



Public Expenditure and Financial Accountability PEFA Self-Assessment 2024

Final Report
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Acknowledgement



The Public Expenditure and Financial Accountability (PEFA) Self-Assessment (SA) 2024 was led by the Budget Department, of the Ministry of Finance and Development Planning, Government of Lesotho

In collaboration with



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Public Expenditure and Financial Accountability PEFA Self-Assessment 2024

In 2024, the Ministry of Finance and Development Planning (MoFDP) of the Government of Lesotho (GoL) conducted a Public Expenditure and Financial Accountability (PEFA) Self-Assessment (SA), with support from the EU Multi-Annual Indicative Programme (MIP) Cooperation Facility, Technical Assistance (TA) Project.

The PEFA Methodology is a structured approach to produce reliable and actionable Public Finance (PF) datasets for seven PEFA Pillar Indicators. The PEFA Self-Assessment Approach aims to build enhanced PFM understanding, ownership and capacity with a critical mass of selected Government Officials.

The objectives of the Government of Lesotho PEFA Self-Assessment (2024) are:

- use PEFA (SA) Methodology as entry-point to:
 1. provide updated evidence and analysis of PEFA Pillars Assessment Scores
 2. trigger more effectively the PFM reforms. This objective shapes the way forward, with the PEFA SA analysis and findings being a catalyst for improved GoL PFM Reform implementation actions, to be captured in an updated GoL PFM Reforms Action Plan.
- Institutionalize capacity and capability by involving and mobilizing a critical mass of Government of Lesotho (GoL) Officials and develop a group of Local Economists as PEFA Experts who can take this methodology and the momentum in PFM Reform further. The institutionalization of capacity is also worked out in the way forward.

The Government PEFA Self-Assessment 2024 Report was finalized with the relevant Stakeholders in December 2024 and will be handed over by the PEFA-SA lead, the Budget Controller/MoFDP, to the Principal Secretary (PS) Ministry of Finance and Development Planning in 2025, marking the start of the way forward.



The Lesotho PEFA Self-Assessment Approach

Following two PEFA Assessments in 2012 and 2017, and a participatory needs-assessment carried out in March 2024 by the MoFDP and the EU TA Project, it was concluded that an updated PEFA Assessment can streamline the GoL PFM Reforms Agenda and strengthen the Government PFM implementation capacity.

A major lesson-learned from the two previous PEFA exercises was that Government ownership of the PEFA findings is crucial to stimulate effective implementation of a Government-driven PFM Reforms Agenda. It was therefore decided that the PEFA 2024 would be conducted as a PEFA Self-Assessment (SA), to systematically develop datasets in a participatory manner, mobilizing a critical mass of Government officials and counterparts to fully own “their” data sets, and allowing them to drive more effectively the Government PFM Reforms, to advance financial governance practices, and better serve the Lesotho citizens.

The PEFA SA exercise was led by the Budget Controller of the MoFDP, supported by an EU TA Project local Non-Key Expert and seven Local Facilitators, who were mobilized for this SA Exercise and a regional PEFA Expert who quality-controlled the PEFA SA process and results and ensured that the PEFA Secretariat (<https://www.pefa.org/>) Guidelines and Standards were followed in principle.



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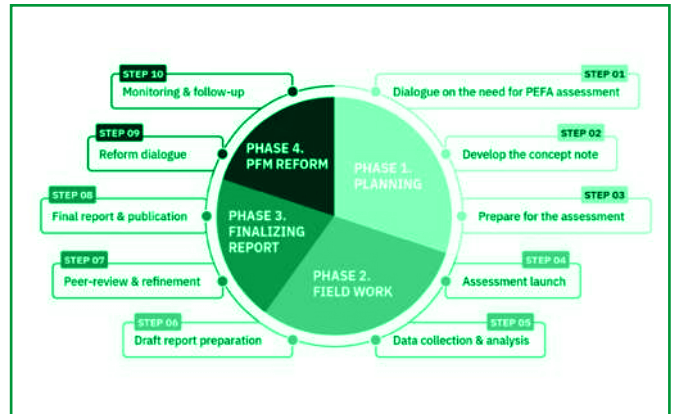
A critical mass of Government officials and stakeholders were mobilized:

- A targeted group of over 80 Government Officials, from the MoFDP, Line Ministries and Agencies.
- The Government of Lesotho Committee of Principal Secretaries.
- Selected National University of Lesotho (NUL), Department of Economics members, who were mobilized and engaged as PEFA Facilitators.
- The Lesotho Institute of Public Administration (LIPAM) is mobilized to institutionalize PEFA SA capacity through development and delivery of tailored PEFA Training courses as part of the way forward actions.

The PEFA Self-Assessment Process

The Lesotho PEFA Self-Assessment process followed in principle the 4- phases, 10-steps process as outlined in the PEFA Secretariat chart (Source: PEFA Secretariat Guideline I).

