



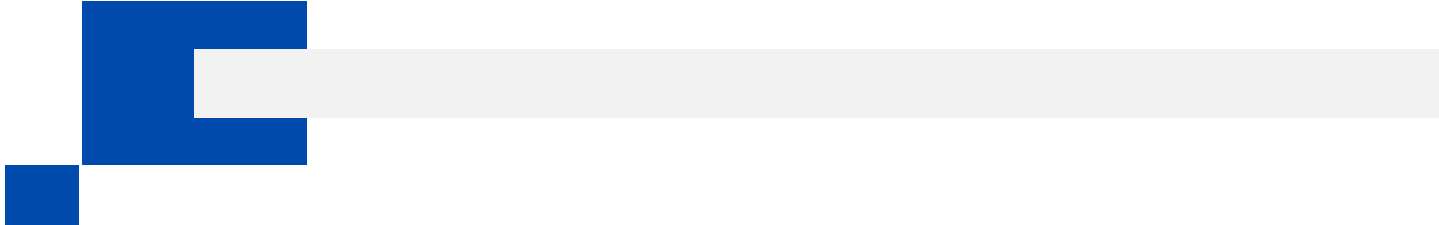
THE KINGDOM OF LESOTHO

**MINISTRY OF FINANCE AND
DEVELOPMENT PLANNING**

**INFRASTRUCTURE DEVELOPMENT
EXPENDITURE ANALYSIS
REPORT FY 2025/26**

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EXECUTIVE SUMMARY

The Infrastructure Development portfolio recorded an approved budget of M3.2 billion and cumulative expenditure of M1.7 billion, representing approximately 55.1 percent budget utilisation. Expenditure patterns indicate strong implementation progress in transport, energy, water and local government infrastructure programmes, although a number of strategic projects remain at mobilisation or procurement stages.

The Public Works and Transport sector accounted for the largest share of expenditure, followed by Energy and Natural Resources. Several projects such as Rural Electrification, Moshoeshoe I Runway Rehabilitation and In-house Maintenance Works demonstrated substantial implementation progress, while others showed limited or no expenditure and may require accelerated execution and monitoring.

INTRODUCTION

This report presents an analysis of infrastructure development expenditure for the Government of Lesotho for FY 2025/26. The analysis reviews approved budgets against cumulative actual expenditure for ministries and projects. The objective is to assess implementation progress, identify spending trends, highlight areas of strong performance and flag projects requiring management attention.

Budget utilisation has been interpreted as an indicator of project execution and delivery progress.

Infrastructure capital budgeting is a critical driver of economic growth, regional connectivity, and service delivery in Lesotho. Capital allocations enable key sector ministries to construct transport networks, expand clean water access, roll out rural electrification, and enhance digital government capabilities.

Tracking expenditure performance and budget credibility across executing entities provides valuable fiscal insights into operational bottlenecks and institutional capacity constraints.



This performance report conducts a comprehensive review of the infrastructure capital development budget across five executing government heads: Head 313 (Public Works and Transport), Head 308 (Local Government, Chieftainship, Home Affairs, and Police), Head 310 (Information, Communications, Technology, and Innovation), Head 315 (Natural Resources), and Head 341 (Energy).

Through percentage-based comparative metrics and project-level evaluations, this analysis assesses the alignment between budgetary allocations and actual capital disbursements.

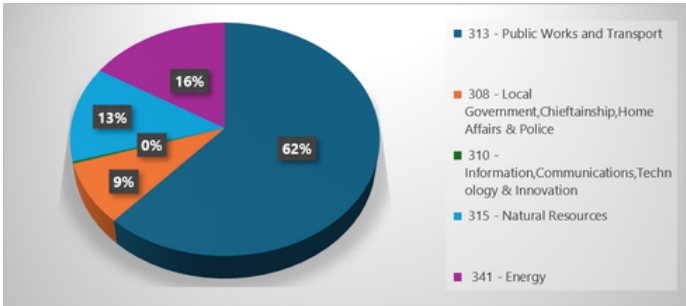
Infrastructure Budget Allocation by Ministry

The distribution of the approved infrastructure capital budget reflects government strategic priorities, with primary focus directed toward transport connectivity, energy access, and water resource management.

