



TEAM LESOTHO-THE ACHIEVERS

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**MADs DO NOT ADHERE TO THE GIVEN
CEILING/APPROPRIATED BUDGET**



INITIAL PROBLEM

Budget process is not credible as far as a PFM processes are concerned. This has led to multiple fundamental flaws in the country's economic development, governance and PFM system



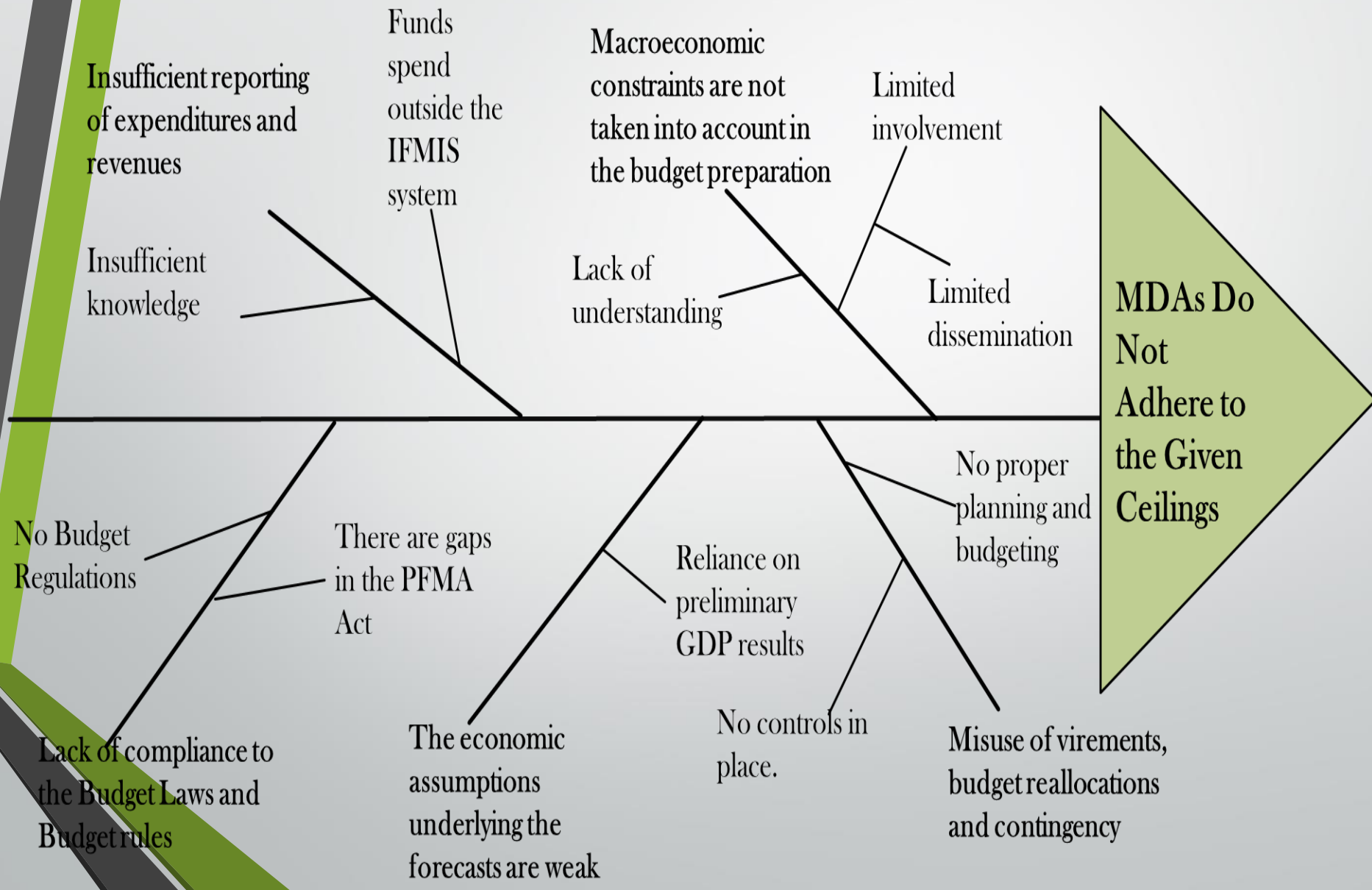
BEGINNING

- At the framing workshop held in Johannesburg we reformulated a new problem statement
- Identified the key entry points which we thought were quick wins
- The team came home and presented the problem statement to the HODs, departments/key people for their inputs and endorsement.