- **Phase 1:** Planning, started in Quarter 1 of 2024.
- **Phase 2:** Field Work was conducted in Quarter 2 and 3 of 2024.
- **Phase 3:** Report Finalizing, covered Quarter 3 of 2024.
- **Phase 4:** PFM Reforms, is scheduled to start from Quarter 4 of 2024.



The timeline of the GoL MoFDP PEFA Self-Assessment had the following milestone moments, demonstrating the participatory process and mobilization of a critical mass of PEFA Officials and Counterparts.

- **March/April 2024:** The MoFDP with support from the EU TA Project decides to carry out a PEFA Self-Assessment, identify the Government Officials and other Government Counterparts, and mobilize the EU TA Project Experts and the PEFA Facilitators. The EU Delegation approved a Technical Assistance support programme, with a local Non-Key Expert (NKE), a regional PEFA Expert to support and quality control the Lesotho PEFA-Self assessment, and local PEFA Facilitators to work with Government Counterparts.
- **April 2024:** Preparation of the PEFA Documentation and Guidelines (Hard/Soft) drawing on the PEFA Secretariat Guidelines documents, issued to the selected Facilitators.
- **May 2024:** PEFA Self-assessment exercise starts with an action-plan. The Budget Controller of the MoFDP leads the PEFA SA 2024 and is supported by CF TA Project Experts and Facilitators. The Principal Secretary of the MoFDP guides the process, starting with the identification of the configuration of Government Officials and Counterparts to be engaged, by Name, Designation, Organization, and their mobilization and invitation to participate in collecting, analysing and updating their PEFA Indicators data. The PEFA SA is based on Financial Years data of 2020/21, 2021/22 and 2022/23.
- **June 2024:** Launch Meeting (10/6/24) of seven Facilitators drawn from the NUL Department of Economics. The facilitators are to be interact with the PEFA Pillar/Indicators clusters of Government Officials.
- **June 2024:** Mobilization of the Lesotho Institute of Public Administration (LIPAM) and LIPAM faculty is to participate in the PEFA SA exercise in preparation of the institutionalisation of PEFA SA capacity through development of LIPAM PEFA Training Courses.
- **June 2024:** GoL Counterparts Launch Meeting held at LIPAM Training Centre (21/6/24) for a targeted group of over-80 Government Counterpart Officials, from Line Ministries and Agencies, who are to define, produce and analyse their Public Finance (PF) data sets, that will support their PFM policy or operational decisions, as part of their official work assignment.



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- **July 2024:** In the 1st two-day Mission (26+27/7/24) to Maseru, the regional PEFA Expert
 1. quality controlled the PEFA SA Process and
 2. continued to provide on the job-training to the PEFA Facilitators and selected GoL Officials.



- **June/July 2024:** The seven PEFA Facilitators started assessments with clusters of Government Officials/ Counterparts for each PEFA Pillar, and collected additional data, to finalize a PEFA Pillar/Indicator assessments and score.

- **August/September 2024:** The PEFA NKE and the PEFA Facilitators concluded with the PEFA-Pillar clusters of selected Government Officials, and initiated the first discussion on possible PFM Reforms to be triggered by the PEFA Pillar assessment.



- **September 2024:** The PEFA Pillar assessments were concluded and the PEFA Pillars were scored. The Assessments and scores were presented (10/9/2024) by the Budget Controller and PEFA Lead, in a PEFA Findings Dissemination Workshop that was attended by about 60 Government PEFA Counterpart Officials.



- **September 2024:** A presentation of the PEFA SA Findings was made separately (19/09/24) to the Government of Lesotho Committee of Principal Secretaries.

In addition to presenting the PEFA SA 2024 findings, a first tentative discussion was initiated on possible PFM Reforms that could be triggered by the PEFA Findings, that would require the guidance and leadership form the Principal Secretaries.



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- **October/November 2024:** Finalization of the PEFA Report, following a 5-day (11-15/11/24) quality control visit by the regional PEFA Expert.
- **December 2024:** Dissemination of the PEFA SA 2024 Report to Government and relevant Counterparts
- **Jan/Feb 2025:** Formal hand-over by the PEFA SA lead, Budget Controller MoFDP, of the PEFA SA Report to the PS MoFDP and PFM Development Partners, mobilizing the Government officials to take the lead and actively participate, ensuring that the handing -over event has the intended Government ownership impact.

Conduct ex-post PEFA SA Report Peer Review validations, that will validate how the PEFA SA findings can be used to trigger priority Government PFM Reforms and coordinate multilateral discussions with Development Partners on their PFM Interventions.



The PEFA 2024 Ratings and Assessments

The PEFA Pillar Assessments were conducted from April to November 2024, based on the Financial Year -data of 2020/21, 2021/22 and 2022/23. The PEFA SA 2024 Pillars ratings are presented in the table below. For comparison the PEFA 2017 ratings are also presented.

For 10 Pillar Indicators the ratings have improved, while for the other Pillars Indicators the ratings remained the same, except for one Pillar Indicator (P.11) the rating has deteriorated.

