



2024/25 FIRST QUARTER BUDGET PERFORMANCE

BULLETIN



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MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

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OVERVIEW

The government's primary objective is to achieve sustainable economic growth, increase job creation, and build a resilient economy. This necessitates maintaining a sustainable fiscal path through fiscal consolidation. Therefore, it is essential to adopt a counter-cyclical fiscal policy to better manage the fiscal gap and build-up buffers for use during economic downturns.

To achieve its goal, it is pivotal for the government to remain focused on its strategic priorities and medium-term objectives and regularly report on progress as a transparency measure. Adequate transparency and accountability are critical for ensuring that resource wealth is well-managed, hence, the government is committed to providing feedback on the implementation of its programmes.

The budget development is designed in programmes linked to the NDSP II¹ and is guided by the medium-term Budget Strategy paper² to ensure that government spending aligns with the nation's developmental objectives. Subsequent chapters detail progress on set targets and planned expenditures.

INTRODUCTION

The approved expenditure budget for fiscal year 2024/25, comprising both recurrent and capital budget, totals M25,784 million. Additionally, below-the-line expenditure plans amount to M5,134 million. Therefore, the total expenditure plan for the year 2024/25 sums to M30,930 million. This expenditure will be financed

¹ <https://www.gov.ls/wp-content/uploads/2021/06/National-Strategic-Development-Plan-II-2018-19-2022-23.pdf>

² http://www.finance.gov.ls/documents/Budget%20Formulation/Budget%20Strategy%20Paper/Budget%20Strategy%20Paper%20Draft_2023-2024.pdf

through government revenues projected at M24,140 million, Donor Grants of M3,265 million, and External Loans amounting to M3,496 million.

With these allocations, the government remains committed in pursuing robust, sustainable, fair, and inclusive growth. A key prerequisite is effectively guiding the private sector to engage in growth stimulating and productive activities. The government aim to expand the private sector's role significantly, reducing its own footprint and focusing on providing public goods and regulatory activities that support private sector development.

RECURRENT REVENUE

Revenue collection is a fundamental component of the government's fiscal strategy, essential for supporting national development priorities and ensuring financial stability.

REVENUE SHARE

Recurrent revenue remains a major source of funding for government expenditure budgets. It consists of tax, non-tax, SACU receipts and the disposal of financial and non-financial assets. Significant enhancement of recurrent revenue is desired to adequately finance plans and policies while reducing the dependency on loans and grants and use those for financing Development Projects. However, the overall revenue target remains approximately the same as last year at around M24 billion, reflecting ongoing challenges in generating new revenue streams and strengthening existing ones.

Figure 1:



Source: Budget Department, Ministry of Finance and Development Planning

Figure 1 illustrates the revenue share, with SACU receipts being the major source at 48 percent, followed by taxes at 40 percent, and non-tax revenue at 12 percent. This composition highlights a concerning drop in the share of tax revenue, a limited contribution from non-tax revenue and an increasing reliance on the volatile SACU receipts.

REVENUE COLLECTION

Table 1 below illustrates the actual revenue collection for the first quarter compared to the annual projections for the fiscal year 2024/25.

Table 1:

2024/25 REVENUE COLLECTION FOR THE FIRST QUARTER			
Revenue Sources	Approved Budget (in Millions)	Quarter 1 Actual Collections (in Millions)	Collection as % Approved Budget
Tax	9,714	1,614	17%
Non-Tax	2,839	1,126	40%
SACU Receipts	11,548	2,887	25%
Disposal of Financial and Non-Financial Assets	39	0	1%
Grand Total	24,140	5,628	23%

Source: Budget Department, Ministry of Finance and Development Planning

The overall collection for the first quarter was M5,628 million which is higher than M4,783 million collected in the same period last year but lower than the expected 25 percent of the annual target. The under-collection was noted in Taxes and Disposal of Financial and Non-Financial Assets, which recorded 17 percent and 1 percent, respectively.

On the other hand, a significantly high collection of 40 percent was realised under Non-Tax Revenue, due to substantial collections from Dividends Received from Financial Public Corporations and Water Royalties. Within three months, 238 percent and 58 percent of their targets was collected respectively. The over collection under royalties is due to the revision of the royalties' formula, which caused delays in payments for the last quarter of the previous fiscal year and resulted in an over-collection of water royalties coming from South Africa. The Central Bank of Lesotho provided dividends amounting to M151 million, which is significantly higher than the target set at M35 million. In addition, MiNET Insurance Company submitted M0.9 million, surpassing its target of M0.5 million and demonstrating an unforeseen profit.

