

# Kingdom of Lesotho: Technical Assistance Report-Government Finance Statistics



# KINGDOM OF LESOTHO

## TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS

December 2020

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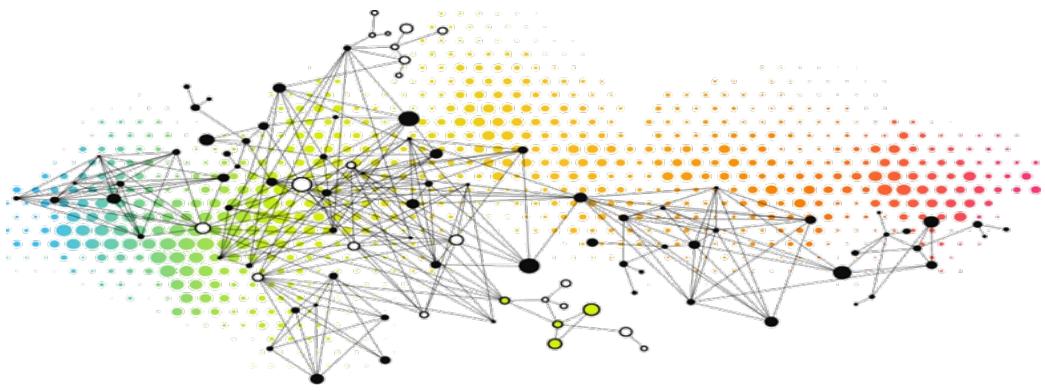
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# KINGDOM OF LESOTHO

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## REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (JANUARY 20–31, 2020)

**Prepared by Clement Ncuti**

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## Glossary

BCG	Budgetary Central Government
BOS	Lesotho Bureau of Statistics
CBL	Central Bank of Lesotho
COA	Chart of Accounts
COFOG	Classification of the Functions of Government
DMO	Debt Management Office
EBU	Extrabudgetary Units
GFS	Government Finance Statistics
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
IFMIS	Integrated Financial Management Information System
IFS	International Financial Statistics
LRA	Lesotho Revenue Authority
LSL	Lesotho Loti (Maloti)
MCC	Maseru City Council
MOF	Lesotho Ministry of Finance
PFMA	Public Financial Management Act
PSDS	Public Sector Debt Statistics
<i>PSDSG</i>	<i>Public Sector Debt Statistics Guide for Compilers 2013</i>
PODCPF	Public Officers Defined Contributions Pension Fund
QPSDS	World Bank's Quarterly Public Sector Debt Statistics Database
SACU	Southern Africa Customs Union
SGO	Statement of Government Operations
SNA	System of National Accounts
STA	IMF's Statistics Department
TA	Technical Assistance
WASCO	Water and Sewerage Company

## SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **In response to a request from the authorities and as part of the United Kingdom's Department for International Development (DFID) Enhanced Data Dissemination Initiative (EDDI) 2 project, a government finance statistics (GFS) mission visited Maseru, Lesotho, during January 20–31, 2020.** The mission was the last, in a series of five consecutive technical assistance (TA) missions to Lesotho, as part of the EDDI 2 project. The objective of the five-year project, that started in 2015 was to foster compilation and dissemination of GFS and public sector debt statistics (PSDS) consistent with international methodological standards. The work program under the project identified the enhancement of classification of transactions in fiscal accounts and the expansion of the institutional coverage of data to include all significant general government units as key milestones to achieve by the end of the project.
  
2. **The main purpose of the mission was to develop capacity and assist staff at the Lesotho Ministry of Finance (MOF) to improve their fiscal statistics compilation with respect to concepts and definitions, classification, and coverage and scope of GFS, to include all significant general government units.** The mission (i) reviewed progress with implementation of recommendations from the January 2019 GFS TA mission on concepts and definitions, classification, coverage, and scope of GFS, and assisted with making further improvement on those; (ii) reviewed and refined the public sector institutional table developed by the GFS technical working group (that comprised staff from the MOF, CBL, and Lesotho Bureau of Statistics (BOS)); (iii) reviewed and refined the GFS compilation file (the SGO) to address inconsistencies above and below the line, and between transactions in financial assets and liabilities, and bank financing; (iv) initiated steps towards compilation of expenditure by Classification of Functions of Government (COFOG); (v) identified source data for extrabudgetary units (EBUs) and initiated steps to compiling GFS for EBUs; (vi) reviewed PSDS compilation for dissemination to the World Bank/IMF quarterly PSDS (QPSDS) database; and (vii) updated the GFS and PSDS implementation work plan meant to guide improvement priorities for the near term.
  
3. **Data dissemination on the National Summary Data Page (NSDP) resumed and a new dataset was disseminated.** At the end of the mission, revised series on fiscal statistics were submitted to the IMF's Statistics Department (STA) for inclusion in the *Government Finance Statistics Yearbook (GFSY)* (annual GFS for FY 2006/07 to FY 2018/19). Data dissemination on the National Summary Data Page (NSDP) that had been put on hold resumed and updated series were posted (monthly GFS for January 2000–March 2019). Quarterly debt statistics for the budgetary central government (BCG) and public financial corporations including CBL and the

Lesotho Post Bank were compiled for 2018:Q3–2019:Q2 and submitted to the World Bank for the first time. Debt statistics prior to 2018: Q3 will be compiled and also disseminated.

**4. Remarkable progress has been achieved under the project, with compilation and dissemination of fiscal statistics, but work remains to broaden the coverage of data.** Data compiled at the beginning of the project suffered from classifications, comprehensiveness, accuracy and coverage issues that undermined the quality of data. Improvements were made over the project period to the (i) classification of transactions and debt liabilities stock positions consistent with international guidelines; (ii) comprehensiveness to include transactions not earlier included in fiscal statistics; (iii) accuracy through reduction of large statistical discrepancies between above and below the line transactions in fiscal statistics; and (iv) coverage through initial steps to broaden the institutional coverage of data to include local governments. Efforts going forward will be required to further improve comprehensiveness and coverage of fiscal statistics as not all transactions are yet included in fiscal accounts, explaining the lingering statistical discrepancy, albeit lower than what it was before; and not all budgetary institutional units are included in the coverage of fiscal statistics for the BCG.

**5. Modalities for future TA in GFS.** Follow-up TA remains available but would only be provided upon express request for it. Follow-up TA would be accommodated under the new STA's multi donor capacity development (CD) vehicle, the Data for Decisions (D4D) Fund that aims at putting more and better data in the hands of policy makers. However, follow-up in-country missions will be demand driven, and considerations for follow-up TA would be subject to sufficient evidence of progress in addressing issues identified by the current and previous TA missions.

**Table 1. Priority Recommendations**

Target Date	Priority Recommendation	Responsible Institutions
<b>Immediate</b>	<i>Establish a working group comprised of the Accountant General's Office, the Treasury, the Budget Department and the MOF's Macroeconomic Policy and Management Department, the CBL's Research Department, the BOS, and the Ministry of Local Government responsible for coordinating the implementation of the GFS work plan.</i>	<b>MOF, CBL, BOS.</b>
<b>Immediate</b>	<i>Reduce the statistical discrepancy to less than 1 percent of GDP.</i>	<b>MOF</b>
<b>FY 2020/21</b>	<i>Start compiling functional expenditure (COFOG) classified according to the GFSM 2014 guidelines.</i>	<b>MOF</b>

**6. Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.**

# STATUS OF GFS AND PSDS COMPILATION AND DISSEMINATION

## A. Progress with Implementation of the GFS and PSDS Workplan

**7. Progress was slow with implementation of action items in the GFS and PSDS workplan developed during the January 2019 mission.** The workplan was developed at the request of the MOF and drew on past TA recommendations that were organized into actions/milestones in a results based management (RBM) framework that also includes an objective, outcomes, verifiable indicators for the actions/milestones and responsibility for each action item. Out of a total of 49 milestones/action items included in the workplan; 12 were completed, 11 were partly completed, while 26 were not done (Appendix I).

### **Recommended Action:**

- Following through with implementation of the GFS and PSDS workplan remains important in making progress towards improving the quality of currently compiled and disseminated data.

## B. Public Sector Institutional Table

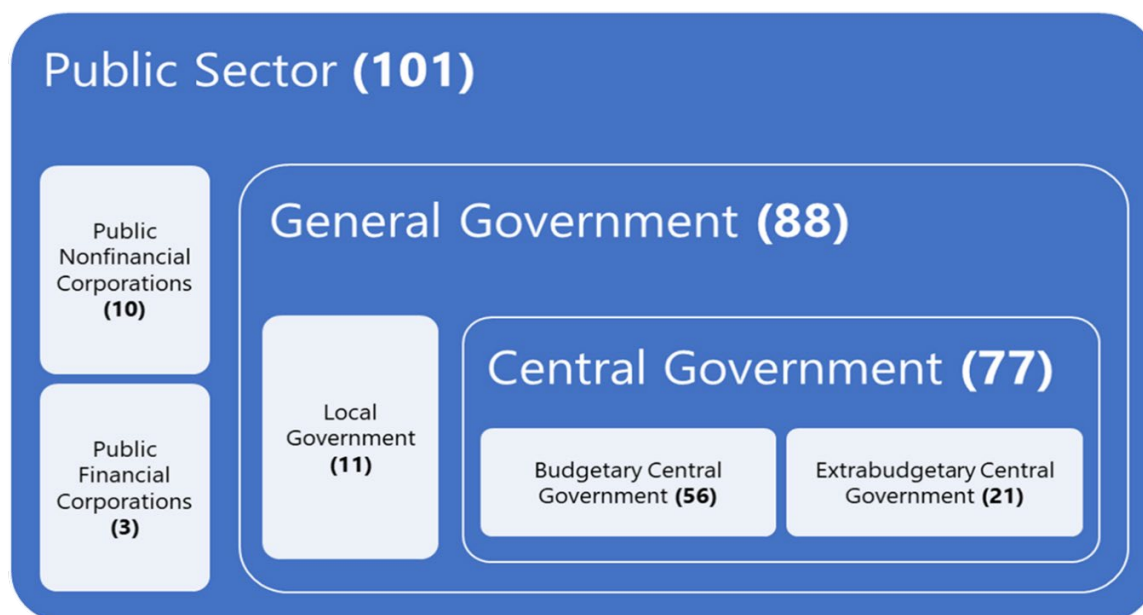
**8. The GFS technical working group reviewed and updated the public sector institutional table.** A technical working group comprising staff from the MOF, CBL, and BOS convened and reviewed and updated the institutional table developed during previous GFS TA missions. The initiative to informally convene a technical working group is commendable. Membership and meetings of the group should be formalized going forward to take on other responsibilities for improving data compilation and dissemination. The review and update of the institutional table resulted in deleting 10 entities that did not constitute institutional units and renaming one entity. Proposed reclassification of entities was discussed during the mission, and ultimately resulted in reclassification, mostly within general government, for 15 entities. The updated now includes 101 institutional units, compared to 109 before (Figure 1). Regular updates of the institutional table, to classify new entities, or reclassify existing ones would be important. Guidelines to follow in classifying public sector entities are detailed in the *Government Finance Statistics Manual (GFSM) 2014*. A summary of the decision tree for sector classification of public sector entities is included in Appendix II.

