



**CONSOLIDATED REPORT ON THE ANNUAL BUDGET AND ESTIMATES OF REVENUE AND  
EXPENDITURE FOR THE FINANCIAL YEAR 2026/2027**

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***PRESENTED BY THE  
PORTFOLI COMMITTEE ON THE ECONOMIC AND DEVELOPMENT CLUSTER***

***TO***

***NATIONAL ASSEMBLY OF LESOTHO***

***11<sup>th</sup> PARLIAMENT***

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## **1. CHAIRPERSON FOREWORD**

### **The Rt. Hon. The Speaker**

As the Chairperson of the Portfolio Committee on the Economic and Development Cluster, I am pleased to present this report, a reflection of the work done by the Honourable Members of the Committees in scrutinising the annual budget and estimates of revenue and expenditure for the financial year 2026/2027/.

### **The Rt. Hon. The Speaker**

As Members of this august House, we are fully conscious of the sacrosanct responsibility vested in us by Basotho to serve them for the betterment of the Lesotho that the Basotho want. Cognisant of this reverend responsibility, the Portfolio Committees had to work day in and day out in order to release these report. As the Chairperson of the Portfolio Committee on the Economic and Development Cluster, I have all the humility to table these report on behalf of all Chairpersons and Members of Committees who had laid off their own pressing chores to take part in the oversight process.

It is my fervent hope that we all are aware that time and tides wait for no man as we are running toward the watershed period for completion of SDGs – the global agenda that binds us to make all efforts to stretch our strides wider to achieve sustainable development. As Parliamentarians, we have the responsibility to provide the requisite support to the Government in its quest to achieve “Building Strategies for Inclusive Growth”.

I therefore, plea with this august house to deliberate on this mammoth task bearing in mind Lesotho and Basotho first.

## 1.1 SECTION 1-ANALYSIS OF THE BUDGET SPEECH

### 1.1.1 *Preamble*

The national budget is the Government’s most powerful policy instrument for translating development priorities into measurable economic outcomes. In the Kingdom of Lesotho, where fiscal resources are constrained and economic vulnerabilities remain pronounced, the credibility of the budget process depends fundamentally on **sound preparation, disciplined execution, and robust oversight**.

This report is prepared against the backdrop of growing fiscal expectations placed upon the FY2026/2027 budget. Parliament recognizes that the national budget must not only allocate resources but must also **demonstrate value for money, strengthen fiscal resilience, and ensure that public expenditure generates tangible economic and social returns**. The fiscal framework must therefore be anchored in **economic realism, fiscal prudence, and institutional accountability**.

The Committee emphasizes that the effectiveness of public finance management lies not merely in expanding expenditure envelopes but in ensuring that **every loti appropriated by Parliament delivers measurable development outcomes**. Budget credibility must therefore be reinforced through **evidence-based planning, disciplined procurement systems, transparent reporting, and continuous parliamentary scrutiny**.

### 1.1.2 *Introduction*

The FY2026/2027 fiscal policy is presented at a time when the Lesotho’s economy continues to confront structural growth constraints, revenue volatility and increasing development financing pressures. These challenges necessitate a fiscal framework that balances **economic transformation objectives with macroeconomic stability and fiscal sustainability**.

The policy direction adopted in the FY2026/2027 budget reflects a strategic shift from the previous fiscal posture of **“building strategies for inclusive growth” toward accelerating economic transformation and strengthening national resilience**. This shift underscores the Government’s intention to reposition public investment toward sectors capable of generating **long-term productivity gains, employment opportunities, and economic diversification**.

However, the Committee observes that the credibility of this transformation agenda will depend largely on the Government’s ability to **strengthen capital budget execution, improve domestic revenue mobilization, and maintain prudent debt management practices**. The success of the budget must therefore be evaluated not solely on policy ambition but on the **efficiency, effectiveness and economy with which public resources are deployed**.

### 1.1.3 *Report Methodology*

This report adopts an evidence-based analytical framework to evaluate the FY2026/2027 fiscal policy. The analysis is grounded in the official budget speeches, the FY2025/2026 mid-term budget performance review, detailed budget estimates, and associated fiscal policy documents of the Kingdom of Lesotho.

The methodology combines **quantitative fiscal analysis and qualitative policy assessment** to examine key dimensions of the fiscal framework, including revenue mobilization trends, capital investment financing structures, public expenditure composition and debt sustainability strategies.

Particular emphasis is placed on assessing the **efficiency of capital budget implementation**, given the historically observed gap between approved development allocations and actual expenditure outcomes. The analysis, therefore, interrogates the budget through the lens of **public investment management and value-for-money principles**, focusing on project readiness, procurement discipline, expenditure absorptive capacity and measurable development impact.

Furthermore, the report incorporates a **comparative fiscal perspective between FY2025/2026 and FY2026/2027**, enabling Parliament to evaluate whether the current budget represents a credible progression toward improved fiscal governance and economic transformation.

## **1.2 General Review of 2025/2026 -2026/2027**

Based on the fiscal dashboard and the macro-fiscal framework contained in the Budget Speeches, the FY2026/2027 budget presents several fiscal risks that Parliament should monitor closely.

### **1.2.1 *Rising Recurrent Expenditure Pressure***

Recurrent expenditure increased from approximately M20.30 billion in FY2025/2026 to about M21.94 billion in FY2026/2027. This growth reflects continued pressure from compensation of employees, operational expenditures and social transfers. Rising recurrent commitments may reduce fiscal space available for development investment.

### **1.2.2 *Capital Investment***

The approved capital budget declined from about M10.60 billion in FY2025/2026 to roughly M9.03 billion in FY2026/2027. Although development spending remains substantial, this reduction may slow the pace of infrastructure development and economic transformation if capital project efficiency is not improved. But against the 2025/26 outturn capital expenditure of M6.4 billion, the government is focusing on corrective-execution to rise to the M9.03 set capital ceiling.

### **1.2.3 *Dependence on External Financing***

Development spending continues to rely heavily on donor loans and grants. While concessional borrowing supports infrastructure investment, reliance on external financing exposes the budget to exchange rate risks and future debt servicing obligations.

### **1.2.4 *Revenue Structure Risks***

The revenue structure remains strongly dependent on SACU receipts. Although domestic tax revenue is improving, fluctuations in SACU transfers may continue to create volatility in government revenues.

## 1.2.5 Fiscal Balance and Borrowing Pressures

The fiscal framework suggests a shift toward an investment-driven deficit in FY2026/2027. While such deficits may support economic growth when directed toward productive investments, Parliament should ensure that borrowing remains aligned with the medium-term debt strategy and delivers measurable economic returns.

Nevertheless, the Committee notes that the effectiveness of the FY2026/2027 fiscal strategy will depend significantly on the Government's capacity to **translate capital budget allocations into completed infrastructure assets and improved public service delivery**. Evidence from the FY2025/2026 fiscal performance indicates that **capital budget under-execution remains one of the most significant constraints in public financial management**.

Table 1: Capital Financing Structure

Indicator	2025/26 Budget Mix	2026/27 Budget Mix	Change (pp)	Interpretation
GoL share of capital budget	39.6% (M4.20bn)	41.1% (M3.71bn)	+1.5%	Higher domestic fiscal commitment to capital delivery
Donor grants share	29.2% (M3.10bn)	24.4% (M2.20bn)	-4.8%	Grant dependency moderates; more difficult grant environment
Donor loans share	31.3% (M3.32bn)	34.3% (M3.10bn)	+3%	Greater reliance on concessional/loan-backed project finance
Capital budget level	M10.69bn approved / M6.4bn projected outturn	M9.03bn budgeted	vs outturn +41.1%	Execution-recovery budget rather than a pure expansion budget

**Interpretive note:** The capital financing structure suggests a gradual shift in development financing composition. Government financing declines slightly in absolute terms from M4.20 billion to M3.71 billion. However, because the overall capital envelope is smaller in FY2026/27, the Government share of capital financing increases marginally from approximately 39.6 percent to 41.1 percent. This indicates that the state remains the largest single contributor to infrastructure financing.

Donor grant financing declines significantly from M3.10 billion to M2.20 billion, reflecting a reduction in concessional grant inflows. This shift is consistent with the tightening global development assistance environment and indicates that Lesotho may need to rely more on domestic resources and concessional borrowing in the medium term.

Loan financing remains relatively stable, declining slightly from M3.32 billion to M3.10 billion while increasing in proportional terms. This indicates that concessional borrowing continues to play a critical role in financing strategic infrastructure investments.

Accordingly, the Committee emphasizes that the success of the current fiscal policy must be judged not only by the size of development allocations but by the **efficiency, transparency, and accountability with which those resources are utilized**. Strengthening public investment management systems, enforcing procurement discipline, and ensuring rigorous parliamentary oversight will therefore be essential to achieving the intended economic and social outcomes of the FY2026/2027 budget. *Please visit Schedule 4: Sector Capital Absorption Ratios read in tandem with Schedule 5: Project Execution Register*

### 1.3 Revenue Overview

At the aggregate level, the budget raises total revenue from M28,590.5 million in FY2025/26 to M29,611.2 million in FY2026/27, an increase of M1,020.7 million or 3.6 percent. The increase is driven mainly by stronger tax revenue and higher SACU receipts, while grants and several categories of non-tax revenue decline. This implies that the revenue strategy is becoming more dependent on domestic taxation and SACU than on grants (Schedule 2 on Revenue Comparison read in tandem with Schedule 3 on revenue challenges and remedial actions).

Reading from Schedule 2, it will be seen that the current budget increases total revenue mainly through income taxes and SACU, while deliberately marking down VAT, excises, grants, property income, dividends and rent. The implication is that the government expects formal-income tax administration and regional transfers to perform better than consumption taxes and grant-supported financing. Schedule 3 aligns each revenue type to its trend, underlying cause, collection challenge, and the most practical remedial action for full or improved collection.

#### 1.3.1 Main Revenue Findings

The FY2026/27 budget does not raise every revenue line. It increases formal tax lines and SACU, but deliberately marks down VAT, excise, grants, and several non-tax items. The strongest revenue risks remain VAT weakness, grant contraction, and continued dependence on SACU and LHDA-related receipts. The most important revenue-management reform is therefore not simply raising rates; it is improving compliance, classification, digital administration, and enforcement. The budget becomes more candid in FY2026/27: it openly recognizes that some revenue categories that supported the recent fiscal position are temporary or externally driven.

### 1.4 Fiscal Policy Issues

The FY2026/2027 fiscal framework raises several critical policy issues that require careful parliamentary scrutiny to ensure that the budget translates into sustainable economic outcomes.

First, **revenue concentration remains a structural vulnerability in Lesotho's fiscal system**. The analysis demonstrates that a substantial portion of government revenue continues to be derived from Southern African Customs Union (SACU) receipts and other externally influenced revenue streams. While these transfers provide an important fiscal cushion, their volatility exposes the national budget to external economic cycles beyond the Government's control. Strengthening domestic revenue mobilization, therefore, remains an urgent fiscal priority.

Second, **the efficiency of capital budget execution remains one of the most significant challenges in public financial management**. Although the FY2026/2027 budget allocates substantial resources to development

expenditure, evidence from the FY2025/2026 fiscal year indicates that a considerable proportion of approved capital funds remained unspent due to procurement delays, project readiness challenges, and weak implementation capacity. This persistent gap between approved allocations and actual project execution undermines the developmental impact of public investment.

Third, **the structure of development financing is undergoing a gradual change**, with donor grant support declining and concessional loan financing becoming increasingly prominent. While concessional borrowing can support strategic infrastructure investments, it also requires stronger debt management frameworks to ensure that borrowing remains sustainable and aligned with projects that generate long-term economic returns.

The table depicts that the **public expenditure composition continues to reflect structural rigidity**, particularly regarding recurrent spending pressures. While the Government has signalled the need to contain the public wage bill, the fiscal space required to support infrastructure development, social services, and economic transformation remains constrained by existing recurrent commitments.

Finally, **the credibility of the fiscal framework will depend on the effectiveness of institutional reforms in public financial management**. The introduction of fiscal rules, debt anchors and strengthened procurement systems represents an important step toward improving fiscal governance. However, these reforms must be consistently implemented and supported by transparent reporting mechanisms to ensure that Parliament and the public can monitor fiscal performance effectively.

The FY2026/2027 fiscal outlook initially projected a surplus equivalent to 2.3% of GDP, reflecting cautious revenue projections and restrained expenditure commitments during budget preparation. However, fiscal execution and updated projections indicate a liquidity deficit of approximately M3.361 billion, equivalent to about 3.0% of GDP. This shift is largely attributable to the Government's increased emphasis on development-oriented spending and the timing of revenue inflows relative to expenditure commitments.

A major contributing factor is the acceleration of capital investment, particularly in infrastructure sectors such as water, energy, agriculture, and public works. These investments require substantial upfront expenditure and are often financed through a combination of government resources, donor grants, and concessional loans. While such investments are expected to support long-term economic growth and expand the domestic revenue base, they typically generate short-term fiscal pressures, resulting in temporary deficits during the implementation phase.

In addition, the fiscal position has been affected by revenue underperformance in several key areas, including Value Added Tax compliance challenges, declining mining revenues, and weaker-than-expected dividend payments from state-owned enterprises. At the same time, recurrent expenditure obligations, particularly compensation of employees and operational costs, remain structurally rigid and difficult to adjust within the fiscal year.

Taken together, these factors explain the movement from a projected surplus to a modest deficit. Importantly, the deficit reflects a strategic policy shift toward investment-driven fiscal expansion, rather than uncontrolled spending. As long as the capital investments are efficiently implemented and accompanied by stronger domestic revenue mobilisation, such a deficit can be consistent with sustainable fiscal management and long-term economic transformation.

## **1.5 Macroeconomic Outlook**

### **1.5.1 Growth**

The analysis observes that Lesotho's growth trajectory remains subdued. The FY2025/26 framework projected stronger growth momentum, but the subsequent budget and mid-term reporting make it clear that the economy is operating in a more difficult environment than originally envisaged. In the FY2026/27 budget speech, medium-term growth is described as sluggish, with GDP projected at around 1.5 percent in 2027/28 and 1.6 percent in 2028/29.

This weak outlook is driven by a combination of structural and external headwinds. The textile industry faces continued pressure from AGOA-related deterioration and weak market conditions. The mining sector remains constrained by soft diamond prices, oversupply, and competition from synthetic diamonds. These two sectors

have historically been critical to employment, foreign exchange and growth; weakness in both, therefore, has broader macroeconomic implications.

The more positive medium-term story lies in selective sectors rather than in economy-wide momentum. Agriculture may improve through breeding practices, irrigation and better weather. Manufacturing may benefit from factory shell expansion in Tikoe and Ha Belo. Energy, water, and ICT infrastructure may also support productivity. However, these positive developments do not yet fully offset the drag from mining and export manufacturing.

### ***1.5.2 Inflation and Cost of Living***

Inflation is presented more favourably in the draft than growth. The consumer price outlook improves from about 5.4 percent in FY2025/26 to 4.9 percent in FY2026/27. In principle, this should support household purchasing power and slightly ease pressure on low-income households, pensioners and recipients of social transfers.

That said, the inflation outlook remains exposed to imported pressures. Lesotho is highly sensitive to movements in fuel prices, exchange-rate developments and regional supply chains. Any geopolitical disruption that raises oil prices or import costs can reverse part of the inflation relief. A good example is the ongoing Middle East (Iran vs Israel-USA war). The policy therefore, avoids presenting lower inflation as a settled outcome; it instead treats it as a conditional improvement subject to external shocks.

### ***1.5.3 Fiscal Policy Posture and Strategic Direction***

The two fiscal years are not simply different budgets but different policy postures. The FY2025/26 budget is organized around inclusive growth, whereas the FY2026/27 budget uses the language of acceleration, transformation, resilience, and disciplined execution.

This is not merely rhetorical. In FY2025/26, the policy emphasis was on building the foundation for growth, improving social protection, and expanding investment space while maintaining fiscal prudence. In FY2026/27, the policy argument hardens into a more explicit statement: **Lesotho can no longer rely on preferential market access, episodic growth or external financing to sustain jobs and public services.** Resilience is, therefore, elevated from a supporting concept to the central organising principle of fiscal policy.

The implication for this is that the FY2026/27 budget should be judged not only on whether it allocates money to the right sectors, but also on whether it introduces a more credible operating model for the state. The policy's emphasis on domestic effort, disciplined expenditure, rules-based fiscal management, project readiness, and private-sector-led growth suggests that the Government is trying to move from budget expansion to budget credibility.

### ***1.5.4 Recurrent Expenditure and the Wage Bill***

The policy points to wage-bill restraint as a central theme. Both fiscal Years stress that the government cannot remain the employer of first choice and that the wage bill is constraining investment in growth-inducing infrastructure. This is particularly explicit in FY2026/27, where the public wage bill is described as fiscally unsustainable, taking precedence over essential infrastructure such as roads, bridges, schools, health infrastructure and other productive investment, thus, prompting the 2% salaries increase across the public sector.

A stronger emphasis on the upcoming budget is that the recurrent expenditure is not inherently undesirable. A functioning state needs teachers, nurses, police, social protection and operations and maintenance. The policy problem is not the existence of recurrent spending but its rigidity and composition. Where recurrent expenditure becomes too wage-heavy and inflexible, fiscal policy loses room to protect maintenance, operations and capital formation. This is the central trade-off the budget is now attempting to confront.

### 1.5.5 Debt and Financing Instruments

The FY2026/27 fiscal policy also expands the menu of financing instruments under consideration. Government signals that borrowing will remain prudent and concessional for high-impact projects, while also creating policy space for diversified instruments, including a Diaspora Bond, longer-dated infrastructure bonds and groundwork for a Green Bond framework. This broadens the financing debate beyond short-term fiscal balancing and toward strategic capital mobilisation.

## 1.6 Value for Money

The FY2025/26 mid-term review provides a cautionary answer to whether the budget is delivering the value of a Loti or not. It records a projected year-end capital expenditure of M6.4 billion and explicitly states that the improved fiscal outcome masks a persistent weakness—under-execution of the capital budget. The same mid-term review proposes a contingency fiscal plan and fiscal rules in the event that SACU receipts deteriorate significantly, confirming that implementation capacity and fiscal buffers are now inseparable issues.

### 1.6.1 Value-for-Money scoring matrix

#### Scoring guide:

**High** = strong economic or social return with visible deliverables or near-term network effects;

**Medium** = conceptually strong, but delivery is still partial;

**Low** = weak execution/readiness such that the public return is currently impaired.

Score	Typical characteristics	Representative projects	Primary committee concern	Recommended oversight action
High	Clear multiplier effects, strategic relevance, measurable physical progress	LHWP II, B111 road, near-complete road corridors, ICM/ReNOKA, lowlands water systems, rural electrification, commissioned irrigation schemes	Keep momentum and avoid financing interruptions	Protect the budget, monitor milestones quarterly, and close out defects and maintenance plans.
Medium	Strong rationale but incomplete or mixed execution	Bus terminals, Ramarothole 70MW, Katse hydropower	Procurement sequencing and implementation capacity	Require updated implementation schedules, contractor status,

		rehabilitation, E-Government, wool/mohair value chain, AI facility		and cash-flow plans.
Low	Allocated but zero/near-zero execution or weak readiness	Health facilities upgrading, secondary schools' construction, border refurbishment, tax modernization, climate-resilient livelihoods, and police stations	Idle allocations, time overruns, poor value capture	Freeze new starts until feasibility, design, procurement, and land/EIA readiness are certified.

Lesotho’s capital policy is directionally progressive in sector choice and more ambitious in 2026/27 than the 2025/26 outturn, but it remains constrained by weak implementation discipline. The Government is financing the right families of projects—water security, roads, electricity, digital systems, agricultural resilience and specialized health infrastructure. The obstacle is not the absence of development priorities; it is the recurrent inability of several projects to move from allocation to certified delivery.

For parliamentary oversight, the highest-return intervention would be to insist on a project-by-project execution dashboard, quarterly procurement readiness reporting and a capital reallocation rule that shifts resources away from chronic zero-spend lines toward high-readiness, high-multiplier projects.

The FY2026/27 budget speech appears to internalize this lesson. It states that capital spending will increasingly be driven by project readiness and execution capacity, with priority given to projects that are fully prepared technically, financially and institutionally. This is exactly the type of public investment management principle that a Value for Money appraised project review should highlight. It suggests a move away from merely appropriating money and toward screening for readiness, sequencing, deliverability and ultimately delivering the intended policy outcomes.

However, the quality of capital revision in FY2026/27 will depend on four operational tests: project readiness, procurement efficiency, implementation monitoring and lifecycle value-for-money. Without these, the increase in development spending may not translate into completed infrastructure

### 1.7 Statement of Specific Fiscal Risks

The analysis unpacks the fiscal risk as follows, specific to the Country’s FY2026/2027 risk framework:

Risk	Transmission channel	Budget implication	Analytical judgement
SACU revenue volatility	Large share of total revenue; exposed to regional trade cycles	Could weaken revenue and trigger expenditure adjustment	High risk; requires operational fiscal rule and stabilization fund

			(Need for a parallel fund)
Temporary royalties	water non-tax revenue can overstate fiscal strength	Risk of pro-cyclical spending if treated as permanent	High risk; structural balance approach is appropriate
Capital execution	Weak procurement, project readiness, and implementation	Development impact lost; surplus can be misleading	Very high risk; most important execution challenge
Wage-bill rigidity	Crowds out operations, maintenance and capital	Reduces fiscal flexibility and productive spending	High risk; restraint is necessary but politically difficult
Mining and textile weakness	Lower jobs, exports, profit taxes and demand	Weakens growth, tax buoyancy, and household welfare	High macro-fiscal risk
Inflation and imported fuel and geopolitical shocks	Higher import costs and household stress	Can raise pressure for subsidies, wages or social transfers	Moderate to high risk depending on the country's readiness to domesticate its economic prowess
Contingent liabilities and new financing instruments	Potential hidden fiscal exposure	May increase debt-service pressure if weakly designed	Moderate risk; requires disclosure

The analysis not only unpacks policy intent but also tests credibility under alternative conditions. Three simple scenarios are relevant.

1. Base case. The capital programme is executed at a reasonable pace, SACU receipts remain broadly within forecast, and the fiscal rules begin to improve discipline. Under this scenario, the budget can support moderate resilience gains, stronger infrastructure delivery, and improved private-sector confidence.
2. Adverse revenue case. SACU receipts underperform materially, water-related non-tax revenues fall back, and VAT underperforms because of weak consumption. In this case, the new fiscal framework and stabilization mechanisms become critical. The budget may need reprioritization to protect core capital and social spending.
3. Execution failure case. Capital allocations are expanded but procurement and implementation remain weak. In that event, the headline budget looks progressive, but the realized growth effect remains limited. This would weaken the credibility of fiscal policy and reinforce public skepticism about Government's ability to deliver transformation.

The existence of these scenarios is why the report should recommend that Parliament focus not only on appropriations but on execution dashboards, project readiness certificates, and quarterly implementation updates.

## 1.8 Credibility and Transformative Fiscal Framework

The FY2026/2027 fiscal policy represents an important opportunity for Lesotho to strengthen the credibility and developmental impact of its national budget. The fiscal framework reflects a deliberate effort by the government to shift from policy formulation toward **implementation-driven economic transformation**, supported by infrastructure investment, domestic revenue mobilization and stronger fiscal governance.

However, the analysis undertaken in this report demonstrates that the true success of the national budget will depend not merely on the scale of public expenditure, but on the **efficiency, discipline, and accountability with which public resources are managed**. Fiscal credibility requires that the national budget move beyond aspirational allocations and deliver tangible outcomes through effective project implementation, transparent financial management and rigorous oversight.

In particular, three strategic priorities emerge as central to strengthening Lesotho's fiscal framework.

- i) The country must accelerate **domestic revenue mobilization** in order to reduce structural dependence on externally determined revenue sources such as SACU transfers and temporary windfall revenues. Expanding the domestic tax base, improving compliance systems, and strengthening tax administration will be critical to ensuring a stable and predictable revenue framework capable of supporting national development objectives.
- ii) The government must significantly improve **public investment management and capital budget execution**. Evidence from recent fiscal performance indicates that a substantial gap persists between approved capital allocations and actual project delivery. Closing this implementation gap will require stronger project preparation processes, disciplined procurement systems and continuous monitoring of infrastructure projects to ensure that public investments generate measurable economic and social returns.
- iii) Maintaining **fiscal sustainability and public finance discipline** must remain a central pillar of economic policy. The introduction of fiscal rules and debt management frameworks represents an important step toward strengthening macroeconomic stability. However, these frameworks must be accompanied by consistent enforcement, transparent reporting and prudent borrowing practices to ensure that developmental financing remains aligned with the country's long-term fiscal capacity.
- iv) The national budget must function not only as a financial document but as a **strategic instrument for economic transformation and social progress**. Achieving this objective will require a collaborative commitment between Government, Parliament, and oversight institutions to uphold the principles of **value for money, fiscal discipline, and evidence-based decision-making**.

Through strengthened public financial management systems, effective parliamentary oversight, and responsible fiscal leadership, Lesotho can ensure that the FY2026/2027 budget becomes a credible foundation for **sustainable economic growth, improved public service delivery, and long-term national resilience**.

## 1.9 Key Recommendations and Oversight Directives

In order to strengthen fiscal discipline, enhance public expenditure efficiency, and ensure that the FY2026/2027 budget delivers measurable development outcomes, the Committee recommends the following parliamentary resolutions and oversight directives for implementation by the Government and relevant public institutions.

- i) The Government should prioritize **strengthening domestic revenue mobilization** by improving tax compliance systems, expanding the taxable base and modernizing revenue administration processes. The Ministry of Finance and the Revenue Services Lesotho should provide Parliament with periodic reports detailing progress in improving tax compliance, strengthening Value Added Tax collection, and addressing leakages in non-tax revenue streams.
- ii) The Government must ensure that **capital project allocations are supported by adequate project preparation and procurement readiness** prior to budget approval. Parliament directs that ministries and implementing agencies submit detailed project readiness reports, including feasibility studies, procurement plans, and implementation timelines, before additional capital allocations are approved.
- iii) Ministries responsible for development projects should submit **quarterly capital expenditure performance reports** to Parliament, detailing project progress, financial execution rates and any challenges affecting implementation. These reports will enable Parliament to monitor capital project delivery and ensure that development funds are utilized efficiently.
- iv) The Government should strengthen **public investment management systems** by introducing clear monitoring frameworks for assessing the economic efficiency, effectiveness, and value for money of major infrastructure projects. Priority should be given to projects that demonstrate strong economic returns, employment generation potential, and alignment with national development priorities.
- v) The Government should continue to implement **fiscal sustainability measures**, including adherence to the newly established fiscal rules governing debt levels, structural deficits, and borrowing practices. The Ministry of Finance should regularly report to Parliament on the status of public debt, borrowing instruments, and debt service obligations to ensure that development financing remains sustainable.
- vi) The Committee emphasizes the importance of **strengthening institutional accountability mechanisms** across the public financial management system. Ministries, departments, and public entities must ensure transparent financial reporting, effective internal controls, and timely submission of financial statements to oversight institutions, including the Office of the Auditor General and relevant parliamentary committees.
- vii) The Committee insists on the strategic value of the Government ensuring the gradual implementation of the provisions of the 10<sup>th</sup> Amendment to the Constitution, 2025 to meet the 18 months deadline entrenched in the Act.
- viii) To fully address projects implementation delays and related bottlenecks, the Government should take decisive action to review the capacity of projects implementing bodies such as the BDS. Many MDAs have made a pronounced concerns over the capacity of the BDS in capital projects implementation; for projects under the BDS take extra-long and inflated charges. This is a service delivery plague that warrants immediate action.
- ix) The Government should reinforce **value-for-money principles in public expenditure**, ensuring that every capital project is evaluated based on economic viability, cost efficiency, and measurable development outcomes. Projects that demonstrate weak implementation readiness or limited economic returns should be reconsidered or restructured to maximize their developmental impact. The fiscal framework should continue to strengthen **debt sustainability safeguards** by maintaining borrowing within clearly defined fiscal rules and prioritizing concessional financing for projects that generate long-term economic benefits. Transparent reporting on borrowing instruments and debt service obligations will also enhance fiscal accountability.

- x) Parliament should strengthen its **evidence-based oversight mechanisms** by institutionalizing regular fiscal performance reviews, strengthening committee scrutiny of budget implementation, and ensuring that government ministries provide timely and transparent financial reports. Effective parliamentary oversight is essential to safeguarding public resources and ensuring that the national budget delivers meaningful improvements in economic growth, employment creation, and public service delivery.

## 2. SECTION 2: THE 2026/27 ANNUAL BORROWING PLAN

This briefing note presents the FY2026/27 Annual Borrowing Plan for parliamentary approval, read together with the 2026/27 Budget Speech, the medium-term debt strategy, the capital financing structure and the broader fiscal analysis already developed for this august House. It explains what the Government intends to borrow, why the borrowing is proposed, which projects it is meant to finance, what debt-service terms are disclosed, the likely medium-term economic benefits and pressures, and the degree of value for money associated with each borrowing category.

### 2.1 Headline borrowing plan and fiscal purpose

The Annual Borrowing Plan proposes total borrowing of LSL4,638.8 million in FY2026/27. Of this amount, LSL1,500.0 million is planned domestic borrowing through long-term bond issuance, while projected external loan disbursements amount to LSL3,138.8 million for infrastructure and social projects. The Plan also includes a liability-management measure to prepay external debt with remaining maturity of five years or less, estimated at LSL683.5 million, in order to exploit favourable exchange-rate conditions and improve debt-burden indicators.

Economically, the plan is designed to finance an investment-driven fiscal deficit while keeping debt within the new fiscal rules. It is intended to relieve infrastructure bottlenecks, reduce logistics and energy constraints, crowd in private investment, improve human-capital delivery and support resilience. At the same time, it seeks to eliminate or reduce refinancing risk, cash-flow stress, exchange-rate exposure and the crowding-out effect of expensive short-dated domestic borrowing.