INVOLVEMENT

- Authorisers
- Colleagues from:
 - Budget, Macroeconomic Policy and Management, Project Cycle Management, Treasury and MDA`s.
- For departments to be on the same page with the Team to understand and appreciate the problem;
- MDA`s to understand the problem and their involvement towards resolving it.
- Consult all stakeholders to probe the scope of the problem





AUTHORISERS





CONSULTATIONS

- Extensive consultative process, with MDA and numerous departments within treasury.
- They came in with a new perspective which the Team was not aware of.



REVISED PROBLEM AND FISHBONE



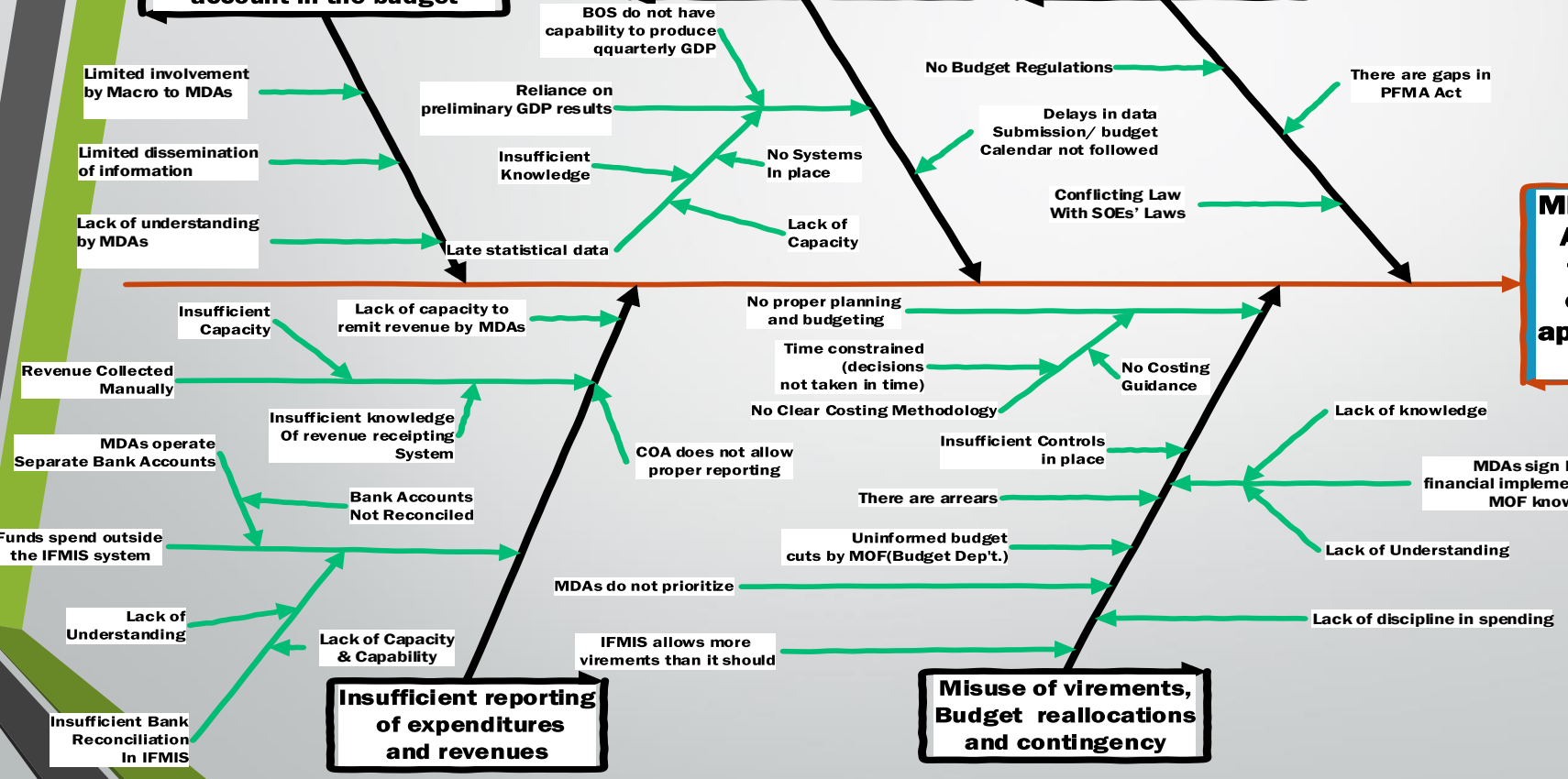
LESOTHO TEAM – FISHBONE ANALYSIS

Macroeconomic constraints are not taken into account in the budget

The economic assumptions underlying the forecasts are weak

Lack of compliance to the Budget Laws and Budget rules

MDAs do not Adhere to the given ceilings/ appropriated Budget





ACHIEVEMENTS ON THE FISHBONE



MACROECONOMIC CONSTRAINTS NOT TAKEN INTO ACCOUNT



- ▶ To start the action, team secured funding for the training of MDAs to be conducted from the Ministry of Finance.
- ▶ The trainings was conducted from 14-17 August 2017;
- ▶ Conducted a training sessions for all 35 MDAs in groups for four days;
- ▶ Participants included Deputy Principal Secretaries, Directors of Planning Units and Human Recourses, Procurement and Finance Managers;
- ▶ MDA`s have shown a more understanding of the fiscal framework and where the overall envelop come from;
- The credibility of the MoF ceilings is compromised – due time consistency
- ▶ They appreciated and recommended to have regular consultations on the macro issues;



CONTINUE...

- Prepared a training report and circulated it to colleagues;
- Conducted an induction presentation to Cabinet about the Budget Process and MTFE as well as the challenges on the 27th August 2017; and