The Ministry of Public Works and Transport commands the majority share of the capital portfolio, accounting for 61.65 percent (M1.9 billion) of the total infrastructure budget. Secondary priority is assigned to utilities and environmental security, with the Ministry of Energy receiving 16.26 percent (M521.9 million) and the Ministry of Natural Resources capturing 13.27 percent (M425.9 million).

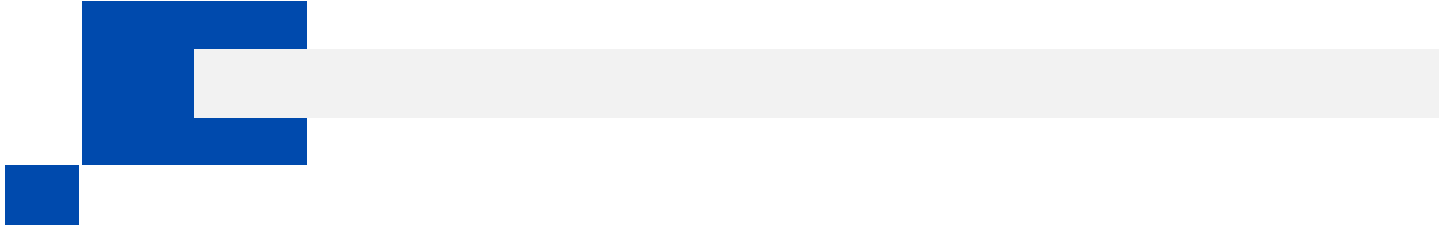
The remaining capital resources are split between decentralized municipal development under the Ministry of Local Government, Chieftainship, Home Affairs and Police at 8.52 percent (M273.5 million) and digital transformation initiatives under the Ministry of ICT & Innovation at 0.31 percent (M9.8 million).

Composition of Infrastructure by Ministry



EXPENDITURE AND BUDGET CREDIBILITY

An evaluation of budget credibility across the infrastructure portfolio reveals substantial variation in absorption capacity and execution performance among key implementing ministries. With an overall capital budget execution rate of 55.15 percent (M1.7 billion actual expenditure against M3.2 billion approved), financial performance across the portfolio remains moderate, constrained primarily by structural bottlenecks in the largest allocations.



While overall capital development mandates significant investment in permanent assets, effective execution hinges on balancing these capital outlays with recurring institutional, operational, and maintenance capacity.

Infrastructure Illustration by Ministry

Budget execution performance across the infrastructure sector demonstrates significant divergence, ranging from high absorptive capacity to acute delivery bottlenecks.

On one end of the spectrum, Head 308 (Local Government) exhibited a notable budget overrun by reaching an execution rate of 110.90 percent, expending M303.3 million against an approved M273.5 million, which comprised 17.13 percent of total actual national outlays and highlighted heightened local operational pressures or weak commitment controls.

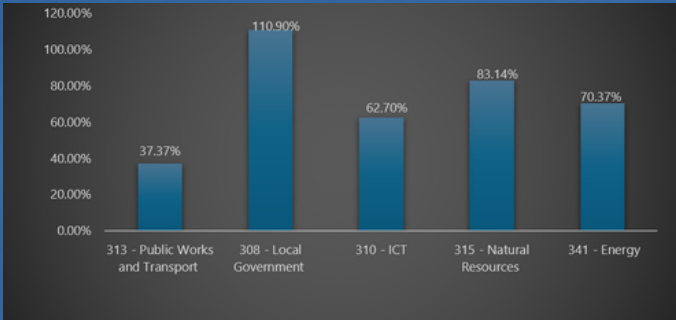
Conversely, both Head 315 (Natural Resources) and Head 341 (Energy) demonstrated strong budget credibility; Natural Resources achieved an 83.14 percent execution rate (M354.1 million spent; 20.00 percent of total actual outlay), while Energy delivered a solid 70.37 percent execution rate (M367.2 million spent; 20.74 percent of total actual outlay), reflecting steady project delivery and consistent capital progress.

Meanwhile, smaller and major baseline portfolios experienced varying degrees of absorption challenges. Head 310 (ICT & Innovation) recorded a moderate 62.70 percent execution rate (M6.2 million spent out of M9.8 million), aligning with portfolio-wide averages despite accounting for a modest 0.35 percent share of total expenditure.

However, Head 313 (Public Works and Transport) emerged as the central drag on overall portfolio performance due to complex procurement procedures and extended execution cycles.

