



PARLIAMENT OF THE KINGDOM OF LESOTHO
BUDGET SPEECH TO THE PARLIAMENT OF THE
KINGDOM OF LESOTHO FOR
THE 2024/2025 FISCAL YEAR

"Building Strategies for Inclusive Growth"

By

HONOURABLE RETSELISITSOE MATLANYANE, MP
MINISTER OF FINANCE AND DEVELOPMENT PLANNING

MASERU, LESOTHO

19th FEBRUARY 2025

Mr Speaker,

Allow Me to Pay My Respects to:

His Majesty King Letsie III and Head of State

The Right Honourable the Prime Minister and Head of Government

The Honourable President of The Senate

His Lordship Chief Justice

The Honourable Deputy Prime Minister and Leader of The House

My Colleagues, Honourable Ministers of His Majesty's Government

His Lordship President of the Court of Appeal

Honourable Members of the Council of State

Honourable Leader of Opposition

Honourable Judges of the High Court and Court of Appeal

Honourable Deputy President of the Senate

Honourable Deputy Speaker of the National Assembly

Honourable Members of Both Houses of Parliament

Their Excellencies, Heads of Diplomatic Missions, and International Organisations here Present

Sechaba sohle sa Basotho ka hare le ka ntle ho naha.

Distinguished Members of The Media

Bo-`Me le Bo-Ntate

Introduction

1. **Mr. Speaker**, I stand before this august House today to table the National Budget for the fiscal year 2025/26, guided by the theme "Building Strategies for Inclusive Growth."
2. In the past years, we have focused on attaining macro-fiscal stability and laying a strong foundation for broad based, sustainable growth while building resilience to guard against shocks and possibilities of backsliding.
3. The government is committed to transition from a government-led economy to a private-sector-driven model, with emphasis on growth, job creation, infrastructure development, and continuous policy reforms.
4. Notable progress in strengthening governance, social protection, and investments in agriculture, manufacturing, energy, and digital transformation has laid a strong foundation for growth.
5. However, as we enter a new phase, we must guard and consolidate these gains as we adopt bolder and more robust strategies to promote inclusive growth. This means ensuring that our policies must create opportunities for a more active role for the private sector by fostering a business environment that attracts both domestic and foreign investment.
6. **Mr. Speaker**, as we chart this course, we must internalize and navigate the global forces that shape to the prevailing economic landscape. Geopolitical tensions and protectionist policies present elevated levels of uncertainties and risks as much as they redefine contours for international trade, making it imperative for us to strengthen regional partnerships and strategically diversify and explore possibilities of alliances beyond traditional boundaries.
7. Heightened climate risks and their impact on key sectors, ranging from the critical agriculture to infrastructure, demand that we make urgent and often expensive investments in climate resilience and green energy solutions.

8. Additionally, the accelerating pace of technological advancement pose both challenges and immense opportunities to leapfrog to the higher levels growth. If we fail to embrace digital transformation, automation, and artificial intelligence, we risk falling further behind in global competitiveness.
9. **Mr. Speaker**, the prevailing environment forces us to introspect deeply and seek ways and means to strive for independence beyond what we traditionally thought was possible. This is an opportunity that we must jump at and strive for relevance and survival in a hostile and perilous environment.
10. This budget therefore prioritizes strategies to equip ourselves with the skills and tools needed to participate meaningfully in a rapidly changing global environment.
11. However, before we move on, it is absolutely essential that we review our position and status in the global and regional context. In doing so, I am pleased to report that our fiscal position in 2024/25 has stabilized reasonably to secure us space for policy manoeuvres to reinforce our foundation.
12. The 2025/26 budget is anchored on fiscal prudence, economic growth, and social protection. We continue to allocate more resources to investment spending, underscoring our government's commitment to infrastructure and economic transformation, while remaining mindful of the need to prudently manage recurrent expenditure, particularly the wage bill.
13. In acknowledgement of both opportunities and risks, we recognize that while increased water royalties from the Lesotho Highlands Development Authority (LHDA) have boosted revenue, we must prepare for potential fluctuations in SACU receipts, which could impact our fiscal outlook. This underscores the urgency of diversifying revenue sources and strengthening domestic revenue mobilization strategies.
14. **Mr. Speaker**, this is a defining moment in our history. The opportunity and the responsibility to reshape the economic trajectory of our nation have never been more urgent. This budget is a statement of intent—it sets a clear path for economic diversification,

prioritizes social equity, and recognizes the importance of environmental stewardship and fiscal prudence. It is a blueprint for a future where every Mosotho has the chance to thrive, where innovation and enterprise are not just encouraged but actively supported.

15. With courage and resolve, we will face the challenges of the present head-on. We will build a stronger, more resilient, and inclusive economy that secures the future of our people.

16. As I proceed to outline the specific allocations and measures in this budget, I seek the support of this House in ensuring its effective implementation for the benefit of all Basotho. Our shared goal remains clear: to build a more prosperous, equitable, and competitive Lesotho.

Economic Overview

Global Context

17. **Mr. Speaker**, I rise today to address the House regarding the latest global economic outlook for years 2025 and 2026. The International Monetary Fund projects global growth to maintain stability at 3.3 percent during this period. This growth falls below the historical average of 3.7 percent observed from 2000 to 2019 globally.

18. In the United States, we observe robust economic performance, with growth projected at 2.7 percent in 2025, marking a 0.5 percentage point increase from previous forecasts. This strength is underpinned by favourable wealth effects, accommodative monetary conditions, and a resilient labour market.

19. In the emerging markets, China's growth forecast has been marginally revised upwards to 4.6 percent for 2025, supported by robust fiscal measures announced in November last year. India continues to demonstrate remarkable resilience, with projected growth holding steady at 6.5 percent for both 2025 and 2026. In Sub-Saharan Africa, the region achieved growth of 3.8 percent in 2024, demonstrating its resilience in the face of global headwinds and increasing geopolitical tensions.

20. In South Africa, however, faced significant challenges, with growth limited to 0.8 percent, reflecting persistent structural constraints and infrastructure challenges, particularly in the energy sector. Looking further in 2025 through 2026, growth in South Africa is anticipated to improve notably to 1.5 percent and 1.6 percent, suggesting that some of the structural impediments may begin to ease.
21. The global trade outlook has seen modest downward revisions for both 2025 and 2026, primarily due to elevated trade policy uncertainty. However, these effects are expected to be transitory in nature.
22. **Mr. Speaker**, while these projections paint a picture of general economic stability across regions, they also highlight divergent paths across economies and underscore the precarious nature of global growth in the coming years. Therefore, we must remain vigilant and responsive to these evolving economic conditions.

National Economic Performance

23. **Mr. Speaker**, as I delve deeper into the domestic economic landscape, I would like to share our projections for economic growth from 2024/25 to 2027/28. Allow me to guide you through the essential dynamics and growth drivers during these years.
24. In the fiscal year 2024/25, our economy demonstrated resilience by achieving a growth rate of 2.5 percent. This growth was primarily driven by remarkable performance in the construction sector, which expanded by 22.5 percent, reflecting significant infrastructure development and increased construction activity across the country. The service sector also showed robust growth at 3.7 percent, indicating strong consumer demand and business activity. Animal farming maintained steady growth at 3.5 percent, contributing positively to our agricultural sector.
25. However, we faced several challenges during this period as well. The mining sector contracted by 5.0 percent, while manufacturing declined by 2.3 percent, with the textiles, clothing, and footwear subsector particularly affected, showing 8.2 percent decline collectively. Crop

production also experienced difficulties, contracting by 5.1 percent, due to weather-related challenges.

26. Looking ahead to the budget year 2025/26, we project an improved growth rate of 3.4 percent. This optimistic outlook is supported by several positive indicators. Construction is expected to maintain strong momentum with projected growth of 30.4 percent, continuing to be a major driver of economic expansion. We anticipate a recovery in crop production, with a return to positive growth of 0.9 percent, while animal farming is expected to strengthen further to 4.2 percent. The service sector is projected to maintain steady growth at 3.1 percent.
27. However, we must remain mindful of on-going challenges. The manufacturing sector, though showing some signs of improvement, is still projected to contract by 4.2 percent, and the mining sector will likely continue facing headwinds with a projected decline of 2.9 percent.
28. Looking further ahead, our medium-term projections show the economy growing at 2.2 percent in 2026/27 and 2.1 percent in 2027/28. These projections reflect a gradual stabilization across sectors, with mining and manufacturing expected to return to positive growth territory, albeit with modest numbers. Construction growth is anticipated to normalize at more sustainable levels of 8.5 percent and 9.0 percent respectively as LWHP II projects wind down.

Price developments

29. **Mr. Speaker**, regarding inflation, our economy continues to face persistent inflationary pressures, though we are seeing a gradual easing trend over the projection period. Consumer price inflation currently stands at 6.0 percent in 2024/25, and we project it to moderate to 5.4 percent in the upcoming budget year. This elevated inflation rate is driven by several factors: the ongoing recovery in domestic demand, particularly in the construction sector, which is growing at over 20 percent, putting upward pressure on building materials and labour costs. The contraction of crop production by 5.1 percent in 2024/25 has also contributed to food price pressures and we expect this impact to moderate as agricultural output recovers in the coming year.

30. Looking ahead, we project inflation to continue its downward trajectory, reaching 4.9 percent in 2026/27 and further easing to 4.7 percent by 2027/28. This gradual decline will be supported by the anticipated stabilization in the agricultural sector, with crop production expected to return to positive growth, and the normalization of construction sector growth to more sustainable levels. However, we must remain vigilant as the pace of disinflation is relatively slow, suggesting underlying structural factors that require continued policy attention.

Monetary Policy Developments

31. **Mr. Speaker**, in 2024, broad money supply (M2) grew by 10.6 percent, slowing down from the 19.8 percent increase recorded in 2023. This growth was driven by a 26.0 percent surge in narrow money (M1), while quasi money declined by 1.1 percent. In real terms, M2 grew by 6.7 percent, following an 11.8 percent increase in 2023. Total credit extended to the business sector rose by 2.5 percent, compared to a 23.0 percent increase in 2023. Meanwhile, household credit continued to grow, expanding by 12.4 percent, with personal loans increasing by 14.2 percent and mortgage loans by 6.8 percent. This growth was supported by banking sector strategies aimed at enhancing access to credit, including raising loan ceilings and offering flexible repayment schedules.

32. The Central Bank of Lesotho's Monetary Policy Committee responded to diminishing inflationary pressures by reducing the policy rate by 25 basis points to 7.50 percent. Consequently, the average prime lending rate decreased from 11.25 percent to 11.00 percent, the one-year deposit rate fell to 4.72 percent, and the 91-day Treasury Bill rate declined from 7.12 percent to 6.88 percent, maintaining alignment with South African rates.

33. During 2024, the local currency appreciated slightly against major currencies. The rand strengthened by 0.3 percent against the US dollar and the pound, and by 0.7 percent against the euro, reaching 18.6 against the dollar, 23.3 against the pound, and 20.0 against the euro. This pattern contrasted with significant depreciations in 2023 and was largely attributed to improved domestic economic activity as the energy crisis eased. However, resilient US economic data and monetary policy easing by the Federal Reserve supported the dollar, limiting the extent of local currency appreciation.