- Disseminated Macroeconomic related information through the 2018/19 BSP which was approved by Cabinet and published on the MoF website.





THE ECONOMIC ASSUMPTIONS UNDERLYING THE FORECASTS ARE WEAK

- Firstly Technical Working Group (TWG) was formed, consisting of the following offices (Macro, Budget, MDP, BOS, LRA, CBL, LNDC, IMF Resident Office)
- The Group met for the first time on the 25/07/2017 and the following are the outputs of the meeting:
 - Resolved some data inconsistencies;
 - Paved a smooth working relationship in data sharing as compilers and users;
 - Agreed on an addendum to correct the published 2015/2016 GDP data to improve future data forecasts; and
 - BOS has started work on quarterly GDP under the project called Public Sector Modernisation, the TOR for the consultant who will assist BOS on this have been drafted and submitted to the project coordination unit.



CONTINUE...

- Improved working relationship for data sharing;
- Agreed on an addendum to correct the published 2015/16 GDP data to improve future data forecasts;
- Published the agreed 2015/16 GDP;
- BoS begun work on quarterly GDP under the Public Sector Modernisation Project, the TOR for the consultant who will assist BOS on this have been drafted and submitted to the World Bank for a no objection;
- Preliminary quarterly GDP has been released/shared with stakeholders for both first and second quarters;
- Actual figures will be released in March 2018, so that fiscal forecast will be more accurate.



LACK OF COMPLIANCE TO THE BUDGET LAWS AND BUDGET RULES

- Budget Regulations have been presented to the Budget department for approval;
- MoF is in the process of amending the PFMA Act, All relevant departments have consolidated and send their proposed amendments to the Act to Legal Department;
- Submitted the proposed amendments to Cabinet for policy clearance.