Although it commanded nearly two-thirds of the total approved capital budget, it posted a low execution rate of just 37.37 percent (M739.5 million spent against M1.9 billion baseline), yet its sheer scale still enabled it to absorb the largest share of national actual outlays at 41.77 percent.

Infrastructure Budget Expenditure per MDA



Such expenditure patterns reflect marked variations in implementation stages and execution capacity among its active infrastructure projects. The substantial gap between approved resources and actual spend underscores persistent operational and procurement bottlenecks within the ministry. Consequently, addressing these institutional constraints remains critical to accelerating project delivery and improving capital budget execution.

Expenditure by project

Capital project execution across the portfolio is anchored by exceptional performance in key maintenance and infrastructure initiatives, led by the In-house Maintenance Works Programme, which achieved 100.0 percent utilization (expending M57.28 million of its M57.29 million budget).

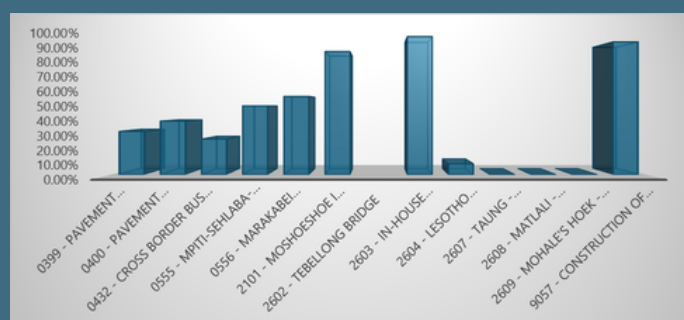
Similarly, the Construction of Office Park and Residence Maintenance project demonstrated high budget efficiency, expending M28.86 million out of M30.00 million to reach 96.2 percent utilization, while the Moshoeshoe I Rehabilitation project advanced strongly with an 89.2 percent execution rate (M96.82 million spent against M108.50 million approved).

Ministry of Public Works and Transport

The Ministry of Public Works and Transport was allocated a capital budget of M1.9 billion, against which it recorded an actual expenditure of M739.5 million. This financial performance translates into a low budget utilization rate of approximately 37.4 percent, highlighting significant under-absorption across its operations.

Capital road projects reflected moderate momentum, led by the Marakabei-Monontsa Road at 56.7 percent utilization (M80.80 million spent) and the Mpiti-Sehlaba-Thebe Road at 49.8 percent (M126.10 million spent), alongside Pavement Strengthening outlays for Unpaved Roads (38.8 percent; M119.99 million spent) and Paved Roads (31.3 percent; M228.34 million spent). In contrast, minor allocations such as the Cross Border Bus Stop (25.7 percent) and LITTLP (7.8 percent) experienced sluggish absorption.

Furthermore, execution was severely lagged by several zero-expenditure projects, including the Tebelling Bridge, Taung-Sehlabathebe Road, Matlali-Mosenekeng-Lebakeng Road, and Mohale's Hoek-Mpharane Roads, where ongoing procurement delays or non-commencement completely stalled overall portfolio disbursement.



Ministry of Local Government, Chieftainship, Home Affairs and Police

The Ministry of Local Government, Chieftainship, Home Affairs & Police was allocated a capital budget of M273.4 million against which it recorded an actual expenditure of M303.3 million. This financial outcome represents a significant budget utilization rate of approximately 110.9 percent, highlighting substantial over-expenditure across its portfolio. Such absorption levels reflect intense operational activity, heightened local development demands, and potential challenges within expenditure commitment controls.

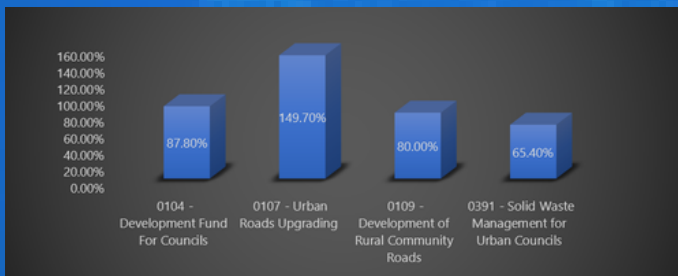
Across individual capital projects, performance indicates diverse stages of implementation alongside varying levels of execution capacity. Consequently, while project delivery moved forward briskly, future budgetary cycles will require tightened financial oversight to align disbursements with approved allocations.