MAJOR TAX REVENUE COLLECTIONS

The major tax revenue components contributing over a billion maloti include Value Added Tax (VAT), Personal Income Tax (PIT) and Company Income Tax (CIT). When VAT was introduced in Lesotho in 2003/2004, it contributed 14.9 percent of the recurrent revenue³. Currently, the target for VAT is 17 percent, which is equivalent to M4,124.8 million. This represents a modest improvement of 2.1 percent over two decades, despite various efforts by the Revenue Service to enhance tax collection and compliance.

The Oil Levy, along with the levy on Tobacco and Alcohol also makes significantly contributions to tax collections, as indicated in the table below.

³https://www.centralbank.org.ls/images/Publications/Research/Papers/Occational/Value_Added_Tax.pdf

Table 2:

MAJOR TAX REVENUE COLLECTION COMPONENTS		
Revenue Sources	Revenue Targets	Quarter 1 Collections
Value Added Tax	4,124.8	736.6
Personal Income Tax	2,868.1	495.7
Company Tax	1,046.9	138.1
Withholding Tax	1,015.9	131.5
Oil Levy	421.2	77.6
Tobacco and Alcohol Levy	184.5	24.

Source: Budget Department, Ministry of Finance and Development Planning

As presented in table 2 above, the expected major sources of revenue recorded low collections, ranging from 13 and 18 percent of the target.

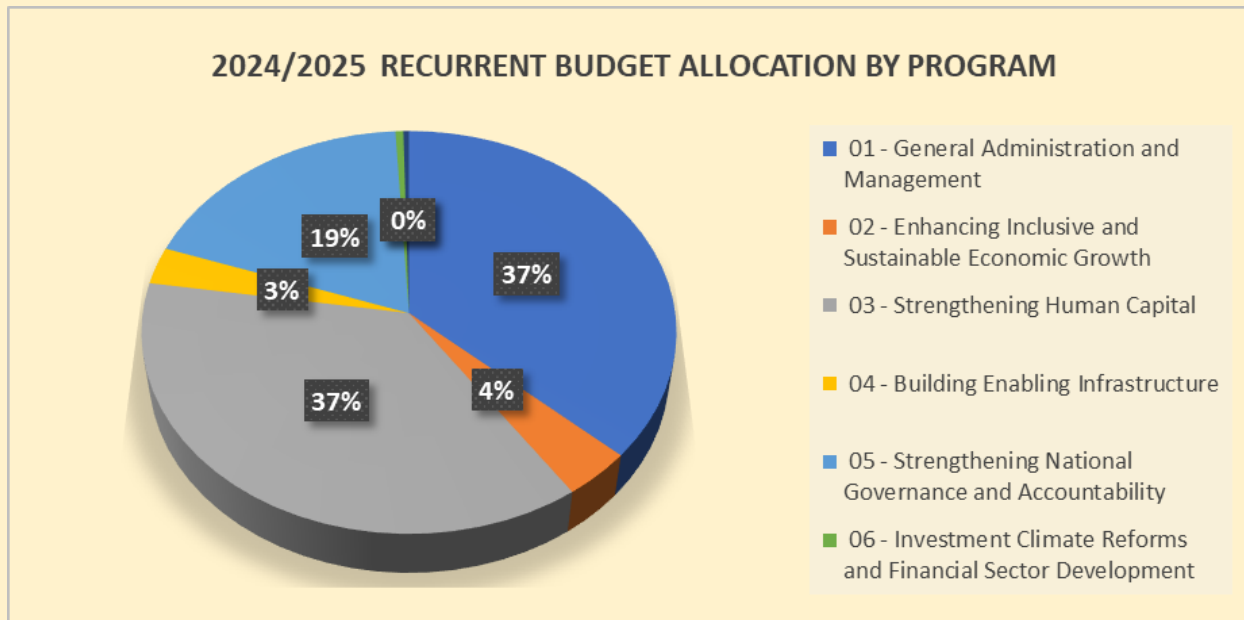
VAT contributed M736.6 million, which is lower than M898.7 million collected during the same period last year. Personal Income Tax also fell short of both last year's collection of M596 million and the current target of 17 percent. Withholding tax and Oil Levy also underperformed compared to last year's collections of M182.9 million and M97.8 million respectively. The rates for the levy on Tobacco and Alcohol were revised downwards, leading to a downward revision of the target, but the collections remain at a low 13 percent of the target. Company Income Tax, while still below expectations, showed some improvement compared to the previous year, increasing by M25.4 million.