In the PEFA SA 2024 more time and a deliberate effort was made, to collect the required data-sets from the Government Counterparts Officials. This may have resulted for 10 Pillar Indicators in improved ratings. The 2017 lower ratings for these Pillars Indicators may have been the result of data sets not being (made) available. Based on the available PEFA 2024 data sets better informed judgements can be made on the ratings of the 31 PEFA Pillar Indicators.

PEFA Pillar Indicator 11 rating gives a worrying signal. A major fiscal, economic Government policy is to shift from an unsustainable Government-led economic growth model to a private-sector-led economic growth model. The underlying data sets of Pillar Indicator 11 point to weak and absent data sets that are the basic foundation on which a shift to private sector-led growth would build.

The summary Assessments for each Pillar are as follows:

PILLAR I BUDGET RELIABILITY assessment showed that the government budget at aggregate level is reliable, with spending consistently between 95% and 105% of the approved amount. Successful PFM reforms, like the Medium-Term Expenditure Framework (MTEF) and Central Budget Management System, are expected to enhance data accuracy and decrease mistakes.

The contingency reserves limit was well respected. However, weaknesses are that there is too much reliance on SACU revenue and this makes the budget vulnerable, this was experienced especially after COVID and changing spending patterns due to emergencies and shifting priorities needs better oversight. These budget reallocations render the budget to be less reliable at the economic and functional levels. Frequent budget reallocations raise the question about budget credibility as well as the delivery of government services based on the original policy intent. Finally: Ministries have limited capacity that must be improved for better budget planning and control.

OVERALL SUMMARY PEFA PUBLIC FINANCIAL MANAGEMENT PERFORMANCE SCORES 2017 - 2024						
PEFA PFM Performance Indicator (PI)	Scoring Method	2024 Rating			2017 Rating	Overall Rating
		I	II	III		
Pillar I: Budget Reliability						
PI-1	Aggregate expenditure ceiling	3.0	A			A
PI-2	Expenditure composition ceiling	3.0	C	B		C+
PI-3	Revenue ceiling	3.0	B	B		B
Pillar II: Transparency of Public Finance						
PI-4	Budget classification	3.0	C			C
PI-5	Budget documentation	3.0	C			C
PI-6	Central government operations outside fiscal reports	3.0	D	D	D	B
PI-7	Transfers to sub-national governments	3.0	C	D		D+
PI-8	Performance information for service delivery	3.0	D	D	D	D
PI-9	Public access to key fiscal information	3.0	D			D
Pillar III: Management of Assets and Liabilities						
PI-10	Fiscal risk reporting	3.0	D	D	C	D+
PI-11	Public asset management	3.0	C	D	B	C
PI-12	Public asset management	3.0	D	D	B	D+
PI-13	Debt management	3.0	C	B	B	B
Pillar IV: Policy-Based Fiscal Strategy and Budgeting						
PI-14	Macroeconomic and fiscal forecasting	3.0	D	B	C	C
PI-15	Fiscal strategy	3.0	C	D	A	C+
PI-16	Medium-term perspective in budgetary budgeting	3.0	B	A	A	B+
PI-17	Budget preparation process	3.0	C	A	C	B
PI-18	Legislative scrutiny of budgets	3.0	B	A	C	C+
Pillar V: Profitability and Control in Budget Execution						
PI-19	Revenue administration	3.0	A	A	D+	B
PI-20	Accounting for revenues	3.0	A	B	D+	D+
PI-21	Predictability of in-year resource allocation	3.0	C	A	B	B
PI-22	Expenditure control	3.0	B	C		C+
PI-23	Physical controls	3.0	B	A	A	D
PI-24	Procurement	3.0	D	D	A	D+
PI-25	Internal controls on non-salary expenditures	3.0	A	C	D	C+
PI-26	Internal audit	3.0	C	D	C	D+
Pillar VI: Accounting and Reporting						
PI-27	Financial data integrity	3.0	D	D	A	D+
PI-28	In-year budget reports	3.0	C	D	C	D+

