

2024/25 FOURTH QUARTER BUDGET PERFORMANCE

BULLETIN



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MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

Budget Department, Finance House, Maseru

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OVERVIEW

The Budget Performance Bulletin is a key tool for transparency and accountability, designed to support improved public financial management. It plays a critical role in facilitating accountability, enhancing efficiency, and improving the overall quality of public service delivery. By providing a regular and structured analysis of government performance, the bulletin offers a data-driven overview of achievements, challenges, and trends across various sectors. It not only highlights opportunities for policy and operational improvement but also flags areas of concern and emerging risks that require attention. This enables government to make informed decisions, align resources more effectively, and foster a culture of continuous improvement and responsiveness.

In the reported year, the national economy demonstrated notable resilience, recording a growth rate of 2.5 percent. This performance was primarily underpinned by a robust expansion in the construction sector, which grew by 22.5 percent, reflecting strong infrastructure investment and related activities. The services sector also contributed positively, registering a growth rate of 3.7 percent, alongside animal farming, which grew by 3.5 percent, indicating a steady performance in agricultural production.

However, the economy faced challenges in other key sectors. The mining sector experienced a contraction of 5.0 percent, due to subdued global demand and operational challenges. The manufacturing sector declined by 2.3 percent, with the textiles subsector, which is traditionally a significant contributor to employment and exports, recording a decline of 8.2 percent¹. These contractions underscore the need for targeted policy responses to revitalize industrial productivity and strengthen sectoral resilience.

The recent imposition of U.S. tariffs poses a significant threat to Lesotho's already fragile textile subsector, risking further contraction and job losses. This economic strain compounds the impact of frozen critical health programs, deepening socio-

¹ <https://www.finance.gov.ls/PDFDocuments/Budget%20Speech%202025-638755902711080167.pdf>

economic vulnerabilities. Moreover, the steep tariffs could sharply reduce textile exports, worsening the trade deficit and undermining overall economic stability.

The fiscal performance for the 2024/25 fiscal year demonstrated resilience, bolstered by substantial revenue inflows and disciplined expenditure management resulting in a surplus of . However, sustained economic resilience requires more than just positive budgetary outcomes. The government must adopt a strategic and multifaceted approach to address persistent pressures such as high unemployment, deteriorating trade balances, and the adverse effects of foreign aid suspension. Without targeted interventions, these challenges could undermine recent fiscal gains and stall socio-economic development.

INTRODUCTION

The approved expenditure budget for the fiscal year 2024/25, encompassing both Recurrent and Capital Budget, totals M25,784 million, with additional below-the-line expenditure plans amounting to M5,134 million. This brings the total expenditure plan for 2024/25 to M30,930 million, to be financed through Government Revenues projected at M24,140 million, Donor Grants of M3,265 million, and Donor Loans amounting to M3,496 million.

Revenue and expenditure performance registered a deficit of M775 million in the fourth quarter, leading to a cumulative surplus of M3,040 million. The cumulative surplus registered since the first quarter is attributable to high receipts, predominantly from SACU, Taxes and Water Royalties, alongside lower than expected spending on both Recurrent and Capital Budgets, which registered 91 percent and 84 percent of the Approved Budget, respectively.

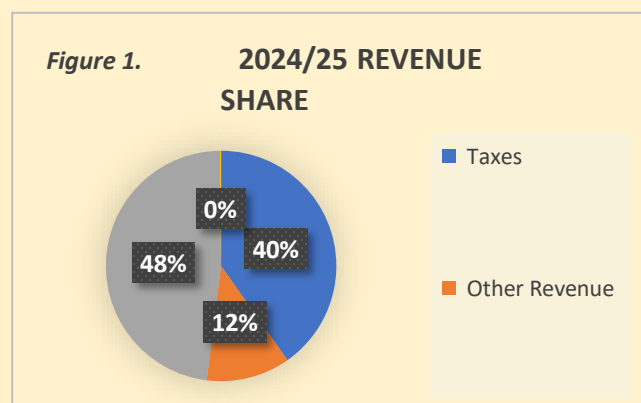
REVENUE PERFORMANCE

OVERALL REVENUE PERFORMANCE

Revenue remains the primary source of funding for the Government of Lesotho's expenditure budget. It demonstrated a strong performance throughout the 2024/25 fiscal year. By the end of the financial year, total revenue collection reached M26,013.9 million, exceeding the approved target of M24,140.0 million. This represents a 108 percent achievement rate. Notably, revenue collection increased by M4,861.9 million compared to the previous fiscal year's total of

M21,152.0 million, reflecting improved efficiency in revenue mobilization and favorable macroeconomic conditions.

