

- The floor on the NIR of the Central Bank of Lesotho will be adjusted upward (downward) by the full amount of the excess (shortfall) in budgetary support net of external debt service relative to the programmed levels specified in Table 1 of the MEFP.

21. Supporting material: Data on the Metolong project loan balance under the government's accounts will be compiled by the Central Bank of Lesotho and will be provided on a quarterly basis, to be submitted no later than six weeks after the end of each reporting period.

22. The above supporting data and reports required for program monitoring by IMF staff will be transmitted by the authorities to the IMF Resident Representative to Lesotho.



# KINGDOM OF LESOTHO

April 23, 2013

## FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION OF THE ARRANGEMENT AND REPHASING OF DISBURSEMENT—INFORMATIONAL ANNEX

Prepared By

African Department

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## RELATIONS WITH THE FUND

(As of February 28, 2013)

**Membership status:** Joined 07/25/1968; accepted the obligations of Article VIII, Sections 2, 3, and 4: 03/05/1997.

<b>General resources account:</b>		<u>SDR Million</u>	<u>Percent Quota</u>	
Quota		34.90	100.00	
Fund holdings of currency		31.20	89.40	
Reserve position in Fund		3.71	10.64	
<b>SDR Department:</b>		<u>SDR Million</u>	<u>Percent Allocation</u>	
Net cumulative allocation		32.88	100.00	
Holdings		37.55	114.22	
<b>Outstanding purchases and loans:</b>		<u>SDR Million</u>	<u>Percent Quota</u>	
ECF <sup>1</sup> arrangements		41.70	119.47	
<b>Financial arrangements:</b>				
Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	06/02/2010	06/01/2013	50.61	39.25
ECF <sup>1</sup>	03/09/2001	10/31/2004	24.50	24.50
Stand-By	09/23/1996	9/22/1997	7.17	0.0

**Projected obligations to fund** (SDR million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Principal	1.40	1.05	0.78	2.13	4.70
Charges/Interest	0.00	0.00	0.10	0.09	0.09
<b>Total</b>	<b>1.40</b>	<b>1.05</b>	<b>0.88</b>	<b>2.22</b>	<b>4.79</b>

<sup>1</sup> Formerly PRGF.

## Safeguards Assessment

An update safeguards assessment was completed November 2012 in connection with the augmentation of the ECF arrangement that occurred earlier in the year. The assessments confirmed that the CBL has taken steps to strengthen safeguards since the 2010 assessment, but also that risks remain. In 2010, Deloitte (South Africa) was appointed as the CBL's external auditor. The firm has since completed the audits of financial years 2010, 2011, and 2012 within the three-month statutory deadline and issued an unqualified audit opinion following each audit. Since the 2012 assessment, aspects of the monetary data reporting process have been strengthened with IMF technical assistance, and internal auditors worked with the January 2013 IMF mission to confirm test date data. Audit oversight and internal audit remain areas where improvements are needed to strengthen overall governance and accountability.

## Exchange arrangement:

Lesotho is a member of the Common Monetary Area (CMA) and the Lesotho loti is both *de facto* and *de jure* pegged at par to the South African Rand, which is also legal tender in the country. Lesotho has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the Articles of Agreement and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. As of March 31, 2013, the Maloti rate per U.S. dollar was M9.24.

## Article IV consultation:

The 2012 Article IV consultation was concluded by the Executive Board on April 9, 2012. Lesotho is on the standard 24-month Article IV consultation cycle.

**Technical assistance missions:**

Public Financial Management	STA	short-term	2010
Financial sector regulations	FAD	short-term	2010
Payment systems	LEG	short-term	2010
Monetary and Financial Statistics	MCM	short-term	2010
Public Financial Management	MCM	short-term	2011
Financial sector supervision	FAD	short-term	2011
Revenue administration	MCM	short-term	2011
SRF data development	FAD	short-term	2011
Develop risk management function	STA	short-term	2011
Develop the post control audit function in customs	FAD	short-term	2012
Insurance Supervision	FAD	short-term	2012
Risk management	MCM	short-term	2012
Enhanced Insurance Supervision	MCM	short-term	2012
Risk Management	MCM	short-term	2012
Balance of payments	MCM	short-term	2012
Capacity to manage MTEF	STA	short-term	2012
Limit accumulation of arrears	FAD	short-term	2012
Training functions in customs	FAD	short-term	2012

**Missions planned for 2013**

Fiscal Law: Public Debt (AFRITAC South)	LEG	short-term	2013
Balance of Payments Statistics - IIP	STA	short-term	2013
Training: Balance of Payments Statistics Course (MEFMI)	BOP	short-term	2013
Compliance with Basel I and move to Basel II	MCM	short-term	2013
Risk Management follow up TA assignment.	FAD	short-term	2013
Review of tax administration law	FAD	short-term	2013
Payment Systems Modernizations	MCM	short-term	2013
Customs Administration	FAD	short-term	2013
Consumer Price Index	STA	short-term	2013
Compliance with Basel Core Principles	MCM	short-term	2013
Develop Regulations to Implement the New Financial Institutions Act	MCM	short-term	2013
National Accounts Statistics	STA	short-term	2013
PFM Reform	FAD	short-term	2013
TA in Fiscal Law: Public Debt	LEG	short-term	2013

**Resident Representatives:**

The new IMF resident representative office in Maseru headed by Mr. Michael Tharkur was opened in May 2012.

# THE JMAP BANK-FUND MATRIX

(As of March 31, 2013)

Title	Products	Provisional Timing of missions	Expected Delivery date
<b>A. Mutual information on relevant work programs</b>			
Bank work program in next 12 months	• First Growth and Competitiveness DPC	• Ongoing regular missions	• May 2013
	• Private Sector competitiveness and Economic Diversification project	Ongoing regular missions	• Implementation ongoing
	• Water Sector Improvement Project Phase 2	• Ongoing regular missions	• June 2014
	• Social safety net review	• May 2013	• Jun. 2013
	• Maternal and Newborn Health PBF		• Jun. 2017
	• Public Financial Management Reform Project	• Apr. 2013	• Oct. 2013
	• Medium Term Debt Management Strategy	• Apr. 2013	• Aug. 2013
IMF work program in next 12 months	<b>Macroeconomic policy analysis and advice and IMF program</b>		
	• Fifth review of the ECF	• Jan. and Mar. 2013	• May 2013
	• Sixth Review of the ECF	• May 2013	• Jun. 2013
	• Article IV Consultation	• Dec. 2013	• Feb. 2014
	<b>Technical assistance</b>		
	• Payments system modernization	• Apr. 2013	• Ongoing
	• Financial Sector Development Strategy	• Aug. 2013	• Ongoing
	• PFM reform plan	• Ongoing regular missions in 2013	• Ongoing
	• Review of debt legislation	• Mid-2013	• Ongoing
	• Review of mining taxation code	• Mid-2013	• Ongoing
<b>B. Requests for work program inputs</b>			
Fund request to Bank	• Updates on policy reform work: the business climate, economic diversification, private sector development, and civil service audit and reforms.	Ongoing	
	• Updates on budget support programs	• Ongoing	
Bank request to Fund	• Updates on the ECF program	• Ongoing	
<b>C. Agreements on joint products and missions</b>			
Joint products in next 12 months	• Debt sustainability analysis	• Dec. 2013	• Feb. 2014