



# THE KINGDOM OF LESOTHO

## MINISTRY OF FINANCE AND DEVELOPMENT PLANNING



# BUDGET STRATEGY PAPER

2027/2028 – 2029/2030

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## EXECUTIVE SUMMARY

The Budget Strategy Paper (BSP) 2027/28 to 2029/30 sets out the Government of Lesotho's medium-term fiscal strategy, policy priorities, and resource allocation framework. The BSP aligns with the Extended National Strategic Development Plan II (NSDP II), the Medium-Term Expenditure Framework (MTEF), and national and international development commitments.

Over the medium term, Government will focus on promoting inclusive economic growth and job creation, strengthening human capital development, expanding enabling infrastructure, and improving governance and accountability. Priority interventions will target commercial agriculture, private sector development, education, health, social protection, energy, water, transport, digital transformation, and climate resilience.

Economic growth is projected to remain modest, averaging about 1.3 percent over the medium term (up from an estimated 1.1 percent in 2026/27, but down from 2.3 percent in 2025/26), while inflation is expected to remain stable at around 4.7 percent. Fiscal policy will support economic recovery and development while maintaining fiscal sustainability through enhanced domestic revenue mobilisation, expenditure efficiency, and prudent debt management.

The BSP further emphasises transparency, citizen participation, and results-based budgeting to ensure that public resources contribute effectively to national development objectives and improved livelihoods for all Basotho.

## INTRODUCTION

The Budget Strategy Paper (BSP) 2027/28 to 2029/30 presents the Government of Lesotho's medium-term fiscal and policy framework for budgeting and resource allocation. It provides the strategic direction that will guide the preparation of annual budgets and implementation of national development priorities over the medium term.

The BSP is prepared within the context of the Extended National Strategic Development Plan II (NSDP II), which seeks to promote inclusive economic growth, employment creation, human capital development, infrastructure expansion, and stronger governance systems.

It also recognises the challenges posed by global economic uncertainty, climate change, revenue volatility, and structural constraints within the economy.

To address these challenges, Government will prioritise investments in productive sectors, strengthen domestic resource mobilisation, improve public expenditure efficiency, and enhance resilience to economic and climate-related shocks. The BSP therefore serves as an important tool for aligning available resources with national priorities while promoting fiscal sustainability, economic transformation, and improved service delivery.

## POLICY AND LEGAL FRAMEWORK

The preparation of the 2027/28–2029/30 Budget Strategy Paper (BSP) is anchored in the Constitution of Lesotho, as amended by Act No. 2 of 2025, which strengthens the legal foundation for public financial management, transparency, oversight, and efficient utilisation of public resources.

The BSP is further guided by the Public Financial Management and Accountability Act, 2011; the Public Procurement Act, 2023; the Treasury Regulations, 2014; the Annual Appropriation Act; the Audit Act, 2016; the Prevention of Corruption and Economic Offences Act, 1999; and the Money Laundering and Proceeds of Crime Act, 2008.

Collectively, these legal instruments provide the framework for budgeting, expenditure control, procurement, fiscal discipline, transparency, accountability, value for money, and the protection of public resources against misuse and financial crimes, thereby promoting fiscal sustainability and the effective delivery of national development priorities.

The BSP forms an integral part of the Medium-Term Expenditure Framework (MTEF) and is prepared in line with the national budget calendar. It aligns resource allocation with national development priorities and international commitments while supporting prudent fiscal management over the medium term.

The BSP is developed through broad consultations with Ministries, Departments, and Agencies (MDAs), local authorities, development partners, civil society organisations, and other stakeholders. Following Cabinet approval, it provides the strategic fiscal and policy framework that guides the preparation of the annual budget estimates for submission to Parliament.

### Alignment with NSDP Priorities

The BSP aligns with priorities under the national development agenda, Extended NSDP II, and focuses on promoting inclusive and sustainable economic growth and private sector-led job creation, strengthening human capital, building enabling infrastructure, and promoting good governance and accountability systems. It also integrates cross-cutting priorities, which are meant to promote inclusivity, build resilience, and accelerate growth.

This BSP prioritises poverty reduction, human development, infrastructure development, strong institutions, inclusivity, building resilience to shocks, environmental sustainability, and impactful service delivery to enhance livelihoods for all citizens.

### **Key Budget Policy Priorities Emerging from National Budget Consultations**

The 2027/28 National Budget Consultations identified five key priorities to guide budget policy and resource allocation:

- (i) commercial agriculture and food security,
- (ii) job creation and youth empowerment,
- (iii) human capital development,
- (iv) infrastructure development, and
- (v) governance and accountability.

These priorities are aligned with the Extended NSDP II and have informed the policy, expenditure, and performance frameworks contained in this BSP.

## **Sectoral Policies**

The BSP aligns with approved sectoral policies and strategies that operationalise the priorities of the Extended National Strategic Development Plan II (NSDP II) into implementable programmes and interventions across key sectors.

Budget priorities are therefore informed by key national policy frameworks, including the National Agriculture Investment Plan, Education Sector Strategic Plan, National Health Policy, National Social Protection Strategy, National Climate Change Policy, National Energy Policy, National Water and Sanitation Policy, National Youth Policy, National Employment Policy, National Migration and Development Policy, National ICT Policy, National Disaster Risk Management Policy, and National Gender and Development Policy.

This alignment ensures that public resources are directed towards achieving national development objectives, promoting policy coherence, improving service delivery, and advancing inclusive, sustainable, and resilient socio-economic development.

The implementation of these sectoral policies is organised around the strategic priority areas of the Extended National Strategic Development Plan II (NSDP II). For this Budget Strategy Paper, sector policy priorities are presented according to the key national development pillars to demonstrate how sector interventions contribute to the attainment of overarching national goals.

## **Inclusive Growth and Employment Creation**

### **Agriculture**

Government will accelerate the transition from subsistence to commercial agriculture through value-chain development, agro-processing, improved market access, agricultural financing, and increased youth participation in the sector. Priority will be placed on climate-smart agricultural practices, irrigation development, improved water management in response to recurring droughts and other climate shocks, including the anticipated El Niño effects from October 2027 to March 2028.

Government will support agro-processing initiatives, the fishery industry, disease control, improved wool, farmer education and training programmes, wool and mohair production, and the timely provision of enhanced agricultural inputs. Government will support the establishment of domestic wool and mohair processing capacity, including wool grading, scouring, spinning, textile manufacturing and value-addition industries.

These interventions are intended to increase local value retention, expand employment opportunities, improve export earnings and strengthen linkages between agriculture and manufacturing. Adequate storage facilities, agricultural quality standards, and insurance mechanisms will be established to reduce risks in the agricultural sector, improve food safety, and strengthen competitiveness in domestic and international markets.

### **Manufacturing**

Efforts will focus on industrialisation, strengthening value addition and diversification through the processing of local raw materials, supporting MSMEs, diversifying markets, advancing research, innovation, and Fourth Industrial Revolution (4IR) technologies, and reducing red tape. Investments will be supported through improved regulatory frameworks, incentives, efficient institutions, as well as the development of Special Economic Zones, industrial parks, and innovation hubs.

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mining</b>                                            | <p>To support sustainable extraction, beneficiation, and increased local value addition, the Government will promote a stable and predictable investment environment to attract investment into mining and downstream processing activities, while strengthening regulatory efficiency and competitiveness.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Tourism, Creative Industry, and Sports</b>            | <p>This sector will be strengthened through international marketing and promotion, and new tourism products will be developed to enhance the performance of tourism clusters and extend the average length of stay of tourists. Focus will be on strengthening eco-tourism, protection of intellectual property rights, sports development, the conclusion of the ongoing upgrading of airport infrastructure, and the upgrading of key sporting facilities. This sector is an emerging driver for youth employment, innovation, creativity, and cultural and economic expression. It also contributes to social cohesion, curbs drug and substance abuse, and promotes national identity and patriotism.</p> <p>Government will prioritise the development and preservation of strategic tourism and heritage assets, including eco-tourism destinations, cultural heritage sites, historical monuments, cultural villages, and nature-based tourism products. Investments will focus on improving access roads, visitor facilities, destination management, conservation, tourism information systems, and community-based tourism initiatives to increase visitor numbers, visitor spending and local employment opportunities.</p> |
| <b>Digital Transformation as a Cross-Cutting Enabler</b> | <p>Government will accelerate digital transformation across priority economic sectors by deploying Digital Public Infrastructure, expanding digital services and broadband connectivity, and promoting digital innovation. These interventions will enhance productivity, competitiveness and market access in agriculture, manufacturing, mining, tourism, creative industries and sports, supported by investments in digital skills, cybersecurity and technology adoption.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## Human Capital Development

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Education</b>            | Government will focus on expanding access to quality and inclusive education, with emphasis on improving learning outcomes, especially for STEAM subjects, supported by the construction and upgrading of schools and bridges, as well as the provision of school feeding and nutrition. Education investments will also be aligned with labour market needs through expanded TVET, skills development, research and innovation, and strengthened agricultural, science and technology education.               |
| <b>Health and Nutrition</b> | Priorities will include improving access and affordability through investments in public health facilities, strengthening primary healthcare, ensuring drug availability, addressing communicable and non-communicable diseases, tackling malnutrition and stunting, and improving mental health services. Preparedness for disease outbreaks and recruitment and training of health personnel will also be prioritised.                                                                                        |
| <b>Migration</b>            | The focus will be on improving migration governance to attract and retain a productive population. The government will implement initiatives meant to manage internal and international migration to maximise benefits, harness diaspora skills and remittances, and minimise risks of brain drain, urbanisation pressures, family separation, and trafficking of persons.                                                                                                                                      |
| <b>Social Protection</b>    | Government's social protection policies aim to reduce extreme poverty by empowering and building resilience against shocks in vulnerable and disadvantaged households, including the elderly, children in need of care and protection, and persons with disabilities. The Government will improve spending for social safety nets, including welfare programmes, pensions, and disability support. Social protection programmes will be strengthened to improve targeting, accountability, and value for money. |

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Digital Transformation as a Cross-Cutting Enabler</b> | <p>Government will accelerate the National Digital Transformation Strategy to improve access, efficiency and inclusivity in education, healthcare, migration and social protection services. Priority will be given to deploying Digital Public Infrastructure, expanding digital services and connectivity, strengthening data-driven systems, and enhancing service delivery through investments in cybersecurity, data protection and digital skills, ensuring no one is left behind.</p> |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Infrastructure for Inclusive Growth

Priority will be given to climate-resilient infrastructure, expanded energy access, improved ICT connectivity, enhanced water resource management, and phased implementation of strategic infrastructure investments.