At the outset of the 2024/25 financial year, the projected distribution of revenue

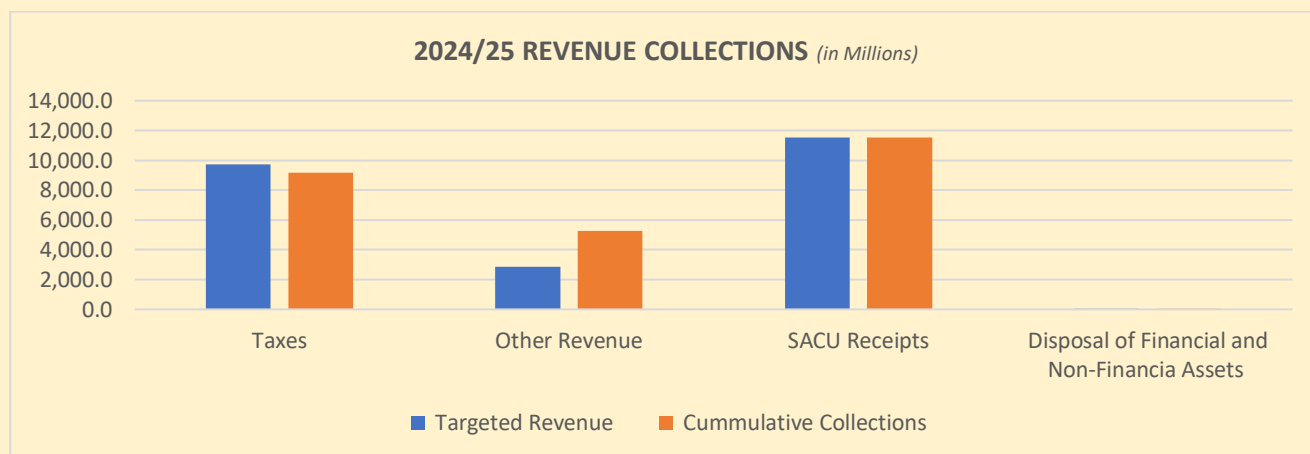


collection was as illustrated in Figure 1. Structured around key sources: Southern African Customs Union (SACU) receipts were projected to contribute 48 percent of the M24,140.0 million revenue target. Taxes were projected to account for 40 percent, while Other Revenue sources were allocated 12

percent. Revenue from the Disposal of Financial and Non-Financial Assets was anticipated to remain minimal, contributing approximately zero percent, which is equivalent to M38.9 million in absolute terms. This distribution underscores the Government's continued reliance on SACU transfers and domestic tax mobilization to finance expenditure obligations.

End-of-year results for the 2024/25 fiscal year show a slightly revised composition of cumulative revenue collections compared to initial projections. SACU receipts accounted for 45 percent of the total collection, slightly below the expected 48 percent. Taxes contributed 35 percent, amounting to M9,171.5 million, while Other Revenue sources exceeded expectations, contributing 20 percent or M5,273.6 million. The notable increase in Other Revenue collections is largely attributed to dividends from financial public corporations, interest earned on government deposits and investments, as well as royalties from the mining and water sectors. The Disposal of Financial and Non-Financial Assets, though still representing zero percent in proportional terms, recorded a collection of M19.6 million, which is approximately half of the anticipated amount.

Figure 2. Revenue Collections



Source: Department of Budget, Ministry of Finance and Development Planning

Figure 2 above illustrates the annual revenue collections as of 31st March 2025, compared to the approved annual targets. SACU Receipts were collected as projected, amounting to M11,549 million. Tax revenue, however, fell slightly short of the target by M542 million, representing a 6 percent underperformance. In contrast, Other Revenue significantly exceeded expectations, surpassing the target by M2,434 million, an impressive 86 percent increase.

REVENUE FOURTH QUARTER COLLECTION

Table 1 below represents revenue collection for the fourth quarter, along with the cumulative revenue collected from the first to the fourth quarter, .