Debt Strategy

34. Mr. Speaker, as of January 2025, total government debt stands at M23.1 billion, comprising M19.3 billion in external debt (83 percent) and M3.8 billion in domestic debt (17 percent). Year-on-year, debt increased by M232.8 million, driven entirely by external borrowing, while the debt-to-GDP ratio has remained stable. Since the start of the year, external debt rose by a net M41.8 million, due to M1.5 billion in new borrowing, offset by capital repayments of M952.3 million and an exchange rate gain of M475.5 million. Domestic debt declined by M188.6 million but is expected to rise slightly after the final auction, supporting domestic market development amid fiscal surpluses.

35. According to the Debt Sustainability Analysis, Lesotho's debt distress risk remains moderate, with limited capacity to absorb shocks. The government is committed to reducing the debt burden in the medium term by introducing fiscal rules, including a Public Debt Rule seeking to contain public debt as a percentage of GDP. This will enhance transparency, control deficits, and provide flexibility to manage shocks that may arise. To support growth and domestic market development, the government plans to issue M600 million in treasury bonds for infrastructure projects identified as key engines of our growth trajectory.

Unemployment

36. **Mr Speaker,** I wish to bring to your attention a significant challenge that our country is confronting—youth unemployment. The findings from the 2024 Labour Force Survey reveal a troubling situation that calls for our prompt intervention and action.

37. Among the 760,230 young Basotho aged 15 to 35, approximately 145,087 are currently unemployed. This figure is striking, nearly 39 percent of our youth actively looking for work are unable to secure a job. This situation represents more than just numbers; it reflects postponed aspirations, unfulfilled potential, and futures that remain uncertain.

38. The situation is particularly concerning for our young women. While the overall youth unemployment rate stands at 38.9 percent, young women face an even steeper challenge with a 40.8 percent unemployment rate, compared to 37.1 percent for young men. This

gender disparity reflects deeper structural issues that we must address.

39. What is equally troubling is the low youth labour force participation rate. Only 31.48 percent of our youth are either employed or actively seeking employment. This means that many of our young people have become discouraged, with over 226,857 having given up looking for work altogether.
40. However, within these challenges lie opportunities. Our formal sector currently employs only 87,849 people, while the informal sector accounts for 461,873 jobs. This picture suggests that there is significant room for expanding job creation in formal employment spearheaded by private sector, particularly in growing sectors of the economy.
41. **Mr. Speaker**, we must act decisively to bridge the gap between education and employment. We are confronted with the reality that our higher education system produces graduates at a faster rate than our economic absorption capacity as a country and this leads to persistent unemployment crisis.
42. In this regard, Mr. Speaker, we have to create targeted programs for our youth particularly young women, expand formal sector opportunities driven by private sector, support entrepreneurship and innovation as well as investing in skills that are aligned with the needs of private sector for it to participate more meaningfully in advancing our economic growth trajectory.
43. The future of our nation depends on the productive engagement of our youth. We cannot afford to let another generation's potential go to waste.

KEY POLICIES AND REFORMS

Promoting Inclusive Economic Growth

44. **Mr. Speaker**, despite the achievements we have made so far, the challenge of igniting inclusive economic growth that creates jobs for our people remains. To further tackle this challenge head-on, the Government of Lesotho will introduce a series of further reforms and policies aimed at stimulating economic growth. These include policies

focused on industrial development to foster growth in the manufacturing and agro-processing sectors, helping reduce reliance on imports and promote self-reliance in number productive areas.

45. Further Investments shall be made in Agriculture sector and development of value chains in the sector; manufacturing and development of value chains also in this sector; in energy sector and technology sector. The Government will take a new strategic approach to tourism development by developing tourism special economic zones. A policy for technological innovation will be rolled out to support digital transformation agenda, enhance the country's competitiveness and adaptability in the global economy. We shall continue investments in public infrastructure to support private sector investment.
46. **Mr. Speaker**, global evidence suggests that competitive business environment that includes conducive legal and regulatory environment is key driver for private sector Investment. Restrictions on both domestic and foreign investment in Lesotho are higher than the average of all SADC members. Lesotho scored 0.40 on SADC Investment Climate Scorecard, compared to 0.20 average for SADC (lower score indicates lower restrictions on investments). Past efforts to improve the investment climate were hindered by gaps in implementation with weak coordination across the government and development partners. Legal and regulatory framework for investment is incomplete and requires streamlining to enhance transparency and consistency; institutional mandates are overlapping and not clearly defined. Furthermore, there are also limited positive spillovers from existing foreign investment to local investment. To address these challenges, the Government will complete investment policy and enact investment law; improve business licensing and registration, improve land markets and land administration. Access to finance is also key for improving the investment climate. In this regard, Government will consolidate partial credit guarantee facility and improve accessibility of the facility. Government will further establish Inclusive Growth Fund to support private sector businesses in productive sectors specially to tackle unemployment among woman and youth.

Enhanced Revenue Mobilization

47. Mr Speaker, the current development financing landscape that has created uncertainty in development assistance forces us to look at our own domestic resource mobilization initiatives in order to wean ourselves from dependence on uncertain development assistance flows. In this regard, the Government has prioritized the following resource mobilization initiatives and reforms:
48. Noting that government made a commitment to implement Alcohol and Tobacco levies incrementally to allow the administrative changes and business adjustments, government proposes increases of alcohol and tobacco levies by 2.5 percent and 5 percent respectively:
49. To support low-income earners during these trying times, the Government shall increase minimum threshold for income tax to M6,170.00 with an applicable rate of 20 percent. A rate of 35 percent shall apply for income brackets above M6,170.00. In addition, tax credit for each individual income earner is increased from M920.00 to M970.00 per month.
50. Furthermore, in-order to support the small businesses, the Government shall increase the VAT registration threshold from M850,000.00 to M2 000 000.00. This shall relieve small businesses of high compliance costs and accordingly facilitate investment and improved economic activity of small businesses.
51. Mr Speaker the number of accidents on our roads has increased drastically in recent years, and this has put huge pressure on motor vehicle assurance fund that compensates victims of motor accidents. In line with market trends and global developments the oil levy will be increased by 10 lisente and Motor Vehicle Assurance (MVA) by 5 lisente.
52. Mr Speaker, the Government, through RSL will continue to reinforce the efficiency in collection of both tax and non-tax revenue by the application of digital technology and enhancement of ICT systems.
53. The Government will further enact into law the Income Tax Bill, Tax Administration Bill and VAT Bill to further strengthen revenue administration.

Public Financial Management Reforms

54. **Mr. Speaker,** Government will continue Public Financial Management (PFM) reforms which are an important part of broader public sector reforms in order to ensure responsible public finance management. These reforms will establish clear and consistent rules for budgeting, spending and reporting across Ministries Departments and Agencies (MDAs) of Government. The intention is to improve Government accountability, efficiency and transparency in its financial operations. Strategic focus areas of the reforms for this financial year are introduction of fiscal rules, preparations for establishment of a stabilization fund, enhanced public investment management, streamlining of public procurement, better management of public assets, as well as accounting and reporting of Government operations.
55. Government will take decisive steps to implement these measures by creating a centralized asset registry, leveraging the newly created asset-management unit within the Treasury Department, establishing a prioritized project pipeline, and enhancing capacity for project appraisal, design, management, and monitoring, using the IMF's newly developed Public Investment Management Information System (PIMIS) tool.
56. Furthermore, these initiatives are also planned to ensure that public resources are allocated and spent in a manner that supports national development priorities and inhibit corrupt practices. They will further contribute to strengthening of democratic processes, improving governance and ensuring better outcomes for the people of Lesotho.
57. **Mr. Speaker,** this Government intends to optimize various sources of financing to support its development and growth programme and maximize the value for every loti spent.

Monetary and Financial Sector Reforms

58. A well-functioning financial sector remains the bedrock of broad and inclusive growth. While significant progress has been made in shaping the financial sector to serve the economy, more still needs to be done to consolidate the achievements and to address new challenges. The consensus roadmap for more reforms to be implemented in the sector

have been put together in the Financial Sector Development Strategy II 2025-2030 to be launched this year.

Financial Inclusion

59. **Mr. Speaker,** I wish you to note that we have made great process on financial inclusion. Today our Country is ranked 2nd to South Africa in SADC on levels of financial inclusion that stands at 91 percent. This is an improvement from 81 percent achieved in 2021. These developments were mainly driven by both mobile money services providers and Fintech companies. Moreover, financially excluded MSMEs decreased from 35 per cent in 2015 to 12 per cent in 2023-*A truly remarkable progress for a country of our size.* Around one-third (34 per cent) of MSMEs are banked, while 82 per cent use other formal financial services, mostly mobile money and insurance. This development compares with a 39 per cent of the population covered by the banking sector.

b) Consumer Protection and Market Conduct Regulation

60. The high level of financial inclusion calls for tighter consumer protection regime to protect the vulnerable consumers from unfair market practices by the financial sector providers. As such more regulations are going to be promulgated in the year 2025/26. We also need to scale up financial education to equip Basotho with the knowledge to make informed decisions about money. The level of household indebtedness among the salaried workers remains a concern. The Central Bank of Lesotho has partnered with the National University of Lesotho to offer the Certificate in Personal Financial Management in the coming fiscal year. The graduates from this program are expected to be the change agents for prudent financial management among Basotho.

c) Pensions Regulation

61. **Mr Speaker,** the implementation of the Pensions Act, 2022 is continuing. During the year, the Central Bank of Lesotho has registered more pension funds in Lesotho including the Public Officers Defined Contribution Pension Fund. Because the sector has for many years been unregulated, compliance will at first be a challenge.

Employers are expected to remit employees pension contributions timely and in line with the law.

d) Strengthening the Payment System

62. **Mr. Speaker,** the payment ecosystem has made huge strides in recent years. The Central Bank of Lesotho is continuing to implement the National Switch project. The importance of the national switch is to localise processing of transactions and to enable full interoperability between bank accounts and mobile money. To date the mobile money stream is now operational. Money can move from one mobile money operator to another with ease. The card stream is now and is being rolled out in phases. Another milestone has been the implementation of the new messaging standard for domestic transactions and SADC. The standard will make transactions fast and easy to track. The standard is also robust in dealing with Money Laundering issues.

e) Modernization of Exchange Control

63. Mr Speaker, the exchange control regime in Lesotho is outdated and has been a major hinderance to the transfer of funds between Lesotho and the rest of the world. The Government is planning to develop the Currency and Exchanges Bill in an effort to modernize the exchange controls in Lesotho and support economic growth.

64. To conclude this section Honourable Speaker, Our vision remains anchored in achieving fiscal sustainability while promoting inclusive growth for our nation.

65. At the heart of our fiscal strategy lies a fundamental commitment to reduce our exposure to the volatile SACU revenues. This transformation requires bold and decisive action. We are implementing a comprehensive domestic revenue mobilization strategy, strengthening our tax administration, and broadening our revenue base.

Our immediate priorities are threefold:

66. First, strategic rationalization of recurrent public expenditure is key. This is geared towards moderating all undue inefficiencies in our public service system and ultimately eliminating such inefficiencies overtime. In this regard, public wage bill has been identified as a

significant contributor to our unsustainably high recurrent budget. Therefore, strategic initiatives such as careful public workforce planning, functional reviews, re-skilling and re-deployments are being considered in order to support efficient public service delivery.