*Table 2: Economic benefits and pressures the Plan is intended to create and remove*

Time horizon	Intended economic benefits	Pressures to be reduced / eliminated	Committee reading
Medium term (within MTEF)	Support infrastructure execution, stabilise financing for capital projects, deepen the domestic bond market, and improve budget predictability.	Domestic arrears pressure, auction uncertainty, implementation slippage from lack of committed funding,	The Plan is a financing instrument for execution-recovery rather than a stand-alone growth plan.

		short-dated refinancing pressure.	
Long run	Raise productive capacity through water, energy, transport, agriculture, trade facilitation, education, health and public-sector systems.	Structural growth constraints, energy shortages, weak logistics, poor service-delivery systems, vulnerability to external shocks.	Long-run benefits depend on actual project completion; weak execution would sharply reduce value for money.

## 2.2 Domestic borrowing plan (Government debt)

Domestic borrowing is budgeted at LSL1,500.0 million and is explicitly linked to financing the fiscal deficit, including LSL992 million of domestic arrears. The issuance strategy uses only long-term instruments, with a minimum tenor of seven years, in order to lower refinancing risk and lengthen the maturity profile. The Plan keeps domestic debt below 20 percent of total debt in line with the Medium-Term Debt Strategy.

Table 3: Domestic borrowing plan (Government debt)

Auction date	Instrument	Amount (M)	Maturity	Rate / coupon	Assessment
17 Jun 2026	7-year bond (new)	500.0	08 Jun 2033	Market-determined	Supports arrears financing while avoiding short-term rollover risk.
16 Sep 2026	15-year bond (re-opening)	150.0	27 Feb 2041	Market-determined	Lengthens maturity and smooths redemption profile.
16 Dec 2026	7-year bond (re-opening)	300.0	08 Jun 2033	Market-determined	Maintains benchmark liquidity on the curve.
17 Mar 2027	15-year bond (re-opening)	150.0	04 Mar 2037	Market-determined	Further extends domestic duration.
17 Mar 2027	10-year bond (new)	400.0	27 Feb 2041	Market-determined	Diversifies the curve and supports market development.
Total	Domestic issuance	1,500.0	7-15 years	Market-determined	No T-bills for fiscal purposes; this is a clear shift toward lower refinancing risk.

Value for money assessment: Medium to high. The domestic plan is strong on risk management because it avoids short-term fiscal T-bills and uses longer tenors to reduce rollover risk. Its weakness is cost uncertainty: coupon rates are market-determined and not pre-specified in the ABP. Since Lesotho already pays more interest annually on domestic debt than on external debt despite domestic debt representing less than 20 percent of total debt, Parliament should require full disclosure of auction outcomes, weighted average yields, and rollover implications after each auction.

### 2.2.1 External loan borrowing plan (donor loans / foreign debt)

Projected external loan disbursements amount to LSL3,138.8 million and are directed to infrastructure and social projects. The Plan restricts new external borrowing to mostly concessional sources, principally IDA, ADF, IFAD, OFID, EIB and China Exim. The disclosed borrowing terms are long maturities of 20 to 25 years, grace periods of 5 years, and interest rates between 1.25 percent and 2.0 percent. Where applicable, service charges are 0.75 percent and commitment fees range from 0.15 percent to 0.5 percent.

Table 4: External loan borrowing plan (donor loans / foreign debt)

Ministry / sector	Project	Proposed disbursement 2026/27 (M)	Economic purpose / expected benefit
Agriculture	Smallholder Agriculture Development Project 2	221.7	Commercialisation, productivity and resilience of smallholders.
Agriculture	Wool and Mohair Value Chain Competitiveness Project	140.3	Higher rural incomes, export quality and climate resilience.
Health	Lesotho Nutrition and Health System Strengthening	68.6	Human capital, nutrition and health-system efficiency.
Education	Lesotho Education Improvement Project	126.2	Learning quality and human-capital productivity.
Finance & Dev. Planning	Institutional Support Project for Debt and Expenditure Management	30.4	Stronger fiscal governance and debt management capacity.
Finance & Dev. Planning	Lesotho Public Sector Foundations for Service Delivery	116.5	Administrative efficiency and service-delivery systems.

Trade, Industry & Business	Lesotho Competitiveness and Financial Inclusion Project	149.2	Private-sector depth, inclusion and enterprise growth.
Gender, Youth & Social Development	Pathways to Sustainable Livelihoods Project	62.3	Household resilience, livelihoods and social inclusion.
Public Works & Transport	Integrated Transport, Trade and Logistics Project	205.3	Lower transport costs and better trade facilitation.
Environment & Forestry	Regeneration of Landscapes and Livelihoods	120.8	Climate resilience, watershed recovery and land productivity.
Natural Resources	Lesotho Lowlands Water Supply Scheme	615.6	Water security, urban productivity and public health benefits.
Natural Resources	Lesotho Lowlands Water Development Project Phase III	750.8	Bulk water expansion and long-run growth support.
Energy	LREEAP / SREP	331.7	Energy access, efficiency and system reliability.
Energy	Ramarothole 70MW Solar Generation Project	199.3	Generation capacity, import substitution and energy security.

Value for money assessment: High in principle, mixed in execution. The external borrowing mix is correctly concentrated in water, energy, transport, agriculture, competitiveness, service-delivery systems, health and education. These are the same project families that the Committee's earlier capital analysis scored highly on long-run economic or social returns. The main value-for-money pressure is not loan pricing, which is concessional, but implementation capacity. The FY2025/26 mid-term review showed that under-execution of the capital budget remains the key threat to value for money. Cheap loans attached to delayed or poorly implemented projects still generate low realized returns.

Table 5: New external commitments to be signed in FY2026/27

Ministry / sector	Project	Creditor / funder	Loan amount	Terms disclosed	Indicative value-for-money reading
Agriculture	ADF17 (MCA)	ADF	USD36m	25y, 5y grace, 1.25% + 0.75% service charge + 0.5% commitment fee	High if linked to productivity and climate resilience.
Energy	Additional financing Urban Distribution Rehabilitation and Transport / Khukhune sub-station	ADF	USD8m	25y, 5y grace, 1.25% + 0.75% service charge + 0.5% commitment fee	High; improves reliable power to business and mining.
Agriculture	Additional financing WAMCOP	IFAD	USD11m	20y, 5y grace, 2.0%	High for export-value chains and rural incomes.
Agriculture	IFAD (MCA)	IFAD	USD22m	20y, 5y grace, 2.0%	High, provided implementation is timely.
Works & Transport	Additional financing Integrated Transport and Logistics	OFID	USD40m	20y, 5y grace, 2.0%	High; strong trade and logistics multiplier.
Energy	Ramarothole Solar Power Generation Phase II (15MW storage)	China Exim	USD58m	20y, 5y grace, 2.0% + 0.5% commitment fee	Medium-High; strong system benefit, but execution and technology integration matter.
Police	Safe City Project	China Exim	USD30m	20y, 5y grace, 2.0% + 0.5% commitment fee	Medium; public-safety benefits are plausible, but economic return depends on design, governance and measurable outcomes.

## ***2.2.2 Donor grants and the external financing mix***

Strictly speaking, donor grants are not debt and do not belong to the borrowing plan. However, Parliament should assess them alongside external loans because they finance the same development pipeline. The capital financing structure for FY2026/27 shows Government financing of M3.71 billion, donor grants of M2.20 billion and donor loans of M3.10 billion. This means the capital budget remains externally supported, but grants now play a smaller role than loans. The financing mix therefore increases pressure on project selection, implementation quality and debt discipline.

Value for money assessment on grants: High, provided they are aligned with projects of strong economic or social returns. Grants improve fiscal space because they do not add to debt-service obligations. The policy risk is not cost but dependency and volatility. The Committee therefore supports using grants to crowd in reform, capacity-building and social investments, while keeping debt-financed capital focused on productive assets with durable multipliers. A clear indication of how much goes directly to the capital project and the portion that goes to administrative costs ( transport, salaries, and utilities) is a determining factor of how much value the project promises to return.

## ***2.2.3 How much will Lesotho have paid by the end of the MTEF?***

The macro-fiscal framework in the ABP projects interest payments of LSL873.2 million in 2026/27, LSL916.9 million in 2027/28 and LSL921.4 million in 2028/29. On that basis alone, identified interest payments over the MTEF sum to LSL2,711.5 million. In addition, the ABP identifies a planned prepayment of external debt of LSL683.5 million in 2026/27 and a domestic bond redemption of LSL350 million in June 2026. Taken together, these identified interest and principal/prepayment cash outflows amount to approximately LSL3,745.0 million by the end of the MTEF. This is a minimum identifiable amount from the disclosed framework because the ABP does not pre-fix coupon rates on the new domestic bonds and does not provide a full year-by-year principal repayment schedule for every external loan commitment, assuming the dollar rate of USD18.00, following the new rules set out in the table below:

Table 6: Macro Fiscal Framework

Debt strategy element	FY2025/26	FY2026/27	Oversight reading
Overall stance	Prudence orientation with concern about rising public debt and interest costs; bond financing and debt service closely monitored.	More rules-based framework: debt ceiling, debt anchor, external debt limit and structural deficit rule become explicit.	2026/27 is institutionally stronger and more disciplined.
Debt stock context	Public debt reported rising, with domestic debt around M3.8bn and total debt under pressure.	Debt stock at end-Jan FY2025/26 reported at M22.7bn (50% of GDP), down from 54.3% of GDP in the previous year.	Government is trying to stabilise debt while protecting investment.
Debt rules	Reform intent and stabilisation thinking, but not yet fully operationalised as quantified rules.	Debt ceiling 60% of GDP; medium-term debt anchor 50%; external debt limit 40%; structural deficit 3%.	Major qualitative improvement for fiscal credibility.
Borrowing approach	Borrowing remained important, with continued use of domestic instruments and concessional external finance.	Government explicitly says borrowing should remain prudent and concessional for high-impact projects.	Positive, but Parliament should test the project linkage and affordability.
New financing instruments	Not strongly developed in the 2025/26 budget narrative.	Policy space opened for diversified instruments such as diaspora, infrastructure and green-type financing concepts.	Potentially useful, but disclosure and risk controls are essential.
Main debt risk	Interest payments rising and capital programme may strain financing if implementation lags.	SACU volatility, ambitious capital programme and projected increase in interest payments require careful monitoring.	Debt sustainability depends on execution quality and revenue realism, not only on formal rules.

For the new concessional external loans to be signed in 2026/27, principal repayments should not materially fall within the MTEF because the loans carry five-year grace periods. Their near-term cash cost is therefore mainly interest, service charges and commitment fees. On a conservative full-draw assumption, the new commitments listed in the ABP would generate annual charges in the rough order of around M68 million in interest and service charges, plus commitment-fee pressure where relevant; actual outturns will depend on the timing of disbursement and undisbursed balances.

Table 7: Assessment of value for money by borrowing category

Borrowing category	Strengths	Main pressures / risks	Committee value-for-money judgement
Domestic bonds	Promotes domestic market development; no foreign-exchange risk; longer tenors reduce rollover stress.	Market-driven coupons may be expensive; domestic interest already costly relative to external debt; risk of crowding out and auction underperformance.	Medium. Good for market development and arrears management, but Parliament must monitor price discipline closely.
Existing concessional external disbursements	Low rates, long maturities, grace periods; concentrated in productive and social infrastructure.	Execution risk remains the dominant threat; exchange-rate risk persists despite concessionality.	High in principle, conditional on implementation.
New concessional external commitments	Cheap long-term finance for strategic projects in energy, agriculture, logistics and safety.	Project selection and implementation quality determine actual return; some projects (e.g. Safe City) need stronger outcome metrics.	Medium-High overall; project-specific scrutiny is necessary.
Donor grants (non-debt financing)	Highest fiscal value because no debt service; useful for social and reform spending and for co-financing public goods.	Volatile and externally determined; cannot be treated as permanent financing.	High, but should not substitute for domestic revenue effort or disciplined project preparation.

## **2.3 Committee conclusion and approval recommendation**

The Annual Borrowing Plan is broadly consistent with the FY2026/27 Budget Speech and the updated Medium-Term Debt Strategy. It finances an investment-led deficit while attempting to keep debt within the 50 percent anchor and to preserve domestic debt below 20 percent of the total portfolio. The domestic plan is defensible because it shifts borrowing toward longer-term bonds and away from short-term fiscal bills. The external plan is credible because it remains mostly concessional and is linked to projects with potentially strong economic and social multipliers.

The principal reservation is implementation. The Committee's earlier fiscal work showed that the country's main weakness is not the absence of priority projects but under-execution of capital spending. The Plan therefore offers good value for money only if Parliament conditions approval on stronger project readiness, quarterly publication of auction results, regular reporting on disbursements and debt-service costs, and project-level monitoring for all externally financed operations.

### ***2.3.1 Recommended approval position: approve the Annual Borrowing Plan, subject to strengthened reporting requirements on:***

- (i) domestic auction yields and investor composition,
  - (ii) (ii) external disbursement performance by project,
  - (iii) (iii) debt prepayment execution, (iv) exchange-rate risk management actions, and
- (v) a quarterly value-for-money dashboard for all debt-financed

## **3. SECTION 3: ANALYSIS FROM THE PORTFOLIO COMMITTEES' REPORTS**

### **3.1 INTRODUCTION**

This report consolidates the budget proposals, observations and recommendations emerging from the Social, Economic and Development, Natural Resources, Law, and Prime Minister's Clusters, and aligns them with the FY2026/2027 Budget Speech, the FY2025/2026 Mid-Term Budget Review, and the final fiscal analysis report. Where committee submissions and the budget speech use different presentation conventions, the committee proposals are treated as the immediate baseline for recommendation-impact analysis, while the official budget speech is used as the consistency anchor.

#### **3.1.1 Overview of Cluster Budget Distribution**

The FY2026/2027 budget framework organizes government ministries and departments into functional clusters to facilitate policy coordination and parliamentary oversight. The cluster approach allows Parliament to examine budget proposals not only at the individual ministry level but also in terms of broader policy objectives such as social protection, economic transformation, governance, natural resource management, and executive administration.

The five clusters examined in this report are:

- Social Cluster
- Economic and Development Cluster
- Law and Public Safety Cluster
- Natural Resources Cluster
- Prime Minister’s Ministries and Departments Cluster

Collectively, these clusters represent the full spectrum of government spending and policy implementation. The Social and Economic clusters account for the largest share of public expenditure due to their responsibilities in service delivery, social protection, and economic development.

### 3.1.2 Structure of Government Expenditure

Cluster submissions confirm that the structure of public expenditure remains heavily weighted toward recurrent spending.

- (i) Recurrent expenditure primarily finances compensation of employees, operating costs, transfers, and other administrative obligations necessary to sustain government operations.
- (ii) Capital expenditure, on the other hand, supports infrastructure development and long-term investment in sectors such as water, energy, agriculture, and public infrastructure. Capital financing is drawn from three main sources:

- Government of Lesotho funding
- Donor grants
- Donor loans

Although capital expenditure is essential for economic transformation, the analysis of cluster submissions reveals that recurrent expenditure continues to dominate budget allocations. This structural pattern limits fiscal space for development spending and increases pressure on domestic revenue mobilization.

### 3.1.3 Structure of Government Revenue

The revenue framework underpinning the FY2026/2027 budget remains characterized by a limited number of dominant revenue sources.

The largest component of government revenue continues to be **Southern African Customs Union (SACU) receipts**, which remain externally determined and therefore subject to regional economic fluctuations.

Domestic tax revenues constitute the second major revenue pillar and include:

- Value Added Tax (VAT)
- Personal and corporate income taxes

- Excise duties

Cluster observations indicate that the performance of domestic revenue has been affected by declining mining revenues, weak VAT compliance, and underperformance in dividend payments from state-owned enterprises.

Natural resource revenues, particularly **water royalties**, continue to provide an important non-tax revenue stream. However, the Natural Resources Cluster noted that revenue monitoring in the mining sector remains weak and requires stronger oversight mechanisms.

Non-tax revenues such as rents from diplomatic properties, service fees, and administrative charges remain relatively small but present opportunities for improved revenue performance through better asset management.

### 3.2 Fiscal Impact of Cluster Recommendations

Where committee recommendations included clear financial adjustments, their fiscal impact was recalculated in order to assess the potential effect on the FY2026/2027 budget framework.

The principal quantified recommendations include:

<b>Ministry / Institution</b>	<b>Original Proposal</b>	<b>Proposed Adjustment</b>	<b>Recommended Budget</b>
Ministry of Health	M2,695.156 million	-105 million	M2,590.156 million
Ministry of Labour	M78.308 million	+9.375 million	M87.683 million
National Security Service	M129.786 million	+25.056 million	M154.842 million

Taken together, these adjustments result in a **net fiscal reduction of approximately M70.569 million**.

This indicates that, on balance, the quantified committee recommendations would slightly reduce the overall expenditure envelope while reallocating resources to areas considered strategically important

#### 3.2.1 *Methodological note on recommendation-impact analysis*

Recommendations are classified as either administrative or budget-affecting. Administrative recommendations alter governance, procurement, institutional arrangements, compliance, or service-delivery arrangements without an explicit immediate numerical change to the voted amount. Budget-affecting recommendations directly increase, decrease, ring-fence or condition a budget line. Revised proposed budget lines are recalculated only where the recommendation gives a clear amount or a clear budget restriction. Where the recommendation is clearly financial in direction but no amount is given, the report records the budget pressure qualitatively and flags it as not quantifiable from the uploaded material.

Table 8: CONSOLIDATED CLUSTER BUDGET PROPOSALS (BASELINE PROPOSALS)

Cluster	Ministry / Department	Revenue proposal (M'000)	Recurrent core proposal (M'000)	Capital development proposal (M'000)	Key funding structure	Consistency notes
Social	Health	20,867	2,695.156	Capital visible; development 656.406 pressure official line	Cluster text cites donor grants and donor loans in addition to GoL	Budget speech used as consistency anchor where the ministry presentation appears to mix total and recurrent figures.
Social	Gender, Youth and Social Development	0.366	1,480.874	130.633	PSLP donor + GoL; Ntlafatsa Bana domestic	Capital estimate is explicit in the cluster report.
Economic Development &	Agriculture	72.888	548.936	488.458	Donor-heavy mix: donor 449.515, GoL 38.943	Proposal clearly itemized by grant, loan and GoL.
Economic Development &	Labour and Employment	3.557	78.308	n/a	Mainly recurrent proposal in available extract	Cluster report also records an earlier call-circular ceiling

						of 87.683 before a reduction of 9.375.
Economic & Development	Finance and Development Planning	21,746.111	3,920.785	411.086 official development line	Large ministry envelope with significant reform and project financing role	Official budget speech is the consistency anchor.
Law	Law and Justice	3.995	398.278	24.450	GoL capital line visible in report	Justice ministry line is sufficiently clear for baseline use.
Law	DCEO	0.158	70.752	not clear	Operational anti-corruption and AML focus	Used as recurrent baseline only.
Law	IEC	0.858	119.896	not clear in the reports	Recommendation later restricts this line	Official budget speech gives a lower overall ceiling than the committee note; restriction is analysed qualitatively.
Prime Minister's	Foreign Affairs	1.224	547.624	not clear in the reports	Revenue includes rents and payroll deductions	Recurrent proposal clearly stated.
Prime Minister's	Disaster Management Authority	0.012	82.869	Emergency fund embedded in recurrent request	Administrative + emergency response orientation	No separate capital line

						visible in retrieved text.
Prime Minister's	National Security Service	0.072	129.786	not clear in the reports	Security-service recurrent ceiling	Explicit recommendation seeks an upward adjustment.
Prime Minister's	National Assembly	not stated	175.133	not stated	Institutional strengthening	No quantified recommendation in cash terms.
Prime Minister's	Office of the Prime Minister	not stated	276.476	not stated	Programme-based recurrent request	No explicit capital request captured in retrieved text.
Prime Minister's	Senate	0.011	46.848	90.000	Capital for perimeter wall, access road, furniture and vehicles	Capital proposal is explicit and linked to post-completion works.
Prime Minister's	Defence	1.282	868.896	not clear in the reports	Recurrent-heavy security and operations budget	Committee recommendation indicates upward pressure, but only one quantified cross-cluster recommendation is explicit.

Natural Resources	Report not complete at the presentation before the Economic Cluster- Follow up meetings proposed for Thurs, 11 <sup>th</sup> March 2026.					
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### **3.3 CONSOLIDATED OBSERVATIONS BY CLUSTER**

#### **3.3.1 Social Cluster:**

The dominant concerns are weak control over subvented health institutions, unapproved personal emoluments, pressure from village health worker obligations, and governance weaknesses in social-grant distribution. The Health vote is also marked by arrears pressure and dependence on externally financed programmes, while the Gender vote shows weak revenue realism and contract-management weaknesses in Matheko and community-based facilities.

#### **3.3.2 Youth employment and skills**

The budget identifies youth unemployment as a core political and economic pressure point. At 38.9 percent in FY2025/26, youth unemployment undermines the legitimacy of inclusive growth and raises the stakes for labour-market-responsive budgeting.

The fiscal response must therefore be judged on whether the budget improves the transition from education to work. This is why the emphasis on TVET, entrepreneurship support, SME finance, and private-sector-led job creation is more than a sectoral issue—it is central to the social sustainability of the fiscal framework.

#### **3.3.3 Education**

Education rises from about M3.3 billion in FY2025/26 to M3.5 billion in FY2026/27. The policy emphasis in the later year is clearer: curriculum reform, technical and vocational education, teacher training, classrooms, laboratories, workshops, digital learning, and education data systems.

This suggests that the budget is trying to shift the education system from expansion alone to labour-market responsiveness. The budget views the education allocation not simply as social spending, but as a pipeline investment for productivity and employment.

#### **3.3.4 Health**

The health allocation remains about M3.1 billion in both years, but FY2026/27 is more explicit in programme content. The speech links resources to primary healthcare reforms, maternal and child health, environmental health, surveillance, emergency preparedness, and referral modernization.

The M100 million allocation for the continued construction of the national cancer centre is especially significant. It indicates continuity in high-cost specialised care and suggests that the Government is trying to reduce dependence on external referrals, with the M66mil budget being the new budget line within the budget.

### **3.4 Economic and Development Cluster:**

The cluster repeatedly highlights weak implementation discipline rather than weak policy ambition. In Agriculture, the committee questions the practicality of plans, the regressivity of subsidies, and the fact that the ministry does not fully finance any project. In Labour, the committee argues that the budget cut is inconsistent with national employment objectives and will weaken inspections, apprenticeship support, labour-market regulation and external labour-market engagement. For Finance, the cluster links revenue underperformance to

VAT weakness, underperforming mining, weak SOE dividends, low rent collection and migration to informal gambling.

### **3.4.1 *Agriculture***

Agriculture declines from about M1.3 billion in FY2025/26 to M1.1 billion in FY2026/27, but the latter budget narrows the focus toward productivity: irrigation at a minimum of eight sites, livestock vaccination, biosecurity, machinery support, grain logistics, breeding, and the National Animal Diagnostic Laboratory.

The smaller envelope should not automatically be treated as a policy retreat. A better interpretation is that the government is trying to move from broad agricultural support toward more targeted productivity and resilience interventions. The success of that move will depend on whether the targeted programmes are actually delivered.

### **3.4.2 *Tourism, trade, and investment climate***

Tourism rises from M207.2 million to M288.7 million, with spending focused on tourism infrastructure, destination branding, digital marketing, heritage protection, and accommodation facilities in Ha Kome and Semonkong. This reflects a stronger commercial orientation.

Trade and industrial policy also became more concrete in FY2026/27. The budget supports the National Single Window for Trade, border modernization, industrial hubs, the Maseru Apparel and Textile Hub, standards infrastructure, and development finance instruments such as partial credit guarantees, quasi-equity instruments, and the Inclusive Growth Facility.

## **3.5 *Natural Resources***

### **3.5.1 *Water and sanitation***

Water rises from roughly M2.2 billion in FY2025/26 to M2.4 billion in FY2026/27. The latter year provides more programmatic detail, including 17 new rural water systems, maintenance of village schemes, ReNOKA catchment investments, and climate-resilient water and sanitation infrastructure.

This is one of the clearest examples of the resilience narrative becoming operational and transformative. The sector simultaneously addresses service delivery, health outcomes, and climate adaptation.

### **3.5.2 *Energy***

Energy grows from M1.5 billion to M1.7 billion, with emphasis on renewable energy, grid expansion, mini-grids, hydropower, strategic fuel reserves, solar home systems, and private-sector participation under the National Energy Compact and broader multi-year programmes.

This is a high-multiplier sector. It affects industrial competitiveness, rural welfare, resilience, and investment attractiveness. It is also one of the clearest areas where the Government is trying to align infrastructure spending with private-sector-led transformation.

### **3.6 ICT and digital transformation**

The ICT allocation rises modestly to M386.4 million, but the policy importance of the sector exceeds the size of its allocation. FY2026/27 places digital transformation at the center of connectivity, e-platforms, cyber security, public service digitization, and digital skills.

This is analytically important because digital systems also support fiscal reform—especially tax administration, e-payments, service delivery, and transparency. ICT is therefore both a sectoral priority and a cross-cutting enabler of state capability.

### **3.7 Law Cluster:**

The committee’s core observation is that service centralisation, manual systems, weak infrastructure, contractor delays and institutional fragmentation are undermining access to justice and administrative efficiency. At sub-head level, the sharpest oversight concern is procedural: IEC failed to appear before the committee, which triggered a recommendation to limit its appropriation. The law cluster also highlights anti-money-laundering and governance risks, including low asset-declaration compliance and the need for stronger DCEO systems.

#### **3.7.1 *Prime Minister’s Cluster:***

The cluster focuses on weak commercial returns from foreign properties, delayed recruitment through the Public Service Commission, under-maintained strategic assets, and underfunded security and parliamentary support services. The strongest quantified proposal is the request for additional funding for the National Security Service. The cluster also flags strategic-asset management issues in foreign properties and military aircraft, and procurement delays affecting palace and parliamentary infrastructure.

Table 9: RECOMMENDATION CLASSIFICATION AND QUANTIFIED IMPACT

Cluster institution /	Recommendation	Type	Budget effect (M'000)	Baseline proposed line (M'000)	Revised proposed line (M'000)	Comment
Social / Health	Reduce M52 million in the QMMH budget that was not budgeted for.	Budget-affecting	-52.000	2,695.156	2,643.156	Treated as a direct downward adjustment to the health envelope in the absence of a separately ring-fenced QMMH sub-line in the retrieved material.
Social / Health	Cut M53 million in personal emoluments because it was not approved.	Budget-affecting	-53.000	2,643.156 (after QMMH cut)	2,590.156	Sequential effect shown. If applied alone, revised line would be 2,642.156.
Social / Health	Allocate budget only after submission/review of CHAL MOU.	Administrative / conditional appropriation	Not quantified	n/a	n/a	Potential cash withholding or release condition, but no figure is stated.
Social / Health	Review and halt G-to-G arrangement; stop use of G4S for social grants.	Administrative	Not quantified	n/a	n/a	Likely affects operating arrangements and future cost efficiency, but no immediate voted amount is stated.
Economic / Labour	Reverse the M9.375 million reduction from the call-circular ceiling.	Budget-affecting	+9.375	78.308	87.683	This is the clearest quantified upward adjustment in the economic cluster material.

Economic Agriculture /	Establish entity for sales of inputs and machinery; review investment plan; tax profitable block farmers.	Administrative / revenue-affecting	Not quantified	548.936 recurrent; 488.458 capital	Unchanged	Measures are governance and revenue-efficiency reforms rather than immediate expenditure revisions.
Law / IEC	Allocate salaries and operating costs only.	Budget-affecting	Downward but not quantifiable	119.896	Not quantifiable	A binding restriction is clear, but the split between salaries, operating costs, transfers and non-financial assets is not provided in the retrieved material.
Law / DDPR	Move DDPR from Labour to Judiciary.	Administrative / reallocate	Budget-neutral in aggregate	n/a	n/a	Would alter institutional location and possibly future apportionment, but no cash increment or cut is given.
Prime Minister's / NSS	Award NSS an extra M25.056 million to its ceiling.	Budget-affecting	+25.056	129.786	154.842	This is the clearest quantified upward revision in the Prime Minister's Cluster.
Prime Minister's / Foreign Affairs	Improve or privatise management of foreign properties.	Administrative / revenue-enhancing	Not quantified	547.625 recurrent	Unchanged	Recommendation primarily targets asset-management reform and stronger rent yield.
Prime Minister's / Deputy Speaker	Authorize procurement of utility vehicle.	Budget-affecting	Not quantified	n/a	n/a	A financial implication exists but no amount is stated.
Natural Resources	Review LHDA line item to reduce funds allocated.	Budget-affecting	Not quantified	n/a	n/a	Reduction direction is explicit but the clerk note confirms that the correct figure was still outstanding.

## **4. SECTION 4: COMMITTEE'S ANALYSIS ON THE RESPONSIVENESS TO SEXUAL AND REPRODUCTIVE HEALTH (SRH) REPORT**

### **4.1 Observations**

The FY2026/2027 national budget allocates approximately **M3.033 billion to the health sector**, representing **about 8.2% of the total national budget of M36.89 billion**. While this reflects continued government commitment to the health sector, the allocation remains **below the Abuja Declaration benchmark of 15%**, which African governments committed to allocate toward health financing.

Analysis of programme allocations indicates that **Primary Health Care (PHC)**—the platform through which most sexual and reproductive health services are delivered—receives a relatively small share of the total health budget. A significant proportion of resources remains concentrated in **hospital-based and referral services**, limiting the ability of the health system to prioritize preventive and community-based interventions such as family planning, antenatal care, and adolescent health services.