Table 1: Revenue Fourth Quarter

2024/25 FOURTH QUARTER REVENUE COLLECTION				
Components	Targeted Revenue	Quarter 4 Collection	Total Collections	Percentage Collections
Taxes	9,714.1	2,094.1	9,171.5	94%
Other Revenue	2,838.9	890.9	5,273.6	186%
SACU Receipts	11,548.0	2,887.3	11,549.2	100%
Disposal of Financial and Non-Financial Assets	38.9	7.5	19.6	50%
Grand Total	24,140.0	5,879.8	26,013.9	108%

Source: Department of Budget, Ministry of Finance and Development Planning

In the fourth quarter, collection revenue amounted to M5,879.8 million, representing 24 percent of the annual target. This marks a modest increase of 4 percent compared to the same quarter of the previous financial year, which recorded M5,660 million. The increase is primarily attributed to Southern African Customs Union (SACU) receipts, which were disbursed evenly across all four quarters, and to performance under Other Revenue, which totaled M5,273 million. In contrast, other revenue components registered a decline in performance, highlighting the uneven contribution of domestic revenue sources.

MAJOR TAX REVENUE

The government derives tax revenue from a variety of sources, including Value Added Tax (VAT), Personal Income Tax (PIT), Company Income Tax (CIT), Withholding Tax, and levies on oil, tobacco, and alcohol. In an effort to boost tax collection and compliance, the government through the Revenue Services Lesotho (RSL), has undertaken a series of modernization initiatives targeting tax administration.

One key initiative is the Automatic Compliance Project, launched in collaboration with the Land Administration Authority (LAA)². This project is designed to simplify and automate the tax compliance process, particularly for Pay-As-You-Earn (PAYE) returns. The system allows for the pre-population of PAYE returns, enabling taxpayers to easily confirm, upload, and submit their returns. By leveraging digital technology, RSL aims to streamline the tax process, reduce errors, and improve overall administrative efficiency, thereby strengthening Lesotho's domestic revenue mobilization efforts.

In addition to automating tax compliance, the RSL has introduced e-payment and e-taxation platforms to further digitize tax administration³. These platforms facilitate online tax payments and the electronic filing of returns, making the process more accessible and user-friendly for taxpayers nationwide. By broadening the use of tools, RSL seeks to reduce the administrative burden on

² <https://www.rsl.org.ls/automatic-compliance-project-launched>

³ <https://www.gov.ls/development/rsl-launches-e-payment-e-taxation-platforms>

both taxpayers and the authority, while promoting greater efficiency and transparency.

To support these digital reforms, RSL has intensified public engagement through a series of initiatives aimed at improving tax compliance and raising awareness about the implications of international trade agreements and tax treaties relevant to Lesotho. In the 2023/24 fiscal year, RSL conducted tax clinics across various districts. These clinics played a vital role in educating taxpayers on enhanced tax filing practices, including practical guidance on to the use the e-Taxation platform.

As a result, these modernization efforts and enhanced public engagement, major tax revenue collections have shown a notable increase during the current financial year. This improvement reflects strengthened compliance and the positive impact of the digital platforms introduced by the RSL. The main components contributing to this growth are presented in Table 2 below:

Table 2: TAX COLLECTION

2024/25 FOURTH QUARTER REVENUE COLLECTION BY TAX				
Tax	Targeted Revenue	Quarter 4 Collection	Total Collections	Percentage Collections
Value Added Tax	4,124.8	1,085.9	4,283.4	104%
Personal Income Tax	2,868.1	713.3	2,922.2	102%
Company Income Tax	1,046.9	64.3	865.2	83%
Withholding Tax	1,015.9	95.1	492.2	48%
Oil Levy	421.2	81.9	387.4	92%
Tobacco and Alcohol Levy	184.5	29.6	146.8	80%

Source: Department of Budget, Ministry of Finance and Development Planning

Although overall tax collection has increased in this financial year, certain tax categories recorded a decline in performance in the fourth quarter compared to the same period in the previous year. A closer analysis of fourth-quarter performance reveals the following breakdown:

- VAT generated M1,085.9 million, reflecting a decline from the M1,174 million collected in the same quarter last year.