### **Recommended Action:**

- The now finalized public sector institutional table would need to be used for compilation of all macroeconomic statistics and be reviewed regularly.



Figure 1. Lesotho Public Sector Institutional Table



Source: Mission and staff from the MOF, BOS and CBL.

## C. GFS Compilation for the Budgetary Central Government

### Updates to the SGO File

9. **Changes were made to the Statement of Government Operations (SGO) file, upon discussions with staff from the MOF, the Lesotho Revenue Authority (LRA) and CBL, aiming at reflecting more accurately transactions taking place:**

- Revenue:** The January 2019 mission understood that changes were effected to the SGO starting in January 2018 on the source data used for tax revenue categories (taxes on income, profits and capital gains; and taxes on goods and services) and other revenue (utility sales proceeds). Data from CBL's QCBS report were used, instead of data from LRA, under the rationale that CBL's data reflected the actual cash receipts and therefore matched changes in the government's holding of financial assets in the form of currency and deposits. The MOF has since April 2019 reverted to using LRA data in the SGO but owing to quite substantial differences in amounts from the CBL and LRA (the difference for FY 2018/19 on tax revenue categories and utilities sales combined amounted to LSL 230 million), the SGO was updated to include the difference as a financial asset in the form of accounts receivable. Reconciliation between LRA and CBL data on one hand, and that of LHDA and CBL is of utmost importance to ensure data recorded as revenue in CBL match records in LRA and LHDA.

- **Road fund expenditure:** Revenue in the SGO include receipts for road maintenance that include: (i) road tolls/toll gate fees, (ii) the road maintenance levy, and (iii) fines for traffic violation all lumped together and meant to be remitted to the road fund. The road fund is currently classified as an extrabudgetary unit (EBUs) and its expenditure are therefore not included in the Integrated Financial Management Information System (IFMIS). An expense item under grants to EBU was included of the same amount as that under revenue, to ensure that receipts are matched with spending. The mission clarified that revenue items for the motor vehicle assurance, and the oil levy had counterpart entries under expense. Receipts on the petroleum levy however, do not have a counterpart under expense, as the proceeds from the levy are directly transferred to the petroleum fund. As is the case for receipts for the road fund, a grant expense to EBU was included with the same amount as that under revenue.

***Recommended Action:***

- More regular data reconciliation between the MOF, LRA and CBL should be performed, and staff resources allocated to that specific tasks to further improve quality of data included in the SGO.

**IFMIS Source Data for the SGO and Compilation Timeliness**

**10. The current approach used in downloading data from the IFMIS and the manual processes that ensues to produce data fit for the SGO is cumbersome and error prone.** Data is currently downloaded every month from the IFMIS using Crystal reports on the “status of funds” that includes information on among other things the approved estimates, funds allocated to date, expenditure in the month and for purposes of SGO compilation: expenditure to date and commitment to date. The data is disaggregated between recurrent and development expenditures, and further broken down by sub-cost centers and items. A total of 41 reports are downloaded, for each of the “heads” and each report contains hundreds, and sometimes thousands of entries that are then summed up and matched to coding in the SGO, in a two-step process, involving two staff of the Macro department. This approach is time consuming and not sustainable.

**11. An interim approach to partly automate processing of data from the IFMIS was developed.** The mission assisted staff in the Macro department to write an Excel formula that would help partly automate some of the steps of the manual processing currently done (documentation is included for ease of reference for the team to replicate the exercise (Appendix III)). However, this is only considered an interim measure until a more sustainable solution is implemented. The solution would require reconfiguring the Crystal reports from IFMIS to automate the manual processes currently done and allow downloading data that could be used in the SGO without extensive manual processing.

**12. A more sustainable and automated approach to generating data for compiling the SGO is required.** The mission met with staff from the IFMIS unit to discuss possibility of

automating part of the manual processing currently done by the Macro department. Discussions revolved around feasibility to have: (i) an aggregated report on the “status of funds” for all “heads”/ministries into a single report; (ii) a new “status of funds” report aggregating expenditure for all “heads”/ministries by recurrent and development expenditure, and by budget codes (six digits code for the economic classification); and (iii) a new column in the “status of funds” report in (i) and (ii) that would show “commitments this month”, that when added to expenditure this month, would allow determining total expenditure and commitment during the month.

**Recommended Action:**

- The customized Crystal report would need to be developed in IFMIS to allow more timely and accurate data retrieval for SGO compilation purposes.

**Outstanding and Unresolved Issues with the SGO**

**13. There remain unresolved issues with how the SGO is compiled that require attention.** Discussions with staff at the MOF and CBL highlighted issues, with how transactions are recorded, and classifications drawn from budget execution that will require follow up to address them:

- **Accounts payable**—the January 2019 mission suggested that the timing difference between expenditure (that is not on cash basis) and changes in government cash resulting from payments could be bridged by including transactions on “other accounts payable” in the SGO. The accounts payable included in the SGO have been computed as the difference between total expenditure from the IFMIS (expenditure to date plus commitments to date for a given month) and total expenditure as included in CBL’s QCBS from the consolidated funds account. However, it appears that not all expenditure in the CBL’s QCBS are final expenditure. Part of the debits, from the main treasury recurrent and development budget accounts, regarded as expenditure, are in fact transfers made to project accounts, where funds could sit idle for a while before they are spent. Alternative approaches to measuring accounts payable may need to be considered, that reflect what constitutes “true” payables; and the stock of which should be monitored and included in the stock of debt liabilities.
- **Budget classification of expense transactions**—although the budget economic classifications broadly align to guidelines of the *GFSM 2001*, some of the budget items, during budget preparation, may not be properly classified, which in turn adversely affects classifications used for fiscal reporting (including for the SGO). Examples of such items include: (i) subscription to international organizations that are recorded, in the budget, as acquisition of financial assets and acquisition of monetary gold and special drawing rights (**Box 1**); (ii) grants to other levels of government that are recorded as subsidies to financial and nonfinancial corporations; and (iii) use of goods and services (rentals) recorded as property expense (other expense). Validation of budget items used during budget preparation to ensure proper recording would avoid misclassification in data used for

accounting and fiscal reporting. Reclassifications are therefore required, in the SGO, to classify those transactions appropriately.

### Box 1. Recording of Subscription to International Organizations

#### Recording of membership dues and subscription fees

(GFSM 2014 § 6.42) Membership dues and subscription fees should be recorded as ***an expense in use of goods and services (22)*** if there is an exchange of a payment for some form of a service. These include payments by public corporations of membership dues or subscriptions to market nonprofit institutions (NPIs) serving businesses, such as chambers of commerce or trade associations, since these are payments for services rendered and are not transfers. In rare cases, market establishments included in the general government sector may have similar membership dues or subscriptions payable to market NPIs serving businesses. Some membership dues and subscription fees are different in nature and are not included in use of goods and services:

- In some cases, membership dues and subscription fees payable to international organizations are recorded as the ***acquisition of equity (32051)*** when there is a possibility—even if unlikely—of repayment of the full amount. In these cases, the payee is also entitled to a share of the assets upon windup of the international organization.
- Membership dues and subscription fees are recorded as transfers if the transaction is unrequited; if the recipient is an international organization, foreign government, or another general government unit, the transfer is classified as a ***grant (26)***, or otherwise as ***current transfers not elsewhere classified (2821)***.

#### Recording of IMF Quotas

(GFSM 2014 A3.82) Member countries are assigned a quota on joining the IMF. A quota is the capital subscription, expressed in SDRs, that each member must pay the IMF on joining and consists of two components:

- Reserve asset component—A member is required to pay 25 percent of its quota in SDRs or in currencies specified by the IMF. This 25 percent portion is a component of the member's reserve assets and is known as the "reserve tranche." In the public sector unit's accounts, subscribing this portion is shown as a transaction involving ***an increase in external financial assets in the form of currency and deposits***—that is, the reserve tranche position, which is a liquid claim on the IMF (debit), offset by ***an equal reduction in existing external financial assets*** (credit).
- Domestic currency component—The remaining 75 percent of the quota is payable in the member's own currency at the designated depository. [...]. The domestic portion of the quota payment is ***not recorded in the public sector unit's accounts***, because it is considered in economic terms to be of a contingent nature. No interest is payable on either the deposit account or the note.

There are periodic reviews of the size of member quotas. Recording transactions that reflect a change in a member's quota is the ***same as the recording that takes place when the quota is initially paid***.

Subscription to IMF quotas should not be confused with repayments from IMF borrowing, for which treatment is as that of any other borrowing.

**14. The January 2019 mission identified a number of issues that contributed to the statistical discrepancy that are yet to be resolved.** Attempts were made towards addressing some of the issues, but the majority remain unresolved, and require attention, to improve the quality of data currently compiled.

- Coverage discrepancy of transactions above and below the line**—discussions with the CBL indicated they have initiated steps to distinguishing deposits of the government between budgetary and extrabudgetary entities in their data collection for internal analytical requirements but have not institutionalized the process of collecting such data from commercial banks on frequent basis as such data do not constitute a requirement for compilation of monetary and financial statistics (MFS). CBL conveyed concerns expressed by their supervision department on additional data requests from commercial banks. The mission suggested that the issue is elevated to decision makers at the MOF and at CBL and weighing the costs and benefits that would be associated with making additional data requests to commercial banks. Alternatively, and depending on the extent to which the Accountant General department and Treasury are able to do bank reconciliations on a monthly basis, with a very short lag, changes in cash and cash equivalents stemming from such reconciliations could be used for SGO purposes instead.
- Counterpart transactions on expense and transactions in nonfinancial assets pertaining to the revolving fund and trust monies**—while transactions on payment of scholarships to students are included under expense, repayments are currently not included in the SGO. Since accounts to which repayments are made are government accounts, movements on these accounts show in currency and deposits of the government in the SGO, but no counterpart is recorded for repayments. The same applies to transactions on trust monies accounts for which inflows are not included in the SGO. These transactions need to be identified, and included in the SGO, in the relevant expenditure, or where relevant, revenue or transaction in financial asset or liability category. Repayments of students' scholarship ought to be recorded as a transaction in financial assets in the form of loans, provided a similar entry was made when the scholarships payments are made. There is however, no reliable information available to record acquisition of financial claims on students when scholarship payments are made, as the expected repayment amount is unknown at the time scholarships are being provided. Repayments are based on contractual arrangements with students that set percentage of amount received that are to be repaid, depending on whether a student studied abroad, or in Lesotho, and whether the student upon starting employment works for the public sector, the private sector, or abroad (in South Africa). In the interim, and until information is available for proper recording of scholarships, when they are provided, and when they are repaid; all payments should continue to be recorded under expense as current transfers not elsewhere classified (GFS code 4821) and students' repayments recorded under other revenue as current transfers not elsewhere classified (GFS code 1441).

