



2026/2027 PRE BUDGET CONSULTATIONS REPORT

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I. Executive Summary

1. The 2026/27 Pre-Budget Consultations Report provides a detailed account of district-level engagements conducted across Lesotho's ten districts. These consultations were led by the Ministry of Finance and Development Planning (MoFDP) and aimed to gather community insights to inform the national budget for the 2026/27 to 2028/29 fiscal years. The process emphasized inclusive participation, with stakeholders including chiefs, councilors, youth representatives, civil servants, business owners, and development partners such as UNICEF.
2. A notable shift in this year's consultations was the adoption of a group-based discussion format. Participants were divided into three groups to deliberate on their district's priorities, which were then presented both verbally and in writing. This approach fostered deeper engagement and allowed for more structured input compared to previous years' open-floor discussions.
3. Stakeholder representation varied across districts, with chiefs and councilors forming the majority. Youth participation increased significantly, reflecting the government's commitment to youth inclusion in policy-making. However, gender disparities were evident, with male representation dominating most districts. Exceptions included Berea, Qacha's Nek, and Butha-Buthe, where female participation exceeded that of males.
4. Across all districts, common aspirations emerged. These included the urgent need for infrastructure development, particularly roads, bridges, and healthcare facilities—alongside improved access to clean water and sanitation. Electricity connection in underserved areas was also a recurring concern, as was the need for youth empowerment through vocational training, resource centers, and support for youth-led initiatives. Agriculture and food security were highlighted, with calls for timely distribution of inputs and establishment of agro-processing facilities. Economic development was another key theme, with communities advocating for job creation, support for small businesses, and operationalization of factory shells.
5. District-specific priorities added nuance to the consultations. Mokhotlong emphasized livestock auctions and wool/mohair value chains, while Leribe focused on agribusiness and timber processing. Quthing raised concerns about solid waste management and youth migration, and Mofale's Hoek advocated for decentralization and civic engagement. Mafeteng highlighted healthcare access and climate-resilient agriculture, Berea called for town expansion and utility access, and Butha-Buthe stressed tourism development and factory activation. Maseru focused on strengthening

local governance and tourism infrastructure, Qacha's Nek proposed tertiary institutions and wool/mohair processing, and Thaba-Tseka emphasized equitable budget allocation and road construction.

6. Youth engagement was a central feature of the consultations. Youth organizations actively participated and shared contact details for future collaboration. UNICEF's Youth Power Hub initiative was spotlighted, offering M49 million in seed funding for youth-led projects, further reinforcing the importance of youth inclusion in national development.
7. In conclusion, the consultations underscored the value of participatory budgeting and the need for responsive governance. The feedback gathered reflects the diverse needs and aspirations of Basotho across districts, with strong emphasis on infrastructure, youth empowerment, and equitable resource distribution. The Ministry of Finance and Development Planning is committed to integrating these insights into the national budget strategy to promote inclusive growth and sustainable development.

II. Introduction

8. The 2027 pre-budget consultation meetings were held successfully across all ten districts, from the week beginning on the 9th June to the first week of July 2024. The meetings took longer than expected as some meetings had to be rescheduled due to unfavorable weather conditions in the highlands.
9. The purpose of the consultations was to improve participatory budgeting by engaging the citizens through their local government representatives; community councilors and chiefs; private sector and civil society organisations. With the assistance of UNICEF through The Power Hub Initiative Programme, the 2026/27 meetings saw the addition of a new cohort of representatives from diverse youth organisations who took part in the meetings. The objectives of consultations included dissemination of the performance of the 2024/25 budget, highlights of the 2025/26 budget allocations, and gathering of public inputs on the policy direction for the 2026/27 budget.
10. Participants in the consultations included Chiefs, District Administrators, District Council Secretaries, Town Clerks, District Council representatives, Urban and Local Councils representatives, Community Council Secretaries, Business Community, Media, Youth organisations, representatives of the Ministry of Local Government, Chieftainship, Home Affairs and Police (Central Government-Planning Unit) as well as Civil Servants at district level.

