are fully prepared technically, financially, and institutionally, so that public investment translates into completed infrastructure and tangible economic returns.

56. Hon. President, Rt. Hon. Mr. Speaker, borrowing will remain prudent and strategic. Government will prioritise concessional financing for high-impact projects, carefully manage fiscal risks and contingent liabilities, and strengthen oversight of public enterprises. Within this framework, Government has created the policy and institutional space for the engineering and potential issuance of diversified financing instruments, including a Diaspora Bond, longer-dated infrastructure bonds for seven years and beyond, and the groundwork for a Green Bond framework to support renewable energy and climate-aligned investments.

57. This fiscal strategy reflects a decisive shift: from short-term pressures to long-term resilience; from reliance on volatile revenues

to domestic effort; and from budget expansion to disciplined execution.

58. To this end, Government will operate a rules-based fiscal framework anchored on the following quantitative parameters:

- a) Debt ceiling: 60 percent of GDP (hard ceiling);
- b) Debt anchor: 50 percent of GDP (medium-term target);
- c) External debt limit: 40 percent of GDP; and
- d) Structural deficit target of no more than 3 percent of GDP, adjusted for SACU volatility, supported by operational expenditure guardrails.

### III. POLICY PRIORITIES

#### Short- and Medium-Term Goals, Including the NSDP II Extension

59. Hon. President, Rt. Hon. Mr. Speaker, Government's short- and medium-term policy framework remains firmly anchored in the Extended National Strategic Development Plan II. The extension of NSDP II to 2027/28 provides a critical planning tool horizon within which Government will consolidate ongoing reforms, complete priority interventions, and safeguard development momentum following successive global and domestic shocks. This framework continues to guide national priorities, public investment decisions, and the allocation of scarce fiscal resources in a disciplined and strategic manner.

60. In that light inclusive, broad-based and sustainable economic growth remain the primary and central objective of Government. While macroeconomic stability may not be sufficient, it is certainly a necessary condition for growth. We have to turn our fiscal fortunes into sustained, job creating growth while reducing our vulnerability to shocks. As such Government will continue to implement reforms that guard and maintain macroeconomic stability while expanding productive capacity and accelerating private-sector-led growth across

agriculture, manufacturing, mining, tourism, services and other growth driving sectors. We will continue to strengthen the business environment through targeted regulatory reforms, improved investment facilitation, and enhanced access to finance, particularly for micro, small, and medium enterprises, while promoting export diversification, value addition, and high impact infrastructure investment.

## Infrastructure Development

61. Hon. President; Hon. Speaker, In our pursuit of broad-based, inclusive, and sustainable growth, infrastructure development is not optional, it is foundational. Government's policy direction is to prioritise infrastructure that enables productivity, trade, private-sector participation, and job creation. This includes investments in roads and connectivity networks, bridges, aviation infrastructure, renewable energy generation and transmission, irrigation systems, border management facilities, as well as education and health infrastructure.

62. These investments will unlock domestic and international trade, strengthen tourism, enhance energy security, improve agricultural productivity, and expand the productive capacity of our human capital. A coordinated approach, supported by improved project preparation and accelerated implementation, is essential to maximise economic returns, crowd in private investment, and ensure that infrastructure spending translates into tangible growth and employment outcomes.

63. As Government builds into new infrastructure, we are equally mindful of the growing threat posed by climate-related disasters to existing assets. Floods, droughts, and extreme weather events are increasingly damaging public infrastructure and imposing recurrent fiscal costs. Accordingly, this Budget prioritises not only new construction, but also the reinforcement, rehabilitation, and climate-proofing of vulnerable and ageing infrastructure, ensuring durability, resilience, and value for money over the asset life-cycle.

64. Our economy has long been government led and heavy, and dependent on external revenues.

65. A central policy goal is to rebalance towards private investment and exports. This entails:

- Promoting private sector led growth and export-oriented industries to create jobs and reduce poverty
- Improve the business climate (simplifying regulation, creating a competitive environment and unlocking access to finance)
- Diversification beyond apparel, diamonds and water exports
- Building resilience to external shocks

#### Fiscal Consolidation and Revenue Mobilisation

66. Hon. President, Rt. Hon. Mr. Speaker, fiscal discipline and effective revenue mobilisation remain the cornerstones of macroeconomic stability. Sustainable growth cannot be achieved without stability, and stability cannot be secured if the fiscal framework remains vulnerable to external shocks and structural weaknesses. Government will therefore remain firmly committed to ensuring fiscal discipline across the public sector.

67. A strengthened control environment will ensure that every loti spent delivers measurable economic and social returns for the benefit of Basotho. Accountability systems will continue to be reinforced to minimise waste, theft, inefficiency, and leakage. Government will protect and progressively expand capital expenditure, while insisting on timely execution, so that public investment delivers growth and development dividends. At the same time, recurrent expenditure will be rationalised and confined to enabling the effective functioning of public institutions without inefficiency.

68. In addition, to limit our vulnerability in the face of an uncertain global economic environment we will continue to;

- Build frameworks that enable us to save and invest windfall revenues wisely- creation of a stabilization fund will continue
- Improve public financial management and procurement – e-procurement to limit the resource hemorrhage that we're currently suffering
- Promote fiscal discipline and better public spending
- Target spending towards high return infrastructure that creates value and spin-offs.