Scores of the PEFA indicators

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating	
			i.	ii.	iii.	iv.	2024	2017
Pillar I: Budget Reliability								
PI-1	Aggregate expenditure outturn	M1	A				A	D
PI-2	Expenditure composition outturn	M1	C	C	B		C+	C+
PI-3	Revenue outturn	M2	B	B			B	C+
Pillar II: Transparency of Public Finances								
PI-4	Budget classification	M1	C				C	C
PI-5	Budget documentation	M1	C				C	C
PI-6	Central government operations outside fiscal reports	M2	D	D	D		D	D
PI-7	Transfers to sub-national governments	M2	C	D			D+	D+
PI-8	Performance information for service delivery	M2	D	D	D	D	D	D
PI-9	Public access to key fiscal information	M1	D				D	D
Pillar III: Management of Assets and Liabilities								
PI-10	Fiscal risk reporting	M2	D	D	C		D+	D+
PI-11	Public investment management	M2	C	D	B	C	C	B
PI-12	Public asset management	M2	D	D	B		D+	D+
PI-13	Debt management	M2	C	B	B		B	D+
Pillar IV: Policy-Based Fiscal Strategy and Budgeting								
PI-14	Macroeconomic and fiscal forecasting	M2	D	B	C		C	D+
PI-15	Fiscal Strategy	M2	C	D	A		C+	D+
PI-16	Medium-term perspective expenditure budgeting	M2	B	A	A	C	B+	C+
PI-17	Budget preparation process	M2	C	A	C		B	B
PI-18	Legislative scrutiny of budgets	M1	B	A	C	C	C+	C+
Pillar V: Predictability and Control in Budget Execution								
PI-19	Revenue administration	M2	A	A	D*	B	B	B
PI-20	Accounting for revenues	M1	A	B	D*		D+	D+
PI-21	Predictability of in-year resource allocation	M2	C	A	B	B	B	C
PI-22	Expenditure arrears	M1	B	C			C+	D+
PI-23	Payroll controls	M1	B	A	A	D	D+	D
PI-24	Procurement	M2	D	D	D	A	D+	D
PI-25	Internal controls on non-salary expenditure	M2	A	C	D		C+	C+
PI-26	Internal audit	M1	C	D	C	D	D+	D+
Pillar VI: Accounting and Reporting								
PI-27	Financial data integrity	M2	D	D	D	A	D+	D+
PI-28	In-year budget reports	M1	C	D	C		D+	D+
PI-29	Annual financial reports	M1	B	D	A		D+	D+
Pillar VII: External Scrutiny and Audit								
PI-30	External audit	M1	D*	D	C	D	D+	D+
PI-31	Legislative scrutiny of audit reports	M2	D	C	D	D	D	D

PILLAR II TRANSPARENCY OF PUBLIC FINANCE assessment showed that the Budget formulation, execution and reporting are based on administrative and economic classification using GFS 2014 standards and Classification of the Functions of Government (COFOG).

There has been an upgrade of the Integrated Financial Management Information System [IFMIS] from Epicor 7.3.5 to Epicor 10.2 in April 2019 along with adoption of new Lesotho Chart of Accounts [COAs] and full implementation of International Public Sector Accounting Standards [IPSAS] cash basis. Budget documentation is basic as it meets all four basic elements and two additional elements. There are a range of weaknesses; from lack of access to published information by the public, to lack of monitoring of State-Owned Enterprises [SOEs] and Extra-Budgetary Units [EBUs], to lack of awareness on the country's Public Financial Management [PFM] System by MDAs.

PILLAR III MANAGEMENT OF ASSETS AND LIABILITIES assessment showed that Lesotho has well-established institutional arrangements to manage public investment projects.

The government has set up the Public Sector Investment Committee (PSIC) as the highest administrative authority for the economic appraisal of projects that will be implemented by any Ministry, Department and Agency (MDA) of the Government of Lesotho. The Department of Project Cycle Management (PCM) in the Ministry of Finance and Development Planning (MoFDP), is the secretariat of the committee.

The economic analysis of all capital investment projects begins with ministerial-level appraisal, forwarded to the PSIC for further scrutiny to ensure projects align with the National Strategic Development Plan (NSDP). Once proposed projects pass the appraisal criteria set out in the guidelines, they are included in the Public Sector Investment Programme (PSIP) report (feasibility study report) and submitted to Cabinet for final approval.

While the physical progress of the projects is monitored, there are no standard procedures and rules for project implementation that have been put in place by either the Department of PCM or the PSIC. This lack of procedures might be one of the reasons for the lower capital budget outturn by projects financed by GoL.

According to the FY 2022/2023 consolidated financial statements, the overall project expenditure was M3.281 billion against the budget of M6.764 billion representing an execution rate of 49%.

The implementation rate varied considerably across the three funding categories, ranging from 68% of domestic resources to 43% and 41% for grant and loan funded expenditures, respectively.

There are a range of weaknesses ranging from:

- Cases of non-compliance with the PFMA Act of 2011, such as lending to SOEs
- Poor monitoring of financial statements of both state-owned entities (SOEs) and subnational governments (SNGs)
- No criteria for prioritisation and ranking of the capital investment projects before they are sent to the Budget Office for inclusion into the budget
- Results of the PSIC are not published and are not reviewed by an entity other than the sponsoring entity
- Some projects have been implemented without passing through the PISC assessment
- No standard procedures or rules for project implementation as well as monitoring guidelines have been put in place by either the Department of PCM or the PSIC
- No legal framework to guide the PPPs.

The major shift from a Government-led to a Private-sector-led Economic-growth-model, requires that the PFM procedures of this Pillar are robust. Key priority PFM reforms are therefore required to address Pillar III.