- **Actual capital grants revenue and associated expenditure**—the SGO still uses budget estimates figures that are apportioned during the year with the same amount recorded in revenue, and transaction in nonfinancial assets. Actual grant receipts however, as included in the annual consolidated financial statements differ. Total grants revenue (from foreign governments and international organizations) amounted to LSL 1.055 billion and LSL 605.8 million respectively in FY 2016/17 and FY 2017/18 in the consolidated financial statements, compared to LSL 861.5 million and LSL 793.4 million respectively in FY 2016/17 and FY 2017/18 in the SGO. Alternative source of information needs to be identified, including from treasury and line ministries, on actual disbursements, and corresponding spending, by type of spending. As an interim measure, with a view to adjusting expenditure in the SGO with changes in the deposits of externally funded projects at CBL and in commercial banks, the MOF would need to provide CBL with the list of all known accounts for those projects to CBL, which CBL could then use to track balances on the accounts each month.
- **Debt reorganization transactions**—discussions with the debt department indicated there were instances of debt reorganization (i.e. debt assumptions, debt payment on behalf of others) but these transactions have not been recorded in the SGO. Two cases were discussed, the first relating to a guarantee to textile industries that was called, and debt assumed by government, and the case of WASCO where a guarantee was also called and debt assumed by government. In the case of the textile industries, the debt was assumed, and government acquired an effective financial claim on the industries, which have now repaid government. In the case of WASCO, government did not acquire an effective financial claim. None of these transactions, the mission understood, were recorded in the SGO.
- **Other economic flows (holding gains/losses—revaluation, and volume change) on government deposits**—CBL indicated attempts made, to distinguish transactions from other economic flows, for purposes of compilation of external sector statistics. A pragmatic approach to dealing with the issue may be considered; to first getting a sense of the relative size of foreign currency denominated deposits (and for that purpose Rand denominated deposits would not be considered foreign currency deposits) out of total deposits, and whether these are material<sup>1</sup> or not, to then decide allocating resources in collecting data on other economic flows.

**Recommended Action:**

- The MOF should engage data producing stakeholders (CBL, Ministry of Planning, Line Ministries, and the National Manpower Development Secretariat (NMDS)) to devise plans to address the unresolved data issues.

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<sup>1</sup> An indicative threshold of more than 10 percent of total deposits was discussed as constituting material size to require disaggregation of transactions and other economic flows.

## Expenditure Classification by Functions of Government (COFOG)

**15. Existing classification in the chart of accounts (COA) on cost and sub-cost centers were mapped to COFOG classifications.** Expectations are that the mapping would be applied to IFMIS data to generate expenditure in the COFOG classification, that could then be included in existing fiscal reporting, that to date is strictly limited to economic classification of expenditure. The mission met with staff from IFMIS and inquired about the possibility of embedding the mapping in IFMIS and developing a COFOG report for use by the Macro and Budget departments. Staff from the IFMIS indicated that this should be possible but asked that the type of report required to compile COFOG expenditure be included in the list of all the other reports the Macro department requires, for this to be submitted to the system provider for development. This would be an interim measure, until the new COA (that includes a COFOG classification segment) becomes operational for budgeting (in Centralized Budget Management System (CBMS)) and is uploaded onto IFMIS (EPICOR) for execution.

## GFS and PSDS Dissemination

**16. GFS dissemination has resumed after a hiatus.** The MOF had been compiling and disseminating GFS on a rather timely basis, including monthly data dissemination on the national summary data page (NSDP), and annual submissions for the *GFSY*. Data dissemination on the NSDP has been delayed owing to technical misunderstanding on required data upload file to use. A new data upload file was developed and used to disseminate monthly GFS for the period from January 2000 to March 2019. The upload file, albeit slightly less detailed than what existed, is aligned to GFS classifications, and follows the same presentation as that of the GFS high frequency database, also used for the International Financial Statistics (IFS). Data upload to the NSDP is expected to be more regular going forward. Annual data submission for the *2019 GFSY* was also late. Submission came in November 2019, about eight months after the end of the fiscal year, owing mainly to challenges putting together data for the fiscal year ending March 2019.

**17. Quarterly public sector debt statistics were reported for the first time to the World Bank.** The MOF has for the first time submitted data and metadata to the World Bank and IMF quarterly public-sector debt statistics (QPSDS) database. Data submitted covered four quarters starting in 2018: Q3 and covered the budgetary central government and public financial corporations (CBL and Lesotho Post Bank). Debt statistics prior to 2018: Q3 are also expected to be disseminated. While this first-time dissemination is commendable, it would still be important that dissemination to the database is regular and timely, and that efforts are put in place to broadening the institutional and instrument coverage of debt statistics disseminated.

## D. Recording of Tsepong Transactions

**18. Staff at the MOF inquired about appropriate recording of transactions related to the Tsepong (Box 2) public private partnership (PPP).** The mission made a presentation that described PPPs and the *GFSM 2014* methodological guidelines on recording of PPPs. Decision on the treatment of a PPP, according to the *GFSM 2014* depends on what party to the PPP, whether



the public sector, or the private entity, bears majority of risks or reaps majority of rewards associated with operation of the PPP.

**19. The government appears to be bearing majority of risks associated with the PPP.**

Upon discussion with staff from the MOF, and the Ministry of Health, on the basis of available information, it appeared that the public sector was bearing majority of financing risks associated with operations of Tsepong. The private entity does bear other risks, including design and construction. The financing risks being largely born by the public sector tilts the recording of the PPP assets (and associated liabilities) on the government balance sheet. Further details on the risks and rewards indicators discussed are provided below:

- **Financing risks**—Government financed up to 35 percent of the total project cost upfront, and the remaining 65 percent were split into equity (a very small amount) and the bulk of the remaining amount through a loan from a nonresident private bank for which repayment is made through the government's primary payment obligations of a unitary price.
- **Design and construction risks**—The mission understood that the private entity was responsible for all the costs and time overruns stemming from the design and construction risks.
- **Supply and availability risks**—The Ministry of Health set up a fee schedule that the private entity abides to, with a service delivery price guaranteed for users and cost of service delivery embedded in unitary price paid to the private entity. The Ministry of Health established key performance indicators on the private entity's service delivery with provisions for penalties should the indicators not be met. The private entity is responsible for maintenance of the asset, and the contract provides for a "dilapidation survey" during the course of the contract to assess the status of the asset during the contract period. The private entity is also responsible for the service being available, and delivered following contractually agreed criteria that are reviewed by an independent entity with noncompliance resulting in penalties.
- **Demand risks**—it appears that government bears the demand risks, in that the demand thresholds agreed upon in the contract have been surpassed, and the government is required to make payments above and beyond the unitary price for excess demand, which the mission understood has led to a substantial upwards revision of the unitary price paid, and resulted in delayed payments that attracted late payment fees that further increased payables. The mission further understood that the nonresident directly approached the MOF to try and address the payment delays issue. The amount above and beyond the unitary price are based upon service delivered, whether for outpatient or inpatient visits and these were agreed upon in the contract.
- **Compensation and insurance risks**—the contract provides for "compensation clauses" by the government to the private entity under specific circumstances (not disclosed to the mission), including for early termination of the contract. The private entity remains responsible for insurance (both general and for medical malpractice).



- **Rewards**—the mission understood that the upfront payments from the government were meant, among others, to ensure timely completion of construction, and contribute to reducing future unitary payments. No operational profits are being shared with government (but government retains fees charged for service delivery, and these are included under revenue as incidental sales by nonmarket establishments). There are no expected gains from the transfer of the asset at the end of the contract, and the government would decide what to do with the asset then, and not expected to have any gains shared with the private entity.

**20. Historical series would need to be updated if the PPP is recorded on the government balance sheet.** Should provisions of the “lender’s direct agreement” clause of the contract be interpreted as a guarantee from government, indeed majority of financing risks would be with government, and the PPP would be recorded on the government balance sheet. Recording the PPP assets (and associated liabilities) on the government balance sheet would entail, if nothing was recorded before, that data is revised in 2010/11 to include the acquisition of the asset and include an imputed loan for an amount equivalent to the loan contracted from the nonresident private bank (ABSA). Recording thereafter, for the unitary payment, would need to be split between amounts paid for servicing the loan (interest and principal payment) and use of goods and services (for service charges, including extra charges).

### Box 2. Tsepong PPP

The government entered into a PPP arrangement with a consortium of local and regional companies led by Netcare, a private South African health care company. Other consortium members include: Excel Health (Pty) Ltd, Afri'nai, Women Investment Company and D10 Investment. Tsepong Limited (the PPP operator) was selected to design, build, partially finance, and fully operate the new referral hospital, the Queen Mamohato Memorial Hospital (QMMH) for a period of eighteen years, as well as to refurbish three filter clinics and construct two new filter clinics. Tsepong was to not only partly finance, design, build, maintain and operate the new 425-bed hospital (35 beds to be run separately as a private patient unit) and its three filter clinics, but also to employ all its own health workers and provide all clinical services on behalf of the government for the 18-year contract period. On contract completion, the hospital and clinic would be transferred to government. QMMH was opened in October 2011 and the three filter clinics were opened in May 2010.

Under the PPP arrangement, Tsepong is contracted to treat all patients presenting at the QMMH, up to a maximum of 20,000 inpatients and 310,000 outpatients annually. Meanwhile, the new facility has served greater than envisioned public demand. These numbers have been exceeded each year since the PPP became operational, with more than 27,000 inpatients and nearly 350,000 outpatients treated in 2015 alone. Patients pay the same user fees as they would in any public facility. The fees charged by Tsepong are set by Government and constitute revenues to the Government of Lesotho. In return, the government pays an annual unitary fee that covers capital repayment and service delivery costs. The unitary payment for the new hospital was estimated at US\$ 25 million (including VAT) and US\$ 22 million (excluding VAT) annually for the entire duration of the concession (18 years). The fee should be adjusted only for inflation (when the contract was signed it was agreed that, in addition to the adjustment to the Lesotho CPI index, the service payment to Tsepong would be adjusted to a measure of medical inflation. But since Lesotho does not have such an indicator, it was agreed to use the South African Composite Med Index) or if additional services beyond those in the contract are agreed and incorporated. Any patients served in excess of the maximum number covered by the contract are charged to the government at a rate of US\$4.72 per outpatient and US\$786 per inpatient (at 2007 prices and excluding VAT and annual inflation).

Source: MOF and the World Bank.

## E. Recording Taxes Versus Fees—Cannabis Revenue

### Methodological Guidance

**21. The GFSM 2014 distinguishes taxes from administrative fees.** Taxes are compulsory, unrequited amounts receivable by government units from other institutional units, whereas administrative include fees for compulsory licenses and other administrative fees that are sales of services. Paragraph 5.73 of the *GFSM 2014* states that: "[...] *To decide whether such a fee constitutes this tax category or administrative fees (1422), the following recommendations apply:* (i) *The payment is recorded as a **tax** when a license or a permit is automatically granted by the government as a mandatory condition to perform an activity or acquire an asset. The government unit performs little or no work other than a minimum control of the legal capacity of the acquirer*

to receive the permit. The payment of the fee in such a case is not commensurate with the control function that the government exercises; (ii) The payment is recorded as the **sale of a service** when, for instance, issuing the license or permit involves a proper regulatory function of the government by exercising control on the activity, checking the competence or qualifications of the persons concerned, etc. In such a case, the payment is taken to be proportional to the costs of producing the service for all or any of the entities benefiting from the services and is borne by those benefiting. The payment is recorded as a tax only if it is out of proportion to the costs of producing the services. [...].