69. Government's revenue mobilisation strategy seeks to maximise domestic revenue collection while remaining cognizant of prevailing global and domestic vulnerabilities. Revenue raised will be directed primarily toward service delivery and productive capital investment, ensuring that compliant taxpayers see tangible benefits from their contributions. Efforts to simplify compliance and reduce administrative burdens will continue, supported by investments in digital tax systems, including the expansion of electronic filing and payment platforms, particularly for VAT.

70. Systems to improve the collection of non-tax revenue, including fees, charges, and penalties, will be strengthened through the rollout of cashless payment solutions and enhanced accountability mechanisms. In parallel, Government will review selected fees, charges, and penalties to ensure fairness, efficiency, and alignment with service delivery objectives.

71. As part of our ongoing digital transformation agenda, Government has made significant progress in implementing the e-Government Payments

Integration project, working initially with one mobile network operator, while other financial services providers are at various stages of onboarding and system intergration. This initiative is modernising and streamlining the payment of public services across Ministries, reducing reliance on cash at service points, lowering

administrative costs, and minimising risks associated with cash handling. It will also improve convenience for citizens by simplifying and standardising how government services are paid for.

72. I am pleased to report that the development phase has been successfully completed, and the system is now in the final stages of testing, with a public launch planned for early April. This reform forms part of a broader effort to modernise public financial management and transform Lesotho's payments landscape for the benefit of all Basotho.

73. Government will also continue to nurture strategic partnerships with development partners, bilateral and multilateral institutions, and the broader international community, to mobilise concessional financing, technical assistance, and investment in support of national development priorities.

#### Strengthening Productive Sectors for Growth, Jobs, and Exports

74. Hon. President, Rt. Hon. Mr. Speaker, it is the resolve of this Government to harness our natural resources, human capital, skills, innovation, and creativity to unlock Lesotho's comparative advantages and strengthen productive capacity and trade competitiveness.

75. The agricultural sector remains pivotal yet significantly under-exploited, limiting progress toward food security, import substitution, and rural employment. Government views agriculture as a catalyst for industrialisation through agro-processing value chains that can generate decent jobs and export earnings. Accordingly, this Budget prioritises investments in skills, research, and institutional capacity aimed at unlocking the full potential of this strategic sector.

76. Through the strategic utilisation of our water resources, Government will roll out transformative investments in irrigation infrastructure. Increased agricultural output will be processed domestically to support import substitution and export

diversification, strengthening foreign-exchange earnings while deepening value chains within the economy.

77. Government welcomes the one-year extension of the African Growth and Opportunity Act, which provides a critical, though time-bound, opportunity to stabilise exports, protect jobs, and reposition the manufacturing sector. This extension is being treated not as a pause in reform, but as a bridge for decisive action. During this period, Government is working with industry and financial institutions to support firm-level restructuring, productivity improvements, and market diversification, while accelerating regional trade integration and reducing over-reliance on a single preferential regime. Instruments such as the Inclusive Growth Facility are being deployed to provide targeted working capital and machinery finance, enabling exporters to meet orders, retain employment, and improve competitiveness. Our objective is clear: to emerge from this transition with a more resilient, diversified, and competitive productive based.

78. Our policy aims to:

- Diversify exports and reduce reliance on a single or few markets
- Strengthen regional trade and leverage the African Continental Free Trade Agreement while exploring new markets (bilateral or multilateral) and opportunities for cooperation for mutual benefit and gain.
- Support productive business activities in key sectors such as manufacturing, energy production, agriculture and services.

### Digital Transformation

79. Hon. President, Rt. Hon. Mr. Speaker, we live in a digital era, and Lesotho cannot afford to fall behind. Digital transformation is both urgent and indispensable to accelerating growth, inclusion, and effective participation in the global economy. Government will

therefore make accessible investments that enable digitisation and the development of a digital economy across all sectors.

80. Targeted actions will be implemented to expand ICT access and connectivity, improve reliability, and bridge the digital divide. Infrastructure will be extended to underserved areas, connectivity in public institutions will be upgraded, and partnerships with satellite service providers will be deepened to reach communities beyond the limits of terrestrial networks. Affordable public internet access points will be rolled out to enable broader participation, particularly among young people, in the digital economy.

81. Within Government, digital systems will be modernised, cyber security strengthened, and electronic platforms expanded to improve service delivery, transparency, and information sharing. Investments in digital skills for public servants will ensure that systems are secure, accessible, and responsive to the needs of citizens.

82. Through these measures, Government is broadening digital reach, reducing connectivity gaps, and enabling Basotho to participate fully in a modern, knowledge-based economy.

83. We aim for;

- Enhance access to digital infrastructure and service
- Improvement of service delivery across government and private sector
- Reduction of time and cost of transacting
- Enhancing creativity, innovation and inclusion

Coming to Human Capital Development

84. Hon. President, Rt Hon. Mr. Speaker, sustained investment in human capital remains fundamental to long-term development. Government will continue to improve education and skills

development, expand technical and vocational training, and support entrepreneurship to equip Basotho with skills aligned to labour-market needs.