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Energy</b>    | <p>The country's demand for energy continues to grow due to increasing consumption by businesses and households. To enhance energy security and supply, the Government will scale up investments in clean energy, expand rural electrification, and build off-grid systems to provide electricity to communities away from the national grid. The government will boost the country's fuel security and resilience and ensure that Lesotho is well-positioned for future shocks by building a strategic fuel reserve facility.</p> |
| <b>Transport</b> | <p>The government will invest in climate-resilient transport infrastructure to keep the country and the economy moving. The government will continue to build, rehabilitate, upgrade, and maintain the road network across the country, and the airport infrastructure rehabilitation is expected to be completed.</p>                                                                                                                                                                                                             |

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Water</b>                                             | <p>The government will focus on scaling up water and sanitation initiatives throughout the country. Water conveyance infrastructure will be developed, and existing infrastructure will be rehabilitated; dam construction projects will continue, and will include clean water supply systems, irrigation projects, and hydropower projects.</p> <p>Government will continue investing in water harvesting infrastructure, small dams, irrigation systems and rural water supply schemes to improve climate resilience, support agricultural production and enhance water security.</p> |
| <b>Waste Management</b>                                  | <p>Government will strengthen integrated waste management systems through improved collection, recycling, treatment, and disposal of solid and liquid waste. Priority will be given to addressing major environmental and public health challenges, strengthening municipal waste management capacity, promoting recycling industries, and improving environmental compliance and public awareness.</p>                                                                                                                                                                                  |
| <b>Build Infrastructure</b>                              | <p>The government will promote sustainable urban and rural development through improved land use planning, resilient human settlements, and the development of designated trading spaces to support informal traders.</p>                                                                                                                                                                                                                                                                                                                                                                |
| <b>Climate-Resilient Local Infrastructure</b>            | <p>Government will prioritise construction and rehabilitation of climate-resilient roads, bridges, footbridges, public markets, health facilities, schools, and youth infrastructure, particularly in underserved and hard-to-reach communities. Infrastructure planning will increasingly incorporate climate adaptation measures and disaster-risk considerations.</p>                                                                                                                                                                                                                 |
| <b>Digital Transformation as a Cross-Cutting Enabler</b> | <p>Government will fast-track the National Digital Transformation Strategy by expanding broadband and fibre infrastructure, deploying Digital Public Infrastructure (digital identity, data exchange and online payments), and integrating digital solutions across energy, transport, water, waste management, land administration and climate resilience. These efforts will improve service delivery, infrastructure management and operational efficiency, while strengthening connectivity, cybersecurity, data governance and coordination across sectors.</p>                     |

## Governance, Public Sector Efficiency, and Accountability

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transparency and Accountability</b>                | <p>The government will strengthen domestic resource mobilisation, public finances management, monitoring and evaluation, digital government systems to improve accountability and service delivery. Enhancing access to information, supporting oversight institutions such as the media, anti-corruption institutions, and the Human Rights Commission is also key.</p> <p>Government will continue strengthening implementation monitoring, performance management, public reporting and accountability systems to ensure that budget allocations translate into measurable development outcomes and improved service delivery.</p> |
| <b>Service Delivery and Decentralisation</b>          | <p>Government will improve public service delivery through decentralisation, digitalisation and institutional reforms. Priority will be placed on strengthening local government capacity, improving service accessibility, enhancing coordination between central and local government, and progressively expanding the role of local authorities in planning, implementation and monitoring of development programmes. Government will continue supporting reforms aimed at improving fiscal decentralisation, citizen participation and accountability at local level.</p>                                                         |
| <b>Citizen Services and Administrative Efficiency</b> | <p>Government will continue modernising public administration through digital transformation, process simplification and improved service standards. Particular focus will be placed on improving efficiency, responsiveness and accessibility of citizen-facing services, reducing administrative delays and strengthening accountability across public institutions.</p>                                                                                                                                                                                                                                                            |

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| <b>Strengthening<br/>Decentralisation<br/>and Local<br/>Governance</b> | <p>Government recognises that effective decentralisation is essential for improving service delivery, citizen participation, accountability and local economic development. Over the medium term, priority will be given to the implementation of decentralisation reforms, strengthening the capacity of local authorities, improving coordination between central and local government, and expanding the role of local government in planning and service delivery.</p> <p>Government will continue efforts towards strengthening local revenue mobilisation, improving local public financial management systems, and empowering local authorities to manage development initiatives responsive to district priorities and community needs.</p> |
| <b>Rule of Law,<br/>Security and<br/>Justice</b>                       | <p>The Government commits to accelerating the implementation of the national reforms to strengthen institutions, improve service delivery, strengthen the rule of law, enhance public safety, and reinforce national security. National security and sovereign defence capabilities will be strengthened to deter and respond to threats. The focus will also be on strengthening crime prevention, ensuring equal access to justice, improving border management, and improving correctional facilities and services.</p>                                                                                                                                                                                                                          |
| <b>Governance of<br/>Labour Markets<br/>and Social<br/>Dialogue</b>    | <p>Government will strengthen labour market governance through improved labour standards compliance, labour inspection services, social dialogue, occupational health and safety, and mechanisms that promote harmonious industrial relations and decent work.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Digital<br/>Transformation<br/>as a Cross-<br/>Cutting Enabler</b>  | <p>Government will advance the National Digital Transformation Strategy by expanding Digital Public Infrastructure, digitising public services, and strengthening e-government platforms to improve transparency, accountability, citizen engagement and service delivery. Investments in digital communications, local government services, justice systems, cybersecurity, data protection and digital skills will support more responsive, inclusive and efficient governance.</p>                                                                                                                                                                                                                                                               |

**Crosscutting: Promoting Inclusivity,  
Building Resilience and Growth  
Accelerators**

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Youth</b>                                       | Interventions encompass skills development, entrepreneurship support, and targeted job-creation programmes to empower young people through the promotion of arts, sports, and the creative industries. The government will strengthen youth participation in economic and social development.                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Youth Employment and Enterprise Development</b> | <p>Recognising youth unemployment as a national development challenge, Government will strengthen programmes aimed at facilitating youth transition from education to employment and entrepreneurship. Priority interventions will include business incubation, apprenticeships, digital skills development, access to finance, entrepreneurship support, workplace-based training, and targeted initiatives that address district-specific employment opportunities.</p> <p>Government will also strengthen access to financial support instruments and enterprise development programmes to ensure inclusivity and equitable participation of young people throughout the country.</p> |
| <b>Marginal and Vulnerable groups</b>              | The country will continue to build capacity, enhance independence, and strengthen the integration of marginalised and vulnerable groups into socio-economic development processes. The government will promote social inclusion and protection through gender equality, empowerment of persons with disabilities, and strengthening support systems for children and the elderly.                                                                                                                                                                                                                                                                                                        |
| <b>Disability Inclusion and Accessibility</b>      | Government remains committed to ensuring that persons with disabilities fully participate in social and economic development. Ministries, Departments and Agencies will be required to incorporate disability-inclusive planning and budgeting principles. Priority interventions include enhancing accessibility of public infrastructure, promoting inclusive education, improving access to assistive technologies and social services, and strengthening economic participation opportunities for persons with disabilities.                                                                                                                                                         |

|                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Climate Change and Environment</b>                              | Focus will be placed on building resilience to climate change by strengthening climate change adaptation and mitigation measures, improving land use, expanding renewable energy, and protecting biodiversity and ecosystem services. The government will improve climate information services and Early Warning Systems to enable decision-makers and communities to assess, and prevent or prepare for, potential impactful weather or climate events and address the growing challenge of unmanaged waste and ensure a clean, healthy, and sustainable environment. |
| <b>Disaster Risk Management</b>                                    | The government will strengthen disaster risk management through enhanced preparedness, coordination, early warning systems, and emergency response capacity to reduce vulnerability and safeguard lives, livelihoods, and infrastructure. Recognising the global context, the BSP considers external shocks such as pandemics, geopolitical tensions, climate change, and the anticipated effects of El Niño.                                                                                                                                                          |
| <b>Science, Technology, Innovation, and Digital Transformation</b> | Government will continue to expand ICT infrastructure, promote research and innovation, and ensure increased adoption of technology across sectors. The government will strengthen digital skills and enhance e-government services to drive efficiency and enhance transparency. Investments in building resilience against evolving cyber risks will also be prioritised. Critical skills for digitalisation, innovation and Artificial Intelligence (AI) will receive particular emphasis over this MTEF, as set out in Section 3.3.7.                              |
| <b>Citizen Services and Administrative Efficiency</b>              | Government will continue modernising public services through digitalisation, process simplification and institutional reforms aimed at improving efficiency, accessibility and responsiveness. Priority attention will be directed towards services that have significant impact on citizens and businesses, including identity, civil registration, licensing, permits and related administrative services.                                                                                                                                                           |
| <b>Financing and Resource Mobilisation</b>                         | Focus will be on enhancing revenue generation, efficient public expenditure, public-private partnerships (PPPs), and strategic partnerships with development partners and CSOs to support sustainable and inclusive development. Efforts will also focus on improving access to finance for MSMEs, youth-owned enterprises, women entrepreneurs and rural businesses by strengthening financial inclusion, public-private partnerships, development finance mechanisms and enterprise support programmes.                                                              |

## Mainstreaming Cross-Cutting Issues

The BSP recognises that sustainable and inclusive development cannot be achieved without systematically addressing cross-cutting issues across all sectors. Mainstreaming ensures that these priorities are integrated into planning, budgeting, implementation, monitoring, and evaluation, rather than being treated as standalone programmes.

