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NEWSLETTER

LESOTHO JOINT SDG FUND



ABOUT THE JOINT SDG FUND

To support the Government of Lesotho (GoL) to establish a functional and sustainable integrated planning and PFM ecosystem that contributes to the accelerated achievement of the SDGs targets and the NSDP, the Joint Programme on Economic and Financial Management Integration for the Achievement of SDGs (JP-EFMIS) was signed in October 2020 and will run until March 2023.

The UN agencies supporting the GoL are UNICEF, UNDP and IOM.

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MTEF Implementation



Ministry of Finance and key line ministries attended workshops on the MTEF in preparation for accelerating the implementation of MTEF (Medium-Term Expenditure Framework). Workshops were held across three weeks in March and May. The final assessment report, MTEF framework and MTEF handbook will be shared with stakeholders in the coming weeks.

INFF - Intergrated National Financing Frameworks

In order to accelerate sustainable development and post COVID-19 economic recovery, Government of Lesotho deploys development financing by launching the INFF Roadmap and the Development Finance Assessment (DFA) Report. The INFF provides a holistic approach to development financing and helps better navigate an increasingly complex development financing landscape.



Mobilizing diaspora capital for financing



On 22nd June 2022, a stakeholder workshop was held to validate the results of two assessments conducted to support the government to leverage potential technical and financial resources of the diaspora. This will feed into the Lesotho National Remittance Strategy which will be developed in the coming months.

MTEF - Medium Term Expenditure Framework



Ministry of Finance and key line ministries attend workshops on the MTEF in preparation for accelerating the implementation of MTEF

The modernization of Lesotho's public financial management has been going on since 2012, with the implementation of the comprehensive reform action plan 2012/2013 – 2017/2018. Central to the country's public financial management reforms is the Medium-Term Expenditure Framework (MTEF). The MTEF strengthens the transparency of the budget process and contributes to better prioritization and allocation of resources and sustainability of the budget.

With the support of the Joint SDG Fund, UNICEF is supporting the Ministry of Finance (MoF) and other relevant ministries in the implementation of the MTEF. While the MTEF has been implemented since 2012, its implementation has faced a number of challenges and shortcomings. To ramp up the implementation, a series of capacity-building workshops were conducted by the Oxford Policy Management (OPM) in March and in May 2022, followed by a stakeholder workshop in which the results of the MTEF assessment were shared and the roadmap for implementation of the updated MTEF was discussed.



The capacity-building sessions, which were carried out over a period of three weeks, were attended at different points, by key MoF Budget Desk Officers for various ministries, Budget Officers from line ministries as well as officers of the Macro-economic Policy and Management Department of MoF, who oversee the macro-fiscal projections. The training sessions covered essential MTEF concepts, going through each of the steps to prepare the MTEF, as well as roles and responsibilities of the various stakeholders in preparing the MTEF. There was lively discussion during the sessions, reflecting on current practices and budgeting culture; systematic, organizational, and structural challenges each department and function faces in every step of the implementation of the MTEF; as well as practical solutions that could be implemented were also discussed.

On the 19th of May 2022, the results of the assessment on the challenges and issues affecting the full implementation of the MTEF were presented. The workshop was attended by Principal Secretaries from the MoF, Ministry of Social Development, Ministry of Education and Training and Ministry of Gender and Youth, Sports and Recreation. Key officers from these ministries and development partners also attended. Following discussions on the existing issues and opportunities, a roadmap for implementation was agreed. Among many agreed action points, the agreed roadmap includes the establishment of the MTEF working group, consisting of stakeholders from the Ministries, international financial institutions (IFIs) such as the International Monetary Fund (IMF), the World Bank and African Development Bank, UN agencies and other development partners. The MTEF working group will coordinate and synchronize the rollout of the MTEF based on the agreed roadmap. The MTEF assessment and roadmap report, once finalized, will be shared widely with stakeholders. An MTEF framework and manual will also be developed; as well as handbooks, one targeted at Members of Cabinet and Parliament and another at Principal Secretaries will also be provided. The MTEF will be implemented from the 2023/2024 budget in four pilot ministries, Ministry of Social Development; Ministry of Health; Ministry of Education and Training; and Ministry of Gender, Youth, Sports and Recreation.