85. The health system will be strengthened to improve efficiency, quality, and access, including a review of tertiary healthcare delivery. Social protection systems will be modernised to better target and support vulnerable households, ensuring that growth is inclusive and that no Mosotho is left behind as the economy transforms.

86. In parallel, Government is placing renewed emphasis on nutrition as a foundational pillar of human capital development. Preventing stunting, malnutrition, and diet-related health conditions is essential to build healthy bodies, sharp minds, and a productive workforce. This Budget therefore prioritises early-life and community-based nutrition interventions, recognising that investments in nutrition yield some of the highest long-term social and economic returns.

87. Government will scale up preventive nutrition programmes, including maternal and child nutrition initiatives, school-based feeding, and community-level delivery mechanisms such as nutrition clubs. These platforms will be used to promote balanced diets, local food production, and nutrition education, particularly in rural and climate-vulnerable communities. By strengthening nutrition outcomes across the life cycle, Government is investing not only in better health, but in improved learning outcomes, higher productivity, and a more resilient future for our people.

88. Policy priorities in this area include:

- Improving educational outcomes and workforce skills
- Maintaining social protection and economic inclusion
- Reducing urban-rural inequality and supporting vulnerable groups.
- Human capital development, enhancement and inclusion

I turn now to Governance and Institutional Strengthening

89. Hon. President, Rt. Hon. Mr. Speaker, good governance is a foundation for stability and sustainable development. The Government is committed to enhance capabilities of oversight institutions and facilitate the completion of constitutional reforms to adopt best practices for public financial management and local governance. Other focal areas include access to justice, crime prevention, and the effective delivery of public services.

90. Effective Parliament Oversight, and in particular preventative oversight requires the right interface between the legislature and the executive through creating an ecosystem that allows regular, effective and timely reporting. There is room to enhance rules within which public scrutiny happens to ensure efficiency and effectiveness.

91. Furthermore, for Lesotho to position herself as a viable investment destination strong corporate governance norms and practices are vital to securing long term capital investment. Therefore, Governance instruments such as shareholder agreements, should receive special attention and be reviewed where necessary to secure the interests of the government and the people. Leadership and quality technical training for different cadres will be our focus to improve policy development and service delivery.

92. Effective parliamentary oversight, particularly preventative oversight, depends on a well-functioning and transparent interface between the Legislature and the Executive. Government will therefore support reforms that promote regular, timely, and meaningful reporting, while strengthening the rules and procedures that govern public scrutiny to ensure that oversight is both efficient and impactful.

93. Complementing these reforms, targeted leadership development and technical training across all cadres will be prioritised to strengthen policy formulation, institutional performance, and service delivery across the public sector.

94. Furthermore, as Lesotho positions herself as a credible and competitive investment destination, strong corporate governance standards will remain essential for mobilising long-term capital. Government will review and strengthen governance instruments, including those that have been in existence for a very long time. Mr. Speaker

95. Public Financial Management even across these oversight bodies will remain critical. Priority will be given to strengthening fiscal discipline, to improve budget credibility, and ensuring that public resources are managed transparently, efficiently, and sustainably. We will continue to modernise treasury operations through improved cash management, strengthened commitment controls, and enhanced expenditure oversight to prevent the accumulation of arrears and other commitments. These reforms will be supported by ongoing upgrading of financial management systems, strengthened internal audit and accountability mechanisms, and a renewed focus on linking budgets to results. Together, these measures will safeguard public finances, protect service delivery, and reinforce confidence in the stewardship of... together these measures will continue, these measures will safeguard public finances, protect service delivery and reinforce confidence and stewardship of national resources. Hon. Speaker, this lays the foundation now for me to go into... The Right Honourable Speaker.

THE RIGHT HONOURABLE SPEAKER, T. SEKHAMANE: A k'u kobe hanyane Hon. Minister.

Honourable Members, ke ne ke re a ke a kobe hanyane hobane ke utloile a se a etsa liphoso 'me ke bona hore ka nqena le ka nqena o ntse a hlahlelloa ka likoantsanyane. Ke ne hlile ke batla ho mo fa sebaka sa hore a tle a re nepe hantle a se ke be a qobokela; a etse ntho e nepahetseng, re mo utloe hantle hore na ehlile o reng.

Tokomane ena ke e bohlokoa haholo 'me re ke ke be ra ba re se re tsoela-pele feela rigidly re ntse re bona hore kae-kae lintho tsa lutla.

E leng hore Hon. Minister ke lumella hore you have re-organised yourself 'me you are able to proceed.

HON. MINISTER OF FINANCE: DR. R. MATLANYANE: Thank you The Right Honourable Speaker. I now beg your indulgence that I now move into Sector Allocations: Economic Growth and Investment Promotion

96. Hon. President, Rt. Hon. Mr. Speaker, a total of... as I start with Sector Allocations. I will start with sectors that promote economic growth and investment promotion. Therefore, that also supports Job Creation. A total of M1.8 billion is allocated to the Economic Growth and Job Creation sector to stimulate private sector activity, boost productivity, and expand employment opportunities.

### **Trade and Investment**

97. An allocation of M437.4 million has been directed to Trade and Investment to strengthen economic competitiveness, expand market access, and support enterprise development across priority sectors. Resources will support market diversification across various partners, the European Union, United Kingdom, USA European Free Trade Association, African Continental Free Trade Area, Southern African Customs Union, and the Southern African Development Community to sat a few.