Consequently, all Ministries, Departments, and Agencies (MDAs) will be required to demonstrate how these issues are reflected in their policies, programmes, projects, and budget proposals. This approach will strengthen policy coherence, improve the efficiency and effectiveness of public expenditure, and ensure that national resources contribute to inclusive, resilient, and sustainable socio-economic development.

## Critical Skills for Digitalisation, Innovation and Artificial Intelligence

Government recognises that the returns to investment in digital infrastructure depend on the skills of the people who use it. This priority builds on the National Digital Transformation Strategy 2024–2030, whose “Digital Population” pillar addresses the re-skilling and up-skilling of Basotho and the development of a digital skills framework across sectors, and on the Artificial Intelligence Policy and Implementation Plan validated in 2025.

The AI Policy itself identifies limited institutional capacity, shortages of AI-related skills and high infrastructure costs as constraints; work on a National AI Strategy and Data Centre Blueprint commenced in August 2026.

Over the MTEF, budget support will be directed to five areas:

-  a national digital skills framework linking basic, intermediate and advanced competencies to curricula in schools, TVET and universities;
-  a public-service digital and AI literacy programme so that officials can use data, automation and AI tools responsibly;
-  STEAM, coding and data-science capacity, including teacher training;
-  innovation hubs, incubation and challenge funds that allow young Basotho to develop digital products; and
-  practical AI and data applications in Government – for example, risk-based tax compliance, VAT e-invoicing analytics, social-registry targeting, and case management – supported by data governance and cybersecurity safeguards.

## Regional and International Commitments

Lesotho's fiscal policy also reflects its international commitments and obligations, including the SDGs, AU Agenda 2063, SADC RISDP, Doha Programme of Action for the Least Developed Countries (2022–2031), and other international commitments relating to trade, gender equality, social inclusion, youth development, disaster risk management, and environmental sustainability.

These frameworks guide resource allocation toward economic transformation, poverty eradication, human and social development, good governance, technological advancement, resilience building, and environmental sustainability.

The government will deepen regional integration and international cooperation through the promotion of cross-border trade, labour mobility, regional infrastructure connectivity, and strategic partnerships that support national development objectives.

## Development Cooperation

To achieve the five priority areas underpinning the 2027/28 Budget Policy, Government will require continued and coordinated support from Development Partners (DPs).

This cooperation should be fully aligned with Government's existing planning and budgeting frameworks and integrated into the national budget process, rather than being implemented through parallel systems.

The use of parallel systems undermines Government ownership and accountability, constrains the effective allocation of resources towards nationally identified priorities. It also reduces the efficiency and effectiveness of development assistance, increases transaction costs for Government and Development Partners, and create fragmented approaches to planning, implementation, monitoring and reporting.

Government therefore remains committed to strengthening the coordination and integration of Development Partner financing within the national planning and budgeting framework.

Development Partners are strongly urged to align their programmes, financing commitments and implementation arrangements with Government priorities, sector plans and the Medium-Term Expenditure Framework (MTEF), while strengthening the predictability, transparency and timely reporting of development assistance.

This approach will enhance Government ownership, improve the predictability and efficiency of external financing, strengthen accountability for development resources.



## MACROECONOMIC OUTLOOK

### Global And Regional Economic Context

Global economic growth is projected to moderate to 3.0 percent in 2026 before improving to 3.4 percent in 2027, compared with the average growth rate of 3.5 percent recorded during 2024 to 2025.

While the outlook remains broadly unchanged from April 2026 World Economic Outlook (WEO), growth is expected to slow slightly due to the economic effects of the conflict in the Middle East. However, these effects are partly offset by stronger global demand driven by rapid advancements in artificial intelligence (AI) and the expanding technology sector.

The impact varies across countries, with energy-exporting economies benefiting from improved terms of trade and technology-oriented economies experiencing stronger growth.

In contrast, energy-importing countries with limited integration into the technology value chain, particularly many low-income economies, are expected to face weaker economic performance. Meanwhile, global headline inflation is projected to rise from 4.1 percent in 2025 to 4.7 percent in 2026, before easing to 3.9 percent in 2027, suggesting a temporary halt in the disinflation trend that began in early 2024.

Economic growth in Sub-Saharan Africa is projected to remain broadly stable at 4.3 percent in 2026 and 4.4 percent in 2027, although performance is expected to vary across countries. While some economies, particularly oil-importing and non-resource-intensive countries, are likely to be negatively affected by the Middle East conflict, major economies in the region continue to benefit from earlier macroeconomic stabilization and reform efforts.

In Nigeria, growth is expected to remain strong at 4.1 percent in 2026, supported by improved macroeconomic stability and favourable terms-of-trade effects, before strengthening further to 4.3 percent in 2027 as cost pressures ease.

In South Africa, growth is projected to slow slightly to 1.0 percent in 2026 due to disruptions associated with the Middle East conflict, but is expected to recover to 1.3 percent in 2027, supported by a gradual resurgence in private investment driven by ongoing structural reforms. Across the rest of the region, growth is forecast to moderate from 5.6 percent in 2025 to 5.2 percent in both 2026 and 2027, reflecting a downward revision to the outlook and continued external challenges.

Overview of the World Economic Outlook  
Projections

|                                | 2024       | 2025       | 2026       | 2027       |
|--------------------------------|------------|------------|------------|------------|
|                                | Actual     | Estimate   | Forecast   |            |
| <b>World Output</b>            | <b>3.5</b> | <b>3.5</b> | <b>3</b>   | <b>3.4</b> |
| <b>Advanced economies</b>      | <b>1.9</b> | <b>1.9</b> | <b>1.7</b> | <b>1.8</b> |
| United States                  | 2.8        | 2.1        | 2.3        | 2.2        |
| Euro area                      | 1          | 1.4        | 0.9        | 1.2        |
| <b>United Kingdom</b>          | <b>1</b>   | <b>1.4</b> | <b>1</b>   | <b>1.3</b> |
| <b>Emerging and developing</b> | <b>4.5</b> | <b>4.5</b> | <b>3.8</b> | <b>4.5</b> |
| China                          | 5          | 5          | 4.6        | 4.1        |
| India                          | 7.1        | 7.7        | 6.4        | 6.7        |
| <b>Sub-Saharan Africa</b>      | <b>4.2</b> | <b>4.5</b> | <b>4.3</b> | <b>4.5</b> |
| Nigeria                        | 4.1        | 4          | 4.1        | 4.3        |
| South Africa                   | 0.5        | 1.1        | 1.1        | 1.3        |
| <b>World trade volumes</b>     | <b>3.7</b> | <b>5</b>   | <b>3.5</b> | <b>4.3</b> |
| <b>World Consumer Price</b>    | <b>5.8</b> | <b>4.1</b> | <b>4.7</b> | <b>3.9</b> |

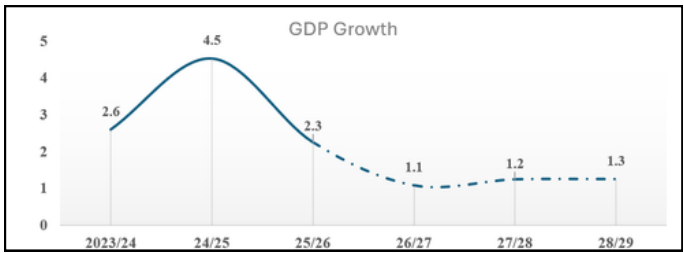
Source: WEO–July 2026

# Domestic Context

## Real Sector

Over the medium term, while performance in some sectors remains constrained, selected industries of the economy are expected to show gradual recovery, albeit in the presence of persistent structural bottlenecks that may limit the pace of growth, with average real GDP growth forecast to remain around 1.3 percent, supported by improvements across key productive sectors identified in the NSDP II Extended.

Evolution of Real Gross Domestic Product (GDP)



# Sectoral performance in 2026/27 and the Medium Term

Nominal GDP (at current market prices) is projected to moderate to M44.1 billion in FY2026/27, before averaging M45.9 billion over the medium term. Meanwhile, real GDP is forecast to reach M22.7 billion in FY2026/27 and average M23.1 billion over the medium-term planning horizon.

While economic output is expected to remain broadly resilient, growth momentum is projected to moderate, with real GDP growth slowing to 1.1 percent in FY2026/27 from an estimated 2.3 percent in FY2025/26.

This could be on account of ongoing weaknesses in key sectors of the economy. The mining and quarrying industries continue to face significant challenges, driven by declining global diamond prices, partly due to competition from synthetic diamonds, and ongoing operational adjustments.

The mining sector is under acute viability pressures, with several operations having transitioned into Care and Maintenance status and others continuing to operate capacity In response to these challenges, companies have sought government intervention through measures such as royalty relief and rate reductions.

The sector's fragility is further underscored by the decline in the number of active mines from four to two in recent years, with one of the two remaining mines having entered Care and Maintenance in July 2026. This contraction in activity is expected to continue through the medium term constraining output growth and therefore; significantly limiting the sector's overall contribution to exports and the overall national economic performance.

