

**CONSOLIDATED REPORT ON THE ANNUAL BUDGET AND ESTIMATES OF  
REVENUE AND EXPENDITURE FOR THE FINANCIAL YEAR 2025/2026**

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*PRESENTED*  
*BY THE*  
**PORTFOLIO COMMITTEE ON THE ECONOMIC AND DEVELOPMENT CLUSTER**  
*TO*  
**NATIONAL ASSEMBLY OF LESOTHO**

*10<sup>th</sup> March, 2025*

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# 1. INTRODUCTION

On Wednesday, 19<sup>th</sup> February 2025 the Honourable Minister of Finance and Development Planning presented the Revenue and Expenditure Estimates for the Financial Year 2025/2026 before Parliament as Section 112 (1) of the Constitution and Section 4 (b) of the Public Financial Management and Accountability Act, 2011 dictate. The Lesotho Budget for 2025/26, will focus on "Building Strategies for Inclusive Growth." The budget prioritizes fiscal prudence, economic growth, and social protection, aiming for economic diversification, social equity, and environmental stewardship. It acknowledges both opportunities, such as increased water royalties, and risks, particularly potential fluctuations in SACU receipts, which necessitates diversifying revenue streams. Projected Government recurrent revenue for 2025/26 stands at M26.5 billion, sourced from SACU receipts (M9.2 billion), domestic taxes (M10.9 billion), and non-tax revenue (M6.4 billion).

These Estimates were introduced to the National Assembly and referred to the relevant Portfolio Committee for scrutiny as required by Standing Order No. 67. The Portfolio Committee on the Economic and Development Cluster tables this consolidated report for consideration and adoption by this august House pursuant to Standing Order No.68. This report is the product of the work done by this Committee and four other Portfolio Committees, whose reports are incorporated in the form of Annexes to this main document.

## 2. EXECUTIVE SUMMARY

The 2025/2026 budget is guided by the theme "Building Strategies for Inclusive Growth". It aims to achieve macro-fiscal stability, promote broad-based sustainable growth, and enhance resilience against economic shocks. The global economy is projected to grow at a stable rate of 3.3%, which is below the historical average. The budget acknowledges the divergent economic paths across regions and the precarious nature of global growth, emphasizing the need for vigilance and responsiveness. The Budget Speech includes projections for economic growth from 2024/25 to 2027/28. As of January 2025, Lesotho's total government debt is M23.1 billion, with external debt constituting 83% and domestic debt 17%. This ranked second in SADC for financial inclusion, with 91% of the population included, an increase from 81% in 2021. The improvement is largely due to mobile money services and Fintech companies.

The Committee observed that firstly, the Budget Performance 2024/25, total revenue reached 65.7% of GDP, with tax revenue at 24.1% of GDP. Non-tax revenue, particularly from water royalties, contributed significantly. SACU receipts accounted for 27.8% of GDP, resulting in a

fiscal surplus of 10.6% of GDP. Secondly, budget outlook 2025/26 total spending is projected to be 65.0% of GDP, with recurrent expenses at 43.8% of GDP and capital expenditure increasing to 21.2% of GDP. The total spending is budgeted at M24, 139.2 billion, with recurrent expenses at M18, 813.2 billion and capital expenditure at M5, 326.0 billion. The overall fiscal position shows a surplus of 2.3% of GDP to which revenue is projected to stabilize at 65.3% and 63.9% of GDP for 2026/27 and 2027/28, respectively, with expenditure decreasing to 60.0% and 54.4% of GDP. This is expected to result in fiscal surpluses of 5.3% of GDP in 2026/27 and 9.5% in 2027/28. The Central Bank of Lesotho (CBL) lowered the monetary policy rate by 25 bases to 7.50%, to align with the prevailing domestic economic conditions and the broader regional monetary policy environment.

In the context of the National Policy Priorities the budget focuses on inclusive growth, aligned with the National Strategic Development Plan II (2023/24–2027/28). Priorities include boosting agriculture, manufacturing, tourism, energy, infrastructure development, and Information Technology, while enhancing healthcare, education, and social protection. It also targets infrastructure improvements and strengthens governance and public financial management. Cross-cutting themes include gender equality, climate change, youth participation, and disaster risk management among the different sectors. The projected Government revenue for the upcoming fiscal year is M29.6 billion, a 9% increase from the 2024/25 budget. Total expenditure is projected to be M33.6 billion, a 10% increase while public debt has increased by 23%. The Committee applauds the salary adjustments and social grants where salaries and wages will be adjusted by 2% across-the-board to preserve take-home pay while disability and child grants will each increase by M50. The Government Service Charter that was launched by the Rt.Hon. Prime Minister on 28<sup>th</sup> February 2025 is a commitment by the Government to effective and efficient use of funds.

In conclusion, there are three main recommendations the Committee wishes to submit before the House. The Ministry of Finance should reduce the 35% threshold income tax to 30%. Secondly, the old age grant should be increased by M50. Lastly, the Government to consider acquisition of air tickets by means of credit cards. This is based on revenue projection of **M29.6 billion**. The recurrent expenditure of M23.1 billion, capital expenditure (Government M4.2 billion, grants M3.1 billion and Loans M3.3 billion) which equates to **M33.7 billion**.

### 3. METHODOLOGY

The report adopted two approaches: budget estimates analysis and ministerial submissions to gather information that will inform the budget scrutiny.

### 3.1 Budget estimates analysis

#### 3.1.1 Overview

- i. **Global Context:** The IMF projects global growth to remain stable at 3.3% for 2025-2026, below the 2000-2019 average. The US economy is performing strongly (2.7% growth in 2025), while China and India demonstrated resilience. Sub-Saharan Africa achieved 3.8% growth in 2024;
- ii. **Inflation:** Lesotho continues to face inflationary pressures, but a gradual easing trend is projected. Consumer price inflation is currently 6.0% (2024/25) and expected to moderate to 5.4% in the upcoming budget year;
- iii. **Monetary Policy:** The Central Bank of Lesotho reduced the policy rate by 25 basis points to 7.50% in response to diminishing inflationary pressures;
- iv. **Debt:** Total Government debt stands at M23.1 billion as of January 2025. Lesotho's debt distress risk remains moderate, and the Government is committed to reducing the debt burden through fiscal rules;
- v. **National Strategic Development Plan II (2023/24-2027/28):** the three fiscal years within the current National Strategic development plan shows a steady increase in revenue.

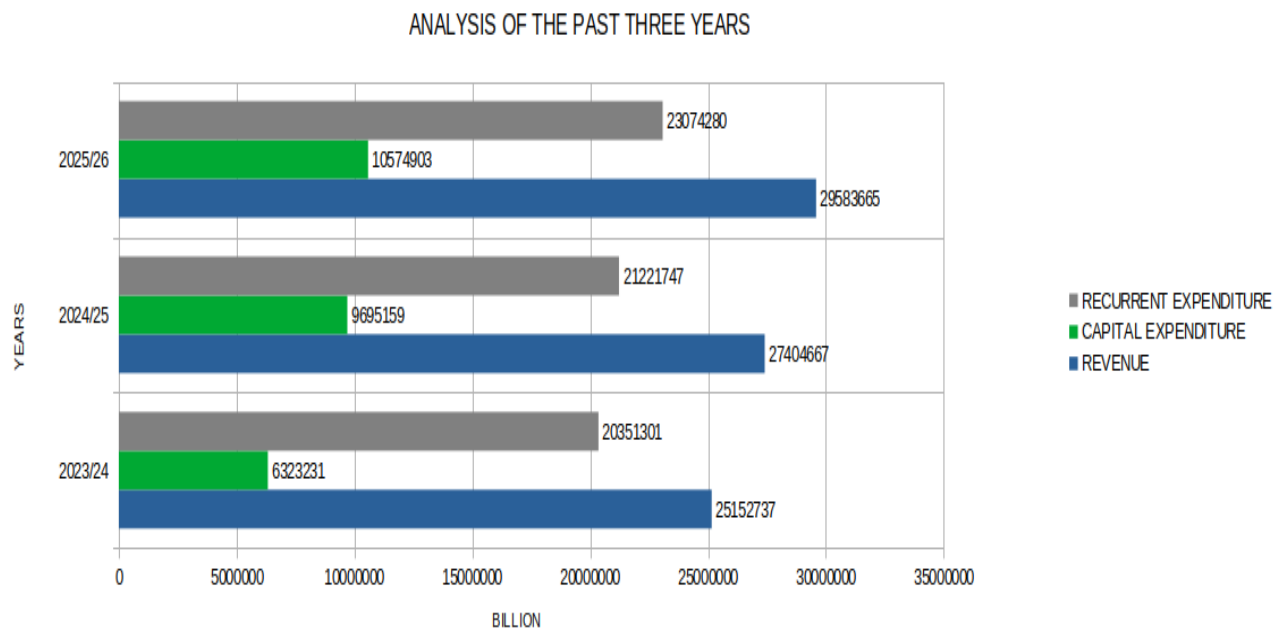


Figure 1 Analysis of the revenue and expenditure for the last 3 fiscal years

#### (a) National Economic performance

The Lesotho's economy grew by 2.5% in 2024/25, driven by the construction sector (22.5%) and the service sector (3.7%). However, challenges include contractions in the mining sector (-5.0%) where globally, synthetic diamonds replace the sales of real diamonds and manufacturing sector (-2.3%) caused by the textiles, clothing, and footwear subsector particularly affected, showing 8.2% decline collectively.

The 2025/26 growth rate is projected at 3.4%, with strong momentum in construction (30.4%) and recovery in crop production (0.9%). Additionally, the medium-term projections show growth stabilizing at 2.2% in 2026/27 and 2.1% in 2027/28.

### ***(b) Price developments/Inflation***

Lesotho continues to face inflationary pressures, but a gradual easing trend is projected. Inflation is currently 6.0% (2024/25) and expected to moderate to 5.4% in 2025/26 driven by domestic demand and agricultural output. Projections are a downward trajectory of 4.9% in 2026/27 and 4.7% in 2027/28 due to the stabilization in the agricultural sector and normalization in the construction sector. The country must be vigilant because factors such as imported prices, oil prices may put inflation pressures.

### ***(c) Monetary Policy Development***

The Government noted that in 2024, the broad money supply grew by 10.6%, a slowdown from the previous year. This growth was driven by a surge in narrow money. In response to diminishing inflationary pressures, the Central Bank of Lesotho's Monetary Policy Committee reduced the policy rate by 25 basis points to 7.25%. Consequently, average lending and deposit rates also decreased. The Central Bank of Lesotho is partnering with the National University of Lesotho to offer a Certificate in Personal Financial Management to promote prudent financial management and it will continue monitoring inflation and adjust monetary policy levers.

### ***(d) Debt***

Total Government debt stands at M23.1 billion as of January 2025 with 83% external debt and 17% domestic debt. The Government plans to issue M600 million in treasury bonds for infrastructure projects, an increase from the M500 million that was proposed in the current financial year. The debt distress risk remains moderate, but the government is committed to reducing the debt burden through fiscal rules. The 2024/25 projection, 'Repayments' of loans are listed at M 667.3 million and the 2025/26 budget, 'Repayments' of loans are projected to be M 1,040.2 million.

### *(e) Unemployment*

Youth unemployment is a significant challenge, with approximately 145,087 young Basotho unemployed, the highest number being girls. There is an estimate of over 1673 health related workers who are on the verge of losing their jobs because of an executive order by the USA Government. The **Ha Belo Industrial Estate** is expected to be commissioned in 2025, potentially creating approximately 6,000 jobs at full capacity.

### *(f) Climate change*

To counter the escalating adverse effects of climate change on agricultural output, the Government intends to commission two large irrigation schemes in Tsikoane and Seaka Quthing, covering 250 and 200 hectares, respectively. Moreover, in recognizing the increasing frequency and severity of disasters, linked to climate change, the Government will continue to implement the Local Climate Adaptive Living Facility initiatives in collaboration with the United Nations Capital Development Fund (UNCDF). These initiatives aim to enable councils to adapt effectively to climate change impacts

## **3.1.2 Key policies and reforms**

### **(a) Promoting Inclusive Economic Growth**

The financial policy focuses on inclusive growth and is aligned with the extended National Strategic Development Plan II (2023/24-2027/28). Through the financial policy, the Government will introduce a series of reforms and policies aimed at stimulating economic growth. This includes policies focused on industrial development, agriculture, energy, and technology, development of tourism special economic zones and a policy for technological innovation, and improvement of the investment climate by completing investment policy, enacting investment law, and enhancing access to finance.

The policy shall also enhance infrastructure improvements in energy, water, transport and waste management, strengthening Governance and public financial management. The cross-cutting issues include gender equality, climate change, youth participation and disaster risk management.

### **(b) Enhanced Revenue Mobilization**

The Government has prioritised the following resource mobilisation initiatives:

- i. Incremental increases in alcohol and tobacco levies.
- ii. Increase in the minimum threshold for income tax and VAT registration threshold;
- iii. Review and increase of the Motor Vehicle Assurance and the oil levy;
- iv. Implementation of digital technology for tax collection and new laws to strengthen revenue administration;

- v. Enactment of Income Tax Bill, Tax Administration Bill and VAT Bill to further strengthen revenue administration; and
- vi. Plastic levy (monitoring compliance with big retail shops before levy is charged across board).

### **(c) Public Financial Management Reforms**

The Government will continue Public Financial Management reforms through:

- i. Introduction of fiscal rules, establishment of a stabilization fund, and enhanced public investment management;
- ii. Creation of a centralized asset registry and leveraging the IMF's Public Investment Management Information System (PIMIS).

### **(d) Sustainable Development Goals (SDGs) agenda**

The 2025/2026 budget aligns with the Sustainable Development Goals (SDGs) agenda, focusing on ending poverty and protecting the planet. Lesotho, in partnership with communities, will implement integrated approaches to environmental management. The budget aims to ensure that by 2030, all people enjoy peace and prosperity. Several Ministries and programs contribute to the SDG agenda:

- i. **Agriculture and Food Security:** With a budget of M1.3 billion, the agricultural sector aims to ensure food security and foster rural development, despite the effects of climate change;
- ii. **Water Resources:** The water sector allocated M2.2 billion, ensures access to clean water, supports agriculture, and safeguards public health through projects like Integrated Catchment Management;
- iii. **Gender, Youth, and Social Development:** The Ministry, with an allocation of M1.5 billion, is committed to advancing gender equity and empowering vulnerable groups through social protection and economic programs such as the Sebatso Youth Empowerment Initiative.

#### **3.1.3 Key Budget Allocations and Initiatives**

- i. **Agriculture:** M1.3 billion allocated. Focus on establishing a Lesotho Integrated Agriculture Information Management System (LIAMIS) for smart subsidies and supporting wool and mohair production;
- ii. **Tourism:** M207.2 million allocated. Focus on developing a Tourism Sectoral Strategy to identify niche markets and improve tourist experiences;
- iii. **Trade and Industry:** M423.8 million allocated. Includes commissioning the Ha Belo Industrial Estate and supporting local MSMEs to meet quality standards. Inclusive Growth Fund of M400 million;



- iv. **Health:** M3.1 billion allocated. Emphasis on Primary Health Care (PHC) and reducing morbidity and mortality rates;
- v. **Water:** M2.2 billion allocated. Focus on Integrated Catchment Management (ICM) projects and improving water supply to villages;
- vi. **Energy:** M1.5 billion allocated. Focus on renewable energy projects, including solar and wind power, and building a National Strategic Fuel Reserve Facility.

### 3.1.4 Specific Projects and Initiatives

- i. **Lesotho Lowlands Water Development Project Phase III:** A major infrastructure project receiving funding from multiple international sources to provide safe drinking water;
- ii. **Wool and Mohair Value Chain Competitiveness Project (WOMCOP):** Aims to improve the competitiveness of Lesotho's wool and mohair industry;
- iii. **Smallholder Agriculture Development Project:** Seeks to enhance agricultural productivity and food security among smallholder farmers;
- iv. **Construction of Cancer Treatment Centre:** Significant investments in healthcare infrastructure.

### 3.1.5 Strategic Partnerships

- i. The Kingdom of Lesotho development Cooperation frameworks, among others, include China-Africa Cooperation and the MCC Health and Horticulture Compact II. The African Development Bank's new Country Strategy Plan also presents opportunities for impactful projects;
- ii. New partnerships with Nordic countries for the Just Energy Transition program under the direct leadership of his Majesty.

### 3.1.6 Comparative analysis of the 2024/25 and 2025/26 Budget estimates

The Committee made a comparative analysis of the 2024/25 and 2025/26 budget speeches. The Committee found shifts in priorities, revenue, and expenditure, as well as changes in economic context and policy focus.

#### (a) Themes and Priorities:

- 2024/2025:** The theme was "Building Resilience, Working Together, and Fostering Sustainable and Fair Growth". The budget emphasized renewal, change, and progress.
- 2025/2026:** The theme shifted to "Building Strategies for Inclusive Growth". Priorities included agriculture, manufacturing, tourism, energy, and IT, while also enhancing healthcare, education, and social protection. The emphasis is on private sector development. Cross-cutting

themes included gender equality, climate change, youth participation, and disaster risk management to support sustainable development.

(b) Global and National Economic Context:

•**2024/2025:** Reflected on past achievements and future opportunities during Lesotho's bicentennial celebration.

•**2025/2026:** Reported a stabilized fiscal position in 2024/25, allowing for policy manoeuvres. The International Monetary Fund (IMF) projected global growth to remain stable at 3.3%. The budget acknowledged divergent economic paths across regions and the precarious nature of global growth.

(c) Fiscal Performance and Projections:

•**2024/2025:**

Total government debt was recorded at M22.9 billion, with external debt at M19.0 billion (8.3 percent) and domestic debt at M3.8 billion (17%). A surplus of M4,394.6 million was projected, accounting for 10.6% of GDP, driven by effective revenue collection and restrained expenditure growth.

•**2025/2026:**

Total government debt stood at M23.1 billion as of January 2025, with M19.3 billion in external debt (83%) and M3.8 billion in domestic debt (17%). Total spending is projected to reach 65.0% of GDP, with recurrent expenses at 43.8% and capital expenditure at 21.2%. An overall fiscal surplus of 2.3% of GDP is projected.