PILLAR IV POLICY BASED FISCAL STRATEGY AND BUDGETING assessment showed that Forecast data for all four forecast indicators (GDP, Inflation, exchange rate, and interest rate) are available and just need to be included in the budget documents, the budget speech has annexes that compare the budget estimates for different years and some Macro-Fiscal Sensitivity Analysis is being done. There exist quarterly economic and monthly fiscal bulletins containing performance on macroeconomic as well as the Mid-Term Budget Review that contain detailed explanations of the reasons for the deviations from the objectives and targets of the budget. Medium-term strategic plans are prepared and costed for most of the ministries.

The Legislature's procedure to review budget proposals has been clearly outlined in the National Assembly Standing Orders of Lesotho as revised in 2022. Clear rules exist for some of the aspects of budget adjustments which are adhered to in some instances.

However, there are a range of weaknesses ranging from:

- Insufficient collaboration between the macro department of the MoFDP and the Central bank
- the macro-fiscal sensitivity analysis includes only a limited qualitative assessment of the impact of some alternative macroeconomic assumptions
- fiscal forecast scenarios that exist are not published
- Program budgeting is not part of the annual budgets for the fiscal years 2020/21, 2021/22 and 2022/23
- only some (not all) budgetary units comply with the budget calendar and meet the deadlines for completing estimates

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- the Executive has been unable to submit the annual budget proposal to the Legislature at least two months before the start of the fiscal year as expected
- rules for Budget Adjustments by the Executive regarding the criteria and timing of submitting supplementary budgets in both the constitution and the PFMA Act are not so clear.

PILLAR V PREDICTABILITY AND CONTROL IN BUDGET EXECUTION assessment showed that taxpayers have easy access to up-to-date information. Credibility and trust have been enhanced through the development of the Compliance Model by RSL in managing risks and RSL records and monitors its stock of revenue arrears. IFMIS helps to minimize risks associated with financial mismanagement, fraud, and corruption. A strong system for cash forecasting and monitoring exists. A strong payroll system exists where all payroll management is done through HRMIS and the procurement Tribunal exists and is fully functional.

However, there are a range of weaknesses ranging from:

- absence of a risk management framework around revenue, expenditure, procurement, etc
- the Procurement Policy and Advisory Division (PPAD) has no database or records for contracts including data on what has been procured, value of procurement, and who has been awarded contracts
- Poor implementation of Internal Audit structures for line ministries
- Inadequate levels of daily sweeping of revenue into the Treasury Main Revenue Account.

There are still revenue-collecting entities sweeping on a weekly and monthly basis; and limited consolidation of government bank accounts into a Treasury Single Account (TSA). Only 8 out of 368 government bank accounts are consolidated into the TSA.

PILLAR VI ACCOUNTING AND REPORTING assessment showed that reconciliation of bank accounts and cash balances takes place. There are multiple internal controls in the IFMIS processes. IPSAS cash basis has been adopted by the government and is being applied consistently.

However there are a range of weaknesses ranging from:

- Lack of regular monitoring of the monthly bank reconciliation reports' submissions to the office of the Accountant General
- Clearance of advance and suspense accounts, and reconciliations is not performed timely as per the treasury regulations
- IFMIS allows for backdating of entries and adjustments after the period ends and this results in inaccurate and inconsistent reports
- In-year budget reports do not incorporate actual expenditure of other spending units such as autonomous bodies, state-owned enterprises, and extra budgetary units
- Lack of monitoring of the monthly and quarterly in-year budget report preparations, and submissions to the Accountant General by the spending units
- Financial statements of state-owned enterprises, autonomous bodies, and extra-budgetary units, are not consolidated into the annual financial statements and Delays in submitting the annual financial statements for audit.

PILLAR VII EXTERNAL SCRUTINY AND AUDIT assessment showed that, the Office of the Auditor General (OAG) is functional and there is evidence that formal responses were made by the executive on audits for which follow-up was expected, during the last three completed fiscal years. By law, the OAG has unrestricted access to the majority of the requested records, documentation, and Information and In-depth hearings on key findings of audit reports take place occasionally.

The range of weaknesses range from:

- OAG has no formal depository of the entities that have been audited, relative to the total number of entities that should be audited
- Audited reports are submitted over nine months (not within 3 months as expected) after receipt of the financial reports by the OAG to the legislature
- The formal responses made by the executive on audits for which follow-up was expected, were not comprehensive and timely
- Access to information by the OAG such as the accountant general reports is seldom within the specified time

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- None of the audit reports for the years under review have been completely scrutinised by the legislature
In-depth hearings on key findings of audit reports cover only a few audited entities
- There was no completed audit scrutiny by the legislature during the 3 years under consideration so no recommendations could emanate from the reports
- The PAC reports on Audit hearings have not been published for the years under review. The last PAC report published on the official website on Audit hearings is the 2013-2016 PAC Report.



PEFA Self-Assessment 2024 Outcomes: Capacitated Stakeholders

The PEFA Self-Assessment 2024 approach enhanced the understanding, ownership and capacity, of a selected group of over 80 Government Officials, who were involved, and were facilitated, to define, produce, and analyse their PEFA Pillars data sets, relevant to the policy or technical areas of their official work assignments.