The budget speech acknowledges persistent public health challenges, including **high maternal mortality and child mortality rates**, yet the budget does not clearly present **ring-fenced allocations for maternal health interventions** such as emergency obstetric care, maternal death surveillance, or the expansion of skilled birth attendance. Similarly, although Lesotho remains among the countries with the **highest HIV prevalence globally**, the specific budget allocations for HIV and TB services remain modest and heavily reliant on **donor-supported programmes**, raising concerns about long-term sustainability.

The analysis further observes that **adolescent sexual and reproductive health services are not clearly visible in the budget structure**, despite the country facing significant teenage pregnancy rates. Likewise, funding lines for **gender-based violence (GBV) clinical management services** are not clearly articulated within the health sector budget.

Overall, while the FY2026/2027 budget maintains significant health sector funding, **sexual and reproductive health is not explicitly framed as a strategic investment priority**, and much of

the funding remains embedded within broader health programmes, reducing visibility and accountability for SRH outcomes.

## **4.2 Recommendations to Parliament**

To strengthen the responsiveness of the national budget to sexual and reproductive health priorities, the following measures are recommended for parliamentary consideration:

### **Progressively Increase the Health Sector Share of the Budget**

Parliament should encourage government to progressively move toward the **Abuja Declaration target of allocating 15% of public expenditure to health** over the medium term.

### **Ring-Fence Sexual and Reproductive Health Budget Lines**

The Ministry of Health should establish clearly identifiable allocations for:

- maternal mortality reduction programmes
- family planning commodities and services
- adolescent-friendly health services
- clinical management of gender-based violence.

### **Develop a Domestic HIV Financing Strategy**

Parliament should request the Ministry of Health to present a **sustainability plan for HIV financing**, aimed at gradually reducing dependence on external donors.

### **Strengthen Primary Health Care Financing**

Budget allocations should be rebalanced toward **preventive and community-based health services**, particularly PHC facilities that deliver essential SRH services.

### **Introduce Measurable SRH Performance Indicators**

The Ministry of Health should present **costed performance targets** for:

- maternal mortality reduction
- teenage pregnancy reduction
- contraceptive prevalence rates.

These measures would enhance **budget transparency, accountability, and effectiveness** in addressing key sexual and reproductive health challenges while ensuring that health sector spending contributes more directly to Lesotho’s long-term human capital development.

## **5. ANALYTICAL READING FOR CONSISTENCY WITH THE FY2026/2027 BUDGET SPEECH**

The committee recommendations generally do not overturn the broad fiscal stance of the FY2026/2027 Budget Speech. Rather, they seek to correct composition, tighten governance and improve allocative efficiency inside the voted ceilings. This is most obvious in the social cluster, where the thrust is not to expand the health ceiling but to remove non-approved items and tighten subvention governance.

The two strongest upward budget pressures identified in the cluster are labour-market governance and security.

- (i) In the economic cluster, the labour committee argues that the Ministry of Labour cannot deliver on inspection, skills, migration governance and employment facilitation after a late reduction of M9.375 million.
- (ii) In the Prime Minister’s Cluster, the National Security Service request for an additional M25.056 million indicates that the security-services ceiling is viewed as below operational need.
- (iii) The law cluster is more restrictive than expansionary. Its strongest budget intervention is the recommendation to limit the IEC to salaries and operating costs only because the institution did not appear before the committee. This is a classic accountability recommendation that is clearly budget-affecting in direction but not safely quantifiable without the detailed economic classification split.

### **5.1 The economic cluster’s agriculture recommendations are mostly administrative and structural:**

- (i) improve commercialization channels,
- (ii) review investment plans and tax profitable subsidised block farmers. These recommendations are best read as attempts to improve value for money and future domestic revenue rather than as immediate changes to the 2026/2027 expenditure line.

### **5.2 Administrative recommendations that should be implemented without immediate budget revision:**

- (i) Review MOUs and governance arrangements for QMMH, CHAL, G-to-G arrangements and subvented institutions; align remuneration and strengthen oversight.

- (ii) Stop the use of non-compliant payment mechanisms for social grants and move toward PFMA-compliant digital payment systems.
- (iii) Decentralize justice and legal services, digitise manual systems, strengthen contractor management and address infrastructure planning bottlenecks.
- (iv) Review the use and commercialisation of military and foreign-property assets; strengthen strategic asset management and rent realisation.
- (v) Require procurement plans before allocations are confirmed; reduce over-reliance on BDS where not legally required; improve revenue collection discipline across MDAs.
- (vi) Create stronger inter-ministerial coordination on jobs, employment, wages, migration and labour-market governance.
- (vii) Ministry of Public Service, through the Public Service Commission needs a close monitoring in assisting and facilitating the effective recruitment of public servants across Ministries and Departments.
- (viii) Ministry of Local Government and Chieftainship, Home Affairs and Police, through its Home Affairs Department must report on the quarterly basis, how many passport applications received, how many successfully printed and the challenges pertaining to the failed prints. A plan for big festive seasons like Christmas must be reported before parliament to avoid regarding the entrance or exit of Basotho residing in the foreign lands an emergency issue.
- (ix) Foreign Affairs should utilize the staff posted on foreign missions for property valuations report.

### **5.3 Budget-affecting recommendations that remain unquantified**

Several recommendations clearly imply budget revisions but cannot be recalculated safely from the presentations by the clusters. These include:

- (i) the IEC restriction to salaries and operating costs only;
- (ii) the review and possible reduction of the LHDA line item;
- (iii) increased support to DDPR and the Labour Court;
- (iv) additional resources for Defence infrastructure;
- (v) a utility vehicle for the Deputy Speaker; and
- (vi) a possible new-stadium proposal over and above renovations.

For these items, Parliament should request the underlying economic-classification breakdowns and ministry-subhead schedules before adopting any numerical amendment.

### **5.4 Committee-ready conclusion**

Across the uploaded cluster reports, the strongest pattern is not indiscriminate demand for more budget, but dissatisfaction with budget composition, implementation credibility and governance quality. The clusters are effectively calling for a tighter link between budget proposals, service-delivery realism, and value for money. The recommendations that are explicitly quantifiable

would, on balance, reduce the voted envelope modestly because the social-cluster cuts outweigh the upward adjustments proposed for Labour and National Security Service. The broader institutional message is that Parliament is seeking better-prepared budgets, stronger project and procurement discipline, stricter compliance with committee processes, and a more credible translation of ceilings into outcomes.

Therefore, the Committee submits this report for adoption by the House

**Members who adopted the report**

1. Hon. S. Hakane (Chairperson)
2. Hon. I. Rantsho
3. Hon. M. Motsoasele
4. Hon. V. Tsheka
5. Hon. L. L. Lethole
6. Hon. M. C. Tekane
7. Hon. T. Malataliana
8. Hon. N. Moshoeshoe
9. Hon. H. Letsaba

**ANNEXURES FROM PORTFOLIO COMMITTEES**  
**ANNEXURE 1**

**PORTFOLIO COMMITTEE ON ECONOMIC AND DEVELOPMENT CLUSTER**

**1. INTRODUCTION**

On the 19<sup>th</sup> February, 2026, the Honourable Minister of Finance and Development Planning, pursuant to Section 112 of the Constitution and Standing Order No. 67, tabled the Budget Estimates for the Financial Year 2026/2027 before Parliament. 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 of Government Ministries under its purview. The Committee therefore presents this annexure report for consideration and adoption.

**2. METHODOLOGY**

In carrying out this assignment, the Committee received presentations from the Ministerial performance of the Financial Year 2025/2026 budget and budget proposals for the Financial Year 2026/2027. 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
- 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.

*1. 3.1 Previous Year's Performance – 2025/2026*

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
- 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

The Ministry prioritises the development of coherent/aligned national development planning system and institutional capacity, improved Public Finance Expenditure Management and improved economic governance and management.

### 3.1.1. Performance on Revenue Collection

The revenue target was set at M20, 73 billion. The collection was M 13, 95 billion leaving a balance of M6, 78 billion.

#### 3.1.1.1 Challenges and Constraints

The Ministry is challenged with the following:

- a) Reduction in VAT collection caused by weak household consumption due to inflationary pressures, reduced imports at the border posts, high VAT refund claims and underreporting and delayed remittances in wholesale and retail sectors
- b) Despite a good revenue collection, the Ministry was challenged with compliance issues by different taxpayers, a low collection of withholding tax was significant due to the underperformance of the mining sector
- c) Majority of State Owned Enterprises still failed to pay dividends in every financial year
- d) Low rent collection from Government commercial and industrial properties
- e) Gaming Levy showing a drastic decline due to customers migrating from formal gambling entities to informal or unrecorded markets

### 3.1.2. Performance on Recurrent Budget

- a) The Ministry had M 2, 79 billion budgeted for their recurrent expenditure, then a revised budget of M3, 09 billion. A total of M2, 88 billion was released but only M2, 46 billion consumed. M426, 3 million remains a balance which shall be largely consumed in the last quarter of the year.
- b) 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.
- c) The recurrent expenditure was mostly revised to cover for travel and transport, operating costs, acquisition of non-financial assets, transfers and losses. The virements amounted to M43, 6 million.

### 3.1.3 Performance on Capital Budget

The Ministry engaged in the following projects:

Project title	Source of Funding	Released amount (in million)	Actual expenditure(in millions)

<b>Institutional Support for Debt and Expenditure Management</b>	AfDB	M8, 51	M5, 98
	GoL	M1, 22	M903
<b>Lesotho Public Sector Foundations for Service Delivery</b>	World Bank	M49, 43	M39, 99
	GoL	M2, 02	M1, 7
<b>Lesotho Tax Modernisation Project</b>	AfDB	M13, 76	M13, 76
	GoL	-	-
<b>Support for HIV/AIDS</b>	Global Fund	M319, 1	M303, 8
	GoL	M11, 4	M10, 03
<b>Millennium Challenge Compact</b>	MCA	M67, 17	M158,9
	GoL	M5,602	M3, 89
<b>Cooperation Facility</b>	EU	M10, 28	M10, 28
<b>Border Post Infrastructure Refurbishment</b>	GoL	M12, 24	M4, 09
<b>Consultancies and Studies</b>	GoL	M35, 71	M32, 07

AfDB = African Development Bank

GoL = Government of Lesotho

WB = World Bank

MCA = Millennium Challenge Account

EU = European Union

- a) Most of the projects will start their actual implementation in the 2026/2027 Financial Year.
- b) The deferment of the USAID affected the Millennium Challenge Compact II (MCC) activities. However, by the time the USAID Stop-Work Order was effected, the process for payment of invoices was underway. When the MCC activities resumed, the amount of M91, 7 million was carried forward hence the overspending.

## 2. 3.2 The Current Budget – 2026/2027

The Ministerial Objectives for the current financial year 2026/2027 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
- 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 M21, 7 billion. The amount will be accumulated by the following:

- a) M10, 77 billion will be made from a monthly collection from taxation (personal income tax, company tax, withholding tax, fringe benefits tax, value added tax, tobacco and alcohol levy, gaming levy and daily collection on stamp duty)
- b) M 777, 7 million will be collected from other sources of revenue (mostly interests received from non-financial public corporations, dividends of financial and non-financial public corporations, interests received from financial and public corporations, rand monetary compensation, rent from government property, insurance compensation and repayment of expenditure paid in prior year)
- c) M 10, 1 billion will be collected from the Southern African Customs Union (SACU) receipts
- d) M122, 2 million from Principal repayments received from non-financial public corporations
- e) Proceeds from sale of other machinery amounting to M2, 45 million.

### *3.2.2 Grants*

Grants are estimated to M518, 1 million made by M502, 1 million from Global Fund and M16 million from European Union.

### *3.2.3 Proposal on Recurrent Budget*

The Ministry requests a recurrent budget of M3, 92 billion to cover for personal emoluments, travel and transport, operating costs, transfers, other expenses, losses, acquisition of non-financial assets and repayment of arrears.

### *3.2.4 Capital Budget Proposal*

For the capital expenditure, the Ministry requests a capital budget of M 410, 6 million from the Government of Lesotho and a loan of M146, 8 million to cover 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) Sustainable Irrigated Horticulture, Health and Business Development
- f) Cooperation Facility
- g) Border Post Infrastructure Refurbishment
- h) Treasury Single Account
- i) IFMIS
- j) Consultancies and Study

### 3. 3.3 Observations

- a) There is an increase of arrears from 250mil to 947mil which has to be paid by the Ministry
- b) There is progress in the Ministry's implementation of strengthening a framework that enforces a cashless payment system. The system is intended to ensure that all transactions made to the Ministries and by the Ministries are conducted electronically thereby, creating a transparent paper trail for improved accountability and financial oversight
- c) Prolonged vacancies in the Ministry may affect service delivery and effective implementation of Ministerial objectives
- d) Some Government parastatals have become a liability with arrears incurred and loans treated as grants thus placing financial burden on the Ministry which undermine prudent financial management principles. Additionally, some SOE's struggle to declare their dividends to Government
- e) The Committee realized that the Ministry financed certain trips through virement of funds from other budgetary allocations. These included unplanned International trips
- f) The Committee notes that the frequent use of reallocations for travel related expenses may affect the implementation of originally planned programs

### 4. 3.4 Recommendations

- a) The tax portfolio is a mixed performance portfolio made of income-related taxes and Value-Added Tax (VAT). Income-related taxes have over-performed while VAT has underperformed. To meaningfully improve the fiscal year-end revenue position, the Ministry should investigate and address the VAT gap, whether through demand-side economic stimulus, enhanced audit activity, or tightening refund controls
- b) The Ministry of Finance and Development Planning and the Public Service Commission must expedite recruitment processes and ensure that critical posts are filled in a timely manner
- c) The reliance on SACU makes the country dependant on regional trade performance which exposes the country to fiscal uncertainty. It is therefore important to reduce reliance on SACU receipts by strengthening domestic revenue streams
- d) The Ministry should strictly adhere to their budget plan to avoid virements
- e) The Ministry should reinforce strategies to recover and pay off arrears pertaining to various Ministries

## 5. 4.0 MINISTRY OF TRADE, INDUSTRY AND BUSINESS DEVELOPMENT -

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The Ministry of Trade, Industry, and Business Development (MTIBD) leads trade and industrial policy, investment climate reforms, Small and Medium-Sized Enterprises development, and market access initiatives.

### 4.1 Previous Year's Performance for Financial Year 2025/2026

The Ministry's objectives were:

- a) To enhance productive capacity of producers, competitiveness and increase Lesotho's exports into regional and international markets
- b) To strengthen Investment and Trade Promotion
- c) To promote cooperative societies and entrepreneurship Development

While the Ministry achieves these objectives, it will also address the Key Priority Area 1 of National Strategic Development Plan II and Sustainable Development Goals 16 and 17.

#### 4.1.1 Performance on Revenue Collection

Planned Annual Collection	Collection	Variance
M12, 7 mil	M6, 6 mil	M6, 1 mil

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. A variance was mainly caused by a **waiver on Business Registration and Licensing** introduced during the 2025/2026 financial year.

On the contrary, there is a notable increase in the number of sports betting businesses.

The Ministry also received a Grant of M264, 2 million from the International Development Association/ World Bank for the Competitiveness and Financial Inclusion (CAFI) Project. The project aims to enhance financial inclusion and resilience of MSMEs.

#### 4.1.2 Performance on Recurrent Budget

The Ministry budget performance is as follows:

Planned Expenditure	Released Funds	Expenditure	Variance
M115, 7 mil	M115, 1 mil	M101, 6 mil	M13, 5 mil

- a) The costs incurred are from personal emoluments, travel and transport, operating costs, transfers and acquisition of non-financial assets
- b) Additional budget to cover for vehicle maintenance, minor works, fuel and lubricants and others, was vired from rent, short term hire, communications, consultancies, freight charges and subsistence local. Further, the US trade policy necessitated additional meetings with the US, within SACU and SADC, therefore virements were made to cater for some budget shortages on International trips
- c) There was evidently a delay or failure to fill vacant positions. Authority to fill some of the positions expired before positions were filled. This required the Ministry to seek authority to renew such expired authorities, however, time ran out.

#### 4.1.3 Performance on Capital Budget

The Ministry has 6 active projects:

- a) Competitiveness and Financial Inclusion (CAFI): The project is funded by a grant and a loan from the World Bank

- b) The following projects are funded by Government of Lesotho
  - i. New and Cashless Services for One Stop Business Facilitation Centre (OBFC)
  - ii. Capacity Building for MSMEs (Business Development, Cooperatives and BEDCO)
  - iii. Standards and Quality Infrastructure
  - iv. Refurbishment of BEDCO Estates
  - v. Refurbishment of Lesotho Cooperatives College (LCC)

Source of funding	Released Funds	Expenditure	Variance
World Bank	M164, 8 mil	M122, 7 mil	M42, 1 mil
GoL	M46, 4 mil	M45, 5 mil	M915, 1 mil

#### *4.2 Current Budget for Financial Year 2026/2027*

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

- a) To enhance productive capacity of producers, competitiveness and increase Lesotho's exports into regional and international markets
- b) To strengthen investment and trade promotion
- c) To promote cooperative societies and entrepreneurship development.

While the Ministry achieves these objectives, it will also address the Key Population Area 1 of National Strategic Development Plan II and Sustainable Development Goal 16 and 17.

##### *4.2.1 Proposal on Revenue Collection*

For the 2026/2027 Financial Year, the Ministry intends to collect revenue from payment for services and fees amounting to M5, 6 million.

##### *4.2.2 Proposal on Recurrent Budget*

The recurrent budget proposed for Financial year 2026/27 will cover personal emoluments, travel and transport, operating costs, transfers (current grants paid to extra budgetary units) amounting to M115, 4 million.

##### *4.2.3 Proposal on Capital Budget*

The capital budget is proposed to fund the standard and quality infrastructure, capacity building of MSMEs, and CAFI project. The proposed amount is M241, 6 million. Funding of M90 mil by the GoL has been allocated for Lesotho Standards and Quality Assurance infrastructure.

#### *4.3 Observations*

The Committee makes the following observations:

- a) Although there was no budget for other statutory trips, virements had to be made to cater for shortages on statutory trips
- b) Delay in filling vacant positions creates a void in human resource, thereby promoting incompetency in the Ministry

- c) The Standards and Quality Infrastructure project has been extended due to delays in ground works. Dependence on DBS contributed to additional time and costs to complete the project. This affects the timely recovery of domestic debt.

#### 4.4 Recommendations

The Ministry should strategically utilise the remaining period of the CAFI project to strengthen and revive the operational capacity of BEDCO by leveraging CAFI resources for capacity building, programme alignment and institutional support. This will ensure BEDCO is better positioned to effectively promote and develop SMEs owned by Basotho.

## 6. 5.0 MINISTRY OF AGRICULTURE, FOOD SECURITY AND NUTRITION – 301

### 5.1 Previous Year Performance – Financial Year 2025/26

The Ministry had a mandate to promote, manage and regulate agricultural development activities in order to enhance food and nutrition security in the country. To promote increased agriculture production and productivity, food and nutrition security at the national and household level through efficient and effective extension services, the Ministry focused to achieve the following:

- a) Increased agricultural production and productivity
- b) Improved food and nutrition security
- c) Improved commercial agriculture and agriculture markets
- d) Enhanced institutional capacity and governance

#### 5.1.1 Ministerial Targets were to:

- a) Increase high value crop production for mushroom from 12,4 tonnes to 14.33 tonnes, seed potato from 5,8 tons to 10 tons, tomato production from 1279,6 tons to 1439,9 tons and develop new technologies for asparagus, peach and apple by 2028
- b) Increase Grain production: maize production from 45,000 tonnes to 183,613 tonnes, wheat production from 5,700 tonnes to 19,191.8 tonnes and beans production from 43,200 tonnes to 56,933.4 tonnes respectively by 2028
- c) Increase wool and mohair production for international markets: wool production from 5,655 tonnes to 6,000 tonnes and mohair production from 770,3 tonnes to 800 tonnes by 2028
- d) Increase market driven livestock and livestock products: Increase broiler production from 3,868,368 to 4,478,120 Kgs (10% Annually) by 2027, Increase egg production from 2,585,520 to 3,441,327 trays of eggs (10% Annually) by 2028, Increase local fish production from 2164,72 to 2921,4 tonnes (10% Annually) by 2028 and Facilitate local beef production of grade A and B
- e) Promote household dietary diversity from 12,815 households to 18,500 households by 2028

#### 5.1.2 Production for the Year F/Y 2025/2026

Commodity	Targets 2025/26	Progress 2025/26
Wheat	12 375 tons	4 874 tons
Beans	45 000 tons	15 492 tons
Seed potato	70 tons	502 tons
Tomato	1 371.3 tons	650 tons

Mushroom	13.6 tons	3.4 tons
Broilers	4 264 876 kg	2 408 000 kg
Eggs	3 128 479 trays	1 731 135 trays
Fish	2 704 tons	1 131.12 tons
Wool	5 078.3 tons	4 313.7 tons
Mohair	692 tons	539.3 tons

### *5.2 Performance on Revenue Collection*

The total revenue collected was M63, 5 million of the M 58, 8 million budgeted for. An over collection of M4, 7 million was effected by the M95 million that was supplemented for the procurement of additional inputs.

The Ministerial collection was however affected by:

- a) Suspension of red meat importation from South Africa due to Food and Mouth Disease
- b) Contracts for Government properties which were rented out and have been terminated even though they still had arrears on rent owing. These were M687, 041.13 owed by Mejametalana and M484, 818.26 owed by T'salilama Government properties

### *5.3 Performance on Recurrent Budget*

The Ministry had an approved budget of M578, 1 million, and with a supplementary budget of M95 mil, the ministerial budget became M659, 4 million. The additional budget was meant for salaries for vacant posts, travel and transport, operating costs and acquisition of non-financial assets.

The Ministry made numerous budget reallocations across its line items. Much of the balance will be consumed through payment of personal emoluments, utility bills and orders awaiting payments.

The recurrent budget expenditure was as follows:

<b>Approved Budget</b>	<b>Released Budget</b>	<b>Expenditure</b>	<b>Variance</b>
M578, 1 mil	M642, 3 mil	M612, 9 mil	M33,4 mil

### *5.4 Performance on Capital Budget*

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

#### **Project: Smallholder Agriculture Development Project (SADP II)**

<b>Source of Funding</b>	<b>Released Funds</b>	<b>Expenditure</b>
Government of Lesotho	M4,1 mil	M4 mil
World Bank/IDA	M127,9 mil	M124,2 mil
Policy and Human resource Development Fund (PHRD) (Grant)	M3,5 mil	M3,4 mil

International Fund for Agricultural Development (IFAD) (Loan)	M17,1 mil	M16,1mil
GAFSP (Grant)	M43,5 mil	M32,2 mil
Total SADP II	M196 mil	M179,9 mil

**Project: Agricultural Productivity Programme for Southern Africa (APPSA)**

Source of Funding	Released Funds	Expenditure
GoL	M423,110.00	M393,565.00
World Bank (loan)	M39,9 mil	M37,6 mil
Total APPSA	M40,3 mil	M38 mil

**Project: Wool and Mohair Value Chain Competitiveness Project (WaMCoP)**

Source of Funding	Released Funds	Expenditure
GoL	M83,993,369.52	M18,645,205.63

**Project: Building Climate Resilient Livelihoods and Food Systems (BCRLFS)**

Source of Funding	Released Funds	Expenditure
GEF	M6,018,384.00	M805,110.3

*5.5 Current Budget*

**The Ministerial Objectives for the Financial Year 2026/27 are as follows:**

- a) Improved Agricultural Production and Productivity
- b) Sustainable Food and Nutrition Security
- c) Improved commercial agriculture and enhance agricultural markets
- d) Strengthen institutional capacity and governance

*5.5.1 Proposal on Revenue Collection*

The Ministry proposes to collect revenue of M72, 9 million through payment for services and fees. Most of the revenue shall be collected from provision of permits for livestock importation, rent from farm machinery workshop, sales of agricultural inputs and ploughing, planting, ripping, etc.

*5.5.2 Proposal on Recurrent Budget*

The Ministry intends to incur annual recurrent expenditure amounting to M548, 9 million. Expenditure will be incurred from compensation of employees, travel and transport, operating costs, and acquisition of non-financial assets.

*5.5.3 Proposal on Capital Budget*

The Ministry intends incur M488, 5 million to engage in the following projects:

Project Name	Grant	Loan	GoL	Total
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(SADP II)	M36, 000 (PHRD) M65,7 mil (GAFSP)	M190,9 mil (WB) M30, 8 mil (IFAD)	M12,8 mil	M300, 2mil
WaMcoP	M5,5 mil (GEF)	M55.5 mil (OPEC) M68,7 mil (IFAD)	M20.1 mil	M149,9 mil
APPSA	-	M40 mil (WB)	M2.3 mil	M42.3 mil
BCRLFS	M16,3 mil (GEF)	-	M6.1 mil	M22,3 mil
Totals	Donor		GoL	Total Budget
	M449,5 mil		M38,9 mil	M488,5 mil

SADP II=Smallholder Agricultural Development Project

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

BCRLFS=Building Climate Resilient Livelihoods and Food Security

### *5.6 Committee's Observations*

The Committee has observed that:

- a) The Committee has further realized that the performance in agricultural production has gone depleted despite the increase in purchase and subsidizing inputs for farmers
- b) The long recruitment processes delayed usage of some allowances (retention, mountain, acting or dependents allowance)
- c) The effect of subsidies is visible for large scale farmers than deprived (poor) people. The subsidy then, does not serve to assist agricultural productivity for subsistence or commercial, but becomes an enhancer to the already established farmers
- d) There is a concern with the nature of the SADP II contract in the engagement of employees. In the contract, individuals are registered as "Consultants" but treated as employees. This blurry status is questionable on the true nature of their engagement and the contractual terms agreed on by Government.

### *5.7 Committee's Recommendations*

- a) The Ministry must establish an entity that carry out sales of inputs and agricultural machinery
- b) The Ministry should review its investment plan in order to promote efficiency
- c) Block farmers are subsidised with inputs and allowed to sell their products locally and beyond borders. Moreover, since these farmers accumulate high profits, they should pay taxes
- d) Status of employees must be revisited to clearly identify how they should be treated, especially in matters concerning salaries and benefits

## 7. 6.0 MINISTRY OF LABOUR AND EMPLOYMENT - 316

### 6.1 Ministerial Performance for the Financial Year 2025/2026

The Ministry's mandate was to regulate the labour market and promote employment and a mission to regulate and promote harmonious relations in the labour market for economic growth in adherence with labour standards.

Ministry's objectives for the financial year 2025/2026 were:

- a) To strengthen labour market information system by 2027
- b) To promote employment in all sectors of the economy by 2030
- c) To enhance the Ministry's capacity for improved service delivery by 2030
- d) To effectively regulate labour migration by 2030
- e) To promote social justice and decent work for all within the labour market by 2030

#### 6.1.1 Performance on Revenue Collection

Planned Collection	Collected	Variance
M7 mil	M 5, 2 mil	M1,8 mil

- a) The Ministry has collected most of its revenue from Attestation Fees, Issuance of Employment Certificate of Labour Agents Permits, Identity Photographs and Meals and Accommodation.
- b) The mining sector affected ministerial revenue collection. The shutdowns of Liqobong and Mothae Diamond Mines and layoffs at Let'seng Diamond Mine, has compelled the Ministry to collect less on issuance of work-permits for new applicants and renewals
- c) Factories either closed or retrenched as no further orders were placed due to the AGOA uncertainties. This led to expatriates not applying for or renewing work-permits
- d) The cut-off of the US funding for MCA-Compact II and other projects led to a decline in revenue collection as these projects generated revenue through the issuance of employment certificates

#### 6.1.2 Performance on Recurrent Budget

The Ministry's performance is as follows:

Approved Budget	Released Budget	Expenditure	Variance
M82, 3 mil	M78, 2 mil	M74, 2 mil	M3,9 mil

The Ministry consumed its budget fairly well in the financial year of 2025/2026. The budget consumption was through compensation of employees, travel and transport, operating costs, transfers and acquisition of non-financial assets.

##### 6.1.2.1 Virements

The Ministry was appropriated M41, 4 million and in it a total of M6, 9 million allocated for Vacant Posts. However, the process of recruitment was delayed, hence the money was planned to be consumed differently. The amount was reallocated for travel and transport, operating costs and acquisition of non-financial assets line-items, which at that time had insufficient funds.

### *6.3 The Current Budget*

The Ministry's proposed budget is revenue of M3, 6 million and M78, 3 million of recurrent expenditure.

#### *6.3.1 Proposal on Revenue Collection*

The Ministry's revenue collection is anticipated to decline from M7 million in 2025/2026 to M3, 6 million in the financial year of 2026/2027.

The Ministry anticipates the following opportunities:

- 1) Modernization of licensing and work-permit systems: Replacing manual paper-based permits for private employment agencies with digital platforms which can reduce leakage and improve collection efficiency.
- 2) Through the anticipated export of human capital, there is a possibility of increased revenue derived from licencing, attestation fees, and remittances;
- 3) Through increased remittances there is an opportunity to resuscitate The Deferred Payment Fund (DPF) for the anticipated bilateral labour agreements.

#### *6.3.2 Proposal on Recurrent Budget*

For 2026/2027, the Ministry had proposed M87, 7 million. However, this budget was reduced by M9, 4 million, resulting in M78, 3 million.

##### *6.3.2.1 Challenges the Ministry anticipates to Face*

- a) Reducing the ministerial budget limits its ability to support skills development and workforce readiness at Ntlatfatsi Skills Training Centre. Some programmes or courses may have to be suspended due to funds unavailability
- b) Where there is high unemployment, reduced funding weakens job creation programs such as employment initiatives
- c) Budget cut undermines labour & OSH inspections and compliance with International Labour Standards. This can lead to increased exploitation, unsafe working conditions, violations of minimum wage laws and child labour
- d) Reduced funding limits the ability for the Ministry to ensure that Basotho citizens benefit directly from infrastructure investment through employment opportunities
- e) The reduction of the Ministry's budget creates a misalignment with national development objectives that prioritise employment creation, inclusive growth and productivity enhancement. Infrastructure development alone cannot achieve these goals without strong labour market governance
- f) Failure to detect irregular migrant workers

### *6.4 Committee's Observations*

The budget cut of M9, 4 million will jeopardise the Ministry's functionality for the Ministry will not be able to sustain adequate number of inspections, conciliators and arbitrators.