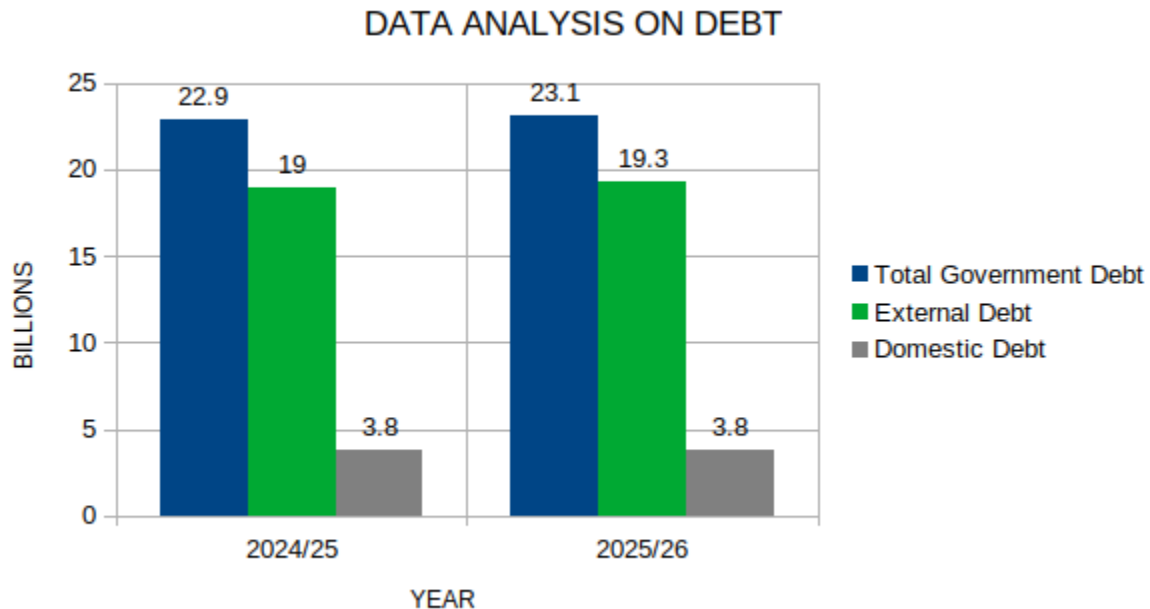


Figure 2 Debt analysis

(d) Revenue and Expenditure:

**•2024/2025:**

Total revenue reached 65.7% of GDP, with tax revenue contributing 24.1%. Non-tax revenue, especially water royalties from LHDA, was a significant contributor. SACU receipts accounted for 27.8% of GDP.

**•2025/2026:**

Projected government revenue is M26.5 billion, an increase of 9% from the 2024/25 budget. Revenue sources included SACU receipts (M9.2 billion), domestic taxes (M10.9 billion), and non-tax revenue (M6.4 billion). Total expenditure estimates were projected at M33.6 billion, a 10% increase from the previous budget. Public debt increased by 23%. Total spending is budgeted at M24,139.2 billion, or 5.1% of GDP. Recurrent expenses were projected at M18,813.2 billion (42.9% of GDP), and capital expenditure was set to increase to M5,326.0 billion, representing 12.1% of GDP.

(e) Key sectoral recurrent analysis

- i. **Agriculture, Food Security and Nutrition:** The budget increases from M547,1 in 2024/25 to M581,9 in 2025/26. This represents a **6.35% increase**
- ii. **Health:** The budget increases from M2,227,7 in 2024/25 to M2,435,4 in 2025/26. This represents a **9.32% increase**
- iii. **Education and Training:** The budget increases from M2,720,8 in 2024/25 to M3,076,1 in 2025/26. This represents a **13.06% increase**.
- iv. **Gender, Youth and Social Development:** The budget decreases from M1,381,5 in 2024/25 to M1,382,3 in 2025/26. This represents a **0.06% increase**

**Sectoral Analysis**

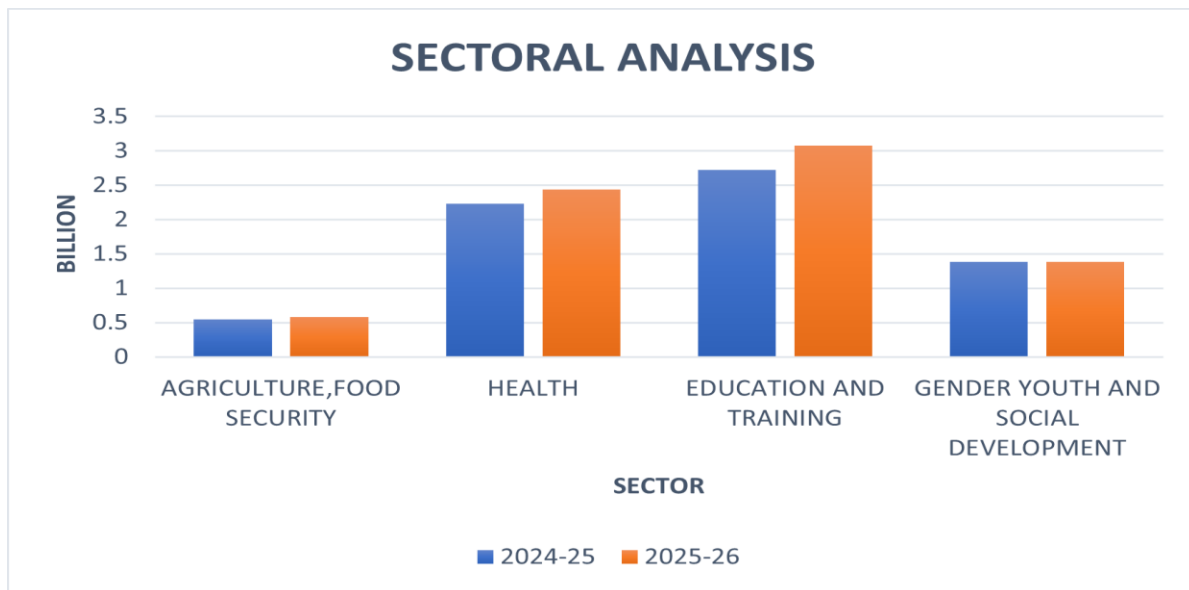


Figure 3 Key sectoral analysis

(f) Policy and Strategy:

- 2024/2025:** Emphasized building resilience and working together.
- 2025/2026:** Prioritized inclusive growth with alignment to the National Strategic Development Plan II (2023/24–2027/28). Strategies focused on equipping citizens with the skills and tools needed for global participation

### 3.1.7 Economic performance outlook for 2025/2026

The Committee recognized that, the economic performance outlook for the 2025/26 budget estimate suggests moderate growth, driven by specific sectors such as construction and supported by a gradual recovery in others. However, ongoing challenges in manufacturing and mining, along with external economic factors, require continued vigilance and policy attention.

(a) Budget Year 2025/26 Outlook:

- Revenue:** Projected at 67.1% of GDP, with key contributions from:
  - Tax revenue: 25.2% (11.7% from income, profits, and capital gains taxes, 13.5% from goods and services taxes).
  - SACU receipts: 20.7%.
  - Water royalties from LHDA: 11.1%.
  - Grants: 7.8% (with capital grants making up 6.9%).
- Expenditure:** Projected to reach 69.7% of GDP, with a significant increase in capital expenditure to 23.8% of GDP, reflecting investments in critical infrastructure.
- Fiscal Balance:** A deficit of 2.6% of GDP projected for 2025/26, with a return of surplus in the following years:
  - 2026/27: Surplus of 1.8% of GDP
  - 2027/28: Surplus of 2.2% of GDP

(b) Key aspects of the economic performance outlook include:

- Construction Sector** The construction sector is expected to maintain strong momentum with a projected growth of **30.4%**, continuing to be a major driver of economic expansion;
- Crop Production** A recovery in crop production is anticipated, with a return to growth of **0.9%**;

- iii. **Service Sector** The service sector is projected to maintain steady growth at **3.1%**.
- iv. **Manufacturing Sector** The manufacturing sector, though showing some signs of improvement, is still projected to contract by **4.2%**.
- v. **Mining Sector** The mining sector will likely continue facing headwinds with a projected decline of **2.9%**;
- vi. **Inflation** Consumer price inflation is projected at moderate **5.4%** in the upcoming budget year. Inflation is expected to continue its downward trajectory, reaching **4.9%** in 2026/27 and further easing to **4.7%** by 2027/28.
- vii. **Animal Farming** Animal farming is expected to strengthen further, reaching **4.2%** growth.

#### (c) Medium-Term Projections

Medium-term projections show the economy growing at **2.2%** in 2026/27 and **2.1%** in 2027/28. This reflects gradual stability across sectors, with mining and manufacturing expected to return to growth. Construction growth is anticipated to normalize at more sustainable levels of **8.5%** and **9.0%** respectively as LHWP II projects wind down.

Several factors contribute to the projected economic performance:

- i. **Global Growth:** the International Monetary Fund (IMF) projects global growth to maintain stability at 3.3% during 2025 and 2026;
- ii. **U.S. Economic Performance:** the United States is expected to show robust economic performance, with growth projected at 2.7% in 2025;
- iii. **Emerging Markets:** China's growth forecast has been marginally revised upwards to 4.6% for 2025, and India continues to demonstrate remarkable resilience, with projected growth holding steady at 6.5% for both 2025 and 2026. Sub-Saharan Africa achieved growth of 3.8% in 2024;
- iv. **South Africa's Growth:** South Africa is anticipated to improve notably to 1.5% and 1.6% in 2025 through 2026.

In summary, the **2024/25 budget** focused on resilience and recovery, while the **2025/26 budget** shifted towards strategic, inclusive growth, emphasizing key sectors and sustainable development. Both budgets aimed to enhance financial management and promote economic stability, but with differing priorities and allocations reflective of the evolving economic landscape and national development goals. Moreover, the Budget Strategy Paper (BSP) for 2025/2026, emphasizes sustainable and inclusive economic growth, focusing on private sector-led development, economic diversification, strengthening human capital, enabling infrastructure, and good governance. It addresses key risks like climate change, State Owned

Enterprise inefficiencies, and debt management while highlighting planned investments and reforms across various sectors.

### 3.2 Ministerial Briefings

- I. The Portfolio Committee on the Economic and Development Cluster invited the Ministry of Finance and Development Planning. The Ministry provided a brief on the Financial Policy as well as the National Budget Planning Process.
- II. Pursuant to Standing Order No. 95 (1)(d) read with No. 68, the various Portfolio Committees invited Ministries and Departments that fall within their purview to present their performance for the financial year 2024/2025 and the budget plans for the financial year 2025/2026. The reports of the said committees are appended as annexes (See Annexures 1 – 5).
- III. The Portfolio Committee on the Economic and Development Cluster also received valuable inputs from Stakeholders (See Annexures 6.1 – 6.2)

### 3.3 Stakeholders' Contribution to the Budget

#### 3.3.1 Concerned Youth Leaders

The Youth representation wishes for a speedy enactment of the National Youth Bill to regulate youth related issues through the establishment of the National Youth Council. See annex 6.1.

#### 3.3.2 The Maluti Mountain Brewery (MMB)

The Maluti Mountain Brewery enclosed a concern on the Tobacco and Alcohol Products Levy which is adversely affecting the MMB's long-term economic growth. Following the levy implementation, MMB states that vacancies have been frozen, employees retrenched, a depot and a liquor distributor closed. See annex 6.2

## 4. OBSERVATIONS

- 4.1 Ministry of Finance budget of M19.2 million for international trips seemed unreasonably on a high-end without a clear calendar of the statutory international meetings to be undertaken the Committee noted that the budget allocation in 2023/24 was M5million and increased radically in 2024/25 to M15.6million.
- 4.2 USA executive orders have affected several organizations including 2,500 students (Bokamoso Organization).
- 4.3 There is an imbalance in justice value chain, the government needs to interconnect all processes and institutions involved in delivering justice, from crime prevention to the enforcement of legal decisions.

- 4.4 The issue of budget ceiling has a serious bearing on the efficiency of all Ministries specifically of LDF to maintain peace and security for the Kingdom of Lesotho.
- 4.5 The Committee observed that Foreign Missions properties and vehicles are in dire state thus causing the Ministry a lot of rentals.
- 4.6 There is no record in revenue collection of cannabis licenses application and renewal yet there have been 75 licenses issued in 2018 and 24 of them operational.
- 4.7 The Maluti Mountain Brewery submitted grievances to the proposed Alcohol and Tabacco levy
- 4.8 The Government doesn't receive the anticipated yield from the 80% subsidy on Agriculture investment.
- 4.9 The government holds shares in approximately 20 State-Owned Enterprises (SOEs), including the Lesotho Electricity Company, BEDCO, and the Water and Sewerage Company, etc. Alarminglly, 60% of these entities have never paid dividends. The reasons vary, ranging from persistent financial losses due to high staff turnover to inefficiencies in revenue collection, among other challenges. This situation is unsustainable and demands urgent intervention.

## 5. RECOMMENDATIONS

The Committee submits the following recommendations for consideration by the House that:

- 5.1 Ministries and Departments should reduce international trips in their budgets by at least 50%, considering exceptional cases: Prime Minister's Office, Ministry of Foreign Affairs and International Relations, Ministry of Labour and Employment and Parliament.
- 5.2 The Ministry of Finance to consider increment of old-age grants by M50 to maintain their take home in the current financial year.
- 5.3 Ministries should adhere to the Public Financial Management Accountability Act, 2011 virement rule of not exceeding the 20% margin as provided in Section 15.
- 5.4 The Government to consider prospects of a need for M514, 9 million in the contingency fund to cater for, Referendum Elections, Intensification of Electors' re-registration and Conducting By – elections.
- 5.5 The medical school's budget to be increased by M3 million. The additional budget for LEBOHA will bring enormous savings to the government as funds will no longer be paid to medical schools outside the country.
- 5.6 The Committee requests the Ministry of Law and Justice to priorities Lesotho Correctional Services in their M2.4million allocation on Vehicles and Cycles and Equine.
- 5.7 USA executive orders have affected several organizations, and the Government should develop mechanisms to curb this downfall.
- 5.8 The Ministry of Health should establish rehabilitation centres and proper functioning of Mohlomi Mental Hospital.
- 5.9 The government needs to prioritize and invest in SDG 16 (peace, justice and strong institutions) for transparency and protection of its citizens.
- 5.10 The Government to speed up the recovery of M32million that was looted by Lerotholi Polytechnic officials.

- 5.11 The Government must promote Proudly Lesotho manufactured products such as sandstone, bricks, mohair products and bottled products.
- 5.12 Ministry of Labour should be prioritized by the Government to enhance Human capital management including exporting intellectual diaspora.
- 5.13 A significant budget must be allocated to cover at least 7 specialist doctors at the Queen Mamohato Memorial Hospital. This shall lower the costs incurred by referrals to South African Hospital services
- 5.14 Laws on Betting and Gaming should be revised to accommodate an increase of levy in the betting and gaming sport
- 5.15 The Government should put stringent measures on State-Owned Enterprises that fail to pay dividends
- 5.16 The Government should initiate a long-term plan to build a development bank which shall serve to provide start-ups loans for companies post their incubation processes.
- 5.17 The Ministry of Natural Resources proposed budget amounting to M424,9million for Lesotho Highlands Development Authority should not be allocated with the exemption of personal emoluments. The Ministry has failed to provide the documents required by the Parliamentary Committee during the 2025/26 budget estimate analysis presentations.
- 5.18 The Ministry of Public Works and Transport proposed capital budget of M108,5million envisaged for the Design Review and Rehabilitation of Moshoeshoe 1 International Airport Terminal Building Roofing, Coverings and External Cladding project should not be allocated to the Ministry. The Ministry had violated the Public Procurement Act 2023, and therefore the project should be re-tendered.
- 5.19 The Ministry of Energy, the proposed budget estimates amounting to M425.7million for Belo and Tikoe Industrial Areas Projects should be disbursed based on the World Bank Group recommendation, which is the main funder of the project. The World Bank Group recommended that until the Belo contract resolutions are finalized, LEC should defer the signing of Tikoe contract. In addition, the Ministry did not complete the Compensation Survey study for the affected areas.
- 5.20 Ministry of Tourism, Sports, Arts and Culture to be considered for additional amount of M20million over and above the allocated M30million for the continuation of the Lesotho Museum construction project.
- 5.21 The Committee recommends a round-table discussions between MMB and Ministry of Finance on the issue of Alcohol and Tabacco levy.
- 5.22 A comprehensive overhaul of both the policies governing these SOEs and the responsible ministries is imperative to ensure their financial viability, accountability, and contribution to national development.

## 6. CONCLUSION

The Committee wishes to put before the House for the adoption of this report.



## **ANNEXURES**

**Annex 1:** Portfolio Committee on the Economic and Development Cluster

**Annex 2:** Portfolio Committee on the Social Cluster

**Annex 3:** Portfolio Committee on Law and Public Safety

**Annex 4:** Portfolio Committee on Natural Resources, Tourism, and Land Cluster

**Annex 5:** Portfolio Committee on the Prime Minister's Ministries and Departments, Governance, Foreign Relations and Information

**Annex 6:** Submissions by Various Stakeholders:

6.1: Maluti Mountain Brewery

6.2: Concerned Youth Leaders

## **Annex 1: PORTFOLIO COMMITTEE ON ECONOMIC AND DEVELOPMENT CLUSTER**

### **1. INTRODUCTION**

The Budget Estimates were referred to the Portfolio Committee on Economic and Development Cluster for scrutiny pursuant to Standing Order No. 68. The Committee looked into the policy context, financial implications, contents and effects of the estimates. The Committee therefore presents this report to the House for consideration and adoption.

## 2. METHODOLOGY

In carrying out this assignment, the Committee received presentations from Ministries that fall under its purview. The presentations were on the performance of the Financial Year 2024/2025 budget and their budget proposals for the Financial Year 2025/2026. The Committee considered the ministries' performance and their estimates with due regard to the briefings and inputs received, to formulate a report on their budget and estimates of revenue and expenditure. A performance and budget scrutiny was conducted over the following Ministries:

- a) Ministry of Finance and Development Planning;
- b) Ministry of Trade, Industry and Business Development;
- c) Ministry of Agriculture, Food Security and Nutrition; and
- d) Ministry of Labour and Employment.

## 3. MINISTRY OF FINANCE AND DEVELOPMENT PLANNING – 304

The Ministry's mission is to coordinate Ministries, Departments and Agencies (MDAs) towards achieving economic development through developing national policies, macro-fiscal stability plans reliant on quality information, and efficient utilization and management of public funds.

### 3.1 Previous Year's Performance – 2024/2025

The Ministry's objectives were:

- a) To improve resource mobilisation and allocation efficiency;
- b) To improve the investment climate and access to finance in order to support private sector growth and job creation;
- c) To strengthen macroeconomic management and set policy direction to support shared and inclusive economic growth and development;
- d) To strengthen national statistics, planning, budgeting, monitoring and evaluation, and accountability systems to deliver efficient and effective implementation of policy and use of public funds;

e) To contribute towards Human capital development; and

f) To enforce an effective Public Financial Management and Accountability (PFMA) legal framework and systems to ensure transparency and value for money in use of public fund.

### 3.1.1. Performance on Revenue Collection

The revenue target was set at M21, 4 mil. The collection was M 15, 9 mil leaving a balance of M4.5mil. The revenue is collected from Personal Income Tax, Other Revenue and Southern African Customs Union (SACU) receipts. The SACU receipts made the largest contribution of

11.4 bil and a balance of 2.9 bil which shall be collected in the last quarter.