98. Spending under this programme is structured around three priority areas:

One, modern trade facilitation, economic diversification, and investment-climate strengthening, aimed at improving efficiency, reducing business costs, and expanding productive capacity.

99. Under trade facilitation, funding will support the operationalisation of the National Single Window for Trade, integrating ten Ministries into a unified digital platform to make it easier for the private sector to register and to receive services without extended periods of time. Border modernisation investments at

Maseru Bridge, Ficksburg, and Qacha's Nek will improve logistics efficiency and regional competitiveness. Free business registration and the digital licensing system will lower entry barriers for entrepreneurs.

100. For economic diversification, allocations will support industrial development in Maseru and Leribe, the Maseru Apparel and Textile Hub, and the establishment of three new industrial hubs for cosmetics, essential oils, and spices [APPLAUSE]. Investments in horticulture and poultry, valued at M2.5 billion, will be facilitated to strengthen food security and domestic production [APPLAUSE]. Entrepreneurship support will continue through BEDCO, the Competitiveness and Financial Inclusion Facility (CAFI), and the Lesotho Enterprise Assistance Programme.

101. To expand trade in services, funding will support implementation of the SADC Protocol on Trade in Services, including skills preparation for Basotho professionals in Information Technology, Education, Finance, And Health.

102. To strengthen the investment climate, allocations will support finalisation of the Special Economic Zones Bill, completion of sector strategies for textiles, apparel, and automotive manufacturing, and continued construction of the Standards and Quality Infrastructure building. Development finance instruments, including partial credit guarantees, supply-chain finance, quasiequity instruments, the Inclusive Growth Facility, and the Co-operative Development Fund, will support Basotho-owned enterprises and community-based economic activity.

### Coming to Agriculture

103. An allocation of M1.1 billion has been earmarked for Agriculture to strengthen food security, raise productivity, and support sustainable farming systems. Expenditure in 2026/27 will prioritise food production, irrigation systems development, livestock protection, and the strengthening of key agricultural value chains.

104. To improve crop production, Government will support share-cropping blocks through subsidised agricultural machinery and to expand cultivated land to improve efficiency, including equipment procured from China and the Republic of Korea, to expand cultivated land and improve efficiency. The Maseru Storage and Logistics Facility will be fully operationalised to strengthen national grain reserves and post-harvest management [APPLAUSE].

105. To support climate-resilient Agriculture, Government will establish irrigation schemes at a minimum of eight sites to stabilise production, reduce dependence on rainfall Agriculture, and enable year-round farming across priority crop zones.

106. To safeguard livestock, allocations will finance a free national vaccination programme targeting Sheep Scab and Anthrax, strengthened border biosecurity controls, and preparatory works toward establishment of a National Animal Diagnostic Laboratory.

107. In the wool and mohair subsector, funding will support continuation of the Merino Breeding Programme and upgrading of the Quthing Artificial Insemination Facility, including installation of a Liquid a Nitrogen Plant, to improve fibre quality, productivity, and rural incomes.

#### In Tourism, Culture and Sports

109. An allocation of M288.7 million has been provided to the Tourism, Culture and Sports sector to expand tourism offerings, preserve national heritage, and strengthen sports development. In 2026/27, spending will prioritise tourism infrastructure, destination marketing, and heritage protection, including commencement of accommodation facilities in Ha Kome and Semonkong, rollout of a national tourism brand campaign, engagement of tourism ambassadors, and enhanced digital marketing, alongside resources for the finalisation and enactment of the Tourism Act to modernise the sector's regulatory framework.

110. To support growth in tourism, culture, and sports, Government has prioritised high-impact investments within the sector. M150 million has been allocated for sports infrastructure to upgrade key facilities and expand access to quality sporting amenities nationwide. In addition, M55 million has been provided for tourism promotion, cultural development, marketing, and tourism asset development, aimed at strengthening destination visibility, preserving heritage, and enhancing the quality and competitiveness of Lesotho's tourism offering.

Moving now to the Human Capital Development

111. Hon. President, Rt. Hon. Mr. Speaker, the Human Capital Development sector receives M8.1 billion to strengthen education, health, skills development, and social welfare programmes, ensuring a capable, healthy, and socially supported population.

## **Education**

112. An allocation of M3.5 billion has been provided to Education to improve learning outcomes, expand access, and advance critical sector reforms. In 2026/27, Government will prioritise curriculum reform, strengthening technical and vocational education, and expanding early learning and basic education, supported by investments in classrooms, laboratories, workshops, modern equipment, and teacher training for the new three-tier curriculum. Resources are also allocated to improve governance and quality assurance through strengthened school management, faster infrastructure delivery, expanded digital learning, improved learning materials, and modernised education data systems, to ensure a more equitable, resilient, and labourmarket-responsive education system.

We plan to roll out services such as access to water, access to electricity, connectivity and health services at all schools.