### *6.5 Committee's Recommendations*

The Ministry of Finance should consider an additional budget of M9, 4 million to cater for human capacitation.

### 8. 7. CONCLUSION

The Committee submits this annexure report for adoption by the House.

Members who adopted the report

10. Hon. S. Hakane (Chairperson)
11. Hon. I. Rantsho
12. Hon. M. Motsoasele
13. Hon. V. Tsheka
14. Hon. L. L. Lethole
15. Hon. M. C. Tekane
16. Hon. T. Malataliana

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

1. Hon. S. Hakane (Chairperson)
2. Hon. M. Hloaele
3. Hon. N. Seetsa
4. Hon. M. Masoetsa
5. Hon. M. Maea
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

**ANNEXURE 2**  
**THE PORTFOLIO COMMITTEE OF THE SOCIAL CLUSTER**

**MINISTRIES PRESENTATIONS TO THE PORTFOLIO COMMITTEE**

**PREVIOUS YEAR BUDGET-2025/2026**

9. *1. Head 302 - Ministry of Health*

**The mandate of the Ministry of Health is to:**

- Provide leadership in the formulation, implementation and monitoring of health policies, strategies and programs that promote health and well-being.

*1.1. Revenue*

The Ministry's revenue target for 2025/2026 Financial Year was M21,276,786.00, M12,239,090 and the variance of M9,037,696. An over collection on the Herbalist Licenses has been noted, on this line item, the Ministry collected M52,260.00 while the target was M24,160.00. This over collection was due to an increase in the number of Herbalists, the Ministry currently has 2,613 registered Herbalists. The Committee has also observed the Registration and Licensing-Lab vote, M7,000 was the target and Actual collection was M15,000 leaving the variance of M8,000. This increase was as a result of an increase in license renewals. Over collection was reflected on the Registration and Licensing –Clinics, on this vote, the target was M50,000, and the collection was M114, 000.00, this was as a result of an increase in the number of registered clinics, out of 86 clinics, 76 renewed their licenses.

*1.2. Recurrent Budget Performance*

The Ministry was allocated M2,434,527,265.00, this budget was revised to M2, 668,178,329.00, M2,600,291,453.63 was the total expenditure while the variance was M67,886,875.37. The Recurrent Budget is at 97.5%.

- On Personal Emoluments vote, a shortfall of 52 million has been noted, this vote was allocated M611,231,805, M605,362,388 was Actual Expenditure while the variance was M5,879,417. The short fall was due to the employment of 394 employees by the Ministry.
- Operation Costs line item, an allocation of M1, 139,520,580, the amount spent was M1,114,081,873.82 and M25,438,706.18. Expenditure on this vote is at 98%. On this line item, most of the payments were made except bills for electricity and water.
- On Transfers, M846, 207,817 was the Revised Budget, an amount of M817, 924,690.07 was spent on payment of Village Health Workers wages, M28,383,126.33 was the variance. The amount spent is at 96%.

## Arrears for the Ministry of Health

The Ministry's total arrears amount to **M461, 799,806.62**.

### 1.3. Capital Budget Performance

The total Approved Budget for the 2025/26 Financial Year was M271,125,772.00, this amount was revised to M146,984,312.00, total warrant amounted to M60,568,957.68, Expenditure to date was M52,640,376.79, commitments totaled and M14,962,717.00 and the total warrant balance M86,462,218.32. The Ministry's capital projects include:

- Construction of Cancer Treatment Centre, on this project the Ministry has utilized 89% of budget to date, an amount of M182,816,988.00, was Approved Budget, this budget was revised to M32,816,988.00, M29,303,385.00 was the total amount released and M3,513,603.00 was the variance.
- Support to TB Control program, expenditure is at 130% for Global Fund and at 99% for the government, the revised budget of M44,190,751.34 (Global Fund) and GoL M4,141,224, Expenditure(GF) was M57,639,943.14 while GoL's expenditure was M4,120,347. The variance was M13,449,191.80 and M20,877 respectively.

The Committee also considered the 2025/2026 budget performance and 2026/2027 budget proposals of the subvented institutions within the Ministry of Health, these institutions are:

- Baylor
- Riders for Health
- Lesotho Planned Parenthood Association (LPPA)
- Lesotho Nursing Council
- LeBoHa
- Lesotho Red Cross
- Queen Mamohato Memorial Hospital (QMMH)

### Subventions budget within Ministry of Health

Sector	Approved budget (M) 2025/2026	Amount Released (M) 2025/2026	Actual Expenditure(M) 2025/2026	Variance (M) 2025/2026	Recurrent Budget 2026/27
<b>Baylor</b>	M40,000,000	M40,000,000	M54,000,000	M14,000,000	M40,000,000
<b>Riders for Health</b>	M14,000,000	M14,000,000	M12,395,084.20	M1,604,915.80	M14,000,000
<b>LPPA</b>	M4,425,217.00	M4,425,217.00	M3,377,421.70	M1,047,795.30	M4,425,217.00

<b>LNC</b>	M1,200,000.00	M1,200,000.00	M1,378,610.00	M1,78,610.00	M1,207,750.00
<b>LeBoHa</b>	M26,978,041.00	M11,000,000.00	M9,030,229	M1,969,771	M41,428,719
<b>Lesotho Red Cross</b>	M7,500,000	M7,500,000	M5,662,391.14	M1,837,608.86	M17,578,918.08

## THE CURRENT BUDGET

### 5.1 Head 302- Ministry of Health

#### 5.1.1. Revenue

The 2026/2027 revenue projections for the Ministry of Health are **M20, 866,690**. Sources of collection include; Herbalists Licenses, Registration and Licensing –Clinics, Registration and Licensing –Lab and Registration and Licensing-Ambulance.

#### 5.1.2. Recurrent Budget Estimates

- The Ministry proposes a total amount of **M2, 695,155,665** for the Financial Year 2026/2027. The requested budget will be used to run the daily operations of the Ministry such as; Compensation of Employees, Travel and Transport, Operating Costs and Transfers.

#### 5.1.3. Capital Budget Estimates

The Ministry proposes a total amount of **M56,947,486** for its capital projects in the 2026/2027 Financial Year.

Donor Grants amount to: **M316,872,380**

Donor Loans amount to : **M68,642,126**

## 6. RECOMMENDATIONS

- Ministry of Health should standardize personal remuneration in all institutions that receive subventions. MOUs of those institutions be reviewed under the supervision of Parliament.
- QMMH be restructured, especially organization organogram and personnel remuneration, they should also be aligned to that of Public Service.

- QMMH be the only referral hospital, it should be capacitated with more Specialists. The Private wing be part of QMMH.
- M52 million should be deducted from QMMH budget because the structure has not been authorized.
- Domestic Funding be increased to avoid dependency on the International Funding
- International funded projects be maximized in the government for sustainability of the country.
- MOU on G to G be suspended as the costing of the activities is not clear and the project is not in line with Public Service norms and regulations which will make the future takeover very expensive and not sustainable for the country.
- The budget be allocated pending submission of the reviewed MOU from CHAL.
- Village Health Workers issue needs to be finalized with all relevant departments before the next budget so that the court order can be implemented, the Ministries include among others; the Ministries of Public Service, Law, Finance and Health.

## **7. Head 306- Ministry of Gender, Youth and Social Development**

- **Mandate:** The Ministry of Gender, Youth and Social Development is mandated to provide guidelines for institutionalization of gender equity and equality and serves as the social protection and advocacy arm of the government of Lesotho, supporting and safeguarding the human rights and welfare of all persons, including vulnerable groups such as the youth, children, older persons and people with disabilities.

### **7.1. Revenue Performance**

The Ministry's revenue target for 2025/26 Financial Year was M1, 268,467.80, Actual collection was M58,590 leaving the variance of M1,226,088. The Ministry collected 5% of the annual target. The poor collection is attributed to the overestimation of the annual target. The Committee noted the following:

- Hiring of the Sekokong Youth Resource at M1,000 per month. The MOU between the Ministry and Sekokong community has expired, no collection was made but the renewal processes are ongoing. The target on this line item was M12,000 while the collection was M4,950 leaving the variance of M7,050.

### **7.2. Recurrent Budget Performance**

The total Approved budget for the Ministry was M1,381,744,523, it was revised to M1,382,003,773, M1,367,109,857 was the total amount released, M1,330,467,328 was the total amount spent while the variance was M36,642,529. The Ministry's expenditure is at 96%.The Committee has made the following observations:

- **Salaries in Post-** This vote was allocated M77,533,495, it was revised up to M80,218,129, Amount released was M79,905,095, M72,520,750 was the amount spent and the variance of M7,384,346. Expenditure is at 94%. The Ministry had budgeted to pay 487 officials as per February, 2026 payroll, virements were made from vacant posts (Salaries) and Wages established to pay salaries of 28 Assistant Finance Officers (Grade F) and Executive Secretary (Grade F). The Committee is concerned that these posts were not included in the budget.

- Vehicle Maintenance and Repairs was allocated M3,826,670, the procedure for payment of maintenance of 44 Ministry’s vehicles was long as it needed two approvals from the Ministry of Finance. In the meantime, vehicles were borrowed from other Ministries to transport officials to the pay points on monthly bases. The Ministry has spent M2, 949,196 on this vote and the expenditure is 67%.
- Subsistence Local : the allocation on this line item was M16,066,505, this amount include the allocation for Sebatatso sensitization workshops which amounted to M2,281,064.23, it also include officials’ accommodation and meals during old age pension payments, this budget was also used to cater for victims of Gender Based Violence. The Committee is concerned that a large portion of the Sebatatso budget was used for sensitization workshops; nothing concrete in relation to the strategies for job creation among the youth.
- APC (African Pioneer Corp): There has been revision of the budget on this vote after the verification exercise that increased the number to 99
- Old Age Pension was allocated M900,445,200, a shortfall of M52 million was observed, the beneficiaries were 83,228 in December and January, 2025, however, these numbers dropped to 79,175 as some beneficiaries due to as proof of life exercise by the Ministry.
- Funds allocated for LLA Pensions were depleted, allocation for this vote was M3, 750,600 and there were 330 beneficiaries.
- Disability Grant funds were depleted, they were used to pay 3,000 beneficiaries at M650 per beneficiary and additional M150 for those who receive Grant in Aid. 2,895 beneficiaries were paid while 2,723 have been asessed and waiting to be absorbed by the system
- OVC Bursary was apportioned M96, 000,000 . It was agreed that fees for vulnerable children should be disbursed in January and May to avoid inconveniences in the Ministry of Education.
- Child Grant was allocated M118,493,256, it was used to cater for 44,530 households caring for vulnerable children.
- No collection was made on Sale of tender documents for accommodation, meals and provision assistive divices at Matheko Vocational School, the target was M150,000 there was an extension of accommodation contracts by a year.
- On Course fees for Matheko Vocational School, the target was M85,600, M40,000 was collected by the school principal but did not send it to the Ministry, a case was opened by the Ministry against the principal. The case was opened in Thaba-Tseka and the case number is RCI:13/06/2025.

**7.3.** The Committee also considered the subvented institutions within the Ministry of Gender, Youth and Social Development, below is the table reflecting the Approved budget, Amount released, Actual Expenditure Variance and the budget proposals for 2026/2027 .

<b>Sector</b>	<b>App rove d bud get (M)</b>	<b>Amount Released (M) 2025/2026</b>	<b>Actual Expenditure( M) 2025/2026</b>	<b>Variance (M) 2025/2026</b>	<b>Recurrent Budget 2026/27</b>

	<b>2025 /202 6</b>				
<b>St. Angela Cheshire Home for the Disabled</b>	M14 0,00 0	M140,000	M140,000	0	M140,000
<b>Resource Centre for the Blind</b>	M15 0,00 0	M150,000	M150,000	0	M150,000
<b>Kananelo Centre for the Deaf</b>	M18 0,00 0	M180,000	M180,000	0	M180,000
<b>Morapeli Disabled Centre</b>	M19 2,00 0	M192,000	M192,000	0	M192,000
<b>Phelisanong Orphans, Disabled, HIV/AIDS and Vulnerable Children Centre</b>	M14 0,00 0	M140,000	M140,000	0	M140,000
<b>Thuso etla tsoa kae Handicapped Centre</b>	M24 0,00 0	M240,000	M240,000	0	M240,000
<b>St. Paul School for the Deaf</b>	M24 0,00 0	M240,000	M240,000	0	M240,000
<b>Lesotho National Federation of the Disabled</b>	M12 0,00 0	M120,000	M120,000	0	M120,000
<b>National Association for the Deaf Lesotho (NADL)</b>	M21 5,00 0	M215,000	M215,000	0	M215,000

<b>Lesotho National League of the Visually Impaired Persons</b>	M215,000	M215,000	M215,000	0	M215,000
<b>Lesotho National Association of the Physically Disabled</b>	M140,000	M140,000	M140,000	0	M140,000
<b>Intellectual Disability Association of Lesotho</b>	M140,000	M140,000	M140,000	0	M140,000

#### GRANTS AND SUBVENTIONS (CHILDREN'S HOMES)

<b>Sector</b>	<b>Approved budget (M) 2025/2026</b>	<b>Amount Released (M) 2025/2026</b>	<b>Actual Expenditure (M) 2025/2026</b>	<b>Variance (M) 2025/2026</b>	<b>Recurrent Budget 2026/27</b>
<b>Amitofofo Care Centre</b>	M194,400	M194,400	M194,400	0	M194,400
<b>Andrew Blais</b>	M115,000	M115,000	M115,000	0	M115,000
<b>Andrew Blais</b>	M105,600	M105,600	M105,000	0	M105,000
<b>Beautiful Dream Society</b>	M70,000	M70,000	M70,000	0	M70,000
<b>Beautiful Gate Lesotho</b>	M187,200	M187,200	M187,200	0	M187,200
<b>Boitelo Care Point</b>	M70,000	M70,000	M70,000	0	M70,000
<b>God's Love Centre</b>	M72,000	M72,000	M72,000	0	M72,000
<b>Good Sherperd Centre for Teenage Mothers</b>	M31,200	M31,200	M31,200	0	M72,000
<b>Lerato la Pelo</b>	M108,000	M108,000	M108,000	0	M72,000

<b>Lesotho Child Counselling Unit</b>	M31,200	M31,200	M31,200	0	M31,200
<b>Letsema Child Network</b>	M50,000	M50,000	M50,000	0	M50,000
<b>Mary Margaret</b>	M84,000	M84,000	M50,000	0	M84,000
<b>Matholeng Safe House</b>	M12,000	M12,000	M12,000	0	M12,000
<b>Ministry of Hope Lesotho</b>	M60,000	M60,000	M60,000	0	M60,000
<b>Monna ka Khomo</b>	M55,000	M55,000	M55,000	0	M55,000
<b>Mophato oa Mantsase Children's Home</b>	M65,000	M65,000	M65,000	0	M65,000
<b>One Day Foundation</b>	M60,000	M60,000	M60,000	0	M60,000
<b>Pulane Children's Home</b>	M88,800	M88,800	M88,800	0	M88,800
<b>Rachel's Place</b>	M55,200	M55,200	M55,200	0	M55,200
<b>Reitumetse Church Services</b>	M80,000	M80,000	M80,000	0	M80,000
<b>Sepheo</b>	M80,000	M80,000	M80,000	0	M80,000
<b>SOS Children's Villages Lesotho</b>	M362,400	M362,400	M362,400	0	M362,400
<b>St. Camullus OVC Day Care and Foster Centre</b>	M74,400	M74,400	M74,400	0	M70,000
<b>St. Cecilia Orphanage</b>	M98,400	M98,400	M98,400	0	M98,400
<b>Tholoana ea Lerato</b>	M70,000	M70,000	M70,000	0	M94,400

<b>Touching Tiny Lives</b>	M45,000	M45,000	M45,000	0	M45,000
<b>Trust for Africa</b>	M86,400	M86,400	M86,400	0	M86,400

#### **SUBVENTED ELDERLY CARE SERVICES INSTITUTIONS**

<b>Sector</b>	<b>Approved budget (M) 2025/2026</b>	<b>Amount Released (M) 2025/2026</b>	<b>Actual Expenditure( M) 2025/2026</b>	<b>Variance (M) 2025/2026</b>	<b>Recurrent Budget 2026/27</b>
<b>Mazenod Old Age Home</b>	M100,000	M100,000	M100,000	0	M100,000
<b>Pitseng Old Age Home</b>	M100,000	M100,000	M100,000	0	M100,000
<b>Help Lesotho</b>	M80,000	M80,000	M80,000	0	M80,000
<b>Maseru Women Senior Citizens</b>	M150,000	M150,000	M150,000	0	M150,000
<b>Coordinating Organisation for other organisations</b>	M50,000	M50,000	M50,000	0	M50,000

**Subvented Institutions which did not get subventions due to delay in submission of financial performance reports to the Ministry are as follows:**

1. Lesotho Association of the Physically Disabled -M140,000
2. Apostolic Faith Mission – M96,000
3. Lesotho Girl Guides Association –M50,000
4. Semonkong Children’s Centre – M120,000

#### **Arrears for the Ministry of Gender, Youth and Social Development**

Total arrears for the Ministry amount to **M15,003,753.50**.

#### **Capital Budget performance**

The Ministry’s total capital budget was M36,012,80, M26,955,495 was the total expenditure while M9,057,314 was the variance. The Ministry has two capital projects, namely; OVC (Ntlafatsa Bana) and

Pathways to sustainable Livelihoods Project (PSLP). For 2025/26, Ntlafatsa Bana was apportioned M5,000,000, M4,541,454 was the total amount released, amount spent to date was M4,451,454 and the variance being M458,546. The percentage expenditure is 91%.

PSLP was allocated M80,89,917,536, M89,917,536 was released, M78,047,824, amount spent was M78,047,824 and the variance of M11,869,712.

## **8. THE CURRENT BUDGET**

### **8.1. Revenue**

The Ministry's revenue projections for the 2026/2027 Financial Year is **M366,435**.

### **8.2. Recurrent Budget- 2026/2027**

The Ministry has proposed the total amount of **M1,480,873,657** for the Recurrent Budget 2026/27 Financial Year.

### **8.3. Capital Budget- 2026/2027**

Pathways to Sustainable Livelihoods Project- **Donor - M62,316,730**

**GoL- M62,316,730**

OVC (Ntlafatsa Bana) - **M6,000,000**.

## **9. RECOMMENDATIONS**

**The Ministry of Gender, Youth and Social Development should:**

- Deceit from using G4S to pay Social Grants as that is in violation of the PFMA and the laws regulating financial institutions. The Ministry should stop the contract with G4S to distribute social grants as it is a violation of PFMA and the laws regulating financial institutions.
- Social Grants funds should be paid into the Central Bank of Lesotho for it to distribute them to individual financial institutions for transmission to beneficiaries by the end of June, 2026.

## **10. Ministry of Education and Training**

**Previous Year's Performance – 2025/2026**

### **10.1. Revenue performance**

The Ministry had set the revenue target of **M2 570 400** in which they collected **M3 508 083,44** with the variance of **M937 683.44** and there was a total percentage of 136%. Reasons provided by the Ministry for this high collection include;

- I. More candidates were tested and it was allocated more time; 2 weeks. (Sale of Services-Trade Tests)
- II. Social Development made a direct payment of M770, 000 for financial year 2024/25. The schools were more compliant to collection of government levy as compared to the previous financial years, hence more collection.

## **10.2. Recurrent Budget**

For the recurrent budget, the Ministry was allocated a total of **M3, 322 237 253.92** for the 2025/26 financial year, **M3,069 856 704.74** was the actual expenditure, leaving the variance of **M252, 380 549.18**. The Recurrent Budget for the Ministry stands at 92.4%. The budget was used for administrative purposes which include Personal Emoluments, Travel and Transport, Operating Costs, Transfers, School feeding (payable on claims), Utility Grants (payable on claims) and Acquisition of Non-Financial Assets. It was noted that, the funds which were allocated to UNIPOD were not utilized because they had an issue with the account, however, that has been resolved. There is sixty seven percent expenditure on Contingency, the remaining budget is envisaged to cover the months of January to March.

The Ministry is in arrears of a total amount of **M40 111 167.69**

## **10.3. Capital Budget**

The Ministry's 2025/26 Approved budget was **M218,838,768.5**. Total Amount Released was **M93 922 599.87** Actual Expenditure being **M93 922 599.87**, with a total expenditure of 43%, and all the funds were depleted. The Capital Budget was mainly used to support, Curriculum developments for Grade R-3 and its digitization, procurement of teaching and learning materials, refurbishment of classrooms (sites handed over to contractors), Free Primary Education, The Ministry also had Grants which supported the following projects: Japan International Cooperation Agency (JICA), Improvement of inclusive secondary schools, United Nations Children's Fund (UNICEF); Basic Education and Adolescents Development and Child Protection(BEAD CP)

## **11. The Current Budget – 2026/2027**

### **11. 1. Revenue**

The Ministry has set a target of **M3,966,440**. Collection will be from collection of fees (National Craft Certificate, National Vocational Certificate, Operative skills), collection of commission from third parties, Trade tests, Advertisement of tenders and Collection of tuition fees.

### **11.2. Recurrent Budget Estimates**

The Ministry requested a total of **M3, 319 070 694** for its Recurrent Expenditure. This budget will facilitate the Ministry's operations such as payments of monthly salaries, maintenance and fueling of vehicles, short-term hire for distribution of books to schools, Schools' inspection and site visits of

projects for monitoring and training of teachers, facilitation of School Feeding Programme utility and schools' grants.

### 11.3. Capital Budget

The Ministry proposes **M158 270 432** for the 2026/27 capital expenditure; this budget will cater for the Ministry's capital projects such as; construction of classrooms and Procurement of furniture in selected primary schools, scale up of integrated early childhood care development model(teaching and learning) by ensuring that all preschool children are ready to transition successfully into primary education in 300 schools, teacher training, support to distance teaching implementation strategy for daycare centre guidelines.

### 12. Observations.

The Committee made the following observations;

- The Committee has observed that visually impaired students do not have their learning materials(braille) in most of the schools where they attend. The Ministry affirmed to be working tirelessly to resolve that.
- Schools who were affected by gust of winds, have been constructed. However, those which had significant damage and had to be constructed from scratch will be completed in May/June.
- The Committee is concerned about the treatment of inter-ministerial transfers and their distortion to the consolidated fund.
- The Ministry had requested the Supplementary Budget of **M79, 000, 000** for School Feeding and **M11,900,000** for construction of Free Primary Education classrooms. The amount of M79,000,000 was urgently needed to sustain the school feeding programme, also to settle the outstanding arrears and to address the impact of the suspension of U.S government aid to Catholic Relief Services. The Excess Budget of M11,900,000 was needed to cover shortfalls in the on-going school construction projects and to repair schools infrastructure damaged by recent severe weather conditions.

#### 12.1 Recommendations

- The schools' calamities should not only be handled by the Ministry, DMA as a central agency tasked to improve disaster response and recovery, should also be involved in such mishaps.
- Frequent trainings for teachers, especially those who teach Life Skills as there is currently no Educators who have majored on Life Skills.
- Ministry of Gender, Youth and Social Development should make payments for sponsorship to the Ministry in the first quarter, and for exam fees, payments be completed by April.
- The school feeding program should be decentralized to district level before the next budget.
- The Ministry of Education and Finance should finalise the payment of arrears for teachers who were acting from 2012 to 2024.
- Ministries should fully align themselves with the financial laws when dealing with inter-ministerial transfers.

**12.2.** The Committee also reviewed the 2025/2026 budget performance and 2026/2027 budget proposals for the subvented institutions within the Ministry. These institutions are;

- Lerotholi Polytechnic (LP)
- National University of Lesotho (NUL)
- Center for Accounting Studies (CAS)
- Lesotho College of Education (LCE)
- Institute of Development Management (IDM)
- Council on Higher Education (CHE)

**Subventions budget within the Ministry of Education and Training**

Sector	Approved budget (M) 2025/2026	Amount Released (M) 2025/2026	Actual Expenditure(M) 2025/2026	Variance (M) 2025/2026	Recurrent Budget 2026/27
<b>LP</b>	57 404 578	20 606 164	?	?	<b>57 567 202</b>
<b>NUL</b>	93 291 146	67 930 446	?	?	<b>334 469 832</b>
<b>CAS</b>	23 576 028	6 005 632	6,006,869.80	1,237.80	<b>29 733 662</b>
<b>LCE</b>	47 500 000	29 124 000	21 842 723.54	7 281 276.46	<b>47 500 000</b>
<b>IDM</b>	4 624 111	4 834 191	4 834 191	Depleted	<b>5 000 000</b>
<b>CHE</b>	22 000 000	9 613 940	9 613 940	Depleted	<b>34 642 000</b>

### **List of Members who adopted the report**

1. Hon. M. Makhalanyane (Chairperson)
2. Hon. R. Sehlabaka
3. Hon. M. Phooko
4. Hon. M. Mpobole
5. Hon. M. Malakane
6. Hon. M. Lemphane- Letsie
7. Hon. M. Malakane
8. Hon. T. Mosotho
9. Hon. T. Moselelo
10. Hon. M. Busa
  
11. Hon. M. Nts'ekhe
  
12. Hon. M. Lempe

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

1. Hon. M. Makhalanyane (Chairperson)
2. Hon. M. Phooko
3. Hon. R. Sehlabaka
4. Hon. M. Malakane
5. Hon. T. Moselelo
6. Hon. M. Tota
7. Hon. M. Mpobole
8. Hon. M. Busa
9. Hon. M. Ntsekhe
10. Hon. M. Lemphane –Letsie
  
11. Hon. M. Ralitapole
  
12. Hon. M. Holomo
  
13. Hon. T. Cheba
  
14. Hon. B. Makhakhe
  
15. Hon. T. Mosotho

16. Hon. B. Khesa
17. Hon. L. Chopo
18. Hon. M. Khati
19. Hon. M. Lempe
20. Hon. H. Vanroyen
21. Hon. D.Jooma
22. Hon. A.T. Tayob

## **10. ANNEX 3**

### **PORTFOLIO COMMITTEE ON LAW AND PUBLIC SAFETY CLUSTER**

#### **1. INTRODUCTION**

The Honourable Minister of Finance, pursuant to Standing Order No. 67 presented the Budget Estimates for the year **2026/2027** before Parliament. The Budget Estimates were referred to the relevant Portfolio Committee for scrutiny, recommendations, oversight and approval pursuant to Standing Order No. 68.

The Portfolio Committee on Law and Public Safety Cluster reviewed and analysed the budget estimates of the following ministries and departments:

- Ministry of Justice and Law;
- Ministry of Local Government , Chieftainship, Home Affairs and Police;
- Office of the Ombudsman;
- Independent Electoral Commission;
- Judiciary; and
- Directorate on Corruption and Economic Offences.

The Committee is made up of twenty-two (23) Members of Parliament under the Chairmanship of Hon. E. Ramakatsa.

### **c) METHODOLOGY**

The Committee relied on Ministries' and departments' submissions, reviewing budget documents, assessing priorities and questioning ministries and departments for decision making.

### **d) CONSIDERATION OF PREVIOUS YEAR'S BUDGET PERFORMANCE (2025/2026) AND CONSIDERATION OF BUDGET ESTIMATES 2026/2027**

#### **3.1 OFFICE OF THE OMBUDSMAN**

The office of the Ombudsman is mandated to:

- Investigate all cases where it is alleged that a person has suffered an injustice without an apparent recourse for remedy reasonably available by way of proceedings.
- Provide redress to injustices perpetuated by acts of maladministration, corruption, violation of fundamental human rights, and the degradation of the environment.
- Issues remedial action in the form of binding and effectual recommendations on the individual or institution against whom a complaint has been lodged.

##### **3.1.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

##### **3.1.2 RECURRENT BUDGET PERFORMANCE**

The office of Ombudsman had an approved budget amount of **M14,346,710** for the Financial Year 2025/2026 to perform the following activities:

- Personal emoluments;
- Travel and transport;
- Operating costs, and
- Acquisition of non-financial assets.

Variance amount of **M4,241,280.84** was reported and will be fully utilized by the end of Financial Year to pay for March salaries and other commitments.

The office of the Ombudsman reported virement amount of **M1,545,189** from the following items:

- Vacant positions

- Short term hire
- Fares International
- Stationery and printing

### **3.1.3 SUCCESSES AND ACHIEVEMENTS**

- Decentralization of two regional offices (Mohale's Hoek and Botha-Bothe)
- 214 complaints received and 156 resolved and closed.
- Public awareness campaigns were held in Leribe, Mafeteng, Mohale's Hoek, Quthing, Botha-Bothe and Berea
- Developed four-year strategic plan framework 2026-2030
- Signage of cooperation and collaboration MOUs with partner institutions: DCEO, NUL, Police Complaints Authority (PCA), Seinoli, Persons With Disability Advisory Council (PWDAC), Law Society & LRC)
- Developed Comprehensive Standard Operating Procedures (SoPs)
- **Three Inspection Reports:**
  - Undertook Waste Management Environmental Inspections in ten districts in urban councils
  - Undertook follow-up inspections at 4 correctional facilities in Maseru and Mohlomi Mental Hospital in Maseru
- **Three Own Motion investigations:**
  - Delays in issuance of passports identity documents and processing of naturalization applications
  - Water pollution in Letseng Diamond
  - Alleged delays in compensation and relocation challenges affecting communities living around Polihali phase II project in Mokhotlong

### **3.1.4 MAIN CHALLENGES**

- Unresponsiveness of public authorities in reacting to Ombudsman correspondences
- Non-compliance with the Ombudsman recommendations delays administration of justice
- The law is silent on the steps to be taken by Parliament on the special reports
- Resources and capacity constraints to undertake complex investigations and to also provide national coverage
- Autonomy and independence constraints particularly in funding and appointment processes.
- Inadequate modernization and digitalization.
- Flawed institutional structure.