Further, the Government was able to collect dividends amounting to M 225, 6 mil from the following entities:

Entities	Amounts in Maloti
Central Bank of Lesotho	151,275,871.11
Standard Lesotho Bank	28,950,000.00
Aon Lesotho	1,491,753,04
Maluti Mountain Brewery	40570310
MHG-Avani Hotels	6,371,951,22
Lesotho Post Bank	3,000,000.00
Lesotho National Assurance Company	1,800,000.00
Total	Total 225,596,181.11

The following entities did not paid their dividends:

a) Lesotho Electricity Company

b) Water and Sewerage Company

c) Lesotho Post Bank

d) Basotho Enterprise Development Corporation

e) Lesotho Tourism Development Corporation

f) Lesotho National Development Corporation

- g) Loti Brick
- h) Ok Bazaars
- i) Lesotho Flour Mills
- j) Econet Telecom Lesotho
- k) Letseng Diamonds
- l) Storm Mountain (KAO)
- m) Lesotho National Insurance Group (General Insurance Co Ltd. And National Life Assurance Co. Ltd))

The following mark the achievements to date:

- a) The Ministry has developed new strategies to ensure that payments correspond with filed returns (Verification of filing);
- b) The Ministry has prioritized enhancing audits with specific focus on refund verification processes assisted to lower refunds demanded by companies on Value Added Tax (VAT) and Cooperate Income Tax (CIT);
- c) The Loan Bursary Fund Reform Policy has been approved by Cabinet;
- d) The National Vision Concept Note has been approved by Cabinet;
- e) The Ministry has started the ministerial strategic plan;
- f) There was a surplus made from revenue collection due to an unexpected interest deposit of M288, 4mil from SACU; and
- g) The Lesotho National Assurance Company paid dividends of M1.8 mil for the first time. The Central Bank of Lesotho also paid M151.3mil whilst the budget was M64.1mil.

#### Challenges and Constraints

Despite a good revenue collection, the Ministry was challenged with compliance issues by different taxpayers, a low collection of withholding tax due to the underperformance of the mining sector and majority of State Owned Enterprises still fail to pay dividends.

#### 3.1.2. Performance on Recurrent Budget

The Ministry had M 2, 2 bil released for its recurrent expenditure but only consumed M 1, 4 bil, leaving a balance of M 767, 7 mil which will be consumed in the fourth quarter. The expenditure was meant to cover personal emoluments, travel and transport, operating costs, acquisition of non-

financial assets, transfers, repayment of domestic liabilities, losses, other expenses and student grants.

The recurrent expenditure was revised in the following items:

- Acquisition of non-financial assets was revised from M2, 8 mil to M7, 8 mil. The budget was for procurement of a lift, office equipment, residential furniture and a care for the Minister.
- Arrears were revised from M400 mil to M650 mil to cover payments to suppliers whose documents were not fully supported, hence a delay for their payment; and
- There were Loans to extra budgetary units amounting to M 102, 3mil. This was for the construction of Petroleum Fund headquarters which was financed through Treasury bills and bonds. The total revised amount was M 3, 3 bil.

### Constraints

The Ministry was unable to carry out activities for the development of the National Vision due to inability to secure a suitable consultant to coordinate the process, despite two rounds of advertisements; The Ministry was further not able to provide suitable National Vision Coordinator. The tender for the coordinator position was advertised three (3) times and could not attract a well-qualified and experienced local expert. This has resulted in non-expenditure for all activities related to the development of the National Vision.

#### 3.1.3 Performance on Capital Budget

The Ministry released a budget to carry out the following projects:

Project title	Source of Funding	Released amount (M)	Actual expenditure (M)
Institutional Support for Debt and Expenditure Management	African Development Bank (AfDB)	6,9 mil	3,8 mil
	GoL		
Lesotho Public Sector Foundations for Service Delivery	World Bank	17,8mil	1,7 mil
	GoL	1,9 mil	1,6 mil
Lesotho Tax Modernisation Project	African Development Bank (AfDB)	9,3 mil	9,3 mil
	GoL	764,339.00	764,339.00
Support for HIV/AIDS	Global Fund	319,1mil	303,8 mil
	GoL	12,3 mil	12,3 mil

Millennium Challenge Compact	Millennium Challenge Account	158,9 mil	158,9 mil
	GoL	5,8 mil	4,7 mil
Cooperation Facility funded	European Union	16 mil	14,5 mil
Border Post Infrastructure Refurbishment funded	GoL	422,691.00	422,691.00
Consultancies and Studies funded by	GoL	28 mil	27,1 mil

During the implementation of its projects, the Ministry faced the following challenges:

- a) The Project Implementing Units took longer to understand and comply with Non-Cash requirement on donor funds, which is now mandatory to provide before GoL payment could be made;
- b) The Government's counter-part under Institutional Support for Debt and Expenditure Management, shall be paid in the last quarter. There were also delays due to misallocations and procurement processes for consultancies;
- c) Under the Lesotho Public Sector Foundations for Service Delivery project, there was a delay in commencement, therefore most procurements are behind schedule;
- d) Under the Lesotho Tax Modernisation Project, a budget of M48, 5mil was misallocated, however, it has been split and corrected into proper line items; and
- e) The compensation and relocation process by RSL could not be completed in time to allow the Border Post Infrastructure Refurbishment project to proceed to construction stage.

### 3.2 The Current Budget – 2025/2026

The Ministry's proposed budget is M 4.6 bil of expenditure (M2.8 bil for recurrent expenditure and M1.8 bil for capital expenditure) and M20.4 bil and M1.5 bil for revenue collection and grants respectively.

The Ministerial Objectives for the current financial year 2025/2026 are:

- a) To improve resource mobilisation and allocation efficiency;
- b) To improve the investment climate and access to finance to support private sector growth and job creation;

- c) To strengthen national statistics, planning, budgeting, monitoring and evaluation, and accountability systems to deliver efficient and effective implementation of policy and use of public funds;
- d) To contribute towards Human capital development;
- e) To enforce an effective Public Financial Management and Accountability (PFMA) legal framework and systems to ensure transparency and value for money in use of public funds (NEW); and
- f) To strengthen macroeconomic management and set policy direction to support shared and inclusive economic growth and development (NEW).

### 3.2.1 Proposal on Revenue Collection

The Ministry plans to collect a revenue of M20.4 mil from taxation, other sources of revenue and SACU receipts.

- a) M10,4bil will be collected from taxation (personal income tax, company holding tax, value added tax, tobacco and alcohol levy, gaming levy and stamp duty tax);
- b) M 794,4mil will be collected from other sources of revenue (dividends of non-financial public corporations, interests received from financial and public corporations, surface rent, rand monetary compensation, application fees, rent from government property, sales of maps, books and other public, sales of tender, bidding and contract documents; and
- c) M 9,2bil will be collected from the SACU receipts.

### 3.2.2 Grants

With Grants of M1.5 billion, the Ministry seeks support for the following:

- a) M 572,9mil from Global fund and GoL for Stepping Up Universal Access. This is a Multi-Sectoral Partnership Response to TB/HIV;
- b) M 16 Million from European Union for Cooperation facility; and
- c) M 923,9mil from Compact II and GoL for health systems strengthening, market driven irrigated horticulture, business environment and technical assistance.

### 3.2.3 Proposal on Recurrent Budget

The Ministry requests a recurrent budget of M 2, 8bil. Transfers amounting to M745,9 mil , shall be paid quarterly upon request to Revenue Services Lesotho (RSL), Financial Intelligence Unit (FIU), Lesotho National League of Visually Impaired Persons (LNIVP), DAG, Lesotho Institute of Accounts (LIA), Labour Survey, Cartography, and Economic Census;

### 3.2.4 Capital Budget Proposal

For the capital expenditure, the Ministry requests a budget of M 1, 8 bil (M150.5 mil from GoL, M1.5bil from donor grants, and M179 mil from donor loans for the following projects:

- a) Institutional Support for Debt and Expenditure Management;
- b) Lesotho Public Sector Foundations for Service Delivery;
- c) Lesotho Tax Modernisation Project;
- d) Support for HIV/AIDS;
- e) Millennium Challenge Compact;
- f) Cooperation Facility;
- g) Border Post Infrastructure Refurbishment; and
- h) Consultancies and Study.

#### **Observations**

- a) There has been a noticeable inefficiency on maintenance infrastructure of equipment at WASCO. There is also a delay in payment of monthly water bills;
- b) Due to the executive order by the US, some project activities may be in jeopardy;

#### **3.3 Recommendations**

- a) In general, the capital projects financed by GoL have been progressing slowly due to unanticipated validation and quality assurance requirements that needed to be done for the design component of border refurbishment project. The Committee urges the Government to accelerate the boarder refurbishment project. Upon its completion there will be increased revenue collection, improved monitoring of immigrants and reduction of human trafficking across the borders.
- b) Ministry should adhere to the Public Financial Management Accountability Act, 2011 virement rule of not exceeding the 20% margin as provided in Section 15 (1).

## 4.0 MINISTRY OF TRADE, INDUSTRY AND BUSINESS DEVELOPMENT - 305

### 4.1 Previous Year's Performance for Financial Year 2024/2025



The Ministry intends to create and maintain an enabling environment for business development, trade, investment, cooperatives, and Industrialization for private sector led job creation and poverty reduction. This shall be done through:

- a) Enhancing the productive capacity of producer's competitiveness to Lesotho's exports into regional and international markets;
- b) Strengthening investment and trade promotion; and
- c) Promoting cooperative and entrepreneurship development.

#### 4.1.1 Performance on Revenue Collection

The Ministry collected revenue from trading licenses, industrial licenses, registration and licensing, laboratory testing services, registration fee and business ID, sale of tender, craft Centre and transfer of unclaimed monies. There was a budget of M10, 8mil, but a collection of M10, 1mil. This constituted a 71.3% of the planned annual collection. The Ministry also received a grant from the International Development Association for the Competitiveness and Financial Inclusion (CAFI) Project. The project was granted M14, 7mil but M14, 2 mil was used. The following activities were implemented:

- a) Functional prototypes for business Registration and Business Licensing were developed and eRegistration platform is accessible online;
- b) Disaster Risk Financing Strategy has been developed to advance operationalization of resilience funds for Macro, Small and Medium Enterprises (MSMEs);
- c) MSME Resilience Fund Handbook has been developed to guide disbursement of grants to MSMEs during climate disasters and shock;
- d) 80 farmers have completed training on pre-incubation program;
- e) A sorting and packing machine has been procured; and
- f) 76000 trees seedlings were procured and planted for establishment of 7 new commercial farms.

#### 4.1.2 Performance on Recurrent Budget

The Ministry had a budget of M83mil but spent M81, 2mil of the annual budget released. The costs incurred are from personal emoluments, travel and transport, operating costs, transfers and acquisition of non-financial assets. Through the support of United Nations Development Programme, the Ministry implemented sensitization program for MSMEs in trade, as well as development of clusters in textiles and clothing sector. Through the support of the European Union (EU) and the German Government (GIZ), the Ministry in conjunction with GIZ is implementing

support for integration of private sector into the regional value chains. Virements were made to cater for a shortage on Fares and Subsistence International for statutory meetings.

#### 4.1.3 Performance on Capital Budget

The Ministry has a Competitiveness and Financial Inclusion Project funded by the International Development Association. The project had a budget of M87, 2mil and only consumed M61,5mil. The project oversees the following activities:

a. Enhancing Government to Business Digital Services to effectively serve MSMEs In this activity, there are functional prototypes for business registration and business licensing. There is also a new prototype for companies. The eRegistration is now accessible online.

#### b. Improving Access to Finance

There was a noted delay in the development of credit bureau supervision framework including manuals and guidelines for effective supervision of the credit Bureau by the Central Bank of Lesotho.

#### c. Entrepreneurship Hub and Financing Facility

i. Entrepreneurship and MSMEs entrepreneurship Hub and Seed Financing Facility is fully operational facilitating the incubation and mentoring of MSMEs;

ii. The capacity of 27 Enterprise support organizations has been enhanced to incubate enterprise with high growth potential;

iii. 100 enterprises have been incubated of which 65% are women-owned and 75% youth - owned. The incubation of an additional 50 enterprises is in progress; and

iv. 349 jobs have been created through incubated enterprises and new digital technologies integrated into their operations.

#### d. Lesotho Enterprise Assistance Program (LEAP)

i. 119 enterprises and 10 business associations of which 55% are women-owned and 18% are youth-owned; have been assisted with a matching grant to improve their operations, increase productivity and enhance their competitiveness;

ii. 16 enterprises have adopted new digital technology; and

iii. 2,417 jobs have been created through LEAP intervention.

#### e. Strengthening competitiveness of the textile and apparel Global Value Chain (GVC)

i. Assessment of the current and potential market for Lesotho textile and apparel products particularly the United States, European and African markets has been undertaken, and the profitable sub-niches of the value chain that are best suited to being produced in Lesotho have been identified.

ii. Further, LNDC marketing materials (exports and investment pitch book) have been upgraded to showcase the business climate, and inquiries for new investments in Lesotho have started.

f. Expanding smallholder horticulture production through a horticulture incubation program

i. Horticulture Incubation and Training centre has been launched and is operational;

ii. Pre-incubation training for 110 farmers (of which 33 are females; 77 males) has been completed and suitable farmers selected for full incubation program;

iii. Pre-incubation training for 80 farmers in the second cohort is in progress;

iv. 7 commercial deciduous farms have been established and 170 jobs have been created.

#### 4.2 Current Budget for Financial Year 2025/26

The Ministry's proposed budget is M513.6 mil for expenditure (M114.1mil of recurrent expenditure, and M399.5mil of capital expenditure (M309.5 mil from CAFI and M90 mil from GoL). Revenue collection is estimated at M12.7 mil and a M7.3 mil from CAFI.

In the current Financial Year, the Ministry's objectives will be achieved through the following priorities:

a) Diversified products and effective business linkages;

b) Strengthening capacity building for MSMEs and cooperatives; and

c) Operational industrial clusters and integrated supply chains

##### 4.2.1 Proposal on Revenue Collection

For the 2025/2026 Financial Year, the Ministry intends to collect revenue from payment for services and fees amounting to M12, 7mil.

There is also a proposed budget for a CAFI project amounting to M17, 3mil.

Opportunities:

a) An anticipated increase in Revenue in Laboratory Testing Services is due to scope of calibration services which have increased after purchasing new laboratory testing equipment used in Textile Industry; and

b) An increase in Business ID is a result of the implementation of Business Licensing Act. 4.2.2 Proposal on Recurrent Budget

The budget proposed for Financial year 2025/26 will cover salaries and allowances, travel and transport, operating costs, transfers (current grants paid to extra budgetary units), and the acquisition of non-financial assets amounting to M114,1mil.

#### 4.2.3 Proposal on Capital Budget

The capital budget is proposed to fund the new and cashless services for one stop business facilitation centre, standard and quality infrastructure, capacity building of MSMSs, and CAFI project. The proposed amount is M309, 5mil. Funding of M90 mil by the GoL has been allocated for Lesotho Standards and Quality Assurance infrastructure.

#### Observations

The Committee has noted the performance and proposals of the Ministry and has observed the following:

a) Although there was no budget for other statutory trips, virements had to be made in the Financial Year 2024/25 to cater for a shortage on Fares and Subsistence International for such trips; and

b) The Committee has noted a delay in the connection of water and electricity and its impact on the delay in the opening of the Belo Industrial Estate.

#### Recommendations

Ministries who are involved in the operationalization of Belo Industrial Estates should see to the acceleration of the full functioning of the Estate

### 5.0 Ministry of Agriculture, Food Security and Nutrition - 301

#### 5.1 Previous Year Performance – Financial Year 2024/25

The Ministry of Agriculture, Food Security and Nutrition intends to increase agriculture production, food and nutrition security at national and household level through efficient and effective extension services.

The Ministry also intends to promote improved agricultural production and productivity,

sustainable food and nutrition security and enhanced farmers' engagement in commercial agriculture.

#### 5.1.1 Performance on Revenue Collection

The total revenue collected was M51, mil of the M89, 6mil budgeted.

The Ministry collected well except for:

- a) Ineffective public education on business licensing and business registration;
- b) Late delivery of maize and bean fertilizers which failed to be sold during the farming season; and
- c) Reluctance to submit requests for harvesting due to drought spell that occurred during the planting season.

#### 5.1.2 Performance on Recurrent Budget

The budget allocated was M553, 7mil and M533mil was utilised. The allocation was meant for compensation of employees, travel and transport, operating costs and acquisition of non-financial assets. The Ministry also engages in the Intensive Crop Production (ICP) program. The program intends to assist in effective crop production at national level. It covers costs related to the program including a software license by Envirnowash.

#### 5.1.3 Performance on Capital Budget

The Ministry is involved with the following projects and their expenditure is illustrated in the table below:

<b>Project Name:</b>	<b>Released Funds</b>	<b>Expenditure</b>
Smallholder Agriculture Development Project (SADP II)	M13,9 mil	M11,7 mil
World Bank/IDA (Component 1: Promoting Climate-Smart Agricultural Practices and Advisory Services	M190 mil	M73,6 mil
Component 2: Improving Agricultural Commercialization and Nutrition	M98,5 mil	M27,6 mil
Component 3: Support Project Management, Source of Funding	M29,1 mil	M26,1 mil

Policy and Human resource Development Fund (PHRD) (Grant)	M8,985,000.00	M2,265.16
International Fund for Agricultural Development (IFAD) (Loan)	M48,580,940.00	M9,305,757.44
IFAD (Grant)	M61,6 mil	M46,378,562.00
Total SADP II	M323,098,794.84	M131,735,685.78

Project: Agricultural Productivity Programme for Southern Africa (APPSA)	Released Funds	Actual Expenditure
GoL	M1,601,266.88	M1,601,266.88
World Bank (loan)	M123,387,660.31	M101896.132.24
Total APPSA	M143,930,358.86	M128,412,678.35

Project: Wool and Mohair Value Chain Competitiveness Project (WaMCoP) (GoL)	Released Funds	Actual Expenditure
Total	M9,443,090.21	M4,998,244.65

The Ministry achieved the following:

1) Under Matching Grants Program, seven (7) Lead firms from Botha-Bothe (1), Leribe (2), Maseru (1), Mafeteng (2) and Mokhotlong (1) have been awarded grants;

2) The Ministry provided subsidy programme of 70% for seeds and pesticides and 80% for fertilizer. Inputs Procured for 2024-25 are as follows:

- i. 6310.9 tons basal fertilizer which covered 25 243,6 ha;
- ii. 50tons of top dressing which covered 100 ha;
- iii. 46 232 maize seeds which covered 23 116 ha;
- iv. 15 200 beans bags which covered 3 800 ha;
- v. 3000 wheat bags which covered 1 500 ha;
- vi. 12 700 litres of pesticides
- vii. 13 247 seed potatoes bags which covered 220.8 ha;
- viii. 14 600 pockets of vegetables; and
- ix. 2 combine harvesters procured.