UNICEF, in coordination with IFIs, development partners and other UN agencies, will continue to support the Government of Lesotho in improving the budget process by supporting the development and capacity building of Programme-Based Budgeting, Public Expenditure Tracking Survey (PETS) and SDG tagging of the budget. UNICEF will also work with the MoF in improving transparency and citizen participation in the budget process in the coming months.

For more information on the support to MTEF , please reach out to Marisa Foraci mforaci@unicef.org



INFF - Intergrated National Financing Frameworks



Lesotho deploys development finance strategies to accelerate sustainable development and post COVID-19 economic recovery

Development Finance is identified to be one of the most central variables to increase inclusive economic growth, accelerate sustainable development and achievement of the Sustainable Development Goals. The Government of Lesotho shares the notion and has therefore made a much-needed decision to pilot the Integrated National Financing Framework (INFF) by adopting the Development Finance Assessment (DFA) Report (2021) and launching INFF Roadmap to help manage the development financing landscape and facilitate resources mobilization. The event was held on the 10th March 2022. The INFF's main objective is to provide a holistic approach to development financing and to help countries better manage an increasingly complex development financing landscape and promote access to new sources of financing.

The Government's decision to pilot the INFF comes at a time when Lesotho's economy has experienced real Gross Domestic Product (GDP) contraction on average since 2017 and a further contraction by 6.5 percent in 2020 mainly because of COVID-19[1]. Like the rest of the global economy, this reversed progress that was made towards national development and achievement of the Sustainable Development Goals (SDGs) targets. In the same context, Lesotho has been experiencing development finance challenges such as a bloated public sector and limited private investment, reliance on the volatile Southern African Customs Union (SACU) revenue. The official development assistance (ODA) has also been on a decline while Government is facing inability to manage the limited existing sources of development finance.

Speaking at the launch event, the Minister of Development Planning, Hon. Selibe Mochoboroane acknowledged the myriad of challenges that face the Government of Lesotho due to 'lack of cohesion between the national plans and the budgeting processes, leading to budget shortfalls and low development results.'

The INFF process was initiated by undertaking the Lesotho Development Finance Assessment to map the development finance landscape and identify the main trends, challenges and opportunities related to mobilization and management of the various development financing

[1] Lesotho Overview: Development news, research, data | World Bank



flows. The resulting INFF roadmap is aimed at promoting coordination and management of development finance and planning for SDGs and national priorities as well as facilitate mobilization of alternative sources of financing. Through the INFF, Lesotho has an opportunity to tap into innovative sources of financing, such as debt for nature/climate swaps by strengthening its adaptation and mitigation measures through the ongoing Nationally Determined Contribution (NDC) process.

The Lesotho DFA report and the INFF Roadmap were conducted as part of the joint UN programme on Economic and Financial Management Integration for Sustainable Development, implemented by the UNDP, UNICEF and IOM, in collaboration with Ministry of Development Planning and Ministry of Finance, and funded by the SDG Fund. The Roadmap was launched by the Honorable Minister of Development Planning, Honorable Selibe Mochoboroane, with UNDP Resident Representative, Ms. Betty Wabunoha, and IOM Head of Office, Ms. Eriko Nishimura, with UN agencies and development partners, representatives from the private sector, Non-Governmental Organizations, Government Ministries and agencies in attendance.

The UNDP Resident Representative, Ms Betty Wabunoha commended the methodology as a solution to some observed challenges by linking financing and planning prioritization. She highlighted that 'adopting integrated financing will render good governance, accountable institutions and economic growth, establish an environment that accommodates broader economic participation in the citizenry, including integration of women as active economic agents.'