RECURRENT EXPENDITURE PERFORMANCE

The government expenditure is classified into programmes, with activities strategically planned to achieve the objectives outlines in the extended NSDP II.

2024/25 RECURRENT ALLOCATIONS BY PROGRAMME

Figure 2



Source: Budget Department, Ministry of Finance and Development Planning

The figure above illustrates the financial resource allocation for recurring commitments and activities by programme. Both the Strengthening Human Capital and General Administration programmes each receive an equal share of 37 percent of the total allocation. The Strengthening Human Capital programme includes allocations funding for education, health and social protection while the General Administration and Management Programme consists of public debt management, pensions, gratuities and support services, among other areas. Each programme's nominal allocation is approximately M8 billion.

The Strengthening of National Governance and Accountability programme follows with a 19 percent share of the allocation. This programme primarily covers revenue services, payment of arrears, foreign affairs and international relations obligations, and national security issues. The nominal allocation for this programme is set at M3,987 million.

The programme aimed at **Enhancing Inclusive and Sustainable Economic Growth** focuses on scaling up agricultural production and productivity, supporting Local Government and Chieftainship through its seasonal employment programme, and

providing grants for marketing and promotion Lesotho as a preferred tourists destination. Furthermore, it seeks to foster the development of Basotho-owned enterprises and indigenous entrepreneurial skills. This programme received 4 percent of the Recurrent Budget while the remaining 3 percent allocated to other programmes.

RECURRENT PERFORMANCE BY PROGRAMME

Table 3

2024/2025 FISRT QUARTER RECURRENT EXPENDITURE BY PROGRAMME			
Programmes	Approved Budget (in Millions)	Quarter 1 Expenditure (in Millions)	Expenditure as % of Approved Budget
01 - General Administration and Management	7,809	1,820	24%
02 - Enhancing Inclusive and Sustainable Economic Growth	815	128	16%
03 - Strengthening Human Capital	7,889	1,938	24%
04 - Building Enabling Infrastructure	634	130	20%
05 - Strengthening National Governance and Accountability	3,987	1,004	25%
06 - Investment Climate Reforms and Financial Sector Development	112	28	18%
07 - Cross-cutting Issues (Poverty, Gender and Climate)	78	10	13%
Grand Total	21,324	5,058	24%

Source: Budget Department, Ministry of Finance and Development Planning

In the first quarter, the overall recurrent expenditure amounted to M5,057.7 million representing 24 percent of the budget. This marks a 6 percent increase from the previous year's record of 18 percent.

By the end of the quarter, the overall budget utilization under **General Administration and Management programme** was 24 percent, compared to 15 percent in the previous year. The expenditure on compensation of employees within this programme amounted to M599.7 million, representing 24 percent of the approved budget. Debt service constituted repayments of domestic and external liabilities totaling M787.3 million and interest payments of M59 million. Additionally, expenditure on Civil pensions recorded M158.7 million.

To **enhance inclusive and sustainable economic growth**, the government continues to support institutions with potential to drive the economic progress. An allocation of M64 million was designated for provision of grants to Lesotho Tourism Development Corporation (LTDC) and Basotho Enterprise Development Corporation (BEDCO). Of this allocation, M14.8 million was spent in the current quarter. Additionally, to combat unemployment and food insecurity, M42 million was spent on the seasonal employment programme and on supporting agricultural production. Significant expenditure is expected as summer cropping approaches. The overall expenditure for this programme was M127.9 million representing 16 percent, as depicted in the table above.

Human Capital has a significant impact on economic progress, which is why the government invests heavily in sectors such as education and health to ensure long-term economic prosperity. In the first quarter, to **Strengthen Human Capital**, the government spent M113.3 million on Purchase of Health Services, provided subsidies to Non-Financial Public Corporations to the tune of M179.5 million and funded school feeding at the cost of M62.2 million. Additionally, M237.2 million was spent on Old Age Pensions and M324.9 million was spent on student-grants. The overall expenditure under this programme amounted to 24 percent of the budget.

To support the development of **Building enabling infrastructure**, the recurrent expenditure included transfers amounting to M20.7 million for both Roads Directorate and Maseru City Council, covering operating costs and compensation of employees. Additionally, M83.4 million was spent on personal emoluments and M25.7 million for other operating cost. Overall, expenditure under this programme increased by 6 percent compared to the same reporting period last year.