3) Auction Sales revenue generated by farmers was M897,300.00 with 142 animals (sheep, goats, cattle);sold

- 4) Under Wool & Mohair, 5,422,811.73 kg of wool and 727,913.63 kg of mohair were exported at a value of M486,486,972.50 and M137,979,932.50 respectively;
- 5) Under Poultry Activities (Sale of Table Eggs), a total revenue estimated at M33, mil was generated by 67 egg producing enterprises;
- 6) The progress on the rehabilitation of Irrigation schemes is as follows:
  - a) Setibing (Maseru) Motamalane (Mafeteng), Mosaqane (Qacha's Nek) and Pulane (Quthing) – complete;
  - b) Ha-Meshaka (Maseru) - 99% complete;
  - c) Makoabating (Mokhotlong) - 85%, complete;
  - d) Ts'ila Ntso (Mokhotlong), Lipohong (Berea), Makhetheng (Quthing) - 80% complete; and
  - e) Ha Tsiu (Thaba-Tseka) - 65% complete.
- 7) Lesotho has successfully raised ruminants; a significant milestone in facilitating international trade for wool and mohair. The country was first granted this status in 2009 for Foot and Mouth Disease (FMD) and in 2018 for Peste des Petits Ruminants (PPR). Lesotho has maintained its freedom status from FMD and PPR;
- 8) Over two million animals were vaccinated against sheep scab (1,871,031), anthrax (182,159), and lumpy skin (3,548) diseases. These are diseases of economic importance that affect international trade; and
- 9) There was recruitment of Veterinary Officers in three Districts (Mafeteng, Quthing and Mokhotlong).

The Ministry was challenged with:

- 1) Inadequate number of aggregation facilities hindered more produce to penetrate formal markets;
- 2) Unavailability of market requirements standards restricted commodities to penetrate formal markets;
- 3) Rampant outbreak of blue tongue in sheep and goats;
- 4) Multiple outbreaks of avian flu and Foot and Mouth Diseases in South Africa affected access to livestock and livestock products from SA; and
- 5) Climatic challenges –Elnino induced drought let to highly decreased crop yields and production.

## 5.2 CURRENT BUDGET

The Ministerial Objectives for the Financial Year 2025/26 are as follows:

- a) Improved Agricultural Production and Productivity;
- b) Sustainable Food and Nutrition Security; and
- c) Enhanced farmers’ engagement in commercial agriculture.

The Ministry’s total budget is M1.3Billion, made up of M583 mil of recurrent and M673 mil of capital expenditure.

#### 5.2.1 Proposal on Revenue Collection

The Ministry proposes to collect revenue of M58, 8mil through payment for services and fees.

#### 5.2.3 Proposal on Recurrent Budget

The Ministry intends to incur annual recurrent expenditure amounting to M583 mil.

#### 5.3.3 Proposal on Capital Budget

The Ministry intends to engage in the following projects:

Project Name Grant Loan GoL Total

The Ministry intends to engage in the following projects:

Project Name	Grant	Loan	GoL	Total
(SADP II)	M3.3 mil (PHRD) M107.7mil (GAFSP)	M207mil (WB) M54.4mil (IFAD)	M6.9mil	M37.9mil
WaMcoP	M12.8mil (GEF)	M92.2mil (OPEC) M109.6mil (IFAD)	M20.1mil	M234.7mil
APPSA	-	M40mil (WB)	M2.3mil	M42.3il
Building Climate Resilient Livelihoods and Food Security	M105mil (GAFSP)	=	M6.1mil	M14.9mil

\*PHRD=Policy and Human Resource Development Fund

WB=World Bank

IFAD=International Fund for Agricultural Development

GAFSP=Global Agriculture and Food Security Program

GEF=Global Environment Facility



WaMcoP=Wool and Mohair Value Chain Competitiveness Project

OPEC=Organization of Petroleum Exporting Countries

APPSA=Agricultural Productivity Programme for Southern Africa

SADP II=Smallholder Agricultural Development Project

The APPSA project has come to an end, but it will completely close in April. Otherwise, there will be project monitoring and evaluation of the project, dissemination of equipment that was used during the lifespan of the project. The budget (start-up) allocated for Building Climate Resilient Livelihoods and Food Systems will be used in policy review and specific focus will be on water and land management for Resilient Livelihoods and Food Systems.

#### Committee's Observations

The Committee has observed that:

- a) The Ministry's report is not thoroughly detailed therefore, some items procured have not been reflected in the Ministerial report. The report lacks detail in the quantity of the outputs in farming.
- b) The Ministry has no policies guiding the implementation of the SADP II Project costing a negative return from the project;
- c) Lack of coordination in the Ministerial Departments hinders communication and productivity. This is reflected in their performance of revenue collections, procurement of short-term hire.

#### Committee's Recommendations

- a) The Ministry must revise their level of engagement in the procurement and supply of agricultural inputs. The Ministry should only enable the environment to procurement and access of agricultural input and not in business of purchasing and supplying these inputs.

### 316 - MINISTRY OF LABOUR AND EMPLOYMENT

#### 6.1 Ministerial Performance for the Financial Year 2024/2025

The Ministry of Labour and Employment has a mission to promote social justice and decent work through enactment and enforcement of labour laws which are in conformity with national and international labour standards for harmonious labour relations between employees and employers.

The Ministry's objectives include:

- a) Promoting and facilitating employment opportunities for Basotho by March 2025;
- b) Promoting and enhancing compliance with the International Labour Standards by March 2025; and

c) Strengthening management and coordination of Labour Market Information by March 2025.

#### 6.1.1 Performance on Revenue Collection

The Ministry collects its revenue from payments of services and fees. The revenue budget was M14, 6mil but the collection was M5,3 mil.

The Ministry's collection was largely affected by:

a) The reduction of work licenses provided for Basotho to work in South Africa. The attestation fees collection have therefore been reduced.

b) The delay in the take-off of mega projects, which usually bring in labour migrants, caused a low collection of issuance of employment certificates and identity photographs.

c) The demand for foreign labour in RSA decreased and only 13 licenses amounting to M19, 500 were issued.

#### 6.1.2 Performance on Recurrent Budget

The Ministry's performance is as follows:

a) The Ministry had a budget of M72 mil, but the released budget was M64, 7mil but consumed M61, 9mil. Although the Ministry managed to perform most of its activities, it had to make virements in order to support shortfall on other activities;

b) The Ministry supported the roll-out of Mine Workers Provident Fund (MWPF) in May 2023. The MWPF was established in 1980 to provide retrenchment benefits to mine workers. Some workers left the employment in the mines without claiming their benefits. Road Shows were assembled throughout all the districts. As at 02 July 2024, an amount of M64, 134,179.79 was paid to beneficiaries;

c) The Government of the United States of America awarded Lesotho a grant of \$3mil in order to improve working conditions in Lesotho on occupational health and safety, discrimination and gender based violence. The main sectors that the project will focus on are construction and agriculture. The project will run for four years.

Its main activities are:

I. Capacity building for Labour inspectors on new Labour Legislations: Labour Act, 2024, Occupational Safety and Health Act, 2024 and Workmen; Compensation Regulations 2024;

II. Gender-Based Violence and Harassment workshops; and

III. Training for Social Partners (Employees and Employers) on legislation, standards and processes.

d) Through International Labour Organisation (ILO) financial and technical support, the Ministry has:

I. Developed an integrated National Action Plan (NAP) for Elimination of Child

Labour (2024-2029) which shall provide a framework for strategic interventions and responses to address child Labour at grassroots level that has been endorsed by National Advisory Committee on Child Labour, presented before the Informal Cabinet; and

II. Drafted a Strategic Plan for 2025/30.

The Ministry is challenged with:

- i. Insufficiency of human and material resources (number of inspectors, unviability of vehicles & office equipment, appropriate working conditions). This inhibits proper labour administration and functioning of the Labour Inspectorate;
- ii. Silo & territorial working arrangements amongst Ministries and agencies involved in labour administration & inspections;
- iii. Limited knowledge of the rights of workers and obligations of employers affects the level of compliance with labour standards;
- iv. Frequent allegations of violations of workers' rights that threaten investment climate;
- v. Poor accessibility, storage and security of Labour Market Information;
- vi. Poor regulation of labour mobility;
- vii. Non - observance of labour standards by the emigrant's employers in host countries;
- viii. Vulnerability of migrant workers to human trafficking through unregulated recruitment agencies.
- ix. Unavailability of a unit designated for social security in the country.

## 6.2 The 2025/2026 Budget Proposal

The Ministry proposed budget is M82 mil of recurrent expenditure and revenue of M6.9 mil. For 2025/26, the Ministry wishes to promote social justice by fostering employment opportunities,

harmonious labour relations, social protection through social dialogue, tripartism and adherence to all labour standards.

The Ministry's objectives are:

1. To improve the level of compliance with labour and OSH standards from 20% to 80% by 2030;
2. To strengthen labour market information system by 2027;
3. To promote employment of 20,000 Basotho nationally and 5 000 internationally by 2030;
4. To enhance the ministry's adequate capacity and resources to improve service delivery by 2030;
5. To restructure Ntlatfatsi Skills Training Centre to respond to the current market needs by 2030;
6. To establish social security scheme by 2030; and
7. To strengthen stakeholder relationship and strategic partnerships by 2030.

#### 6.2.1 Proposal on Revenue Collection

The Ministry proposes collecting a revenue of M6, 9 mil. The Ministries budget has been revised lower to align with the possible opportunities for revenue collection.

The Ministry anticipates the following opportunities:

- 1) Through the anticipated export of human capital there is a possibility of increased revenue derived from licencing, attestation fees, and remittances; and
- 2) Through increased remittances there is an opportunity to resuscitate The Deferred Payment Fund (DPF) for the anticipated bilateral labour agreements.

The Ministry has also anticipated the following constraints:

- 1) Failure to detect irregular migrant workers; and
- 2) Increasing nationalism is a threat to countries where the Ministry is anticipating to send migrant workers.

#### 6.2.2 Proposal on Recurrent Budget

The Ministry proposes a recurrent budget of M81, 6mil. With this budget, the Ministry anticipates the following opportunities and possibilities:

- i. Increased inspections
- ii. Recruitment of staff :

- iii. Increased facilitation of labour mobility internationally:
- iv. Effective management of labour market information :

However, the Ministry will likely experience these threats and constraints (particularly to reduce the wage bill)

- i. Budget is limited to service obligations and arrears thus compromising the Ministry to optimally execute its mandate;
- ii. Budget cut on travel and transport (M717, 000) is likely to restrict the Ministry to honour the invitations from some of the labour importing countries.

#### Committee's Observations

The Committee commends the Ministry on the following:

- a) The Ministry's initiative to address labour employment issues and sensitivity to gender responsive budgeting.
- b) The Ministry is drafting a Bill on Social Security.
- c) The Ministry is intending to reduce unemployment and secure the jobs of Basotho who are working in our neighbouring countries, especially, South Africa. As has been reflected in the Budget Speech (2025/2026), the Government has an intention to allow Basotho to be absorbed in the international community.

#### Committee's Recommendations

- a) There should be an inter-ministerial committee to overlook matters related to job creation, employment, wages and salaries (labour) and sufficient support to address all these activities;
- b) There is a dire need for public education and inspection to curb disputes that may rise, therefore more budget should be allocated to DDPR and Labour Court; and
- c) The Government should have a liaising Office in its Consulates and Embassies securing job opportunities for Basotho in foreign countries.

#### List of Honourable Members of the Portfolio Committee on Economic and Development

##### Cluster

- 1. Hon. S. Hakane (Chairperson)
- 2. Hon. M. Hloaele

3. Hon. N. Seetsa
4. Hon. M. Masoetsa
5. Hon. M. Maceea
6. Hon. J. Lekunya
7. Hon. H. Letšaba
8. Hon. M. Mpeoa
9. Hon. M. 'Muso
10. Hon. L. Monaheng
11. Hon. M. Seatile
12. Hon. L. Mosoang
13. Hon. I. Rantsho
14. Hon. M. Motsoasele
15. Hon. K. Motseki
16. Hon. I. M. Monokoane
17. Hon. N. Moshoeshoe
18. Hon. V. Tsheka
19. Hon. L. L. Lethole
20. Hon. M. C. Tekane
21. Hon. K. V. Pholosa
22. Hon. T. Malataliana

**Annex 2: PORTFOLIO COMMITTEE ON THE SOCIAL CLUSTER**

## **PART 1 INTRODUCTION**

The Budget Estimates were referred to different the Portfolio Committees for scrutiny pursuant to Standing Order No. 68. The Portfolio Committee on the Social Cluster was tasked to analyze the 2024/2025 performances and the 2025/2026 budget estimates of ministerial portfolios accountable to it and these are;

1. Ministry of Education and Training
2. Ministry of Health
3. Ministry of Gender, Youth and Social Development

## **PART 2 METHODOLOGY**

In carrying out this task, the Committee invited the Ministries to present their 2024/2025 revenue and expenditure performances and their proposed revenue and expenditure budget for the 2025/2026 financial year. The Committee investigated the performance and the budget estimates through interactions and critically analyzing ministerial reports presented before the Committee.

## **PART 3 - COMMENTS BY THE PORTFOLIO COMMITTEE**

### **3.1 Ministry of Education and Training**

Previous Year's Performance – 2024/2025

#### **3.1.1 Revenue performance**

The Ministry had set the revenue target of M3,992,000.00 in which they collected M1,747,761.67 leaving the negative variance of M2,244,238.33. Reasons provided by the

Ministry for this low collection include;

- I. A collection depends on the applications received (Sale of Services-Trade Tests),
- II. absence of newly registered institutions (Registrations Fees), and
- III. non- compliance of secondary schools to submit collected fees into government coffers, hence low remittances.

#### **3.1.2. Recurrent Budget**

For the recurrent budget, the Ministry was allocated a total of M2,720,872,153.00 for the 2024/2025 financial year. The budget was used for administrative purposes which include Personal Emoluments, Travel and Transport, Operating Costs, Transfers, School feeding, Special schools and Acquisition of Non-Financial Assets. On Personal Emoluments, a short fall of M98,000.00 has been noted, the Ministry reported that this was due to low budget allocation in the previous year. There is a seventy percent expenditure on Travel and Transport, the remaining budget is envisaged to be used at the end of the Financial Year.

## Capital Budget

The Ministry's 2024/2025 Approved budget was M123,979,672, Total Amount Released was M54,673,807, Actual Expenditure being M52,180,825.87 and the Variance at M2,492,982. The Capital Budget was mainly used to support, Free Primary Education, construction of secondary schools and improvement of inclusive secondary schools. The Ministry also had Grants which supported the following projects: Basic Education Strengthening Project (BESP), Improvement of inclusive secondary schools and Basic Education and Adolescents Development.

## The Current Budget – 2025/2026

### Revenue

The Ministry has set a target of M2,786,900. Collection will be from Examination Fees, Insurance Commission, Sale of Services, Sale of Tender, Bidding and Contract Documents, Government levy from Tuition Fees and Registration Fees.

### 3.1.2 Recurrent Budget Estimates

The Ministry proposes a total of M3,076,170,766.00 for its recurrent expenditure. This budget will cater for the Ministry's operations such as Compensation of Employees, Travel and Transport, Operation Costs and Transfers. Ministerial priorities are to intensify creation programs across all levels of education,

## Capital Budget

The Ministry proposes M283,722,068 for the 2025/2026 capital expenditure; this budget will cater for the Ministry's capital projects such as construction and rehabilitation of science laboratories, construction of toilets at schools, construction and rehabilitation of reception classes, provision of sufficient meals for 284,410 learners, implementation of education learning management system (piloting learning passport).

## COMMENTS AND RECOMMENDATIONS

### 3.1.3 General Comments/Observations

The Committee made the following observations

- I. The Ministry seemed to have failed to meet the revenue target in the previous year, low collection is noted throughout the financial year.
- II. Budget constraints contribute to the shortage of teachers in schools, inadequate building capacity for staff and limited refurbishment of schools that there are unauthorized personnel who are provided with access to the Ministry's cars and this issue is not properly accounted for.



- III. Residential furniture bought for the previous Minister's residential house and kept at the Ministry has been noted, the Committee is concerned that the furniture might be stolen.
- IV. There is a shortage of M77 million to support the school feeding program till the end of the financial year

#### 3.1.4 Recommendations

- I. The principal Secretary should abide by law when authorizing Ministerial fleet usage
- II. The Ministry to engage Ministry of Finance to increase the limited budget allocation
- III. The Ministry should either auction or dispose of furniture or assets that are no longer in use as the law stipulates.
- IV. The Ministry must improve the level of education in the Quthing district in the current financial year, more budget to be allocated for inspection of schools and capacity building
- V. The Ministry is to enquire on the request made to Ministry of Finance on the support for school feeding program deficit.

### 3.2 Ministry of Health

Previous Year's Performance – 2024/2025

#### 3.2.1. Revenue performance

##### a) Taxes

The set target for revenue on taxes was M2,306,910, Actual Collection at M2,492,706 leaving a variance of M185,796. The Ministry's sources of collection on this category are; Herbalist Licenses, Registration and licensing – Private Hospitals, Registration and Licensing -Medical Outlet, Registration and Licensing- Labs. Registration and Licensing Cannabis. It was noted that revenue target of M2,000,000 on Registration and Licensing- Cannabis does not reflect actual collection as the finance department did not receive any collection from the renewal of cannabis licenses; the duration of cannabis license is ten years. On Course Fees, no collection was made because students did not repeat any course.

##### b) Payment of Services and Fees

On this category of revenue collection, the Ministry had a set target of M19,085,656, Actual Collection being M8,236,865 and the variance at M10,848,791. Sources of the Ministries collection in this category include; Assessment Fees (NHTC), X Ray Fees, Caution and Registration Fees. On College Fees, an amount of M550,530 was reported to be tuition fees paid by NHTC students, these are students who are not sponsored by NMDS, for those supported by NMDS, funds remain with NMDS. On Sale of Tenders, Bidding and Contract documents, the Ministry exceeded the target of M45,000.00, Actual collection was M1,614,000.00. This high collection is attributed to sale of tender documents by PIU.

#### 3.2.2. Recurrent Budget.

A total amount of M2,230,761,865.00 was approved budget for the Ministry, total Amount released was M2,324,817,051.00 while actual expenditure was M1,816,020,122,54 and the Variance of

M508,796,928.46. The Ministry's line items are Personal Emoluments, Travel and Transport, Operating Costs, Transfers, Other Expenses and Acquisition of Non-Financial Assets. The Ministry has used seventy-eight percent of the budget, and the remaining balance is to be utilized in the fourth quarter. On Operating Costs vote, the Ministry has used eighty-six percent of the budget, pending subventions are for; CHAL, Baylor, LEBOHA, Red Cross and LPPA to be paid in the last quarter. On Acquisition of Non –Financial Assets vote, the Ministry only used eight percent of the budget, Approved budget was M21,356,602.00, revised budget at M31,457,718.00, Actual Expenditure at M2,636,259.91 and the Variance of M28,821,458.09.

### 3.2.3 Capital Budget

The Ministry had a total amount of M1,249,737,434.69 as Approved Budget, the Revised Budget at M678,123,907.54, Actual Expenditure was M418,020,109.41 and the Variance of M260,103,798.13. Five capital projects are supported by the government, seven are Grants and three are supported through loans.

#### The Current Budget – 2025/2026

##### Revenue

###### (a) Taxes

A total amount of M2, 159,410.00 is the projected revenue collection for the 2025/2026 financial year. Sources of collection include Herbalist Licensing, Registration and Licensing-Private Hospitals, Registration and Licensing –Cannabis and Registration and Licensing – Labs.