INSUFFICIENT REPORTING OF EXPENDITURE AND REVENUE

- Organised a meeting with Treasury Department to discuss the 2016/17 annual accounts as part of reporting. In that meeting we discussed:
 - Issues leading to reporting problems that included misappropriation of funds, spending outside the system and too many bank accounts which are not reconciled; and
 - working relationship between Treasury and Budget departments were improved.
- Treasury reported some actions that have been undertaken in respect of the different parts of the bone as follows:



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Insufficient Reconciliation in IFMIS - lack of understanding by MDAs; the following action has been made:

- Developed a training task team within Treasury department;
- Trainings were undertaken in May 2017 to inform ministries of the importance and impact of non-reconciliation regarding the 2016/2017 annual financial accounts report.
- Follow up workshops were also conducted to discuss the preliminary findings of the 2016/2017 Auditor General Report.
- Treasury also intends to have this type of trainings on annual basis to keep up the momentum with MDAs.

MDAs do not Keep Proper Books of Accounts:

- MDAs were trained from 1st – 3rd November 2017 about keeping the proper books of accounts and its importance which will also assist in reconciliation.



CONTINUE...

Lack of capacity and capability; incompatibility of Central Bank of Lesotho (CBL) statements with IFMIS/Treasury request:

- CBL changed its banking system without proper consultation with GOL thereby leading to non-reconciliation in Treasury main accounts;
- CBL then met the requirements of GOL by mapping the GOL format, testing it and then finally being able to produce the weekly statements in the format that GOL requires from October 2017 to present without any technical hiccups.

Lack of capacity to remit revenue by MDAs:

Treasury management formed a Task Team which conducted trainings to MDAs in May to tackle issues of remitting revenue in the IFMIS;

Following the training, a realisable impact of up to date revenue remittances and reconciliation has been noticed; and

The plan is to continue with quarterly trainings to keep up the energy of the MDAs.



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Revenue collected manually; insufficient capacity and support on revenue receipting system:

- GOL decided to do away with the receipting system as it had no technical support from the vendor and it proved to be problematic with the few MDAs that were used for pilot.
- Second option was to introduce a digital pen and digital receipts which are connected to the telephone lines and directly communicate with the IFMIS server
- With this revenue collection improved.
- Advantage of this system is that it works even at the remote areas where there is no internet access.



CONTINUE...



Insufficient reporting of SOEs; No standard reporting format:

- First step that was taken here was to call all SOEs in one room to discuss the importance of reporting on an annual basis
- Established a working relationship with SOEs which never existed.

COA does not allow proper reporting:

- MOF has taken lead in reviewing the current COA and the draft prototype structure has been developed.
- The structure presented to both department of Treasury and Budget as they are the main stakeholders.
- COA presented to MOF management and was approved for implementation in 2019/2020 with the IFMIS upgrade.
- Plan is to hand over this problem to Treasury Team with assistance from this team.





MISUSE OF VIREMENTS, REALLOCATIONS AND CONTINGENCY

No proper planning and budget

- Introduced and customized central budget management system;
- Trained 180 people in 35 MDAs on how to use the new system;
- Budget will be presented for the first time using programmes to Parliament thereby implementing the law;
- The system will not allow MDAs to go above the ceiling and therefore MDAs will prioritise what should fit within the ceiling;
- Clear costing guidelines and methodology have been designed;
- System will also assist in uninformed budget cuts