67. On this very sensitive matter **Mr. Speaker**, and with a great sense of humility and responsibility, I wish to implore all of us to support this transformational journey and remain positive ambassadors on the matter throughout our public sector system.
68. Secondly, we are reorienting our spending towards growth-enhancing investments. Our focus is on critical infrastructure development, particularly in energy, water, and digital connectivity. These investments will lay the foundation for private sector growth and economic diversification and keep us on the path towards counter-cyclical fiscal policy and sustainable economic growth.
69. Thirdly, we remain steadfast in our quest to strength our public financial management systems continually. Robust public financial management systems and practices are undoubtedly a cornerstone of success for efficient public service delivery. In this regard, we continue to improve our budget execution, enhance public procurement governance structures and processes, and implement efficient monitoring and evaluation frameworks that will support, among others, informed decision-making processes across Government.
70. **Mr. Speaker**, our fiscal consolidation efforts are not merely about cutting costs. They are about building resilience of our economy and amplifying our capacity to withstand external shocks as they arise. We are creating fiscal space to protect provision of essential social spending and maintain a robust social safety net for our most vulnerable citizens. This trajectory will further improve our fiscal space and enable government to support infrastructure development efforts even better.
71. To support our private sector, we are implementing targeted fiscal incentives for small and medium enterprises. Our goal is to nurture domestic entrepreneurship and attract foreign direct investment, particularly in manufacturing, agriculture, digital economy and tourism which are identified as sectors with ample potential to create lasting jobs.

72. In agriculture, we recognize that climate change poses significant risks to our fiscal stability. Therefore, we are incorporating climate resilience into our fiscal planning, including dedicated funding for climate adaptation projects and sustainable agriculture initiatives.

73. Looking ahead, we remain committed to maintaining debt sustainability. Our borrowing strategy will prioritize concessional financing and carefully evaluate new debt commitments against our capacity to repay.

74. In summary, our approach to fiscal policy is unequivocal: we need to develop a more resilient, diversified, and inclusive economy. Achieving this goal demands discipline, innovation, and a steadfast dedication to reform. With your backing, we can realize these aims and foster a prosperous future for all Basotho.

Budget Performance of 2024/25

Revenue Developments in 2024/25

75. **Mr. Speaker**, in the fiscal year 2024/25, we witnessed significant fiscal developments, with total revenue reaching 65.7 percent of GDP. Tax revenue performance has been notable, contributing 24.1 percent of GDP, driven by income taxes at 11.4 percent of GDP and taxes on goods and services at 12.7 percent of GDP. A particularly striking aspect of our revenue structure has been the robust performance of non-tax revenue, especially water royalties from LHDA, which contributed 2,976.3 million Maloti to our fiscal resources.

76. The Southern African Customs Union (SACU) receipts remained a substantial revenue source, accounting for 27.8 percent of GDP. These revenue performances have culminated in a positive fiscal balance, producing a surplus of 10.6 percent of GDP for 2024/25.

Expenditure Developments in 2024/25

77. **Mr. Speaker**, for the fiscal year 2024/25, a surplus of M4,394.6 million is projected, which accounts for 10.6 percent of GDP. This notable surplus signifies a robust fiscal performance, probably driven by effective revenue collection and restrained expenditure growth. However, the elevated level of recurrent expenditures, particularly in

terms of the wage bill, indicates an urgent need for structural reforms to facilitate greater development spending while preserving fiscal sustainability and ensuring efficient public service delivery.

78. Our recurrent expenses, which total M18,155.6 million Maloti or 43.8 percent of GDP, have been carefully managed to ensure efficient service delivery. These include social benefits of M2,432.4 million and interest payments of M1,006.8 million.

79. Capital expenditure for 2024/25 stands at M4,697.8 million, representing 11.3 percent of GDP. This investment demonstrates our commitment to infrastructure development and long-term economic growth.

Budget Year 2025/26 Outlook

80. **Mr. Speaker,** looking ahead to 2025/26, we project total spending to reach 65.0 percent of GDP, with recurrent expenses at 43.8 percent of GDP. A significant development in our expenditure framework is the substantial increase in capital expenditure to 21.2 percent of GDP, reflecting our commitment to infrastructure development and economic growth. The public wage bill is projected to be maintained at 17.2 percent of GDP whilst preparatory works are being advanced to implement the requisite public service pay structural reforms.

81. For expenditure in 2025/26, we have budgeted total spending of M24,139.2 million, or 55.1 percent of GDP. Recurrent expenses are projected at M18,813.2 million (42.9 percent of GDP), reflecting our commitment to efficient public service delivery. Capital expenditure is set to increase to 5,326.0 million Maloti, representing 12.1 percent of GDP, as we continue to invest in critical infrastructure and development projects.

Fiscal Balance

82. **Mr. Speaker,** I am pleased to report that our overall fiscal position shows a surplus of 2.3 percent of GDP in 2025/26. This positive balance will be achieved through four main factors: strong SACU receipts, robust tax and improved non-tax revenue collection supported by disciplined expenditure management.

83. Looking into to the medium term, our fiscal forecasts for 2026/27 and 2027/28 show a continued focus on fiscal sustainability. Revenue is projected to stabilize at 65.3 percent and 63.9 percent of GDP respectively, while expenditure is expected to gradually decrease to 60.0 percent and 54.4 percent of GDP for 2026/27 and 2027/28. This trajectory is expected to result in improving fiscal surpluses of 5.3 percent of GDP in 2026/27 and 9.5 percent in 2027/28, indicating a strengthening fiscal position over the medium term.

84. This strong fiscal position enables us to continue to invest in our development priorities while maintaining adequate fiscal buffers. We remain committed to prudent fiscal management and efficient resource allocation to support our nation's prosperity. However, several key fiscal risks warrant our attention in 2025/26. These include potential volatility in SACU revenues, which continue to constitute a significant portion of our revenue base, and the ambitious capital expenditure program which may face implementation challenges. The projected increase in interest payments, particularly to both residents and non-residents, also requires careful monitoring.

Fiscal Challenges

85. **Mr. Speaker,** we must confront the reality of mounting fiscal challenges that demand our immediate attention. Our nation's heavy reliance on SACU revenues, which currently constitute 27.8 percent of GDP, exposes us to significant external vulnerabilities. The volatile nature of these receipts, coupled with our high wage bill at 17.8 percent of GDP - well above the SADC regional average - creates a precarious fiscal position that requires careful management.

86. We face additional pressures from external economic shocks, including global market uncertainties and regional economic fluctuations that could impact our trade relations and revenue streams. The substantial portion of our expenditure dedicated to recurrent costs, at 79.4 percent of total spending, limits our fiscal flexibility to respond to unforeseen challenges and must be addressed.

87. While our current fiscal surplus of 10.6 percent of GDP provides some buffer, we must remain vigilant and proactive in our fiscal management. This requires developing more robust domestic revenue sources, implementing structural reforms to optimize public spending,

and building stronger fiscal buffers to weather future economic storms. Our commitment to fiscal prudence must be balanced with the need to maintain essential services and protect our most vulnerable citizens during these uncertain times.

National Policy Priorities

88. **Mr. Speaker**, the 2025/2026 Budget Speech focuses on inclusive growth and is aligned with the extended National Strategic Development Plan II (2023/24–2027/28). Priorities include boosting agriculture, manufacturing, tourism, energy, infrastructure development and Information Technology while enhancing healthcare, education, and social protection. The budget also targets infrastructure improvements in energy, water, transport, and waste management, and strengthens governance and public financial management. Cross-cutting themes such as gender equality, climate change, youth participation, and disaster risk management support a sustainable and inclusive development path that we have embarked on.

Budget Allocations

89. **Mr. Speaker**, the projected government revenue for the upcoming fiscal year is M26.5 billion, reflecting a 9 percent increase from the 2024/25 budget of M24.4 billion. This revenue will be sourced from SACU receipts (M9.2 billion), domestic taxes (M10.9 billion), and non-tax revenue (M6.4 billion).

90. The total expenditure estimates for the fiscal year 2025/26 is projected to be M33.6 billion, reflecting an increase of 10 percent from the previous budget of M30.7 billion in 2024/25. The Total Recurrent Expenditure Estimates, including Statutory Expenditure and the Administration Account, have risen by 7 percent. Public debt has also increased by 23 percent, from M3.1 billion in 2024/25 to M3.8 billion in 2025/26. The Capital Expenditure Estimates have experienced a rise of 9 percent, slightly lower than the 10 percent rise in the Recurrent Expenditure Estimates.

91. **Mr Speaker**, the primary source of funding for the fiscal year is Government Revenue, accounting for a significant 81 percent of the total funding. Government revenue has increased by 9 percent compared to 2024/25 budget. Donor Grants have reduced by 6 percent, while Donor

Loans have dropped by 5 percent relative to the 2024/25 period. This financial outlook reflects a resource gap of M739.8 million for the Government.

Sectoral Allocations

Enhancing Inclusive and Sustainable Economic Growth and Private Sector-Led Job Creation

Agriculture

92. **Mr. Speaker**, the Agriculture sector, with an allocated budget of M1.3 billion plays a vital role in ensuring food security, fostering rural development, and contributing to economic growth. To enhance effective farmers' support, Government recognizes the need for reliable data to inform such decisions in this support. To this end, Government intends to establish Lesotho Integrated Agriculture Information Management System (LIAMIS) through which farmers will be profiled accordingly. This system will serve as a robust and efficient tool for providing smart subsidies on agricultural inputs via e-vouchers and agricultural insurance, using a well-informed, digitalized farmers' database.
93. In response to the escalating impacts of climate change that adversely affect agricultural output, the Government intends to commission two large irrigation schemes, covering 250 hectares in **Tsikoane** and 200 hectares in **Seaka Quthing**. Additionally, through the Building Climate Resilience Livelihoods and Food Systems Project, the Government will implement efficient land and water resources management in **Setanteng, Hlotse, Seaka, and Maletsunyane** sub-catchments.
94. To support the wool and mohair industry with sustainable financing, the Government will establish a wool and mohair fund under the Wool and Mohair Competitiveness Project (WaMCop). The Government will also establish an Artificial Insemination Centre in Mokhotlong and an Angora goat stud in Maseru (Molimo-Nthuse) to supply farmers with improved breeds and improve the quality of wool and mohair in the country.
95. **Mr. Speaker**, to strengthen animal disease control and management, Government will construct a Diagnostic Laboratory to support farmers.

Through the Smallholder Agriculture Development Project (SADP) II, Government will continue to facilitate access to finance by providing grants totalling M120 million. Lastly, to ensure sustainable poultry production, Government will facilitate procurement of parent stock for fertile egg production and support establishment of hatchery facilities through the private sector.

Tourism Development

96. **Mr. Speaker**, tourism, receiving an allocated budget of M207.2 million, is a cornerstone of our economy, offering opportunities for cultural exchange, job creation, and sustainable development. To foster growth and maximize earnings, the Government will develop the Tourism Sectoral Strategy, which will focus on identifying niche markets, addressing sector challenges, and improving overall growth. This strategy will also support showcase modalities for on-boarding new tourism investments, ensure an equitable distribution of tourism and hospitality facilities across the country, spell tactics to enhance tourist experience in Lesotho and encourage increased expenditure.
97. In pursuit of promoting tourism further, the Government will introduce grading and accreditation programs in Mokhotlong and Botha-Bothe districts to support the growing tourist influx coming through Sani-Pass border. Additionally, the Government will work towards the nomination of the Heritage Route from Botha-Bothe to Thaba-Bosiu and the development of two (2) nomination dossiers (Basotho Hat and Mokhibo) for inclusion in the UNESCO 2003 Convention for the Safeguarding of Intangible Cultural Heritage Representative List.
98. **Mr. Speaker**, creative and cultural resources play a crucial role in boosting tourism through the consumption of local music, films, handcrafts, cultural experiences, and more. However, exploitation without fair compensation remains a challenge, depriving artists of the returns on their investment and discouraging creativity. In response, the Government will promote the licensing of copyright music tariffs, the collection of royalties from users, and their distribution to the rightful owners. Additionally, the Government will review the 2005 Cultural Policy and develop and translate the Protection and Administration of Custom at Initiation Schools and regulations into Sesotho, with the view to ensure cultural preservation.