## **Health Services**

113. An allocation of M3.1 billion has been provided to the Health sector to strengthen service delivery, improve healthcare infrastructure, and enhance population well-being. In 2026/27, Government will intensify reforms anchored on Primary Health Care, focusing on stronger community-based services, prevention, and a more responsive health system, including improved maternal and child health, expanded immunisation and community health services, elimination of mother-to-child transmission of HIV, and strengthened environmental health covering water, sanitation, food safety, and climate-health actions. Resources will also modernise the national referral system, strengthen prevention and management of communicable diseases, advance establishment of Lesotho's Medical School through accreditation, infrastructure and equipment, and reinforce disease surveillance and emergency preparedness, supported by improved health data systems and operationalisation of the Public Health Emergency Operations Centre. To this end, an amount of M100 million has been allocated for the continued construction of the national cancer centre, to expand access to specialised oncology services and reduce reliance on external referrals.

#### Infrastructure Development Priorities

114. An allocation of M6.5 billion has been directed toward Infrastructure Development Priorities to accelerate national development, modernise critical public assets, and support economic growth through improved connectivity, service delivery, and resilience.

#### Information, Communication and Technology (ICT)

115. An allocation of M386.4 million has been provided to the ICT sector to advance digital transformation and expand access to modern technological services. Funding will prioritise expansion of connectivity to underserved areas, upgrading ICT infrastructure in public institutions, partnerships with satellite service providers to reach remote communities, rollout of affordable public internet

access points, and modernisation of Government digital systems, including strengthened cyber security, expanded e-platforms, and digital skills development for public servants.

## Energy

116. Hon. President, Rt. Hon. Mr. Speaker, an allocation of M1.7 billion has been designated for the Energy sector to strengthen energy security, expand access, and support sustainable power generation. In 2026/27, Government will intensify investment in renewable energy and sustainable infrastructure, guided by the National Energy Compact, to accelerate universal access to affordable and reliable energy. Thanks to the World Bank Group Lesotho is now a member of mission 300 a program and a compact that aims to provide power to 300 million people in Africa between now and 2030. This initiative is sponsored and supported by the World Bank Group and African Development Bank.

Resources will, among other initiatives, support expansion of generation capacity through additional solar and hydropower projects, upgrading of substations, establishment of strategic fuel reserves, continued grid expansion, deployment of mini-grids and solar home systems, upgrading of rural networks, and electrification to support industrial and economic development, while mobilising private-sector participation and strengthening financing mechanisms. Complementing these investments, multi-year programmes, including Renewable Lesotho, will continue expanding green mini-grids, solar-powered water solutions, improved cookstoves, and off-grid electrification through 2028, reinforcing energy resilience and supporting climate-resilient and inclusive growth.

## Water

117. The Water sector has been allocated M2.4 billion to enhance water security, improve supply systems, and strengthen resource management. Funding will support expansion of Integrated

Catchment Management under the ReNOKA Project, construction of 17 new rural water systems across all districts, maintenance of village water schemes, and implementation of climate-resilient water and sanitation investments. Under the Lesotho Lowlands Water Development Project Phase II and III, allocations will support completion and expansion of water distribution networks, transmission pipelines, reservoirs, pumping stations, and construction of 1,027 sanitation facilities, increasing national water coverage.

## Roads and Buildings

118. A total of M2.1 billion has been allocated to Roads and Buildings to strengthen national connectivity and upgrade critical infrastructure. Funding will support construction and rehabilitation of asphalt and gravel roads across districts, commencement of strategic projects including the Katse– Thaba-Tseka Road and the Tebellowg vehicular bridge, initiation of new road works, feasibility studies, rehabilitation of priority corridors, and procurement for railway rehabilitation. It is worth mentioning Rt.Hon. Speaker that with regard to unpaved roads the plan is that they will be upgraded in almost all constituencies. (applause)! With the use of available labour in those constituencies and in areas where roads will be done. Ka mantsoe a mang litsela tse tlang ho etsoa ho tla sebelisoa matsoho a sechaba a teng libakeng tseno e le hore sechaba se tsebe ho fumana mesebetsi ba iketsetse litsela tse joalo. Ka Sesotho re li bitsa lifatofato. Mohlomphehi, we have an allocation of 10 million per constituency for this work.

119. Allocations will also support completion of bus terminals, community council offices, police stations, aviation infrastructure upgrades at Moshoeshoe I International Airport and 3 more local air strips waste management facilities, fire control services infrastructure, maintenance of Government buildings and housing, and implementation of community-based climate resilience projects under the Local Climate Adaptive Living Facility. It is not just a completion of those that are currently going on. It is commencement

of new bus terminals in three districts, commencement of community offices and police stations in other several areas.

### Governance and Institutional Strengthening

120. An allocation of M9.7 billion has been designated for Governance and Institutional Strengthening to enhance public sector efficiency, reinforce accountability systems, and support institutional reforms.

### Advancing Security, Good Governance, and Economic Diplomacy

121. Hon. President, Rt. Hon. Mr. Speaker, Economic transformation cannot be sustained without security, good governance and national resilience. Investment, enterprise and service delivery depend on a stable environment, trusted institutions and the capacity to manage risk, whether fiscal, climatic or security related. The measures I now outline are therefore integral to safeguarding the economic gains envisaged in this Budget.

122. Hon. President, Rt. Hon. Mr. Speaker, as part of our commitment to Governance and Institutional Strengthening, Government will undertake a comprehensive review of allowances for Chiefs to ensure that their remuneration is aligned with their expanding responsibilities in community leadership and local administration. (Appluse) ka Sesotho litsiane tsa Marena..

