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# 2024/25 THIRD QUARTER BUDGET PERFORMANCE

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## BULLETIN



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MINISTRY OF FINANCE AND DEVELOPMENT PLANNING  
Budget Department, Finance House, Maseru

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## OVERVIEW

The Budget Performance Bulletin presents the progress made on planned activities each quarter, highlighting both opportunities and risks in achieving Revenue targets and in executing Recurrent and Capital Budget.

On the revenue front, increased water royalties from the Lesotho Highlands Development Authority (LHDA) have strengthened collection. However, the government must remain vigilant against fluctuations in SACU receipts, which pose a risk to fiscal stability. The recently developed Fiscal Rules and their implementation will help in managing such risks. Nonetheless, diversifying revenue sources and enhancing domestic revenue mobilization remain critical priorities.

The government remains committed to reshaping Lesotho's economic trajectory, with a strong focus on social equity and fiscal prudence. However, this commitment must be carefully balanced with the need to sustain essential services and protect the most vulnerable citizens.

## INTRODUCTION

The Approved Expenditure Budget for the fiscal year 2024/25, covering both Recurrent and Capital Budgets, amounts to M25,784 million, with an additional below-the-line expenditure allocation of M5,134 million. This brings the total expenditure plan for 2024/25 to M30,930 million, financed through projected Government Revenues of M24,140 million, Donor Grants of M3,265 million, and Donor Loans totalling M3,496 million.

Revenue and expenditure performance recorded a surplus of M1,023 million, resulting in a cumulative surplus of M2,977 million. The consistent surpluses observed since the first quarter are driven by strong receipts primarily from SACU, Taxes, and Water Royalties, as well as lower-than-anticipated spending on the Recurrent and Capital Budgets, which stood at 67 percent and 57 percent of the Approved Budget, respectively.

## REVENUE PERFORMANCE

The collection of revenue through taxes and fees is a key development priority, securing the necessary resources to finance investments in human capital, particularly in the health and education sectors, infrastructure development and the delivery of essential public services. The table below presents receipts for the third quarter.

**Table1: 2024/25 Third Quarter Revenue Collection**

Revenue Source	Targeted Revenue	Quarter 3 Collection	Total Collections to Date	Percentage Collected
Taxes	9,714.1	2,407.3	6,762.2	70%
Other Revenue	2,838.9	1,056.4	3,989.9	141%
SACU Receipts	11,548.0	2,887.3	8,661.9	75%
Disposal of Financial Assets	38.7	1.0	10.2	26%
Disposal of Non-Financial Assets	0.2	0.0	0.2	103%
<b>Grand Total</b>	<b>24,140.0</b>	<b>6,352.0</b>	<b>19,424.4</b>	<b>80%</b>

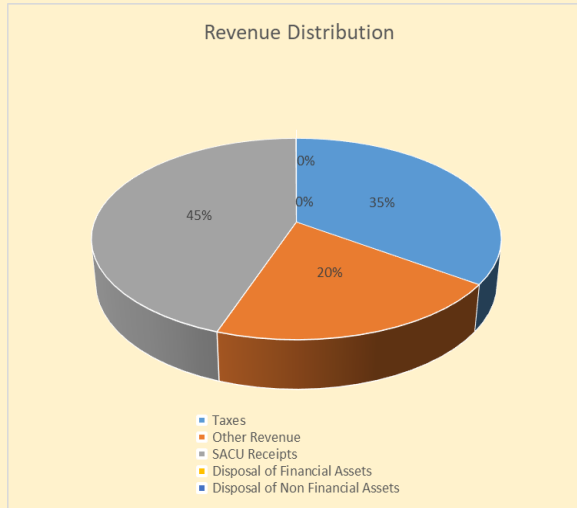
Source: Budget Department, Ministry of Finance and Development Planning

Table 1 above summarises the overall revenue collection for the third quarter along with cumulative collection from the first quarter. The initial revenue target was set at M24,140 million, with cumulative collection from the first quarter M19,424.4 million by the end of the third quarter. During the reported quarter, M6,352 million was collected representing 26 percent of the annual target, showing an increase of M1,352 million compared to the same quarter of the previous financial year.

Cumulative tax collection reached 70 percent of the target, compared to last year's lower collection of 54 percent on the same period. However, this remains below the anticipated 75 percent.

The pie chart in figure 1 illustrates the revenue distribution across various sources.