To **Strengthen National Governance and Accountability**, the overall expenditure in the first quarter totaled M1,003.9 million. This included M485.8 million for compensation of employees, M239.3 million for repayment of arrears, and M150.1 million in grants paid in aid to extra budgetary units and central government. Furthermore, M50 million financed Non-Life Insurance Premium for Lesotho Defence Force aircrafts and motor vehicle assurance for insurance of all

government vehicles and M8.8 million covered exchange rate losses. The total expenditure for this programme represents 25 percent of the approved budget an increase from the 17 percent recorded last year.

Investment Climate Reforms and Financial Sector Development: The overall expenditure for this programme amounted M28.4 million, which is 18 percent of the approved budget. Major expenditures under this programme included M27 million for payment of LMDA arrears related to maintenance of health facilities and other expenses and M1.1 million for compensation of employees.

Cross-Cutting Issues (Poverty, Gender and Climate): Recurrent expenditure for this programme included M8.3 million for compensation of employees amounting and M1.4 million operating costs, translating to 13 percent translating to 13 percent of the approved budget.

RECURRENT EXPENDITURE BY SUB-HEAD

The table below shows the recurrent financial performance by sub-head.

Table 4

2024/25 FIRST QUARTER RECURRENT EXPENDITURE BY SUB-HEAD						
Sub-Head	Approved Budget	Revised Budget	Quarter 1 Warrant Allocations	Quarter 1 Expenditure	Expenditure as % of Warrant Allocations	Expenditure as % of Revised Budget
41 - Compensation of Employees	8,679	8,749	2,180	2,033	93%	23%
42 - Travel and Transport	525	536	178	90	50%	17%
43 - Operating Costs	2,438	2,456	914	373	41%	15%
44 - Other Use of Goods and Services					0%	0%
46 - Interest	1,007	1,007	229	59	26%	6%
47 - Transfers	4,178	4,198	1,206	1,082	90%	26%
48 - Other Expense	1,447	1,413	389	380	98%	27%
49 - Losses	75	75	11	9	80%	12%
51 - Acquisition of Financial Assets	162	162	30		0%	0%
52 - Acquisition of Monetary Gold and Special Drawing Rights	3	3			0%	0%
53 - Acquisition of Non Financial Assets	133	140	77	5	7%	4%
59 - Contingencies Fund	300	208			0%	0%
61 - Repayment of Domestic Liabilities	1,464	1,464	809	800	99%	55%
62 - Repayments of Foreign Liabilities	914	914	298	226	76%	25%
Grand Total	21,324	21,324	6,321	5,058	80%	24%

Source: Budget Department, Ministry of Finance and Development Planning

In the reported quarter, the Recurrent Budget amounted to M21,324.3 million with an overall expenditure representing 24 percent of the approved budget. **Compensation of Employees** was allocated M8,678.8 million of which 23 percent was spent in the first quarter. This expenditure is higher 21 percent spent in the same period last year. Major expenditures included salaries established at M1,512.1 million, GOL pension Contribution of M210.2 million and payments to civil pensioners totaling M158,7 million.

The initial budget for **Travel and Transport** category was M524.8 million, which was revised upward to M535.6 million by the end of the quarter. Actual expenditure amounted to M89.7 million representing a 135 percent increase compared to M38.2 million expended in the previous year. This increase is attributable to higher spending on fuel and lubricants, short term hire of vehicles and subsistence local. Expenditure on international travel recorded M19.5million, compared to M18.0 million spent last year.

The approved budget for **Operating Costs** was set at M2,438.0 million which was revised upward to M2,455.7 million by the end of the quarter. The increased funding from centralized items catered for *Operation Pholoso* conducted by the Lesotho Mounted Police Service. Additionally, this funding supported preliminary work for construction of the Agricultural Storage facility at Ha Foso.

Expenditure on **operating costs** recorded M373.4 million, an increase from M286.8 million recorded in the same period of 2023/24. Major expenditures were on health services, drugs and production of materials.

Transfers were initially allocated M4,178.1 million, and later revised to M4,198.5 million. This upsurge resulted from funds reallocated from the Contingencies Fund and centralized items to support the deployment of the Lesotho Defense Force mission in Mozambique. The mission is expected to conclude by the end of July 2024, as announced by SADC, after which the forces will return Home and to support vulnerable families in community development projects-work for cash programme.