III. Welcoming Remarks by District Representatives

11. The remarks were delivered by either the DAs, DCSs, Chiefs and Chairman of the District Councils. In their remarks, they expressed appreciation for the initiative undertaken by the Ministry of Finance and Development Planning (MFDP), emphasizing its importance in local government development issues. They also underscored the role played by the community council representatives as well as chiefs in promoting community development through their involvement in local economic planning, infrastructure development and administration of justice. They urged the Government to expedite the enactment of the Decentralisation Bill and iterated that without the governing legal framework on decentralisation, resources are inefficiently allocated, skewed towards urban and already developed areas and thus increasing the inequality among the districts and communities, weakening service delivery and promoting social distrust.
12. An emphasis was also placed on the adequacy of the monthly salaries and allowances given to both Chiefs and Community Councilors as they are considered insufficient to cover their leaving expenses. In some cases, the parties have not been paid their monthly sitting allowances for over two years. They urged the government to look into the above as it has affected the service delivery.
13. Recognizing their pivotal role at grassroot level, the community representatives expect significant improvements in the funding of community projects and programmes and that the inequitable approach where districts are allocated equal funding regardless of their development status, topographic and geographic locations should be abandoned. They further reiterated their optimism regarding the presence of the MFDP, expressing hope for positive change in the budgetary allocations to the local government.
14. While they appreciated the efforts undertaken by the Government through adoption of this new approach in coordinating the budget formulation process through citizens' participation and consultations as well as inclusion of youths in the prebudget consultations, they emphasized the need for inclusive budgeting where resources allocations address the needs of the marginalized, the poor and other excluded groups of the population.

IV. Introductory Remarks by MFDP Representative

15. In their remarks, representative from the Ministry of Finance and development Planning (in some cases, the Budget Controller (BC) and in other cases the Senior Budget Officers (SBO)) opened the consultations by welcoming all participants and expressing sincere appreciation for their presence, particularly the youth and representatives from various sectors including education, health, agriculture, and business. They acknowledged the importance of inclusive participation in shaping national priorities and emphasized that these consultations are a key step in the formulation of the 2026/27 national budget.
16. They outlined the purpose of the consultations as a platform to hear directly from communities about their development priorities. Special attention was given to youth voices, recognizing their central role in driving Lesotho's future. The consultations aimed to gather insights that would inform budgetary decisions and ensure that the upcoming budget reflects the needs and aspirations of all citizens, especially young people.
17. In setting the context, they highlighted the ongoing challenge of youth unemployment, which continues to limit opportunities for many young Basotho. Despite this, sectors such as agriculture and small businesses were identified as areas with significant potential for growth and job creation, provided they receive the necessary support and investment. The BC stressed that unlocking this potential requires targeted policies and resource allocation informed by community input.
18. Participants were encouraged to share their experiences, challenges, and practical ideas. Contributions on a range of issues including job creation, skills training, entrepreneurship, and the delivery of public services were invited. The consultations also sought feedback on how government programs could be better designed, implemented, and funded to meet the specific needs of youth and other vulnerable groups.
19. The BC reaffirmed the government's commitment to using the feedback from these consultations to guide fair and equitable resource allocation. Transparency and accountability were emphasized as key principles in the budgeting process. The BC assured participants that their input would not only be acknowledged but also reflected in the final budget framework.
20. In closing, they issued a call to action, urging participants to remain engaged beyond the consultation period. Continued public involvement is essential to shaping policies that are responsive and inclusive. Youth and community members were encouraged to actively participate in future

dialogues and decision-making processes, noting that their voices are powerful tools for change.

21. In concluding, a vote of thanks was extended to all attendees for their commitment and contributions, reaffirming that through collective dialogue and action, Lesotho can build a budget that truly serves its people and supports a more equitable and prosperous future.

V. Remarks by UNICEF

22. In their remarks, the United Nations Children's Fund (UNICEF) Lesotho's representative emphasized the importance of pre-budget consultations and urged the community representatives to provide inputs that will shape-up the coming budget through their contributions to the development of the budgetary plans and strategies. UNICEF underscored the importance of youth participation in the budget formulation process and that through these consultations, they will be able to understand the process undertaken in formulating national budget, how budgetary decision are made and that their involvement will be reflected in national budget.
23. UNICEF further introduced the presence of International Organisation for Migrations (IOM), an organisation that provides assistance to migrants through various activities. Lesotho by nature is surrounded by the South Africa (SA) and due to high youth unemployment, the large share of the youth population migrates to SA where at times are exposed to vulnerable situation. This is evident in our communities where young people, including young adults, have left the country to seek job opportunities in SA. The most affected districts due to their characteristics, vulnerability and less opportunities are mostly in the highlands. It is in this regard that IOM is investing in the young people to try and assist in developing projects that will sustain them, provide jobs, and help the surrounding communities.