99. **Mr. Speaker**, the sports industry has shown significant growth, and the Government remains committed to developing local talent to realize its full potential in this industry. In pursuit of this goal, the Government will refurbish the Setsoto Stadium through artificial turf installation, structural maintenance, and the installation of necessary equipment. Moreover, to support talent development locally, the Physical Education program curriculum at the National University of Lesotho (NUL) will be implemented in the 2025/2026 academic year.

Trade and Industry

100. **Mr. Speaker**, the trade sector, with a budget of M423.8 million, is crucial for economic growth and global connectivity. To maximize its potential, the Government is developing Industrial and Investment Policies with support from SADC and UNECA. Additionally, a Special Economic Zones (SEZs) Policy is underway to attract investment, with stakeholder consultations planned for the next financial year.

101. The Ha Belo Industrial Estate is set to be commissioned in early 2025, creating approximately 6,000 jobs at full capacity and thus contributing to NSDP II's priority of private sector-led job creation.

102. To enhance product development and market access, local MSMEs will receive support to meet quality standards, enabling them to compete locally, regionally, and internationally. Partnerships with programs like RVCL, GEF, and BETA will drive entrepreneurial development, while BEDCO and CAFI will collaborate on training programs to strengthen the entrepreneurial ecosystem.

103. Co-operatives play a vital role in local investment, job creation, food production, and financial inclusion. The Government aims to increase cooperative registrations by 10 percent and will launch a contributory Co-operative Development Fund in 2025, the "Year of Co-operatives" as declared by the UN. This fund will provide liquidity management, capacity building, and support for regional and international economic integration.

104. To improve market access, the Lesotho Standards Institution (LSI) will be operationalized to handle standards development, testing, and certification. Construction of LSI facilities will begin in the upcoming financial year.

105. The Government, with World Bank funding, is implementing the Integrated Transport, Trade, and Logistics Project to enhance regional connectivity and reduce trade costs at key border posts. This includes developing Smart One-Stop Border Posts (OSBPs) at Maseru Bridge and Ficksburg and upgrading the Qacha's Nek border post, with blueprints and designs set for completion by the end of FY 2025/26.
106. To stimulate private sector investment, the Government is enhancing the business environment through the Investment Climate Action Plan (ICAP) with World Bank support. This includes digitalizing government-to-business services, streamlining business registration and licensing, and strengthening financial infrastructure to improve MSME access to capital.
107. These initiatives support entrepreneurship and job creation, targeting 1,600 jobs by FY 2025/26 through the Entrepreneurship Hub and Seed Financing Facility. The textiles and apparel revitalization strategy aim to create 10,000 jobs, while investments in horticulture will establish 9 new orchards, generating 500 jobs. Successful implementation depends on private sector participation and continued stakeholder collaboration, laying a foundation for sustainable and inclusive economic growth.
108. **Mr Speaker; Lack of** access to finance has historically constrained business development and growth, and remains an endemic condition for businesses and individuals in our country. Stringent collateral requirements and risk-averse banking practices have significantly limited credit availability, particularly for women, youth, small businesses, and startups. In line with the objective of promoting and supporting private sector activity and leading participation in the economy, the Government has allocated M400 million towards the Inclusive Growth Fund (IGF), an all-inclusive business financing vehicle of a venture capital fund type, designed to enhance access to credit, promote entrepreneurship, and drive inclusive economic growth for businesses.

109. A defining feature of the Inclusive Growth Fund is its commitment to empowering women and youth. Part of the total allocation will be dedicated to financing women- and youth-led enterprises, ensuring that these historically underserved groups gain meaningful access to capital. The Fund will also be available to other eligible businesses and individuals seeking to expand their operations, invest in productive assets and activities, or enter new markets.

110. By bridging the financing gap, enhancing liquidity, and reducing barriers to credit access, the Inclusive Growth Fund is expected to stimulate enterprise development, accelerate job creation, and foster a more inclusive financial ecosystem. Moreover, by leveraging commercial bank partnerships, the Fund will promote a self-sustaining financial model that ensures long-term credit expansion without imposing undue fiscal pressure on the government.

111. The Inclusive Growth Fund represents a transformative policy intervention aimed at building a more equitable and dynamic economy. By unlocking financial opportunities for women, youth, and entrepreneurs, the Fund will catalyze inclusive economic growth and position Lesotho as a nation that empowers its people, strengthens its financial sector, and fosters sustainable development.

112. The IGF will start operations this year in partnership with all commercial banks, and once operational modalities and subsequent agreements have been concluded. It lays a foundation for a venture capital financial vehicle and a much-needed development bank with maturity and at a later stage.

Mining

113. **Mr. Speaker**, mining sector plays a significant role in driving economic growth, resource management, and sustainable

development through the extraction of valuable minerals. The Government is committed to increasing the participation of Basotho by launching Artisanal and Small-Scale Mining (ASM) in the diamond subsector. This initiative aims to harness Lesotho's significant potential in diamond mining, empowering local communities and stimulating economic growth.

114. Additionally, the Government has issued 7 prospecting licences for diamonds and 11 mining leases, further demonstrating its commitment to fostering a vibrant and inclusive mining industry.

Science and Technology

115. **Mr. Speaker,** science is a key enabler of technological advancement, innovation, and solutions to the challenges of modern society. To advance geoscience research and innovation, and to ensure the sustainable use of minerals for development, the Government is collaborating with the National University of Lesotho (NUL) and Relationships Inspiring Social Enterprise (RISE International) on research and development initiatives. Additionally, two Memoranda of Understanding (MOUs) related to mineral information management and certification of diamond origin are currently being negotiated.

116. **Mr. Speaker,** for the 2025/26 year, the Ministry of Science and Technology will focus on strengthening research and innovation through investments in modernizing laboratories and supporting high-performance computing for advanced research in schools. The Giga Project, a collaboration between Ministry of Education and Ministry of Science and Technology will be implemented to improve connectivity in schools and tertiary institutions, ensuring that students and teachers have access to digital tools.

117. Furthermore, the development of a unified Government IT framework will improve efficiency, foster collaboration, and support Lesotho's digital transformation.

Labour and Employment

118. **Mr. Speaker**, the government has allocated M81.6 million to strengthen the labour and employment sector. The recently enacted Labour Act 2024 and Occupational Safety and Health Act 2024 reflect the political commitment of the current administration to ensure good governance in the labour market. To effectively implement these laws, two new directorates are being established and capacitated within the Ministry of Labour and Employment: the Labour Market Information Directorate and the Occupational Safety and Health Directorate. Given the ongoing infrastructure projects, such as Polihali and the Millennium Challenge Corporation-Lesotho Compact (MCA) II's Market Driven Irrigated Horticulture, establishing a strong and effective labour inspectorate is a priority to ensure compliance and protect the rights of workers.
119. The National Social Security Bill is in its final stages and is expected to be enacted as an Act of Parliament in the financial year 2025/26. This law will address the challenge of unprotected terminal benefits for vulnerable workers, especially in the clothing and textiles sector. Additionally, the Act will establish a comprehensive and contributory National Social Security Scheme, ensuring income protection for Lesotho's workforce against economic pressures such as job lay-offs, sickness, invalidity, retirement, and work injuries.
120. **Mr. Speaker**, job creation and poverty alleviation are key government priorities. As part of this effort, the Government will actively pursue labour migration exchanges, which will offer significant benefits in terms of remittances and skills development. Negotiations with several countries, including Canada and Germany, are ongoing and are at an advanced stage. Another critical issue for migrant workers, particularly ex-mineworkers from South Africa, is the portability of their outstanding social security benefits. To address this, the Government plans to host a joint stakeholder summit to discuss the modalities for facilitating the accessibility of these benefits to their rightful owners.

Strengthening Human Capital

Health Services

121. **Mr. Speaker**, health sector, with an allocated budget of M3.1 billion, is fundamental in safeguarding public well-being, promoting access to quality healthcare, and improving the quality of life for all citizens. The quality-of-life Mr. Speaker is a multi-pronged priority that demands seamless coordination between infrastructure development, technological innovation, economic policies and social programmes that seek to enhance well-being of the nation. In this regard, relevant ministries of Government will collaborate to deliver outcomes that support our health sector.
122. In line with the national priorities as outlined in the Extended National Development Strategy (NSDP II), 2023/24–2027/28, is focused on reducing morbidity and mortality rates and striving toward achieving universal health coverage. As we continue to grapple with the burden of both communicable and non-communicable diseases, we are committed to taking bold steps to enhance health services and innovation across the nation.
123. Mr Speaker, one key pillar of this policy is the adoption of Primary Health Care (PHC) as an overarching strategy for health service delivery in Lesotho. By ensuring that health services are accessible, comprehensive, and community-driven, we are putting people at the center of our health agenda. This will require a concerted effort to reduce the incidence of diseases such as tuberculosis (TB), HIV/AIDS, and chronic non-communicable diseases like hypertension and diabetes, while ensuring that we also strengthen our healthcare infrastructure.
124. Additionally, we recognize the critical role that community engagement and empowerment play in achieving better health outcomes. By integrating health services with local community systems and ensuring that health workers are adequately trained and supported, we are working to strengthen health security, biosecurity, and patient safety. Moreover, in our fight against tuberculosis, we are employing innovative tools such as digital X-ray technology with Artificial Intelligence (AI) to improve diagnostic accuracy and

treatment outcomes, demonstrating the importance of technological advancement in our healthcare sector.

125. As part of this policy framework, we will continue to address HIV/AIDS through comprehensive testing, treatment, and prevention strategies, ensuring that no one is left behind. We have made significant progress, but challenges remain, particularly in reaching key populations such as children, men, and other vulnerable groups. We will enhance our outreach and education efforts to close the gaps and continue to build on the success of our treatment programs.
126. Furthermore, the rise of non-communicable diseases, including cancer, heart disease, and diabetes, demands a strategic response. As the incidence of these diseases increases, we will focus on early detection, prevention, and treatment strategies, ensuring that we provide effective care for all patients, regardless of their location or socio-economic status.

Education

127. **Mr Speaker**, education sector, with an allocated budget of M3.3 billion, is the foundation for building human capital, fostering innovation, and ensuring long-term sustainable development. To address the challenges of poor access to education, the Government will continue to construct inclusive educational facilities, including classrooms and age-appropriate toilets, across the country. We will also provide classroom furniture for both learners and teachers.
128. **Mr Speaker**, the Government is committed to accelerating the digitalization of pre-primary, primary, and secondary education. We have already built the capacity of 400 teachers to conduct classroom sessions using digital platforms. In addition, to improve the competences of learners advancing to post-secondary education, we have introduced and commenced the pilot of the Lesotho Advanced Secondary Certificate (LASC) at the secondary level.
129. To meet the country's skills needs, the Government is expanding vocational education and training systems through the implementation of the approved 3-tier model, which includes Academic, Technical, and Vocational education streams. Groundwork has already started, with the support of our development partners, to

assess the schools' status in terms of infrastructure and human resources. As part of our efforts, we will pilot the academic stream at the secondary level at the beginning of the 2025 Basic Education school year. Furthermore, we will continue our efforts in developing curriculum materials for the Vocational stream in the 2025/26 financial year.