The major outcome of the PEFA Self-Assessment 2024 is the capacitation of this critical mass of Government Officials and other Stakeholders, who can take forward more effectively the Government PFM Reforms Agenda, by building on the systematically developed datasets and PEFA Pillars assessments, that are fully owned by the Government officials and counterparts who engaged in this participatory PEFA SA exercise, to advance more prudent financial governance practices, that better serve the Lesotho citizens.

The critical mass of Government PEFA Counterparts who have been engaged are selected Officials of the Line Ministries', Planning Units and Budget Sections and Officials from the relevant Agencies, like the Central Bank, the Office of Auditor General and the Department on Corruption and Economic Offences.

The PEFA SA 2024 will be shared with the PFM Development Partners, in particular, WB, USAID, IMF, EU, AfDB, UNICEF and GIZ, to facilitate the coordination of the respective PFM DPs support interventions in the Government PFM Reform Agenda.

The PEFA SA 2024 assessment and findings are directly relevant to the targeted Government Officials who were engaged and better capacitated to address the Government PFM Reforms in their respective PEFA Pillar task areas.

The PEFA SA 2024 assessments and analytical framework yielded in a systematic and effective manner, a comprehensive list of PFM Reforms, that can be developed into the GoL PFM Reforms Agenda, and from which then priority PFM Reforms 2024 can be selected, aiming at a timebound GoL PFM action plan that will gradually cover all PFM Reforms.

The Key Government entities and counterparts, who have been engaged and capacitated by the PEFA SA 2024 exercise, are to be mobilized to implement their (priority) PFM Reforms.

- The MoFDP leadership and the leadership of relevant MDAs; are to identify priority PFM Reforms to be pursued.
- The MoFDP Departments tasked with the revenue, budget or expenditure PFM tasks are to be mobilized, i.e. the Macro Department, the Budget Department, and the Accountant General, and the other MoFDP Departments tasked with management of a specific fiscal or PFM task; e.g. Public Debt Management, Public Procurement, Private Sector Development, and Capital Budget management.
- The Planning, Budget and Audit units of the MDAs are to be mobilized to address their specific PFM Reforms as identified in the PEFA SA 2024.



Priority PFM Reforms Triggered by the PEFA Self-Assessment 2024

A key objective of the Government of Lesotho PEFA Self-Assessment is to use PEFA (SA) 2024 updated evidence and analysis of the PEFA Pillars Assessment Scores, as a catalyst for to identify and trigger Priority PFM Reforms, and more effectively implement a GoL PFM Reforms Action Plan, through the mobilized critical mass of Government counterpart Officials.

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To develop a list of Priority PFM Reforms (“low hanging fruit”) that can be triggered by the PEFA SA Findings, the Ministry of Finance and Development Planning, together with the Committee of Principal Secretaries is to identify and prioritize GoL PFM Reforms, drawing on the PEFA SA 2024 findings.

The PS MoFDP will lead the identification and prioritization of PFM Reform driven by the PEFA SA 2024, starting in Q1 2025.

Currently there is no comprehensive “stand-alone” consolidated GoL PFM Reform Agenda. The list of indicative GoL PFM Reforms is to be drawn from the following GoL sources:

- 1. Budget Strategy Paper 2025/26
- 2. Budget Speech (2024/25)
- 3. Budget Mid-Term Review (2024/25)
- 4. MoFDP Budget Matrix Speech/Recurrent/Capital (2024/25)
- 5. The NSDP-II Key Priority Area (KPA) IV (2023/24 – 2027/28)
- 6. NSDP-II KPA IV Reporting Template
- 7. MoFDP Operational Plan (2024/25)
- 8. MoFDP Performance Contract (2024/25)
- 9. MoFDP Service Charter (2024)
- 10. the PFMA Act (2023) and
- 11. RSL Strategic Plan - Lesokoana (2024-2027)
- 12. Relevant other Bills/Policies/Strategies: Public Debt (Ceiling) Management Bill, Public Procurement Bill/Manual/Agency/Procedures, PPP Bill;, Competition Bill, Investment Policy, Disaster Risk Strategy, Arrears Inventory Strategy, National Payments System Bill, Inheritance Laws, GoL Macro Fiscal Rules, GoL Fiscal Risk Statement/(Mitigation) Strategy, Public Service Act (Legislative-Regulatory Review), National Payments System Bill, GoL IFMIS Digitization Strategy.

In addition, selected GoL PFM Reforms are triggered and supported by major PFM DPs Projects and Programmes:

- 1. World Bank; Competitiveness and Financial Inclusion (CAFI) Project (2022 – 2028), Public Sector Foundations for Service Delivery (PSFFSD) Project (2024 – 2027), Development Policy Operation (DPO) Prior Actions & Triggers (2024)
- 2. IMF: Article IV Policy Recommendations (2024), Tax Administration Diagnostic Assessment Tool (TADAT 2023) Risk Management, Fiscal Risk Statement (2024/25) Mitigation Measure, Global public Finance Partnership (GFPF) Trust Fund Capacity Development Project (2024 - 2027)
- 3. US Millenium Challenge Account - II Passing Indicators (2022 - 2028)
- 4. UNDP/EU Integrated National Financing Framework (INFF) Facility Lesotho
- 5. AfDB Institutional Support Project for Debt and Expenditure Management (ISPDEM 2022 – 2025)
- 6. and EU Central Bank Lesotho TA/Capacity-building, CF TA supported GoL PEFA SA 2024 Way-forward actions.