**Figure 1:**



**SACU Receipts** being the largest contributor at 45 percent highlighting regional economic cooperation, followed by **Taxes** at 35 percent reflecting the government's taxation efforts. **Other Revenue** makes up the smallest share at 20 percent. **Disposal of Financial and Non-Financial Assets** sit at 0 percent which sum up to M10,4 million in absolute values, indicating strategic assets management. This distribution

underscores the importance of diverse income streams and effective asset management in sustaining revenue generation.

## MAJOR TAX REVENUE COLLECTIONS

The main components of tax revenue include Value Added Tax (VAT), Personal Income Tax (PIT) and Company Income Tax (CIT). Additionally, the Oil Levy along with the levies on tobacco and alcohol, significantly contribute to tax collections, as reflected in the approved targets in Table 2 below.

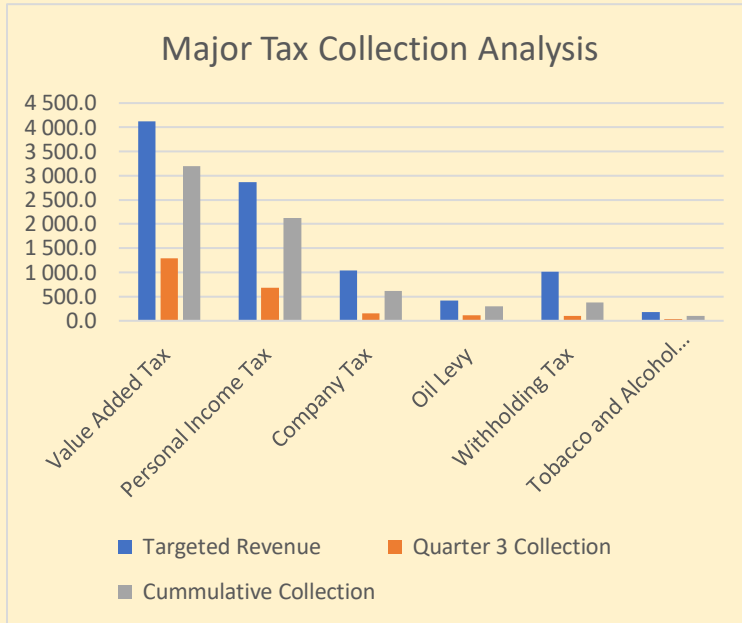
**Table 2: 2024/25 Third Quarter Major Tax Revenue Collection (in millions)**

Revenue Item	Targeted Revenue	Quarter 3 Collection	Cumulative Collection	Percentage Collected
Value Added Tax	4,124.8	1,295.4	3,197.5	78%
Personal Income Tax	2,868.1	689.3	2,124.0	74%
Company Income Tax	1,046.9	151.8	612.2	58%
Oil Levy	421.2	112.8	304.0	72%
Withholding Tax	1,015.9	104.2	375.0	37%
Tobacco and Alcohol Levy	184.5	41.0	102.6	56%

Source: Budget Department, Ministry of Finance and Development Planning

The table above reflects the realism of targets set for major taxes, except for Company Tax, Withholding Tax and Tobacco and Alcohol Levy, which recorded lower than expected collections.

**Figure 2:**



VAT contributed M1,295.4 million, surpassing the M874 million collected during the same period last year. Personal Income Tax collections also increased to M689.3 million, from M646 million in the previous year. Withholding Tax recorded 37 percent of its target, while Company Tax and Tobacco and Alcohol Levy reached

approximately 56 percent of their annual targets.

## OTHER REVENUE COLLECTIONS

Other revenue recorded an overall collection of 141 percent of the target, compared to 66 percent during the same period last financial year.

In the third quarter, the major collections under other revenue were from the Water Royalties, which recorded 58 percent of the targeted quarterly revenue driven by increased water tariffs. Once-off dividends' payment from Letšeng Diamonds accounted for 83 percent of the targeted revenue, following a significant recovery of over 100 carat stones, the highest since 2018 with a total of 13 exceptional stones in 2024. There were no dividends collected from Financial and Non-Financial Corporations in the third quarter.

Seasonal collections from sale of agricultural inputs contributed M28 million representing 34 percent of the targeted quarterly revenue, compared to last year's contribution of M16 million which translates to 64 percent. This decline

resulted from a duplication of set targets during the 2024/25 budget preparation.

## **RECURRENT EXPENDITURE PERFORMANCE**

The Recurrent Budget for the 2024/25 financial year was initially set at M21,324.3 million, which increased to M22,351.8 million by the end of the third quarter. This rise resulted from reallocations from both Centralised Items and the Contingencies Fund. During implementation, supplementary allocations are permitted by the Constitution on section 112 (3).