### Statistical Treatment

Taxes on use of goods and on permission to use goods or perform activities [1145]	Administrative Fees [1422]
<p><b>Features</b></p> <ul style="list-style-type: none"> <li>• Fees levied for issuance of license/permit that are not commensurate with the cost of governments' control function.</li> <li>• License/permit is automatically granted as mandatory condition to perform an activity or acquire an asset.</li> <li>• No or little work (e.g. basic legal compliance check) of the government involved.</li> </ul>	<p><b>Features</b></p> <ul style="list-style-type: none"> <li>• Fees levied for issuance of license/permit that are commensurate with the cost of governments' control function.</li> <li>• The payment is borne by those who benefit from the regulatory "service" of the government.</li> </ul>

Source: *Government Finance Statistics Manual 2014*.

### Suggested Recording of Cannabis Revenue

**22. A new regulation sets fees for operating in the medicinal cannabis industry.** The Drugs of Abuse (Cannabis) Regulations, 2018 have been operational since May 2018 aiming at controlling, managing and regulating the cannabis industry. Three types of licenses may be granted to operators in the cannabis industry:

- An operator's license for entities which are engaged in the activity of cultivation, manufacturing, supply or distribution, storage, export, import or transit within Lesotho, of a cannabis plant for medical purposes or scientific use or for any other lawful use;
- An independent laboratory license, for operating an independent testing laboratory; and,
- A transport license, for purposes of transporting cannabis plant or cannabis resin.

**23. Schedule 2 of the regulations provide for amounts payable for application for licenses, granting and renewal of licenses, and other fees.**<sup>2</sup> Determining whether each type of fee or license levied/issued is a tax or a fee would depend on whether the control function exercised by the Ministry of Health (or any other government entity enforcing the regulation) is commensurate with the amount levied.

**24. Some of the fees are indeed taxes, while others are not.** Amounts levied for the license fees and renewal fees for cultivation, manufacturing, testing, and operator licenses would be considered taxes and would be recorded under taxes on use of goods and on permission to use goods or perform activities, as “other taxes on use of goods and on permission to use goods or perform activities” (GFS code 11452). The import, export, transit and supply levy of 1.5 percent of the consignment value would be recorded as a “tax on international trade” (GFS code 115) and classified as “import duty” (GFS code 1151) for imports, and “tax on exports” (GFS code 1152), for exports. The nonrefundable application fee for all licenses; permits in relation to medical and scientific programs and seed bank; annual inspection fee; change of location fee; and, change of information (amendment) fee would be considered fees and would be recorded under other revenue, sales of goods and services, as “administrative fees” (GFS code 1422). However, without sufficiently detailed information on the costs associated with exercising the control and regulatory function of the Ministry of Health (or any other government entity performing the regulatory function of the industry), it is not straightforward determining whether amounts levied for some licenses are commensurate with the costs of the government’s control function. Decision on the appropriate classification of these licenses, including the license for research, for transportation, for storage, and for supply would be based on considerations of whether amounts levied are commensurate with the regulatory function exercised or not.

## F. GFS Compilation for Other Levels of Government and the Wider Public Sector

### GFS Compilation for Local Governments

**25. There were no data on local governments for the fiscal year ending March 2019.** The January 2019 had assisted with compilation of data for 10 district councils using financial statements for FY 2017/18 and a template created during the previous mission. The template was expected to be used for every new financial year, as financial statements become available, to compile GFS for local governments. However, no data were available for FY 2018/19, except for only one district council (Thaba Tseka) to compile GFS for local governments for the year.

**26. Is compilation of GFS for local governments relevant?** Staff at the MOF enquired about the rationale for compiling GFS for local governments while they are budgeted for under the Ministry of local governments and chieftainship affairs, and therefore by extension, all their spending would be reflected in the expenditure of the parent Ministry. Local government fiscal

<sup>2</sup> Drugs of Abuse (Cannabis) Regulations, 2018, Schedule 2.

operations are relatively insignificant, in comparison to the budgetary central government. Preliminary aggregated revenue of local governments, including all 10 district councils and Maseru City Councils were less than 1 percent of GDP in FY 2017/18, and so were aggregated total expenditure. All district councils rely entirely on grants from the budget, except Maseru City Council that also collects some taxes and fees. Whether local government spending being included in the parent Ministry budget suffices for not collecting GFS on local government depends on the treatment of transactions. Amounts allocated to local governments from the parent Ministry would be considered transfers (grants to other levels of government) and recorded as such for accounting purposes. Those transfers would in turn be used by local government entities to pay salaries, purchase goods and services, and acquire nonfinancial assets. It is the economic nature of transactions that is of interest in compiling GFS for local governments to allow, when GFS is consolidated for the BCG and local governments, knowing what total expense (compensation of employees, purchase of goods and services, etc.) and acquisition of nonfinancial assets is; whereas as currently is, local government expenditure would be lumped under grants to other levels of government. Operations at the local government are relatively insignificant however, and pragmatism needs to guide resource allocations in collecting and compiling data for local governments.

***Recommended Action:***

- Data for local governments would need to be collected for FY 2018/19 and GFS compiled for the year.

**GFS Compilation for Extrabudgetary Units**

**27. No GFS is currently compiled for EBU.** The mission illustrated GFS compilation for an entity using available annual audited financial statements to serve staff at the MOF to replicate in compiling GFS for extrabudgetary units. [Appendix IV of the January 2019 GFS TA report](#) includes a description of compilation of GFS from financial statements. Financial statements for a total of 15 public entities (including budgetary and extrabudgetary entities as well as public corporations) were collected from publicly available sources (institutions' webpages) (Appendix IV) and should be used, in compiling GFS for EBU first, and later for public corporations.

***Recommended Action:***

- Additional financial statements would need to be collected on a regular basis, for the most significant entities, and compile GFS for those, using the same approach from the illustration during the mission.

**GFS Compilation for the General Government**

**28. A natural next step, when GFS for BCG, EBU and local governments is available is compilation of consolidated general government GFS.** Efforts are still required, in compiling

GFS for extrabudgetary units, but when data is available, it would need to be consolidated with BCG and local governments data. Consolidation involves elimination of reciprocal transactions between the different levels of governments to present data for all the different levels of government put together as if they constituted a single unit. Appendix V describes the process followed to present consolidated statistics for the general government.

***Recommended Action:***

- Attempt compilation of consolidated GFS for the general government, when data becomes available for a representative sample of EBUs, the local governments, and BCG.

**GFS Compilation for Public Corporations**

**29. No GFS is currently compiled for public corporations.** While data is available for public corporations, both financial and nonfinancial, no attempt has yet been made at compiling GFS for those. A similar approach to that used for EBUs may be considered in compiling GFS for public corporations, from available financial statements.

***Recommended Action:***

- As a minimum, data should be compiled for debt liabilities of public corporations, to broaden the institutional scope of the stock of debt liabilities currently compiled and disseminated.

## DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

### A. Action Plan for the Improvement of GFS and PSDS Compilation and Dissemination

**30. A workplan was developed to guide improvements to GFS and PSDS compilation.** The workplan was developed upon request from the MOF and was meant to streamline recommendations from previous TA missions and organizing them in a framework that would allow monitoring. Past TA missions recommendations constitute actions/milestones contributing to the achievement of outcomes and objectives. Of the 49 actions/milestones included in the workplan during the January 2019 mission, 12 were completed, of which 2 are continuous. Table 2 below includes actions/milestones that are yet to be implemented, with target completion (for those not continuous) spread between the first and second half of 2020.

Table 2. GFS and PSDS Implementation Workplan

<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
<b>Outcome: The legal and institutional environment is conducive to compiling macroeconomic and financial statistics; the relevance and practical utility of existing macroeconomic and financial statistics are monitored; Management processes are in place to monitor the quality of macroeconomic and financial statistics; and Institutional Integrity, Transparency, and Ethical Practices meet statistical standards.</b>				
H	The MOF should ensure that planned revisions to the PFMAA guarantees the framework to gather, consolidate, and disseminate fiscal data for general government as well as the public sector of Lesotho.	The PFMAA incorporates articles addressing data provisions for the compilation of broader coverage of GFS.	2020H2	MOF: <b>Lead (legal department)</b> , budget, macro, treasury, IFMIS.
H	Establish a working group comprised of the Accountant General's Office, the Treasury, the Budget Department and the MOF's Macroeconomic Policy and Management Department, the CBL's Research Department, the BOS, and the Ministry of Local Government responsible for coordinating the implementation of the GFS work plan.	A working group comprising of all stakeholders involved with GFS source data is established.	2020H1	MOF: <b>Lead (Macro)</b> , budget, treasury, IFMIS; CBL; BOS; Local Government.
M	Coordinate the <i>GFSM 2014</i> Migration Plan with the national implementation of IPSAS.	The <i>GFSM 2014</i> migration plan implementation is coordinated with that of the IPSAS.	Continuous	
<b>Outcome: Data are compiled using the concepts and definitions of the latest manual/guide</b>				
H	Compile GFS for the budgetary central government following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the budgetary central government.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury, IFMIS, CBL.

<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
<b>Priority</b>	<b>Action/Milestone</b>	<b>Verifiable Indicators</b>	<b>Target Completion Date</b>	<b>Responsible entity</b>
M	Compile GFS for extrabudgetary central government units following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the extrabudgetary central government.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury, Budget, CBL.
M	Compile GFS for the general government following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the general government.	2020H2	MOF: <b>Lead (Macro)</b>
H	Compile debt Statistics for the budgetary central government following the <i>PSDSG 2013</i> framework, concepts, and definitions.	Debt statistics are compiled in line with the <i>PSDSG 2013</i> for the budgetary central government.	2020H1	MOF: <b>Lead (Debt)</b> , Macro.
M	Compile debt Statistics for the extrabudgetary units following the <i>PSDSG 2013</i> framework, concepts, and definitions.	Debt statistics are compiled in line with the <i>PSDSG 2013</i> for the extrabudgetary units.	2020H2	MOF: <b>Lead (Debt)</b> , Macro.
M	Compile debt Statistics for the local government following the <i>PSDSG 2013</i> framework, concepts, and definitions.	Debt statistics are compiled in line with the <i>PSDSG 2013</i> for the local government.	2020H2	MOF: <b>Lead (Debt)</b> , Macro.
M	Compile debt Statistics for the general government following the <i>PSDSG 2013</i> framework, concepts, and definitions.	Debt statistics are compiled in line with the <i>PSDSG 2013</i> for the general government.	2020Q3	MOF: <b>Lead (Debt)</b> , Macro.
H	Develop a migration path and timetable to adopt the <i>GFSM 2014</i> guidelines and seek senior management endorsement.	A migration plan is developed and endorsed by senior management.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury, Budget, IFMIS, PSD&FA; CBL; BOS.



<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
<b>Outcome: Data are compiled using the coverage and scope of the latest manual/guide</b>				
H	Start collecting on a more regular basis data on transactions for all parastatals and agencies classified as BCG entities and incorporate the data into the BCG statement of operations.	The scope of stocks and flows includes all transactions of budgetary central government units.	2020H1	MOF: <b>Lead (Macro)</b> , PSD&FA
H	Identify all transactions not currently included, or partially included in the BCG statement of operations (i.e., (i) debt assumptions and debt payment on behalf of members of Parliament, (ii) on-lending) and incorporate them, and also adjust data historically to further reduced the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	2020H1	MOF: <b>Lead (Treasury)</b> , Macro, Debt, CBL (research).
H	Collect data on students' scholarships payments, and repayments and reclassify transactions accordingly in the budgetary central government GFS to further reduce the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	2020H1	MOF: <b>Lead (Macro)</b> , PSD&FA, Treasury, NMDS, CBL (research).
H	Identify counterpart transactions on expense and transactions in nonfinancial assets pertaining to the revolving fund, and trust monies and incorporate those transactions pertaining to the budgetary central government in the GFS compiled to further reduce the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	2020H1	MOF: <b>Lead (Treasury)</b> , Macro, CBL (research).
M	Collect data on a regular basis for the compilation of GFS for extrabudgetary units.	The scope of stocks and flows includes all transactions of extrabudgetary units.	2020H1	MOF: <b>Lead (Macro)</b> .