130. Mr Speaker, the Loan Bursary Fund (LBF) through the National Manpower Development Secretariat (NMDS) is undergoing reforms aimed at sustaining the country's human capital development investment. These reforms involve transforming the financing model of the bursaries for sustainability, improving access and quality through an equity-based means-testing award model. This model will prioritize accredited, employable skills development programs and improve governance and management effectiveness by transitioning from a bureaucratic to a corporate institutional framework.

131. To fast-track these reforms, Mr. Speaker, Loan Bursary Fund Reform Policy has been developed and approved by Cabinet in 2024/25 financial year. The supporting reform bill and Means Testing Instrument will be finalized and implemented in the coming financial year. These reforms are primarily intended to facilitate equitable access to education in a sustainable manner by all citizens.

Social Protection

132. **Mr. Speaker**, with an allocation of M1.5 million, the Ministry of Gender, Youth, and Social Development is committed to advancing gender equity and empowering vulnerable groups through inclusive social protection and economic programs. Central to this is youth empowerment, driven by the **Sebatso Youth Empowerment Initiative**, which provides start-up capital and platforms for showcasing talents. Additionally, the Government of Lesotho's membership in **Youth Connekt Africa (YCA)** further facilitates exposure and linkages of Basotho youth to regional empowerment opportunities.

133. To bridge the gap between education and employment, the **National Volunteer Corp Programme** offers practical work experience, set to expand from 60 to 100 graduates next year. The reopening of **'Matheko Vocational School** in Thaba-Tseka equips

youth with essential vocational skills, fostering entrepreneurship and job creation. Together, these initiatives promote inclusive growth and sustainable socio-economic development.

134. **Mr. Speaker**, to enhance the efficiency of social assistance delivery, the Ministry of Gender, Youth, and Social Development is transitioning from cash payments to digital platforms, increasing digital disbursements from **5 percent** to **18 percent** within a year. To ensure effective implementation, the Ministry is working closely with **Mobile Network Operators (MNOs)** to assess network coverage, agent availability, and local cash liquidity. Plans are underway to diversify payment methods, including **mobile payments** and **bank platforms**, particularly for **Old Age Pensions (OAP)**. Additionally, the Ministry will undertake **re-certification and proof of life** for beneficiaries, ensuring transparency and accountability in social grant distribution.

Building Enabling Infrastructure

Transport and Buildings Infrastructure

135. **Mr Speaker**, the transport and buildings infrastructure sectors, with a combined allocated budget of M3.2 billion, play a vital role in facilitating the movement of goods and people, driving economic integration and diversification, fostering business growth, and promoting the development of both public and private structures. These efforts are key towards advancing sustainable urban planning and construction practices. To enhance transportation, stimulate economic activity, and provide accessible, reliable, safe, and environmentally friendly facilities for business and commuter use in district urban centers, the Government will continue with the construction of bus terminals in **Leribe, Berea, Mafeteng, Quthing, Thaba Tseka, and Mohale's Hoek** districts. Furthermore, Kanana Community Council Office and the Mokhotlong Police Station will be completed this coming financial year, whilst new construction works for Mohlakeng Community Council Office, Thaba-Tšoeu and Likueneng Principal Chiefs' Offices, as well as the Thabana-Morena Police Post will commence in the upcoming financial year.

136. **Mr Speaker**, to ensure convenient connectivity among various districts, the **Katse–Thaba Tseka Road project** will begin in

2025/26 financial year. This project will provide essential connectivity between Leribe and Thaba Tseka districts, enhancing logistics and trade activities in that part of the country. The Roads Directorate will also accelerate the completion of ongoing major projects and finalize feasibility studies and designs for the road linking Mokhotlong, Thaba Tseka, and Qacha's Nek. Additionally, the Tebellow Bridge over the Senqu River in Qacha's Nek will be constructed, and the Berea Urban Roads (15.5 km) and Mpilo Intersections will be upgraded.

137. **Mr. Speaker**, renovations at Moshoeshoe I International Airport have ultimately started in 2024/25, with the first phase of the work expected to be completed by the end of the 2025/26 fiscal year. The renewed airport will not only facilitate passenger air travel to and from Lesotho but will also become a key catalyst for cargo igniting cross-border trade. With the Cabinet's approval of the Civil Aviation Reform Policy, it is anticipated that Parliament will prioritize and enact legislation for the establishment of both the Civil Aviation Authority and Lesotho Airports Company. This will better position the aviation industry to meet compliance standards and contribute meaningfully to economic growth, particularly in tourism, agriculture, mining, and trade.

138. **Mr Speaker**, the Government is committed to signing the Electronic National Traffic Information System memorandum between Lesotho and South Africa, which will facilitate data migration and the activation of additional system modules towards automating traffic and transport services, as well as implementing cashless payments. With Revenue Services Lesotho (RSL) expected to start collecting non-tax revenue at the Foso one-stop shop and the full liberalization of vehicle number plate production, an improved service delivery system is anticipated.

139. To address the frequent disputes regarding public transport fare increases, a consultancy to develop a pricing model and system for this subsector has commenced. Further benchmarking studies for vehicle testing stations and driver testing grounds will also be conducted. More importantly, the Road Traffic Bill is expected to be tabled before Cabinet and Parliament during the first quarter of the 2025/26 financial year.

Water Resources

140. **Mr. Speaker**, the **water sector**, with an allocated budget of **M2.2 billion**, plays a pivotal role in ensuring **access to clean water**, **supporting agriculture**, and safeguarding **public health**. The Government, through the **Integrated Catchment Management (ICM)** project, will continue to rehabilitate selected catchment areas in **Senqu, Makhaleng, and Mohokare** to enhance groundwater recharge and protect large dams from siltation. This will involve rehabilitating watersheds ranging from **676 to 3,000 hectares**, stabilizing **400 dongas** over **1,500 hectares**, and restoring **1,500 hectares of rangelands**. The interventions will specifically target villages in **six sub-catchments: Khubelu, Hlotse, Senqunyane, Makhaleng, Likhetla, and Maletsunyane**, across **12 Community Councils**, benefitting **440 villages** with a total population of **47,931**. Additionally, we will upscale interventions in sub-catchments in **Metolong, Marakabei, Ribaneng, Ketane, Phamong, Tsakholo, Peka, Likhetlane, Mphosong, and Thaba Phatšoa**, covering **25 councils, 838 villages**, and a population of **54,561**. This upscaling is aligned with our **national priorities**, including the **MCC Compact II** and the **Lesotho-Botswana Water Transfer Project**.
141. **Mr. Speaker**, the Government is committed to improving **water supply** to villages along the **Metolong conveyance system** and those surrounding the reservoir. Some of the water supply systems tapping from the **Metolong Dam** have already been completed, while others are still ongoing. The remaining systems in **16 villages**, benefitting **63,209 people**, will be finalized in the upcoming financial year. In addition, we are exploring sustainable sources for villages not served by the **Metolong Reservoir**, with **interim stop-gap measures** already in place. The link between good **health** and proper **sanitation** is critical, and the Government will continue to expand sanitation coverage nationally from **52 percent to 58 percent**, aiming for a **6 percent increase** in the **2025/26 financial year**. We will focus on 13 villages in **Maseru** and two in **Berea**, benefitting **7,180 people**, while constructing **rainwater harvesting tanks** at **schools** and **public institutions** such as clinics in these districts. Specifically, **Maseru** will benefit from **rainwater harvesting tanks** at **1 clinic, 1 community council, 1 high school, and 6 primary schools**, while **Berea** will see

installations at **1 clinic, 1 high school, and 1 primary school**, benefitting **4,200 people**.

142. **Mr. Speaker**, the Government's flagship water supply projects in the **lowlands** are progressing well. The **Lesotho Lowlands Water Development Project (LWDP) II and III** are focusing on **Zones 2 and 3 and Zones 6 and 7**, covering **Leribe, Mafeteng, and Mohale's Hoek**. Phase II will benefit **10 villages** in **Zones 2 & 3**, with a total population of **115,200**, and **30 villages** in **Zones 6 & 7**, with a population of **280,000**. The laying of **pipe networks**, construction of **additional reservoirs**, and **water treatment works** are well underway. Phase III, covering **Butha-Buthe** and parts of **Leribe**, will commence civil works in the upcoming financial year. Upon completion, these phases are expected to increase water supply coverage by **3 percent**, reaching **160,000 people** in **18 settlements**, including **Butha-Buthe** town and surrounding areas. The Government will also undertake the overdue **review of the Lesotho Highlands Water Treaty**, with the goal of negotiating a better deal for Lesotho in terms of the project's sustainability and its positive impact on the livelihoods of Basotho. This proposed review is awaiting a response from the **Republic of South Africa**, which will inform budget estimates.
143. Additionally, **Mr. Speaker**, the **Lesotho Highlands Water Project** will begin implementing water supply projects in the **Katse area**, benefiting **villages** with a total population of **3,278**, including **Khokhoba, Katse, Bokong, Makhoabeng**, and others. **Feasibility studies** and designs for the **Greater Maseru Water Supply Extension Project** have also commenced. This project will benefit **45 villages**, with a population of **85,000**, in **peri-urban Maseru**, including some villages on the **Thuathe Plateau**.
144. The Government's continued focus on improving **water supply** and **sanitation coverage**, coupled with the review of key water treaties and the implementation of sustainable infrastructure projects, underpins our commitment to ensuring access to clean water for all Basotho, boosting agricultural productivity, and improving public health nationwide. As we move into the next year, we will ensure that these critical projects continue to make meaningful progress and positively impact our communities.

Energy

145. **Mr. Speaker**, the energy sector, with an allocated budget of M1.5 billion, is essential for powering economic activities, improving infrastructure, and achieving sustainable development goals. The Government is committed to enhancing energy security and access across the country. Through the Ramarothole 80MW Solar Generation Project and Power Storage Facility, the construction of Phase 1 (30MW) has been completed, and between April 2024 and January 2025, 45,797.50 MWh was injected into the national grid. A feasibility study for power storage identified a need for 171MWh, and while the project is facing challenges with soil degradation, the Government is implementing soil conservation activities, employing about 80 local labourers. Additionally, Phase II of the Ha Ramarothole Solar Power Plant is under evaluation by the China International Development Corporation Agency, with the construction of two more power plants (35MW and 24MW) expected in the 2025/26 financial year.
146. Preparations for the Rehabilitation and Upgrading of the Katse 1.1MW Hydropower Plant are underway, and the delivery of equipment for installation is expected by February 2025. Furthermore, the Government is collaborating with Independent Power Producers (IPPs) for the production of 50MW solar power in Thaba-Tseka and 60MW wind power in Mohale's Hoek, with negotiations for Power Purchase Agreements (PPAs) progressing well. Construction of the solar power plant will begin once the implementation agreement is signed, with an expected construction period of 18 months to completion, while the wind power plant is anticipated to begin construction in 2027.
147. **Mr Speaker**, the Government is also working towards building the National Strategic Fuel Reserve Facility at Maqhaka, with an Environmental and Social Impact Assessment (ESIA) completed and compensation for affected persons underway. **Mr. Speaker**, this is a strategic intervention in our fuel supply value chain seeking to secure a minimum level of fuel reserves to keep our economy functioning in cases of fuel supply crisis that may challenge us in future.
148. Furthermore, to increase energy access, 583 households have been connected to electricity through off-grid systems in various rural areas, and 3 health centers and 25 schools have been electrified

through the Lesotho Renewable Energy and Energy Access Project (LREEAP). The Government is further expanding electrification efforts through contracts awarded for multiple rural areas, benefiting 13,059 households.