- PIT amounted to M713.3 million, surpassing the previous year's collection by M130.3 million.
- CIT experienced a significant decrease, with collections totalling M64.3 million, down by M157.7 million compared to the previous year.
- Withholding Tax registered M95.1 million, a reduction from M147 million in the fourth quarter of 2023/24.
- Oil Levy collections declined to M1.1 million.
- Tobacco and Alcohol Levies also recorded a shortfall, with collection lower by M6.4 million compared to the period last year.

NON-TAX REVENUE

Non-tax revenue constitutes a significant component of the Government of Lesotho's overall revenue stream and plays a crucial role in funding public services and supporting development initiatives. This category includes a diverse range of sources, including royalties from natural resources such as water and diamonds; fees for government services (e.g., licenses and permits); compensations earned, dividends received, proceeds from the sale of inputs in certain Ministries, Departments, and Agencies (MDAs), as well as fines and penalties.

the efficient collection and management of non-tax revenue are vital to enhancing Lesotho's fiscal stability. By strengthening this revenue stream, the country can reduce its reliance on external funding and move toward greater financial self-sufficiency.

In the fourth quarter, non-tax revenue amounted to M890.9 million, which is slightly higher than the M848 million collected during the same period previous financial year.

Table 3: Non- Tax Revenue Collection

2024/25 FOURTH QUARTER REVENUE COLLECTION FOR NON-TAX				
Non-Tax	Targeted Revenue	Quarter 4 Collection	Total Collections	Percentage Collections
Water Royalties - LHDA	1,500.0	307.8	3,660.8	244%
Royalties	445.5	226.5	487.9	110%
Interest Deposits and Investments	0.9	0.9	294.1	32676%
Rand Monetary Compensation	395.2	280.1	280.1	71%
Dividends Received from Financial Public Corporations	64.1	3.0	190.1	296%
Dividends - Other	90.0	0.0	75.0	83%
Sale of Goods or Product	81.2	4.0	45.4	56%

Source: Department of Budget, Ministry of Finance and Development Planning

By the end of the fourth quarter, revenue from Sale of Goods contributed M4.0 million, bringing the total annual collection for the 2024/25 financial year to M45.4 million. While this appears to represent 56 percent of the target, it in fact exceeds 100 percent of the actual target due to an error in the target being mistakenly doubled.

Water royalties experienced a significant increase, driven by higher water tariffs. Annual collection reached M3,660.8 million, which is equivalent to 244 percent of the target. Similarly, interest on deposits and investments recorded a notable rise of M294.1 million reflecting an improved cash management and investment practices. . Lastly, Rand Monetary Compensation totalled M280.1 million by the end of the fourth quarter, contributing meaningfully to overall non-tax revenue.

RECURRENT EXPENDITURE PERFORMANCE

The table below illustrates the recurrent financial expenditure, categorized by expenditure sub-heads.

Table 4: 2024/25 Third Quarter Recurrent Expenditure by Sub-Head

2024/25 FOURTH QUARTER RECURRENT EXPENDITURE BY SUB-HEAD						
Sub- Head	Approved Budget	Revised Budget	Warrant Allocations	Quarter 4 Expenditure	Cummulative Expenditure	Expenditure as % of Revised Budget
Compensation of Employees	8 678,8	8 776,6	8 587,3	2 087,9	8 313,6	95%
Travel and Transport	524,8	623,	602,7	204,1	571,8	92%
Operating Costs	2 438,	2 422,4	2 343,8	741,2	2 217,9	92%
Other Use of Goods and Services	0,3	0,3	0,2	0,0	0,0	0%
Interest	1 006,8	897,2	732,9	180,0	727,3	81%
Transfers	4 178,1	4 506,1	3 750,2	782,2	3 728,1	83%
Other Expense	1 446,6	1 411,9	1 403,	449,2	1 399,9	99%
Losses	75,0	75,0	63,7	3,2	39,1	52%
Acquisition of Financial Assets	162,3	817,8	817,8	543,5	817,7	100%
Acquisition of Monetary Gold and Special Drawing Rights	3,0	2,9	0,0	0,0	0,0	0%
Acquisition of Non Financial Assets	133,3	232,3	226,7	126,4	187,3	81%
Contingencies Fund	300,0	15,1	0,0	0,0	0,0	0%
Repayment of Domestic Liabilities	1 463,5	1 863,6	1 740,5	538,2	1 718,6	92%
Repayments of Foreign Liabilities	913,7	1 023,2	1 023,2	256,1	1 019,3	100%
Grand Total	21 324,3	22 667,4	21292,0	5 911,9	20 740,6	91%