###### (b) Payment for services and fees

The Ministry's revenue collection projections is estimated to be M21,312,786.00 from Outpatient fees, private patient fees, payroll deduction fees, assessment fees, registration fees, and X ray fees.

##### Recurrent Budget Estimates

The Ministry proposes a total amount of M2,435,428,189.00 for the 2024/2025 financial year. Ministerial priorities are; strengthening Primary Health Care (PHC), strengthening the Referral System, Control and Management of Non-Communicable Diseases (NCDs) and establishment of Medical School.

##### Capital Budget Estimates

An amount of M669,933,079.97 is proposed by the Ministry for its capital projects, M271,125,773 from Government, M288,535,683.97 from Grants and Loans amounting to M110,271,623. The Ministry's capital projects include; construction of Cancer Treatment Centre, construction and upgrading of Health facilities, support to TB control programme and Health Sector Reforms Project.

### III.2.4 Sectoral budget within Ministry of Health

Ministry of Health provides subvention to Queen Mamohato Memorial Hospital (QMMH), Riders for Health (RH), Baylor Foundation, Baylor Foundation, Lesotho Planned Parenthood Association (LPPA), Lesotho Boston Health Alliance (LEBOHA), Lesotho Nursing Council (LNC), Christian Health Association of Lesotho (CHAL), Lesotho Red Cross

### 3.3.5 Committee observations for Ministry of Health

I. On Registration and Licensing- Cannabis, the budget line is not properly accounted for by the Ministry, there are no records of collection, yet licenses renewal payments are being made; it was reported Cannabis farmers were given Licenses free of charge and expected to pay later, some paid and some did not pay.

II. The Ministry's Assets Registry reflects so many undocumented sites, it also shows unauthorized personnel given access to the Ministry's cars

III. There is minimal effort to prevent and control TB, the TB patient's statistics are still high.

IV. The Ministry should come up with strategies to absorb as many health professionals as possible in the system; many health professionals are unemployed yet there is a shortage of staff at the Hospitals, Clinics and Health Centre's throughout the country

V. The Ministry should ensure that the Medical School is established this financial year

VI. The Ministry has still not addressed the Covid-19 corruption, funds are still not recovered

VII. There is need for budget allocation tailored for referrals at the QMMH and have a recruitment policy

IX. The budget should be inclusive of people with disabilities' needs.

X. Some sectors used high fuel consuming vehicles

XI. TB patients receive outreach services at their homes

XII. LPPA introduces family planning methods to under -age Children

XIII. MOU between the government and CHAL is not working efficiently.

XIV. CHAL needs to use the supply chain method to procure its utilities.

XV. CHAL 's financial statements are not audited, currently CHAL facilities are in the audit process of 2020/2021.

XVI. Delay in releasing subvention forces CHAL facilities to get into debts which have interest.

XVII. The Ministry has a Variance of M28,821,458.09 due to delay in the release of additional funds for the Maseru Regional Hospital's purchase of medical equipment.

### 3.2.6 Recommendations to the Ministry of Health

I. The Ministry should recover revenue collection for Cannabis Registration and Licensing.

- II. The Principal Secretary should align with the law that guides authorization of cars in the Ministry, sites should also be documented
- III. The Ministry should cover hundred percent costs on TB control and prevention.
- IV. Establishment of the Medical School will bring enormous savings to the government as funds will no longer be paid to medical schools outside the country
- V. Ministry to allocate budget for referrals from QMMH and to develop recruitment policy
- VII. All sectors should develop gender-responsive budgets
- VIII. Outreach programs should encompass different diseases
- IX. Ambulances should be given to all patients not maternal emergencies only
- X. Employment of drones in hard-to-reach areas could also be a good initiative
- XI. LPPA to align itself with laws that describe the age limit of a youth
- XII. MOU between government and CHAL should be urgently re-drafted
- XIII. Sectors within the Ministry should opt for fuel efficient vehicles
- XIV. Ministry should release subventions on time

### 3.3 Ministry of Gender, Youth and Social Development

#### 3.3.1 Previous Year-2024/2025

##### Revenue

##### Payment for Services and Fees

The Ministry's set target was M1,029,618, Collection was M176,035 and a Variance of M853,583, the Ministry attributes this low revenue performance to overestimation of revenue targets.

##### Recurrent Budget

The total amount of M1,383,968,321 was allocated to the Ministry for the 2024/2025 financial year; Total Amount Released was M1,375,491,260, Actual Expenditure amounted to M1,316,093,913 and the Variance of M59,397,347. The Committee took note of the following: On Compensation of Employees, the Ministry currently has 491 officials, the Variance of M7,229,784 is due to vacant positions, the ministry has exhausted funds for old age pension, it is provided on a monthly basis and beneficiaries were paid up to the month of January 2025, 82,098 beneficiaries were paid in January.

## Capital Budget

The Ministry's Approved budget for capital expenditure was M102,145,564, while the released funds amounted to M36,012,809, M26,955,495 was Actual Expenditure and M9,057,314, the Variance. The Ministry has two capital projects, namely, OVC (Ntlafatsa Bana) which is sponsored by European Union and UNICEF and Pathways to Sustainable Livelihoods Project (PSLP) which is sponsored by World Bank.

### 3.3.2 The Current Budget -2025/2026

#### Revenue

The Ministry proposes a set target of M1,284.678 for the 2025/2026 fiscal year. Sources of collection will be Course fees, Sale of goods and products, Sale of fish and poultry products and Sale of tender, bidding and contract documents.

#### Recurrent Budget

The Ministry requests a total amount of M1,382,321,400. The Ministerial priorities are; improving efficiency and productivity through digitization of payments, improving accountability on audit, staffing, reporting, internet and vehicles, improvement of beneficiary livelihoods and drafting of legal frameworks and dissemination.

#### Capital Budget

For the capital projects, the Ministry requests M85,114,300. This budget will be used for; assessment of people with disabilities for provision of assistive devices especially children and provision of productive grants to 2500 beneficiaries in the PSLP project. For Ntlafatsa Bana project, the budget will be utilized as follows, upgrading National Information System for Social Assistance (NISSA) and expanding digital payments to other programs such as disability grant and public assistance.

### 3.3.3 Observations

- I. There are unauthorized personnel who have been given access to cars at the Ministry, the Ministry's immovable assets (sites) are mostly not documented
- II. Payments should be made through banks to avoid missing funds, according to Auditor General's report, a balance of M592,508.77 which returned from payments points cannot be accounted for; the officer responsible is not yet surcharged.
- III. Pensioners monthly payments were not adjusted, instead child grants were, this was meant to relieve pensioners from supporting their grandchildren
- IV. 53 percent of old age pensions is already done through Mpesa and Ecocash.
- V. The Ministry seems to be paying nonexistent beneficiaries.
- VI. There are no records of payments at the Ministry, and the internal auditor was not provided with any.

### 3.3.4 Recommendations

- I. The Principal Secretary should align with the law as to who is authorized to use ministerial cars.
- II. The Ministry should speed up the process of documenting sites.
- III. The Ministry should provide an audit report for the missing funds
- IV. Payment clerks should request proof of life from beneficiaries at the payment center to avoid paying nonexistent beneficiaries
- V. The Ministry should make financial accountability a priority such includes surcharging officers.

#### RECOMMENDATIONS

- I. All the ministries across the board should be cut with 50% on international fares and subsistence international
- II. Disallowance of unaccounted funding, that is, they should not be allocated the budget.
- III. In the Ministry of Gender, Youth and Social Development, there is a shortage amounting M592,508.77, and as such, their budget be abated by that amount which is missing until supporting documents are provided.
- IV. Sebatso project which amounts to M472 770.00 be halted until the Ministry has followed proper procurement processes.
- V. In the ministry of Education, the Committee recommends that M32 000000,00 which was stolen by the officials at Lerotholi Polytechnic be deducted from their budget

#### LIST OF MEMBERS OF THE COMMITTEE

1. Hon. M. Makhalanyane (Chairperson)
2. Hon. B. Makhakhe
3. Hon. M. Holomo
4. Hon. R. Sehlabaka
5. Hon. T. Mosotho
6. Hon. M. Lemphane-Letsie
7. Hon. T. Moselelo
8. Hon. M. Phooko
9. Hon. D. Jooma
10. Hon. M. Ntšekhe
11. Hon. M. Ralitapole

12. Hon. M. Mpobole
13. Hon. T. Cheba
14. Hon. M. Malakane
15. Hon. H. Van Rooyen
16. Hon. K. Mosotho
17. Hon. M. Busa
18. Hon. M. Khati
19. Hon. B. Khesa
20. Hon. T. Tayob
21. Hon. S. M. Lempe

## **Annex 3: PORTFOLIO COMMITTEE ON LAW AND PUBLIC SAFETY CLUSTER**

### **1. INTRODUCTION**

The Honourable Minister of Finance, pursuant to Standing Order No. 67 tabled the Budget Estimates for the year 2025/2026 before Parliament. The Budget Estimates were referred to the relevant Portfolio Committee for scrutiny pursuant to Standing Order No. 68. The Portfolio Committee on Law and Public Safety Cluster specifically scrutinized the budget estimates of the following ministries and departments:

1. Ministry of Justice and Law;
2. Ministry of Local Government , Chieftainship, Home Affairs and Police;
3. Office of the Ombudsman;
4. Independent Electoral Commission;
5. Judiciary; and
6. Directorate on Corruption and Economic Offences.

The Committee is made up of twenty-two (22) Members of Parliament under the Chairmanship of Hon. E. Ramakatsa.

### **2. METHODOLOGY**

The Committee relied mainly on Ministries' and departments' submissions and briefings which formed the basis for decision making. The written and oral presentations of Ministries and Departments were considered and deliberated upon.

### **3. CONSIDERATION OF PREVIOUS YEAR'S BUDGET PERFORMANCE**

**(2024/2025) AND CONSIDERATION OF BUDGET ESTIMATES 2025/2026**

#### **3.1 INDEPENDENT ELECTORAL COMMISSION (IEC)**

The Independent Electoral Commission is mandated to manage the National and Local Elections and referenda and contributes to a strong participatory and democratic electoral process in Lesotho, and intended to achieve the following

objectives:

- I. Review constituencies' boundaries, electoral laws, policies and procedures;
- II. Improve participation of stakeholders in the electoral process;
- III. Conduct credible, free, and fair elections; and
- IV. Improve quality of electors' registration and ensure production of a more
- V. acceptable electors' register to mention a few.

### **REVENUE PERFORMANCE**



IEC budgeted M962,000 as revenue and collected an amount of M3,206, 876.78. Revenue was collected through the following activities:

- I. Sale of tender documents,
- II. New political party registration ; and
- III. Interest earned for call account.

IEC stated reasons for overcollection is due to unexpected collection from sale of tender documents and an increased interest earned from call account.

## RECURRENT BUDGET

IEC released amount was M260,117,199.16 with Actual Expenditure of M237,804,133.26 and the variance amount of M21,913,065.90. The recurrent budget intended to meet the following activities:

- I. Payment of wages and salaries;
- II. Travel and Transport;
- III. Operating costs; and
- IV. Other expenses.

IEC indicated that variance on the recurrent budget was due to the following among others:

- I. Almost all IEC vehicles are still new, hence the low cost of repairs and maintenance.
- II. IEC acquired its own space (IEC Headquarters) therefore, no expenditure for head office rent.
- III. IEC procured new vehicles to be used at the district offices and head office, hence less expenditure on short term hire.

However, IEC experienced the following constraints during the Financial Year 2024/2025:

- a) Lack of autonomy which resulted in difficulty carrying out some administrative activities, and
- b) Inadequate participation of stakeholders in electoral activities.

## BUDGET ESTIMATES

### Revenue Budget Estimates

IEC revenue budget estimates is M1,350,004.00 which will be collected through the following activities:

- I. Sale of tender documents;
- II. Registration of new political parties;
- III. Other fees and penalties; and
- IV. Interest earned from call account.

## RECURRENT BUDGET ESTIMATES

The Recurrent Budget estimates for IEC amount is M139,008,808 and will be utilized to perform the following activities:

- I. Payment of Salaries and allowances for established posts;
- II. Funding of all travel and transport activities, including maintenance of
- III. vehicles and payment for short-term hire;
- IV. Subsistence local and international; and
- V. Payment of administrative costs e.g. Power and Rentals among others;

## OBSERVATIONS

The Committee observed the following;

- I. The proposed budget does not include Referendum budget which forms an integral part of the reforms and the by-election budget.
- II. IEC intends to hold a Referendum election in 2025/2026 Financial Year.
- III. Lack of IEC autonomy results in difficulties when carrying out some of the administrative activities.
- IV. Inadequate participation of different stakeholders in electoral processes.
- V. There is an unresolved issue regarding IEC Headquarters' building.

## RECOMMENDATIONS

It is recommended that a budget shortfall of M514,904,698.27 for IEC be considered to cater for;

- I. Referendum which will be in line with the 11<sup>th</sup> and 12<sup>th</sup> amendment to the Constitution; Intensification of Electors' re-registration; and Conducting By – elections.
- II. Issues between the Government and IEC regarding IEC Headquarters' building should be resolved to allow IEC to settle and continue with its mandate.

## 3.2 OFFICE OF THE OMBUDSMAN

The office of the Ombudsman is mandated to:

- I. Investigate and solve all cases related to maladministration, human rights violation, injustice, corruption and environmental degradation;
- II. To build good governance in the public service and state-owned enterprises and parastatal; and
- III. Protect and promote fundamental human rights and freedoms.

## RECURRENT BUDGET

The office of Ombudsman had an approved budget amount of M11,775,844.00 for the Financial Year 2024/2025 for:

- I. Personal emoluments;

- II. Travel and transport;
- III. Operating costs, and
- IV. Acquisition of non-financial assets.

Variance amount of M996,936.81 was recorded and explained as follows:

- I. Salaries and allowances for the month of March are yet to be paid.
- II. Rent and lease of buildings amount not yet released due to system problems.
- III. Pending invoices to be paid.

#### RECURRENT BUDGET ESTIMATES

The Office of the Ombudsman has planned to incur expenses amounting to M13, 914,484 for the Financial Year 2025/2026 for the following:

- I. Personal Emoluments;
- II. Travel and Transport;
- III. Operating cost; and
- IV. Acquisition of non-financial assets

#### OBSERVATIONS

- I. The committee observed the following:
- II. The Office of the Ombudsman is understaffed.
- III. Countless reported Police brutality cases are pending investigations.
- IV. The office of the Ombudsman is facing a systematic issue due to budget constraints, hence delay in addressing justice issues.

#### RECOMMENDATIONS

The committee recommends as follows:

- I. Establishment of an independent body to investigate cases involving Police Officers.
- II. Establishment of a case management system to fast-track cases.
- III. Need to expand Ombudsman's operations by engaging more investigators.

### 3.3. MINISTRY OF LOCAL GOVERNMENT, CHIEFTAINSHIP, HOME AFFAIRS AND POLICE

The Ministry of Local Government, Chieftainship, Home Affairs and Police is mandated to:

- I. Register and affirm the identity, status of citizens and non-citizens and their livestock,
- II. Manage migration efficiently and securely enables citizens and non-citizens to exercise their constitutional rights of freedom of movement and access to services.
- III. Protect life and property through maintenance of law and order in the country.

- IV. Prevent and detect crime and promote efficiency and effectiveness of police services.
- V. Coordinate and oversee the implementation of decentralization and to strengthen Chieftainship Institution.
- VI. Promote effectiveness and efficiency of land management strategies and ensure provision of affordable housing.

## REVENUE PERFORMANCE

The Ministry of Local Government, Chieftainship, Home Affairs and Police had the approved revenue budget of M37,774,962 for the Financial Year 2024/2025 to be generated through the following activities:

- i. Local Government rates-vehicles' parking;
- ii. Building permits;
- iii. Registration of land, leases and other title documents;
- iv. Rent from Government properties;
- v. Statutory fees;
- vi. Passports, VISAs and permits;
- vii. Firearms;
- viii. Citizenship;
- ix. Sale of tender documents;
- x. Identity and photographs;
- xi. Police outside service; and
- xii. Road accident.

The Ministry's actual revenue collection is reported to have improved due to collections from Police outside services, VISAs and permits among others.

## RECURRENT BUDGET

The Ministry's approved budget amounted to M1,783,657,238 and was utilized for the following:

- i. Travel and transport;
- ii. Operating costs;
- iii. Transfers (grants – MCC and LAA);
- iv. Other expenses; and
- v. Acquisition of non-financial assets.

However, the Ministry reported the following challenges:

- i. Land is privately owned in the country, which hinders proper planning.
- ii. Increasing transnational organized crimes and stock theft.
- iii. Proliferation of small arms and light weapons; and
- iv. Illegal crossing between Lesotho and South Africa borders.

## CAPITAL BUDGET

The Ministry's Capital Budget of M381,300,000 was injected from the Government of Lesotho and grants from UNCDF and Road fund, were meant among other things, towards the following:

- I. Construction of bus terminals;
- II. Upgrading of urban roads;
- III. Principal Chiefs offices;
- IV. Local Government infrastructure;
- V. Solid Waste Management ;
- VI. Construction/rehabilitation of Police stations; and
- VII. Development Fund for Councils;
- VIII. Local adaptive living facility; and
- IX. Roads periodic maintenance.

#### REVENUE BUDGET ESTIMATES

The Ministry of Local Government, Chieftainship, Home Affairs and Police intends to collect an amount of M35,188,784 as revenue through the following activities to mention a few:

- I. Local Government Rates;
- II. Building permits;
- III. Registration of Land, leases and other title documents;
- IV. Rent from Government properties, commercial and industrial;
- V. Firearm licenses;
- VI. Police outside service; and
- VII. Road accident reports.

#### RECURRENT BUDGET ESTIMATES

The Ministry M1,893,337,727 for the Financial Year 2025/2026 which will be utilized for the following:

- I. Wages and salaries;
- II. Travel and transport;
- III. Operating costs;
- IV. Transfers (Grants – MCC and LAA);
- V. Other expenses; and
- VI. Acquisition of non – financial assets.

#### GRANTS

The total donor grants to be received by the Ministry amount to M83,265, 244 intended to perform the following activities:

- a) Upgrading of urban roads donated by Road Fund; and
- b) Local climate adaptive living facility program donated by United Nations Capital Development Fund (UNCDF).