Similar pressures are evident across other productive sectors. Manufacturing growth is projected to weaken significantly due to the impact of the United States (US) tariffs on textile exports destined for US, and uncertainty surrounding the one-year AGOA extension, although food processing is expected to provide some stability.

However, the textile sector's diversification efforts away from AGOA into the region, in particular, the Republic of South Africa (RSA), seem to be positively affecting sector productivity. At the same time, the agricultural sector is under strain, with a foot-and-mouth disease outbreak affecting livestock production, further weighing on overall economic performance.

In 2027/28, real GDP growth is projected to strengthen to 1.2 percent, driven mainly by continued growth in the services sector, particularly financial and insurance activities, accommodation and food service activities, and information and communication.

Agricultural output is expected to improve modestly, supported by the recovery of livestock production following the containment of foot-and-mouth disease. Nevertheless, the sector's growth prospects remain constrained by the risk of adverse weather conditions associated with El Niño, which could negatively impact crop production.

Real GDP growth is expected to average approximately 1.3 percent over the remainder of the medium term. Agricultural industries are expected to recover moderately, supported by anticipated expansion in crop production and area planted, favourable climatic conditions, climate-smart agricultural technologies and productivity-enhancing interventions under the climate smart seeds and irrigation project previously supported by Millennium Challenge Compact II (MCC II), coupled with enhanced livestock production stemming from initiatives such as Smallholder Agriculture Development Project (SADP II) and Wool and Mohair Competitiveness Project (WAMCOP), which are expected to promote improved breeding practices and enhance productivity thereby sustaining sectoral recovery and growth.

Together, these initiatives and developments are expected to support economic recovery, strengthen resilience and broaden the sources of growth. However, the outlook remains constrained, as the foot-and-mouth disease outbreak remains a key downside risk that could curtail livestock growth and dampen overall sector performance.

In contrast, mining activity is projected to remain subdued in 2027/28 and throughout the medium term, owing to persistent headwinds facing the sector, notably weak demand and prices for rough diamonds, as well as intensifying competition from lab-grown diamonds.

The mining sector is expected to continue to experience acute viability pressures with only a single mine remaining functional below its optimal capacity. This continues to pose downward risks to mining output and mineral revenue as well as mining contribution to the overall GDP.

However, mining industry is projected to benefit moderately from demand expected from Asian markets, India's diamond processing capacity and continued preference in North America for natural diamonds over synthetic alternatives.

The manufacturing industries, particularly textile sector, continue to face immediate headwinds, including a 15 percent tariff on exports to the United States following recent US Executive Orders issued in 2025.

However, the Government's diversification efforts across products and markets, as well as the completion of critical utilities infrastructure including bulk water and high-voltage electricity supply at the Tikoe and Belo industrial estates in the medium term, are expected to boost manufacturing output as well as encourage diversification into automotives and electronics production – under other manufacturing industries.

Additionally, construction activity remains heavily dominant, anchored by LHWP II Polihali dam construction project; where the Senqu bridge construction has recently been completed, and the first impoundment readiness at the Polihali Dam is scheduled between late 2026 and early 2027.

Other critical public works projected to provide positive economic support include ongoing infrastructure projects such as Tebellow Bridge, the Sehlabathebe to Makunyapane road, the Thaba Tseka to Katse road, Phase II of the Ramarothole Solar Plant, the Lesotho Lowlands Water Development Project (LLWDP II), the A5 Roma Road as well as Moshoeshoe I International Airport.

This concentrated infrastructure boom continues to generate vital economic spillovers into the services sector, stimulating widespread employment in transport, catering, accommodation, and private security. However, the winding down of LHWP II Polihali dam project anticipated for completion in 2028/29 or 2029/30, is expected to moderate overall sector growth in the medium term.

Furthermore, the services industries are projected to benefit from the spillovers from construction activities. Wholesale and retail trade industries are expected to receive a direct boost from the demand for building materials and heavy machinery, as local suppliers expand through procurement contracts. Structural factors continue to reinforce services sector growth, including credit extension and deposit growth in finance, expansion of road freight and logistics, and rapid adoption of advanced ICT systems and digital payment platforms.

The subdued growth outlook reinforces the need to prioritise and accelerate structural reforms and economic transformation initiatives aimed at improving the investment climate and unlocking the productive capacity of key sectors. Over the medium term, these interventions are expected to enhance productivity, strengthen economic resilience, and deepen private sector participation, thereby supporting stronger, more diversified, and inclusive growth while expanding the economy's growth potential and broadening the fiscal and economic base.

The macroeconomic outlook points to subdued growth over the medium term amid persistent domestic and external challenges. These developments highlight the need to accelerate structural reforms and prioritise investments in productive sectors, particularly agriculture, transport infrastructure, roads, water, energy, ICT, and private sector development. The 2027/28 Budget therefore seeks to support economic diversification, job creation, productivity growth, and resilience while maintaining fiscal sustainability.

### **Risks to the Outlook**

Key downside risks to the outlook include:

- Foot-and-mouth disease outbreaks;
- Climate change vulnerabilities;
- Ongoing global trade tensions;
- Continued geopolitical uncertainties;
- Belo Industrial utility delays;
- Continued delays in the implementation of the Polihali LHWP Phase II dam construction;
- Low execution rate of investment and infrastructure projects.

## Growth Strategy Scenario

Assuming the additional M100 million investment is directed towards productive agricultural activities in both crop and animal farming; irrigation, mechanization, input support, extension services, and value-chain development.

Under this scenario, the injection of an additional M100 million into the sector would enable a faster recovery from the projected slow growth in 2026/27 to 2027/28 and place agriculture on a stronger growth trajectory over the medium term. Instead of increasing by 1.3 percent in 2027/28, agricultural output could expand by approximately 11.8 percent, reflecting increased area planted, improved irrigation coverage, and higher yields from better-quality inputs.

As investment-related gains begin to materialize, growth could accelerate from the projected 1.5 percent to 2.5 percent in 2028/29. The stronger performance would enhance food security, raise rural household incomes, stimulate agro-processing activities, and reduce reliance on imported food products.

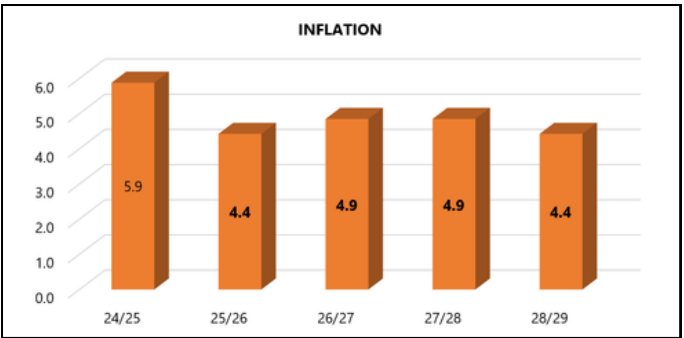
Through its linkages with trade, transport, and tourism supply chains, the sector would generate broader economic spillovers, contributing to higher employment and overall GDP growth.

## Inflation Developments

Inflation is expected to remain broadly aligned with price developments in South Africa, Lesotho’s principal trading partner, reflecting the strong linkages between the two economies. Looking ahead, inflation is projected to average 4.9 percent in both 2026/27 and 2027/28, reflecting the expected impact of higher global commodity prices, persistent geopolitical and trade-related uncertainties, and their pass-through effects on imported food and fuel costs.

Nevertheless, inflation is expected to remain broadly contained within the target range, supported by stable domestic demand conditions and prudent macroeconomic policy management.

The medium-term inflation outlook remains relatively contained, with inflation projected to average approximately 4.7 percent over the forecast period. This outlook is underpinned by the expected recovery in domestic agricultural production, improved food supply conditions, and easing external price pressures as global commodity and trade markets continue to normalise.



Source: MoFDP – Macro dept.

These developments are expected to contribute to price stability and support a favourable macroeconomic environment. However, the outlook remains subject to risks arising from geopolitical developments, climate-related shocks, and external factors, particularly volatility in global food and oil prices as well as exchange rate movements, which could exert upward pressure on domestic prices.

Despite these risks, inflation is expected to remain within manageable levels over the medium term, thereby supporting household purchasing power, macroeconomic stability, and sustainable economic growth.

## FISCAL STRATEGY

### Medium Term Revenue Strategy

The Medium-Term Revenue Strategy (MTRS) envisions a modern, efficient, equitable and resilient revenue system mobilising sufficient domestic resources for inclusive development, pursued by broadening the tax base, strengthening compliance, modernising administration, and reducing dependence on volatile external revenue.

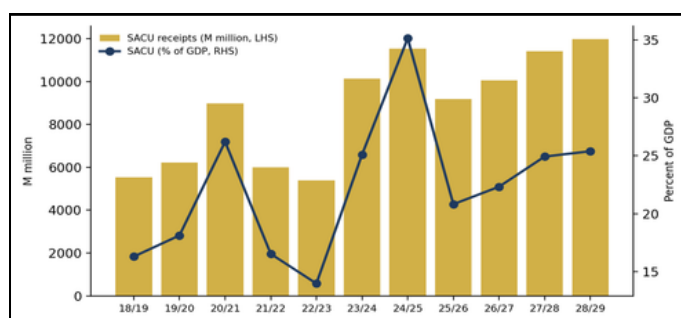
## Medium-Term Revenue Objectives

Raise the tax-to-GDP ratio from 24.4 percent (FY26/27) to 25.5 – 26 percent by FY30/31; increase revenue excluding SACU from 40.7 percent to at least 46 percent of GDP; and reduce SACU dependence via domestic diversification and a Revenue Stabilisation Fund.