Expenditure by project

Portfolio performance across the ministry's capital projects was driven by remarkable progress in urban infrastructure, led by the Urban Roads Upgrading project, which significantly exceeded its planned outlay with a 149.7 percent utilization rate (expending M184.83 million against an approved M123.50 million).

Satisfactory execution was also maintained across local governance and rural connectivity initiatives, anchored by the Development Fund for Councils at an 87.8 percent execution rate (M22.83 million spent of M26.00 million) and the Development of Rural Community Roads at 80.0 percent utilization (M79.97 million spent out of M100.00 million).

Additionally, environmental infrastructure advanced steadily through the Solid Waste Management for Urban Councils project, which recorded a 65.4 percent absorption rate (M15.69 million spent against M24.00 million approved). Collectively, while high absorption in municipal roadworks propelled overall expenditure past baseline allocations, steady implementation across decentralized projects supported broad operational delivery.



Ministry of Information, Communications, Technology and Innovation

The Ministry of Information, Communications, Technology & Innovation was allocated a capital budget of M9.8 million, against which it recorded an actual expenditure of M6.1 million. This financial outcome represents a moderate budget utilization rate of approximately 62.7 percent, reflecting steady baseline progress across its digital initiatives.

Implementation performance across specific ICT projects highlights varying stages of execution and differing operational capacities within the ministry. Overall, while absorption remains aligned with portfolio averages, sustaining momentum will require targeted support to advance remaining capital deliverables.

Expenditure by project

The E-Government project achieved an expenditure of M6.1 million against an approved allocation of M9.8 million, representing a budget utilization rate of 62.7 percent. This financial outcome reflects satisfactory implementation progress, with project deliverables advancing steadily in alignment with planned activities. Continued execution momentum will ensure the full operational realization of the initiative's capital objectives.

Ministry of Natural Resources

The Ministry of Natural Resources was allocated an approved capital budget of M425.9 million, recording a robust actual expenditure of M354.1 million. This financial performance translates into a strong budget utilization rate of approximately 83.1 percent, reflecting high absorptive capacity across its capital portfolio.

Overall portfolio momentum was anchored by high-performing projects that advanced smoothly through planned execution milestones to drive capital delivery. This satisfactory rate of absorption highlights effective project supervision, timely contractor disbursements, and strong alignment with sector investment plans.

While overall budget credibility remains solid, performance across individual initiatives reflects varying stages of implementation and local execution capacity. Sustaining this high level of execution will require continued monitoring to ensure lagging projects accelerate toward completion alongside the ministry's flagship drivers.

Expenditure by project

Capital execution across the water and environmental resources portfolio demonstrated strong momentum, led by Lowlands Water Supply & Sanitation (98.4 percent; M8.22 million spent) and Integrated Catchment Management (98.3 percent; M22.59 million spent), both exhibiting near-complete budget utilization.

High absorptive capacity was further reinforced by solid progress in the Lowlands Water Supply Scheme (88.4 percent; M22.14 million spent), Lowlands Water Development Project Phase III (84.3 percent; M32.62 million spent), and Village Water Supply (83.7 percent; M7.19 million spent), which all advanced steadily against planned deliverables.

Conversely, the portfolio's largest financial allocation, Rural Water Supply and Sanitation, recorded moderate implementation, expending M175.96 million of its M322.26 million budget (54.6 percent), leaving substantial balance for remaining project activities. Meanwhile, the Greater Maseru Water Supply project recorded unbudgeted outlays of M85.40 million against a zero-approved allocation, requiring continuous monitoring to reconcile expenditure and accelerate structural implementation.



Ministry of Energy

The Ministry of Energy was allocated an approved capital budget of M521.9 million, against which it recorded an actual expenditure of M367.2 million. This financial output translates into a solid budget utilization rate of approximately 70.4 percent, reflecting consistent progress in advancing the country's power and energy infrastructure.

The moderate-to-high level of capital absorption highlights steady project implementation, active procurement management, and reliable disbursement workflows. This overall execution performance demonstrates reasonable budget credibility and effective capacity across the ministry's core developmental programs.