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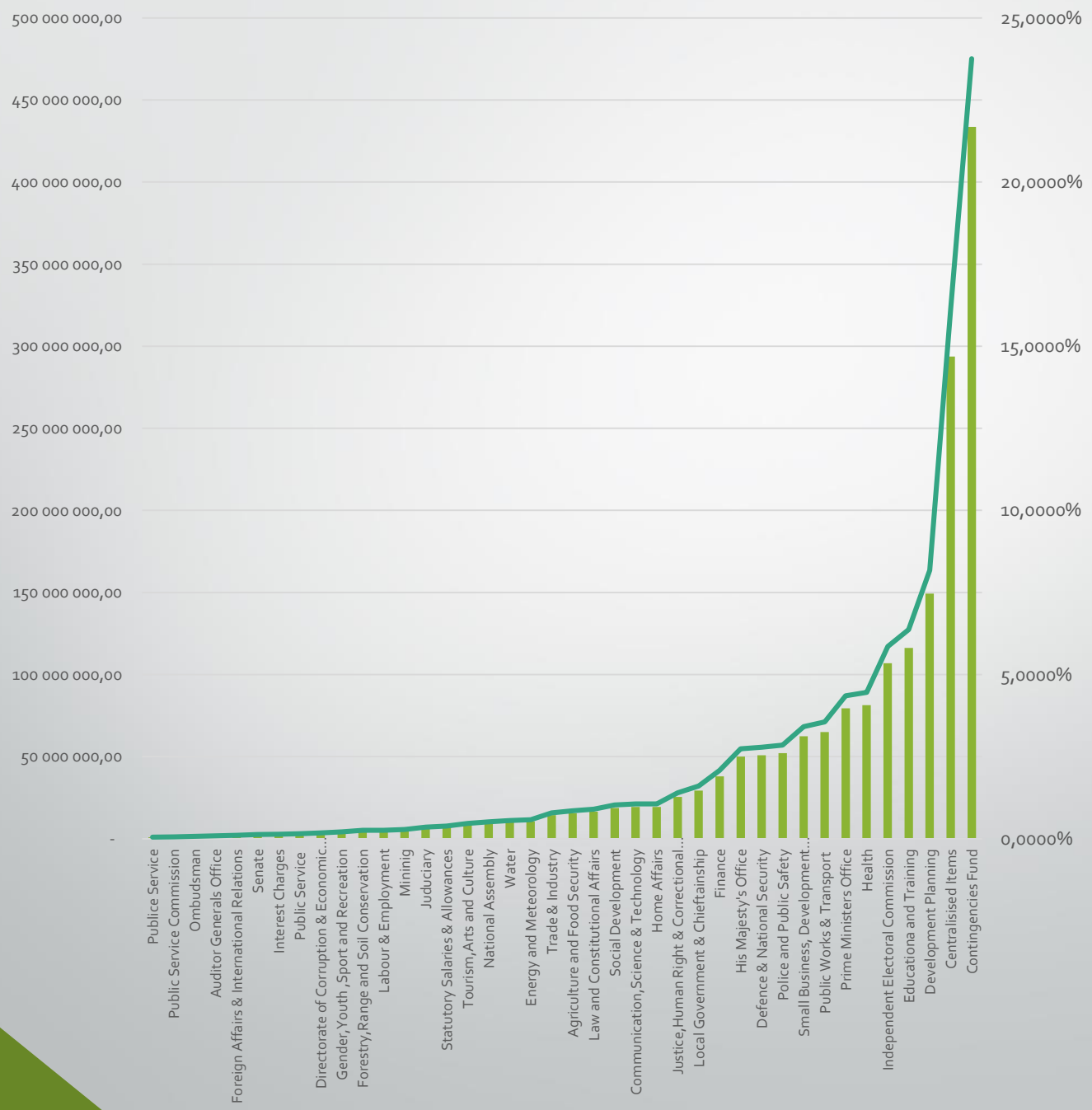
IFMIS allows many virements than it should

Team collected virement data and the following are the observations:

- There are a few entities that vire significantly:
- Engage MDA using the data;
- There are a few items in which we see lots of virement and the following are some of the findings:



Virements by organization (where money is vired from)