VI. Presentations

24. The first presentation was made on the Budget Formulation Calendar and its milestones. The presentation highlighted that Government fiscal year starts in April and ends in March of the following year and that the calendar integrates the budgeting process with the government fiscal year. It depicts the process flow and the Top-Down-Bottom-UP Approach to budgeting. Budget formulation undergoes sixteen steps through processes undertaken by both the MFDP and MDAs as well as cabinet approvals and enactment of the budget.

25. The main presentation highlighted the efforts the Government is making to improve public expenditure management, voluntary reporting of the SDGs as well as development of the new vision. A snapshot of the 2024 Public Expenditure and Financial Accountability assessment was presented indicating areas of improvement, stagnation, and regression. As information dissemination mechanism, a highlight of SDGs under voluntary reporting was made. Finally, meetings were sensitised that the MFDP is in the process of developing the National Vision after the expiry of the Vision 2020 and that stakeholder consultations were underway as fact-finding mechanisms for development of the new vision.
26. The 2025/26 budget and sectoral allocations were presented highlighting total expenditure allocations per sector as well as efforts by the government in providing assistance to women, youth, and small businesses in entrepreneur development. The initiatives include among others, Youth Apprenticeship Programme, Sebatso Youth Empowerment Initiative, Youth Conekt Africa, National Volunteer Corp Programme, Inclusive Growth Fund.
27. The 2025/26 Budget Speech has highlighted “lack of access to finance” as a constraint for business development and growth. Due to stringent collateral requirements by banking sector, women, youth, small businesses are unable to adequately source/acquire credit. The government, in its endeavor to promote and support private sector activity, government has allocated M400 million towards the Inclusive Growth Fund (IGF) and part of the funding is dedicated to finance women- and youth-led enterprises, ensuring that these underserved groups gain meaningful access to capital.
28. On the other hand, European Union, in collaboration with the UNCEF and IOM, are implementing a joint initiative called The Youth Power Hub Programme, an innovative youth incubation program that aims to increase the participation and influence of young people in the local development process and policy advocacy. The goal of the program is to empower young people as key players in governance and development at both local and national levels including those in the diaspora. The initiative will be implemented in the ten districts and will run for 5 years from 2024 to 2027 targeting youth aged between 10 to 25 years with a combined funding of about M47.5 million.
29. The 2024/25 budget and performance were presented, indicating how much revenue was projected against the total collection. The 2024/25 budget had projected revenue targets amounting to M27.3 billion against a collection of M28.3 billion. The major components of revenue are taxes, non-tax, SACU, and development grants. The over performance is attributed to non-tax revenue, especially the water royalties.

30. On the expenditure side, recurrent expenditure was estimated at M21.2 billion against the actual performance of M19.2 billion. The Government of Lesotho capital expenditure was estimated at M2.9 billion against the performance on M2.2 billion. Development grants and donor loans were estimated at M3.3 billion and M3.5 billion respectively and their actual performance can only be determined once the MDAs consolidated financial statements have been compiled.
31. The 2025/26 budget has projected total revenue target at M30 billion comprising of tax, non-tax, SACU, and development grants as the major components. In comparison to the 2024/25 budget, there is an increase of about 10 percent in the overall targets from M27.3 billion to M30 billion in 2024/25 budget and 2025/26 budget, respectively. The 2025/26 budget saw a decline of around 20 percent and 6 percent in SACU receipts and development grants respectively while there is an increase of about 6 percent for taxes and 129 percent for non-tax revenue.
32. On the expenditure side, the 2025/26 budget has estimated the total expenditure at M33.7 billion comprising of recurrent budget at M23 billion and development budget (all sources) at M10.7 billion. In comparison to 2024/25, the total expenditure has increased by 9 percent with personnel emolument accounting for 5 percent, other charges accounting for 11 percent increase, GOL development expenditure accounting for 48 percent while donor grants and loans saw a decline of 6 percent each.
33. With the US Government Executive Order in place, the 2025/26 budget will see a decline in donor grants which will have a ripple effect on tax revenues as well as the employment generated through implementation of projects and programmes that are subjected to closure. The GOL is in the process of consolidating all the affected projects and programmes and will determine the way forward once the exercise is complete.