## CAPITAL BUDGET ESTIMATES

The Ministry requests an amount of M 447,399,999 for its Capital expenditure, and this amount will be funded by the Government of Lesotho. It is intended to perform the following activities:

- I. Upgrading of Urban Roads;
- II. Construction and refurbishment of Principal Chiefs Offices;
- III. Local Government Infrastructure;
- IV. Construction of bus terminals;
- V. Solid Waste Management for MCC;
- VI. Construction of Police Stations;
- VII. Solid waste management for Urban Councils;
- VIII. Development fund for Councils; and
- IX. Development of Rural Community Roads

## OBSERVATIONS

The Committee observed the following:

- I. Police capital projects are negatively affected both financially and physically as the Ministry depends mostly on Ministry of Public Works.
- II. The delay in rehabilitation of the dump site due to budget constraints.
- III. The Ministry is facing some challenges in relation to revenue collection, such as the unavailability of bylaws to enable Councils to collect revenue.
- IV. The local Councils face a challenge of unavailability of funds due to the absence of fiscal decentralization. All revenue collected by Councils is deposited in the consolidated fund and nothing is left at Council level.
- V. Mpilo intersection project is budgeted every year without progress.
- VI. There was no budget for Operation Fiela and Bicentennial, the Ministry had to make virements that may violate the PFMA provisions.
- VII. There was a delay in the provision of Identity documents and passport issuance.
- VIII. Illegal crossing between Lesotho and South Africa increases transnational organized crimes and stock theft.
- IX. Budget allocation for districts roads projects is the same despite the terrain and distance.

## RECOMMENDATIONS

The Committee's recommendations are as follows:

- I. The Minister of Local Government, Chieftainship, Home Affairs and Police be afforded an opportunity to amend clauses that will allow him/her to extend expiry dates for Identity documents.
- II. There should be a budget allocation for districts.
- III. Government should avail resources that will allow Police to produce their own uniform instead of buying.

- IV. In line with the meagre resources that the country has and the tight budget, the Ministry's budget proposals should also cover equine hire, due to the topography of the country.
- V. The Ministry is too huge to be led by one Chief Accounting Officer, for proper accountability, it is recommended that every department be afforded a Chief Accounting Officer.
- VI. The Ministry should fast track the introduction of digital Identity and use of Identity documents to cross borders.
- VII. For the decentralization process to be fully effective, Ministries of Finance and Development Planning and Local Government, Chieftainship, Police and Home Affairs should develop fiscal policy for tabling in Parliament.
- VIII. The Ministry of Local Government should develop by-laws that will sustain a clear revenue string that will sustain day-to-day activities.

### 3.4 MINISTRY OF LAW AND JUSTICE

The Ministry of Law and Justice is responsible for the administration of justice, ensuring the rule of law and safeguarding human rights. Its mandate includes managing correctional services and providing legal aid and justice services to the government and the public.

#### REVENUE

The approved revenue was M3, 876,940.00; the Ministry collected M3, 637,119.56 leaving a variance of M203, 143.02.

#### RECURRENT BUDGET

The Ministry's approved budget was M352, 971,921.00; the amount released M350, 119, 377.95; actual expenditure amounted to M329, 248,300.24 leaving a variance of M26, 673,542.71. Due to high demand in activities and spending in the Ministry, the Office spent M358, 674,377.00 from the contingency; this budget was for allowances and legal compensation.

#### CAPITAL BUDGET

The Ministry had an approved budget amounting to M15, 000,000.00 to cater for refurbishment of Correctional Institutions. There have been delays from the Ministry of Public Works and Transport to make designs and initiate tendering processes which hampered the successful implementation of the project. For 2025/2026, the Ministry intends to expedite the National Reforms, improving access to justice and strengthening justice sector institutions.

#### REVENUE ESTIMATES

The Ministry has revenue target amounting to M3, 960,800.00 which will be collected from prison industries, patent fees, trademarks, births and deaths and design fees among others.

#### RECURRENT BUDGET ESTIMATES

The Ministry requests a budget amounting to M372, 439,778.00 to cover its recurrent obligations.

## CAPITAL BUDGET ESTIMATES

The Ministry requests a budget of M17, 500,000.00 in 2025/2026 which will be used for renovating Mohale'shoek and Maseru Correctional Institutions.

## OBSERVATIONS AND RECOMMENDATIONS

The Committee noted, observed and recommended the following:

- I. There is an imbalance in justice value chain, the government needs to interconnect all processes and institutions involved in delivering justice, from crime prevention to the enforcement of legal decisions, LCS should be capacitated with resources (financial and human) to function effectively, there are no vehicles in many correctional institutions which cause work disruptions. The Committee therefore recommends that a shortfall of M2,400,000.00 for LCS be reviewed and favorably considered to allow LCS to purchase vehicles.
- II. The Government is being dragged to court in most cases for lack of compliance by the officials and this is costly because the cases are lost due to maladministration and incompetence.
- III. The Ministry has decentralized justice and legal services (established the Office of Civil Litigation in Leribe).
- IV. The Ministry has prioritized reducing the backlog of cases to hold court sessions in all the ten districts; and
- V. The Ministry's performance on revenue is poor.

## JUDICIARY

The Ministry is mandated to enhance a proactive and trustworthy Judiciary that delivers accessible and swift quality services.

## REVENUE

The Ministry had anticipated collecting revenue amounting to M3,119,651 and was able to collect M5,156,279.22.

## RECURRENT BUDGET

The Ministry's approved budget was M162,558,906.00 to cater for travel and transport, operating costs and personal emoluments among others. For the Current Financial Year, the Ministry is prioritizing on improving access to justice, improving efficiency and effectiveness of the judicial services and improving the administration of estates and guardian's funds.

## REVENUE ESTIMATES

The Ministry projects to collect revenue amounting to M6,079,981.00.

## RECURRENT BUDGET ESTIMATES



The Ministry requests a total budget of M164,760,987.00 to cover the operating costs and personal emoluments.

#### OBSERVATIONS AND RECOMMENDATIONS

The Committee noted, observed and recommended the following:

The Government needs to prioritize and invest in SDG 16 (peace, justice and strong institutions) for transparency and protection of its citizens.

#### 3.6 THE DIRECTORATE ON CORRUPTION AND ECONOMIC OFFENCES (DCEO)

The core mandate of DCEO encompasses preventing and combating corruption and economic crimes in both public and private sectors. It is responsible for preventing, investigating, and prosecuting money laundering and terrorist financing offenses, as well as addressing matters related to proceeds of crime.

#### REVENUE

The Ministry had an approved revenue budget of M60,000.00 and managed to collect M50,392.00 from sale of tenders, bidding and contract documents. Collection from payroll deduction fee was not set but they managed to collect an amount of M20, 392.00.

#### RECURRENT BUDGET

The approved budget under recurrent for the Office amounted to M72, 847,877.00 and it was all released. Actual expenditure is M62, 882,669.00 leaving a variance of M9, 965,208.00 which is going to be spent on procurement of a truck. For the current financial year DCEO's main objectives include intensifying corruption prevention strategies through public education programs and vulnerability management and investigating, and prosecuting allegations of corruption and recovering illicitly acquired assets to restore public funds among others.

#### REVENUE ESTIMATES

The proposed amount is M89,400.00 to be collected from sale of tenders, bidding and contract documents and deductions from payroll fees.

#### RECURRENT BUDGET

The budget request under recurrent amounts to M69, 162, 512.00. The budget will cover wages and salaries; travel and transport; operating costs and acquisition of non- financial assets.

#### OBSERVATIONS AND RECOMMENDATIONS

The Committee noted, observed and recommended the following:

- I. There is a need for independence of law enforcement agencies for them to function effectively, DCEO also needs to be fully autonomous it is one of the priorities of the government.

- II. On Corruption and fraud cases from April to March 2025, the Office had 52 cases which are still pending in court; 4 cases are concluded; 2 cases were discharged; and the other 2 that were found guilty have been imprisoned.
- III. On preservation order, revenue collected on asset seizure amounted to M6,164,206.00; and
- IV. For restrained order, revenue collected from seizure warrant amounted to M351,813,677.61

List of Committee Members

- 1. Hon. E. M. Ramakatsa- (Chairperson)
- 2. Hon. L. Rakuoane
- 3. Hon. M. Senauoane
- 4. Hon. M. Maphathe
- 5. Hon. L. Moloji
- 6. Hon. M. Phiri
- 7. Hon. R. Ramone
- 8. Hon. Dr. T. Lipholo
- 9. Hon. M. Metsing
- 10. Hon. M. J. Malothoane
- 11. Hon. Dr. T. Moroke
- 12. Hon. L. Puseletso
- 13. Hon. N. Mohlalisi
- 14. Hon. Dr. M. Phamotse
- 15. Hon. S. Hakane
- 16. Hon. M. A. Ntšekhe
- 17. Hon. T. Makhalanyane
- 18. Hon. L. S. Phohleli
- 19. Hon. M. Leshota
- 20. Hon. Rev. P. Masiu
- 21. Hon. M. Pule
- 22. Hon. T. Malataliana

## **Annex 4: PORTFOLIO COMMITTEE ON NATURAL RESOURCES, TOURISM, AND LAND CLUSTER**

### **1. Introduction**

The Portfolio Committee on Natural Resources, Tourism and Land Cluster looked into the ministerial performance for the year 2024/2025 and budget estimates for the Financial Year 2025/2026 relating to the ministries allocated to it in terms of the National Assembly Standing Orders No 95(a) and (d). The Committee also considered the ministerial assets register. This report is therefore the result of the Honourable Minister of Finance budget presentation, budget scrutiny, Committee's findings, observations and recommendations.

### **2. Methodology**

In analyzing the budget performance for the year 2024/2025 and budget estimates for the Financial Year 2025/2026, the Portfolio Committee on Natural Resources, Tourism and Land Cluster held several meetings with the ministries assigned to it in order to allow them to present their annual budget performance, views regarding budget proposals including their annual ministerial plans for the coming Fiscal Year. The Committee mainly relied on the ministries' submissions and oral presentations in finding the necessary information. In terms of the National Assembly Standing Order No.94 (d), the Portfolio Committee on Natural Resources and Land Cluster is responsible for overseeing the ministries below:

- I. Energy
- II. Environment and Forestry
- III. Natural Resources
- IV. Public Works and Transport
- V. Tourism

### **3. Consideration of Ministerial Budgets**

#### **3.1 Ministry of Energy**

##### **3.1.1 2024/2026 Budget Performance**

###### **Revenue**

The Ministry had budgeted to collect a revenue amount of M482,770,862 from motor vehicle assurance, oil levy, electricity-muela, sale of services and sale of tender, bidding and contract documents. M342,040,014.31 revenue was collected which indicates under collection for the year

under review. The Ministry was unable to meet the set budget by a variance of M140,730,853.69 because most line items have collected below the set budget.

### **Recurrent Budget**

M24,596,835 was allocated to the Ministry under recurrent budget. With the allocated budget, the Ministry has utilised to pay Salaries, allowances, short term hire, power, communication, membership subscription and other expenses to achieve its obligations. The remaining budget of M will pay the salaries, allowances, bills to mention few before the end of 2024/2025.

### **Capital Budget**

For the capital projects, the Ministry was allocated M1,096,262,040 as capital budget. The source of funding is Government, Grants and Loans. The budget was spent on the following projects: Rural Electrification, Rehabilitation and Upgrading of Katse 1.1 MW Hydropower and National Electrification Infrastructure Development Project (Upgrading Khukhune Substation).

Out of the total budget, M275,197,628.25 was used to implement the said projects. The remaining budget will be used to pay retention for Contingency Emergency Response Component for electrification of health centres and schools, consultancies and others before the end of 2025/2026.

### **3.1.2 2025/2026 Budget Estimates**

In 2025/2026 the Ministry aims at achieving the below objectives:

- I. To improve energy supply
- II. To increase energy access and promote sustainable use
- III. To review and develop policy, institutional and regulatory frameworks
- IV. To stimulate economic development through energy resources
- V. To improve efficiency and effectiveness of internal external

### **Revenue**

The Ministry proposed to collect revenue amounting to M581,549,639 from Motor Vehicle Assurance, oil levy, electricity 'Muela, Sale of Services and Sale of Tender, Bidding and Contract Documents.

### **Recurrent Budget**

For the Recurrent Budget, the Ministry proposed M24,999,983 to accomplish its objectives. The budget will be used to pay salaries, allowances, vehicle maintenance, local subsistence, membership subscriptions, communication and other daily expenses.

### **Capital Budget**

The Ministry proposed M191,327,305 under capital budget. The source of funding are Grants. The budget is earmarked for the implementation of the following projects: Rehabilitation and Upgrading of Katse 1.1MW Hydro Generation Plant and Lesotho Renewable Energy and Energy Access.

#### Committee Observations

- I. The current L.E.C. tariffs are not cost-effective and therefore cannot sustain the Company.
- II. The Fuel and Control Service Act, 1983 is obsolete and therefore, fines under revenue are very low. Further, the Ministry didn't comply with the Act to fine petrol Smugglers.
- III. Tholo has not been paying oil levy under revenue since 2019 and its outstanding payment has accumulated to M131,890,372.04 but the Ministry has been renewing its license

#### Recommendations

- The Ministry should review the rental annual contract escalate of 10% which is too high with Sekhametsi.

### 3.2 Ministry Of Environment and Forestry

#### 3.2.1 2024/2026 Budget Performance

##### Revenue

Total Approved Budgeted Revenue: M406,576.00

Actual Revenue Collected: M492,257.00

Variance: M85,681.00 (Surplus)

The Ministry generates revenue primarily through entry fees collected from Lesotho Northern Parks and Sehlabathebe National Park. The actual revenue from these sources exceeded projections, indicating potential growth if additional tourism attractions are developed. Another revenue source is the provision of meals and accommodation at Tšehlanyane Dormitories, although income from this service fell below the expected target. Additionally, the Ministry is working on expanding new revenue sources, including the implementation of a plastic levy and stricter enforcement of environmental fines prescribed under the Environmental Act. These initiatives aim to strengthen revenue collection and sustainability.

Challenges Identified:

- a. Cash payments at park entry points increase the risk of theft.
- b. Limited tourism activities discourage repeat visits.

##### Recurrent Budget

Approved Budget: M139,306,509.00

Actual Expenditure: M116,354,895.00  
Variance: M11,601,155.00 (Underspent)

The Ministry's recurrent expenditure is primarily allocated to compensation of employees, travel and transport, operating costs, transfers, and other expenses. The largest portion of the budget is allocated to salaries and wages, with M68,839,263 spent on established posts, M7,088,071 on new posts, and M1,293,684 on non-statutory allowances, bringing the total compensation to M77,221,019. Travel and transport expenditures include M847,378 for vehicle maintenance, M2,759,371 for fuel and lubricants, and M4,081,892 for short-term vehicle hires. Subsistence allowances, both local and international, amounted to M4,967,116, bringing total travel-related costs to M12,961,538.

Operating costs, which include power, communications, printing, stationery, and the maintenance of public assets, totaled M25,184,986. A significant portion of this expenditure was spent on rent and lease payments for government buildings, amounting to M5,828,815. Additionally, the Ministry allocated M3,111,740 towards subsidies for non-financial public corporations and M397,510 for insurance premiums, bringing the total transfer and other expenses to M3,509,250. The acquisition of non-financial assets, such as office equipment and furniture, amounted to M589,843. In total, the Ministry's recurrent expenditure stood at M116,354,895.

### **Capital Budget Performance**

Approved Budget: M129,451,103.00, Actual Expenditure: M97,315,688.97, Variance: M32,135,414.03 (Underspent)

The Ministry implemented several projects funded by the Government, grants, and loans. The Regeneration of Landscapes and Livelihoods (ROLL) Project trained rural communities and rehabilitated degraded land, while the Integrated Watershed Management Project focused on watershed conservation and agriculture improvements. Other initiatives included climate adaptation planning, early warning systems, and phasing out harmful refrigerants.

#### **Key Achievements:**

The Regeneration of Landscapes and Livelihoods Project (ROLL) successfully trained stakeholders, rehabilitated land, and provided necessary equipment.

#### **Challenges:**

- I. Delays in the release of funds affected the progress of several projects.
- II. Lack of technical expertise in environmental and climate change programs.

### **Observations by the Committee**

- I. The committee noted with concern that certain line items appeared to be over-budgeted to allow for virements (fund transfers) to other areas. Specifically: Funds amounting to M288,000.00 were transferred from Power to Subsistence (Local). Funds amounting to M334,678.00 were transferred from Minor Works to Subsistence (International). These budgetary adjustments raise concerns about transparency and credibility in financial planning.
- II. The committee also observed that differences in financial calendar years between the government and lending institutions or donors have led to ineffective utilization of funds. The misalignment results in delays in fund releases, causing under-expenditure and project implementation setbacks.

### **3.2.2 2025/2026 Budget Estimates**

For the coming Financial Year the Ministry of Environment and Forestry has prioritized the following:

- I. To reverse land degradation, combat desertification and improve sustainable management of watersheds, and forest cover.
- II. To increase national resilience to climate change.
- III. To promote biodiversity and wetlands conservation and protection.
- IV. To improve environmental and climate change governance

#### **Revenue Estimates**

Projected Revenue: M483,700.00

Major Revenue Sources:

Entry Fees at National Parks: M445,000.00

Accommodation at Ts'ehlanyane: M38,700.00

To increase revenue, the Ministry is implementing stricter enforcement of environmental fines, expanding the plastic levy program, and leasing government-owned dormitories to private operators. Additionally, park entry fees may be adjusted to reflect inflation and maintenance costs.

#### **Recurrent Budget Estimates**

Total Proposed Budget: M141,425,267.00

The recurrent budget for the current financial year prioritizes salaries, transport, and operational expenses while introducing cost-saving measures, such as limiting international travel. The Ministry is reallocating resources to enhance financial efficiency and address challenges related to vehicle maintenance and land rehabilitation programs.

Challenges Identified:

- i. Declining wage allocations affecting land rehabilitation efforts.
- ii. Increased maintenance costs due to an aging fleet of government vehicles.
- iii. Unclear equine hire payment procedures.

### **Capital Budget Estimates**

Total Proposed Budget: M136,205,956.00

Key Projects: ROLL Project, Early Warning System II, Lesotho National Adaptation Plan: and Watershed Management (Sebapala):

### **Committee Observations**

The committee noted a significant increase in Fares (International) from M72,000 in 2024/25 to M496,123 in 2025/26 and requested the Ministry to reduce this allocation. The Ministry agreed to cancel all other international trips except fully funded ones, leading to savings of approximately M480,000, which will be reallocated towards vehicle procurement or procuring a fleet management system.

### **Recommendations**

- i. The Ministry should ensure accurate budget estimates to avoid unnecessary virements and potential misallocations.
- ii. Explore additional tourism activities to boost revenue from entry fees.
- iii. Strengthen the implementation of the Plastic Levy and enforce penalties under the Environmental Act.
- iv. Streamline procurement procedures to minimize delays in capital projects.
- v. The Ministry should develop a recruitment policy for land rehabilitation programs and submit it in the 1st Quarter of 2025/26.
- vi. The Ministry should engage the Accountant General to address challenges in processing reimbursements for local fares and equine hire services.

## **3.3 Ministry of Natural Resources**

### **3.3.1 2024/2026 Budget Performance**

#### **Revenue**

Total Approved Budgeted Revenue: M 2,050,267,267.00, Actual Revenue Collected: M3,898,339,557.44, Variance: M1,848,072,290.44 (Surplus)

The Ministry of Natural Resources generated revenue primarily through mining royalties, water royalties, and surface rent. The actual revenue collected significantly exceeded projections, particularly in water royalties, which saw a 236% collection rate due to a review of the water transfer re-computation formula and the inclusion of collections from the previous financial year. Mining royalties, however, fell short of expectations due to lower-than-expected global diamond sales, resulting in a variance of M166,854,680.93. Surface rent collections were at 86% of the



budgeted amount, with a variance of M1,200,196.96, which is expected to be collected by end of this financial year.