## Recent Revenue Performance

Total revenue has ranged between 45 and 60 percent of GDP over the past decade, driven substantially by volatile SACU receipts, which spiked to 35.1 percent of GDP in FY24/25 before easing to 20.8 percent in FY25/26. Domestic tax revenue has been stable but stagnant, averaging 21.5 percent of GDP.

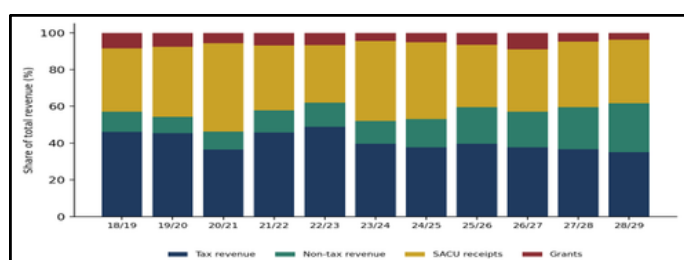
### SACU Revenue Volatility



## Revenue Structure

Tax revenue splits roughly evenly between income taxes (49.7 percent) and goods-and-services taxes (50.3 percent). Non-tax revenue's share has risen sharply – from 6.7 percent of total revenue (FY23/24) to an estimated 20.1 percent (FY25/26) – on LHWP-linked royalties, while SACU remains the largest single component.

### Revenue Composition



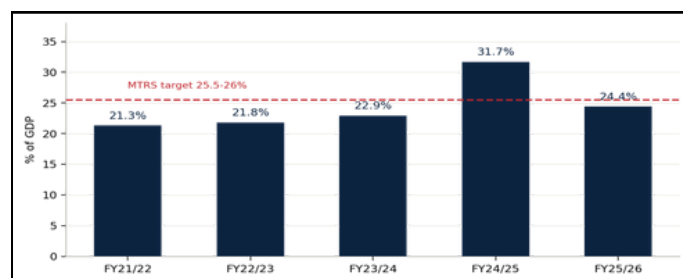
## Key Challenges

A narrow tax base and high informality, uneven compliance, extensive and poorly monitored tax expenditures, fragmented non-tax revenue collection, and continued exposure to volatile SACU and LHWP-linked revenue.

## Revenue Diagnostic Assessment

The tax-to-GDP ratio has plateaued in the low-to-mid 20s percent of GDP since FY21/22, remaining below the MTRS target despite periodic revenue growth – indicating gains have tracked nominal GDP rather than durable improvements in tax effort.

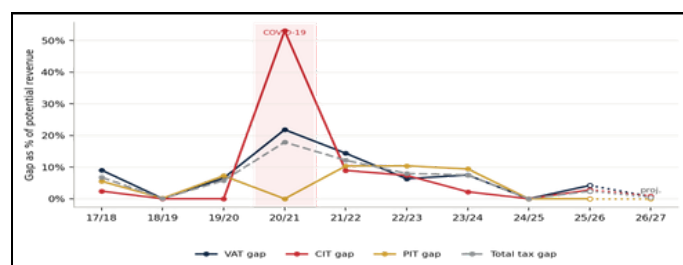
## Tax-to-GDP Performance



## Compliance Challenges

The estimated tax gap has averaged 6.7 percent of potential revenue since FY17/18, peaking at 17.9 percent during the pandemic; CIT is the largest, most volatile gap. Sectoral Alignment Gap (SAG) analysis flags Wholesale & Retail Trade, Manufacturing, Mining and Construction as priority risk sectors.

### Tax Revenue Gap Trend



## Tax Policy Reforms

Direct taxes (PIT, CIT, transfer pricing, MSME taxation); VAT reform (Administration Bill, e-invoicing, faster refunds); periodic excise reviews (alcohol, tobacco, gaming, fuel); and rationalisation of tax expenditures (incentives, exemptions, zero-rating) – targeting 25.5 to 26 percent tax-to-GDP.

## BOX 1

## VAT REFORM: STRATEGIC DIRECTIONS

- VAT Administration: modern legal framework aligned with good practice.
- Digitalisation: e-invoicing and electronic transaction reporting.
- VAT Refunds: faster, risk-based, transparent processing.
- Digital Economy & Excise: strengthen taxation of digital/cross-border services; periodically review alcohol, tobacco, gaming and fuel duties.

Government will continue reviewing regulatory and policy frameworks governing local resource utilisation to promote sustainable extraction, environmental protection and improved revenue generation from natural resources where appropriate. This includes strengthening oversight, transparency and local participation in resource management while ensuring environmental sustainability and equitable economic benefits.

### Tax Expenditure Rationalisation

Tax expenditures, including exemptions, preferential tax rates, deductions, credits and other fiscal incentives, represent an important policy instrument for promoting investment, economic diversification and social development.

However, where such measures are not adequately targeted, transparently reported or periodically reviewed, they may erode the tax base, reduce revenue productivity and create distortions that undermine the efficiency and equity of the tax system.

Strengthening the governance of tax expenditures will therefore be a key component of the Government's domestic revenue mobilisation strategy.

To strengthen fiscal transparency and improve evidence-based policymaking, the Government will institutionalise the preparation and publication of an Annual Tax Expenditure Statement. The Statement will quantify, to the extent practicable, the revenue forgone through tax incentives, exemptions and zero-rated provisions and assess their contribution to investment, employment and economic growth.

The Tax Expenditure Statement will be published annually as an Annex to the Budget Speech and updated through the Budget Mid-Term Review Statement to support fiscal planning, improve the credibility of medium-term revenue forecasts and enhance public accountability.

VAT tax expenditure alone totalled M216.5 million in FY25/26 (5 percent of VAT revenue), over half of which is VAT refunds. Regular, transparent reporting and periodic review of exemptions are a near-term priority for restoring revenue productivity.

## Expenditure Strategy

The Government remains committed to fiscal consolidation as a key pillar for maintaining macroeconomic stability and ensuring long-term debt sustainability. Within this context, expenditure management continues to focus on balancing the need for fiscal discipline with the provision of essential public services and investment in growth-enhancing infrastructure.

Government will strengthen public expenditure management by improving budget execution, accelerating procurement processes, reducing delays in implementation of approved projects, strengthening monitoring systems, enhancing commitment controls and ensuring timely payment of suppliers and service providers. These reforms will improve service delivery, support private sector confidence and increase value for money in public spending.

In FY2024/25, recurrent expenditure amounted to M18.1 billion, accounting for the largest share of total government spending, while capital expenditure reached M5.4 billion.

This expenditure structure reflects the continued predominance of operational and service-delivery costs within the overall budget framework. In FY2025/26, recurrent expenditure increased moderately to M18.9 billion, driven by ongoing public service obligations and rising operational costs.

Capital expenditure also remained broadly stable at M5.2 billion, demonstrating the Government's commitment to preserving investment in strategic development priorities despite prevailing fiscal constraints.

Government recognises that expenditure effectiveness depends not only on budget allocations but also on timely execution and payment processes. Efforts will therefore focus on improving budget execution rates, strengthening cash-flow planning, reducing payment delays to suppliers and service providers, accelerating transfers to implementing entities, improving commitment controls, and strengthening project implementation monitoring. These measures will support private sector confidence, improve service delivery and strengthen value for money in public spending.

Protecting the bare essentials. Several Ministries lack the basic inputs required to function – such as reliable utilities, ICT connectivity and devices, transport and fuel, stationery, and essential equipment and supplies for frontline services.

Over the MTEF, the Budget Department will conduct a rapid assessment of minimum operational requirements for every MDA, cost them, and establish a protected minimum operational floor within each ceiling that is funded before discretionary items. As an indication of scale, reprioritising 5 percent of the M4.9 billion goods and services envelope would release about M245 million a year towards this floor.

Cost of delivery and expected impact. New and expanded spending proposals will be required to state the unit cost of the service to be delivered (for example, cost per learner, per patient visit, per beneficiary household, or per kilometre of road maintained), the expected result, and the timeframe.

Proposals above a threshold to be set by the Budget Department will include a simple cost-benefit or cost-effectiveness analysis, allowing SWGs to compare options and fund those with the highest impact per maloti.

## Developments in the Overall Fiscal Balance

The 2026/27 fiscal deficit of M1.6 billion, equivalent to 3.6 percent of GDP, exceeds the national 3 percent deficit anchor by 0.6 percentage points. This reflects a deliberate counter-cyclical fiscal stance to sustain capital investment during a period of revenue normalization, with the temporary deficit programmed to be financed through a combination of domestic borrowing and concessional external financing to mitigate immediate debt service pressures.

The capital budget has been significantly scaled up, rising from M5.2 billion in FY2025/26 to M9.0 billion in FY2026/27, representing a growth of 73 percent. This expansion underscores Government's commitment to sustaining infrastructure investment and advancing growth- and employment-oriented projects.

The increased allocation is intended to catalyze economic activity, enhance productive capacity, and support long-term development objectives, while reinforcing the counter-cyclical fiscal stance adopted during the current period of revenue normalization.

In 2027/28 and over the medium term, the fiscal consolidation path is projected to resume, with the overall fiscal balance forecast to return to a surplus of M1,056.2 million (2.3 percent of GDP) in 2027/28 and strengthen further to M2,340.1 million (5.0 percent of GDP) by 2028/29. Relative to the 3 percent deficit ceiling, both these outturns represent significant fiscal effort gains needful for stabilisation in the wake of global economic uncertainties.

### **Debt Stock and Sustainability Analysis**

The Government of Lesotho's total debt stock as at end-FY2025/26 amounted to M22,471.5 million (49.4 percent of GDP), a year-on-year decline of M913.9 million from FY2024/25. New borrowing and disbursements for the year amounted to M2,016.6 million, total repayments were M2,257.3 million while there were parity gains of M649.5 million.