The summary list of possible priority (“low hanging fruit”) PFM Reforms, links the PFM Reform to the relevant PEFA SA 2024 Pillar, and proposes follow through

- 1. by addressing that PFM Reform and a specific working group of GoL Officials who will draw on the insights obtained in the PEFA SA Exercise 2024, and
- 2. in the process, upgrade specific PFM routines and thereby realize improved PEFA Pillar scores.

#	PFM Reform	Link to PEFA Pillar(s)
	Identify and select a specific <u>GoL</u> PFM Reform (“low hanging fruit”) to be pursued for implementation	Link that PFM Reform to a relevant PEFA SA Pillar assessment enhanced insight and findings, and activate the relevant mobilized PEFA -Pillar cluster of Government Officials



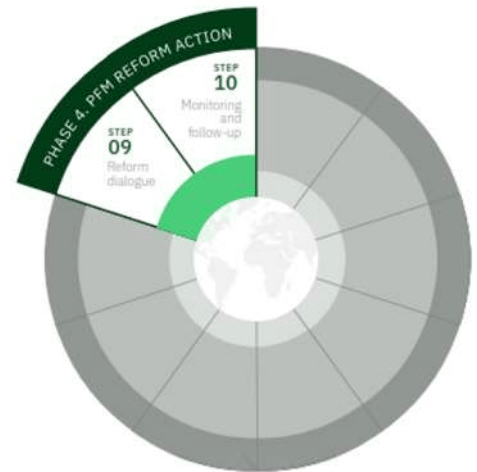
The Way-Forward: Implement Prioritized PFM Reforms

The Government PEFA Self-Assessment 2024 Report is the end result of a collaborative process and marks the start of the way forward actions that aim to institutionalize the PEFA capacity and capability that has been

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established through the PEFA Self-Assessment exercise in 2024. The way forward institutionalization measures address the WHO and the WHAT & WHEN, for improved Government PFM Reform implementation.

- 1. WHO:** Accredite the Lesotho local Experts as PEFA Experts. The Lesotho local Experts who facilitated the Government Officials, internalized the PEFA Secretariat Manuals and Guidelines and were provided on-the-job training by the regional PEFA Expert. A deliberate follow-up accreditation track is to be activated to create a cadre of Lesotho PEFA Experts. The CFTA Project will develop an accreditation programme to “groom and graduate” the Lesotho Facilitators as PEFA Experts, seeking guidance from the PEFA Secretariat, the Collaborative Africa Budget Reform Initiative (CABRI), and the Lesotho Institute of Public Administration and Management (LIPAM). The Budget Controller MoFDP, who was leading the PEFA 2024 Self-Assessment exercise, will coordinate the accreditation process from the Government side, scheduled for Q1-2025.
- 2. WHO:** Institutionalize the configuration of Government Officials, by establishing Working Groups that will address specific (priority) PFM Reforms that are triggered by the PEFA-SA 2024. The configuration of Government Officials who have been engaged and mobilized in the PEFA 2024 exercise will be guided and interact and continue to enhance their analytical and operational understanding and ownership of their PEFA assessments and data sets, allowing them to maintain and update their (task area) PEFA indicators, and activate updated policy-reform and actions. Fiscal Policy Actions and PFM Reforms are (effectively) implemented at Department level and in the relevant line-Ministries and /Agencies.



To enhance effectiveness of implementation of specific PFM Reforms and Government Fiscal Policy Actions, the Government Officials will be clustered in Working Groups by PEFA Pillar, and/or a specific PFM Reform area/action. The PEFA SA Report Annex presents the critical mass of Government Officials who were mobilized in PFM Working Groups. The Office of the PS and DPS Finance of the MoFDP and the Committee of Principal Secretaries are to lead the institutionalisation and mobilization of these PFM Working Groups.

The EU CF TA Project will provide targeted logistics support. This will be a continuous capacity-building effort starting in Q1 2025.

- 3. WHAT & WHEN:** The Lesotho PEFA SA 2024 was quality controlled by a PEFA Expert and followed the PEFA Secretariat Manuals and Guidelines steps. To strengthen the validity of the PEFA SA 2024 Analysis and Findings, a series of Ex-post PEFA SA 2024 Report Peer Review Validations are scheduled to:
 - Further improve the understanding of the Ministry of Finance and Development Planning on the PEFA process steps and methodology, and draw on this understanding for future total PEFA updates or specific PEFA Pillar assessment updates, and strengthen the quality and usefulness of future PEFA reporting in providing accurate, reliable and actionable assessment of PFM performance.
 - validate that the evidence, accuracy and relevance of the 2024 PEFA Pillars assessments and Indicators' scores and findings, and confirm these provide accurate reflections of the status of public financial management systems and institutions of the government, as captured in the indicator scores and narrative assessment, thereby supporting priority PFM Reforms that are triggered by the PEFA SA 2024 findings.