The INFF Roadmap has suggested some development financing reforms to be considered in the development of the integrated financing strategy to accelerate achievement of national development aspirations and the SDGs. It recommends strengthening public finances management and mobilization of domestic private investments including improving access to credit for MSMEs, to also target women-led businesses. The recommendations also include alignment of FDIs with the national development goals (and SDGs) and improved management and overall absorption capacity for Official Development Assistance (ODA).

With the roll-out of the INFF Roadmap underway, UNDP is supporting the Ministry of Finance to undertake an SDGs investor mapping with an integrated private sector capabilities assessment to provide a synopsis of private sector actors and their current capabilities to contribute to national development objectives and establish a market intelligence framework to mobilize targeted private actors and enable capital deployment and ensure inclusive private sector participation and partnerships. The Ministry of Development Planning will also undertake an SDG Financing Strategy, to establish mechanisms for resources mobilization and targeting in line with the targets and objectives for sustainable development.

For more information on the support to INFF, please reach out to Motulu Molapo motulu.molapo@undp.org



Diaspora remittances for development financing



The Government of Lesotho makes progress towards creating an enabling environment to mobilize diaspora capital and leveraging diaspora remittances for development finance

Remittances are not only the major private international finance flow, but also a major development finance source and a lifeline for almost 20 per cent of households in Lesotho. Remittances have suffered in 2020 because of the COVID-19 restrictions and lockdowns. Facilitating remittance transfers and access through effective financial corridors with SADC countries should be a priority, as well as investing and supporting the development of innovative and digital finance platforms including digital remittances. Basotho diaspora form part of private sector actors whose potential contributions to development of objectives have not yet been fully exploited. Lesotho has a lot of untapped potential in engaging with its diaspora and tapping into their wealth for the development of the country. Diaspora can be an important source of trade, capital, technology, and knowledge transfer for the country. Therefore, strategies for integration of diaspora into national development planning for investment and economic development should be explored. The Government has realized the potential of diaspora and has developed a Diaspora Engagement Policy, Diaspora Investment and Trade Strategy to facilitate diaspora engagement and established the diaspora Directorate.

The International Organization for Migration (IOM) is supporting the Ministry of Foreign Affairs and International Relations in collaboration with the Technical Working Group for Diaspora Engagement to identify potential opportunities as well as challenges for diaspora involvement in Lesotho economic development. In view of the above, IOM commissioned two assessments to support the government to leverage potential technical and financial resources of the diaspora.



The aim of the first assessment was to assess avenues for remittances cost reduction, enhanced financial inclusion and increased resilience of migrants and remittance receiving families in Lesotho. The second assessment reviewed existing policies towards promotion of diaspora investment and trade in Lesotho to identify obstacles and provide opportunities for diaspora investment. Reports of the two assessments were presented for validation to stakeholders on 22 June 2022 in Maseru.

The two assessments have revealed priority areas that require intervention to enable meaningful contributions of the diaspora. In line with the recommendations of the DFA assessment done by UNDP and the roadmap for INFF implementation that entails private sector mapping and partnerships, policy analysis assessment recommends understanding the size and characteristics of the diaspora as high priority for harnessing diaspora resources as well as tailoring strategies to reach them. In this vein, IOM maintains engagement of the Basotho Diaspora Association which has representation in the diaspora TWG to ensure they are informed with initiatives underway. In addition to knowing the diaspora, the assessment recommends incentivizing entrepreneurship of diaspora and improving diaspora capital markets investments through reviewing regulatory frameworks to support the development of capital markets instruments that enable diaspora investment. Regarding remittances, the assessment recommends financial infrastructure interoperability and improving mobile money products that provide savings services for remittances receivers. The assessment further recommends engaging the Republic of South Africa to review cross border mobile money regulation to facilitate customer friendly services to remit money.

The next step, based on the findings and recommendations of the two assessments, IOM will support development of Develop a comprehensive Lesotho National Remittance Strategy for encouraging Basotho migrants who work and live in other countries to send money home through formal channels and leveraging remittances for development

For more information on the support to leveraging diaspora capital for development financing, please reach out to Masoai Dennis <mdennis@iom.int>.