### **3.1.5 THE CURRENT BUDGET ESTIMATES 2026/2027**

### **3.1.6 MINISTERIAL PRIORITIES**

- Promote administrative justice and adherence to the rule of law with specific focus on systemic investigations and shifting focus from just individual complaints to prevent future maladministration (**4 MDA investigations and 2 inspections**).
- Increase resolution target by addressing complaints backlog.
- Advocate for increased funding for implementing Ombudsman’s long-term strategy.
- Advocate the need for legal independence (final, binding and enforceable remedial action) to effectively handle increased workloads – Proposed amendments to the Constitution and Act for alignment.
- To undertake follow up inspections at places of detention and confinement in monitoring the protection of detainees’ rights.
- Commission research partnership with the NUL to evaluate the impact of Ombuds work and identify areas for policy reform.
- To strengthen the capacity and performance of regional offices
- Digital transformation and development of ICT infrastructure (Case Management System), including enhancing Ombuds digital service for handling complaints quicker.
- Intensify public awareness campaigns and visibility of the Office of the Ombudsman
- Mobile complaints intake clinics at correctional facilities, hospitals, military and police cells
- Strengthen working relationships with strategic partners and stakeholders for increased advocacy (including CSOs and mass media) – planned sensitization of CSOs and media houses on Ombuds work.
- Develop institutional internal policies and frameworks for implementation

### **3.1.7 REVENUE BUDGET ESTIMATES**

The Office of the Ombudsman intends to collect revenue amount of **M5,400** from commission on third parties per month.

### **3.1.8 RECURRENT BUDGET ESTIMATES**

The Office of the Ombudsman has planned to incur expenses amount of **M16,517,994** for the Financial Year 2026/2027 to perform the following activities:

- Personal Emoluments;
- Travel and Transport;
- Operating cost; and
- Acquisition of non-financial assets.

### **3.1.9 OBSERVATIONS AND RECOMMENDATIONS**

The committee observed and recommends as followings:

- Awareness gaps: there is a need to educate the public about the role of the Office of the Ombudsman.
- Office of the Ombudsman has many virements which implies poor budgeting plan which might lead to lack of transparency, misuse of Government funds and accountability gaps.
- Countless reported Police brutality cases are pending investigations.
- The office of the Ombudsman is facing a systematic issue due to budget constraints, hence delay in addressing justice issues.
- The committee observed that there is still backlog on cases.
- There is a need to establish case management system to fast-track cases.
- Need to expand Ombudsman's operations by engaging more investigators.

### **3.2 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.

#### **3.2.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

#### **3.2.2 REVENUE BUDGET PERFORMANCE**

The approved revenue was **M3, 960,800** and collected **M1,154,668.95** through the Payment of other services. The Ministry's collection declined due to unexpected decline on sale of tenders and bidding documents. On the other hand, revenue collected from the trademarks not yet deposited into the Government Revenue Account.

#### **3.2.3 RECURRENT BUDGET PERFORMANCE**

The Ministry's approved budget was **M258,671,148**, the actual expenditure amounted to **M255,818,285**. The variance will be utilized for March salaries. The Ministry requested an amount of **M10,989,539** from the Contingency fund to cater for tribunal activities.

#### **3.2.4 CAPITAL BUDGET PERFORMANCE**

The Ministry had released budget amount of **M11,936,309.00** from the Government of Lesotho to perform the following activities:

- Refurbishment of Correctional Institutions
- Lesotho Correctional Service Self-Sufficiency Projects

### **3.2.5 SUCCESSES AND ACHIEVEMENTS**

- Installation of Mophale's hoek Correctional Institutions security fence completed.
- Construction of Polihali Dam Project has proposed to relocate Mokhotlong Correctional Institution. This will lead to construction of a modern correctional facility in Mokhotlong.

### **3.2.6 MAIN CHALLENGES**

- Most of the justice and legal services remain highly centralized and prohibits service delivery to reach the people in the districts who are major beneficiaries.
- Most of the institutions within the ministry require major restructuring. These include office of the Attorney General, Public Prosecutions, Law Reform Commission (LRC), Legal Aid, Office of Parliamentary Council (OPC) and Government Printing.
- Lesotho has been placed under public statement by ESAAMLAG due to among others to conduct risk assessment of Non-Profit making organizations (NPOs) in order to deal with terrorism and money laundering.
- Most of the services and management of information are still manual making it difficult and slow to providing services.
- Inadequate training opportunities for improvement of efficiency and effectiveness and or performance and motivation of staff
- Poor Correctional Infrastructure
- Poor performance of Contractors that are engaged by the Ministry of Public Works. There is also a delay in processing the designs and tender documentation.
- Most departments need major restructuring, for instance, OPC, DPP, Registrar General's Office, Lesotho Law Reform Commission, Civil Litigation.

### **3.2.7 THE CURRENT BUDGET ESTIMATES 2026/2027**

### **3.2.8 MINISTERIAL PRIORITIES**

- Expedite National Reforms Agenda
- To increase access to justice and legal services through decentralization, outreach campaigns and digitization
- To establish LCS as a safe and self-reliant public institution

### **3.2.9 REVENUE BUDGET ESTIMATES**

The Ministry has revenue target amounting to **M3,994,960** which will be collected from payment of other services pertaining:

- Reservation of Name – Society
- Patent fees
- Trademarks
- Design fees
- Payroll deductions

### **3.2.10 RECURRENT BUDGET ESTIMATES**

The Ministry requests a budget amounting to **M398,278,445** to cover its recurrent obligations pertaining:

- Compensation of employees
- Travel and transport
- Operating costs
- Acquisition of non financial assets

### **3.2.11 CAPITAL BUDGET ESTIMATES**

The Ministry requests capital budget of **M24,450,000** which will be utilized to perform the following activities among others:

- Refurbishment of Correctional Institutions
- Lesotho Correctional Service Self-Sufficiency Project

### **3.2.12 OBSERVATIONS AND RECOMMENDATIONS**

The Committee noted, observed and recommended the following:

- The Committee observed that most of the justice and legal services are highly centralized and prohibits service delivery to reach people in the districts who are major beneficiaries. Therefore the Committee recommends decetralisation of justice and legal services in order to:
  - Bring services closer to the communities
  - Reduce travel costs and time

- The Committee further noted with concern that the inmates and Lesotho Ccorrectional Service members run short of uniforms. The Committee recommends that inmates be afforded with equipment to produce uniforms:
  - To safe Government funds
  - To promote skills development
  - To support rehabilitation activities
- 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.
- Most LCS infrastructure at the districts level are badly dilapidated. This demoralize staff and compromises both staff and inmates security specifically:
  - Quthing District
  - Qacha'Nek District
  - Botha Bothe District
  - Berea District
  - Mokhotlong District
  - Thaba Tseka
- The budget allocation intended for the establishment of a Tribunal was released late in the financial year, which constrained the Ministry's ability to implement a time-bound intervention within the approved period.

### **3.3 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.

#### **3.3.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

#### **3.3.2 REVENUE PERFORMANCE**

The Ministry had an approved revenue budget of **M89,400** and managed to collect an amount of **M91,483** due to increased payroll deductions from the following activities:

- Sale of tender documents
- Commision on payroll deductions

### 3.3.3 RECURRENT BUDGET

The office of DCEO had an approved budget of **M69,765,539** under recurrent budget of which 85% of the budget is utilized to perform the following:

- Compensation of Employees
- Travel and transport
- Operating Costs
- Acquisition of non financial assets

### 3.3.4 SUCCESSES AND ACHIEVEMENTS

- Public Education and anti-corruption awareness campaigns in ten (10) districts
- Commemorated the International Anti-Corruption Day by conducting Anti-Corruption Dialogue for Youth from various districts in Maseru, Manthabiseng Convention Centre under the theme ***“Uniting with youth against corruption shaping tomorrow’s integrity.”***
- Conducted Anti-Corruption sensitization workshops for Government Departments, Civil Society Organisations and Private Sector institutions in Maseru, Mohale’s Hoek, Quthing, Qacha’s Nek, Leribe, Botha Bothe and Mokhotlong.
- Conducted Anti-Corruption sensitization workshops for youth in religious, business, sport and political sectors in Mohale’s Hoek, Mafeteng and Botha Bothe
- Received and analysed eighty-nine (89) reports alleging corruption and other economic offences valued at M16,866,720
- Introduced on-line reporting through DCEO’s website in addition to the existing usage of toll-free reporting facility.
- Conducted investigations of one hundred and nine (109) cases from a total case load of five hundred and seventeen (517) cases
- Prosecuted a total of fifty-six (56) cases that are active in the courts.
- Conducted asset tracing of illicit assets in order to ensure their recovery and forfeiture and an amount of M35,056,142.53 is recovered as follows:

<b>PRESERVATION ORDERS (3)</b>	<b>Amount</b>
Movable Property (6)	1,705,000.00
Immovable Property (2)	3,700,000.00
Cash	-

<b>Total</b>	<b>3,950,000.00</b>
<b>RESTRAINING ORDERS (1)</b>	
Movable Property	-
Immovable Property (2)	7,500,000.00
Cash	-
<b>Total</b>	<b>7,500,000.00</b>
<b>FORFEITURE ORDERS (5)</b>	
Movable Property (5)	3,183,000.00
Immovable Property (12)	4,350,000.00
Cash (5)	14,618,142.53
<b>Total</b>	<b>22,151,142.53</b>
<b>GRAND TOTAL</b>	<b>35,056,142.53</b>

- Conducted integrity audits on Old Age Pension Disbursements in Quthing, Qacha's Nek and Mokhotlong and lifestyle audits in Qacha'sek and Maseru.
- Developed an online asset declaration system and conducted training of trainers in this system. The system is expected to go live effectively from April 2026
- Conducted integrity audits on service provision in the Ministries of Home Affairs in the department of civil registration and Public Works and Transport in the department of Traffic.
- Established Systems Integrity Committees of three Ministries: Foreign Affairs, Defence and Cabinet.
- Facilitated declaration of assets by 179 public officials as depicted in the table below:

<b>Public Officials' category</b>	<b>Number of Declarations made</b>
Right Hon. The Prime Minister	1
Hon. Deputy Prime Minister	1
Cabinet Ministers	13
Hon. Members of Parliament	2
Principal Secretaries	10
Senior Government Officials	152

<b>TOTAL</b>	<b>179</b>
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- Launched DCEO’s Northern and Southern regional offices in Botha Bothe and Mohale’s Hoek
- Fenced the two regional offices and constructed additional park homes and bathrooms (Botha Bothe and Mohale’s Hoek) to expand office space to ensure effective and efficient service delivery. The work is expected to be completed before the end of the current financial year.
- Participated in the Commonwealth Regional Anti-Corruption Survey whose objective was to explore new approaches to fighting corruption.

### **3.3.5 MAIN CHALLENGES**

The Office of DCEO is faced with the following challenges:

- Some international IT Service providers do not accept the Government of Lesotho’s procurement processes. Eg digital forensics software developers
- Delays in progression of cases in the courts of law
- Backlog of cases appears to be increasing fast because of disproportion between the number of investigators available and the case load.

### **3.3.6 THE CURRENT BUDGET ESTIMATES 2026/2027**

### **3.3.7 MINISTERIAL PRIORITIES**

To strengthen the DCEO’s investigative capabilities by:

- Switching from reactive investigations to more intelligence-led enforcement
- Streamlining investigative systems and processes in order to deliver strong cases to court
- Investing in the use of digital evidence tools
- capacitate investigators with relevant technical skills

Intensify Preventive Anti- Corruption interventions to address corruption at source in order to ensure early detection and reduction of risks through:

- Conducting integrity audits and corruption risk systems assessments
- Intensive public education and anti-corruption awareness campaigns
- Improved whistle blower mechanisms

Enhance the DCEO’s prosecutorial capabilities while enhancing asset recovery and anti-money laundering frameworks through:

- Adopting non-conviction-based asset forfeiture
- Conducting assets declaration and lifestyle audits
- Capacitate prosecutors with relevant technical skills

### **3.3.8 REVENUE BUDGET ESTIMATES**

The proposed amount is **M158,000** to be collected from sale of tenders, bidding and contract documents and deductions from payroll fees.

### **3.3.9 RECURRENT BUDGET ESTIMATES**

The budget request under recurrent amounts to **M70,751,553** aimed to perform the following activities:

- Wages and salaries
- Travel and transport
- Operating costs
- Acquisition of non- financial assets

### **3.3.10 OBSERVATIONS AND RECOMMENDATIONS**

The Committee noted, observed and recommended the following:

- 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.
- There is low with assets declaration by Members of Parliament and Government Officials with only two (2) Members out of hundred and twenty (120) legislatures who declared their assets. DCEO needs to verify compliance and impose sanctions for non-compliance.

## **3.4 JUDICIARY**

The Ministry is mandated to enhance a proactive and trustworthy Judiciary that delivers accessible and swift quality services, deliver justice to all in accordance with the Constitution and the laws of Lesotho.

### **3.4.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

### **3.4.2 REVENUE BUDGET PERFORMANCE**

The Ministry had anticipated collecting revenue amounting to **M6,079,981.00** and collected **M24,398,074.85** through the following activities:

- Master's fees
- Estate duty

- Sale of tender documents
- Court fees
- Photocopying
- Payroll deductions
- Judicial fines

The overcollection on revenue was due to the following:

- New structure of fees as per the Administration of Estates and Inheritance Act, 2024
- Fine imposed to companies
- Fine collected from criminal cases

### **3.4.3 RECURRENT BUDGET PERFORMANCE**

The Ministry's approved budget was **M162,558,906** to cater for the following activities:

- Travel and transport
- Operating costs
- Personal emoluments
- Acquisition of non Financial

### **3.4.4 SUCCESSES AND ACHIEVEMENTS**

Successfully decentralized High Court and Judicial Commissioners' Services to the Southern Region through recruitment of personnel, remodeling and renovation of rental premises, procurement of office equipment and office furniture, procurement of library books and installation of digital court recording system

Completed refurbishment of 8 local courts:

Thaba Tseka Magistrate

Mapholaneng Local Court - Mokhotlong

Bokong Local Court - Thaba Tseka

Matala Local Court - Maseru

Peka Local Court - Leribe

Local Court - Leribe

Sefikeng Local Court - Berea

Mt Moorosi Local Court - Quthing

Installation of park homes and ICT equipment for the Children’s Courts in Mafeteng and Mokhotlong districts

Reviewed High Court rules and developed code of ethics for judicial officers

### **3.4.5 THE CURRENT BUDGET ESTIMATES 2026/2027**

#### **3.4.6 MINISTERIAL PRIORITIES**

- To improve access to justice
- To improve efficiency and effectiveness of judicial services
- To improve administration of Estates and the Guardian’s Fund
- To enhance public trust and organizational image

#### **3.4.7 REVENUE BUDGET ESTIMATES**

The Ministry projects to collect revenue amounting to **M7,321,000** through the following items:

- Taxation
- Payment of other services and fees
- Other sources of revenue

#### **3.4.8 RECURRENT BUDGET ESTIMATES**

The Ministry requests a total budget of **M203,964,198** to cover:

- Operating costs
- Personal emoluments
- Travel and transport
- Other expenses

#### **3.4.9 OBSERVATIONS AND RECOMMENDATIONS**

The Committee noted, observed and recommended the following:

- There is a delay in implementation due to district sub-accountancies procedures and processes
- The Government needs to prioritize and invest in SDG 16 (peace, justice and strong institutions) for transparency and protection of its citizens
- The Committee recommend that DDPR be moved from the Ministry of Labour to the Judiciary to:
  - Enhance its independence

- Improve impartiality
- Align with international best practices
- Increase efficiency
- There is a need to provide secure residences for Judges and Magistrates to:
  - Minimize public contact
  - Enhance security
  - Allow concentration on judicial duties
  - Reduce influence attempts

### **3.5 MINISTRY OF LOCAL GOVERNMENT, CHIEFTAINSHIP, HOME AFFAIRS AND POLICE**

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

- Register and affirm the identity, status of citizens and non-citizens and their livestock,
- Manage migration efficiently and securely enables citizens and non-citizens to exercise their constitutional rights of freedom of movement and access to services.
- Protect life and property through maintenance of law and order in the country.
- Prevent and detect crime and promote efficiency and effectiveness of police services.
- Coordinate and oversee the implementation of decentralization and to strengthen Chieftainship Institution.
- Promote effectiveness and efficiency of land management strategies and ensure provision of affordable housing.

#### **3.5.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

#### **3.5.2 REVENUE BUDGET PERFORMANCE**

The Ministry of Local Government, Chieftainship, Home Affairs and Police had the approved revenue budget of **M35,184,285** for the Financial Year 2025/2026 to be generated through the following activities:

- Local Government rates-vehicles' parking;
- Building permits;
- Registration of land, leases and other title documents;
- Rent from Government properties;

- Statutory fees;
- Passports, VISAs and permits;
- Firearms;
- Citizenship;
- Sale of tender documents;
- Identity and photographs;
- Police outside service; and
- 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.

### **3.5.3 RECURRENT BUDGET PERFORMANCE**

The Ministry's approved budget amounted to **M1,793,575,794** and was utilized for the following:

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

However, the Ministry reported the following challenges:

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

### **3.5.4 CAPITAL BUDGET PERFORMANCE**

The Ministry's Capital Budget of **M560,665,243** was injected from the Government of Lesotho and grants from UNCDF and Road fund, were meant among other things, towards the following:

- Development of Community Roads (10 Districts)
- Construction of bus terminals (Leribe, Berea, Mafeteng, Thaba-Tseka, M/Hoek and Quthing)
- Construction of Councils Offices (Manonyane CC)

- Construction of Principal Chiefs Offices (Thaba-Tsóeu and Likueneng)
- Solid Waste Management (MCC)
- Upgrading of urban roads (Berea Urban Roads, Mpilo Boulevard, Berea Bypass)
- Construction of Maseru Fire Station and Fire Engines
- Solid Waste Management (10 Districts)
- Construction/rehabilitation of Police stations (Thabana-Morena)
- Development Fund for Councils (10 Districts)
- Local Adoptive Living Facility
- Roads periodic maintenance Maseru Manicipal Council

### **3.5.5 SUCCESSESS AND ACHIEVEMENTS**

- Procured 112,428 passport booklets and issued 59,195 passports and 127,046 IDs
- Registered 392,848 vital events (births, deaths, marriages, adoptions, and divorces)
- Issued 860 permits and 1,425 visas.
- Issued 154,656 ID cards
- Verified and authenticated 7,178,356 Identities for relying parties.
- 64 869 livestock registered and 1819 owners registered, 11 702 stock booklets issued, 4,473 registration certificates issued.
- 144,291 livestock marked with tattooing and branding.
- 90 Days dispensation agreement between RSA and Lesotho.
- 600 000 Scanned and registered travellers, Basotho entry = 452386, Basotho departure = 323 334, Foreign entry = 120 563, Foreign departure 74 605, deceased 192, deportees 12 210, undocumented Basotho 25 632, Refugees 24, denied entry and exit 73
- Issued 1001 residents permits,834 visas, 4 citizenships applications.
- Development of the National Spatial Planning and Development Framework is towards completion, with completion of two specialist reports (resource towns, biodiversity, and ecological infrastructure report at 89%, and data analysis is at 95%)
- Handed over the Principal Chief's offices of Botha-Bothe
- Verification of chiefs happened at Ha Rapase, Mafeteng, Ha Cheche, Ha Mariti and Boiketlo, Thaba-Tseka, Ha Mosotho, Serobo and Ha Fako in Mafeteng as well as at Matelile. Further verified chiefs at Ha Foka, Leribe and at Rothe, Maama and Matsieng.
- Registered and examined 75 deeds in the Deeds Register.
- 4 boundary disputes Committees established.
- Procured 7 vehicles for District Administrators and 6 vehicles for Commissioners
- Constructed community rural roads and structures across the country, 96.9 km of formation, 77.67 km of gravel, 9 mini bridges, 62 culverts (cross, side and access), 105 drifts, 500 retaining

walls and 5 vented fords were erected across the country including ditching, 40 gabions construction and 3143 casual labourers were engaged.

- Urban asphalt roads construction is ongoing at Berea and 2km of asphalt has already been completed and roads clearing towards completion at Ty bypass road
- construction of bus terminals are at more than 70% completion in Leribe, Berea, Mafeteng, Quthing and Thaba Tseka while Mohale'shoek also still under construction by below 70% performance status.
- construction of Maseru Fire Station is already ongoing and it will be completed by June.
- Other roads are under construction with the Maseru Municipal Council together with street lighting:
  - Lekhalong to Matamong Road via Ratjomose and Rehabilitation of Matamong to Thetsane Industrial Road (roads)
  - Lekhaloaneng to Mampho (street lighting)
- Renovation of the following police stations is ongoing in Quthing, Qacha's Nek, Berea, Mabote, Central Charge office and Police headquarters
- Construction of Principal Chiefs offices is ongoing at Thaba Tsoeu and Likoeneng.
- Construction of Community Council office is ongoing at Manonyane-Procured 6 vehicles, and 6 motor bikes for LMPS.
- Developed draft policy and legal frameworks for establishing PCA as an autonomous body.
- Held stakeholders engagement meeting with LMPS to draw a roadmap for the review and amendment of Police service charter.
- Inspected 9 operating private security companies in Botha-bothe and Leribe, 3 new companies were registered.
- Raids and public gathering were conducted and 929 stolen livestock were recovered.
- 2451 cases of serious crimes were reported.
- Sewing of 21000 pieces of Police uniform
- Procured protective clothing for water rescue.

### **3.5.6 MAIN CHALLENGES**

- Costing of water projects by Rural Water Supply delay progress on the development fund for councils' project/programme across all districts.
- There is a challenge of poor infrastructure in rural and urban areas of the country, especially roads infrastructure

### **3.5.7 THE CURRENT BUDGET ESTIMATES 2026/2027**

### **3.5.8 MINISTERIAL PRIORITIES**

- To enhance the capacity of Councils, Chieftainship, Home Affairs and Police for improved service delivery

- To register and affirm the identity of citizens and non-citizens in Lesotho and protect their livestock
- To enhance the control and regulation of the movement of persons into and out of Lesotho, reducing unauthorized crossing by 60 per cent and coordinating trafficking in persons and forcibly displaced persons.
- To enhance the capacity of Councils, Chieftainship and Home Affairs, and Police for improved service delivery
- To prevent, detect and reduce the crime rate by 5 per cent in Lesotho
- To protect individuals and their properties against emergencies
- To strengthen knowledge of human rights in 40 percent of Councils and hold Police accountable for their misconduct.
- To Improve Public Infrastructure at Councils

### **3.5.9 REVENUE BUDGET ESTIMATES**

The Ministry of Local Government, Chieftainship, Home Affairs and Police intends to collect an amount of **M43,433,116** as revenue through the following activities to mention a few:

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

### **3.5.10 RECURRENT BUDGET ESTIMATES**

The Ministry **M2,144,627,448** for the Financial Year 2026/2027 which will be utilized for the following:

- Wages and salaries
- Travel and transport
- Operating costs
- Transfers (Grants – MCC and LAA)
- Other expenses
- Acquisition of non – financial assets

### **3.5.11 GRANTS**

The total donor grants to be received by the Ministry amount to **M160,500,000** intended to perform the following activities:

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

### **3.5.12 CAPITAL BUDGET ESTIMATES**

The Ministry requests an amount of **M 768,900,000** for its Capital expenditure, and this amount will be funded by the Government of Lesotho. It is intended to perform the following activities:

- Upgrading of Urban Roads
- Construction of Principal Chiefs Offices
- Local Government Infrastructure
- Construction of bus terminals
- Solid Waste Management for MCC
- Construction and renovation of Police Stations
- Construction of Maseru Fire Station and Fire Engines Supply
- Solid waste management for Urban Councils
- Development fund for Councils
- Development of Rural Community Roads

The variance amounts of Capital Budget Performance will be utilized by end of the Financial Year.

### **3.5.13 OBSERVATIONS AND RECOMMENDATIONS**

The Committee observed and recommends as following:

- The Ministry should undertake awareness campaigns on human trafficking to:
  - Educate communities to recognize signs and risks of human trafficking
  - Protect vulnerable groups
  - Support victims and ensure justice is served
- Most Police infrastructure at the districts level are badly dilapidated. This demoralize staff and compromises staff and suspects security
- The delay in rehabilitation of the dump site due to budget constraints
- Fast track and improve capacity to register livestock, track and identify stolen animals

- The Ministry is facing some challenges in relation to revenue collection, such as the unavailability of bylaws to enable Councils to collect revenue.
- 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.
- Mpilo intersection project is budgeted every year without progress.
- There was a delay in the provision of Identity documents and passport issuance.
- Illegal crossing between Lesotho and South Africa increases transnational organized crimes and stock theft.
- There should be a budget allocation for districts.
- Government should avail resources that will allow Police to produce their own uniform instead of buying.
- 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.
- 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.
- The Ministry should fast track the introduction of digital Identity and use of Identity documents to cross borders.
- 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.
- The Ministry of Local Government should develop by-laws that will sustain a clear revenue string that will sustain day-to-day activities.

### **3.6 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:

- Review constituencies' boundaries, electoral laws, policies and procedures
- Improve participation of stakeholders in the electoral process
- Conduct credible, free, and fair elections

- Improve quality of electors' registration and ensure production of a more acceptable electors' register to mention a few

### **3.6.1 PREVIOUS YEAR'S BUDGET PERFORMANCE 2025/2026**

### **3.6.2 REVENUE BUDGET PERFORMANCE**

IEC budgeted **M1,350,004** as revenue through the following activities:

- Sale of tender and bidding documents
- Fines, penalties and forfeits
- Payroll deductions fee
- Interest, deposits and investments
- Registration fee

### **3.6.3 RECURRENT BUDGET PERFORMANCE**

IEC released amount was **M139,258,809**, released amount was **M147,640,985** due to supplementary budget, request to cover By Elections. The recurrent budget intended to meet the following activities:

- Payment of wages and salaries
- Travel and Transport
- Operating costs
- Transfers budget
- Acquisition of non financial assets
- Other expenses.

It was indicated that, on the recurrent budget the following challenges were experienced:

- IEC did not get the funds under Transfers budget during the second quarter, the reason being that funds were still not utilized all for First quarter (Budget department)
- The Bye Elections funds will be returned to the consolidated fund as the funds are not going to be used on this financial year.

- Much of the activities were done during the second quarter due to finalization of the procurement plan and the timing on procurement of goods and services.

#### **3.6.4 SUCCESSES AND ACHIEVEMENTS**

- IEC was able to generate interest for the Government of Lesotho and it is deposited quarterly into the consolidated fund.
- 552,039 electors' data has been migrated from the old system to the new system.
- Cleaning of 76 768 migrated data of electors from the old system on correction of names, date of birth etc.
- Signed Memorandum of Understanding (MOU) between Ministry of Local Government, Chieftainship, Home Affairs and Police for the purpose of verifying electors IDs against the Civil registry.
- 572, 623 electors verified using National Identity and Civil Registry.
- Upgrading of two Server rooms to accommodate the New Elector Management Information System (EMIS).
- Sensitization of Electors through National Radio station, TV, Community Radio Station, public gatherings, and Private Radio Stations. (424 radio sessions and 33 Tv sessions)
- Increased number of Self registrations to 337.
- Equipped people with disability with knowledge and skills to create awareness for their rights and responsibilities in election processes through Building Resources in Democratic Governance and Elections (BRIDGE) training. ( 5 sessions and groups of political parties(46 parties)
- Equipped Political Party Secretary Generals with knowledge and skills in political party administration, financial reporting, development of strategic plans and operational plans through Building Resources in Democratic Governance and Elections (BRIDGE) training. (All 46 registered Parties and 1 session held)
- Procured two additional Vehicles for deliveries to districts, Constituencies, and administrative trips.
- Developed IEC draft Financial Policy.
- Held Retreat workshops for internal staff on Referendum Familiarization.
- Registered one Political Party.
- Capacity building of senior management staff of IEC and Home Affairs on Boundary Delimitation and Voter registration principles and procedures through (BRIDGE) training.

#### **3.6.5 MAIN CHALLENGES**

- The line item for Payroll deduction fee was created post the budget hence not showing the budgeted figure.
- The release of funds for the second quarter did not happen and that resulted to low interest being generated on the call account.
- Resistance and reluctance of some eligible voters to register associating voter registration with service delivery.

- Delay of interconnection of systems with National Identity Civil Registry for verification of electors which hampered verification with Ministry of Home Affairs.
- Some of Basotho especially in the rural areas do not have National ID – Requirement for registration as voter.
- Lack of support from other main stakeholders in registration campaign
- Some of Basotho residing along the borders of Lesotho consider themselves as South Africans because they hold foreign documents therefore resist to Register.
- Reluctance of people to attend public gathering (Pitso) organized by IEC.

### **3.6.6 CURRENT BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2026/2027**

#### **3.6.7 REVENUE BUDGET ESTIMATES**

IEC revenue budget estimates is **M858,200** which will be collected through the following activities:

- Registration of new political parties
- Other fees and penalties
- Interest earned from call account
- Sale of tenders

#### **3.6.8 RECURRENT BUDGET ESTIMATES**

The Recurrent Budget estimates for IEC amount is **M119,895,592** and will be utilized to perform the following activities:

- Wages and salaries
- Travel and transport
- Operating costs
- Transfers budget
- Acquisition of non financial assets

#### **3.6.9 OBSERVATIONS AND RECOMMENDATIONS**

The Committee observed and recommends the following:

Standing Order No. 68 (1) and (2) provides that the Minister or the officials of his or her Ministry shall brief the Committee on the policy context, financial implications, contents and effects of the estimates.