Source: Department of Budget, Ministry of Finance and Development Planning

The table provides a breakdown of recurrent expenditure for the fourth quarter of the 2024/25 fiscal year, disaggregated by key sub-heads. It compares the approved and revised budget allocations against actual expenditures, highlighting both quarterly and cumulative spending. This detailed view supports the evaluation of budget execution performance, revealing which expenditure categories remained within allocated limits and which may warrant closer scrutiny.

At the end of the year, total warrant allocations reached **M21,292.0 million**, while **cumulative expenditures totaled M20,740.6 million**. This reflects an expenditure rate of **91 percent of the adjusted (revised) budget**, indicating relatively strong budget absorption overall. The "Expenditure as % of Revised Budget" column provides additional insight into the efficiency of resource utilization across various Ministries, Departments, and Agencies (MDAs), and highlights areas where spending may need to be better aligned with policy priorities.

Compensation of Employees was initially allocated a budget of M8,678.8 million, which was later revised to M8,776.6 million by year-end. The upward adjustment was attributed to additional funding from Centralized Items to

address shortfalls in personal emoluments experienced by various spending units during the fourth quarter.

Expenditure for the quarter amounted to M2,087.9 million, reflecting a slight decline of 3 percent compared to the M2,160.8 million was spent same period in 2023/24. By the end of the fiscal year, cumulative spending on this sub-head recorded M8,313.6 million, translating to 97 percent of the warrant allocations and 95 percent of the revised budget. Within this category, Established Salaries were the main cost-driver accounting for M6,185.4 million.

The approved budget for **Travel and Transport** was M524.8 million, which increased to M623.0 million by the end of the year. This rise was attributed to factors including additional funding from Centralized Items and Contingencies Funds to support international travel for priority trips that emerged during implementation by the Ministry of Foreign Affairs and International Relations and by His Majesty's Office.

The overall expenditure for travel and transport reached M571.8 million, representing 92 percent of the revised budget, with M204 million spent in the reported quarter. This quarterly expenditure reflects an increase of 34 percent compared to M152.7 million spent during the same period in the previous year. Major spending categories included short-term vehicle rentals, fuel and lubricants, and international subsistence. Approximately 90 percent of the revised budget was utilized in this regard.

The approved budget for **Operating Costs** was M2,438.0 million, which decreased to M2,422.4 million by the end of the year. This change resulted from virements authorized under section 15 (1) of the PFMA Act.

Quarterly expenditure amounted to M741.2 million, resulting in a total cumulative expenditure of M2,217.9 million, reflecting a decrease of M25 million compared to the same period last year. Significant expenditures at year-end included M447.0 million for purchases of Health Services, M440.5 million on drug procurement, and M504.1 million on acquisition or production of material of goods and services, all in relative to the revised budget.

The **transfers** budget increased from M4,178.1 million to M4,506.1 million by year-end. This increase demonstrates government's continued stewardship of

public welfare, expanding access to basic human needs including education, healthcare, and social protection, particularly for the vulnerable. Institutions receiving support include Queen 'Mamohato Memorial Hospital (QMMH), the Christian Health Association of Lesotho (CHAL) which is a network of church-owned health facilities, higher education institutions, Examination Council of Lesotho (ECOL), the school feeding program, and the National Manpower Development Secretariat.

However, cumulative expenditure for transfers was lower than expected at M3,728.1 million, of which M782.2 million was spent in the last quarter. This quarterly expenditure represents an 8 percent decrease compared to the M848.2 million spent during the same period last year.

DEVELOPMENT EXPENDITURE PERFORMANCE

A development budget is a critical financial tool used by governments to fund long-term projects that enhance a country's economic and social well-being. A well-planned and efficiently managed development budget is essential for transforming a national potential into tangible progress. Investing in enabling infrastructure is crucial for fostering innovation, improving quality of life, boosting productivity, and promoting sustainable development. In the current financial year, the government prioritized a sizeable investment in capital projects to drive economic development. Key sectors targeted for building enabling infrastructure are energy, water, transport, built environment and solid waste management.⁴

The Development Budget was set at M9,695.2 million, comprising M2,934.3 million from Government of Lesotho funding, M3,264.7 million in donor grants and M3,496.1 million in donor loans to support the implementation of the extended NSDP II priorities. By year-end, total expenditure from GOL funding amounted to M2,233.2 million, an increase compared to the M1,835.1 million spent in the previous year. Expenditures related to donor grants and loans were utilised outside the government financial system and therefore not recorded within GOL's financial accounts.