149. **Mr Speaker,** in the 2025/26 financial year, the Government plans to establish a Rural Energy Agency, an Energy Commission, and an Energy Fund. The Rural Electrification Programme will electrify 18,766 households, while mini grids will bring electricity to 3,343 rural households. Additionally, the Tikoe industrial area will see its substation upgraded unlocking the potential for 8,400 jobs in that industrial estate, and the Khukhune substation will also be upgraded to provide more reliable electricity in that area whilst generating 30 project jobs.

150. To stabilize the energy supply, a feasibility study for the upgrade of the Semonkong Mini grid and the refurbishment of the Mpiti to Ha Sekake transmission line will be undertaken. These measures will help enhance energy reliability and provide more opportunities for economic growth across the country.

ICT

151. **Mr Speaker,** significant progress has been made in advancing Lesotho's digital transformation and infrastructure development. The implementation of the E-Parliament system marks a key milestone in modernizing legislative processes. The approval of the National Digital Policy and the Digital Transformation Strategy demonstrates a strategic commitment to a digitally driven economy. Additionally, the completion of the Lesotho Metropolitan Fiber Distribution Network (LEMOFI) feasibility study lays the groundwork for expanding high-speed broadband connectivity across major towns. Infrastructure development efforts have also included the construction of 17 base tower stations to enhance mobile and internet access. Moreover, regulatory advancements, such as the amendment of licensing classification and fee schedules by the Lesotho Communications Authority, have facilitated the provision of internet services via satellite, improving connectivity in remote areas. These achievements collectively contribute to strengthening Lesotho's digital ecosystem, fostering innovation, and enhancing service delivery.

152. **Mr. Speaker**, an allocation of M381.1 million to the ICT sector will drive innovation, digital inclusion, and economic growth. Investments in this sector will enhance high-performance computing, modernize research centers, and support digital transformation. Key policies, under development include Artificial Intelligence, Broadband, and Data Management, which will in turn promote connectivity, data security, and our transition towards knowledge-based economy.
153. To strengthen our resilience against cyber-attacks, a centralized Government Security Operations Centre (GovSOC) will be established to provide real-time monitoring and threat response. Additionally, the Government of Lesotho Enterprise Architecture and Interoperability Framework is being developed with the view to improve government efficiency and digital service delivery and save us from fragmented and costly ICT infrastructure deployment across government.
154. The Government is expanding broadband through mobile towers with 17 towers already operational across the country. Furthermore, optical fibre deployment is being implemented with a 96km stretch from Roma to Thaba-Tseka underway. E-service centers are also being renovated to enhance digital access and promote digital financial inclusion.
155. Funding will also be availed to upgrade broadcasting infrastructure for wider radio and TV coverage, emergency communication, and digital migration. Expanded broadcasting coverage is recognized as an important medium to advance access to information by the citizens in areas where they live. A new broadcasting complex is also planned for the 2025/25 fiscal year to modernize media services, create jobs, promote local content creation, and support a digitally empowered nation.

Strengthening National Governance and Accountability Systems

Strengthened Development Planning Systems

156. **Mr. Speaker**, to support sustainable and inclusive growth, Government is seeking to strengthen development planning through evidence-based decision-making. This requires availability of reliable data for analysis of development options and progress to inform decisions across Government. In our quest to achieve that desired

state, we are rebasing National Accounts to better reflect Lesotho's economic structure and plan to launch Phase II of the Economic Activity Census for accurate data collection on economic activities. Preparation activities for Population and Housing Census planned for April 2026 will be completed in 2025/26 fiscal year.

157. **Mr. Speaker**, the process of economic development requires, among other things, deep engagement and strong partnerships that are anchored on unwavering cooperation from all parties that are involved. To enhance cooperation and collaboration with our development partners, Government is maturing its development processes by aligning Development Partners' support with NSDP objectives explicitly. This approach will ensure transparency, effectiveness and accountability for support rendered to Government.

158. **The** Kingdom of Lesotho development Cooperation frameworks, among others, include China-Africa Cooperation and the MCC Health and Horticulture Compact. The African Development Bank's new Country Strategy Plan also presents opportunities for impactful projects. Furthermore, Government will be participating in the 4th Global Partnership Monitoring Round to showcase its commitment to effective development cooperation.

159. **Mr. Speaker**, as we leverage these partnerships to bridge our development financing gap, we will focus on concessionary financing opportunities as the first price. Loan arrangements will be considered to the extent that the overall debt portfolio remains sustainable and other economic fundamentals will not be unduly distracted by virtue of committing on any credit arrangement for the country.

Foreign Service

160. **Mr. Speaker**, Lesotho continues to foster strong diplomatic relations worldwide, recently establishing ties with Bhutan, Grenada, and Vanuatu. In celebrating the 200th anniversary of the Basotho nation, we welcomed high-level visits, including the President of Germany and the UN Secretary-General. Leaders from UN Rome-Based Agencies also joined the bicentennial celebrations, demonstrating their unwavering support to the Kingdom of Lesotho.

161. **Mr. Speaker**, His Majesty's role as the Champion of Nutrition and FAO Ambassador for Nutrition continues to receive promising international support. We have also secured new partnerships with Nordic countries for the Just Energy Transition programme under direct leadership of his Majesty.
162. Our strategic partnership with China was further strengthened this year with the handover of the **Mpiti-Sehlabathebe Road, Maseru District Hospital, and the Ramarothole Solar Power Generation Plant** as some of our flagship development projects that were completed in this financial year.
163. **Mr. Speaker**, the launch of Bi-National Commission with the Republic of South Africa signed last year promises success as we engage towards adoption of the **new migration model**. This model will facilitate movement of persons with ease between these two countries. On the other hand, technical discussions are also ensuing to explore opportunities to collaborate in areas such as trade, water, energy, roads infrastructure, airspace, skills development and security cooperation.
164. **Mr. Speaker**, economic cooperation remains at the heart of our diplomatic efforts. We continue to improve Lesotho's visibility in the world markets by actively seeking new trade agreements and investment partnerships. These agreements and partnerships are critical for facilitating foreign direct investments into Lesotho and export opportunities for our local industries. Target sectors include manufacturing, infrastructure development and renewable energy to name a few.
165. **Mr. Speaker**, we will continue to deepen our bilateral relations with strategic partners across the globe, particularly those who are aligned with Lesotho's development goals and foreign policy agenda. This includes expanding diplomatic engagements, fostering political dialogue, and encouraging mutual understanding. Special attention will be given to strengthening ties with emerging nations that presents expanded scope to maximize opportunities for collaboration with Lesotho.
166. As we work toward realizing Lesotho's priorities as outlined in our National Strategic Development Plan (NSDP) II extended, we also recognize the potential for partnerships with **Asia-Pacific countries**

in areas of technology transfer, sustainable development, and capacity building. Therefore, we will endeavour to leverage the region's technological expertise to support Lesotho's digital transformation and innovation agenda.

167. **Mr. Speaker,** Government also intends to strengthen embassy presence and consular services in major locations where it is both strategic and beneficial for Lesotho to do so. As we do so, the role that our diaspora community can play in harnessing these relationships will also be accordingly elevated to benefit our beloved country.

Security Services

168. **Mr Speaker,** in the 2024/25 financial year, Lesotho Defense Force has been actively deployed across various regions of the country, with a particular focus on high-crime areas to support policing efforts. Notable locations that have seen an increased military presence include **Fobane, Khubelu, Liphakoeng, Ribaneng, Matelile, Matsieng, and Rothe.** This deployment has significantly enhanced public safety, reassured local communities, and contributed to a reduction in violent crime.

169. Looking ahead to the 2025/26 financial year, with an allocation of M717.7 million, the focus will shift towards training, recruitment, and development of personnel, equipping our armed forces with the necessary skills to address contemporary security challenges. In addition, modernizing equipment and material will be prioritized to ensure our defense forces are well-prepared for protection of territorial integrity of the country and any security threats that may emerge. These initiatives are intended to bolster operational capacity of military forces.

170. The larger portion of the budget will be used to strengthen security organs by funding programmes including self-sufficiency initiatives and acquisition of equipment for protection of the territorial integrity of the country, combat crime and provide safe custodial care and correction to offenders through effective rehabilitation and reintegration programmes

Oversight

171. **Mr. Speaker**, parliamentary affairs have been allocated M176.6 million. This budget aims to support parliament as a collective and its committees to fulfil its mandate to support our democratic governance.
172. Additionally, the need for greater regional collaboration and knowledge-sharing is highlighted by our role in hosting the SADC Organisation of Public Accounts Committees (SADCOPAC) Conference. This presents an opportunity to learn best practices and enhance public finance management. Addressing these policy issues is crucial for building a more efficient and effective legislative institution.
173. Another pressing issue is the limited capacity and effectiveness of parliamentary committees. As the cornerstone of parliamentary work, committees play a vital role in scrutinizing bills, budgets, and policies. However, inadequate capacity and operational challenges hinder their ability to provide informed decision-making and robust oversight.
174. **Mr. Speaker**, Cabinet has approved the Enterprise Risk Management (ERM) Policy, marking a pivotal step towards establishing a resilient and accountable governance framework for public sector. This policy is designed to enable proactive identification and management of risks that could impede the achievement of our national priorities, thereby enhancing the strategic focus and effectiveness of our planning and budgeting processes.
175. To ensure a seamless integration, the ERM Policy will be implemented in phases, beginning with five pilot Ministries. By embedding ERM within public financial management practices, we are not only safeguarding public resources but also improving service delivery and promoting sustainable economic development.
176. Additionally, this proactive oversight framework embedded in the ERM policy will highlight the distinct challenges associated with State-Owned Enterprises (SOEs). The SOE sector has been plagued with operational inefficiencies, financial mismanagement and in some cases, signals of blatant corruption over the years and this requires urgent Government attention. Addressing these challenges will

minimize the risk of government bailouts, protect public finances, and support long-term economic sustainability of these entities.

177. **Mr. Speaker**, SOEs continue to present a significant fiscal burden to Government often coupled with sub-standard service delivery to end-users. Just this financial year, Government had to ensure security of electricity supply by supporting Lesotho Electricity Company (LEC) with unbudgeted **M328 Million** to purchase bulk electricity as Muela Hydropower plant had to shut down due to scheduled maintenance operations. The LEC just could not afford this financing requirement primarily due to inefficient and non-cost reflective pricing model, operational inefficiencies and governance challenges that are persistent.
178. Therefore, **Mr. Speaker** Government believes that a holistic review process of all SOEs for their relevance as Government entities needs to be entrenched in the policy framework for the SOE sector. This will ensure that attention to particular SOEs is not driven by exigencies but rather as part of periodic review for relevance. In this regard, Government is working on SOE policy that will guide Government approach to SOE sector.
179. Through these initiatives, **Mr. Speaker**, Government reaffirms its commitment to strengthening the role of SOEs as engines of economic growth and national development, while upholding the principles of fiscal prudence, integrity and transparency.