The resources from Centralised Items were mainly allocated towards the acquisition of medical equipment for Maseru District Hospital, the maintenance of health facilities, the Lesupa Tsela program, the Lesotho Defence Force Youth Development Program, and the rehabilitation of the Physiotherapy Centre at Makoanyane Military Hospital amounting to M185 million.

Furthermore, M270 million was reallocated from the Contingencies Fund to facilitate commitments including the procurement of power supply from ESKOM during the maintenance of Muela Hydro power to the tune of M242 million and finalization of marking and distribution for the 2024 Grade 7 primary school leaving students at M13 million.

The total warrant allocations reached M17,009.2 million, representing 88 percent of the revised budget, while the actual expenditure for the quarter was M5,005.2 million, resulting in a cumulative expenditure of M14,957 million. This quarterly expenditure exceeds that of the previous year, during which M4,064.2 million was utilized.

## **RECURRENT EXPENDITURE BY SUB-HEAD**

The table below illustrates the recurring financial expenditure categorized by sub-headings.

**Table 3: 2024/25 Third Quarter Recurrent Expenditure by Sub-Head**

Sub-Head	Approved Budget (M)	Revised Budget (M)	Warrant Allocations (M)	Quarter 3 Expenditure (M)	Actual Expenditure (M)	Expenditure as % of Warrant Allocations	Expenditure as % of Revised Budget
Compensation of Employees	8,678.8	8,754.1	6,989.8	2,135.8	6,229.3	89%	71%
Travel and Transport	524.8	596.3	487.3	120.6	367.7	75%	62%
Operating Costs	2,438.0	2,411.5	2,068.3	562.0	1,470.1	71%	61%
Other Use of Goods and Services	0.3	0.3	0.2	0.0	0.0	0%	0%
Interest	1,006.8	1,006.8	573.4	119.3	497.5	87%	49%
Transfers	4,178.1	4,524.6	3,040.1	964.0	2,939.3	97%	65%
Other Expense	1,446.6	1,412.2	1,060.2	213.1	1,033.9	98%	73%
Losses	75.0	75.0	29.7	4.7	29.7	100%	40%
Acquisition of Financial Assets	162.3	363.4	363.4	159.9	363.3	100%	100%
Acquisition of Monetary Gold and Special Drawing Rights	3.0	2.9	0.0	0.0	0.0	0%	0%
Acquisition of Non-Financial Assets	133.3	225.4	145.7	37.0	57.5	39%	26%
Contingencies Fund	300.0	202.1	0.0	0.0	0.0	0%	0%
Repayment of Domestic Liabilities	1,463.5	1,563.6	1,461.1	430.2	1,206.0	83%	77%
Repayments of Foreign Liabilities	913.7	1,213.7	789.9	258.6	763.3	97%	63%
<b>Grand Total</b>	<b>21,324.3</b>	<b>22,351.8</b>	<b>17,009.2</b>	<b>5,005.2</b>	<b>14,957.5</b>	<b>88%</b>	<b>67%</b>

Source: Budget Department, Ministry of Finance and Development Planning

At the end of the reported quarter, total expenditure amounted to M14,957.5 million, representing 67 percent of the adjusted budget. As shown in the above table, under expenditure was recorded across most categories with expenditure levels below 75 percent.

The total allocation for **Compensation of Employees** amounted to M8,678.8 million, while the cumulative expenditure amounted to M6,229.3