VII. Group Presentation Approach and Deliberations

34. After the presentation, the meeting adopted an approach where participants were divided into three groups to harness their inputs. This approach was meant to promote deeper understanding of what has been presented and discussed during the preceding part of the meetings by actively engaging all participants in discussions of the current state of development in the district as well as their communities. Policy issues were sought on how best could the government meet citizen's needs given the limited budgetary resources and how can the existing revenue streams be enhanced to improve revenue collection.

35. During the reporting sessions several challenges were identified as policy issues and included among others;
- a. Infrastructure deficit
 - b. Equal distribution of resources
 - c. Waste management
 - d. Job creation
 - e. Decline in agriculture productivity.
 - f. Youth resource centres
36. The current state of available infrastructure is not adequate to support development, faster economic growth, and poverty alleviation. The infrastructure gap includes inadequate and poor health facilities, poor roads network including bridges, insufficient power generation, transmission and distribution systems, low access to communications mostly in remote areas, insufficient (and lack of) water supply and poor water supply systems.
37. A substantial portion of the country's roads, especially in the rural areas, are in poor conditions, ranging from earth to mostly unpaved gravel. These kinds of roads combined with a challenging terrain contribute to high number of accidents, isolate communities and hinders access to healthcare, education, markets, and delays trade investments. Rural roads are particularly critical to agriculture and most rural communities depend on agriculture (crops and livestock) for subsistence and income generation. Poor roads infrastructure has led farmers to face substantial post-harvest losses due to spoilage of perishable products and pest damage, reduced productivity due to limited access and inability to transport essential agricultural inputs. The highlands or mountainous areas are vulnerable to Climate change due to early frost, increased arain and snow in some places and this has led to roads deterioration, erosion and has also contributed to low agricultural yield.
38. Although access to water has improved a lot in recent years due to infrastructure efforts the country has invested in, water supply is still skewed and these developments benefits to some extent, the lowlands while the highlands are left to suffer. Lack of adequate water infrastructure has negatively affected the rural areas by impeding their access to safe drinking water, sanitation (although the VIP latrines have been constructed in abundance) and livelihoods. Most rural communities rely on unsafe and contaminated water sources and struggle for access to water for irrigation and other essential needs. These have negative impact on public health, agricultural production, livelihoods, and quality of life.
39. Limited access to electricity infrastructure has negatively impacted the socio-economic well-being as well as developments in the rural areas. Rural communities often rely on other alternative sources of energy for

lighting. Even where electricity is available reliability of supply is still an issue and some communities experience disturbances such as load-shedding especially those using electricity generated from South Africa. These power cuts make it difficult to manage healthcare emergencies and lead to negative outcomes. Limited lighting at night makes communities, including businesses, more vulnerable to crime and accidents creating a safety concern. Communities are faced with limited access to news, information, and communication and this has made it difficult to alert security institutions on stock theft happening in their vicinity. Students are also affected as their access to educational resources, especially the digital learning tools, are limited and they are unable to undertake research assignments that require use of technology. Studying at night has also become a challenge.

40. Distribution of funds allocated to districts under Development Fund for Council Programme is not equitable as all the community councils are given the same amount of funding. Districts in the highlands are characterised by mountainous terrain and geographical challenges which are more costly to develop compared to the lowlands. There is also a challenge of underfunding in institutions and government departments at district level, and this creates social disparities while widening the service delivery gap between the central and districts. The unfair practice of equal distribution of resources exacerbates limited access to essential services, hinders economic growth and well-being while creating a cycle of poverty.
41. The country is faced with a challenge of poor solid waste management which has a detrimental effect to public health, environment, livestock, and the economy. Lack of formal waste collection systems has led communities to rely on traditional and often harmful waste disposal such as burning, backyard and street dumping, which are always harmful to both living beings and the environment. In many cases the livestock has been treated to ingesting of waste which sometimes resulted in death. Poor waste management results in accumulation of toxic substances which are then, during rainy season, transferred to the water resources and contaminate ground water sources. Those communities that fetch water from the wells, springs and rivers are subjected to various diseases from drinking contaminated water.
42. The presence of waste everywhere has a negative impact on the existing infrastructure and tourism. Water drainages are always blocked and exacerbate flooding and submerging of roads in water. Tourist interests are decreasing as the attraction now become unpleasant and unhealthy and these normally damage the destination's image and discourage repeat tourist visits in the country.