The Independent Electoral Commission should have briefed the Committee as required, however the IEC did not appear before the Committee and failed to brief the Committee as required by the Standing Order no. 68 (1) and (2). Therefore the Committee recommends that IEC be allocated SALARIES and OPERATING COSTS only. The Standing Order no. 71 (4) supports the Committee's recommendation, in terms of this Standing Order the Committee allows any member to move that can a head or part of a head be decreased.

### **3.6.10 GENERAL OBSERVATIONS**

The Committee observed the following cross-cutting issues across the Ministries and Departments that were allocated Budget for the 2025/2026 Financial Year:

- Late release of funds undermines implementation: Across the institutions reviewed, funds allocations were released late in the Financial Year. This significantly constrained the ability of Ministries and Institutions to implement time-bound activities and capital projects within the approved financial period, leading to non-utilization of funds despite legitimate and urgent needs.
- Over-Reliance on contingency fund for foreseeable expenditure: The Committee observed an over-reliance on contingency to fund foreseeable and recurring expenditures, contrary to the purpose of the Contingency Fund, which is intended for unforeseen and unavoidable needs.
- Lack of transparency: insufficient justification of ministerial budget utilization can impact project timelines, funding and overall governance.
- Unapproved expenditure: spending without proper approval can lead to breach of financial regulations, reduced future budget allocation and reduced trust from stakeholders and donors.
- Misallocation of funds: diverting funds from original purpose through virements lead to:
  - Original goals not met
  - Intended outcomes compromised
  - Lack of transparency
  - Poor budgeting plan
  - Accountability gaps
- Unfinished Government projects: In most Ministries, there are unfinished projects which:
  - Hinder Development and service delivery
  - Increase accidents and maintenance costs

- Affect residents quality of life
  - Limit trade opportunities
  - Delay ifrastructure improvements
- Allocation of budget to the Ministry of Law and Justice (Lesotho Correctional Services) to repair Government furniture can:
    - Safe Government resources
    - Promote responsibility and develop inmates skills
    - Support rehabilitation

### **3.7 List of Member who adopted the report**

**Hon. E. Ramakatsa (Chairperson)**

**Hon. Adv. L. Rakuoane**

**Hon. M. Pule**

**Hon. M. Senauoane**

**Hon. L. Puseletso**

**Hon. M. Leshota**

**Hon. L. Phohleli**

**Hon. L. Moloji**

**Hon. T. Malataliana**

**Hon. M. Maphathe**

**Hon. Prof. N. Mahao**

### **3.8 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. Mohlali**
- 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**
- 23. Hon. Prof. N. Mahao**

## **ANNEXURE 4**

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

#### **Budget Performance 2025/2026**

##### **1. Ministry of Energy**

The Ministry of Energy is mandated to ensure security of energy supply, expansion of energy access and development of sustainable energy resources to support socio-economic development.

##### **1.1 Revenue Performance**

The Committee noted that the Ministry's revenue sources include the Motor Vehicle Assurance Levy, Oil Levy, electricity sales from the Muela Hydropower Plant and sale of services and tender documents.

The Ministry had projected total revenue of **M581,549,639**, while the actual collection as at 28 February 2026 was **M405,196,139**, resulting in a shortfall of **M176,353,499.72**. The Committee was informed that this revenue underperformance was largely due to:

- Non-compliance by some oil companies in paying statutory levies.
- Outstanding electricity payments by the Lesotho Electricity Company (LEC) for electricity supplied by the Muela Hydropower Plant.

The Committee expressed concern that weak enforcement mechanisms continue to affect the Ministry's ability to collect revenue.

## **1.2 Recurrent Budget Performance**

The approved recurrent budget for the Ministry was **M25,659,975**, while **M24,145,260.45** had been released as at 28 February 2026. Actual expenditure amounted to **M21,616,361.34**, leaving a variance of **M 2,274,462.11**. The Committee noted that most funds were spent on personal emoluments, travel and transport, operating costs and acquisition of non-financial assets

The committee noted that while Actual Expenditure may show a surplus, most of the **M 2,274,462.11** variance is already utilized. Significant amounts in stationery, printing, and fuel are awaiting the processing of February 2026 invoices and funds in minor works and office furniture are earmarked for deliveries expected in the 4th quarter. Budget reallocations (virements) were also made to cover unplanned activities such as the Prime Minister's outreach programme and procurement of vehicles and office equipment.

## **1.3 Capital Budget**

The total approved capital budget stands at **M1,417,195,330**, with **M 635,563,622** released and **M488,572,301** in actual expenditure. The remaining variance of **M146,991,268** represents funds released but not yet spent.

## **Project Performance Details**

### **1.3.1. Rural Electrification (GOL Funded)**

- **Budget Status:** Released **M297,251,566** against an expenditure of **M294,995,321**, leaving a variance of **M2,256,245**.
- **Progress:** Electrification of 4 villages (Tsaba-Lira, Makaung, Ha Motanyane, and Ha Raliemere) is complete. Electrification for 11 other villages and construction of the Mphaki-Sekake transmission line are ongoing. The remaining funds are earmarked for establishing the Rural Energy Board and additional staff recruitment.

### **1.3.2. Rehabilitation and upgrading of Katse 1 MW Hydropower & Generation Plant**

- **Budget Status:** **M 21,674,817.83** has been spent to pay taxes for various equipment imported from Japan, including conductors, turbines and control equipment. Some of the

remaining balance is earmarked for taxes on equipment scheduled for delivery on March 6<sup>th</sup> and 7<sup>th</sup>, 2026.

- **Ramarothole 40MW Solar Generation Plant and 20MWh BESS(BOT):** While implementation agreements are signed, the contractor has not yet made a claim, resulting in zero expenditure to date.

#### **1.3.3. Ramarothole 80MW Solar Generation (Phase 1 30MW and Phase 11 50MW):**

- **Budget status: M30,658,618** has been spent. Soil conservation and the construction of an earth dam (55% complete) are ongoing. Operation and maintenance for the existing 30MW plant have generated **45,044.10MWh** as of January 2026.
- **Exim Bank of China Portion:** Zero expenditure recorded as Phase II construction has not yet commenced.

#### **1.3.4. Lesotho Renewable Energy and Energy Access Project (LREEAP)**

- **GoL Portion: M3,188,237.17** spent on project operations and Belo Substation completion. **World Bank/SREP Portion: M147,745,502.73** spent under the World Bank loan. Expenditure includes upgrading the Tikoe substation, the contract is officially signed. However, no actual expenditure has been recorded to date, indicating that physical works or initial payments still pending. Mini Grids implementation is currently stalled as it awaits the World Bank clearance of the Request for proposal documents.

#### **1.3.5. National Electrification Infrastructure Development Project (Upgrading of Khukhune Substation)**

The project is financed through an AFDB Loan. The allocated amount is **M190,000.000.00**. The funds will be released once the implementing Agency confirms the Project Implementation unit.

### **The 2026/2027- Budget Estimates**

For the financial year **2026/2027**, the Ministry has proposed the following budget allocations:

#### **1.4 Revenue Target**

Total expected revenue of **M554, 949, 640** will be generated from oil levy and motor vehicle assurance levy, electricity sales, sale of services and sale of Tender, bidding and contract documents

#### **1.5 Recurrent Budget**

Total recurrent budget amounting to **M25,156, 250.00** has been proposed. This will cover Salaries and allowances for employees, travel and transport, operational costs and acquisition of office equipment and vehicles.

### **1.6 Capital Budget**

The Ministry proposed a capital budget amounting to **M1,824,545,039**, which will finance major projects including Rural Electrification, Rehabilitation and upgrading of Katse 1MW Hydro Generation Plant, Ramarothole 40 MW Solar Generation Plant and 20Mh BESS(BOT), Ramarothole 80MW Solar Generation, Lesotho Renewable Energy and Energy Access Project and National Electricity Infrastructure Development Project. These projects are aimed at improving energy security, increasing electricity access, and supporting economic growth.

### **1.7 Committee's Observations**

After reviewing the Ministry's submission, the Committee noted several challenges affecting the Ministry's performance.

- Non-compliance by oil companies in paying statutory levies.
- The persistent failure by LEC to settle outstanding electricity payments to energy producers poses a serious financial risk to the sustainability of energy infrastructure investments.
- The Ministry remains heavily dependent on donor funding for capital projects, which exposes critical infrastructure projects to delays when funding disbursements are postponed.
- Delays in the enactment of the Energy Bill have slowed progress in reforming the regulatory and institutional framework of the energy sector.
- Project implementation delays remain a recurring issue, largely due to procurement bottlenecks, legal disputes and administrative inefficiencies.
- Prolonged litigation affecting the completion of the Belo Substation project.

### **1.8 COMMITTEE RECOMMENDATIONS**

In light of the above observations, the Committee recommends that:

- The Ministry should strengthen enforcement mechanisms to ensure compliance by oil companies in paying statutory levies.
- Government should ensure that the Lesotho Electricity Company settles all outstanding electricity payments to energy producers in a timely manner.
- Parliament should prioritise the enactment of the Energy Bill and supporting regulations to facilitate the transformation and regulation of the energy sector.
- The Ministry should improve coordination with development partners to ensure timely disbursement of funds and effective implementation of donor-funded projects.

## **2. Ministry of Environment and Forestry**

### **Vision**

To ensure that by 2027 Lesotho's environment is sustainably managed and resilient to climate change impacts, leading to improved livelihoods of Basotho.

### **Mission**

To sustainably protect and conserve the environment, enhance resilience to climate change, and improve livelihoods through reliable meteorological services, land cover management, and ecosystem rehabilitation

### **2.1 Revenue**

The Ministry generated revenue mainly through tourism activities in national parks, particularly through entry fees at Lesotho Northern Parks, entry fees at Sehlabathebe National Park, and accommodation services at Ts'ehlanyane dormitories.

Firstly, Meals and Accommodation recorded a positive variance of **M41,980** above the 2025/26 target, indicating an overachievement of more than **100%**. This improvement was mainly due to the leasing of dormitories to construction workers involved in the ongoing water tunnel construction project.

Secondly, Entry Fees exceeded the target by **M42,237**. This increase is linked to the single-entry fee charged to tenants from a construction company during their first entry.

Additionally, collections at Sehlabathebe surpassed the target by **M10,150**, largely due to the construction of new road.

Overall, the performance reflects higher-than-expected revenue, mainly driven by unplanned opportunities related to construction activities and infrastructure development in the area.

## **2.2 Recurrent Budget**

The Ministry had an approved recurrent budget of **M140 207926**, of which **M121 562492** was released and **M113943 770** was spent, leaving a variance of **M7 618 722**. Major spending areas included compensation of employees; travel and transport, operating costs, transfers and acquisition of assets.

## **2.3 Capital Budget**

M187 656 069.00 was approved budget for capital projects. The Ministry implemented several projects funded by the Government and development partners. Major projects included, Regeneration of Landscapes and Livelihoods (ROLL), Strengthening National Adaptation Planning, Improvement of Early Warning System, Hydro chlorofluorocarbon Phase-Out Programme and Integrated Watershed Management Project.

## **2.4 Key Achievements**

Among the achievements reported:

- Formation of **110 regeneration coalitions** to support environmental management.
- Training of technical officers and community members on natural resource management.
- Rehabilitation of wetlands and degraded land.
- Installation of **49 automated weather stations** to improve early warning systems.
- Development of refrigeration and air-conditioning curriculum for ozone-depleting substances management.

### **The Budget Estimates- 2026/2027**

## **2.5 Revenue**

The Proposed revenue target is **M 503,740** which will be collected from Entry fees, Meals and Accommodation. The Ministry also intends to increase revenue through implementation of the Plastic Levy Regulations, enforcement of fines under the Environmental Act, and Reviewing and increasing park entry fees.

## 2.6 Recurrent Budget

The Ministry's total proposed budget for 2026/2027 is **M157 258 364** for recurrent expenditure.

The recurrent budget will mainly fund

- Salaries and allowances for staff
- Land rehabilitation programmes employing temporary labourers
- Travel and operational costs
- Maintenance of infrastructure and environmental assets
- Procurement of forestry seedlings and tools.

## 2.7 Capital Budget

The Committee noted the Capital Budget Estimates for the following projects:

**2.7.1 Regeneration of Livelihoods and Landscape Project**, which is supported through multiple funding sources including the Government of Lesotho (GoL), the International Fund for Agricultural Development (IFAD), the OPEC Fund for International Development (OFID), and the Global Environment Facility (GEF). The Government of Lesotho contributes an amount of **M2,100,000** primarily to cover taxes imposed on project expenses. IFAD provides **M40,053,043**, while OFID contributes **M110,751,765** in the form of a loan. In addition, GEF provides **M14,200,876** in grant funding and **M4,170,304** under the Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+).

**2.7.2 Hydro chlorofluorocarbon Phase-Out Management** focuses on protecting the Ozone layer through technical training and regulatory development. It is funded by three main entities: GoL **M300,000,00**, GIZ **M 661,235** and UNEP **M1,909,360**

**2.7.3 Integrated Watershed Management Project:** This initiative aims to improve agro-pastoral livelihoods within the Sebapala sub-catchment area. It is Funded by GEF with a budget of **M 6. 995, 594** and UNDP **M 791,152**

## 2.8 Committee Observations

After reviewing the Ministry's presentation and documentation, the Committee observed the following:

- High maintenance costs due to obsolete vehicles;
- Difficulty in processing travel reimbursements due to lack of receipts;
- Unclear procedures regarding payments for equine hire in remote areas;
- Delays in electricity billing from property managers;
- Risk of revenue loss due to cash-based entry payments at parks:
- Delays in donor funding disbursements;
- Underperformance by some consultants;
- Lengthy procurement processes due to limited technical expertise.
- Cash-based revenue collection systems increase the risk of revenue leakages.
- Procurement delays continue to affect timely implementation of projects.
- Dependence on donor funding exposes projects to delays when funds are not released on time.
- Unclear financial procedures, particularly regarding equine hire and travel reimbursements, create administrative inefficiencies.
- Environmental law enforcement remains weak, as many fines under the Environmental Act are not fully enforced.

## **2.9 Committee's Recommendations**

The Committee recommends that:

- The Ministry should modernize revenue collection systems, including the use of electronic payment systems at national parks.
- Government should invest in replacing obsolete vehicles to reduce high maintenance costs.
- Clear financial guidelines should be developed for equine hire and travel reimbursements to avoid administrative inconsistencies.
- Environmental law enforcement should be strengthened, particularly the collection of fines under the Environmental Act.

## **3. Ministry of Natural Resources**

### **2025/2026 Budget Performance**

#### **3.1 Revenue**

The Ministry had projected to collect revenue amounting to **M5,359,410,133** mainly through water royalties, diamond dealer licences, royalties and surface rent and others. However, it collected **M3,784,414,685**, resulting in a shortfall of **M1,574,994,448**. This was due to outstanding collection to be paid by end of March, 2026, new fees that were based on pending legislation, suspension of operation at Liqhobong mine, Mothae mine and the introduction of synthetic diamonds in mining market to mention few.

### **3.2 Recurrent Budget**

The Ministry's approved budget was **M730,637,196** but **M699,428,747.95** was allocated to it under recurrent budget. Out of the received budget, **M576,432, 777** was used to pay salaries, allowances, short term hire, membership subscription, purchase of 11 vehicles and other operational expenses to achieve the ministry's objectives. The remaining budget balance of **M121, 518,686** will be expended before the end of 2025/2026.

### **3.3 Capital Budget**

For different developmental projects funded by the Government, grants and loans the total approved budget was **M 1,497,122,147**. **M 972, 171, 648.32** was used for implementation of Village Water Supply, Rural Water Supply and Sanitation, Lesotho Lowlands Rural Water Supply Development Phase11 and Lesotho Lowlands Water Development Phase111 projects.

The main purpose of the projects is to contribute towards effective implementation of Integrated Catchment Management in Lesotho through an improved coordination amongst relevant stakeholders. The projects further focus to improve health and livelihoods of Basotho living in rural areas, through an increased and sustained access to improved domestic water supply and sustained access improved latrines in rural areas.

#### **3.3.1 Subvention Budget**

WASCO was allocated **M52** million and **M10, 260,860** of the budget was used on Rasebala dam dredging, leaving a balance of **M 41,739,140**.

**WASCO is mandated to generate income and below is its collection for the period ending on 31 December 2025:**

- Actual generated income amounts to **M205.6** million
- Actual total expenditure amounts to **M 257.9** million

- Loss of **M52.2** million
- Actual cash collection of **M53.4** million
- Trade payables balance of **M147.4** million
- Trade receivable balance of **M231.6** million

### **2026/2027 Budget Estimates**

In 2026/2027 the Ministry aims at achieving the below objectives:

- To increase access to water supply and sanitation services
- To promote investment in the mining sector, increase discovery of minerals and promote research for sustainable development of natural resources
- To strengthen the development and management of water and mineral resources
- To improve service delivery

### **3.4 Revenue**

The Ministry projected to collect annual revenue amount of **M5,118,631,627** from different sources of collection. The projected collection declined from **M5,359,410,133** to **M5,118,631,627** due to suspension of operation at Liqhobong and Mothae mines including deferment of royalties from Kao mine and remission of royalties from Letšeng mine.

### **3.5 Recurrent Budget**

For the Recurrent Budget, the Ministry proposed **M659,773,877** to accomplish its objectives. With the budget, the Ministry will pay salaries, allowances, subscriptions and other expenses.

### **3.6 Capital Budget**

The Ministry requested **M1,755,633,272** under capital projects that are funded by the Government of Lesotho, Grants and Loans. The budget is required to fund activities of the following ongoing projects: Village Water Supply, Rural Water Supply and Sanitation, Lesotho Lowlands Rural Water Supply Development Phase11, Lesotho Lowlands Water Development Phase111 projects and Greater Maseru Water Supply Extension. The projects aim at improving the rural water supply programme to provide adequate and sustainable potable water to rural communities in 2026/2027.

### **3.7 Key Achievements**

- Five Catchment Management Joint Committees have been established for Mohokare, Upper Senqu and Makhalaneng for protection and rehabilitation of water resources.
- Completed construction works under emergency Rehabilitation Measures in three sub catchments
- Completed construction of water supply systems at Lekokoaneng.

### **3.8 Challenges Identified**

- The Ministry had budgeted for vacant positions but was unable to fill those positions due delays to approve filling of positions by Public Service Commission.
- Lengthy turn-around time and procurement processes from the financiers affect projects progress and disbursement rate

### **3.9 Committee Observations**

- The Committee observed that revenue projection for 2025/2026 financial year was based on pending legislation and that is improper budgeting. This led to under collection for revenue
- Laws that govern mines are obsolete and not responsive to the current challenges emanating around mines and this affects revenue collection negatively.
- The Committee observed that the absence of Government fleet management position in the Ministry result in servicing government vehicles regularly and expensively because Administrative Officer responsible for government fleet lacks skills and knowledge to affirm that vehicles are serviced and maintained well.
- Projects progress is very slow, resulting in requiring more than anticipated projects durations and escalation of project price.
- WASCO collection is ineffective and poor, resulting in collecting less than its expenditure, leading to suspension water supply to its clients.

### **3.10 Committee's Concerns**

- The Committee noted with a serious concern that the budget of M30 million is earmarked to finance activities related to the review and revision of the Lesotho Highlands Water Treaty but according to LHDA, M30 million is not enough.

- The Committee expressed a concern that the Lesotho Highlands Water Project Treaty was signed between the Governments of Lesotho and South Africa in October 1986 without consulting Basotho, Parliament and other relevant stakeholders which resulted in not benefitting Basotho.
- The Committee noted with a serious concern that the Ministry is unable to use software licences because the contractor who was awarded that project is not registered with IFMS, and the Ministry is not eligible to register the software. The software licences are therefore not benefitting the ministry but **M17,000** which was not spent was budget for the software. However, the Ministry indicated that they have found a solution.
- In terms of Article 18 of the Treaty, the Treaty should be reviewed within 12 years or when two countries agreed to review it. However, only six protocol review of the Treaty were conducted, and the last one was made in 1999, resulting in 27 years without amending it.
- The Committee is concerned that loan funded projects benefit foreigners rather than Basotho, despite the lack of local benefit, GoL remains legally obligated to repay the resulting debt.
- The Committee noted that the Financiers of loan-based projects delay to sign financing agreement, proposals approvals, affecting the implementation, progress and completion of such project. This also led to escalation of price for the projects.

### 3.11 Recommendations

- The Government should create government fleet management positions across ministries to ascertain that government vehicles are well managed.
- The Parliament should amend the Public Procurement Act, 2023 in ensuring that Basotho benefit from Loan-based projects.
- The Ministry should draft laws that are responsive to the emerging challenges in the mining sector.
- The Ministry should ensure accurate budgeting to avoid unnecessary virement.
- The Ministry should provide the Committee with LHDA contracts to enable the Committee to conduct its oversight effectively.

#### 4. Ministry of Tourism, Sport, Arts and Culture

##### 4.1 Revenue

**M4, 506,595** was projected as annual revenue collection from different sources but only **M2,877,417** was generated from casino licences, guest houses, hotels and lodges licences and others, reflecting under collection. This resulted from outstanding payment to be collected before the end of March, 2026 and other line items which have collected far way less than the target. However, it should be noted that there are some line items that have over collection.

##### 4.2. Recurrent Budget

The Ministry's approved budget was **M93,360,134** and revised to **M106,619,133**. The budget amounting to **M104, 380,415** was expended to pay salaries, allowances, short term hire, subventions and other expenses. With the variance of **M973,930**, the Ministry will use it before the end of the financial year.

##### 4.3 Capital Budget

**M30** million was approved for developmental projects but it was revised to **M115,959,888**. Out of the revised budget, **M30** million was allocated to Lesotho National Museum. The budget was not used because the Ministry was waiting for the pending retrospective Authority from the Procurement Committee at the Ministry of Public Works and Transport. **Double check**

**M85,959,888** was earmarked specifically for the implementation of Lesotho National Setsoto Stadium. The budget was needed to finance activities related to upgrade the stadium to have a capacity of 22000 seaters but it was not utilised as planned due to failure to secure a qualified contractor for the project, leading to the re-advertisement of the project.

##### 4.4 Subvention Budget Within the Ministry of Tourism, Sports, Arts and Culture

The following Parastatals were allocated subvention

Parastatals	Approved Budget	Total Amount Released	Actual Expenditure	Variance
Lesotho Copyright Society of Authors				

and Artists(LESCOSAA)	3,700,000	3, 7000,000	3,420,845	279,154
Lesotho Sports and Recreation Commission(LSRC)	12,000,000	12,000,000	11,557,995.82	442,044.18
Lesotho Tourism Development Corporation (LTDC)	15,000,000	15,000,000	17,355,171.33	2,355,171.33

#### 4.4.1 Revenue

Description	Approved Budget	Actual collection	Variance
LESCOSAA	5,136, 403.53	3,771,986.62	1,364,416.90
LSRC	12,017,500	12,017,500	0
LTDC	36,796,297.50	27,482,013.41	7,313,315.78

#### 2026/2027 Budget Estimates

For the coming financial year, the Ministry of Tourism, Sports, Arts and Culture intends to achieve the following objectives:

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

#### 4.5 Revenue

The Ministry had projected to collect revenue of **M4,506,595** mainly from Casino, Guest Houses and B&B Licences and others. The revenue projection has increased due to increased accommodations, new hotels and a lodge.

#### 4.6 Recurrent Budget

For the Ministry to be effective and efficient in achieving its objectives, it will need **M158,779,100** under recurrent budget. The budget will be used to pay salaries, allowances, vehicles, transfers and other expenses.

#### **4.7 Capital Budget**

The Ministry requested capital budget of **M 130** million for capital projects. **M80** million is required for the refurbishment of the royal stand and related works of the National Setsoto Stadium, and **M50** million is needed for the construction of small stadium pitches in Leribe and Butha-Buthe for the next financial year.

#### **4.8 Key Achievements**

- Installed exhibition panels and dinosaur structure at Quthing footprints site.
- Introduced music licenses throughout the country and commenced collection of tariffs.
- Developed and erected signage in and around Sehlabathebe National Park
- Successfully hosted African Union Sports Council Region 5 (AUSC Region 5) sub-Regional Quality Physical Education forum in Maseru.

#### **4.9 Challenges Identified**

- Inability to secure consultancy services for review of casino order and development of new gambling policy and legal framework
- Non -functionality of Sehlabathebe National Park Lodge due to operator's non-compliance.

#### **4.10 Committee's Observations**

- The Committee noted that the Ministry had awarded private operators contracts at Maliba Lodge, Bokong Chalets and Liphofung Chalets for 60 years, 25 years and another 25 years respectively to operate facilities within National Parks.
- The Committee observed that online gambling operates in a grey area without regulations, making it difficult to ensure tax compliance.
- The Committee noted that despite significant government investment in constructing properties, maintenance is lacking, and the country is not reaping the full benefits.
- The Committee observed that the Ministry is not tracking revenue collection effectively, resulting in losing opportunities to maximise income.

- The Committee noted that the National Setsoto Stadium excludes other sports like Javelin, discus and shotput due to the artificial grass used

#### **4.11 Committee's Concerns**

- The Committee expresses concern that the Ministry plans to increase the capacity of the National Setsoto Stadium to 22000 seaters which may not be sustainable. The construction of a new stadium would be the best initiative.
- The Committee noted with a serious concern that some government properties are managed by private operators, but the Ministry still insures buildings or structures of such properties. This leads to unnecessary spending for the Ministry.
- The Committee noted that the operators' contracts for government properties lack a clause that requires them to cover government properties which are under their management.

#### **4.12 Recommendation**

- The Ministry should review operators' contracts at Maliba Lodge, Bokong Chalets and Liphofung Chalets.
- The Ministry should spend the requested budget of **M80** million to maintain toilets and lights at the National Setsoto Stadium.
- The Ministry should request a budget to construct a new stadium.

### **5. MINISTRY OF PUBLIC WORKS AND TRANSPORT**

The Ministry seeks to:

- Develop the legal framework governing the construction industry and transport services.
- Ensure quality construction and maintenance of public infrastructure.
- Coordinate the implementation of regional and international transport protocols.

#### **5.1 Revenue Performance**

The Ministry had projected to collect revenue of **M 36,636, 888** mainly from Driver's licence fees, Motor vehicle inspection fees, Permits amongst others. Its revenue collection amounted to M38, 342,534.46 showing over collection of **M3,707,505.46**.

However, the Committee noted that revenue collection is affected by several operational challenges.

#### **5.2 Recurrent Budget Performance**

A total amount of **M247,056,838** was approved budget of the Ministry but was revised to **M260,141,802.60**. The Ministry expended **M242,916,248.94** to cover compensation of employees, Travel and transport, operating costs, transfers and acquisition of non-financial assets. The Ministry reported that the variance of **M15,791,215.46** will be used before the end of 2025/2026.

### **5.3 Capital Budget Performance**

The Ministry's approved budget for capital projects was **M2,384,433,665**. The projects were funded by GoL and Loans. The budget was planned to support major infrastructure projects including Mpiti -Sehlaba-Thebe Road, Marakabei-Monontša Road, Matlali -Mosenekeng Road, Tebellong Bridge, Pavement Strengthening (paved and unpaved roads), Moshoeshoe1 International Airport improvements, Construction of Office Park and Residence Maintenance, Rapid Response Unit for emergency works and Maputsoe Cross Border Bus.

**M878,282,947.35** was allocated to the Ministry for the implementation of new and ongoing projects. Budget that was required for Mpiti-Sehlabathebe road was fully utilised and it has reached its completion while Sehlaba -Thebe Thamathu road, Marabei-Montsa Road, Pavement Strengthening unpaved roads including Rapid Response Unit spent all budget allocated them.

Matlali Mosenekeng (Lebakeng), Tebello Bridge and Mohale's Hoek-Mpharane road did not utilise the budget due to different delays which prevented the contractor to implement those projects. Other projects were implemented although could not spend all the budget, leading to budget balance of **M7,380,270.25**.

### **Budget Estimates for 2026/2027**

#### **5.4 Revenue Projections**

The Ministry projects total revenue of approximately **M35,935,087** for the 2026/2027 financial year. Major sources include, Driver's licence fees, Motor vehicle inspection fees, Permits and licences and others.

#### **5.5 Recurrent Budget Estimates**

The recurrent budget for 2026/2027 amounts to approximately **M260,664,835**. Key expenditure categories include compensation of employees, travel and transport, operating costs, transfers and Procurement of equipment.

#### **5.6 Capital Budget Estimates**

The Ministry has proposed **M 2, 184,451,103** under capital budget. The capital budget focuses on the development and rehabilitation of road infrastructure and public facilities. Major projects include Marakabei - Monontša Road, Ha Paramente - Ha Mpharoane (Seboche) Road, Tebellong Bridge, Sehlabathebe-Thamathu, Matlali - Mosenekeng Road, Pavement Strengthening (paved and unpaved roads), Lesotho Intergrated Transport, Trade and logistics Project (Thaba Tseka – Katse and A1 spot improvement), Footbridge construction, Construction of Office Park and Residence Maintenance, In- House Maintanance Works Programme and Moshoeshoe I International Airport improvements.

### **5.7 Achievements**

The Ministry reported several achievements, including Infrastructure Development, Rehabilitation of Moshoeshoe Road and Kofi Annan Road, Construction of the Koro-Koro Bridge, Construction of Marakabei–Monontša Road and FootbridgConstruction.

Completed footbridges in:

- Phahameng
- Mohausung
- Mafika
- Masamoele
- Moahloli
- Ntsirele
- Tsekelo.

Emergency works were implemented in areas such as:

- Selomo
- Lipetu
- Mathebe
- Semonkoaneng

- Pitseng to Matlameng.