123. Rt. Hon. Speaker: ke ne ke re ke thibe Letona le Khabane le ka Ofising ea Tona-Kholo le eena ke bona eka o batla to partake in the presentation, o mong feela motho ea etsang mosebetsi kajeno.

124. Hon. Dr. R. Matlanyane: Litsiane tsa Marena li tla ntlafatsoa selemong sena. Ka tlhokomelo ea mosebetsi oa bona ele Marena o batla o pharaetse ruri. Strengthening traditional leadership remains a key pillar in enhancing governance effectiveness and social cohesion. In the security sector, Government will further prioritise the intake of new recruits into the Lesotho Mounted Police Service (LMPS) to bolster law-enforcement capacity, improve public safety,

and ensure adequate staffing to meet emerging security demands across the country.

125. Hon. President, Rt. Hon. Mr. Speaker, the military has increased deployment across high-crime areas such as Mokotakoti, Mokhotlong, Matsieng, Peka, Fobane, Khubelu, Matelile, Berea and Rothe. This heightened presence has improved public safety, reassured communities and contributed to a reduction in violent crime. With enhanced training, upgraded infrastructure and strengthened personnel development, security challenges will be further mitigated.

126. To promote stability and curb corrupt practices, Government will reinforce national early-warning and intelligence systems and intensify efforts to prevent terrorism and related activities. Cyber-attacks persistently threaten people, companies, and governments globally. In response, Government will strengthen national cyber security by protecting public systems, financial platforms and critical economic infrastructure against cyber-attacks, fraud and data breaches.

127. Hon. President, Rt. Hon. Mr. Speaker, Lesotho will not retreat. We will strengthen our resilience and assert our economic sovereignty. Government is pursuing a more vigorous approach to economic diplomacy, transforming foreign policy into a strategic instrument for national economic security. Our missions abroad will become frontline agents for investment promotion, trade facilitation and the building of new strategic partnerships.

128. Hon. President, Rt. Hon. Mr. Speaker, to protect financial sector integrity and comply with FATF standards, Lesotho will embark on a National Risk Assessment (NRA) to identify, assess, and understand specific money laundering (ML) and terrorist financing (TF) risks. Gaps in systems, including those in the registration and monitoring operations of legal persons, virtual assets, and corruption will also be identified. A Risk-Based Approach will be used to develop and implement a programme of action to address areas where

vulnerabilities are highest to prevent laundering of money and prioritize resource allocation accordingly.

### Statistics and planning systems

127. Strengthening of national Statistical systems remains paramount for evidence-based policy making. The population Census to be undertaken in April/May this year will provide valuable information about the whole population to assess how the quality of life is changing and informs policy making on what needs to be improved as well as review of priorities and infuse geographical considerations. It also comes at an opportune time when the performance review of NSDP is due and National Vision 2066 is under development. A think tank is to be established by End of April to undertake analytical work and possible scenarios that can set Lesotho on a higher economic growth trajectory and position Lesotho on a sustainable long-term development path and exploit the industrial revolution as well as beneficial integration into global markets.

### Anticorruption and Institutional Reforms

128. Hon. President, Rt. Hon. Mr. Speaker, the Directorate will strengthen anticorruption and institutional reform measures in the upcoming financial year with an allocation of M70.8 million. This will include expanding public awareness programmes, conduct corruption risk assessments and integrity audits, and enhance investigative and prosecutorial capacity. The Directorate will enforce asset declaration requirements and lifestyle audits to promote transparency and accountability. A national corruption typology study will be undertaken to inform targeted interventions and guide policy reform. In addition, technological systems will be upgraded to improve operational efficiency and reduce vulnerabilities to cyber-related threats.

### Cross-Cutting Issues

129. Hon. President, Rt. Hon. Mr. Speaker, the Cross-Cutting Issues portfolio receives M508.6 million.

#### Youth Development and Empowerment

130. Hon. President, Rt. Hon. Mr. Speaker, Youth development and empowerment have been allocated M124.3 million. (applause) When this Government declared youth unemployment a National State of Disaster in mid-2025, it was not merely a symbolic gesture. It was a recognition that we cannot build a stable future while our most energetic asset, our youth, remains on the side lines. Government continued to intensify its strategic partnerships with all stakeholders to join forces to address the unemployment crisis.

131. In collaboration with our development partners, we rolled the Power Hub Initiative that seeks to establish dedicated youth innovation centers in every district, starting with Berea and Quthing in 2026/27. These hubs will provide market-aligned training in digital coding, agro-processing and high-end textiles (linked to the ITC Ethical Fashion Initiative).

132. On the other hand, the National Volunteer Corps (NVC) has been scaled as a frontline for bridging the "no job without experience" gap. For 2026/27, we are increasing the budget for the NVC to allow for an additional 2,500 placements for unemployed graduates. (applause) This initiative also has a host-partner incentive where the government subsidizes 50% of the stipend for any private firm that hosts an NVC volunteer for a minimum of 12 months, with a pathway to permanent employment.