43. Lesotho is faced with a high unemployment rate and most predominantly youth accounting for the larger share. This challenge has been identified to have contributed to poverty, social discord, and increased crime in the communities. Inability of the government to create jobs, weak private sector, inadequate infrastructure, and corruption are among the factors that have been identified and have a significant contribution to joblessness. On the other hand, a decline in agricultural output caused by a decline in agricultural investment and the impact of climate change has worsened both unemployment and poverty. Skills mismatch is also a contributing factor to youth unemployment. The current school curriculum does not respond to the needs of the labour market although small in size and the demand correlate to the size of the labour market.
44. The agricultural sector is faced with a number of challenges including decline in agriculture land due shifting land use, severe land degradation, use of traditional agronomics practices, overgrazing and climate variability. The decline in agricultural activity coupled with high unemployment as well the pressure to generate income has led to the conversion of agricultural land to other uses; residential and commercial uses potentially impacting immediate and long-term food production and security. Limited job opportunities, especially in the rural areas, also play a significant role as young unemployed graduates migrate from the rural to urban areas in search of employment. This has led to labor shortages in rural areas, leading to reduced agricultural production and potentially increased food insecurity. If the urban labour market were to absorb more than half of the migrant, then the gains from the remittance that would have been sent to the rural communities would have otherwise offset the impact of migration, in fact, the opposite is true.
45. Due to climate change, the country has been faced with erratic rainfalls, drought making it difficult for farmers to adapt to changing conditions. Climate variability coupled with deforestation; unsustainable farming practices and overgrazing have increased the country's exposure to soil erosion. The removal of fertile topsoil has contributed to low agricultural yields, reduced livestock productivity, and increased food insecurity.
46. Limited Youth Resource Centres worsen the challenges faced by young people. Their shortages deny the young people the opportunity to engage in development, social issues and youth empowerment. These centers play a crucial role in addressing challenges like unemployment, HIV/AIDS, child marriage, initiation, and gender-based violence, while also promoting education, health, and overall well-being. The centres are important for empowering young people, fostering their development, and contributing to a more inclusive and prosperous future for the nation.

VIII. Policy Recommendations

- i. **Job creation;** High unemployment, limited access to finance and inadequate infrastructure have contributed to limited job opportunities in the country. Recent developments from the US have also contributed to loss of jobs. Targeted job creation strategies that are demand driven should be developed and should take into account economic diversification, education and skills mismatch, entrepreneur development and creation of conducive environment for private sector growth.
- ii. **Infrastructure Development;** due to unavailability of clear costed development plans in the district, the government is in the dark on how much investment is required for provision of infrastructure. Despite the efforts the government has implemented, rural communities, especially the highlands, are mostly affected by inadequate infrastructure due to their distinctive characteristics. Comprehensive infrastructure development plans focusing on improving access and connectivity as well as its strategic financing mechanism be developed. Capacity building initiatives for local government structures, development of district strategic plans and its monitoring is vital.
- iii. **Enactment of Decentralisation Bill;** Enactment of the Bill is essential for promotion of equitable development, improved service delivery and improved resource allocation.
- iv. **Improving security;** High unemployment rate, poverty and socio-economic factors have contributed to the ever-increasing stock-theft in the country especially in hard-to-reach areas. Improving security measures by enhancing law enforcement practices and capacitating the community and community policing structures to ensure sustainable safety and justice at the communities.
- v. **Review of Allowances for local government authorities;** allowances/salaries should align with current living standards and facilitation of outstanding sitting allowances for local government structures.
- vi. **Waste Management Policy;** There is a need for improved and efficient waste collection and disposal. Development of waste management policy and availability of necessary infrastructure is vital.
- vii. **Improved and equitable resource allocation;** Resource allocation approach for Development Funds for Council programmes to district should be enhanced and factor in distinctive characteristics for each district. The Amount allocated to the Fund has declined notwithstanding

the infrastructure deficit local communities. Furthermore, funds allocation for recurrent operations are currently skewed and is in favour of the central government and compromising service delivery at local authorities. Those in charge of funds allocation should strive for a balanced and equitable approach to budgetary allocations. A strategic approach on balancing equitable budgetary allocations between recurrent and capital expenditure be implemented.

IX. Conclusion

47. Following the country's bicentennial celebration, efforts are being undertaken to develop a new vision which will shape the country's future developments. New reforms aimed at improving business environment and economic transformation should be at the front. With prevalent poverty and unemployment, the strategic vision should try to unlock the country's potential to sustainable development. Decentralisation of services is also vital as a tool to address service delivery impediments and infrastructure deficit, joblessness and a declining agricultural productivity will be enhanced through policies that are more responsive to community needs.