Cross-cutting Issues

Environmental Issues

180. **Mr. Speaker**, the Government recognizes the urgent need to address the degradation of national forests, which have traditionally been used as a source of fuel and are increasingly being exploited by local barbecue restaurants. To reverse this trend and promote sustainable use of forest resources, the Government will expand the area of land under indigenous forest cover, promote tree planting to support soil conservation, and enhance water catchment areas.
181. To ensure that local communities benefit economically, the Government will support the establishment of orchards, apiaries, and forest-related cottage industries, thereby enhancing rural livelihoods.

These initiatives build on proven successes in using forestry to improve livelihoods.

182. In the 2024/25 financial year, the Government invested over M1.5 million in purchasing fruit trees from local farmers, boosting local agriculture and supporting community growth. Additionally, small-scale farmers trained in apiculture generated M67,800 in honey sales, while M45,270 was collected from wood sales. These funds will be reinvested in purchasing forest trees from private nurseries and employing local labour for planting and nurturing these trees, ensuring a sustainable cycle of economic and environmental benefits.

183. **Mr. Speaker**, despite continued efforts to address pollution, maintaining cleanliness in our towns and villages remains a challenge, posing significant health risks to communities. To combat this challenge, Government has implemented plastic levy. This levy is designed to discourage the use of plastic bags, which are a major source of pollution, and to promote the production of eco-friendly alternatives by Basotho entrepreneurs.

184. **Mr. Speaker**, this initiative does not only address environmental concerns but also creates new economic opportunities. Revenue from this levy will be collected by Lesotho Revenue Services and be allocated to an environmental fund dedicated to combating pollution and environmental degradation.

185. To further address waste management challenges, the Government is conducting various studies regarding Tšoeneng Landfill as an alternative to Tsosane Landfill. The intention is to explore all options that are available for sustainable waste management which can be implemented not only for **Tšoeneng versus Tsosane** but across the country. Preparatory works to close Tsosane Landfill and operationalize Tšoeneng are planned and budgeted for 2025/26 financial year.

Disaster Management

186. **Mr. Speaker**, disasters are occurring more frequently with escalating severity to our nation in the recent times. This demonstrates that natural disasters and pandemics have become an enduring reality of our times. They have become the new normal in a sense. These disasters threaten any social and economic gains that

our societies may have gained leaving families to grapple with loss and uncertainty.

187. To further strengthen our response to the pressing challenges posed by climate change, the Government, in collaboration with the United Nations Capital Development Fund (UNCDF), will continue to implement the Local Climate Adaptive Living Facility initiatives. These initiatives are designed to enable councils to effectively adapt to the impacts and challenges of climate change. The focus will be on earmarked councils in Mohale's Hoek (Khoelenya, Lithipeng, Qhoasing, and Senqunyane Community Councils), Maseru (Makhoalipane and Kubake Community Councils), Mafeteng (Metsi-Maholo Community Council), Thaba-Tseka (Tenesolo Community Council), Leribe (Menkhoaneng Community Council), and Mokhotlong (Seate Community Council).

Governance and Accountability

188. Mr. Speaker, Lesotho is committed to strengthening anti-corruption efforts by ensuring the independence and operational capability of the DCEO. The Government will implement e-procurement for transparent public contracts and empower the Audit Office to conduct surprise audits. Public officials will receive regular training on ethical standards. DCEO is allocated M69.2 million to fulfil its mandate.

189. Mr. Speaker, as we mark 200 years as Basotho, the 2025/26 budget stands as a testament to the values of unity, accountability, and progress that shape our national identity. Through extensive consultations, we crafted this budget in collaboration with a wide range of stakeholders, including tertiary students, whose creativity and vision for our future were integral in shaping this year's budget theme. This inclusive and transparent process reflects our unwavering commitment to participatory governance. By aligning national priorities with the collective aspirations of all Basotho, we emphasize the policy of **inclusive participation**. This approach will ensure that fiscal discipline is maintained through prudent spending and strong oversight, laying the groundwork for sustainable development and shared prosperity for generations to come.

190. **Mr. Speaker,** I wish to reiterate our resolve to traverse into a transformed Lesotho that upholds the fundamental principles of democracy. We remain resolute in jealously guarding the rule of law. We strive to build strong pillars for lasting peace. As we forge through the turbulent times, we do so with deliberate effort to build a unified Basotho nation. *E tsoe kopano ke matla*. The Omnibus Bill is a blueprint and a firm foundation for the National Reform Agenda. As we traverse through the reform's agenda, let us do so with one accord- to build the Lesotho we want. This is a journey of courage and patience that requires selfless commitment.

191. Significant strides have been made to build a resilient economy amidst the raging geopolitical tensions. This august House has passed legislation that cement efforts to safeguard the economic gains resulting from regional and international cooperation. Joint efforts have been made between the Legislature and the Executive to facilitate condition precedent requirements. Lesotho as a member of the global village, must align protocols and conditions set by different international forums. In this connection, we need to redouble our efforts in addressing the recommendations made by the Financial Action Taskforce (FATF) within the anti-money laundering and terrorist financing regime.

Conclusion

192. At this juncture, Mr Speaker, Let me indicate that the central motif of this policy statement is:

- To Continue to rebuild a firm foundation for economic growth and resilience through private sector development and maintaining macro-fiscal stability.
- Build enabling infrastructure to enhance investment competitiveness whilst boosting growth and employment, it also means creation of green jobs through investing in clean energy production
- The government is committed to expand human capital base by increasing access and quality in health and education sector.
- Transform the skills base to align with needs of industries that will propel growth, it is also clear that there is need for all arms of

government to play their part in strengthening institutional capabilities as well as building effective systems for accountability. We have committed to support the process of concluding constitutional and other public sector forms and to adapt international best practices to ensure that all arms of government can perform their functions effectively.

- We will continue to improve efficiency and the impact of social protection systems as well as the rule of law. We will strive to enhance economic participation of youth and women.
- Lastly in line with the SDG agenda to protect the planet. The government in partnership with communities will implement integrated approaches to environmental management.

Therefore, Lesotho aligns with the universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity.

193. **Mr. Speaker,** I cannot end my speech before I propose to this Honourable House that the salaries and wages be adjusted by **2 percent across-the-board** to preserve the take home pay.

194. **Mr Speaker,** While we face huge uncertainty on global landscape, and our budget proposals have been channelled towards promotion of inclusive growth, we cannot leave the vulnerable groups behind (leave no one behind). In this context, Government will increase disability grant and child grant by M50 each per month.

195. **Mr. Speaker,** before I conclude, allow me to express my heartfelt gratitude to all who have contributed to the formulation of this National Budget for the fiscal year 2025/26.

196. I extend my deepest appreciation to this august House for its continued support and commitment to advancing our nation's development agenda.

197. **Mr. Speaker,** I wish to express my profound gratitude to the Right Honourable the Prime Minister for his unwavering support throughout the budget preparation process. I am indebted to my colleagues in Cabinet for their constructive inputs. It will be remiss of me to

conclude without acknowledging the selfless efforts demonstrated by the Ministerial staff in compiling the budget. I wish to call upon all of us to remember our call to make these budget a reality.

198. To all our development partners, your continued support and financial cooperation remain crucial to our development journey. We are truly grateful for your partnership.

199. Finally, I extend my gratitude to every individual and stakeholder who contributed to the development of this financial policy. Your insights, input, and collaboration have enriched this budget, ensuring it reflects the aspirations of all Basotho.

200. Together, **Mr Speaker**, we can turn this vision into reality **lekaka lenyatheli la monna oa mosephili, monna ha ka ba hloke khomo a ntse a tsamaea hoe hoe ae fumane.**

KHOTSO PULA NALA

ANNEX I

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2023/2024 - 2027/2028					
Budget Item	Actual 2023/24	Projection 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
REVENUE	23,327.2	27,247.9	29,815.4	30,533.8	31,634.4
Tax revenue	9,244.7	10,028.0	11,203.3	12,129.6	13,236.9
Taxes on income, profits, and capital gains	4,600.5	4,747.9	5,194.3	5,521.0	5,973.6
Income tax - payable by individuals	2,659.9	2,838.3	3,113.2	3,324.8	3,567.4
Income tax - payable by corporations and other enterprises	998.5	1,105.2	1,107.3	1,188.2	1,305.6
Income tax - other	942.2	804.4	973.8	1,008.0	1,100.7
Taxes on goods and services	4,643.5	5,279.6	6,008.5	6,607.9	7,262.9
Value-added tax	3,715.1	4,357.8	5,014.8	5,555.9	6,151.3
Excise taxes	921.2	907.7	964.3	1,018.2	1,077.3
Taxes on specific services	7.2	14.2	9.6	10.1	10.6
Taxes on the use of goods and on permission to use or perform activities			19.7	23.7	23.7
Taxes on international trade and transactions					
Other taxes	0.7	0.5	0.6	0.7	0.4
Grants	1,024.1	1,701.1	3,459.4	2,914.1	1,771.1
Other revenue	2,909.9	3,969.6	5,972.9	5,426.4	5,375.1
Property income	680.4	860.6	695.5	667.6	693.2
Dividends	67.0	264.9	270.7	195.6	195.6
Rent	53.1	181.1	256.2	181.1	181.1
Sales of goods and services	2,198.4	3,074.1	5,271.7	4,752.9	4,676.1
Electricity Muela	54.3	37.0	69.8	69.8	73.1
Water Royalties - LHDA	1,987.7	2,976.3	4,953.4	4,422.4	4,330.1
Administrative fees	39.5	26.0	62.6	65.7	68.8
Incidental sales by nonmarket establishments	116.9	34.8	185.8	194.9	204.1
Fines & forfeits	2.6	6.8	5.3	5.6	5.9
Miscellaneous and unidentified revenue	28.5	28.1	0.3	0.3	0.0
SACU	10,148.5	11,549.2	9,179.9	10,063.7	11,251.3
EXPENSE (Statutory + Non Statutory + Salary Increase)	16,919.1	18,155.6	20,396.5	22,101.3	23,359.0
Compensation of Employees	7,075.0	7,380.0	8,184.3	8,960.8	9,594.5
Wages and salaries	6,443.5	6,503.6	7,440.3	8,109.3	8,682.9
Use of goods and services	2,381.4	2,695.9	4,583.4	4,651.2	4,878.0
Interest Payments	821.0	1,006.8	1,084.0	1,150.3	1,196.3
Nonresidents	357.3	469.0	494.6	525.0	549.2
Residents other than general government	463.6	537.8	589.4	625.3	647.2
Subsidies	817.1	749.8	518.9	544.4	570.0
Grants to international organisations	71.7	197.5	53.4	187.6	190.9
Grants to other general government units	2,039.4	2,097.3	1,981.3	2,269.5	2,398.8
Social benefits	2,278.8	2,432.4	2,506.9	2,669.5	2,794.9
Other expense	1,434.7	1,595.7	1,484.5	1,668.1	1,735.5
Student Grants	1,109.2	1,299.6	1,208.1	1,390.7	1,457.0
Other expense	325.5	296.2	276.4	277.4	278.5
Capital Budget	6,323.4	6,374.6	10,574.9	7,628.0	7,193.0
GoL	2,690.5	2,934.3	4,202.6	2,545.7	3,332.9
Donor Grants	1,025.7	3,264.7	3,054.6	2,499.7	1,346.9
Donor Loans	2,607.2	3,496.1	3,317.6	2,582.5	2,513.2
CASH SURPLUS / DEFICIT	2,792.2	4,394.6	-1,156.0	834.5	1,082.4
% GDP	7.1%	10.6%	-2.6%	1.8%	2.2%
GDP	39514.4	41,561.7	44,439.0	47,005.0	49,515.4
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	2,792.2	4,394.6	-1,156.0	834.5	1,082.4
FINANCIAL ASSETS	1,975.9	9,219.7	-2,461.9	-281.9	260.6
Domestic (Change in Deposits)	1,975.9	9,219.7	-2,461.9	-281.9	260.6
Foreign	0.0	0.0	0.0	0.0	0.0
LIABILITIES	272.1	764.5	-1,306.0	-1,116.4	-821.8
Domestic	151.5	-6.0	-15.7	-20.1	225.5
Securities	250.6	323.4	323.4	323.4	323.4
Loans	-99.1	-84.6	-89.1	-93.5	-97.9
<i>of which Pension Liabilities</i>	0.0	0.0	0.0	0.0	0.0
Foreign	120.6	770.5	-1,290.2	-1,096.3	-1,047.3
Loans	120.6	770.5	-1,040.2	-1,096.3	-1,047.3
Disbursements	1,116.2	1,437.8	0.0	0.0	0.0
Repayments	-995.6	-667.3	-1,040.2	-1,096.3	-1,047.3
Months of Import Coverage	4.8	5.1	5.1	5.6	6.3