For quarter ending June 2026, total debt has increased by M70.7 million to M22,542.2 million, expected to increase further by the end of the year in line with the policy to borrow to pay off arrears.

In terms of GDP, debt has been gradually declining for the fourth year in a row, reflecting prudent policy to arrest debt upsurges and maintain fiscal sustainability.

The borrowing of M2,016.6 million was made up of domestic borrowing M607.7 million and external loan disbursements of M1,408.8 million. Domestic and external debt currently account for 14.7 percent and 85.3 percent of the total debt stock, respectively.

Domestic debt is mostly contracted to finance fiscal deficits and to develop the domestic bond market, while external debt is contracted to finance capital expenditure. For the first quarter of FY2026/27, domestic debt amounting to M600 million was contracted in the first auction of the financial year to clear stock of domestic arrears, while on the external side the Government of China loan was cancelled by the creditor.

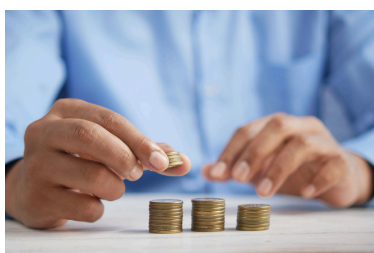
|                                                     | 2025/26          | 2026/27 June     |
|-----------------------------------------------------|------------------|------------------|
| <b>TOTAL DEBT</b>                                   | <b>22,471.50</b> | <b>22,542.20</b> |
| <b>EXTERNAL DEBT</b>                                | <b>19,179.30</b> | <b>19,002.00</b> |
| <b>Multilateral Creditors</b>                       | <b>15,573.15</b> | <b>15,698.50</b> |
| International Monetary Fund                         | 813.1            | 763.4            |
| World Bank                                          | 8,806.90         | 9,046.90         |
| African Development Fund                            | 2,294.90         | 2,273.10         |
| Other Multilaterals                                 | 3,658.30         | 3,615.10         |
| o/w European Investment Bank                        | 1,081.30         | 1,056.90         |
| o/w Arab Bank for Economic Development in Africa    | 684.6            | 638.4            |
| o/w International Fund for Agricultural Development | 616              | 603.1            |
| <b>Bilateral</b>                                    | <b>776.4</b>     | <b>461.3</b>     |
| Non-Paris Club                                      | 776.4            | 461.3            |
| o/w China                                           | 178.1            | 0                |
| o/w Kuwait                                          | 254.7            | 203.3            |
| <b>Commercial Creditors</b>                         | <b>0</b>         | <b>0</b>         |
| <b>EXPORT CREDITS</b>                               | <b>2,829.70</b>  | <b>2,842.20</b>  |
| o/w EXIM Bank China                                 | 2,814.60         | 2,842.20         |
| <b>DOMESTIC DEBT</b>                                | <b>3,292.20</b>  | <b>3,542.20</b>  |
| T-Bills                                             | 0                | 0                |
| Bonds                                               | 3,292.20         | 3,542.20         |
| Loans                                               | 0                | 0                |

# PUBLIC INVESTMENT STRATEGY



**Prioritizing public investments aligned with national development goals:** Government will continue to prioritise public investments that support the objectives of the Extended National Strategic Development Plan II (NSDP II), stimulate economic growth, create employment, improve service delivery, and strengthen resilience. Priority will be given to investments in transport, energy, water and sanitation, ICT infrastructure, agriculture, education, health, and other key sectors that contribute to inclusive and sustainable development.

**Strengthening Project Appraisal and Value for Money:** To ensure efficient use of public resources, all major investment projects will be subject to appropriate appraisal and review processes before approval. Project selection will be guided by strategic relevance, economic and social benefits, affordability, implementation readiness, and sustainability considerations. Government will continue to strengthen project preparation, costing, monitoring, and evaluation to improve value for money and development impact.



**Managing Public Investments Within Fiscal Constraints:** Public investment decisions will be implemented within the fiscal limits established under the Medium-Term Fiscal Framework (MTFF). Priority will be given to ongoing projects with high completion rates and those that provide significant economic and social returns. New projects will be considered based on their readiness, alignment with national priorities, and availability of financing.

**Improving Implementation Performance:** Government will continue to improve the implementation of public investment projects through better planning, procurement, contract management, and monitoring systems. Efforts will also focus on addressing bottlenecks that cause project delays and cost overruns, while strengthening the capacity of implementing institutions.



## Integrating Investments into the Medium-Term Budget Framework:

All public investment projects will be integrated into the Medium-Term Budget Framework to ensure that future funding requirements, including operation and maintenance costs, are adequately reflected in fiscal planning. This approach will support fiscal sustainability while ensuring that public investments contribute effectively to national development objectives.

Public investment planning will place increased emphasis on district-level infrastructure requirements identified through public consultations. Priority attention will be given to climate-resilient roads, bridges, water systems, rural electrification, health facilities, schools, youth development infrastructure, tourism facilities and digital connectivity projects that improve inclusion and support local economic development.

# MTEF



**Infrastructure Maintenance and Rehabilitation:** Under-maintenance is destroying public wealth. The Roads Directorate has reported that the value of the road network fell from about M60 billion in 2010 to M20 billion in 2019 because of inadequate maintenance and heavy rainfall, and that at least M1.1 billion a year is required to improve road condition. International good practice, reflected in the IMF Public Investment Management Assessment framework, suggests annual capital maintenance of at least 2–3 percent of replacement value across asset classes.

Over the MTEF, Government will: (i) introduce a protected maintenance allocation for roads, public buildings (schools, clinics and offices), water and ICT assets, rising progressively towards 2 percent of estimated replacement value; (ii) develop a national asset register, starting with roads, schools and health facilities, by 2028/29; (iii) require every new project to include life-cycle operation and maintenance costs in its appraisal and in the MTBF; (iv) apply a “fix-first” principle, under which rehabilitation of existing assets with high economic returns is funded before new construction in the same sector; and (v) expand performance-based and community-based maintenance contracting to address limited contractor capacity.

# BUDGET ALLOCATIONS

## Summary of Allocations by Sector

The 2027/28 Budget Strategy Paper prioritises expenditure towards programmes that support economic growth, employment creation, human capital development, infrastructure expansion, and improved governance. Within a constrained fiscal environment, Government will maintain investments in education, health, social protection, productive sectors, and climate resilience while supporting private sector-led growth.

Key spending priorities include:

- Human Capital Development through education, health, nutrition, skills development and social protection.

- Infrastructure Development in transport, energy, water, sanitation and ICT.
- Economic Growth and Job Creation through agriculture, tourism, manufacturing, trade and private sector development.
- Governance and Accountability through public sector reforms, justice, security and decentralisation.
- Cross-cutting Priorities including poverty reduction, gender equality and climate resilience.

## Programme-Based Allocations

Budget allocations will continue to be implemented through a Programme-Based Budgeting approach, linking public resources directly to development outcomes and service delivery objectives.

### *Proposed Medium-Term Budget Allocations (Million Maloti)*

| Programme Allocation             | 2026/27 Approved | 2027/28 Proposed | 2028/29 Projection | 2029/30 Projection |
|----------------------------------|------------------|------------------|--------------------|--------------------|
| General Administration and       | 7,659.60         | 7,812.80         | 7,969.10           | 8,128.50           |
| Inclusive and Sustainable        | 2,100.00         | 2,450.00         | 2,700.00           | 3,000.00           |
| Strengthening Human Capital      | 9,572.50         | 9,660.00         | 9,851.20           | 10,046.20          |
| Building Enabling Infrastructure | 4,900.00         | 5,100.00         | 5,900.00           | 6,800.00           |
| Governance and Accountability    | 5,400.00         | 4,300.00         | 4,100.00           | 4,100.00           |
| Investment Climate and Financial | 1,500.00         | 1,528.60         | 1,582.80           | 1,635.40           |
| Cross-Cutting Issues             | 88.1             | 99.6             | 96.5               | 99.5               |
| <b>TOTAL</b>                     | <b>31,220.20</b> | <b>30,951.00</b> | <b>32,199.60</b>   | <b>33,809.60</b>   |

The Government will maintain the real value of allocations to essential public services through inflation-based budget adjustments while strategically reallocating fiscal resources towards employment creation and growth-enhancing infrastructure. Additional investments will be directed to commercial agriculture, MSME development, transport networks, roads, water and sanitation infrastructure, energy security, and digital connectivity. This reallocation is intended to accelerate economic growth, support private sector development, expand employment opportunities, and strengthen the foundations for long-term productivity and competitiveness.

## **MEDIUM-TERM BUDGET FRAMEWORK (MTBF)**

### **Multi-Year Expenditure Ceilings**

Total expenditure for FY2026/27 is projected at M31.2 billion (70.8 percent of GDP), with recurrent spending accounting for the predominant portion of the budget. Within this envelope, compensation of employees represents the largest component at M8.6 billion, underscoring the priority placed on public sector human capital.

This is followed by M4.9 billion allocated to goods and services, M2.6 billion for social benefits, and M837.0 million directed toward interest payments, highlighting the continued fiscal commitment to debt servicing.

In 2027/28, Total expenditure is forecast to remain at M31.0 billion, with recurrent expenditure projected to reduce slightly to M21.5 billion down from a budget of M22.2 billion in 2026/27.

In 2026/27, capital expenditure is envisioned to accelerate significantly to M9.0 billion (20.5 percent of GDP), a substantial increase compared to the prior year's outturn of M5.2 billion – signalling a deliberate shift in fiscal prioritization toward infrastructure development mainly concentrating on energy, water, transport, information technology and other critical sectors.