**Challenges Identified:**

- i. Revenue projections were difficult due to demand-driven activities.
- ii. Lower-than-expected diamond sales and prices impacted revenue from dividends and royalties.

**Recurrent Budget**

Approved Budget: M481,176,465.87

Actual Expenditure: M453,819,311.27

Variance: M27,357,154.60 (Underspent)

The Ministry's recurrent expenditure was primarily allocated to compensation of employees, travel and transport, operating costs, and transfers. The largest portion of the budget was allocated to salaries and wages, with M52,839,969.63 spent on established posts, M2,315,004.35 on wages, and M670,931.50 on non-statutory allowances, bringing the total compensation to M55,825,905.48. Travel and transport expenditures included M1,783,656.17 for vehicle maintenance, M2,949,961.25 for fuel and lubricants, and M1,458,982.18 for short-term vehicle hires. Subsistence allowances, both local and international, amounted to M3,355,629.35, bringing total travel-related costs to M10,763,865.95.

Operating costs, which include power, communications, printing, stationery, and the maintenance of public assets, totaled M13,967,153.37. A significant portion of this expenditure was spent on rent and lease payments for government buildings, amounting to M6,053,038.57. Additionally, the Ministry allocated M374,227,118.75 towards transfers, including grants to the Lesotho Highlands Development Authority (LHDA). The acquisition of non-financial assets, such as office equipment and furniture, amounted to M1,942,061.90. In total, the Ministry's recurrent expenditure stood at M453,819,311.27.

**Capital Budget**

Approved Budget: M1,481,176,465.87

Actual Expenditure: M1,453,819,311.27

Variance: M27,357,154.60 (Underspent)

The Ministry implemented several projects funded by the Government, grants, and loans. Key projects included the Village Water Supply Project, the Lesotho Lowlands Water Development Project (LLWDP) Phase II, and the Integrated Catchment Management Project. The LLWDP Phase II focused on improving water supplies to lowland settlements, while the Integrated Catchment Management Project aimed at rehabilitating rangelands and implementing climate-smart agricultural practices.

### **3.3.2 2025/2026 Budget Estimates**

For the coming Financial Year the Ministry of Natural Resources aims to:

- To increase production of diamonds by 10% from 1 million carats by 2028
- To increase diversification of minerals produced in Lesotho from 5 to 7 minerals by 2028
- To increase access of water supply by 10% from 79.4% sanitation services by 20% from 51.6% by the end of 2028.
- To strengthen the development and management of natural resources.

#### **Revenue**

Projected Revenue: M5,359,910,134.61

Major Revenue Sources:

Mining Royalties: M391,337,038.79

Surface Rent: M12,336,714.74

Water Royalties: M4,953,446,745.08

To increase revenue, the Ministry is implementing stricter enforcement of mining regulations, expanding water royalty collections, and exploring new revenue streams such as diamond sales tax and industrial licenses.

#### **Recurrent Budget Estimates**

Total Proposed Budget: M702,551,320.00

Key Allocations: Salaries & Wages: M61,815,181.00, Travel & Transport: M44,683,952.00, Operating Costs: M70,145,603.00 and Transfers (LHDA): M424,927,316.00

The recurrent budget for the current financial year prioritizes salaries, transport, and operational expenses while introducing cost-saving measures.

#### **Capital Budget Estimates**

Total Proposed Budget is M1,513,208,463.95 for the following Key Projects:

Village Water Supply Project, Rural Water Supply and Sanitation Project, Lesotho Lowlands Water Development Project (LLWDP) Phase II, Integrated Catchment Management Project:

The capital budget focuses on improving water supply and sanitation services, rehabilitating rangelands, and implementing climate-smart agricultural practices. The Ministry aims to create 4,978 job opportunities in construction and improve local economies through these projects.

### **3.5 Ministry of Public Works and Transport**

#### **3.4.1 2024/2026 Budget Performance Performance**

##### **Revenue**

The Ministry had budgeted to collect a total annual revenue of M36, 177,056 through Drivers' Licenses Fees, Airworthiness, Flight Operations, Motor Inspection, Permits, Airport Service Charge, Landing Fees, Motor Vehicle Number Plates to mention a few. However, the Ministry's collection stands at M25,447,192, which reflects under collection. This was caused by revenue collection which has not yet been reflected in IFMS. Under some line items, the Ministry had collected revenue beyond the set budget.

##### **Recurrent Budget**

For 2024/2025, the Ministry was allocated M217,541,335 as recurrent budget. The Ministry was granted a supplementary budget of M2,650,000 which brings the ministry's revised budget to M219,743,113. A total amount of M203,232,460 was utilised on the following votes: Salaries-Established Post, Personal Emoluments, Operating Costs, Acquisition of Assets, Travel and Transport to enable the Ministry to execute its mandate and meet their day-to-day needs. The budget balance of M16, 510,653 will be used to pay March Salaries, wages, allowances and bills amongst others.

##### **Capital Budget**

Under capital budget, the Ministry was allocated M930,500,000 by the Government of Lesotho. However, the Ministry was granted a contingency fund amounting to M12,719,216 which brings the revised capital budget to M1,096,641,021.

The budget was earmarked for the following projects: Mpiti-Sehlabathebe Road, Marakabei-Monontsa Road, Pavement Strengthening -Paved, Pavement Strengthening -Unpaved, Thaba-Tseka Katse Road, Transport Infrastructure and Connectivity, Rehabilitation of Moshoeshoe 1 International Airport, Construction of Office Park and Government Residential Maintenance and Maputoe Cross-Border

For the above-mentioned projects, out of the revised budget of M1,096,641,021, the Ministry had consumed M699,727,239 on paying different contractors that were awarded tenders to implement the said projects. However, the Ministry has a variance of M14,184,271 which the Ministry intends to use it for the launch of Road Accident Data Management System, the Contractor of office park, government residential maintenance and Maputsoe Cross Border projects before the end of March 2025.

### **3.4.2 2025/2026 Budget**

The Ministry of Public Works and Transport intends to achieve the following objective for the coming FY

- I. To develop the legal framework governing the construction industry and transport services in Lesotho
- II. To ensure quality in the transport systems and in the construction and maintenance of transport and building infrastructure
- III. To effectively coordinate the implementation of regional and international protocols on transport and construction

### **Revenue**

In 2025/2026, the Ministry projects to collect revenue of M36,177,056 from Drivers' Licenses Fees, Airworthiness, Flight Operations, Motor Inspection, Permits, Airport Service Charge, Landing Fees, Motor Vehicle Number Plates, Sale of Tender amongst others.

### **Recurrent Budget**

The Ministry proposed M221,491,306 as a recurrent budget estimate in 2025/2026 to accomplish its objectives. The budget will be used to finance different activities under the following votes Salaries-Established Post, Personal Emoluments, Operating Costs, Acquisition of Assets, Travel and Transport for the Ministry to be effective and efficient in carrying out its set objectives.

### **Capital Budget**

The Ministry projected a capital budget estimate of M2,484,433,666 for the coming FY. The funding will be sourced from the Government, Grants and Loan. The budget will be used to finance the implementation of the following developmental projects: Monontsa boarder(phase II), Khukhune A1 QholaqhoeA14(Seboche Hospital),spot improvement on Mpiti-sehlabathebe,Sehlabathebe park to Thamathu, Pavement Strengthening- Paved, Pavement Stregthening-Unpaves, Inhouse Maintenance Works Progrmme, Taung Sehlabathebe Road, Matlali—Mosenekeng-Lebakeng Road, Mohale's Hoek-Mpharane Road, Road Fund. The projects will focus on road structures and consultancies.

Tebello Bridge includes vehicular bridge structures and consultancies, Lesotho Integrated Transport, Trade and Logistics project will concentrate on Thaba-Tseka Katse road structures and consultancies, Maputsoe Cross Border includes settlement of contract service rendered, Rehabilitation of Moshoeshoe I International Airport will focus on the re-roofing, glazing and refurbishment of terminal building, maintenance of fire trucks, communication and navigation equipment repair, Office Park and Government residential maintenance focus on renovation of Local Courts and High Court and government residential houses.

### **Committee Observations**

- I. The Ministry awards tenders to contractors and allows them to commence the construction of the project before carrying out feasibility studies which results in high soil erosion after the project has been fully implemented for many years and lead to the need for maintenance which is very expensive.
- II. Ministries in their new projects, exclude the entire projects costs needed to complete them and their duration, this results in violation of Public Procurement Act, 2023, during the signing of the Contract

### **3.5 Ministry of Tourism, Sports, Arts and Culture**

#### **3.5.1 2024/2025 Budget**

##### **Revenue**

The Ministry had budgeted to collect M4,272,263 as revenue mainly through casino licenses, quest house and B&B licenses, off sales licenses, permits, tender of sales, rent from government properties to mention few. Under most line items, the Ministry has made over collection, but it has a short fall of M1,219,544 due to under collection from other sources of revenue.

##### **Recurrent Budget**

The Ministry had requested M91, 278,017 to achieve its objectives and obligations fully. Out of the total budget, M 113,659,905 was used on salaries, vehicle maintenance, power, communication and other operating costs. With the variance of M 4,272,315, the Ministry intends to expend it to pay outstanding bills and other expenses before the end of FY 2024/2025.

##### **Capital Budget**

M50,000,000 was allocated to the Ministry as capital budget mainly to complete the Lesotho Museum project. The Ministry's spending on the project is only M934, 561 to date. The allocated budget was used to pay quantity surveyors and certificates. The Ministry has unexpended budget amounting to M4,718,891 because there are still pending documents and issues between the Ministries of Tourism, Sports, Arts and Culture and Public Works and Transport.

#### **3.5.2 2025/2026 Budget Estimates**

For the Coming Financial Year, the Ministry of Tourism, Sports, Arts and Culture intends to achieve the following objectives:

- I. To improve and diversify tourism products and services
- II. To develop sports and recreation
- III. To develop arts and cultural heritage resources for national development

### **Revenue**

The Ministry projected to collect revenue of M4, 313, 350 for 2025/2026 from Casino Licenses, Quest House and B&B Licenses, Hotels and Lodges Licenses, Off Sales Licenses amongst others. The revenue projection has increased slightly as compared to the 2024/2025 revenue budget. This is due to the Ministry's potential to collect beyond the budgeted amount of revenue from other line items.

### **Recurrent Budget**

For the Ministry to be effective and efficient in achieving its objectives, it will need M177, 820,022 under recurrent budget. The budget will be used to pay salaries, allowances, vehicle maintenance, local subsistence, transfers, membership subscriptions and other daily expenses. The budget has increased by M86,542,005 but the Ministry will have a shortfall of M5,742,173 for the next FY triggered by the budget cuts done by the Ministry of Finance under Travel and Transport vote.

### **Capital Budget**

The Ministry has proposed capital budget estimates of M30,000,000 for the Lesotho Museum project. The requested budget will cover the cost of activities related to the project to be undertaken during the coming FY.

### **Committee Observations**

- I. Off Sales licenses are provided to both Basotho and Foreigners and this results in a competition between Basotho and the Foreigners. Unfortunately, Basotho are out-competed and ultimately closed their businesses. However, in terms of Section 34 of the Business Registration Order, 1989 Foreigners are not allowed to have licenses of such business but the Ministry is reluctant to implement the law yet that bears a negative impact to Basotho.
- II. The Ministry didn't budget for Fares International and Subsistence International in 2024/2025 but the Ministry made virements amounting to M4,439.74 to comply with its international obligations such as attending and participating in international crucial meetings and conferences such as UN Tourism, UNESCO to which Lesotho is a member.
- III. The Ministry has budgeted M 50,000,000 as a capital budget in 2024/2025 FY for the completion of Lesotho Museum project but there is progress on the project. The budget

balance of M4,718,891 was caused by Ministry of Public Works delay in submitting the requested documents by the Ministry of Finance to process outstanding payments.

## **Recommendations**

The Portfolio Committee on the Natural Resources, Tourism and Land Cluster recommends the following:

- I. Under the Ministry of Natural Resources, Lesotho Highlands Development Authority's proposed budget amounting to M424,927,316 , LHDA should be allocated budget for salaries only , until it has provided the documents requested by the Committee.
- II. Under the Ministry of Public Works and Transport, the Design Review and Rehabilitation of Moshoeshoe 1 Internation Airport Terminal Building Roofing, Coverings and External Gladding project should not be allocated the proposed capital budget of M108,500,000 for the 2025/2026 because of violated Public Procurement processes. The project should be re-tendered.
- III. Under the Ministry of Energy, the proposed budget estimates amounting to M425,701,214 for Belo Industrial Area and Tikoe Industrial Area projects should not be allocated based on the advice from World Bank Group which says, due to the expected cost overrun for Belo, its not advisable for LEC to sign any new contracts until the Belo contract resolution is finalized.
- IV. The Ministry of Environment and Forestry should engage the Accountant General to address challenges in processing reimbursements for local fares and equine hire services. Currently, these types of transactions do not generate formal receipts, making it difficult to justify and process claims. The lack of structured documentation complicates financial accountability and requires an alternative verification mechanism to facilitate timely reimbursements.
- V. The capital budget of M57,287,449.00 for the administration of Inhouse Maintenance Works Project be under the hospices of the Minister not Road Directorate.

## **Member of the Committee**

1. Hon. M. Motsoane (Chairperson)
2. Hon. L. Makara
3. Hon. T. Notsi

4. Hon. T. Kibane
5. Hon. T. Lekitla
6. Hon. L. S. Phohleli
7. Hon. M. Hlalele
8. Hon. L. Hlapisi
9. Hon. Dr. T. Moroke
10. Hon. M. Lehata
11. Hon. L. Hlaele
12. Hon. T. Abinyane
13. Hon. M. Ramakalima
14. Hon. A. Tsoanamatsie
15. Hon. M. Maretlane
16. Hon. R. Nalane
17. Hon. C. Mdlokovane
18. Hon. R. Ramaisa
19. Hon. T. Mojabela
20. Hon. M. Khaahloe
21. Hon. M. Mabote
22. Hon. M. Tsasanyane
23. Hon. T. Mapesela
24. Hon. M. Moleleki



## **Annex 5: PORTFOLIO COMMITTEE ON THE PRIME MINISTER’S MINISTRIES AND DEPARTMENTS, GOVERNANCE, FOREIGN RELATIONS AND INFORMATION CLUSTER**

### 1. Introduction

The Portfolio Committee on the Prime Minister’s Ministries and Departments, Governance, Foreign Relations and Information Cluster specifically investigated the budget estimates of the following ministries and departments.

- I. Ministry of Defence
- II. Ministry of Public Service
- III. Public Service Commission
- IV. National Security Service
- V. Office of the Prime Minister
- VI. Disaster Management Authority
- VII. Senate
- VIII. National Assembly.
- IX. His Majesty’s Office

This report focuses on the performance budget of the Ministries mentioned above, providing an in-depth analysis of the financial resources allocated and how effectively they are utilized in achieving their intended objectives. The report further highlights areas of improvement, challenges faced in implementation and recommendations to enhance transparency and efficiency.

### 2. Methodology

The Committee relied mainly on Ministries’ and departments’ submissions and briefings which formed the basis for opinion making. The written and oral presentations of Ministries and Departments were considered and deliberated upon.

### 3. Considerations of Ministerial Budgets

Previous year’s Performance- 2024/2025

#### 3.1 National Security Service

National Security Services (NSS) intends to achieve the following objectives:

- I. To promote Cyber Security;
- II. To prevent and counter terrorism and terror related activities; and
- III. To provide the state and region with early warning product

### 3.1.2. Recurrent Budget

In 2024/2025 financial year NSS had an approved budget of M127,889,021.00 and the released amount is M127,889,021.00. The actual expenditure as of February is M 119,471,245.87. Therefore, the variance remains at M 8,417,775, which will be utilized before the end of the financial year.

### 3.1.3 Capital Budget

NSS was allocated M20,000,000.00 as the approved budget for procurement of Office Equipment, Non-Office Equipment and retention to contactors In the New NSS Headquarters.

Budget Estimates/ 2025/2026

### 3.1.4 Recurrent Budget

The NSS has a total of M138,090,450.00 for its recurrent budget activities and this includes wages and salaries, travel and transport, Operating Cost and acquisition of non-financial assets.

Previous year's Performance- 2024/2025

## 3.2 Public Service Commission (PSC)

The Public Service Commission intends to pursue the following objectives:

- I. To staff the public service with qualified and competent human resources.
- II. To engage technology for improved business processes that communication with clients.
- III. To periodically review policy and legal frameworks on alignment with subsidiary legislation that respond to the latest trends and developments.

### 3.2.1 Recurrent Budget

The PSC's approved budget was M15, 908, 659. 00, the actual expenditure was M14,569,999.16, and the variance of M1,338,659.84 will be utilized by end of March to cover among others, the salaries, website development and PSC's 60 years anniversary.

Budget Estimates- 2025/2026

### 3.2.2 Recurrent Budget

The Commission budget amounts to M 15,426,524. 00 which will be used to cover administrative expenses, personnel emoluments, travel and transport and operational costs.

Previous Year 's performance

## 3.3. Senate

The Senate's strategic objectives are as follows:

- I. To develop frameworks that guide and promote consistent approach and quality of work within the Senate by 2025.

- II. To address basic developmental needs of the Honourable Members of the Senate by 2029.
- III. To facilitate the work of Senate to be most relevant to the developmental needs of he country.
- IV. To construct a fully senate building by 2025.
- V. To strengthen public engagement and participation.

### 3.3.1 Revenue

The Senate was able to collect M53,592.97 mostly collected from sale of tender, bidding and contract documents.

### 3.3.2 Capital Budget

The approved budget was M140,000.00 of which M102,945,137.28 was spent.

### 3.3.3 Recurrent Budget

The approved budget was M27,880,569.00. The total amount released was M25,804,532.51. Actual expenditure is M25,775,505.70. The variance to the amount budgeted for was due to the salaries that are yet to be paid by the end of the financial year.

### Budget Estimates 2025/2026

### 3.3.4 Recurrent Budget

The proposed budget is M37,850,555.00 to be used for wages and salaries, operating cost and travel and transport.

### 3.3.4 Capital budget

The Senate has proposed M94,000,000.00 for the completion of the New Senate Offices.

### Previous Year's Budget Performance

### 3.4 His Majesty's Office

His Majesty's Office is assigned to promote and maintain the expected standard for thimage of the Monarchy and to maintain a good relation between Lesotho and other countries, to coordinate and keep constant linkage between the government and His Majesty 's Office.

### 3.4.1 Recurrent Budget

The approved budget for His Majesty's Office was M15,353,424.00. The actual expenditure was M15 ,085 ,600.31.