<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
<b>Priority</b>	<b>Action/Milestone</b>	<b>Verifiable Indicators</b>	<b>Target Completion Date</b>	<b>Responsible entity</b>
M	Integrate all local governments financial data in the new IFMIS.	Data on local government transactions can be retrieved through the IFMIS.	2020Q1	MOF: <b>Lead (IFMIS)</b> , Macro, Budget.
M	Collect data on a regular basis for the compilation of GFS for local governments.	The scope of stocks and flows includes all transactions of local governments.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury.
M	Obtain detailed data on recurrent expense of district councils, both from the IFMIS and local governments execution, in order to adequately classify grants from the BCG to local governments, derive and classify recurrent expense of local governments according to their economic nature, and consolidate the transfer in data for general government.	The scope of flows of the local governments allows consolidation with the budgetary central government.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury, Local Government.
M	Collect detailed data on investment expense of district councils from foreign aid projects to adequately classify them into the respective economic expense categories.	The scope of flows includes all transactions of the local governments.	2020H2	MOF: <b>Lead (Macro)</b> , Treasury, Local Government.
M	Collect data and compile a financial balance sheet for the budgetary central government.	The scope of stocks includes all financial assets and liabilities of the budgetary central government units.	2020H1	MOF: <b>Lead (Treasury)</b> , Macro, Debt, PSD&FA, CBL.
H	Collect and compile debt statistics for public financial and public nonfinancial corporations.	The scope of debt liabilities includes all public financial and nonfinancial corporations.	2020H2	MOF: <b>Lead (Debt)</b> , Macro.

<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
M	Source data for "other accounts payable", "guarantees" and "pensions" should be obtained and then organized into a dataset to improve compilation, validation, and dissemination of public sector debt data by the MOF.	The scope of debt liabilities includes all financial instruments of the public sector.	2020H1	MOF: Lead <b>(Debt)</b> , Treasury; PODCPF.
<b>Outcome: Data are compiled using the classification of the latest manual/guide.</b>				
H	Start to adjust transactions in nonfinancial assets with the change in the stock positions of accounts of government projects at the Central Bank of Lesotho (CBL) funded with external capital grants and/or loans.	The scope of flows includes all transactions of budgetary central government units.	2020H1	MOF: Lead <b>(Macro)</b> , Budget, CBL.
H	Obtain information on the types of activities subject to withholding tax and allocate the taxes to the relevant categories. As an interim measure, total withholding taxes should be allocated using proportions provided by the LRA.	Classification of flows of the budgetary central government units is consistent with guidelines of the <i>GFSM 2014</i> .	2020H1	MOF: Lead <b>(Macro)</b> , LRA, CBL.
H	Start collecting data on government equity participation/withdrawal in/from public and private corporations.	The scope of flows includes all transactions of budgetary central government units.	2020H1	MOF: Lead <b>(PSD&amp;FA)</b> , Macro.
H	Start collecting data on actual capital grants revenue and recording associated expenditure on transactions in nonfinancial assets.	The scope of flows includes all transactions of budgetary central government units.	2020H1	MOF: Lead <b>(Macro)</b> , Budget, Ministry of Planning (PCM).
M	Start collecting data on other economic flows (holding gains/losses – revaluation, and volume change) on government deposits.	The scope of flows includes other economic flows of budgetary central government units.	2020H1	MOF: Lead <b>(Macro)</b> , CBL (DCS account).

<b>The Kingdom of Lesotho (LSO)</b> <b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
M	Start compiling functional expenditure (COFOG) classified according to the <i>GFSM 2014</i> guidelines.	Functional expenditure transactions are classified according to the <i>GFSM 2014</i> guidelines [Classification of Outlays by Functions of Government (COFOG)].	2020H2	MOF: <b>Lead (IFMIS)</b> , Macro, Budget.
H	Implement GFS TA recommendations made for required changes on the economic and functional classifications of the COA for consistency with guidelines of the <i>GFSM 2014</i> .	Classification of flows and stocks are consistent with the guidelines of the <i>GFSM 2014</i> .	2020H1	MOF: <b>Lead (Treasury)</b> , Macro, IFMIS, Budget.
L	Introduce the new chart of accounts in financial reporting of local governments (district councils and Maseru City Council).	Classification of flows and stocks for the local governments are consistent with the guidelines of the <i>GFSM 2014</i> .	2020H2	MOF: <b>Lead (Treasury)</b> , Macro, IFMIS, Budget; Local Government
<b>Outcome: Data are compiled using the sectorization of the latest manual/guide</b>				
H	Review and update the institutional table on a regular basis to incorporate new entities and/or remove defunct ones.	Institutional sectors are defined in accordance with <i>GFSM 2014</i> guidelines.	Annually	MOF: <b>Lead (Macro)</b> , Treasury, CBL, BOS.
<b>Outcome: Data are compiled and disseminated using the appropriate basis of recording consistent with the latest manual/guide.</b>				
H	Start to regularly reconcile revenue data from bank accounts and revenue data from LRA.	Transactions in the Statement of Government Operations account on revenue are recorded on cash basis.	2020H1	MOF: <b>Lead (Macro)</b> , LRA, CBL.

The Kingdom of Lesotho (LSO)				
Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
<b>Outcome: Data are compiled using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs</b>				
M	Start documenting GFS compilation procedures.	Compilation procedures are well documented and updated periodically.	2020H1	MOF: <b>Lead Macro</b>
<b>Outcome: Improved timeliness of data made available internally and/or to the public (shorter delays)</b>				
H	Resume timely dissemination of monthly GFS to the National Summary Data Page (NSDP).	Monthly GFS for budgetary central government operations are disseminated within two months after the end of the reference period.	Monthly	MOF: <b>Lead Macro</b>
H	Resume timely dissemination of annual GFS for the GFSY.	Annual GFS for the budgetary central government are disseminated within 1 quarter after the end of the reference period.	Annually	MOF: <b>Lead Macro</b>
M	Disseminate quarterly central government debt on a timely basis to the World Bank QPSDS database.	Quarterly central government debt data are disseminated within one quarter after the end of the reference period.	Quarterly	MOF: <b>Debt</b>
<b>Outcome: Internal consistency within a macroeconomic or financial dataset has improved (reduced discrepancies)</b>				
H	Reduce the statistical discrepancy to less than 1 percent of GDP.	Discrepancies between flows and stocks are regularly investigated, identified, and corrected as needed.	2020H1	MOF: <b>Lead (Macro)</b> , Treasury, Budget, PSD&FA, IFMIS; CBL, LRA.

The Kingdom of Lesotho (LSO)				
Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.				
Priority	Action/Milestone	Verifiable Indicators	Target Completion Date	Responsible entity
M	To the extent possible, the MOF, the CBL, and the BOS should share the same databases and data sources to guarantee consistency among distinct macroeconomic statistical systems, optimize the use of resources, and avoid duplication of efforts.	Datasets for GFS compilation and fiscal analysis at the MOF and the CBL are consistent.	2020H1	MOF: <b>Lead (Macro)</b> , CBL.

## B. Next Steps

### 31. Work remains on improving the quality of data available for policy making.

Addressing the accuracy, classification, coverage and comprehensiveness issues in GFS compilation and dissemination requires dedicated engagement and continued support from management to overcoming coordination and data collection challenges.

**32. Future TA missions will be conditional on demonstrable progress with implementation of the GFS and PSDS workplan.** Remote assistance from STA remains but follow up in-country mission will only be possible if express requests are made to the IMF, either through the IMF's African Department during Article IV review missions, or during Annual and Spring meetings. However, considerations for follow up TA would be subject to sufficient evidence of progress in addressing issues identified by the current and previous TA missions.

## C. Officials Met During the Mission

Name	Institution	Department
Ms. Motena Tšolo	MOF	Principal Secretary
Ms. Libako Leisanyane	MOF	Macroeconomic Policy & Management
Ms. Mabakubung	MOF	Accountant General's Office
Ms. Seriti Mohobela	MOF	Macroeconomic Policy & Management
Mr. Khalane Malie	MOF	Macroeconomic Policy & Management
Mr. Moeketsi Ntoi	MOF	Macroeconomic Policy & Management
Mr. Molefi Mokheti	MOF	Macroeconomic Policy & Management
Mr. Motseki Khiba	MOF	Macroeconomic Policy & Management

Name	Institution	Department
Ms. Mafatima Moshoeshoe	MOF	Macroeconomic Policy & Management
Ms. Mamosi Bulane	MOF	Macroeconomic Policy & Management
Ms. Keletso Matšela	MOF	Public Debt
Ms. Mapoloko Seitlheko	MOF	Public Debt
Ms. Neo Tau	MOF	Macroeconomic Policy & Management
Ms. Nthabiseng Tarumbiswa	MOF	Macroeconomic Policy & Management
Ms. Senate Mokobocho	MOF	Macroeconomic Policy & Management
Ms. Maphantsi Sekhesa	MOF	IFMIS
Ms. Relebohile Ralitsie	MOF	IFMIS
Ms. Thabo Moerane	MOF	Treasury
Ms. Mthabo Seoli	MOF	Treasury
Ms. Lerato Makana	BOS	National accounts
Mr. Potsane Matsoso	BOS	National accounts
Mr. Khetsi Mokone	BOS	National accounts
Mr. Makhale Mkhanyane	Lesotho Revenue Authority	Research and Development
Ms. Marethabile Hlaahla	CBL	Research
Ms. Kamohelo Dooda	CBL	Research
Mr. Katileho Thokoa	CBL	Statistics
Mr. Mathanzima Moeti	CBL	Statistics
Mr. Toka Sello	CBL	Research

## Appendix I. Progress with Implementation of the GFS and PSDS Workplan

The Kingdom of Lesotho (LSO)			
<b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b>			
Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
<b><i>Outcome: The legal and institutional environment is conducive to compiling macroeconomic and financial statistics; the relevance and practical utility of existing macroeconomic and financial statistics are monitored; Management processes are in place to monitor the quality of macroeconomic and financial statistics; and Institutional Integrity, Transparency, and Ethical Practices meet statistical standards.</i></b>			
H	The MOF should ensure that planned revisions to the PFMAA guarantees the framework to gather, consolidate, and disseminate fiscal data for general government as well as the public sector of Lesotho.	The PFMAA incorporates articles addressing data provisions for the compilation of broader coverage of GFS.	<b>Incomplete:</b> Check provisions of the PFMAA to ascertain coverage of government institutional units is general government (includes EBU's and Local Government).
H	Establish a working group comprised of the Accountant General's Office, the Treasury, the Budget Department and the MOF's Macroeconomic Policy and Management Department, the CBL's Research Department, the BOS, and the Ministry of Local Government responsible for coordinating the implementation of the GFS work plan.	A working group comprising of all stakeholders involved with GFS source data is established.	<b>Partial:</b> No formal establishment of a technical working group, interactions have taken place informally on the public sector institutional table.
H	Assign responsibilities for following up on TA recommendations and follow through with implementation of recommendations.	A responsible person is designated to follow up on implementation of GFS TA recommendation.	<b>Completed:</b> A person was assigned to follow up on implementation of TA recommendations.
M	Coordinate the <i>GFSM 2014</i> Migration Plan with the national implementation of IPSAS.	The <i>GFSM 2014</i> migration plan implementation is	<b>Incomplete:</b> Workstreams for IPSAS migration and