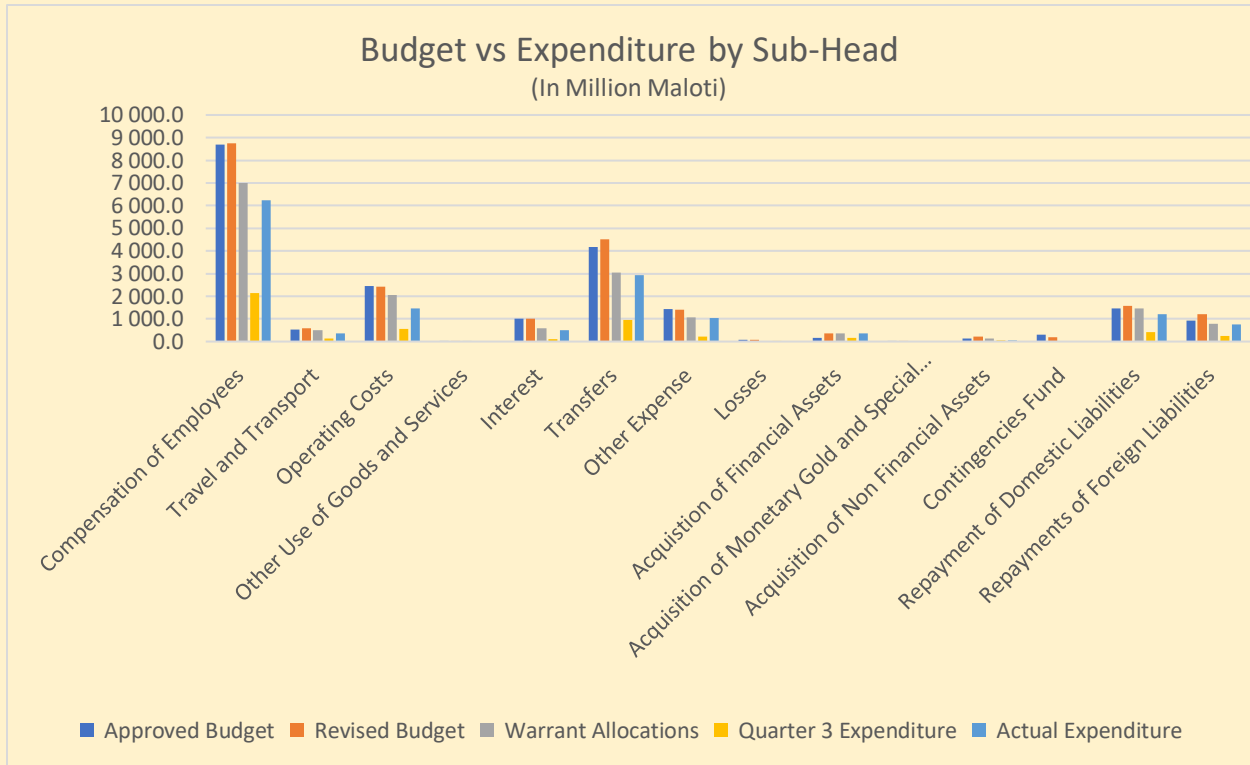
million. Of this total expenditure, M2,135.8 million was utilized during the third quarter reflecting a 14 percent increase compared to the same period in the previous financial year, during which M1,869.4 million was spent.

During the reported quarter, monthly salaries expenditure for established positions averaged M515 million, while wages costs averaged M21 million, primarily benefiting the youth apprenticeship program. Additionally, non-statutory allowances averaged M13 million.

The approved budget for **Travel and Transport** was M524.8 million but due to increased commitments during implementation, it was revised to M596.3 million by the end of the third quarter. The most significant budget increases were in Subsistence Local, Fares International and Subsistence International. However, overall expenditure remained lower than expected at M367.7 million, representing 62 percent of the revised budget. Expenditure for third quarter alone was M120.6 million, an increase from M80.5 million spent during the corresponding period in the previous year.

The approved budget for **Operating Costs** was M2,438.0 million, however, it was later adjusted downwards to M2,411.5 million by the end of the third quarter. This reduction resulted from virements permitted under section 15 (1) of PFMA Act 2011, which allows limited budget flexibility maintaining fiscal integrity. The government's total operations expenditure for the quarter was M562.0 million, resulting in a cumulative expenditure of M1,470.1 million an increase of M170 million compared to the same period last year. Key expenditures included the Purchase of Health Services, procurement of drugs, vaccines and software licenses. The approved budget for **Transfers** was M4,178.1 million, which was later increased to M4,524.6 million. Cumulative warrant allocations totaled M3,040.1 million, while cumulative expenditures reached M2,939.3 million. Quarterly expenditure amounted to M964.0 million, marking an increase from M765.1 million spent during the corresponding period last year.

**Figure 3:**



## DEVELOPMENT EXPENDITURE PERFORMANCE

**Table 4: 2024/25 Third Quarter Capital Expenditure by Programme**

Program	Approved Budget	Revised Budget	Quarter 3 Expenditure	Actual Expenditure	Expenditure as % of Warrant Allocations	Expenditure as % of Revised Budget
General Administration and Management	251.1	219.8	49.0	108.2	87%	49%
Enhancing Inclusive and Sustainable Economic Growth	459.8	397.8	3.4	199.1	96%	50%
Strengthening Human Capital	218.2	68.2	4.0	9.6	96%	14%
Building Enabling Infrastructure	1,750.0	1,703.9	244.0	1,099.9	92%	65%
Strengthening National Governance and Accountability	231.8	205.8	20.5	56.3	96%	27%
Cross Cutting	2.4	2.4	0.0	1.0	86%	43%
Investment Climate Reforms and Financial Sector Development	21.0	21.0	2.7	15.9	100%	76%
<b>Grand Total</b>	<b>2,934.3</b>	<b>2,619.0</b>	<b>323.6</b>	<b>1,490.0</b>	<b>93%</b>	<b>57%</b>