The PEFA SA Report Assessments and Findings will be Peer-reviewed and validated with the relevant authoritative entities, further strengthening their ownership of the PEFA datasets and Pillar Scores:

- 1. Auditor General
- 2. Accountant General
- 3. Macro-Economic and Technical Working Groups
- 4. Budget Department
- 5. Bureau of Statistics
- 6. Public Debt Management Department
- 7. Central Bank
- 8. Planning/Budget Units Line-Ministries/Agencies
- 9. Department on Corruption and Economic Offences (DCEO)

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- 10. Revenue Services Lesotho (RSL)
- 11. Lesotho National Development Cooperation (LNDC)
- 12. Open Budget Survey Representative
- 13. Selected PFM Development Partners
- 14. PEFA Expert/Consultant (to be identified)
- 15. The PEFA Secretariat
- 16. Parliament (Budget Committee) and
- 17. Any other relevant Organization (to be identified). The Peer Review meetings will validate the PEFA SA Report assessments and findings by addressing (at least) the following issues:
 - Obtain comments in the extent to which PEFA SA 2024 Exercise complied with the PEFA Secretariat methodology and seek guidance for future PEFA Assessments to qualify for a PEFA Secretariat Check
 - Submit/Register the PEFA SA 2024 to the PEFA Secretariat database. A PEFA Check is not mandatory
 - Assess if compliance indices for dimensions and indicators and the report coverage index are both higher than 85 percent, and if below 85 percent (PEFA secretariat) seek how to improve compliance or coverage to meet or exceed 85 percent.
 - Validate if quality assurance arrangements surrounding assessments provided for adequate participation by governments and PFM institutions,
 - Validate if the coverage rating of the actual content of the sections presented in the report compares to the content as prescribed by the PEFA Framework,
 - Validate the compliance index, being the number of dimensions that are scored in accordance with the PEFA methodology, as supported by the evidence presented or described in the report, compared to the total number of dimensions that are scored
 - Validate if good practices were followed in the process of planning and implementing the SA Exercise and seek further advice, regarding how to conduct and report on quality assurance processes.
 - Capture the comments of the respective authoritative entities in a matrix and identify the priority PFM Reform Actions that are triggered by the PEFA SA 2024 findings.

The Budget Controller.MoFDP, who was leading the PEFA SA 2024, will coordinate the Ex-post Peer Review Validations

4. WHAT & WHEN: The Ministry of Finance and Development Planning (MoFDP), in collaboration with the Committee of Principal Secretaries, will identify and prioritize the Government of Lesotho's (GoL) PFM reforms based on the findings from the PEFA SA 2024. The focus will be on developing a comprehensive GoL PFM Reform Agenda that incorporates these priority reforms. The Office of the PS will lead this process, beginning in Q1 2025, to ensure that PFM reforms are effectively prioritized and aligned with the PEFA SA 2024 findings. This initiative will lay the foundation for enhancing PFM systems and improving governance.

5. WHAT & WHEN: The PEFA SA 2024 datasets, covering FY 2020/21, FY 2021/22, and FY 2022/23, will be included in GoL Data Portals to enhance these platforms with authoritative quantitative and qualitative data. This data will be extracted for use in GoL public finance, budget, and accounting routine reports, contributing to informed and reliable analysis.

The relevant custodians, including:

- the Ministry of Finance and Development Planning (MoFDP),
- Budget Controller, Director of Macro, Accountant General,
- Office of the Auditor General,
- Central Bank Lesotho,
- and other relevant GoL Departments/Agencies,

will jointly update and maintain the GoL Data Portals. The update process will begin in Q1-2025.

6. WHAT & WHEN: The PEFA capacity established under the PEFA SA 2024 exercise will be institutionalized through the development of PEFA Training Modules and Courses. These will draw from PEFA Guidelines and Training Materials, converting them into a comprehensive PEFA Training Course at LIPAM. Lecturers for these courses will be sourced from PEFA Facilitators, the National University of Lesotho (NUL) Department of Economics, and LIPAM.

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The short and focused PEFA Courses will train a broader group of Government Officials, consisting of:

1. a general session on the PEFA Methodology (1 day)
2. and an applied session addressing specific PFM Reforms (2 days).

The applied part will target specific working groups or clusters of relevant GoL Officials, focusing on PFM Reforms from the GoL PFM Reform Agenda.

The Ministry of Finance and Development Planning (MoFDP) will prioritize the cases to be included in the courses.

The Director-General of LIPAM will coordinate the development of the LIPAM PEFA Course, with logistics and technical assistance from the CF TA. The first pilot course is scheduled for Q1 2025.