Expenditure on transfers recorded M1,082.1 million an increase from M717 million utilized in the same period last year. Notable expenditures included Grants in Aid

paid to Extra Budgetary Units, Old Age Pensions, Subsidies Non-Financial Public Corporations and the School Feeding Programme.

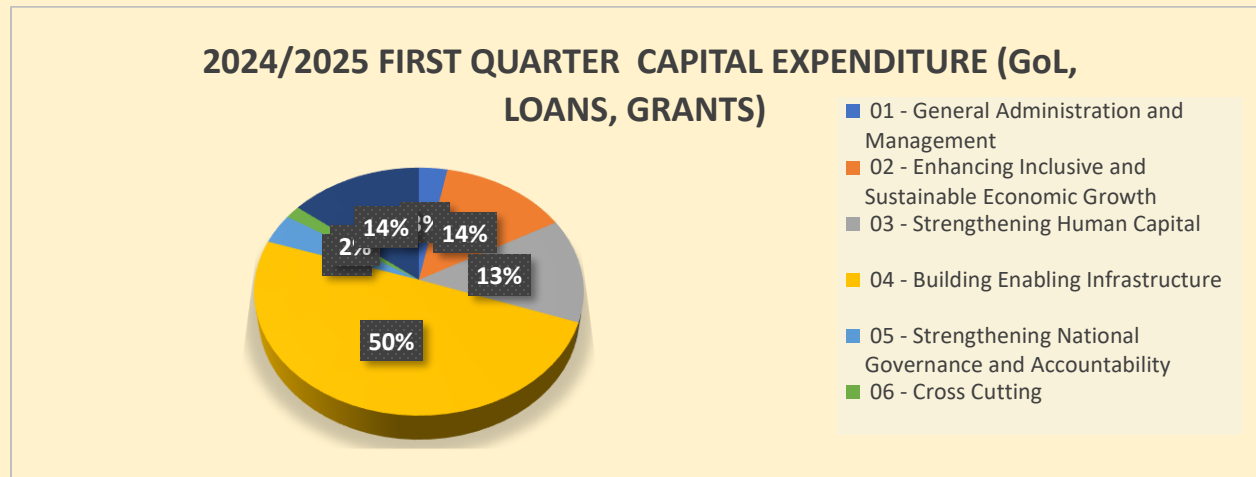
DEVELOPMENT EXPENDITURE PERFORMANCE

The government’s development expenditure is categorized into government financing, donor grants, and loan financing to support the implementation of the extended NSDP II priorities. It is noted that during the reporting period, expenditures related to donor loans and grants were recorded outside the government financial system. This has been a recurring issue. However, starting from the second quarter, improvements made by the government will enable accurate reporting on donor finances within the financial system.

PERFORMANCE BY PROGRAM

Figure 3 below illustrates the allocation of the 2024/25 Development Budget by programme:

Figure: 3



Source: Budget Department, Ministry of Finance and Development Planning

The Development Budget is 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. Half of this budget, amounting to M4,819 million, has been allocated to Infrastructure development projects. This allocation underscores the government's commitment to investing in critical infrastructure.

Additionally, the Investment Climate Reforms and Financial Sector Development programme and the Enhancing Inclusive and Sustainable Economic Growth programme each receive 14 percent of the budget, amounting to M1,386 million and M1,340 million, respectively. The Strengthening Human Capital follows with M1,318 million representing 13 percent of the budget. The remaining 9 percent is allocated to other programmes related to administration, governance, accountability and cross-cutting issues in capital development.

This allocation strategy aims to address various aspects of national development, including infrastructure, human capital development, and economic growth, in line with the government's overarching goals for the fiscal year.

PERFORMANCE BY PROGRAMME

Table: 5

2024/25 FIRST QUARTER GOVERNMENT OF LESOTHO CAPITAL BUDGET EXPENDITURE			
Programme	Approved Budget (in Millions)	Quarter 1 Expenditure (in Millions)	Expenditure as % of Approved Budget
01 - General Administration and Management	251	33	13%
02 - Enhancing Inclusive and Sustainable Economic Growth	460	7	2%
03 - Strengthening Human Capital	218	4	2%
04 - Building Enabling Infrastructure	1,750	384	22%
05 - Strengthening National Governance and Accountability	232	13	6%
06 - Cross Cutting	2		0%
07 - Investment Climate Reforms and Financial Sector Development	21	7	34%
Grand Total	2,934	448	15%

Source: Budget Department, Ministry of Finance and Development Planning

The table above illustrates the budget performance by programme. In the first quarter, 22 percent of the budget for Building Enabling Infrastructure programme, was utilised. The government is committed to strengthening the construction and maintenance of roads and bridges to ensure a resilient road infrastructure. To this

end, M9 million was spent on developing and upgrading roads in rural and urban areas. Specifically, M200 million was allocated for the construction of the Mpiti-Sehlaba-Thebe and Marakabei-Monontša roads. Pavement strengthening, crucial for restoring connectivity and facilitating movement, cost M65 million. Furthermore, M2.5 million was spent on the construction of Principal Chiefs offices.