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		coordinated with that of the IPSAS.	GFS migration have not been coordinated.
<b>Outcome: Data are compiled using the concepts and definitions of the latest manual/guide</b>			
H	Compile GFS for the budgetary central government following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the budgetary central government.	<u>Partial</u> : Reclassifications were performed to the SGO to align it to the <i>GFSM 2014</i> . Work remain to address the institutional coverage of transactions above and below the line and including counterpart transactions for the revolving fund.
M	Compile GFS for extrabudgetary central government units following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the extrabudgetary central government.	<u>Incomplete</u> : Some data was collected for extrabudgetary units but not compiled.
M	Compile GFS for local government units following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the local government.	<u>Completed</u> : Data for 10 district councils and Maseru City Council was compiled for the last three fiscal years.
M	Compile GFS for the general government following the <i>GFSM 2014</i> framework, concepts and definitions.	GFS is compiled in line with the <i>GFSM 2014</i> for the general government.	<u>Incomplete</u> : No consolidation has been performed with available data of BCG and Local Governments.
H	Compile debt Statistics for the budgetary central government following the <i>PSDSG 2013</i> framework, concepts, and definitions.	Debt statistics are compiled in line with the <i>PSDSG 2013</i> for the budgetary central government.	<u>Partial</u> : Data is available by instrument, residency, and currency for only two debt instruments: debt securities and loans. No data is currently compiled

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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
			for other accounts payable.
M	Compile debt Statistics for the extrabudgetary units following the PSDSG 2013 framework, concepts, and definitions.	Debt statistics are compiled in line with the PSDSG 2013 for the extrabudgetary units.	<u>Incomplete</u> : No data is compiled for EBU.
M	Compile debt Statistics for the local government following the PSDSG 2013 framework, concepts, and definitions.	Debt statistics are compiled in line with the PSDSG 2013 for the local government.	<u>Incomplete</u> : No data is compiled for Local governments.
M	Compile debt Statistics for the general government following the PSDSG 2013 framework, concepts, and definitions.	Debt statistics are compiled in line with the PSDSG 2013 for the general government.	<u>Incomplete</u> : No data is compiled for the general government.
H	Develop a migration path and timetable to adopt the GFSM 2014 guidelines and seek senior management endorsement.	A migration plan is developed and endorsed by senior management.	<u>Incomplete</u> : Senior management has not endorsed the workplan developed.
<b>Outcome: Data are compiled using the coverage and scope of the latest manual/guide</b>			
H	Start collecting on a more regular basis data on transactions for all parastatals and agencies classified as BCG entities and incorporate the data into the BCG statement of operations.	The scope of stocks and flows includes all transactions of budgetary central government units.	<u>Incomplete</u> : No data has been compiled for BCG entities not currently included in the statement of operations.
H	Identify all transactions not currently included, or partially included in the BCG statement of operations (i.e., (i) debt assumptions and debt payment on behalf of members of Parliament, (ii) on-lending) and incorporate them, and also adjust data historically to further reduced the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	<u>Partial</u> : On lending and debt payment of behalf of members of Parliament have now been included in the SGO, debt assumptions (textile company) were not.

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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
H	Collect data on students' scholarships payments, and repayments and reclassify transactions accordingly in the budgetary central government GFS to further reduce the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	<u>Incomplete</u> : No data were collected, and nothing was recorded in the SGO.
H	Identify counterpart transactions on expense and transactions in nonfinancial assets pertaining to the revolving fund, and trust monies and incorporate those transactions pertaining to the budgetary central government in the GFS compiled to further reduce the statistical discrepancy.	The scope of flows of the budgetary central government includes all items currently missing.	<u>Incomplete</u> : No data were collected, and nothing was recorded in the SGO.
M	Collect data on a regular basis for the compilation of GFS for extrabudgetary units.	The scope of stocks and flows includes all transactions of extrabudgetary units.	<u>Incomplete</u> : Financial statements for a few EBUs were collected, but no EBUs GFS was compiled.
M	Integrate all local governments financial data in the new IFMIS.	Data on local government transactions can be retrieved through the IFMIS.	<u>Incomplete</u> : Local governments are not yet in the IFMIS.
M	Collect data on a regular basis for the compilation of GFS for local governments.	The scope of stocks and flows includes all transactions of local governments.	<u>Partial</u> : Data prior to FY18/19 is available for the previous 3 fiscal years, but no data is available for FY18/19 except for Thaba Tseka.

<p style="text-align: center;"><b>The Kingdom of Lesotho (LSO)</b></p> <p style="text-align: center;"><b>Objective: Strengthen compilation and dissemination of data on government finance statistics and public sector debt statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.</b></p>			
<b>Priority</b>	<b>Action/Milestone</b>	<b>Verifiable Indicators</b>	<b>Implementation Status as of January 2020</b>
M	Obtain detailed data on recurrent expense of district councils, both from the IFMIS and local governments execution, in order to adequately classify grants from the BCG to local governments, derive and classify recurrent expense of local governments according to their economic nature, and consolidate the transfer in data for general government.	The scope of flows of the local governments allows consolidation with the budgetary central government.	<u>Partial</u> : No data is yet available on local governments in IFMIS, but the SGO has a breakdown of grants by different levels of government.
M	Collect detailed data on investment expense of district councils from foreign aid projects to adequately classify them into the respective economic expense categories.	The scope of flows includes all transactions of the local governments.	<u>Incomplete</u> : There is currently no data to allow that classification.
M	Collect data and compile a financial balance sheet for the budgetary central government.	The scope of stocks includes all financial assets and liabilities of the budgetary central government units.	<u>Partial</u> : No financial balance sheet is yet compiled. The debt department however, compiles data on debt liabilities of the BCG.
H	Collect and compile debt statistics for public financial and public nonfinancial corporations.	The scope of debt liabilities includes all public financial and nonfinancial corporations.	<u>Incomplete</u> : This has not yet been done, coverage is limited to the budgetary central government.
M	Source data for "other accounts payable", "guarantees" and "pensions" should be obtained and then organized into a dataset to improve compilation, validation, and dissemination of public sector debt data by the MOF.	The scope of debt liabilities includes all financial instruments of the public sector.	<u>Incomplete</u> : No data is currently included in the stock of debt for the public sector on guaranteed debt (of public corporation), pension liabilities, and other accounts payable.

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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
H	Regularly fill the QPSDS reporting template with debt data for central government, general government, and public sector.	Debt statistics are made publicly available on a quarterly basis.	<b>Completed:</b> The first submission for 2018: Q3 to 2019: Q2 was made to the World Bank in January 2020.
H	Start disseminating debt statistics on a quarterly basis to the World Bank PSDS database.	Debt statistics are made publicly available on a quarterly basis.	<b>Completed:</b> Data submission expected to continue as soon as data becomes available.
<b>Outcome: Data are compiled using the classification of the latest manual/guide.</b>			
H	Ensure to continue reclassifying transactions in the budgetary central government GFS to comply with the <i>GFSM 2014</i> guidelines such that: (i) Rand monetary transactions are reclassified from property tax to grants from foreign governments; (ii) civil service pensions are reclassified from interest to compensation of employees; (iii) grants in the capital budget are reclassified as capital grants under expense; (iv) payment of interest on behalf of MPs is classified as compensation of employees.	All required reclassifications to the budgetary central government GFS are completed.	<b>Completed:</b> The SGO has been updated to reflect reclassifications in line with the <i>GFSM 2014</i> .
H	Start to adjust transactions in nonfinancial assets with the change in the stock positions of accounts of government projects at the CBL funded with external capital grants and/or loans.	The scope of flows includes all transactions of budgetary central government units.	<b>Incomplete:</b> Not data is currently collected on projects accounts in the banking system.
H	Obtain information on the types of activities subject to withholding tax and allocate the taxes to the relevant categories. As an interim measure, total withholding taxes	Classification of flows of the budgetary central government units is consistent	<b>Partial:</b> LRA provided data disaggregated by dividends, contractors, services, management

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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
	should be allocated using proportions provided by the LRA.	with guidelines of the <i>GFSM 2014</i> .	fees, royalties, interest and general withholding.
H	Start collecting data on government equity participation/withdrawal in/from public and private corporations.	The scope of flows includes all transactions of budgetary central government units.	<u>Incomplete</u> : No data is currently compiled on equity investment to be included in the SGO.
H	Start collecting data on actual capital grants revenue and recording associated expenditure on transactions in nonfinancial assets.	The scope of flows includes all transactions of budgetary central government units.	<u>Incomplete</u> : Proportions are still currently being used for revenue and expenditure associated with external resources. Activities to start collecting actual expenditure is expected to start in 2021/22.
M	Start collecting data on other economic flows (holding gains/losses—revaluation, and volume change) on government deposits.	The scope of flows includes other economic flows of budgetary central government units.	<u>Incomplete</u> : No data are yet collected on other economic flows.
M	Start compiling functional expenditure (COFOG) classified according to the <i>GFSM 2014</i> guidelines.	Functional expenditure transactions are classified according to the <i>GFSM 2014</i> guidelines [Classification of Outlays by Functions of Government (COFOG)].	<u>Incomplete</u> : There is no COFOG expenditure currently compiled.
H	Implement GFS TA recommendations made for required changes on the economic and functional classifications of the COA for consistency with guidelines of the <i>GFSM 2014</i> .	Classification of flows and stocks are consistent with the guidelines of the <i>GFSM 2014</i> .	<u>Incomplete</u> : Need to look at the new chart of accounts to confirm recommendations were implemented.

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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
L	Introduce the new chart of accounts in financial reporting of local governments (district councils and Maseru City Council).	Classification of flows and stocks for the local governments are consistent with the guidelines of the <i>GFSM 2014</i> .	<u>Incomplete</u> : Local governments have not yet reported data since the launch of the new chart of accounts.
<b>Outcome: Data are compiled using the sectorization of the latest manual/guide</b>			
H	Review, then finalize, adopt and disseminate the institutional table of the public sector and use it consistently across all macroeconomic statistics (GFS, National Accounts, Monetary and Financial Statistics, External Sector Statistics).	Institutional sectors are defined in accordance with <i>GFSM 2014</i> guidelines.	<u>Completed</u> : The public sector institutional table was reviewed and finalized, but not disseminated.
H	Review and update the institutional table on a regular basis to incorporate new entities and/or remove defunct ones.	Institutional sectors are defined in accordance with <i>GFSM 2014</i> guidelines.	<u>Partial</u> : No updates have been made since the last update in September 2019.
<b>Outcome: Data are compiled and disseminated using the appropriate basis of recording consistent with the latest manual/guide.</b>			
H	Move towards recording transactions on a modified accrual basis and start recording expenditure transactions on "commitment" basis.	Transactions in the Statement of Government Operations account for the timing difference between expenditure and actual cash payments.	<u>Completed</u> : The status of funds report includes expenditures to date and commitments to date (that represents commitment basis).
H	Start recording transactions below the line on accounts payable as the difference between commitment and payment transactions in IFMIS.	Transactions in the Statement of Government Operations account for the timing difference between	<u>Completed</u> : The SGO records a line on other accounts payable computed as the difference between expenditure in IFMIS and at CBL.