⁴https://www.cabri.sbo.org/uploads/bia/Lesotho_2025_Formulation_External_BudgetFramework_MinistryOfFinance_SADC_English_dbadbb.pdf

PERFORMANCE BY PROGRAM

Table 5 below illustrates the allocation and expenditure of the 2024/25 Development Budget disaggregated by programme highlighting key investment areas and implementation performance across sectors:

2024/25 FOURTH QUARTER CAPITAL EXPENDITURE BY PROGRAM							
Program	Approved Budget	Revised Budget	Warrant Allocations	Quarter 4 Expenditure	Cummulative Expenditure	Expenditure as % of Warrant Allocations	Expenditure as % of Revised Budget
General Administration and Management	251,1	219,8	194,2	83,9	188,7	97%	86%
Enhancing Inclusive and Sustainable Economic Growth	459,8	397,8	252,7	47,2	246,7	98%	62%
Strengthening Human Capital	218,2	68,2	51,7	41,8	51,6	100%	76%
Building Enabling Infrastructure	1 750,	1 756,3	1 632,3	495,2	1 597,6	98%	91%
Strengthening National Governance and Accountability	231,8	205,8	152,5	71,5	127,4	84%	62%
Cross Cutting	2,4	2,4	1,4	0,3	1,4	98%	57%
Investment Climate Reforms and Financial Sector Development	21,0	21,0	19,8	3,9	19,8	100%	94%
Grand Total	2 934,3	2 671,3	2 304,6	743,8	2 233,2	97%	84%

The capital budget increased from M2,618.9 million to M2,671.3 million in the fourth quarter. This rise is attributed to a reallocation of M52.4 million from the Contingencies Fund to the Ministry of Energy to provide additional funding for the Rural Electrification Project.

Quarterly expenditure reached M743.8 million, bringing cumulative expenditure to M2,233.2 million, which represents 84 percent of the revised budget. This reflects a 4 percent decrease compared to the same period in the previous year, during which M31 million more was spent.

To foster growth and job creation, the government's capital budget prioritized the development of enabling infrastructure to support key growth sectors and promote effective public-private partnerships for accelerated infrastructure development. This commitment in the Enabling Infrastructure Programme, which received a large share of the development budget, amounting to M1,750.0 million.

Quarterly expenditure under this programme amounted to M495.2 million, reflecting a 9 percent increase compared to M455.0 million spent during the same period in 2023/24. Cumulative expenditure reached M1,597.6 million,

representing 98 percent of warrant allocations and 91 percent of the revised budget.

Significant projects and their corresponding expenditures under this programme include:

- Mpiti-Sehlaba-Thebe Road – M140.4 million
- Marakabei-Monontša Road – M404.7 million
- Ramarothole 70MW Solar Generation Project – M47.0 million
- Rural Electrification – M196.6 million
- Pavement Strengthening for both paved and unpaved roads – M407.9 million

The Enhancing Inclusive and Sustainable Economic Growth initiative is the second-largest programme, with an approved budget of M459.8 million. By year-end, total expenditure under this initiative amounted to M246.7 million, including M47.2 million spent during the final quarter.

Major projects under this programme and their actual expenditures by year-end include:

- The Smallholder Agricultural Development Project – M14.1 million
- The Agricultural Productivity Programme for Southern Africa – M3.6 million
- The Standard and Quality Infrastructure Project – M5.9 million

The General Administration and Management Programme received a capital budget allocation of M251.1 million. By year-end, M188.7 million had been spent, including M83.9 million for the quarter. This expenditure represents a 33 percent decrease compared to the same period last year.