133. Hon. President, Rt. Hon. Mr. Speaker, to ensure immediate relief, the Youth Apprenticeship and Public Works Programme is being revived and scaled. A mandate has been issued that at least 40% of the labor force on all government-funded infrastructure projects, including the LHWP-II secondary roads, must be recruited from the local youth population. (applause) These participants will

not just earn a wage but will receive trade certifications that enable them to compete for future regional construction projects.

134. Hon. President, Rt. Hon. Mr. Speaker, financial investment is only half of the equation. To truly address, this malady, the "National Disaster" of youth unemployment, we must move from ad hoc programs to a permanent, legally binding institutional framework. I am pleased to announce that for the 2026/27 fiscal

year, the government has prioritized the finalization and enactment of the National Youth Development Bill. This Bill once it becomes an actual Act, in fact it will become a legal act, which will legally establish the National Youth Council (NYC) as the supreme coordinating body for all youth-led organizations and initiatives within the country. The Council will not only advocate for youth interests but will serve as a regulatory body to ensure that youth-focused programs - including the NVC and CAFI - are meeting their performance targets.

135. Hon. President, Rt. Hon. Mr. Speaker, the era of "nothing for the youth without the youth" starts now. Once enacted, the Bill of the Youth Development Act will mandate, among other things, the inclusion of youth representatives on the boards of public institutions and agencies, will without compromising the youth requisite competencies that deal with youth-centric issues, that deal with institutions as well, from education to sports and trade. we indeed have moved from declaring a disaster to delivering a solution. To the youth of Lesotho: this budget is your invitation to the workshop of national development. The tools are now in your hand, and we need your conversation

136. The Inclusive Growth Facility is already demonstrating its ability to translate policy intent into tangible economic impact within a single fiscal year. Through our partnership with First National Bank Lesotho, Government has operationalized a M100 million guaranteed on-lending structure under the IGF (INCLUSIVE GROWTH FACILITY), enabling the Bank to deploy its own balance sheet in

support of priority productive sectors, particularly textiles and apparel, while prudently managing risk.

137. On the strength of this structure, tailored financial products were developed and taken to market within the same financial year. As a result, an active financing pipeline now exceeds M200 million in assessed demand, spanning working capital, machinery acquisition, logistics expansion, and factory upgrades. This pipeline, already under credit assessment and early deployment, has the potential to stabilise existing employment and unlock further job creation as production scales.

138. Honorable President and the Right Honorable Speaker, along with this initiative (IGF), and allocation by the Government was able, within one fiscal year, to design the facility, structure risk-sharing instruments, partner with a commercial bank, go to market, and commence disbursement reflects a new level of institutional agility and delivery capability. Alongside this, Government has allocated M300 million to a dedicated IGF window through Lesotho PostBank, as a disbursement policy that focuses predominantly on small and emerging enterprises across a broader range of productive sectors, where a strong pipeline of SME financing is already under consideration.

139. Over the Medium-Term Expenditure Framework, Government will scale this model by extending IGF risk-sharing arrangements to additional commercial banks and development finance institutions, broadening sectoral coverage and deepening access to finance while crowding in private capital in support of inclusive growth. Ke tla u tlaleha. I now move forward.

### **Climate Resilience and Sustainability**

140. Climate adaptation and green development remain central to strengthening national resilience and ensuring sustainable development across all sectors. Last year, Lesotho hosted the 2025 International Wool and Textile Organisation Wool Round Table,

reaffirming our commitment to sustainable rangeland management. Through this work, 2,892 hectares were restored to support rural livelihoods. Despite ongoing climate-driven land degradation, we rehabilitated 60 000, hectares and continued expanding forest cover through the revived Green Recovery Initiative.

141. To reduce urban pollution, Government introduced the plastic levy in December 2024. Revenue from this levy will, among other interventions, finance the construction of buy-bag centres in Maseru and Maputsoe and later in other district centres, to promote recycling, create income opportunities, and support a cleaner and greener Lesotho (Applauses by hands) .

### **Disaster Risk Financing**

142. Hon. President, Rt. Hon. Mr. Speaker, in 2026/27, the Government will strengthen Disaster Risk Management by accelerating the implementation of the Disaster Risk Reduction Policy and completing the National Resilience Strategic Framework to guide coordinated resilience actions across all sectors. Disaster Risk Management working groups will be revived at all levels to improve coordination and preparedness.

143. The National Early Warning Strategy will be updated to strengthen hazard forecasting and community alert systems, alongside the undertaking of comprehensive hazard mapping and vulnerability assessments to inform safer development planning and improve support to households at risk. In parallel, financial preparedness will be reinforced through continued participation in the Africa Risk Capacity mechanism.

### **V. Conclusion**

144. Hon. President, Rt. Hon. Mr. Speaker, this Budget is grounded in a simple but profound conviction: the future prosperity of our nation depends on our ability to transform our economic structure and fortunes and unlock the productive potential of our people - ho lokolla bokhoni bo felletseng ba Basotho.

145. From the global shocks we face, through the fiscal choices we make, to the reforms we implement and the investments we prioritise, this Budget has followed a single logic: resilience built through discipline, inclusion driven by opportunity, and growth enabled by digital, and as well as an institutional transformation and Human Capital Development (HCI). These are not slogans. They are the organising principles that guide a path way of the 2026/27 Budget and the pathway to a stronger, more self-reliant Lesotho.