### 3.4.2 Capital Budget

His Majesty's Office released funds for the period under review amounted to M2, 015,793.00. They managed to spend M2,015,792.70 out of the approved budget of M20,000,000.00

### Budget Estimates 2025/2026

### 3.4.3 Recurrent Budget

His Majesty's Office has a total recurrent budget of M15,679,149.00 for the financial year 2025/26.

### 3.4.4 Capital Budget

The Office has proposed a total of M20,000,000.00 for Construction of the New Royal Palace which will include the following:

- I. Completion of main construction.
- II. Building of the Chapel
- III. Interior design; and
- IV. Landscaping design.

### 3.5 National Assembly of Lesotho

The National Assembly intends to achieve the following objectives for the financial year 2025/26:

- I. To attain the administrative and financial independence of Parliament.
- II. To strengthen the capacity of Parliament to effectively execute its mandate; and
- III. To enhance representation, legislative and oversight role of Parliament.

### 3.5.1 Recurrent Budget

For the Financial Year 2024/25, the National Assembly's approved budget amounted to M103,776,793.00 and M110,125,340.00 as the revised budget. They managed to spend M 96,300,659.00 out of the released amount of M109,108,755.00. The variance of M7,476,134.00 will be used to cater for the following:

- I. March salaries and allowances.
- II. February bill.
- III. Fares international.
- IV. Subsistence international

### Budget Estimates 2025/26

### 3.5. 2 Recurrent Budget Estimates

The National Assembly has proposed the amount of M141,085,756.00 as Recurrent

Budget for the Financial Year 2025/26; to perform the following activities:

- I. Wages and Salaries.
- II. Travel and Transport.
- III. Operating Costs; and
- IV. Acquisition of Non-Financial Assets.

### 3.6 MINISTRY OF PUBLIC SERVICE

The Ministry is mandated to promote a professional public service administration through formulation of public service legal frameworks and coordination of human resource functions for improved service delivery. Its objectives for the year 2025/26 are:

- I. To promote professionalism and service delivery within the public service; and
- II. To strengthen good governance of the public service.

### 3.6.1 Revenue

The Ministry budgeted for M7,447,076.00 and was able to collect M6,304,655.00 leaving a balance of M1,142,421.00. The variance was caused by systemic errors in budget allocations provided by the Ministry of Finance and Development Planning which inserted its own amount that the Ministry did not budget for.

### 3.6.2 Recurrent Budget

A budget of M72,993,722.00 was approved and revised to M75,239,236.00 but only M69,368,616.00 was expended to date leaving a variance of M5,870,620.00.

### Budget Estimates 2025/26

The Ministerial objectives for the year 2025/26 are:

- a. Improved governance and administration by 2030.
- b. To develop the capacity of the public service by 2030.

### 3.6.3 Revenue Budget

The Ministry aims to collect M 7,136,162.00 in the year 2025/26 through assessment fees, sale of tender, Tuition fees, rent from government residential properties and other fines and penalties.

### 3.6.4 Recurrent Budget

The Ministry requests a budget of M74, 871,937.00 for the year 2025/26

### Previous Year's Budget Performance

## 3.7 MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS

This Ministry aims to:

- I. Strengthen Regional and International Cooperation.
- II. Strengthen Diaspora engagement.
- III. Strengthen the training capacity of the Ministry.

### 3.7.1 Revenue

This Ministry budgeted for M660,000.00 as revenue to be collected but actual collection was M315,088.00 leaving a variance of M344,911.90. The main challenge for the low performance is that the number of tenants in the government properties outside Lesotho has decreased due the dilapidated and inhabitable state of most of the properties.

### 3.7.2 Recurrent Budget

The total approved budget was M443,325,208.00 and was revised to M462,468,375.00 with actual expenditure of M392,973,680.13 leaving a variable of M69,494,694.87 which will be expended in March.

### Budget Estimates 2025/26

#### 3.7.3 Revenue

The Ministry aims to collect M598,000.00 as revenue for the year 2005/26.

#### 3.7.4 Recurrent Budget

The Ministry requests M490,176,585.00 budget for the year 2025/26. An additional request amounting to M61, 618, 491.00.

### 3.8. MINISTRY OF DEFENCE

The Ministry is mandated to promote and maintain the highest levels of state security and stability for the advancement of national interest.

#### 3.8.1. Revenue

The Ministry's approved revenue collection was M963, 597.50 and actual collection was M610,151.25.00. The variance is due to aircraft hire services amounting to M712,190.40 that are still owed by Ministry of Education and Training, Pensions, Ministry of Public Service, Ministry of Communications, Standard Lesotho Bank, Alliance Insurance, Vodacom Lesotho, Kao Mining, Ministry of Health, Partners in Health and Ministry of Gender, Youth and Social Development.

#### 3.8.2. Recurrent Budget

The Ministry had an approved budget of M679,503,614.00 which was revised to M799,085,959.00 and actual expenditure of M690,134,758.00. The variance will be expended before the end of the financial year.

### Budget Estimates- 2025/2026

#### 3.8.3, Revenue

The Ministry has an estimated revenue budget of M1,013,545.50.

#### 3.8.4 Recurrent Budget

The Ministry's request for the year 2025/26 amounts to M735,017,480.00. There is an additional request of M125,000,000.00 for consideration by the Ministry of Finance and Development Planning.

### 3.9 OFFICE OF THE PRIME MINISTER (OPM)

OPM has the following objectives:

- I. To improve monitoring and evaluation of all government plans, programs and

- II. policies by 2028.
- III. To improve public accountability and transparency by 2028.
- IV. To improve public sector performance by 2028.
- V. To coordinate, develop, manage and implement special programmes for poverty
- VI. alleviation by 2028.

#### 3.9.1 Recurrent budget

The Office had budgeted M117,050,963.00 and expended M238,316,442.24 released by the Ministry of Finance. A variance of M14,157,651.95 will be expended before end of March 2025.

#### 3.9.2 Grants

National AIDS Commission (NAC) was allocated M7,076,002.00 and Poverty Reduction Programmes (PREP) M4,523,351.00 totaling to M11,599,353.00 in grants.

#### 3.9.3 Recurrent Budget

OPM requests a budget amounting to M282,470,042.00 for the year 2025/26.

Previous year's budget performance

### 3.10 DISASTER MANAGEMENT AUTHORITY (DMA)

The Authority has the following objectives:

- I. Strengthen Disaster Risk Management (DRM), Governance and Institutions by 2026/27 financial year.
- II. Disaster Risk Reduction (DRR) projects and programmes to be effectively executed and coordinated by the end of 2026/27 financial year.
- III. Strengthen Disaster Risk Financing by the end of 2026/27 financial year.
- IV. Strengthen the country's Early Warning Systems by the end of 2026/27 financial year.

#### 3.10.1 Revenue

The Authority has no revenue budget but managed to collect M5,400.00 from sale of tender documents.

#### 3.10.2 Recurrent Budget

A budget of M31, 613, 966.00 was approved for DMA and revised to M83, 433, 321.00. Actual expenditure is M81, 192, 799.26, leaving a variance of M1,024, 050.00 and a budget balance of M296, 521.74.

Budget Estimates 2025/26

#### 3.10.3 Recurrent Budget

The Authority requests a budget estimated at M84,563,816.00 for the year 2025/26.

### 3.11. MINISTRY OF INFORMATION, COMMUNICATIONS, SCIENCE, TECHNOLOGY AND INNOVATIONS

The Ministry is mandated to provide affordable, sustainable, accessible and reliable communication services, be a provider and reservoir of technological knowhow through research and development, coordination of innovation to accelerate economic growth and improve quality of life.

#### 3.11.1 Revenue

The Ministry budgeted M19,030,475.00 but collected M3,839,079.00 leaving a variance of M15,191,396.53. The reason for the variance was that the Ministry of Finance set the ceiling for the revenue budget.

#### 3.11.2 Recurrent Budget

The Ministry budget M239,227,363.00 was revised to M234,266,402.25 leaving a variance of M35,546,667.75.

#### 3.11.3. Capital Budget

The approved budget was M224,438,902.00 but only M56,064,987.26 was expended leaving a variance of M47,294,719.72.

#### Budget Estimates 2025/26

#### 3.11.4. Revenue

The Ministry aims to collect M9, 796, 513.00 for the year 2025/26.

#### 3.11.5 Recurrent Budget

The Ministry requests M250,067,650.00 for recurrent expenditure in the year 2025/26.

#### 3.12.6 Capital Budget

The Ministry requests a capital budget of M130,996,565.00 consisting of Donor and Lesotho Government contribution of M62, 188,865.00 and M68,807,700.00 respectively.

### 4. Observations and Recommendations

After Careful consideration the Committee noted, observed and recommended the following.

- I. The PSC has not fully utilized its allocated budget
- II. The Public Service Commission faces significant challenges that can hinder their ability to function optimally. Addressing these challenges requires continuous reform, adequate funding, technological modernization and commitment to transparency.
- III. The ministries often exceed budget ceilings and resort to contingency funds and reallocations to cover expenses.
- IV. The National Assembly budget has increased as compared to the last financial year.



- V. The estimated budget in the Ministry of Public Service for Fares International is M17,000.00. while subsistence international is budgeted M366, 300.00.
- VI. Virements has been the business of the day in the previous budget across all Ministries, which is an issue of concern that Ministries budget under unnecessary line items so that such funds can be vired during the year.
- VII. The issue of budget ceiling has a serious bearing on the efficiency of Ministries in their operations as the amounts are either too low (expenditure) or too high (revenue collection).
- VIII. Some Ministries' budget proposals presented before the Committee were different from the budget book.
- IX. Mission properties and vehicles are in a dire state thus causing the Ministry of Foreign Affairs a lot of monthly money in rentals. The issue of maintenance of property and vehicle cuts across Ministries.
- X. Revenue collection (rent) will decrease in the Ministry of Foreign due to inhabitable and dilapidated state of residential houses. As a result, Foreign must incur cost of renting for Diplomatic staff in the Missions.
- XI. Public servants must incur the cost of maintenance while the Ministry of Public Service waives rent payments for such officers.
- XII. Budget presentation before the financial year hinders the Committee from effectively analyzing the Ministries' performance.
- XIII. Time allocated for budget scrutiny is not enough to make a comprehensive analysis and verify issues surrounding proposals.
- XIV. Ministry of Communications failed to submit support documents as requested by the Committee thus they denied the Committee a chance to make informed decisions.

### **Recommendations**

The Committee recommends that:

- I. The Ministry of Finance allocates budget as stated in the budget book, in cases where figures differ.
- II. The Committee recommends that the Ministry of Finance consider provision of an additional amount of M125,000,000.00 to the 2025/26 Budget for Defence to strengthen its capacity to effectively achieve its mandate.
- III. Government of Lesotho maintain properties and vehicles as and when necessary because failure to act timeously results in terrible loss of money and such property on an annual basis.

### **LIST OF MEMBERS OF THE COMMITTEE**

- 1. Hon. M. Moshe (Chairperson)
- 2. Hon. D. Jooma
- 3. Hon. R. Letlailana
- 4. Hon. M. Mofomobe

5. Hon. T. Makhalanyane
6. Hon. M. Mosoeunyane
7. Hon. N. Moshoeshoe
8. Hon. T. Nkoefoshe
9. Hon. M. Taole
10. Hon. S. Mosebetsane
11. Hon. P. Kelane
12. Hon. M. Maliehe
13. Hon. M. Matsie
14. Hon. Dr. P. Manamolela
15. Hon. N. Kabi
16. Hon. M. Tjabane
17. Hon. K. Mabeleng
18. Hon. I. Joseph
19. Hon. L. Mafethe
20. Hon. T. Maretlane
21. Hon. M. Mokhothu
22. Hon. M. Khati
23. Hon. L. Makara

## **Annex 6.1 Maluti Mountain Brewery**

### **BUDGET DISCUSSION 2025/26 PRESENTATION TO THE ECONOMIC CLUSTER COMMITTEE OF PARLIAMENT BY MALUTI MOUNTAIN BREWERY ON THE PROPOSED 2.5% INCREASE TO THE ALCOHOL LEVY**

#### **Executive Summary**

Established in 1982, Maluti Mountain Breweries (MMB) has long been a pillar of Lesotho's economy, significantly contributing to economic activity and serving as an ambassador for the

nation on the global stage. Operating a state-of-the-art manufacturing plant, MMB produces high-quality beer for distribution across three depots and five distribution centers, with additional exports to South Africa. The company currently employs over 245 people and has contributed more than LSL 3 billion in taxes to the national fiscus between 2016 and 2023.

However, MMB now faces significant risks due to fiscal policies that have unintentionally impacted its business operations. The introduction of the Tobacco and Alcohol Products Levy Act (TAPL) at 7.5% has placed a substantial burden on the alcohol industry; particularly the beer sector, negatively affecting its competitiveness and sustainability. The proposed 2.5% increase, raising the levy to 10%, is expected to exacerbate these challenges, placing further strain on MMB, its supply chain, and the broader economy.

The beer industry in Lesotho is a key driver of employment, supporting one in every 45 jobs through its extensive value chain. Ensuring its sustainability is critical for long-term economic growth. Since the levy's introduction, MMB has sustained a loss of LSL 75 million, which exceeds the LSL 54 million loss recorded during the COVID-19 pandemic by LSL 21 million. Given the high operational costs of the business, this financial impact has necessitated operational restructuring, leading to the unfortunate retrenchment of 22 employees; a decision made at the 7.5% levy level.

MMB's ability to remain competitive against South African counterparts has also been severely compromised. While the South African beer market has experienced 5.7% growth, MMB has faced a 21.8% decline in total volume, largely due to price disparities that drive cross-border illicit trade. The inability to effectively regulate border control allows lower-priced South African products are able to flood the market, undermining legitimate business operations and reducing government tax revenue from customs and excise.

While the levy may generate short-term revenue gains, its long-term consequences could be severe. MMB urges the committee to review the proposed 2.5% increase and engage in a collaborative dialogue with industry stakeholders to explore sustainable economic strategies that support both revenue mobilization and long-term economic growth.

This memo provides:

- An analysis of the impact since the implementation of TAPL
- Projections of its effects through 2026 at the current 7.5% levy
- The impact on cross-border trade and illicit market growth
- Excise revenue projections, both pre- and post-levy implementation

We look forward to engaging in a constructive discussion on policies that support Lesotho's economic sustainability while ensuring a fair and competitive market environment.

Sales volumes and revenue growth impact: One of the stated objectives of the TAPL is to increase revenue for the fiscus. Revenue to the fiscus is therefore dependent on the effectiveness of the TAPL to generate profits for industry players (including MMB), who in turn pay the dues to the government. Analysis of sales in terms of volumes from 2019 to 2020 indicate that COVID-19 seriously impacted MMB's revenue, with a 15% drop in 2020 compared to 2019. Following industry trends, MMB saw recovery in 2021 and 2022 with year-on-year increases in volumes sold, of 25% and 10% respectively, surpassing pre-COVID volumes and revenue:

### **MMB Request**

- 1) Levy is not increased to 10% and for government particularly department of finance to work with Business to further discuss opportunities for revenue raising through the beer sector.
- 2) Differential levy for local production vs imports. MMB operates the only Brewery in Lesotho. It has been in existence since 1982. A lower levy for local production will preserve jobs at the brewery and begin to address the price differential between Lesotho and South Africa. This is an example followed in Eswatini, where the local production is 2% and imports are 7%.
- 3) To further protect the Brewery, strict enforcement of Section 44 of the Liquor Licensing Act 1998 which prohibits the importation of brands that are locally produced in Lesotho

## **Annex 6.2 Concerned Youth Leaders**

### **Reflections on the 2025/2026 Budget Speech by Concerned Youth**

We extend our warmest regards and hope this letter finds you in good health and high spirits.

On behalf of youth leaders from various organizations across the Mountain Kingdom, we wish to express our sincere appreciation for your insightful and well-structured presentation of the inaugural budget speech for the fiscal year 2025/2026, delivered on February 19, 2025. Your commitment to aligning the budget with the National Strategic Development Plan (NSDP) II, Sustainable Development Goals (SDGs), and the National Youth Policy is commendable. We particularly appreciate the inclusion of numerous youth-driven proposals and concerns.

The African Youth Charter underscores the fundamental role of young people in sustainable development, affirming that "youth are partners, assets, and a prerequisite for peace and prosperity

in Africa" (African Union, 2006, p.2). Article 11 further guarantees young people "the right to participate in all spheres of society," mandating states to encourage youth activism and ensure gender equity in political representation. Similarly, Lesotho's National Youth Policy emphasizes the importance of participation, leadership, democratic governance, and inclusion. It is in this spirit that we humbly request your esteemed office to prioritize the establishment and operationalization of the National Youth Council.

We acknowledge and applaud the government's recognition that the future of Lesotho depends on the meaningful engagement of its youth. As highlighted in paragraph 43 of your speech, youth potential must not go to waste. Likewise, we welcome the government's initiatives to create targeted programs for youth, particularly young women, to expand formal sector opportunities through private-sector participation, promote entrepreneurship and innovation, and invest in skills development that aligns with market needs (paragraph 42).

Regarding revenue mobilization (paragraph 48), we take note of the levies imposed on alcohol (2.5%) and tobacco (5%). We respectfully remind your office that we previously submitted a request in December 2022 advocating for a significant portion of these levies to be allocated towards youth empowerment initiatives. We strongly believe that such an allocation would ensure that revenue generated from youth consumption habits directly contributes to their development, enabling them to establish and expand businesses. We kindly request reconsideration of this matter.

Additionally, we take this opportunity to make an urgent appeal for the government to consider implementing free secondary and high school education. We have witnessed countless young people with immense potential whose dreams have been shattered due to their families' inability to afford school fees. Education is the cornerstone of national development, and ensuring accessibility for all youth would be a transformative step for Lesotho.

We have also noted with concern the limited expansion of the National Volunteer Corps (NVC) program, as referenced in paragraph 133. While we appreciate the government's effort to bridge the gap between education and employment, the proposed increase from 60 to 100 participants remains insufficient, given the staggering number of unemployed youth (145,087 as per paragraph 37). The NVC program currently has over 15,000 applications, demonstrating a clear demand for

greater investment and expansion. We urge the government to allocate additional resources to accommodate more young graduates.

Furthermore, paragraph 132 highlights the Sebatso Youth Empowerment Initiative and Youth Connekt as key drivers of youth empowerment. While these initiatives are appreciated, we firmly believe that all youth programs and projects should be centralized under the National Youth Council to ensure coherence, efficiency, and accountability. In the absence of a fully functional apex youth body, no other initiative should assume this central role.

We also strongly encourage the government to expedite the enactment of the National Youth Development Bill 2024 this financial year and allocate resources for the National Youth Council elections. This would be a significant step towards fostering inclusive governance and ensuring that youth voices are actively represented in national decision-making processes. As we always affirm: ***Nothing for the youth without the youth.***

affirm: Nothing for the youth without the youth.

Youth Organizations

United Youth for Change

Earth Care Alliance

Youth Incombat for Development

Voice of Youth Society

Youth Home Lesotho

Theatre Association of Lesotho

Basotho Intelligence and Creative Theatre

Youth Technical Team Lesotho