## **5.8 Challenges Affecting Project Implementation**

The Committee noted several major constraints affecting infrastructure development:

- Delayed procurement processes, especially where project designs were incomplete.
- Delayed payments to contractors and consultants, resulting in suspension of works.
- Poor disbursement of funds, causing cash-flow challenges for contractors.
- Lengthy donor procedures, particularly for projects funded by the World Bank.
- Insufficient recurrent budget for the Roads Directorate, which limited some planned activities.
- Administrative delays, such as the need for approval from the Ministry of Finance for vehicle maintenance

## **5.9 Committee Observations**

After reviewing the submission by the Ministry, the Committee made the following observations:

- High expenditure performance (98%) suggests efficient utilisation of the recurrent budget.
- Delayed payments to contractors significantly slow project implementation.
- Procurement processes are lengthy, especially for projects involving donor funding.
- Revenue collection systems remain outdated, relying heavily on cash payments.
- The absence of adequate planning and preliminary designs delays procurement of contractors.
- The budget ceiling set by the Ministry of Finance may limit implementation of key projects.
- The Committee noted that the Ministry over budgeted for certain line items in order to make virement for Fares International.
- The Committee expressed a concern that vehicle fitness assessments have been done manually for the past two years because there is no testing machine available, leading to

inaccuracy of vehicle fitness. This is risky because vehicles owners drive cars that are not fit for the road.

### **5.10. Committee Recommendations**

The Committee recommends that:

- The Government should introduce cashless payment systems to improve transparency and efficiency in revenue collection.
- The Ministry of Finance should ensure timely release of funds to avoid delays in payment to contractors and consultants.
- Government Printing should be adequately resourced to prevent shortages of permits and licensing documents.
- The Ministry should prioritise road maintenance and rehabilitation projects to improve safety and connectivity.
- Measures should be introduced to reduce delays in donor-funded project approvals.
- The Ministry should strengthen monitoring and evaluation mechanisms to ensure projects are implemented within budget and time.
- The Ministry should outsource service for fitness assessments.

### **List of Members of the Portfolio Committee on Natural Resources, Tourism and**

#### **Land Cluster**

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. Mdlakovana
18. Hon. R. Ramaisa
19. Hon. T. Mojabela
20. Hon. M. Khaahloe
21. Hon. M. Mabote
22. Hon. M. Tsatsanyane
23. Hon. T. Mapesela
24. Hon. M. Moleleki

## **ANNEXURE 5**

### **PORTFOLIO COMMITTEE ON THE PRIME MINISTER'S MINISTRIES AND DEPARTMENTS, GOVERNANCE, FOREIGN RELATIONS AND COMMUNICATION CLUSTER**

#### **1.0 INTRODUCTION**

On the 18<sup>th</sup> February 2026, the Honourable Minister of Finance and Development Planning presented the Annual Budget and Estimates of Revenue and Expenditure for the Financial Year 2026/27 to the National Assembly, in terms of section 112(1) of the Constitution. Thereafter, the Budget Estimates for the Fiscal Year 2026/27 were referred to the Portfolio Committee on the Economic and Development Cluster for consideration, investigation, inquiring into and to make recommendations relating to budget estimates, from their respective assigned Ministries.

## **2.0 METHODOLOGY**

The Portfolio Committee on the Prime Minister's Ministries and Departments, Governance, Foreign Relations and Communication Cluster (hereto referred as Prime Minister's Cluster) held meetings with individual Ministries for which it exercises oversight and accountability roles. The purpose of the meetings was to discuss their respective 2026/27 Budget Estimates, within the context of the National Strategic Development Plan II and the international obligations.

According to Standing Order No. 94 (1) (a), the Portfolio Committee on the Prime Minister's Cluster is responsible for the following Portfolios:

- **Defence;**
- **Public Service;**
- **Foreign Affairs;**
- **Public Service Commission;**
- **National Security Service;**
- **Information, Communications, Science, Technology and innovation;**
- **His Majesty's Office;**
- **Disaster Management Authority;**

- **National Assembly;**
- **Senate; and**
- **Office of the Prime Minister.**

### **3.0 DELIBERATIONS**

The Prime Minister's Cluster through its chair gave introduction on how the budget must be presented in terms of the basis and rationale for budgeting.

Each ministry was requested to make written submissions, with supporting documents, stating its priorities based on its policies and strategies. Some of the Ministries had to make minor changes to their submission and provide additional supporting documents to ensure effective and comprehensive reporting.

The Committee decided to meet with all the relevant Ministries to deliberate on their previous performance and plans for the coming financial year.

### **3.1 MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL RELATIONS**

This Ministry aims to:

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

## **PREVIOUS YEAR'S BUDGET PERFORMANCE**

### **3.1.1 Revenue Budget**

This Ministry budgeted for M1,258,800.00 as revenue to be collected but actual collection was M307,400.41 leaving a variance of M951,399.59. The Ministry cited the budget item line "Rent from Government properties" was mistakenly captured as M958,800.00 instead

of M598,800.00. However, 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.

### **3.1.2 Recurrent Budget**

The total approved budget was M483,505, 894.00 and was revised to M503,805,521.00 with actual expenditure of M425,772,576.31 leaving a variable of M78,032,944.69 which will be expended by March.

## **CURRENT BUDGET**

### **3.1.3 Revenue Estimates**

The Ministry aims to collect M1,223,600.00 as revenue for the year 2026/27.

### **3.1.4 Recurrent Estimates**

The Ministry requests M547,624,391.00 budget for the year 2025/27.

### **3.1.5 Observations**

- The Committee observed that the Ministry does not have Capital Budget thus contributing to the problem of lack of maintenance of properties leading to the status of disrepair that most properties are in right now;
- The Ministry is treated like any other MDAs during budget ceiling settings, which contributes to high rate of virements and excess expenditure;
- The Ministry has a lot of education to impart to Basotho on its core business to increase appreciation and understanding.

### **3.1.6 Recommendations**

- The Committee recommends that's the Ministry outsources independent evaluators and not use the department of Building Design Services(BDS) to evaluate mission properties.

## **3.2 DISASTER MANAGEMENT AUTHORITY**

The Authority is mandated to coordinate disaster risk reduction and management efforts nationwide and enhance community resilience and preparedness for disasters, working closely with development partners and stakeholders in the country. Its objectives for the Financial Year 2026/27 are:

- Strengthen disaster risk management, governance and institutions.
- Disaster Risk Reduction: Integrate DRR into development and social sectors.
- Early Warning Systems: Strengthen Multi-Hazard Early Warning Systems.
- Community Engagement: Empower Village Disaster Management Teams.
- Collaboration: Foster partnerships with government ministries, NGOs, international organisations and all relevant stakeholders for disaster risk management.
- Capacity Building: Enhance disaster preparedness and response capacities.

## **PREVIOUS YEAR'S BUDGET PERFORMANCE**

### **3.2.1 Revenue Budget**

The Authority did not budget for revenue collection for the Financial Year 2025/26 but managed to collect M6,972.17 sourced from payroll deductions. This is a new line item that the Ministry of Finance and Development Planning has created in Ministries, Departments and Authorities from this Financial Year.

### **3.2.2 Recurrent Budget**

The Authority had an approved budget of M75,606,995.00 and was increased to M87,606,994.00 with an expenditure of M83,478,073.45, leaving a budget balance of M4,128,920.55.

## **CURRENT BUDGET**

### **3.2.3 Revenue Estimates**

The Authority aims to collect M12,000 for the Financial Year 2026/27.

### **3.2.4 Recurrent Estimates**

The Authority requests M82,869,257.00 to cater for administrative costs and an Emergency Fund.

### **3.2.5 Observations**

- The Committee noted with concern that the Authority has a very low Emergency Fund budget;
- The Authority has a lot to cover in terms of personnel to cover the mandated structure to enhance efficiency;
- The Authority have a lot of ground to cover in early warnings and prevention of disasters.

### **3.2.6 Recommendations**

- The Authority has to invest more in prevention strategies in collaboration with all stakeholders.

## **3.3 NATIONAL SECURITY SERVICE**

The Ministry's mission is:

- to assist in the promotion and maintenance of the highest standards of security and stability in the national interest;
- to be an outstanding Intelligence Service that upholds an apolitical approach in the way it operates and is affordable; and
- to align itself with regional and international trends, whilst not sacrificing basic national interests.

## **PREVIOUS YEAR'S PERFORMANCE BUDGET**

### **3.3.1 Revenue Budget**

The Ministry collected M62,220.42 as Payroll Deductions even though it was not budgeted for. This is due the Ministry of Finance and Development Planning's decision to allow individual MDAs do their own deductions on the payroll.

### **3.3.2 Recurrent Budget**

The Ministry was allocated Recurrent Budget amounting to M138,090,449.00 for the Financial Year 2025/26. A Warrant Release was M137,087,516.86 and an expenditure of M129,037,649.64 leaving a Budget Balance of M8,049,867.22.

## **CURRENT BUDGET**

### **3.3.3 Revenue Estimates**

The Ministry has planned to collect M72,240.00 for the Financial Year 2026/27.

### **3.3.4 Recurrent Estimates**

The Ministry requests a budget of M129,786,370.85 for the Financial Year 2026/27.

### **3.3.5 Observations**

- The Committee noted with concern that NSS has no budget for subscriptions to affiliating Regional Bodies thus leaving the Ministry very vulnerable.
- The Committee further noted with concern that the Ministry is starting the Financial Year 2026/27 with a budget shortage of M25,056,010.00.

### **3.4 NATIONAL ASSEMBLY**

The National Assembly plans to:

- attain the administrative and financial independence of Parliament;
- strengthen the capacity of Parliament to effectively execute its mandate; and
- enhance representation, legislative, appropriation and oversight functions of Parliament for quality service delivery.

### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

#### **3.4.1 Recurrent Budget**

A budget amounting to M141,085,756.00 was made by National Assembly for the Financial Year 2025/26, but only M138,079,414.00 was allocated and M119,374,623.00 expended leaving a balance of M18,704,791.00. The National Assembly is awaiting delivery of Wi-fi equipment, video and digital cameras in mid-March thus performance would increase.

National Assembly has achieved 86% budget performance in the Financial Year 2025/26 but have highlighted the following as its main challenges:

- absence/unstable Wi-Fi coverage;
- Absence of a Legislative Programme to guide House and Committee's Planning;
- Poor attendance of Members of Parliament in the House and Committee Sittings; and
- Lack of capacity to implement the provisions of the Tenth Amendment to the Constitution Act of 2025.

### **CURRENT BUDGET**

#### **3.4.2 Recurrent Estimates**

The National Assembly has requested M175,132,732.00 for the Financial Year 2026/27.

#### **3.4.3 Observations**

- The Committee noted with concern that non-attendance of Members of Parliament in House and Committee sittings negatively affect the Budget Performance and the efficiency of the National Assembly;
- The Committee observed that the Ministry of Public Works through its department BDS contributes to the delay in the refurbishment and maintenance of the National Assembly building;
- The Committee observed with concern that the staff of the National Assembly work differently from other Ministries in terms of working hours and functions.

#### **3.4.4 Recommendations**

- The Committee recommends that the National Assembly give the Lesotho Defence Force the refurbishment and maintenance job which will be done well and at a lower cost, notwithstanding the fact that LDF would benefit immensely from the revenue.
- The Committee recommends that the National Assembly device a plan to motivate and reward (incentives) their staff to improve efficiency and excellence;
- The Committee recommends that the sitting allowance be increased from M150 to M446 in order to motivate Members of Parliament to attend.

### **3.5 OFFICE OF THE PRIME MINISTER**

The Ministry is mandated to provide strategic leadership, direction and coordination in the development and oversight of policy to support the execution of Government institutions' functions and delivery of services to the Basotho in pursuit of socio-economic development of the country and uphold governance, public accountability and transparency as well as strengthen coordination of responses to national crisis.

### **PREVIOUS YEAR'S PERFORMANCE**

#### **3.5.1 Recurrent Budget**

The Ministry had an approved budget amounting to M73,990,036.00 and expended M67,952,973.82 leaving a variance of M6,037,052.18 which will be expended by the end of March due to commitments already made in the system before closure constituting to 90% budget performance.

## CURRENT BUDGET

### 3.5.2 Recurrent Estimates

The Ministry has requested M276,475,515.00 for Recurrent Estimates in the Financial Year 2026/27 to include the following Programmes:

PROGRAMME	REQUEST	OBJECTIVE/ACTIVITY
National AIDS Commission (NAC)	M8,615,209.00	Strengthen leadership and coordination for decentralised, accountable and sustainable HIV/TB response towards an AIDS free Lesotho.
Poverty Reduction Programme (PREP)	M4,457,716.00	To implement Poverty Reduction programmes in the Districts to improve Basotho's livelihood.
Youth Apprenticeship Programme	M126,341,496.00	To create employment for the youth to gain experience.
Discretionary Fund	M9,000,000.000	For Prime Minister's discretionary services.

### 3.5.3 Observations

- The Committee noted with concern that majority of the excess expenditure were for former Prime Ministers and their staff.

### **3.5.4 Recommendations**

- The Committee recommends that former Prime Ministers should have their own vote.

## **3.6 MINISTRY OF INFORMATION, COMMUNICATIONS, SCIENCE, TECHNOLOGY AND INNOVATIONS**

The Ministry is mandated to provide affordable, sustainable, accessible, and reliable communications 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. This is achievable through the following objectives:

- Provision of affordable, reliable, sustainable, and accessible public information and communication services;
- Modernisation of the economy through economic-friendly ICT infrastructure, Research, and Innovation to create employment and facilitate growth of other sectors;
- Regulation of the use and Governance of ICT, STI, Information and Communication Services; and
- Enhancement of Organizational Efficiency and Effectiveness.

## **PREVIOUS YEAR'S PERFORMANCE**

### **3.6.1 Revenue Budget**

The Ministry had planned to collect M14,796,513.00 however, actual collection was M4,424,974.15 leaving a balance of M10,371,538.85 thus a 30% performance. The Ministry cited the following reasons for this performance:

- Government ministries are not placing orders for adverts on programs on Radio and Television, in fact they are requesting support from the ministry citing that they don't have budget at all;
- Radio stations are reluctant to make payments;
- Vandalism of transmission towers;

- Billboards payments have not been consistently made; and
- The move to digital platforms has resulted to a reduction in the number of adverts.

### **3.6.2 Recurrent Budget**

The Ministry was allocated M244,988,739.00 and expended M193,587,359.00 for the Financial Year 2025/26 leaving a balance of M51,401,380.00 to be spent within March 2026.

### **3.6.3 Capital Budget**

The Ministry had an approved budget amounting to M130,996,564.00. but only M75,027,855.87 was released. Actual expenditure was M74,011,358.10 leaving a balance of M56,985,205.90.

## **CURRENT BUDGET**

### **3.6.4 Revenue Estimates**

The is planning to collect M9,796,513.00 due to the following opportunities and possibilities:

- Improved local content has a potential to stimulate creative industry hence job creation and economic growth;
- Digitalisation of Government services and introduction of digital payments;
- Artificial intelligence and automation of workflows could improve performance in agriculture, public service and media;
- International collaboration and funding through newly signed MoUs, UNICEF, UNDP, Smart Africa Alliance, UN and India;
- Data and Innovation ecosystem, leverage data for improved public services delivery
- Partnerships with licensed operators for community networks;
- Cross-border ID verification to ease movement of people between Lesotho and South Africa; and

- Improved High Performance Computer (HPC) to enable Artificial Intelligence (AI) development and research.

### 3.6.5 Recurrent Estimates

The Ministry requests M264,695,313.00 for the Financial Year 2026/27.

### 3.6.6 Capital Estimates

The Ministry requests M26,293,276.00 for the Financial Year 2026/27 made-up M103,719,54.00 contribution from the Government of Lesotho as shown in the table below:

Project Title	Sources of Funding		Total Budget	Activities
	Donor	GOL		
Broadcasting Building 0490		14,999,999	14,999,999	Project Design and feasibility studies
				Site Clearance and Preparation
				Procurement and market research
				Project Planning, Monitoring and reporting
Transforming Broadcasting Mode 0348		78,719,548	78,719,548	Upgrade both TV and Radio Signal-Headend
				Maintenance and Upgrade of transmission towers
				Procurement of Video wall for TV Studio
				Procurement of studio properties
				Procure studio camera chains
				Acquisition of Laptops for Studios operators and Reporters
				Capacity Building
E-Government	26,293,276.00	10,000,000	36,293,276.00	PMU Fees, salaries, and other operating costs

				This will cover: the construction of a digital studio at Makoanyane Square, Maseru, and the procurement of all necessary equipment for its full functionality. To support the design and construction process, an Architect and Quantity Surveyor will be recruited. Consultancy services to develop a Business Continuity and Disaster Recovery Plan, as well as Information Security Guidelines to safeguard digital operations. The deployment of digital services, complemented by targeted training for core staff within the MICSTI and across all government ministries to ensure effective utilisation of the new digital services.
<b>TOTAL</b>	<b>26,293,276</b>	<b>103,719,547</b>	<b>130,012,823</b>	

### 3.6.7 Observations

- The Committee noted that the Ministry of Communications is very lenient with licensees who default on their payments;
- The Ministry of Communications has a challenge of vandalism of communication infrastructure in remote and hard-to-reach areas, which led to service disruptions, increased maintenance and replacement costs, and slowed network expansion;

### 3.6.8 Recommendations

- The Committee recommends that the Ministry comes up with a strategy to provide for street naming and house numbering, working in collaboration with District Councils;

- The Committee recommends the Ministry to refurbish post offices to enhance revenue collection.

### **3.7 MINISTRY OF PUBLIC SERVICE**

The Ministry of the Public Service is mandated to develop and maintain a stable, efficient and effectively managed public service. Its objectives include improving governance and administration, strengthening the capacity of the public service and enhancing labour relations within the public sector.

This Ministry aims to:

- Improve governance and administration by 2030.
- Strengthen capacity within the public service.
- Strengthen labour relations in the public service.

### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

#### **3.7.1 Revenue Performance (2025/26)**

For the Financial Year 2025/26, the Ministry had an approved revenue budget of M7,136,162.00, while actual revenue collected amounted to M7,022,853.00, resulting in a variance of M113,309.00.

Revenue streams such as assessment fees, tuition fees, fines and penalties, and sale of tender documents overperformed due to increased demand for services and stronger enforcement of penalties. However, revenue from rent on government residential properties underperformed, mainly because some rental payments had not yet been collected. The Ministry indicated that the outstanding rental income is expected to be collected by the end of March 2026.

#### **3.7.2 Recurrent Budget Performance (2025/26)**

The Ministry had an approved recurrent budget of M77,088,636.00, while actual expenditure amounted to M77,524,706.00, resulting in a variance of M684,027.00 above.

## **CURRENT BUDGET**

### **3.7.3 Revenue Estimates**

For the Financial Year 2026/27, the Ministry projects revenue of M7,600,004.00, which will mainly be generated from assessment fees, rental income from government residential properties, fines and penalties, tuition fees, and the sale of tender documents.

### **3.7.4 Recurrent Estimates**

The Ministry has been allocated a recurrent budget of M88,543,609.00 for operational expenditure including personnel emoluments, travel and transport, operating costs, HRMIS software licenses, and other administrative expenses.

### **3.7.5 Observations**

- The Committee also observed that numerous virements were made across budget line items, particularly from operating costs and software licenses, to cover shortages under personnel emoluments, indicating that insufficient funds were initially allocated to personnel emoluments.
- The Committee noted that several revenue streams overperformed, particularly assessment fees, tuition fees, fines and penalties, and the sale of tender documents.

### **3.7.5 Recommendations**

- The Ministry of Finance should review the allocation for personnel emoluments to ensure that it adequately covers the Ministry's staffing requirements.
- The Ministry should minimize frequent virements by improving budget planning and ensuring that key expenditure items are adequately funded.

- The Committee recommends that the Ministry should stop filling posts after the Ministry has set ceilings as this causes shortages in personnel emoluments.

### **3.8 PUBLIC SERVICE COMMISSION**

The Public Service Commission is mandated to select people to hold offices in the Public Service and manage human resource matters including appointments, confirmations and separations, in accordance with Section 137(1) of the Constitution and Section 6 of the Public Service Act, 2005.

The Commission aims to:

- To select competent and qualified human resources through improved policy, legal frameworks and evolving technology by March 2029.

### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

#### **3.8.1 Revenue Performance (2025/26)**

The Commission does not have a formal approved revenue budget. However, during the Financial Year 2025/26 it collected M5,536.91 from minor revenue sources including commission from payroll deductions and repayment of prior year imprest balances.

#### **3.8.2 Recurrent Budget Performance (2025/26)**

For the Financial Year 2025/26, the Commission had a revised recurrent budget of M15,391,683.00, while actual expenditure amounted to M14,488,498.48, resulting in a variance of M903,184.52.

The variance was mainly realized under personnel emoluments due to vacant positions, as well as minor balances under travel and transport, operating costs and acquisition of non-financial assets.

### **CURRENT BUDGET**

### **3.8.3 Revenue Estimates**

The Commission projects revenue of M7,200.00, expected mainly from commission received on payroll deduction (CIDAS payments).

### **3.8.4 Recurrent Budget**

For the Financial Year 2026/27, the Commission has requested a recurrent budget of M16,498,393.00 to finance compensation of employees, travel and transport, operating costs and acquisition of non-financial assets.

### **Observations**

- The Committee further observed that there are delays in filling vacant positions in the Public Service, mainly due to the high workload faced by the Commission and the limited number of Commissioners available to conduct interviews. The Committee was informed that Commissioners can only interview candidates for approximately three positions per day, which slows down the recruitment process when there are many vacancies to be filled.
- The Committee also noted operational constraints including outdated legal frameworks, limited use of technology in recruitment processes and inadequate office equipment, which affect the efficiency of the Commission.

### **Recommendations**

- The Committee recommends that the Public Service Commission review and update its legal and policy frameworks to ensure alignment with the Labour Act 2024 and the Tenth Amendment to the Constitution of Lesotho, so that recruitment and human resource management processes remain compliant with current legislation.
- The Commission should accelerate the adoption of technology in recruitment and selection processes, including implementation of e-selection systems.

- The Committee recommends that the number of Commissioners be increased to enable the Commission to establish at least two interview panels, which would help expedite the recruitment process and reduce delays in filling vacant positions in the Public Service.

### **3.9 HIS MAJESTY'S OFFICE**

His Majesty's Office is responsible for maintaining and promoting a smooth working relationship between His Majesty, the Government and other stakeholders. The Office also facilitates regular consultations between the Government and His Majesty and promotes the image of the Monarchy locally and internationally.

#### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

##### **3.9.1 Revenue Performance (2025/26)**

His Majesty's Office does not collect revenue, as its functions are administrative and ceremonial in nature.

##### **3.9.2 Recurrent Budget Performance (2025/26)**

For the Financial Year 2025/26, His Majesty's Office had an approved recurrent budget of M17,735,111.00, while the total amount released was M17,511,089.91 and actual expenditure amounted to M15,332,192.23, resulting in a variance of M2,178,897.68.

The recurrent budget was mainly used to finance staff salaries and allowances, travel and transport, operating costs such as utilities and communications, and acquisition of office equipment to support the operations of His Majesty's Office.

The Committee also noted a significant increase under Allowances – Non-Statutory, where the approved budget of M10,020.00 increased to M104,440.00 through virements, with actual

expenditure of M97,585.00 to cater for allowances for the Senior Private Secretary and sitting allowances for State Council Members.

### **3.9.3 Capital Budget Performance (2025/26)**

The Office had an approved capital budget of M20,000 000.00 for the construction of the new Royal Palace. However, no funds were released, and no expenditure was incurred during the period under review because construction activities had not resumed pending completion of audit processes and development of a procurement strategy.

## **CURRENT BUDGET**

### **3.9.4 Revenue Estimates**

For the Financial Year 2026/27, His Majesty's Office has requested a recurrent budget of M22,448,951.00 to finance wages and salaries, travel and transport, operating costs and acquisition of non-financial assets.

### **3.9.5 Capital Budget**

The Office has been allocated M20,000,000.00 for the construction of the new Royal Palace.

## **Observations**

- The Committee further observed that progress on the project is dependent on completion of the procurement strategy being developed in collaboration with the Lesotho Public Procurement Authority

## **Recommendations**

- The Committee recommends that the Government expedite the finalization of the procurement strategy to enable the resumption of construction of the new Royal Palace.

### **3.10 SENATE**

The Senate is responsible for passing laws, providing representation, oversight and budgetary functions in order to improve the welfare of the Basotho nation. The institution also facilitates public engagement and contributes to strengthening parliamentary oversight.

Senate has the following objectives:

- To address basic developmental needs of the Honourable Members of the Senate by 2029.
- To facilitate the work of Senate to be most relevant to the developmental needs of the country.
- To create easily accessible platforms for effective public engagement.

### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

#### **3.10.1 Revenue Performance (2025/26)**

The Senate does not have a formal revenue budget. However, during the Financial Year 2025/26 it collected M3,762.30 from commission on payroll deductions made by Government on behalf of third parties.

#### **3.10.2 Recurrent Budget Performance (2025/26)**

For the Financial Year 2025/26, the Senate had an approved recurrent budget of M37,850,556.00, while total funds released amounted to M34,532,084.76 and actual expenditure was M33,373,480.91.

This resulted in a variance of M4,477,074.09, of which a large part of it will be used as compensation of employees for the month of March 2025.

#### **3.10.3 Capital Budget Performance (2025/26)**

The Senate had an approved capital budget of M94,000,000.00 for the construction of Senate Offices. Actual expenditure amounted to M92,350,344.10, resulting in variance of M1,649,655.90 of which M1,300,000.00 is committed.

The project reached 98% expenditure, and the building was handed over to the Senate on 31 December 2025, with partial occupation already underway.

## **CURRENT BUDGET**

### **3.10.4 Revenue Estimates**

For the Financial Year 2026/27, the Senate projects revenue of M11,085.00 from commission on payroll deductions.

### **3.10.5 Recurrent Budget**

The Senate has requested a recurrent budget of M46,847,732.00, which will finance salaries and allowances for Senators and staff, travel and transport for parliamentary activities and operating costs.

### **3.10.6 Capital Budget**

The Senate has requested M90,000,000.00 for the construction of the perimeter wall, parking bays, access road, procurement of furniture and acquisition of vehicles.

## **Observations**

- The Committee noted that the construction of Senate Offices has reached completion and the building was handed over in December 2025, with partial occupation already underway.

- The Committee noted that some positions within the Senate remained vacant, mainly due to delays in filling posts by the Public Service Commission, which is experiencing a heavy workload in handling recruitment processes across the Public Service.

### **3.11 MINISTRY OF DEFENCE**

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

The Ministry's aims to:

- To improve Defence Capabilities

### **PREVIOUS YEAR'S BUDGET PERFORMANCE**

#### **3.11.1 Revenue Performance (2025/26)**

For the Financial Year 2025/26, the Ministry had an approved revenue budget of M858,500.00, while actual revenue collected amounted to M752,285.00, resulting in a variance of M106,215.00, representing 87% performance.

The underperformance was mainly recorded under aircraft hire, largely because only one aircraft was operational and some Ministries, Departments and Agencies had outstanding arrears. Other revenues were generated from hospital services and payroll deduction commissions which were not initially captured in the budget system.

#### **3.11.2 Recurrent Budget Performance (2025/26)**

For the Financial Year 2025/26, the Ministry had an approved recurrent budget of M734,017,459.00, while the total amount released was M741,985,775.32 and actual expenditure amounted to M666,606,924.40, resulting in a variance of M75,378,850.92 between the amount released and the actual expenditure.

The major cause of the variance was under-expenditure under personnel emoluments, particularly salaries for established posts, as some positions were not filled during the financial year and under operating costs and acquisition of non-financial assets where some payments were still in process or commitments had not yet been finalized.

## **CURRENT BUDGET**

### **3.11.3 Revenue Estimates**

For the Financial Year 2026/27, the Ministry projects revenue of M1,281,900.00, mainly from aircraft hire, medical services, payroll deduction commissions and sale of tender documents.

### **3.11.4 Recurrent Budget**

The Ministry has been allocated a recurrent budget of M868,896118.00 to finance personnel emoluments, military operations, maintenance of aircraft and vehicles, feeding of troops, procurement of uniforms and equipment, infrastructure upgrades and deployment of troops along the border.

## **Observations**

- The Committee further observed concerns regarding the commercialisation of military equipment, particularly aircraft services. The Lesotho Defence Force currently has nine aircraft, but only one is functional, while the others require significant maintenance. The Committee noted that military equipment is strategic national security infrastructure and should not be commercialised, as the practice places pressure on the equipment through external use while the maintenance costs remain very high. In addition, government institutions often delay payments for aircraft services, which further affects the ability of the Ministry to maintain the equipment effectively.

- The Committee also observed that the current legal framework governing the use of military equipment by external entities requires review, particularly in relation to how such assets are utilized and maintained.
- The Committee further noted that the current budget allocation does not fully support the Lesotho Defence Force in executing its national security mandate. Several military bases are dilapidated and require substantial financial resources for rehabilitation to ensure conducive working conditions for military personnel.
- The Ministry did not report on the Youth Development Programme.

## **Recommendations**

- The Committee recommends that laws and policies governing the use and management of military equipment be reviewed, with particular attention to limiting or regulating the commercial use of such assets, given their strategic importance for national security.
- Government should prioritize rehabilitation and upgrading of military bases and infrastructure to improve operational readiness and the working environment of the Lesotho Defence Force.
- The Committee further recommends that adequate budgetary resources be allocated to the Ministry of Defence to enable the Lesotho Defence Force to effectively fulfil its mandate of maintaining national security.
- The Committee recommends the Youth Development Programme should be enacted by law to ensure accountability and transparency.