Key projects and their expenditures under this programme include:

- Construction of Maseru District Hospital – M22.8 million. The hospital is complete and fully operational.
- Senate Office – M137.0 million.
- Solid Waste Management for Maseru City Council and Urban Councils – M13.3 million

To strengthen national governance and accountability, the government allocated M231.8 million. By the end of the quarter, M71.5 million had been spent, bringing

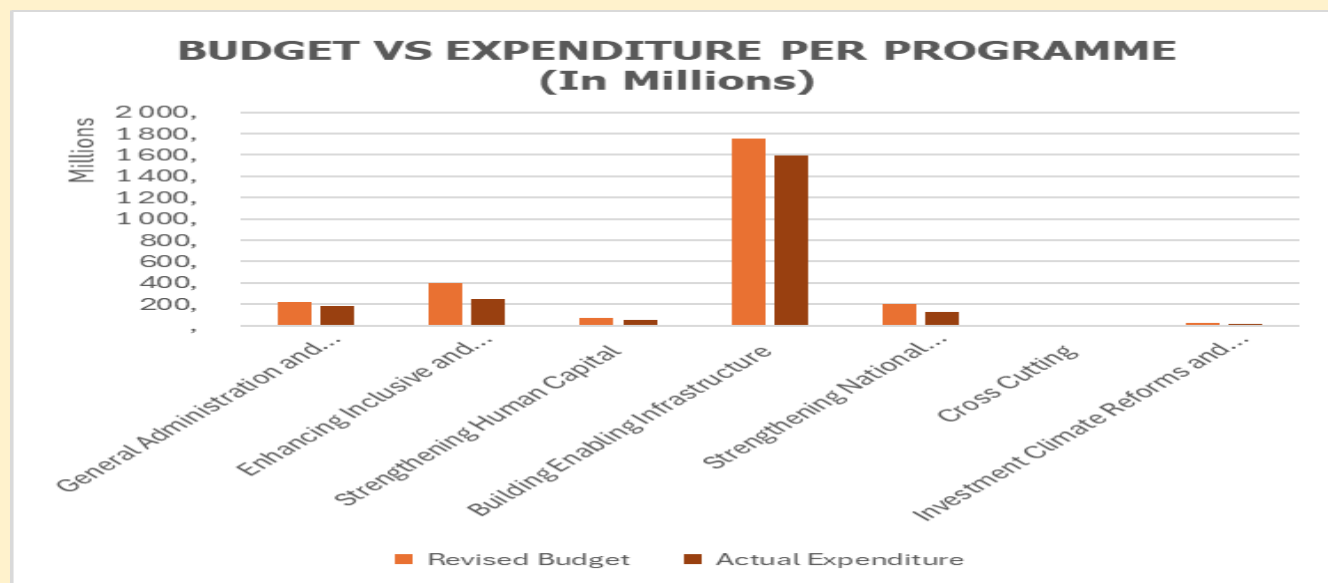
cumulative expenditure to M127.4 million, representing 62 percent of the revised budget.

Related projects and their expenditure under this programme include:

- Local Government Infrastructure – M4.0 million expenditure
- Principal Chiefs’ Offices – M4.6 million expenditure
- Construction of Police Stations – M9.5 million expenditure

Under the Strengthening Human Capital Programme, the government allocated M218.2 million, of which only M51.6 million was utilized by the end of the year. Quarterly expenditure amounted to M41.8 million, reflecting a 40 percent decrease compared to M69.5 million spent during the same period last year. Key projects and actual expenditures include:

- Support to TB Control Program and Immunisation – M10.9 million
- Cancer Treatment Centre – M29.3 million
- Construction of Secondary Schools and Free Primary Education Classrooms – M7.0 million



CONCLUSION

The government's budgetary performance for the 2024/25 fiscal year has been notably strong, marked by higher-than-expected revenue collection and effective expenditure management. This performance achieved despite challenges in sectors such as manufacturing and textiles, reflects the government's ability to navigate external economic pressures and maintain financial discipline.

Looking ahead, addressing structural issues such as high unemployment and persistent trade imbalances will be critical to ensuring long-term economic resilience. These challenges call for strategic planning and targeted interventions focused on economic diversification, productivity enhancement, and the creation of sustainable employment opportunities.

While the current fiscal surplus is a positive indicator of macroeconomic stability, it also highlights the need to sustain momentum through policies that advance socio-economic development and reduce vulnerabilities to external shocks. Strategic and adaptive measures will be essential to foster a resilient and inclusive and sustainable growth path for the country.