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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
		expenditure and actual cash payments.	
H	Start to regularly reconcile revenue data from bank accounts and revenue data from LRA.	Transactions in the Statement of Government Operations account on revenue are recorded on cash basis.	<u>Incomplete</u> : No reconciliation is currently done. The SGO has resorted to using LRA data again instead of the QCBS data.
<b>Outcome: Data are compiled using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs</b>			
M	Start documenting GFS compilation procedures.	Compilation procedures are well documented and updated periodically.	<u>Incomplete</u> : No documentation has been done on how the SGO is compiled.
<b>Outcome: Improved timeliness of data made available internally and/or to the public (shorter delays)</b>			
H	Resume timely dissemination of monthly GFS to the National Summary Data Page (NSDP).	Monthly GFS for budgetary central government operations are disseminated within two months after the end of the reference period.	<u>Completed</u> : New data series from January 2000 to March 2019 have been disseminated on the NSDP.
H	Resume timely dissemination of annual GFS for the GFSY.	Annual GFS for the budgetary central government are disseminated within 1 quarter after the end of the reference period.	<u>Completed</u> : Annual GFS was submitted in November 2019 and resubmitted in January 2020 following amendments.
M	Disseminate quarterly central government debt on a timely basis to the World Bank QPSDS database.	Quarterly central government debt data are disseminated within one quarter	<u>Partial</u> : QPSDS for end June 2019 were submitted in January 2020 (6 months lag).



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Priority	Action/Milestone	Verifiable Indicators	Implementation Status as of January 2020
		after the end of the reference period.	
<b>Outcome: Internal consistency within a macroeconomic or financial dataset has improved (reduced discrepancies)</b>			
H	Reduce the statistical discrepancy to less than 1 percent of GDP.	Discrepancies between flows and stocks are regularly investigated, identified, and corrected as needed.	<u>Partial</u> : Preliminary data from the SGO indicate a statistical discrepancy for FY 2018/19 of about 1.7 percent of GDP.
H	Ensure proper data management to maintain consistency between the "MF_SGO_DB" and "MF_MTFF_DB" files; i.e., ensure that updates to either file is reflected into the other file whenever there is an update.	Datasets for GFS compilation and fiscal analysis and forecasting are internally consistent.	<u>Completed</u> : The MTFF has been replaced by FPP file and is consistent with the SGO for the in-year.
M	To the extent possible, the MOF, the CBL, and the BOS should share the same databases and data sources to guarantee consistency among distinct macroeconomic statistical systems, optimize the use of resources, and avoid duplication of efforts.	Datasets for GFS compilation and fiscal analysis at the MOF and the Central Bank are consistent.	<u>Incomplete</u> : Not yet done.
<b>Outcome: Longer time series have been compiled and/or made available internally and/or to the public</b>			
L	Update historical series for the budgetary central government consistent with the <i>GFSM 2014</i> guidelines.	Consistent annual and sub-annual GFS are available historically.	<u>Completed</u> : Historical data updated back to 1992.

## Appendix II. Decision Tree for Sector Classification of the Public Sector<sup>3</sup>

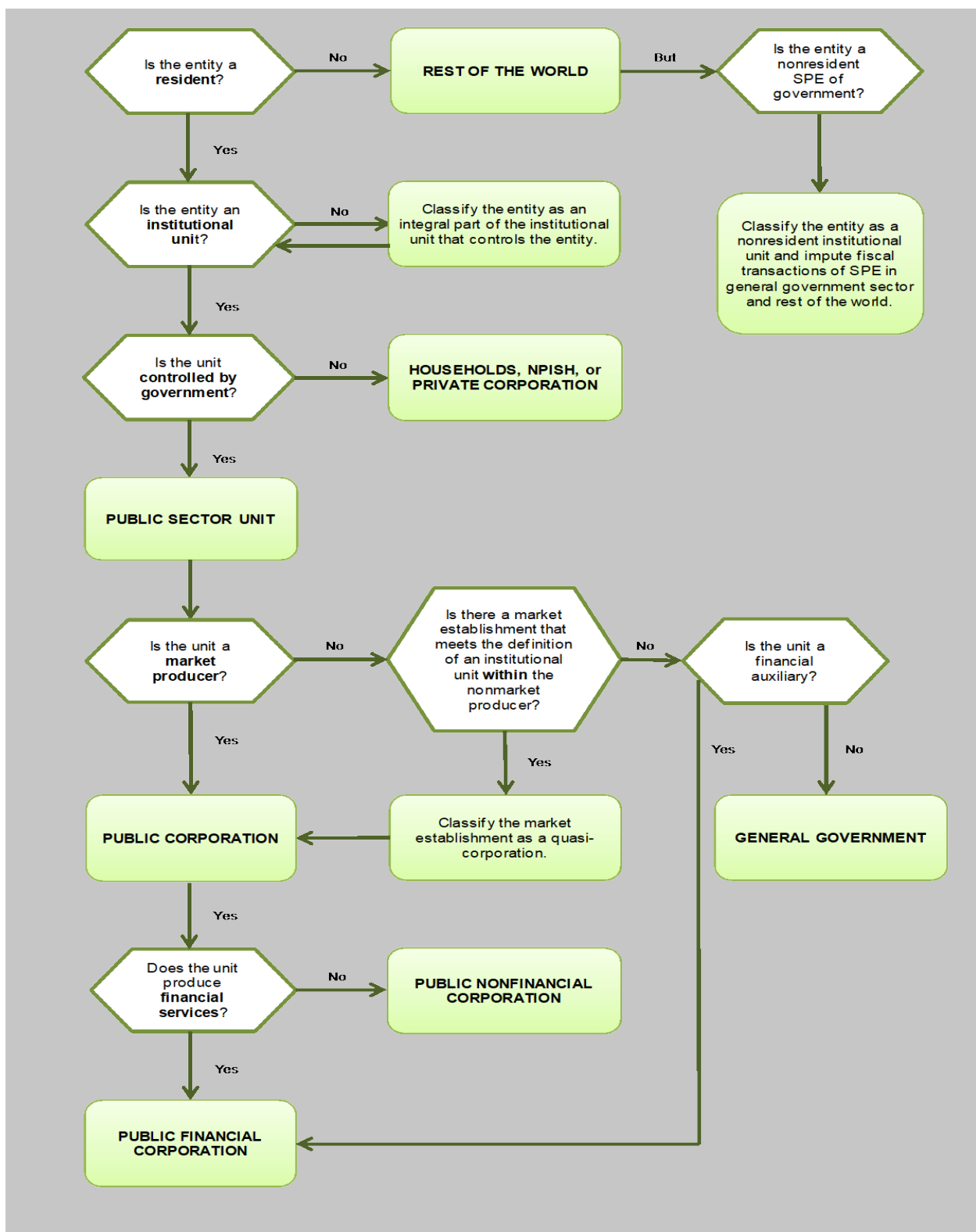
**1. Using the concepts of residence, institutional unit, control, and market versus nonmarket producers,** the decision tree presented in **Figure 2** facilitates the appropriate delineation of the public sector. In order to determine which entities belong to the general government sector and which to the public corporations subsector, the decision tree should be followed, using sequential questions:

- Is the entity a resident or a nonresident? Data for nonresident entities are recorded in data for the rest of the world (see *GFSM 2014* paragraph 2.7).
- Is the entity an institutional unit? If it is resident but not an institutional unit, it is treated as an integral part of the institutional unit that controls it. If it satisfies the criteria to be an institutional unit, move on to the next decision point (see *GFSM 2014* paragraph 2.22).
- Is the institutional unit controlled by government or another public corporation? The answer to this question will place the institutional unit in the public or private sector (see *GFSM 2014* Boxes 2.1 and 2.2).
- Is the institutional unit a market or nonmarket producer? The answer to this question will place the institutional unit in the general government sector or the public corporations subsector (see *GFSM 2014* paragraphs 2.65–2.75).
- If the institutional unit is in the general government sector, could any market establishments that satisfy the criteria to be an institutional unit be identified within the general government unit? Such market establishments should be classified as quasi-corporations in the public corporations subsector (see *GFSM 2014* paragraphs 2.33–2.34).
- Is the institutional unit providing financial auxiliary services, such as supervisory authorities of financial intermediaries and financial markets? A positive answer to this question will place the institutional unit in the public financial corporations subsector (see *GFSM 2014* paragraph 2.54).

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<sup>3</sup> *GFSM 2014* § 2.124

Figure 1. Decision Tree for Sector Classification of Public Entities



Source: GFSM 2014

## Appendix III. Steps to Aggregating Data From the “Status of Funds” into SGO Classifications

- Step 1**—download “status of funds” report from EPICOR for all Heads (from 002 to 051)
- Step 2**—in each of the individual files downloaded, insert a blank sheet. In the blank sheet, go to the SGO file, copy the “economic classification codes and description” from the sheet “RecExp\_CoA\_IFMIS”, and paste it in the blank sheet in columns A and B. In columns C, D, E, F, and G, type in the recurrent and capital codes from the budget classifications (11 and 12 for recurrent; and 21, 22, 23 for capital) as in the picture below.

	A	B	C	D	E	F	G
1							
2			11	12	21	22	23
3	400000	Expense (Budgetary Account)					
4	410000	Compensation of Employees					
5	411000	Wages and Salaries					
6	411100	Non Statutory Salaries in Cash					
7	411101	Salaries – Established Posts					
8	411102	Salaries – New Posts					
9	411200	Statutory Salaries in Cash					
10	411201	Privy Purse					
11	411202	Regent					
12	411203	Chief Justice					
13	411204	Judges					
14	411205	Chairman PSC					
15	411206	Chairman TSC					
16	411207	Members PSC					
17	411208	Members TSC					
18	411209	Attorney-General					
19	411210	Director Public Prosecutions					
20	411211	Auditor-General					
21	411212	Speaker National Assembly					
22	411213	Deputy National Assembly					
23	411214	President Senate					
24	411215	Deputy President Senate					
25	411216	Ombudsman					
26	411217	Chairman IEC					
27	411218	Members IEC					

- Step 3**—In the sheet with data downloaded from EPICOR, copy the content of column A (the detailed code) and paste the content in the far-right empty column, i.e. in the column after the last column containing data. Select the text you have just copied from top to bottom and click on data, then under data tools click on text to column and follow the prompts in the dialogue boxes that open (Figure 3). In the first dialogue box, check “delimited” and click on next. In the second dialogue box, check “other” and type in box next to it a dash sign: “-”. In the third dialogue box, click finish. After you click finish, the text you copied will be separated into columns, and you will have a column for the recurrent/capital codes from the budget classifications (11 and 12 for recurrent; and 21, 22, 23 for capital) and you will also have a column for the economic classifications in highlighted in yellow in the picture below (Figure 4).
- Step 4**—go back to the other sheet and type a sum, if, array function to sum all the amounts in the column “total expenditure and commitment to date” with the economic classification that corresponds to what is in column A in the sheet, and the recurrent/capital code in the row above (see picture below). The formula to type in is: =SUM(IF(Sourcesheet!\$Column with economic codes\$=Currentsheet!\$reference code,IF(Sourcesheet!\$Column with the recurrent/capital code\$=Currentsheet!\$reference code\$,Sourcesheet!\$Column with data\$))). Press **CTRL+SHIFT+ENTER** and drag the formula to the right and down (Figure 5).