146. We have chosen a path that prioritises resilience over vulnerability, productivity over dependence, and opportunity over stagnation. We have chosen to place enterprise at the centre of growth, to invest in infrastructure that expands possibility, and to strengthen institutions that support longterm development - ho aha metheo ea ntlafatso ea moshoelella.

147. Hon. President, Rt. Hon. Mr. Speaker; as we conclude this Budget Speech, let me reaffirm, with absolute clarity, the central message of the 2026/27 Budget: this is not a Budget of hesitation; it is a Budget of action, and requires actions. It is built to stabilise our economy, reform our institutions, and unlock inclusive growth for every Mosotho. It is a call to strengthen national resilience, modernise our systems, and confront our challenges with the courage and confidence they demand.

148. The journey ahead will not be without difficulty, not by any means. Structural transformation requires discipline, persistence, and collective resolve - It demands that we manage our public finances responsibly, implement reforms consistently, and maintain the confidence of citizens and investors alike.

149. This is the moment for Lesotho to choose boldness over comfort, discipline over complacency, and progress over stagnation. The direction we take from here will define the legacy of this Parliament and the future of our nation. We cannot allow another generation of Basotho to wait for the economic potential of this nation to be fully

realised. Re ke ke ra lumela hore bana ba rona ba emele bokamoso bo neng bo ka ahoa ke rona kajeno (Applauses by hands)

150. For the public service remuneration, it is proposed that the 2026/27 salaries and wages be adjusted by 2 percent across-the-board. The tax credits and thresholds will be adjusted accordingly to partially offset the effects of inflation, protect lower and middle-income earner from bracket creep and sustain fairness with the tax system while preserving revenue stability. In addition, the transfers to our elderly will be increased from M950 by M50 to M1000 (Applauses by hands). Ba tla ekeletsoa litsiane tsa bona ka M50 hore ebe Sekete.

151. Hon. President, The Right Hon. Speaker, Hon. Members, it is with deep humility that I thank this Honorable House for the time and attention granted to present this Budget Statement. But humility must walk hand in hand with determination. The decisions we make together in this House must reflect the urgency of the moment and the aspirations of the Basotho people who trust us with their future, and trust entrusted in us, by their offsprings and their livelihoods (Applauses by hands)

152. I extend my sincere gratitude to the Right Honourable Prime Minister for his steadfast leadership, and to my colleagues in Cabinet for their partnership and collective resolve. I also thank all ministries, agencies, and departments whose hard work and technical expertise shaped the foundations of this Budget.

153. To the dedicated staff of the Ministry of Finance and Development Planning, and its Agencies; your discipline, analytical rigour, and sacrifices daily you make, made it possible to deliver a credible and forward-looking Budget. Your actions have not gone unnoticed. Kea le leboha.

154. My appreciation also extends to our development partners, civil society, the private sector, traditional leaders, and every Mosotho

who contributes to our national progress to make possible this Policy Statement and Estimates

**KHOTSO! PULA! NALA!**

**HON. PRESIDENT OF SENATE:** Litho tse Khabane, ke kopa ruri ke nke monyetla ona on behalf of Setulo, Tafole, Litho tse Khabane le lona Matlo a mabeli ho re lebohe Letona la Lichelete (Hon. Dr. Retšelisitsoe Matlanyane) ka mosebetsi o matla o motle oo ao entseng kajeno. Re ea tseba hore ha o etsa a le mong o entse le basebetsi ‘moho le eena Lekaleng le basebetsi ‘moho bahlanka ba ‘Musu Makaleng a mangata joalokaha a se a boletse. Re ea moleboha kannete o sebelitse hantle. Ha ke choo joalo ke re ke kopa ho leboha le lona, Litho tse Khabane, ka mamello ea lona e khethehileng hore a le tšetlehele mosebetsi ona oo ao entseng oa sechaba. Le mo file tsebe la mo mamela ho fihlela ha joale.

Ke boele ke lebohe le Basotho hohle moo ba teng ba bileng le mamello ea hore ba lule liraliong tsa bona le telefishineng tsa bona ho mamela Budget Speech. Ke mosebetsi oa rona bohle ho bona hore naha ena e tsoela pele. Ke mosebetsi oa rona joale ha sa re tsetlehile this policy statement hore re ke re hlahlobe hantle re e tentše tšeea ‘me re e thuse hore il’o sebetsa sechabeng e tsoele Basotho molemo. Litho tse Khabane, by so saying ke kopa hore this Policy Statement e fetele to the relevant Portfolio Committee. I thank you.

**RT. HON. MR. SPEAKER:** So the Statement shall stand refered to the relevant Portfolio Committees according to the Standing Orders. Litho tse Khabane, ntho eo nka e bolelang ke hore ka mona ka Lekhotleng Ntlo e tla kena hosane motšoare oa mantsiboea ha hora ea bobeli e fetile ka metsotso e mashome a mararo. Kea le hopotsa. Otherwise, we have come to the end of today’s Business. This joint sitting is adjourned sine die.

**ADJOURNMENT**

There being no further Business upon the Order Paper, Right Honourable Mr. Speaker adjourned the House without question put, pursuant to Standing Order No: 16(2)

The House accordingly adjourned at 11:55 a.m.