This expansion reflects the Government's strategic intent to scale up public investment as a catalyst for long-term growth and economic transformation. Realizing the full impact of this outlay, however, will depend critically on strengthening institutional absorptive capacity to ensure timely implementation and value for money.

Consequently, capital expenditure is projected to increase modestly from M9.0 billion in 2026/27 to M9.4 and M9.9 billion in 2027/28 and 2028/2029 respectively, reflecting the Government's continued commitment to growth-enhancing investment aimed at strengthening productive capacity and supporting sustainable economic growth and development.

In 2027/28 through the medium term, the government remains committed to maintaining a relatively high level of capital expenditure to support growth-enhancing investment aimed at strengthening productive capacity and supporting sustainable economic growth and advance key development priorities.

Capital expenditure ceiling is projected to increase from M9.0 billion in 2026/27 to M9.4 billion and M9.9 billion in 2027/28 and 2028/2029 respectively. This will, however, not adversely affect the authorities' fiscal consolidation efforts.

The fiscal consolidation path projects a return to surpluses of M1,056.2 million (2.3 percent of GDP) in 2027/28 and M2,340.1 million (5.0 percent of GDP) in 2028/29.

Achieving these fiscal objectives will depend critically on containing the growth of recurrent expenditure while preserving strategic public investment.

This will require continued expenditure discipline, including moderating growth in the public sector wage bill, rationalising operational expenditures, and improving the targeting and efficiency of social spending. Such measures will help create the fiscal space necessary to sustain investment in priority development projects while safeguarding fiscal sustainability and supporting the medium-term return to surplus.

| Multi-year Expenditure Celings for 2025/2026 - 2028/2029     |                    |                   |                       |                       |
|--------------------------------------------------------------|--------------------|-------------------|-----------------------|-----------------------|
| Budget Item                                                  | Outturn<br>2025/26 | Budget<br>2026/27 | Projection<br>2027/28 | Projection<br>2028/29 |
| <b>EXPENSE (Statutory + Non Statutory + Salary Increase)</b> | <b>18,932.0</b>    | <b>22,190.3</b>   | <b>21,513.6</b>       | <b>22,239.2</b>       |
| <b>Compensation of Employees</b>                             | <b>7,597.6</b>     | <b>8,636.6</b>    | <b>8,807.0</b>        | <b>8,973.3</b>        |
| Wages and salaries                                           | 6,880.8            | 7,862.5           | 7,973.0               | 8,099.3               |
| <b>Use of goods and services</b>                             | <b>3,111.8</b>     | <b>4,884.4</b>    | <b>4,277.2</b>        | <b>4,610.2</b>        |
| <b>Subsidies</b>                                             | <b>682.1</b>       | <b>854.3</b>      | <b>898.7</b>          | <b>940.5</b>          |
| Grants to international organisations                        | 48.5               | 65.4              | 110.4                 | 111.6                 |
| Grants to other general government units                     | 2,580.7            | 2,463.7           | 2,060.9               | 2,022.9               |
| <b>Social benefits</b>                                       | <b>2,374.8</b>     | <b>2,646.6</b>    | <b>2,693.7</b>        | <b>2,946.3</b>        |
| <b>Other expense</b>                                         | <b>1,765.5</b>     | <b>1,802.3</b>    | <b>1,917.9</b>        | <b>1,943.9</b>        |
| Student Grants                                               | 1,208.1            | 1,384.7           | 1,446.9               | 1,476.5               |
| <b>Capital Budget</b>                                        | <b>5,233.8</b>     | <b>9,029.9</b>    | <b>9,437.4</b>        | <b>9,906.4</b>        |
| GoL                                                          | 2,445.1            | 3,708.8           | 4,697.0               | 6,042.7               |
| Donor Grants                                                 | 1,376.1            | 2,222.3           | 1,081.4               | 838.8                 |
| Donor Loans                                                  | 1,412.6            | 3,098.8           | 3,659.0               | 3,024.9               |
| <b>CASH SURPLUS / DEFICIT</b>                                | <b>2,347.0</b>     | <b>-1,574.5</b>   | <b>1,056.2</b>        | <b>2,340.1</b>        |
| <b>% GDP</b>                                                 | <b>5.3%</b>        | <b>-3.6%</b>      | <b>2.3%</b>           | <b>5.0%</b>           |
| <b>GDP</b>                                                   | <b>44653.7</b>     | <b>44089.0</b>    | <b>44971.6</b>        | <b>46750.9</b>        |

## Fiscal Sustainability Path

The key policy pillars for a sustainable fiscal path are fiscal discipline, enhanced public investment management, and resolute domestic revenue mobilisation. As such, the strategy seeks to balance fiscal prudence with development, ensuring that current investments lay the foundation for sustained economic growth.

Despite the projected deficit in 2026/27, the Government remains firmly committed to safeguarding macroeconomic stability and stabilizing the public debt trajectory over the medium term. The fiscal balance in 2027/28 is projected to register a moderate surplus of around 2.3 percent of GDP, improving significantly to a surplus of 5.0 percent of GDP in 2028/29.

These projected surpluses are necessary to provide the fiscal space essential to reduce absolute debt levels. Debt-to-GDP ratio is expected to increase moderately in 2026/27, before subsiding in 2027/28 to stable levels, towards a declining trend in 2028/29.

## PERFORMANCE AND RESULTS FRAMEWORK

The Performance and Results Framework outline the key development outcomes expected under the BSP, the major outputs that will contribute to achieving those outcomes, and the indicators that will be used to measure progress and success. The framework covers economic growth, human capital development, infrastructure, environmental sustainability, gender equality, and youth empowerment.

| Expected Outcome                                                        | Key Outputs Expected                                                                                                         | Indicators to Measure Success                                                                                                                           |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increased employment and private sector-led economic growth             | Employment creation programmes, business development initiatives, export promotion and market diversification                | Labour Force Participation Rate (LFPR); Employment-to-Population Ratio (EPR); Female Employment Rate; Domestic Export Growth                            |
| Improved agricultural productivity, commercialization and food security | Expansion of commercial farming, improved market access, increased farmer financing, climate-smart agriculture interventions | Number of Commercial Farmers; Percentage of Farmers Accessing Credit; Agricultural Produce Reaching Markets; Food Insecurity Prevalence                 |
| Sustainable and inclusive growth of the mining sector                   | Mining sector reforms, mineral cadastre development, geological mapping, increased local participation in mining             | Mining Contribution to GDP; Mining Revenue Contribution; Number of Jobs Created; Number of Large-Scale Mining Investments                               |
| Growth and competitiveness of the tourism sector                        | Tourism promotion, destination marketing, hospitality sector development and investment attraction                           | International Tourist Arrivals; Accommodation Revenue; Occupancy Rate; Average Length of Stay                                                           |
| Improved health and nutrition outcomes                                  | Nutrition programmes, maternal and child health interventions, HIV/AIDS prevention and health system strengthening           | Maternal Mortality Rate; Infant Mortality Rate; Neonatal Mortality Rate; Under-Five Mortality Rate; HIV Incidence Rate; Stunting Rate; Underweight Rate |
| Improved access to quality education and skills development             | Increased enrolment, improved transition and completion rates, expansion of TVET and inclusive education programmes          | ECCD Gross Enrolment Rate; Primary and Secondary GER; Transition Rates; Completion Rates; TVET Enrolment; ICT, Science and Engineering Graduates        |

|                                                                   |                                                                                                               |                                                                                                                                                                                        |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expanded social protection coverage and reduced vulnerability     | Strengthened cash transfer programmes, pension schemes and support for vulnerable groups                      | Proportion of Vulnerable Population Covered by Social Protection Programmes                                                                                                            |
| Improved transport infrastructure and road safety                 | Road construction, rehabilitation, maintenance and road safety interventions                                  | Road Network Condition Index (VCI); Road Gravel Index (VGI); Number of Road Deaths; Number of Road Injuries                                                                            |
| Increased access to safe water, sanitation and sustainable energy | Water supply projects, sanitation improvements, electricity access expansion and renewable energy initiatives | Access to Safe Drinking Water; Access to Improved Sanitation; Population with Access to Drinking Water Services; Electricity Access Rate; Total Energy Supply; Electricity Consumption |
| Enhanced environmental sustainability and climate resilience      | Land rehabilitation, biodiversity conservation and ecosystem restoration initiatives                          | Hectares of Land Rehabilitated; Soil Carbon Stocks; CO <sub>2</sub> Emissions per Capita; Biodiversity Areas Under Protection                                                          |
| Greater gender equality and reduced gender-based violence         | Gender empowerment programmes, GBV prevention initiatives and women's leadership promotion                    | Prevalence of Physical, Emotional and Sexual Violence Against Women; Child Marriage Rate; Proportion of Women in Parliament                                                            |
| Enhanced youth empowerment and socio-economic inclusion           | Youth skills development, entrepreneurship support, volunteer programmes and employment initiatives           | Youth Unemployment Rate; Proportion of Youth Not in Employment, Education or Training (NEET); Youth Representation in Decision-Making Structures                                       |

To make the framework usable for allocation decisions, each indicator above will be completed with a baseline, an annual target for 2027/28 to 2029/30, a data source and a responsible MDA. The M&E working group will consolidate these and quarterly performance reviews will report actual results against targets alongside budget execution.

## RISKS AND SENSITIVITY ANALYSIS

The successful implementation of the 2027/28–2029/30 Budget Strategy Paper is subject to several domestic and external risks that could affect economic growth, revenue performance, expenditure pressures, fiscal sustainability, and the achievement of development objectives. Government will continue to strengthen risk management, fiscal resilience, and contingency planning to mitigate potential adverse impacts.