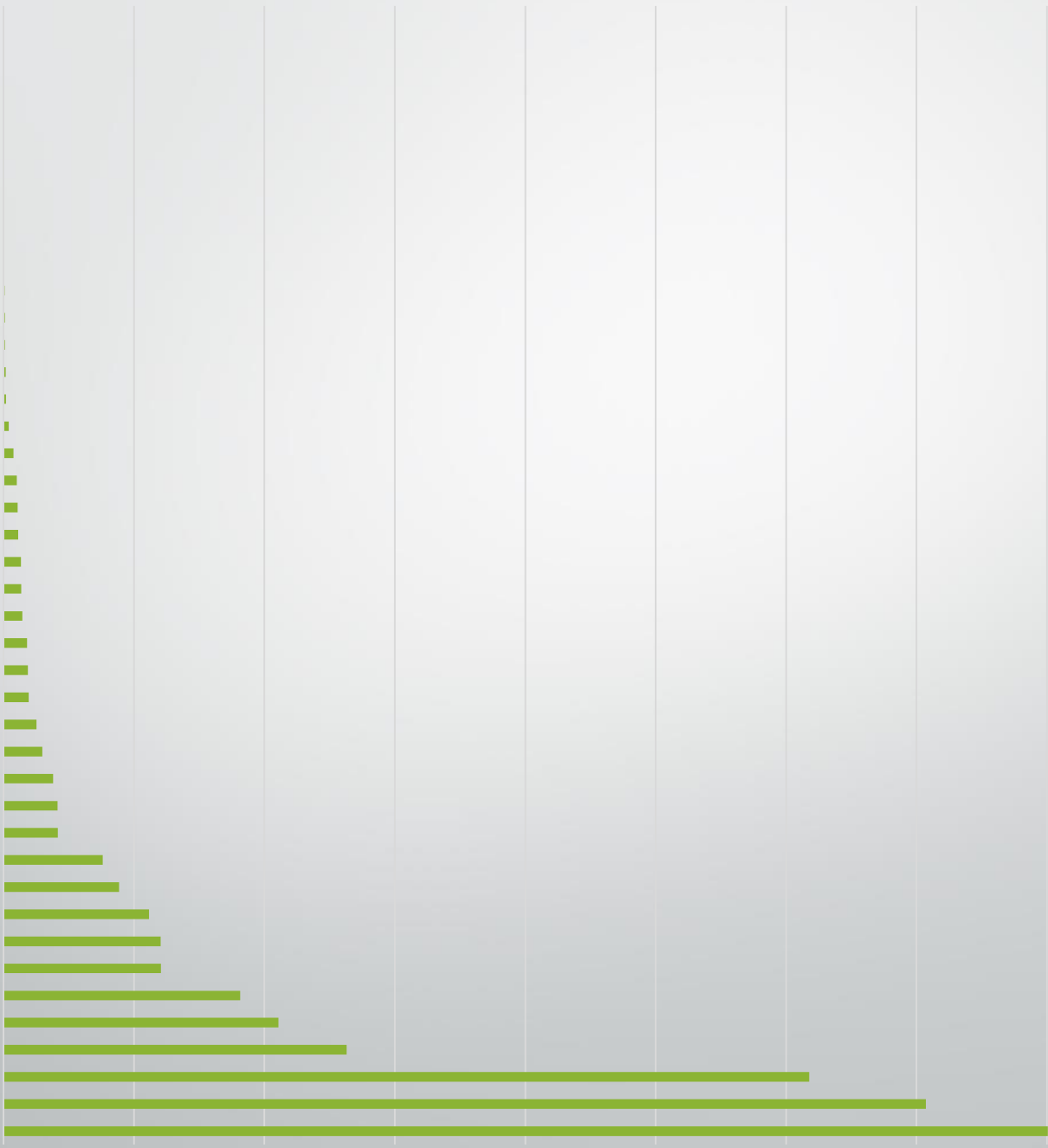
Virement by organization (where money is vired to)