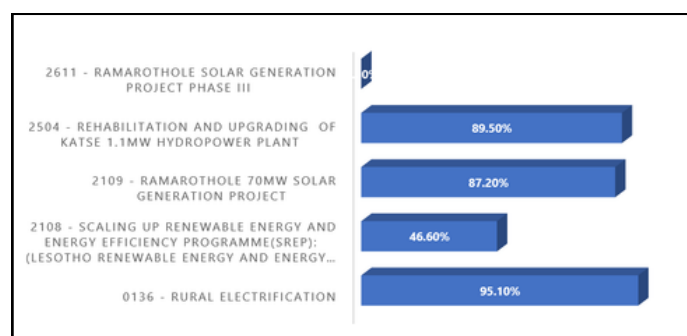
However, financial execution across specific energy projects continues to reflect varying stages of implementation and local execution capacity. Sustaining this momentum while addressing underlying project bottlenecks will remain essential to achieving complete capital deployment. Ultimately, strengthening monitoring mechanisms will ensure lagging energy initiatives align with the sector's primary drivers.

Expenditure by project

Capital execution across the energy sector was anchored by the Rural Electrification project, which demonstrated high budget efficiency by expending M296.85 million of its M312.14 million allocation (95.1 percent utilization).

Implementation momentum was further supported by strong progress in key generation and rehabilitation initiatives, including Katse Hydropower Rehabilitation (89.5 percent; M22.11 million spent) and the Ramarothole 70MW Solar Generation Project (87.2 percent; M38.61 million spent).

Conversely, LREEAP recorded moderate performance at 46.6 percent utilization (M9.70 million spent against M20.82 million approved), leaving significant remaining activities to be completed. However, overall portfolio expenditure was heavily constrained by Ramarothole Solar Generation Project Phase III, which recorded zero utilization against a substantial M120.00 million allocation due to pending procurement or mobilization.



LATEST INFRASTRUCTURE INDICATORS

➤ National Portfolio Budget Execution Rate: 55.15 percent

➤ Sector Execution Variance: 73.53 percentage points (ranging from 37.37 percent in Public Works to 110.90 percent in Local Government)

➤ Capital Commitment Failure Rate: 14.30 percent of total infrastructure funds (M459.01 million across 6 major projects recorded 0.00 percent execution)

➤ Road Infrastructure Absorption Rate: 37.37 percent in primary transport vs. 149.66 percent in municipal urban roads

➤ Energy Grid & Clean Generation Absorption: 95.10 percent in rural electrification expansion; 87.22 percent in solar generation.

RECOMMENDATIONS

 **1. Establish Pre-Feasibility and Readiness Frameworks:** Eliminate zero-execution projects by enforcing strict project readiness requirements before allocating capital funds.

 **2. Rebalance Multi-Sector Allocation Priorities:** Reallocate unutilized capital from underperforming large-scale transport programs to high-absorption sub-sectors like municipal roads and clean water.

 **3. Enhance Commitment Controls and Reallocation Reporting:** Institute real-time financial monitoring for unbudgeted project expenditures to ensure all disbursements remain within statutory appropriations.

 **4. Strengthen Procurement Capacity:** Accelerate tendering timelines for major road bridge construction and renewable energy initiatives to prevent capital stagnation.

CONCLUSION

The evaluation of the national capital infrastructure budget demonstrates an overarching absorption rate of 55.15 percent, highlighting notable divergence across sector ministries. Highly operational sub-sectors such as local urban infrastructure, rural electrification, and integrated catchment management demonstrate high execution rates and strong spending capacity.

However, structural delays in large-scale road construction and unexecuted renewable energy projects continue to limit national budget credibility. Implementing rigorous project appraisal, streamlining procurement workflows, and aligning capital allocations with institutional readiness will be essential to improving execution across the public portfolio.

GLOSSARY

Approved Budget	The total statutory financial allocation authorized by parliament for public investment projects.
Actuals to Date	The total cumulative cash disbursements and accounted expenses recorded for a project within the reporting period.
Execution Rate	The percentage of the approved budget that has been disbursed, calculated as $(\text{Total Actuals} / \text{Approved Budget}) \times 100$.
Budget Share	The percentage proportion of the total capital infrastructure funds allocated to a specific ministry or project.
Budget Credibility	The degree to which actual public expenditure adheres accurately to the approved budgetary plans.



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