*Medium-Term Fiscal and Economic Risks Matrix*

| Risk Category                        | Description                                                                                                       | Potential Impact                                                                  | Likelihood | Mitigation Measures                                                              |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------|
| SACU Revenue Volatility              | Lower-than-expected SACU receipts due to regional trade and customs revenue fluctuations.                         | Reduced revenue collections and widening fiscal deficit.                          | High       | Strengthen domestic revenue mobilisation and improve revenue forecasting.        |
| Slow Economic Growth                 | Economic growth below projected levels may weaken tax performance and employment creation.                        | Lower revenue collection and reduced private sector investment.                   | Medium     | Accelerate investment climate reforms and support productive sectors.            |
| Climate Change and Natural Disasters | Droughts, floods, storms, and other climate-related shocks affecting agriculture, infrastructure and livelihoods. | Reduced agricultural output, increased emergency expenditure and food insecurity. | High       | Strengthen climate adaptation, disaster preparedness and resilience investments. |

|                                            |                                                                                                  |                                                                                              |               |                                                                                                                                         |
|--------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Rising Public Expenditure Pressures        | Increased demand for wages, social services and operational spending.                            | Fiscal deficits higher than projected and reduced fiscal space for development spending.     | Medium        | Strengthen expenditure controls and prioritise high-impact programmes.                                                                  |
| Delays in Public Investment Implementation | Capacity constraints, procurement delays and project readiness challenges.                       | Cost overruns and delayed delivery of development outcomes.                                  | Medium        | Improve project appraisal, procurement planning and implementation monitoring.                                                          |
| Global Economic Shocks                     | External economic developments, geopolitical tensions and commodity price volatility.            | Higher inflation, slower growth and increased fiscal pressures.                              | Medium        | Maintain prudent fiscal management and strengthen economic diversification.                                                             |
| Debt Sustainability Risks                  | Increased reliance on borrowing to finance fiscal deficits.                                      | Rising debt service costs and reduced fiscal flexibility.                                    | Medium        | Prioritise concessional financing and maintain prudent debt management.                                                                 |
| Public Health Emergencies                  | Disease outbreaks and pandemics.                                                                 | Increased health expenditure and disruptions to economic activity.                           | Low to Medium | Strengthen health systems and emergency response capacity.                                                                              |
| Implementation and Service Delivery Risks  | Delays in procurement, project implementation, inter-agency coordination and payment processing. | Delayed service delivery, infrastructure completion delays and reduced budget effectiveness. | Medium-High   | Strengthen project management, implementation monitoring, payment systems, accountability mechanisms and quarterly performance reviews. |

## Fiscal Sensitivity Analysis

The medium-term fiscal framework assumes annual revenue and expenditure growth of approximately 2 percent. Under the baseline scenario, the fiscal deficit is projected to remain broadly stable, averaging about M1.4 billion per annum over the MTBF period.

However, revenue performance remains sensitive to developments in key revenue sources, particularly SACU receipts, water royalties, Value Added Tax, Personal Income Tax, and Company Tax. A decline in any of these revenue streams could increase borrowing requirements and place pressure on expenditure priorities.

Similarly, unexpected expenditure pressures arising from natural disasters, food insecurity, public sector wage demands, or infrastructure emergencies could widen the fiscal deficit beyond projected levels if not offset by additional revenue measures or expenditure reprioritisation.

## Policy Response

To safeguard fiscal sustainability over the medium term, Government will:

- Strengthen domestic revenue mobilisation and tax compliance;
- Improve expenditure efficiency and value-for-money;
- Prioritise growth-enhancing and poverty-reducing expenditures;
- Maintain adequate fiscal buffers where possible;

- Strengthen public investment planning and project management;
- Enhance climate resilience and disaster preparedness;
- Monitor fiscal and economic risks continuously through the Medium-Term Fiscal Framework.

Through these measures, Government aims to maintain macroeconomic stability, protect priority development expenditures, and ensure that the Budget Strategy Paper remains responsive to emerging risks and changing economic conditions.

## Public Participation and Transparency

Government will strengthen budget transparency, public participation, and oversight to promote accountability and ensure that public resources are allocated and used in line with national priorities and citizen needs.

The Open Budget Survey (OBS) 2025 assessed Lesotho's performance across the three pillars of budget accountability, with scores of 46/100 for Transparency, 22/100 for Public Participation, and 39/100 for Oversight.

These results indicate the need to improve access to budget information, expand opportunities for citizen engagement, and strengthen legislative and audit oversight of public finances.

Government will implement the following measures:

- Ensure the timely publication and wider dissemination of key budget documents.
- Strengthen and institutionalise public participation throughout the budget cycle.
- Expand district-level consultations and improve feedback mechanisms to citizens.
- Enhance the preparation and accessibility of the Citizens' Budget, including local language versions.
- Strengthen the oversight role of Parliament and the Office of the Auditor-General.
- Improve follow-up on audit findings and recommendations.

Over the medium term, Government aims to:

- Improve performance on Transparency, Public Participation, and Oversight.
- Achieve timely publication of all key budget documents.
- Ensure broader and more inclusive public participation in the budget process.
- Strengthen parliamentary and audit oversight of public resources.

Government will strengthen feedback mechanisms to ensure citizens are informed of actions taken in response to concerns raised through public consultations, budget consultations and accountability platforms. Public participation will increasingly focus on monitoring implementation and outcomes in addition to policy formulation.

Government will further strengthen communication systems, public information dissemination, digital engagement platforms and citizen accountability mechanisms to improve transparency and public trust.

Government will institutionalise regular national accountability and performance review mechanisms to strengthen transparency, implementation oversight and results-based management. Annual performance reviews and periodic public reporting will be used to assess progress against national priorities, identify implementation bottlenecks, and strengthen alignment between planning, budgeting and development outcomes.

These measures will enhance transparency, accountability, citizen engagement, and oversight, thereby strengthening public confidence in public financial management and improving the alignment of budget decisions with national development priorities.

## CONCLUSION

The 2027/28 to 2029/30 Budget Strategy Paper provides a comprehensive medium-term framework for advancing Lesotho's development priorities while maintaining fiscal sustainability and macroeconomic stability. The strategy aligns public expenditure, revenue mobilisation, and investment decisions with the objectives of the Extended National Strategic Development Plan II and Government's commitment to inclusive and sustainable development.

Over the medium term, Government will focus on accelerating economic transformation through investments in productive sectors, infrastructure development, human capital formation, and institutional strengthening. Attention will be given to promoting private sector-led growth, creating employment opportunities for youth and women, strengthening climate resilience, and improving service delivery across all sectors.

Fiscal policy will continue to support economic recovery while maintaining prudent management of public finances.

Efforts to strengthen domestic revenue mobilisation, improve expenditure efficiency, enhance public investment management, and maintain sustainable debt levels will remain central to the Government's fiscal strategy. These measures will contribute to building fiscal resilience and reducing vulnerability to external shocks.

The successful implementation of this Budget Strategy Paper will depend on effective coordination across Government, strong stakeholder participation, improved institutional capacity, and continued commitment to transparency and accountability. Government will regularly monitor performance, assess emerging risks, and adjust implementation strategies where necessary to ensure achievement of intended development outcomes.

Through this Budget Strategy Paper, Government reaffirms its commitment to improving the welfare of all Basotho by promoting inclusive growth, creating jobs, strengthening human development, enhancing infrastructure, protecting vulnerable groups, and building a prosperous, resilient, and sustainable nation.

## GLOSSARY OF TERMS

**1. BSP (Budget Strategy Paper):** A medium-term policy document that outlines Government's fiscal strategy, expenditure priorities, revenue outlook, and budget objectives.

**2. MTEF (Medium-Term Expenditure Framework):** A multi-year budgeting framework that links policy priorities, planning, and resource allocation over the medium term.

**3. MTBF (Medium-Term Budget Framework):** The fiscal framework that sets projected revenues, expenditures, deficits, and financing over a three-year period.

**4. Fiscal Deficit:** The amount by which Government expenditure exceeds Government revenue in a financial year.

**5. Fiscal Surplus:** The amount by which Government revenue exceeds Government expenditure in a financial year.

**6. GDP (Gross Domestic Product):** The total value of goods and services produced within the country during a specific period.

**7. Inflation:** The rate at which the general level of prices for goods and services increases over time.

**8. SACU Revenue:** Revenue received by Lesotho from the Southern African Customs Union revenue-sharing arrangement.

**9. Domestic Revenue Mobilisation:** Measures aimed at increasing Government revenue from domestic sources such as taxes, fees, and charges.

**10. Public Debt:** Total outstanding borrowing obligations of Government from domestic and external sources.

**11. Capital Expenditure:** Government spending on infrastructure, equipment, and development projects that create long-term assets.

**12. Recurrent Expenditure:** Government spending on salaries, operations, maintenance, transfers, and other ongoing expenses.

**13. Programme-Based Budgeting (PBB):** A budgeting approach that links financial resources to specific programmes, outputs, and outcomes.

**14. NSDP II (National Strategic Development Plan II):** Lesotho's national development framework that guides economic growth, social development, and governance priorities.

**15. Public Investment:** Government-financed projects and infrastructure intended to support economic growth and service delivery.

**16. Fiscal Sustainability:** The ability of Government to maintain sound public finances and meet its obligations without excessive borrowing.

**17. MDAs (Ministries, Departments and Agencies):** Government institutions responsible for policy implementation and service delivery.

**18. PPP (Public-Private Partnership):** A cooperative arrangement between Government and the private sector for financing, developing, or operating public infrastructure and services.

**19. SDGs (Sustainable Development Goals):** Global development goals adopted by United Nations member states to promote sustainable economic, social, and environmental development.

**20. Climate Resilience:** The ability of communities, infrastructure, and institutions to withstand and recover from climate-related shocks and stresses.

**21. Value for Money:** The efficient, effective, and economical use of public resources to achieve intended outcomes.



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