Items vired from



Items vired to

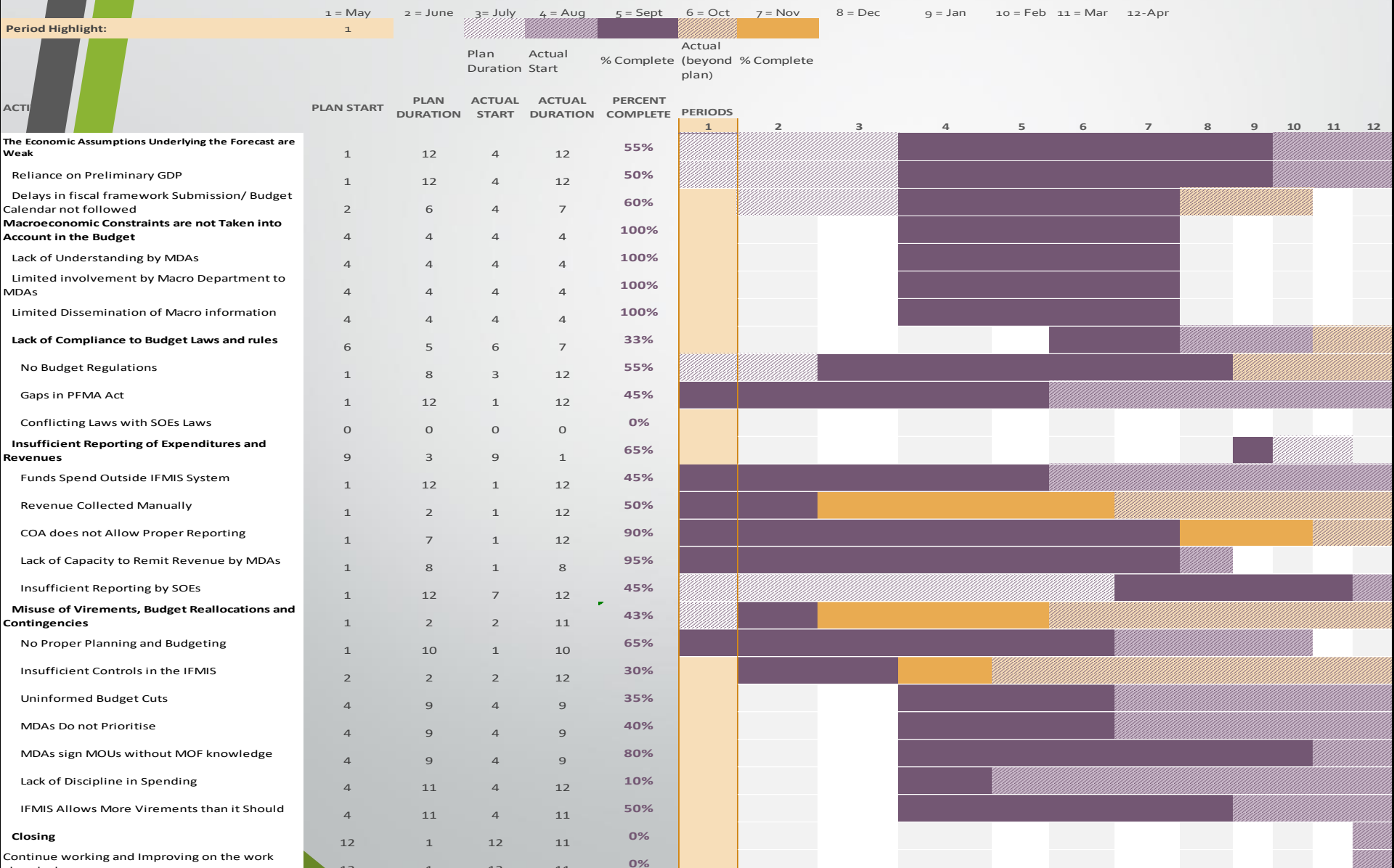




SUCCESSSES



MDAs Do not Adhere to the Given Ceiling/Appropriated Budget





LESSONS LEARNED

- Collaboration with other departments in the ministry is essential for the success of this programme. Working together is fundamental to the success of any PFM system;
- Team work requires dedication from each member in order to achieve set goals or targets;
- Time management is critical for the success of every team work;
- It is not the magnitude of how much has been achieved but all the small steps taken towards achieving the goal counts;



CONTINUE...

- Reforms need dedicated teams;
- PFM reforms are usually a huge challenge because the primary beneficiaries of virements are the authorities;
- Bottom-up driven reforms proven to be successful;
- For change to happen, the story must be told with hard data of incidences, trends etc.



CONCLUSIONS...

- MOF should work with MDAs to seriously address the virement and reporting issues :
 - Speak to MDAs and try to find out why they vire
 - See if this is a pattern across years or just a factor in the year in question
 - Perhaps follow these items specifically each year to see what's going on
 - Motivate and or sanction them to control their virements
 - Bring them into monthly reporting protocol to
 - Ensure they report on all virement
 - Learn why they vire
 - Develop strategies to control virements
- Unfortunately there is still a lot to be done and eventually achieve the set targets and spread the word as the champions of change.
- Its been agreed that Treasury will fully address this problem with assistance of the achievers

We truly thank CABRI and Harvard University for the opportunity



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