The Lesotho Lowlands Rural Water Supply and Sanitation Project is nearing completion, with the installation of a 12.5-kilometer pipeline and a one-million litre command reservoir at Lekokoaneng and Maretintši, scheduled for completion by August 2024. In the first quarter, M65 million was spent on this project.

For livelihoods improvement programmes for affected communities and environmental protection measures, the government spent approximately M10 million on the Integrated Catchment Management project.

The country's peak electricity demand stands at 203MW, while the generation capacity is only 102MW. This includes the Muela Hydropower plant (72MW), Ramarothole Solar Plant Phase I (30MW), and smaller power generation units at Semonkong (180KV) and Katse Hydropower Plant (0.5MW). In the first quarter, M16 million was spent on financing Ramarothole 70MW Solar Generation Project.

To enhance inclusive and sustainable economic growth, the government spent M7 million under the project of Small Holder Agriculture Development project. This investment supports adoption of climate-smart agricultural technologies, enhances commercialization, and improves dietary diversity among targeted beneficiaries. Furthermore, for General Administration and Management, the Health Sector spent M10 million on renovating reserved buildings at Maseru District Hospital and on supporting TB control and Immunization efforts.

CONCLUSIONS

The first quarter of the 2024/25 fiscal year reveals a mixed performance across revenue collection, recurrent expenditure, and development expenditure, reflecting the government's ongoing efforts to balance fiscal responsibilities with strategic development goals.

REVENUE COLLECTION

- Revenue collection for the first quarter reached M5,628 million, marking an increase from M4,783 million collected in the same period last year but falling short of the expected 25 percent of the annual target. While there were notable successes in non-tax revenue collections, particularly from dividends and water royalties, tax revenue and disposal of financial assets fell short of their targets.
- SACU receipts remain a significant revenue source, contributing 48 percent, with taxes and non-tax revenue at 40 percent and 12 percent, respectively. The reliance on SACU receipts highlights the need for diversification in revenue sources to reduce vulnerability to external fluctuations.

RECURRENT EXPENDITURE:

- The government allocated recurrent expenditure across several key programmes, including Strengthening Human Capital, General Administration, and Enhancing Inclusive and Sustainable Economic Growth. Notably, recurrent expenditure utilization in the first quarter amounted to M5,057.7 million, representing 24 percent of the approved budget. This is a positive increase from 18 percent recorded in the previous year.
- Significant expenditures were observed in general administration, debt service, pensions, and support for tourism and agriculture. Investments in human capital, including education and health, remain a priority, with substantial funds allocated to school feeding programs, old age pensions, and student grants.
- There were notable increases in spending on travel and transport, operating costs, and transfers. The growth in expenditure in these categories, compared to the previous year, reflects adjustments to meet operational needs and support key activities, including international missions and community development.

DEVELOPMENT EXPENDITURE

- The development budget for 2024/25 is set at M9,695.2 million, with substantial allocations to infrastructure development (M4,819 million),

investment climate reforms, and enhancing economic growth. The allocation strategy emphasizes critical infrastructure, human capital, and economic development.

- In the first quarter, 22 percent of the development budget was utilized towards building enabling infrastructure programme. Key expenditures included road construction, water supply projects, and investments in renewable energy. The focus on infrastructure and economic growth aligns with the government's strategic objectives for long-term development.

The performance for the first quarter of 2024/25 demonstrates a balanced approach to managing fiscal resources while pursuing development goals. Revenue collection remains a critical area for improvement, with a need to enhance tax and non-tax revenue streams. Recurrent expenditure has shown positive trends in alignment with strategic priorities, although continued vigilance in expenditure management is necessary. Development expenditure reflects a strong commitment to infrastructure and economic growth, with effective utilization in key programmes.

Moving forward, the government must focus on diversifying revenue sources, optimizing recurrent expenditure, and ensuring efficient execution of development projects to achieve sustainable economic growth and address national priorities.