Source: Budget Department, Ministry of Finance and Development Planning

The approved capital budget for the Government of Lesotho for the 2024/25 financial year initially set at M2,934.3 million but was reduced to M2,618.9 million by the end of the third quarter. The decrease is resulted from reallocations to the Contingencies Fund to support various commitments. Quarterly expenditure reached M323.6 million, bringing total expenditure of M1,490.0 million, which represents 57 percent of the revised budget. This

represents a 7 percent decline compared to the expenditure during the same period in the previous year.

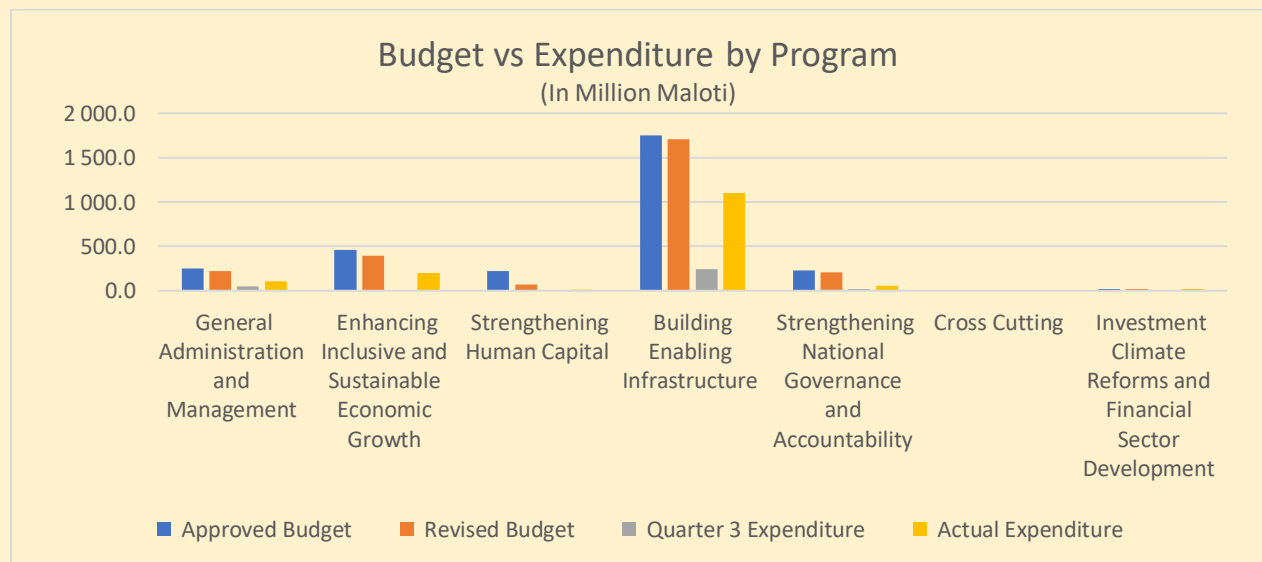
While donor funded activities are incorporated into the budget preparation, their expenditures occur outside the integrated financial management system and are therefore not reflected in the reports.

The **Enabling Infrastructure Programme**, which receives a significant share of the budget for development, reported M244.0 million in expenditures for the quarter, a modest increase from M221.3 million in the corresponding period last year. Cumulative spending for this programme amounted to M1,099.9 million, representing 65 percent of the revised budget.

Reallocation of funds from underperforming projects was redirected towards high performing projects within the Ministry of Public Works and Transport, including:

- M112.8 million allocated to the Marakabei-Monontša Road Project
- M31.1 million redirected to the Mpiti-Sehlabathebe Project
- M20.0 million and M17.0 million allocated to the Paved and Unpaved Pavement Strengthening Projects.

**Figure 4:**



## CONCLUSION

The fiscal performance for the third quarter of the 2024/25 fiscal year continued to reflect budget surpluses, consistent with previous quarters. While a surplus is commendable when driven by higher revenue collections alongside efficient expenditure management, the current surplus primarily resulted from higher-than-expected receipts from SACU, Taxes and Water Royalties coupled with lower-than-planned spending in both the Recurrent and Capital Budgets. The underperformance in expenditure was particularly pronounced in the development budget, which remains limited in size. Consequently, funds were reallocated from the Capital Budget to replenish the Contingencies Fund, enabling the government to finance power supply commitments with ESKOM.