ANNEX II					
GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2023/2024 - 2027/2028 [% of GDP]					
Budget Item	Actual 2023/24	Projection 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
REVENUE	59.0%	65.6%	67.1%	65.0%	63.9%
Tax revenue	23.4%	24.1%	25.2%	25.8%	26.7%
Taxes on income, profits, and capital gains	11.6%	11.4%	11.7%	11.7%	12.1%
Income tax - payable by individuals	6.7%	6.8%	7.0%	7.1%	7.2%
Income tax - payable by corporations and other enterprises	2.5%	2.7%	2.5%	2.5%	2.6%
Income tax - other	2.4%	1.9%	2.2%	2.1%	2.2%
Taxes on goods and services	11.8%	12.7%	13.5%	14.1%	14.7%
Value-added tax	9.4%	10.5%	11.3%	11.8%	12.4%
Excise taxes	2.3%	2.2%	2.2%	2.2%	2.2%
Taxes on specific services	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes on the use of goods and on permission to use or perform activities	0.0%	0.0%	0.0%	0.1%	0.0%
Taxes on international trade and transactions	0.0%	0.0%	0.0%	0.0%	0.0%
Other taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Grants	2.6%	4.1%	7.8%	6.2%	3.6%
Other revenue	7.4%	9.6%	13.4%	11.5%	10.9%
Property income	1.7%	2.1%	1.6%	1.4%	1.4%
Dividends	0.2%	0.6%	0.6%	0.4%	0.4%
Rent	0.1%	0.4%	0.6%	0.4%	0.4%
Sales of goods and services	5.6%	7.4%	11.9%	10.1%	9.4%
Electricity Muela	0.1%	0.1%	0.2%	0.1%	0.1%
Water Royalties - LHDA	5.0%	7.2%	11.1%	9.4%	8.7%
Administrative fees	0.1%	0.1%	0.1%	0.1%	0.1%
Incidental sales by nonmarket establishments	0.3%	0.1%	0.4%	0.4%	0.4%
Fines & forfeits	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous and unidentified revenue	0.1%	0.1%	0.0%	0.0%	0.0%
SACU	25.7%	27.8%	20.7%	21.4%	22.7%
EXPENSE (Statutory + Non Statutory + Salary Increase)	42.8%	43.7%	45.9%	47.0%	47.2%
Compensation of Employees	17.9%	17.8%	18.4%	19.1%	19.4%
Wages and salaries	16.3%	15.6%	16.7%	17.3%	17.5%
Use of goods and services	6.0%	6.5%	10.3%	9.9%	9.9%
Interest Payments	2.1%	2.4%	2.4%	2.4%	2.4%
Nonresidents	0.9%	1.1%	1.1%	1.1%	1.1%
Residents other than general government	1.2%	1.3%	1.3%	1.3%	1.3%
Subsidies	2.1%	1.8%	1.2%	1.2%	1.2%
Grants to international organisations	0.2%	0.5%	0.1%	0.4%	0.4%
Grants to other general government units	5.2%	5.0%	4.5%	4.8%	4.8%
Social benefits	5.8%	5.9%	5.6%	5.7%	5.6%
Other expense	3.6%	3.8%	3.3%	3.5%	3.5%
Student Grants	2.8%	3.1%	2.7%	3.0%	2.9%
Other expense	0.8%	0.7%	0.6%	0.6%	0.6%
Capital Budget	16%	15%	24%	16%	15%
GoL	7%	7%	9%	5%	7%
Donor Grants	3%	8%	7%	5%	3%
Donor Loans	7%	8%	7%	5%	5%
CASH SURPLUS / DEFICIT	7.1%	10.6%	-2.6%	1.8%	2.2%
<i>% GDP</i>	7.1%	10.6%	-2.6%	2%	2%
GDP	100%	100%	100%	100%	100%
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	7%	11%	-3%	2%	2%
FINANCIAL ASSETS	5%	22%	-6%	-1%	1%
Domestic (Change in Deposits)	5%	22%	-6%	-1%	1%
Foreign	0%	0%	0%	0%	0%
LIABILITIES	1%	2%	-3%	-2%	-2%
Domestic	0%	0%	0%	0%	0%
Securities	1%	1%	1%	1%	1%
Loans	0%	0%	0%	0%	0%
<i>of which Pension Liabilities</i>	0%	0%	0%	0%	0%
Foreign	0%	2%	-3%	-2%	-2%
Loans	0%	2%	-2%	-2%	-2%
Disbursements	3%	3%	0%	0%	0%
Repayments	-3%	-2%	-2%	-2%	-2%
Months of Import Coverage	4.8	5.1	5.1	5.6	6.3

ANNEX III			
ANNUAL % CHANGE IN REVENUES AND EXPENDITURES			
Budget Item	Budget 2024/25	Budget 2025/26	% Change
REVENUE	27,712.6	29,815.4	8%
Tax revenue	9,948.3	11,203.3	13%
Taxes on income, profits, and capital gains	4,930.9	5,194.3	5%
Income tax - payable by individuals	2,868.1	3,113.2	9%
Income tax - payable by corporations and other enterprises	1,046.9	1,107.3	6%
Income tax - other	1,015.9	973.8	-4%
Taxes on goods and services	5,017.0	6,008.5	20%
Value-added tax	4,359.1	5,014.8	15%
Excise taxes	444.6	964.3	117%
Taxes on specific services	184.5	9.6	-95%
Taxes on the use of goods and on permission to use or perform activities	7.1	19.7	177%
Taxes on international trade and transactions		-	
Other taxes	0.6	0.6	-4%
Grants	3,659.9	3,459.4	-5%
Other revenue	2,556.3	5,972.9	134%
Property income	636.7	695.5	9%
Dividends	163.6	270.7	65%
Rent	454.2	256.2	-44%
Sales of goods and services	1,649.0	5,271.7	220%
Electricity Muela	36.6	69.8	91%
Water Royalties - LHDA	1,612.4	4,953.4	207%
Administrative fees	72.3	62.6	-13%
Incidental sales by nonmarket establishments	195.0	185.8	-5%
Fines & forfeits	3.0	5.3	76%
Miscellaneous and unidentified revenue	0.3	0.3	3%
SACU	11,548.0	9,179.9	-21%
EXPENSE (Statutory + Non Statutory + Salary Increase)	19,061.7	20,396.5	7%
Compensation of Employees	7,866.9	8,184.3	4%
Wages and salaries	6,992.8	7,440.3	6%
Use of goods and services	3,263.4	4,583.4	40%
Interest Payments	1,006.8	1,084.0	8%
Nonresidents	469.0	494.6	5%
Residents other than general government	537.8	589.4	10%
Subsidies	676.2	518.9	-23%
Grants	1,818.2	2,034.7	12%
Social benefits	2,344.2	2,506.9	7%
Other expense	1,942.6	1,484.5	-24%
Capital Budget	9,695.2	10,574.9	9%
GoL	2,934.3	4,202.6	43%
Donor Grants	3,264.7	3,054.6	-6%
Donor Loans	3,496.1	3,317.6	-5%
CASH SURPLUS / DEFICIT	-1,044.3	-1,156.0	11%
% GDP	-2.5%	-2.6%	5%

ANNEX I

GOVERNMENT BUDGET OPERATIONS FOR THE FISCAL YEAR 2023/2024 - 2027/2028					
Budget Item	Actual 2023/24	Projection 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
REVENUE	100%	100%	100%	100%	100%
Tax revenue	40%	37%	38%	40%	42%
Taxes on income, profits, and capital gains	20%	17%	17%	18%	19%
Income tax - payable by individuals	11%	10%	10%	11%	11%
Income tax - payable by corporations and other enterprises	4%	4%	4%	4%	4%
Income tax - other	4%	3%	3%	3%	3%
Taxes on goods and services	20%	19%	20%	22%	23%
Value-added tax	16%	16%	17%	18%	19%
Excise taxes	4%	3%	3%	3%	3%
Taxes on specific services	0%	0%	0%	0%	0%
Taxes on the use of goods and on permission to use or perform activities	0%	0%	0%	0%	0%
Taxes on international trade and transactions	0%	0%	0%	0%	0%
Other taxes	0%	0%	0%	0%	0%
Grants	4%	6%	12%	10%	6%
Other revenue	12%	15%	20%	18%	17%
Property income	3%	3%	2%	2%	2%
Dividends	0%	1%	1%	1%	1%
Rent	0%	1%	1%	1%	1%
Sales of goods and services	9%	11%	18%	16%	15%
Electricity Muela	0%	0%	0%	0%	0%
Water Royalties - LHDA	9%	11%	17%	14%	14%
Administrative fees	0%	0%	0%	0%	0%
Incidental sales by nonmarket establishments	1%	0%	1%	1%	1%
Fines & forfeits	0%	0%	0%	0%	0%
Miscellaneous and unidentified revenue	0%	0%	0%	0%	0%
SACU	44%	42%	31%	33%	36%
EXPENSE (Statutory + Non Statutory + Salary Increase)	100%	100%	100%	100%	100%
Compensation of Employees	42%	41%	40%	41%	41%
Wages and salaries	38%	36%	36%	37%	37%
Use of goods and services	14%	15%	22%	21%	21%
Interest Payments	5%	6%	5%	5%	5%
Nonresidents	2%	3%	2%	2%	2%
Residents other than general government	3%	3%	3%	3%	3%
Subsidies	5%	4%	3%	2%	2%
Grants to international organisations	0%	1%	0%	1%	1%
Grants to other general government units	12%	12%	10%	10%	10%
Social benefits	13%	13%	12%	12%	12%
Other expense	8%	9%	7%	8%	7%
Student Grants	7%	7%	6%	6%	6%
Other expense	2%	2%	1%	1%	1%
Capital Budget	100%	100%	100%	100%	100%
GoL	43%	46%	40%	33%	46%
Donor Grants	16%	51%	29%	33%	19%
Donor Loans	41%	55%	31%	34%	35%