## **4.0 General Observations and Concerns**

Several observations were made and the Committed had some concerns as stated bellow:

- The Committee and some Ministries noted with concern that lack of Quarterly Progress reporting derails the oversight function of the Committee because a lot of issues are missed during the year and only get noticed too late, yet they could have been rectified during the year;
- The Committee noted with concern the effects of low balance in the consolidated that results in budget ceiling that make it hard for Ministries to deliver and the economy to grow.

### **5.0 General Resolution and Recommendation**

- The Committee recommends that the Government, through the Ministries of Trade and Finance to host Annual Development Summit. It is high time Lesotho become intentional about economic development and start bringing together Private sector, CSO's, Government etc. who are currently working in silos resulting wasted resources, duplication and lack of progress.

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

1. Hon. M. Moshe (Chairperson)
2. Hon. M. Maliehe
3. Hon. T. Nkoefoshe
4. Hon. M. Taole
5. Hon. R. Letlailana
6. Hon. M. Mosoeunyane
7. Hon. N. Moshoeshoe
8. Hon. S. Mosebetsane
9. Hon. P. Kelane

10. Hon. D. Jooma
11. Hon. N. Kabi
12. Hon. M. Tjabane
13. Hon. K. Mabeleng
14. Hon. L. Mafethe
15. Hon. M. Malakane
16. Hon. M. Matsie
17. Hon. M. Mofomobe
18. Hon. T. Makhalanyane
19. Hon. M. Mokhothu
20. Hon. M. Khati
21. Hon. I. Joseph
22. Hon. T. Makhethlane
23. Hon. L. Maretlane
24. Hon. L. Makara

#### ANNEXURE FROM PUBLIC SUBMISSIONS

#### ANALYSIS OF LESOTHO 2026/2027 BUDGET- RESPONSIVENESS TO SEXUAL AND REPRODUCTIVE HEALTH (SRH)

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##### 1. Overall Fiscal Context

The 2026/2027 total budget is projected at **M36.89 billion**, with recurrent expenditure dominating at **M27.27 billion (74%)** and capital expenditure at **M6.59 billion (18%)**

The health sector receives:

- **M3.033 billion (2026/27)**
- M3.129 billion (2027/28)
- M3.231 billion (2028/29)

Health therefore represents approximately **8.2% of total expenditure** in 2026/27 — below the Abuja Declaration target of **15% of national budgets to health**.

**Implication:**

While health funding remains substantial, it is not prioritized to the continental benchmark, which affects SRH delivery capacity.

## 2. Direct Budget Allocations Relevant to SRH

From the Ministry of Health Programme 5 (Primary Health Care Services)

<b>Programme</b>	<b>2026/27 Allocation</b>
PHC Services	M747.9 million
HIV & TB Services	M33.3 million
Referral Services	M1.51 billion
Clinical Services	M439 million

**Observations:**

- **Primary Health Care (PHC)** — where family planning, antenatal care, and adolescent SRH are delivered — receives only **~25% of total Health budget**.
- HIV & TB allocation is relatively small compared to overall burden.
- Large share is concentrated in referral and hospital-based services.

## 3. Maternal Health and Mortality

The budget speech acknowledges:

- Persistent high maternal mortality
- Infant mortality rate: 43 per 1,000
- Under-five mortality: 56 per 1,000

However:

- There is **no clearly ring-fenced allocation** specifically for:

- Emergency obstetric care
- Maternal death audits
- Skilled birth attendance scale-up
- Midwifery training expansion

**Gap Identified:**

The budget recognizes maternal health challenges but does not present measurable or costed maternal mortality reduction strategies.

**4. HIV Response**

Lesotho remains one of the highest HIV-prevalence countries globally.

The budget includes HIV services under PHC and HIV & TB Services programmes

However:

- The allocation (M33.3m under specific HIV & TB services) is modest.
- The budget speech does not indicate:
  - Domestic financing replacement for declining donor support.
  - Targeted adolescent girls and young women (AGYW) interventions.
  - Prevention programming scale-up.

**Risk:**

Heavy donor dependency may create sustainability risks.

**5. Adolescent and Youth SRH**

The budget speech:

- References youth unemployment.
- Mentions youth support programmes.
- Does not clearly allocate funding for comprehensive sexuality education (CSE) or adolescent-friendly SRH services

## Gap:

Given Lesotho's high teenage pregnancy rates, the absence of clearly budgeted adolescent SRH programming is a major omission.

## 6. Gender-Based Violence (GBV) Linkages

GBV is a critical SRH issue.

The speech references governance and social protection priorities, but:

- No dedicated funding line for clinical management of rape.
- No clear budget strengthening one-stop centres or psychosocial services.

## 7. Health Systems Constraints Affecting SRH

Positive aspects:

- Increased allocations for referral services.
- Investment in health infrastructure.
- Continued PHC financing.

However:

- Recurrent spending dominates.
- Limited capital investment in:
  - Rural maternity wards
  - SRH commodities supply chain
  - Digital health systems for maternal tracking

## OVERALL ASSESSMENT

Area	Responsiveness Level
Maternal Health	Moderate rhetorical commitment; weak budget specificity

Area	Responsiveness Level
HIV	Continued funding but sustainability concerns
Family Planning	Embedded in PHC but not visible
Adolescent SRH	Weak
GBV Clinical Services	Weak
Health Systems for SRH	Moderate but hospital-focused

## KEY FINDINGS

1. **SRH is not explicitly framed as a strategic investment priority.**
2. Funding is largely indirect via PHC rather than targeted.
3. Adolescent SRH and GBV clinical services lack visible allocations.
4. Health allocation remains below continental benchmark.
5. Heavy recurrent expenditure limits transformative SRH investments.

## RECOMMENDATIONS FOR PARLIAMENTARY PORTFOLIO COMMITTEES

### 1. Increase Health Sector Share

Move toward Abuja target of 15% over medium term.

### 2. Ring-Fence SRH Budget Lines

**Key Message:** Lesotho cannot achieve economic transformation while maternal mortality, HIV infections, and adolescent pregnancies remain high. SRH is not a social cost — it is an economic investment.

Specifically:

- Maternal mortality reduction
- Family planning commodities

- Adolescent-friendly services
- GBV clinical response

### **3. Domestic HIV Financing Strategy**

Require Ministry of Health to present sustainability plan.

### **4. Strengthen PHC-Based SRH**

Rebalance spending from referral-heavy to preventive services.

### **5. Performance Indicators**

Parliament should request:

- Costed maternal mortality reduction targets.
- Teenage pregnancy reduction targets.
- Contraceptive prevalence targets.

## **CONCLUSION**

The 2026/2027 budget demonstrates continued support for health but **does not sufficiently prioritise sexual and reproductive health as a strategic development lever**. SRH funding remains embedded within broader health allocations, limiting visibility, accountability, and measurable impact.

## SCHEDULES

**Schedule 1 : Comparative table: macroeconomic, socioeconomic, and financial factors and expected societal impacts (FY 2026/27)**

Factor (macro/socio / financial)	2025/26 position	2026/27 position	Change/policy signal	Expected societal impact (nation + clusters)
<b>Theme/policy posture</b>	“Building Strategies for Inclusive Growth”	“Accelerating Economic Transformation; Building Resilience”	From “strategy laying” to “acceleration + resilience.”	<p><b>Nationwide:</b> stronger delivery expectations;</p> <p><b>International world:</b> signals reform seriousness; <b>Youth:</b> job focus must translate into placements;</p> <p><b>Elderly/vulnerable:</b> risk if fiscal discipline crowds out services unless protected</p>
<b>Real GDP growth outlook (medium-term cue)</b>	Growth projected <b>3.4% (2025/26)</b> ; medium-term <b>2.2% (2026/27)</b>	Medium-term described as sluggish further out; sector pressures noted (textiles/mining)	Growth headwinds are more explicit in 2026/27	<p><b>Youth:</b> job scarcity pressure persists; <b>Private sector/international investors:</b> greater need for competitiveness and certainty; <b>Social:</b> higher demand for safety nets</p>
<b>Inflation outlook</b>	CPI projected <b>5.4%</b> (budget year) and <b>4.9%</b> in 2026/27	(Not restated in the extracted 2026/27 lines provided)	Disinflation trend assumed continues	<p><b>Nationwide:</b> easing price pressure helps households;</p> <p><b>Elderly/low income:</b> real purchasing power improves if grants keep pace;</p> <p><b>Business:</b> more predictable costs</p>

Factor (macro/socio / financial)	2025/26 position	2026/27 position	Change/policy signal	Expected societal impact (nation + clusters)
<b>Total spending / expenditure</b>	<b>M24.139bn</b> total; recurrent <b>M18.813bn</b> ; capital <b>M5.326bn</b> <b>all at mid-term.</b> <b>Outturn M6.04bn</b>  Budget: Total M30.9bn, Rec M20.3bn; Cap M10.69bn	Total expenditure <b>M30.97bn</b> ;  recurrent <b>M21.94bn</b> ;  capital <b>M9.03bn</b>	Bigger envelope from the outturn + major capital corrective- execution	<b>Nationwide:</b> more infrastructure delivery potential; <b>Youth:</b> construction/works opportunities; <b>Safety &amp; security:</b> better facilities if executed; <b>Risk:</b> if execution fails, public trust declines
<b>Capital budget (execution focus)</b>	Capital budget set at <b>M10.69bn</b>	Capital <b>M9.03bn</b> , framed as “decisive shift.”	Less than 20% decrease; execution becomes the key test	<b>Nationwide:</b> roads/water/energy access effects; <b>Rural:</b> strongest benefit if geographically balanced; <b>International world:</b> donor confidence depends on credible procurement.
<b>Fiscal balance (headline)</b>	Surplus <b>2.3% of GDP</b> reported for 2025/26 outlook	Annex shows <b>cash deficit ~M1.361bn</b> <b>(~-3.0% GDP)</b> for 2026/27 budget year	From surplus to planned deficit (investment- driven)	<b>Nationwide:</b> acceptable if capital yields growth; <b>Elderly/social:</b> more protection benefits during deficit; <b>International world:</b> watch debt rule compliance and transparency
<b>Fiscal rules / debt framework</b>	Reform intent (fiscal rules, stabilization fund preparation)	Explicit quantitative rules: debt ceiling 60% GDP, anchor 50%, external debt limit 40%, structural deficit 3%	Stronger commitment device	<b>International world:</b> credibility boost; <b>Judiciary/oversight:</b> clearer benchmarks for scrutiny; <b>Nationwide:</b> may constrain ad-hoc spending and improve predictability

Factor (macro/socio / financial)	2025/26 position	2026/27 position	Change/policy signal	Expected societal impact (nation + clusters)
<b>Revenue composition risk (SACU, royalties)</b>	Explicit concern about SACU volatility; need domestic revenue mobilization	2025/26 outcome driven by <b>high water royalties (M4.78bn)</b> and described as temporary; masks capital under- execution	More candid risk narrative in 2026/27	<b>Nationwide:</b> risk of future revenue drop; <b>Social:</b> need targeting efficiency; <b>International:</b> reinforces need for diversified exports/FDI
<b>Tax / revenue measures affecting households &amp; SMEs</b>	PIT threshold raised to <b>M6,170</b> ; VAT registration threshold <b>M850k</b> → <b>M2m</b> ; alcohol/tobacco levies + oil levy/MVA increases	VAT projected weaker (subdued consumption) and listed as downside risk	2025/26 introduced relief + levies; 2026/27 flags consumption weakness	<b>Youth/SMEs:</b> VAT threshold helps small firms formalise/grow; <b>Households:</b> levy increases can raise transport/consumption costs; <b>Safety:</b> MVA rationale links to accident compensation funding
<b>Youth unemployment (socioeconomic baseline)</b>	Youth unemployment: ~ <b>38.9%</b> (women 40.8%)	(Not restated in extracted 2026/27 lines)	Remains binding constraint on “inclusive growth” legitimacy	<b>Youth:</b> core political/economic pressure point; <b>Safety &amp; security:</b> elevated unemployment can correlate with social risk; <b>Education:</b> skills-to-jobs alignment becomes critical
<b>Education allocation</b>	<b>M3.3bn</b>	<b>M3.5bn</b> ; curriculum reform, TVET strengthening, digital learning	Increase + reform intensification	<b>Education cluster:</b> improved access/quality if infrastructure + teacher training delivered; <b>Youth:</b> stronger employability if TVET aligned; <b>International:</b> skills pipeline supports investment

Factor (macro/socio / financial)	2025/26 position	2026/27 position	Change/policy signal	Expected societal impact (nation + clusters)
Health allocation	M3.1bn	M3.1bn + PHC reforms; M100m for national cancer centre continuation	Flat headline but more explicit reform/ program detail	<b>Health:</b> continuity + oncology capacity; <b>Elderly:</b> NCD/cancer services matter; <b>Nationwide:</b> PHC can reduce downstream costs if executed
Water allocation	M2.2bn	M2.4bn; includes sanitation expansion (1,027 facilities)	Increase + sanitation scale	<b>Nationwide:</b> WASH improvements; <b>Health:</b> disease burden reduction; <b>Rural:</b> strong benefit through new systems; <b>Safety:</b> climate-resilient systems reduce disaster vulnerability
Energy allocation	M1.5bn	M1.7bn; renewables, grid, mini-grids, fuel reserves	Increase + clearer universal access pathway	<b>Business/international:</b> investment enabling; <b>Youth:</b> jobs via projects; <b>Social:</b> reduced outages; <b>Safety:</b> strategic reserves reduce shock risk
ICT allocation	M381.1m	M386.4m (connectivity, cyber security, digital systems)	Marginal increase; continuity	<b>Education/Youth:</b> digital inclusion; <b>Governance:</b> e- services reduce transaction cost; <b>International:</b> signals modernisation, but depends on rollout reach
Tourism allocation	M207.2m	M288.7m + Tourism Act finalisation; marketing + facilities	Significant increase	<b>Youth:</b> services/SME jobs; <b>International:</b> brand visibility; <b>Local communities:</b> heritage & site infrastructure benefits
Agriculture allocation	M1.3bn	M1.1bn + targeted irrigation,	Decrease in headline,	<b>Rural/social:</b> risk if funding drop hits inputs, but benefits

Factor (macro/socio / financial)	2025/26 position	2026/27 position	Change/policy signal	Expected societal impact (nation + clusters)
		vaccination, value chains	sharper targeting	if targeting improves productivity; <b>Health:</b> food security; <b>Climate resilience:</b> irrigation is high-impact if delivered
<b>Governance &amp; oversight orientation</b>	PFM reforms (asset registry, procurement, investment management)	Explicit emphasis on the parliamentary oversight ecosystem + governance strengthening	Stronger “Westminster- style” accountability framing	<b>Judiciary/oversight:</b> better reporting supports scrutiny; <b>Safety &amp; security:</b> crime prevention linked to institutional performance; <b>International:</b> improves investor confidence if applied consistently

## 11. Schedule 2: Detailed revenue budget comparison by type

Revenue type	2025/26 Budget (M)	2026/27 Budget (M)	Change (M)	% change	Trend
Total revenue	28,590.5	29,611.2	1,020.7	3.6%	Increase
Tax revenue	9,948.3	11,138.7	1,190.4	12.0%	Increase
Taxes on income, profits and capital gains	5,194.3	5,741.6	547.3	10.5%	Increase
Income tax – individuals	3,113.2	3,541.8	428.6	13.8%	Increase
Income tax – corporations and enterprises	1,107.3	1,112.5	5.2	0.5%	Increase
Income tax – other	973.8	1,087.3	113.5	11.7%	Increase
Taxes on goods and services	6,034.5	5,396.1	-638.4	-10.6%	Decrease
Value Added Tax (VAT)	5,014.8	4,666.5	-348.3	-6.9%	Decrease

Excise taxes	964.2	674.8	-289.4	-30.0%	Decrease
Taxes on specific services	35.8	33.2	-2.6	-7.3%	Decrease
Taxes on use of goods / permissions	19.7	21.7	2.0	10.2%	Increase
Grants	3,489.4	2,656.6	-832.8	-23.9%	Decrease
Other revenue	5,972.9	5,747.7	-225.2	-3.8%	Decrease
Property income	695.5	421.4	-274.1	-39.4%	Decrease
Dividends	270.7	223.9	-46.8	-17.3%	Decrease
Rent	403.3	163.7	-239.6	-59.4%	Decrease
Sales of goods and services	5,271.7	5,288.1	16.4	0.3%	Increase
Electricity Muela	69.8	69.8	0.0	0.0%	Flat
Water Royalties – LHDA	4,953.4	4,953.4	0.0	0.0%	Flat
Administrative fees	62.6	61.5	-1.1	-1.8%	Decrease
Incidental sales by nonmarket establishments	185.8	203.2	17.4	9.4%	Increase
Fines and forfeits	5.3	8.0	2.7	50.9%	Increase
Miscellaneous and unidentified revenue	0.3	30.3	30.0	10000.0%	Increase
SACU receipts	9,179.9	10,068.2	888.3	9.7%	Increase

Schedule 3: Revenue-type analysis: causes, challenges, and remedial actions

Revenue type	2025/26	2026/27	Direction	Likely cause /	Collection challenge	Remedial action
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	budget (M)	budget (M)		policy signal		
SACU receipts	9,179.9	10,068.2	Up	Higher regional transfer expectation in 2026/27; SACU remains a core revenue pillar.	Volatile and externally determined; exposes the budget to sudden shocks.	Operationalise fiscal rules and a stabilisation fund; do not lock permanent spending to SACU windfalls.
Income tax – individuals	3,113.2	3,541.8	Up	Budget expects stronger PAYE collections and broader formal-income performance.	Employment growth remains weak; payroll growth may underperform if the private sector stays subdued.	Strengthen employer compliance, digital filing, payroll audits, and formalisation of labour markets.
Income tax – corporations	1,107.3	1,112.5	Flat/slight up	The government assumes corporate tax will be broadly stable.	Mining and textile pressures may suppress profitability and payments.	Support investment climate, reduce business bottlenecks, improve filing enforcement, and transfer-pricing oversight.
Income tax – other	973.8	1,087.3	Up	Administrative effort and improved	Compliance gaps and weak enforcement	Broaden audits, improve

				non-PAYE collection are expected.	reduce buoyancy.	withholding systems, and tighten arrears collection.
VAT	5,014.8	4,666.5	Down	The 2026/27 budget explicitly treats VAT as the main downside risk because consumption is subdued.	Weak household demand, informality, refunds, under-declaration, and weak import-related VAT performance.	Improve invoice matching, e-filing, refund management, border compliance, and risk-based audits.
Excise taxes	964.2	674.8	Down	The government has marked down excise due to weaker expected collections.	Illicit trade, especially alcohol and tobacco, is weakly enforced and subdued due to demand.	Track-and-trace systems, bonded-warehouse audits, joint border enforcement, and anti-illicit-trade campaigns.
Taxes on specific services	35.8	33.2	Down	Low-base category with slight downward adjustment.	Narrow service tax base and weak transaction volume.	Review the service tax base and simplify compliance for identified service providers.
Taxes on the use of	19.7	21.7	Up	Modest policy-driven	Leakages in and	Digitise permits, reconcile

goods/permissions				increase, linked to licenses, fees, and permissions.	weak local enforcement.	databases, and improve payment enforcement .
Grants	3,489.4	2,656.6	Down	Budget recognises a tighter global grant environment and retreat of concessional support.	Grant unpredictability, development partner reprioritization, and suspended programs.	Protect critical projects, strengthen donor coordination , and replace weak grant lines with ready concessional financing where justified.
Property income	695.5	421.4	Down	Marked-down expectation after temporary highs and weaker property-income outlook.	Volatile royalties/dividends, weak returns from state assets, less reliable rental streams.	Strengthen asset management , dividend policy, rent administration and realistic forecasting.
Dividends	270.7	223.9	Down	Lower expected distributions from public entities and investments.	SOE profitability and payment discipline remain weak.	Enforce dividend policies, improve SOE governance, and ring-fence arrears collection.

Rent	403.3	163.7	Down sharply	Lower rental expectation, likely reflecting weaker royalties/rent assumptions.	Inconsistent billing, weak property records and collection inefficiencies.	Update asset registers, billing systems and lease administration.
Sales of goods and services	5,271.7	5,288.1	Flat / slight up	High baseline maintained; driven by service sales and public-fee collections.	May be too concentrated in a few sources such as royalties and utilities.	Disaggregate revenue administration, improve fee collection systems and monitor each major service line separately.
Electricity Muela	69.8	69.8	Flat	No growth assumed; stable administrative expectation.	Output and payment performance depend on operational conditions.	Maintain billing discipline and system efficiency.
Water Royalties LHDA	– 4,953.4	4,953.4	Flat	Budget treats this large flow as stable between the two years.	Highly cyclical and project-related; should not be treated as permanent structural revenue.	Treat as temporary revenue; save or ring-fence part of windfalls and avoid using them to fund rigid recurrent commitments.

Administrative fees	62.6	61.5	Down slightly	Small downward revision.	Weak fee administration and narrow collection base.	Digitise licensing and fee payment channels.
Incidental sales by nonmarket establishments	185.8	203.2	Up	Modest increase expected from fees and service transactions.	Fragmented collection and weak reconciliation across institutions.	Centralise reporting and strengthen institutional remittance controls.
Fines and forfeits	5.3	8.0	Up	Low-base increase in enforcement-related collections.	Unpredictable as a revenue source and not a reliable foundation for budgeting.	Use conservatively in forecasts and improve court / enforcement remittance systems.
Miscellaneous and unidentified revenue	0.3	30.3	Up sharply	The increase suggests reclassification or recognition of previously unallocated receipts.	By nature opaque and difficult to forecast; weak transparency risk.	Reduce unidentified items through better classification and treasury reconciliation.

### 13.

Sector/head	2025/26 mid-term capital execution	2026/27 budget	signal	Absorption assessment	Committee comment
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Agriculture	13% of the revised budget for head 301	M1.1bn sector allocation with irrigation, machinery, lab prep, breeding support	Weak absorption	Policy remains relevant, but delivery lagged; 2026/27 should focus on irrigation and biosecurity execution.
Health	13% of revised budget for head 302; Cancer Centre ~10%; facilities upgrading 0%	M3.1bn sector allocation; M100m for continued cancer centre construction	Weak absorption	High social return exists, but procurement/readiness issues are severe.
Education	10% capital execution for head 303; Free Primary Education classrooms ~14%; secondary schools 0%	Expanded education budget and continued technical/vocational support	Weak absorption	Infrastructure delivery must catch up with recurrent human capital spending.
Finance & Development Planning	18% capital execution for head 304	Large financing and reform envelope in 2026/27	Moderate-weak	Important for border systems, service-delivery foundations, and tax modernization.
Local Government / Home Affairs / Police	19% for head 308; bus terminals 21%; urban roads 20%; rural roads 26%; police stations 0%	2026/27 continues roads, bus terminals, public buildings, and border infrastructure	Weak-moderate	The asset portfolio is broad, but several sub-projects remain late.
Energy	29% for head 341; rural electrification 47%; Ramarothole 70MW 30%; renewable access project 1%	M1.7bn energy allocation and wider Mission 300 rollout	Moderate	Some strong sub-projects, but not all lines are execution-ready.
Water / Natural Resources	LLWSS 38%; LLWSS&S 42%; ICM 50%; LLWDP III 28%	M2.4bn water allocation, 17 new rural systems, ReNOKA expansion	Moderate-good	Water has one of the strongest continuity and network-impact cases.

Absorption

### Schedule 5: Project execution register (selected high-priority projects)

The register below consolidates named and clearly identifiable projects from the 2025/26 Budget Speech, the 2025/26 Mid-Term Review and annexes, and the 2026/27 Budget Speech. Completion rates reflect either physical progress or mid-term annual execution, depending on what was reported.

Sector	Project	2025/26 funding source	2025/26 status	Completion / execution	2026/27 continuation	Indicative impact	VfM score
Water / construction	LHWP II – Polihali Dam	External + GoL	Active multi-year project	37% physical progress	Yes	Major GDP and water-security multiplier	High
Water / construction	LHWP II – transfer tunnel	External + GoL	Active multi-year project	47% physical progress	Yes	Strategic export-revenue and construction spillovers	High
Water	Integrated Catchment Management / ReNOKA	GoL + donor	Active	50% execution (ICM line)	Yes	Catchment restoration, siltation reduction, resilience	High
Water	Lesotho Lowlands Water Supply & Sanitation	GoL + donor	Active	42% execution	Yes	Health and service-delivery gains	High
Water	Lesotho Lowlands Water Supply Scheme	GoL + donor	Active	38% execution	Yes	Bulk water access and network reliability	High
Water	Lesotho Lowlands Water Development Project Phase III	GoL + donor	Active	28% execution	Yes	Expansion to new districts	High
Roads	B111 Kapi–Telu	GoL / roads	Completed July 2025	100% / completed	Defects-liability /	Connectivity and	High

	Khunoana Road	envelope			maintenance	transport efficiency	
Roads	Flagship road corridor	GoL	Near completion	98%	Likely finalised / carry-over close-out	Trade logistics and travel time reduction	High
Roads	Second major road corridor	GoL	Near completion	96%	Likely finalised / carry-over close-out	Connectivity and network completion	High
Roads	Urban Roads Upgrading	GoL + Road Fund	Active	20% execution	Yes	Urban mobility and drainage spillovers	Medium
Roads	Development of Rural Community Roads	GoL + Road Fund	Active	26% execution	Yes	Rural access, market linkages	Medium-High
Transport buildings	District Bus Terminals	GoL	Under construction	21% execution / mixed site progress	Yes	Transport organisation and district service access	Medium
Local govt buildings	Principal Chiefs Offices	GoL	Very early stage	2% execution	Yes	Administrative access	Low-Medium
Police/safety	Renovation / Construction of Police Stations	GoL	No meaningful spend	0%	Likely continued/requires reset	Security service infrastructure	Low until execution improves
Fire/safety	Maseru Fire Station and Fire Engine Supply	GoL	Minimal spend	0% annual execution	Likely continued	Urban emergency response capacity	Medium
Energy access	Rural Electrification	GoL + donor	Active	47% execution	Yes	Household, school and clinic	High

	Programme					electrification	
Energy	Scaling Up Renewable Energy and Energy Efficiency Programme / Renewable Energy and Energy Access Project	GoL + donor	Active but stalled	1% execution	Yes	Important but readiness-constrained	Low-Medium
Energy generation	Ramarothole 70MW Solar Project	GoL + private participation	Active / phase development	30% execution	Yes	Generation capacity and import substitution	High
Energy generation	Katse 1.1MW Hydropower Rehabilitation	GoL	Very low spend	3% execution	Yes	Hydropower rehabilitation and resilience	Medium
Energy generation	Ramarothole Solar Project Phase III	GoL / partner finance	Not progressed	0%	Yes / pipeline	Future expansion capacity	Medium if delivered
Health	Construction of Cancer Treatment Centre	GoL	Slow implementation	~10% annual execution	Yes; M100m in 2026/27	Reduced external referrals and oncology access	High potential / weak delivery
Health	Construction and Upgrading of Health Facilities	GoL	No execution	0%	Likely continued / requires redesign	Primary and district service access	Low until mobilisation
Health	Support to Immunisation	GoL + partners	Active	41% execution	Continues in recurrent/service form	Population-wide health protection	High

Health logistics	M-Mama Lesotho emergency transport system	GoL + partners	Active	41% execution	Likely continued	Maternal emergency response	High
Education	Free Primary Education – classrooms	GoL	Active but slow	14% execution	Likely continued	Basic education access	Medium
Education	Construction of Secondary Schools	GoL	No execution	0%	Likely continued / requires readiness	Secondary access and quality	Low until delivery improves
Agriculture	Tsikoane Irrigation Scheme	GoL + donor	Commissioned	100% / commissioned 250ha	Programme expansion at new sites	Crop yields and drought resilience	High
Agriculture	Seaka Irrigation Scheme	GoL + donor	Commissioned	100% / commissioned 200ha	Programme expansion at new sites	Water access and food production	High
Agriculture	Smallholder Agricultural Development Project II	Donor loan/grant + GoL	Active	60% execution on the GoL line in the annex	Yes	Commercialisation of smallholders	High
Agriculture	APPSA	World Bank + GoL	Active	7% execution on the project line	Yes	Regional agricultural productivity support	Medium
Agriculture	Wool and Mohair Value Chain Competitiveness Project	IFAD / OPEC / GoL	Slow	Very low execution in the annex extract	Yes	Rural incomes and fibre competitiveness	Medium

Agriculture	Building Climate-Resilient Livelihoods and Food Systems	GEF + GoL	No execution	0%	Yes / concept remains relevant	Climate adaptation and resilience	Low until reset
Agriculture/livestock	National Animal Diagnostic Laboratory	GoL + possible partner support	Preparatory stage	Preparatory only	Yes	Animal health, exports, biosecurity	High potential
Agriculture/livestock	Quthing Artificial Insemination Facility / Liquid Nitrogen Plant	GoL	Operational / upgraded in progress	Operational milestone; no full %	Yes	Wool and mohair quality gains	Medium-High
ICT	E-Government	GoL + partners	Active	Visible progress in the annex/ministry	Yes	Digital service delivery	High
ICT	Transforming Broadcasting Mode	GoL + external procurement support	Slow	1% in annex line	Yes	Broadcast modernization	Low-Medium
ICT	Building Broadcasting Complex	GoL + external procurement support	Active but slow	The Ministry reported spending, but a low physical advance	Yes	Sector modernisation	Medium
Finance/border	Border Post Infrastructure Refurbishment	GoL + donor	No execution in the annex line	0%	Yes	Trade facilitation and revenue collection	High potential / low delivery
Finance/tax admin	Tax Modernisation Programme	GoL + partners	No execution in the annex line	0%	Yes	Domestic revenue mobilisation and compliance	High potential / low delivery

Finance/service delivery	Lesotho Public Sector Foundations for Service Delivery	Donor + GoL	Active	32% execution on the annex line	Yes	Institutional systems strengthening	Medium-High
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