5. **Step 5**—sum up all the economic code, and recurrent/capital codes as it is currently done, for all Heads for month t and subtract with cumulated amounts from month t-1 and include the difference in the corresponding month in the SGO.

**Figure 2. Convert Text to Column**

**Convert Text to Columns Wizard - Step 1 of 3**

The Text Wizard has determined that your data is Delimited.  
If this is correct, choose Next, or choose the data type that best describes your data.

Original data type

Choose the file type that best describes your data:

☒ Delimited - Characters such as commas or tabs separate each field.

☐ Fixed width - Fields are aligned in columns with spaces between each field.

Preview of selected data:

18	2
19	
20	
21	
22	

Cancel < Back Next > Finish

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**Convert Text to Columns Wizard - Step 2 of 3**

This screen lets you set the delimiters your data contains. You can see how your text is affected in the preview below.

Delimiters

☐ Tab

☐ Semicolon

☐ Comma

☐ Space

☒ Other: -|

☐ Treat consecutive delimiters as one

Text qualifier: -

Data preview

2
---

Cancel < Back Next > Finish

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**Convert Text to Columns Wizard - Step 3 of 3**

This screen lets you select each column and set the Data Format.

Column data format

☒ General

☐ Text

☐ Date: MDY

☐ Do not import column (skip)

'General' converts numeric values to numbers, date values to dates, and all remaining values to text.

Advanced...

Destination: \$A\$18

Data preview

General
2

Cancel < Back Next > Finish

Figure 3. Converted Text to Column

2	1	1	1	1	11	1	100	0	0	411101	0
2	1	1	1	1	11	1	100	0	0	411102	0
2	1	1	1	1	11	1	100	0	0	411301	0
2	1	1	1	1	11	1	100	0	0	411401	0
2	1	1	1	1	11	1	100	0	0	411703	0
2	1	1	1	1	12	1	100	0	101H1 1	421001	0
2	1	1	1	1	12	1	100	0	101H1 4	421002	0
2	1	1	1	1	12	1	100	0	101H1 4	421008	0

Figure 4. SUM, IF, Array Function

	A	B	C	D	E	F	G	H	I	J
1										
2			11	12	21	22	23			
3	400000	Expense (Budgetary Account)								
4	410000	Compensation of Employees	=SUM(IF(Source!\$A\$9:\$A\$2087=Sheet1!\$A4,IF(Source!\$A\$9:\$A\$2087=Sheet1!\$C\$2,Source!\$T\$9:\$T\$2087)))							
5	411000	Wages and Salaries	0	0	0	0	0			
6	411100	Non Statutory Salaries in Cash	0	0	0	0	0			
7	411101	Salaries – Established Posts	263,582,005	0	1,252,505	0	0			
8	411102	Salaries – New Posts	14,242,949	0	0	0	0			
9	411200	Statutory Salaries in Cash	0	0	0	0	0			
10	411201	Privy Purse	0	0	0	0	0			
11	411202	Regent	0	0	0	0	0			
12	411203	Chief Justice	0	0	0	0	0			
13	411204	Judges	0	0	0	0	0			
14	411205	Chairman PSC	0	0	0	0	0			
15	411206	Chairman TSC	0	0	0	0	0			

## Appendix IV. Financial Statements of Public Entities Collected

Count	Entity Description and Classification	FY09 /10	FY10 /11	FY11 /12	FY12 /13	FY13 /14	FY14 /15	FY15 /16	FY16 /17	FY17 /18	FY18 /19
<b>Budgetary Central Government</b>											
1	Lesotho Revenue Authority				x	x	x	x		x	x
2	National Aids Commission								x		
3	Lesotho Water and Electricity Authority				x	x	x	x	x	x	x
<b>Extrabudgetary Central Government</b>											
1	Land Administration Authority					x	x	x			
2	Lesotho Communication Authority				x	x	x		x	x	
3	Lesotho Council for Higher Education					x	x	x	x		x
4	Lesotho Highlands Development Authority				x	x	x	x	x	x	
5	Road Fund			x	x	x		x		x	
<b>Public Nonfinancial Corporation</b>											
1	Lesotho Electricity Corporation							x	x		
2	Lesotho Housing and Land Development Corporation					x					
3	Lesotho National Development Corporation	x	x	x							
4	Water and Sewerage Company					x	x	x	x		
<b>Public Financial Corporation</b>											
1	CBL						x	x	x	x	x
2	Lesotho Post Bank						x	x	x	x	
3	Public Officers Defined Contribution Pension Fund				x	x	x	x	x	x	

## Appendix V. Consolidation<sup>4</sup>

### 1. When GFS have been compiled for all individual subsectors of the general government (public) sector, these statistics must be aggregated and consolidated.

Aggregation is the simple addition of all data categories across subsectors. Consolidation is a method of presenting statistics for a set of units grouped together as if they constituted a single unit, which involves the elimination of all transactions and reciprocal stock positions between units in the subsector or sector being consolidated. Consolidation is normally the final step in organizing and presenting government data following the accounting rules of the *GFSM 2014* system. The main reason for presenting GFS in a consolidated manner is because it provides a more effective way of assessing the overall impact of government operations on the total economy, or the sustainability of government operations; in other words, because consolidation heightens the analytical usefulness of the statistics.

### Purpose of Consolidation

2. **Consolidation eliminates double counting of transactions or stocks among units being consolidated**, thereby producing aggregates not affected by internal interactions. At identical levels of activity, without consolidation, a country that employs a unified or centralized budgetary mechanism to carry out transactions would show smaller unconsolidated aggregates than a country that conducts the same level of activity but uses a decentralized mechanism to channel funds from the budget. Table 3 below illustrates the point.

3. **Two countries, A and B, have the same values for revenue, expense and the gross operating balance at the central government level.** However, they channel their resources very differently. The central government of country A spends 110 directly and transfers 10 to its local governments, which spend the whole amount; whereas the central government of country B spends 30 directly and transfers 90 to its local governments, which spend the whole amount. If we now compare in the table both countries at the general government level, we see that simply aggregating transactions for central government and local governments shows country B to have significantly higher revenue and expense than country A. However, if we add the figures after consolidation (i.e., after the elimination of internal transactions) then both countries have the same aggregates of revenue and expense at the general government level. We also notice that the Gross Operating Balance (GOB) of the general government is unaffected by consolidation.

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<sup>4</sup> Extracted from the Government Finance Statistics: Compilation Guide for Developing Countries (IMF, 2011).



**Table 1. Illustration of Unconsolidated Versus Consolidated Data**

<b>Unconsolidated</b>		<b>Country A</b>			<b>Country B</b>			
	Central Gov.	Local Gov.		General Gov.	Central Gov.	Local Gov.		General Gov.
<b>Revenue</b>	100	10		110	100	90		190
<b>Expense</b>	120 (110+10)	10		130	120 (30 + 90)	90		210
<b>GOB (R-E)</b>	-20	0		-20	-20	0		-20
<b>Consolidated</b>		<b>Country A</b>			<b>Country B</b>			
	Central Gov.	Local Gov.	Consol. Column	General Gov.	Central Gov.	Local Gov.	Consol. Column	General Gov.
<b>Revenue</b>	100	10	-10	100	100	90	-90	100
<b>Expense</b>	120	10	-10	120	120	90	-90	120
<b>GOB (R-E)</b>	-20	0	0	-20	-20	0	0	-20

GOB: Gross Operating Balance

**4. The main impact of consolidation is on the magnitude of aggregates, as illustrated above.** Consolidation adjustments do not have an impact on the balancing items in the GFS system, as the consolidation process is symmetric within a given table or statement (set of accounts), again as illustrated above. Consolidation takes place both within a particular subsector (intra-governmental) and between subsectors (inter-governmental) that belong to a given sector. Therefore, intra-governmental consolidation always takes place when compiling GFS for any given subsector, whereas inter-governmental consolidation only takes place when compiling GFS for a sector that groups together more than one subsector. Typical sectors compiled where inter-governmental consolidation takes place include the central government, general government, nonfinancial public sector, and public sector. Intra-governmental consolidation within a particular subsector is always done before any inter-governmental consolidation.

### Key Items to Focus on Consolidation

**5. Proper consolidation depends on a thorough review of the accounts to be consolidated to identify internal transactions and stockholdings.** The goal is not perfect consolidation, but rather to eliminate—in a consistent manner—transactions and positions that have a significant effect on the final aggregates. Where a review of the accounts reveals that there are small transactions that may be difficult to fully identify, resources should not be devoted to identifying these transactions and their magnitudes. Generally, it is recommended that for the consolidation of flows of the central government and general government sectors priority be given to identifying three potential items for elimination through consolidation:

transfers between government units, transactions in financial assets and liabilities, and interest income/expense. Only in cases where intergovernmental taxes and purchases of goods and services are known to be large, should efforts be made to identify and eliminate through consolidation these transactions. For stocks, priority should be given to identifying two items: loans, and debt securities.

**6. For many countries, the largest class of intra- and inter-governmental transactions eligible for consolidation relates to various types of transfer payments.** These may be current and capital grants between levels of government, transfers within institutional units or transfers among institutional units. Central governments frequently make grants to lower levels of government or to other institutional units (for example, universities, hospitals, and nonprofit institutions) at the central government level. These transfers are generally easy to identify, and should all be eliminated through consolidation.

**7. There are many types of financial transactions among government units.** Governments may make loans to other governments for policy and other purposes, and government units may acquire the liabilities of other government units for liquidity and other purposes. All direct loans between government units should be eliminated through consolidation, and all acquisitions of other governments' securities in direct transactions should also be eliminated. Government debt instruments acquired on secondary markets should not be consolidated in transactions data, as these transactions take place with nongovernmental units. However, these acquisitions should be consolidated in balance sheet or debt statistics.

**8. Intra- and inter-governmental holdings of financial assets and liabilities, and therefore interest payments, are very common. Interest income from and expense to other government units is generally easy to identify in the accounts and should always be subject to consolidation.** Concerning stocks, consolidation is necessary in the presentation of financial assets and liabilities for a government's balance sheet. Only claims on units outside the government subsector or sector to be consolidated and liabilities to outside units should remain on the consolidated balance sheet. In other words, all reciprocal creditor-debtor relationships within the units being consolidated should be eliminated, but priority should be given to those related to loans and debt securities.

**9. All transactions that are to be consolidated should preferably be identified in the accounting codes for transactions, with the counterparty of the transaction also clearly identified.** If such counterpart identification is not currently included in accounting codes, this should be a priority when the chart of accounts is revised. In general, this procedure facilitates the consolidation process and, in particular, its automation.

### **Rules of Thumb for Consolidation**

**10. In principle, when a transaction to be eliminated through consolidation is identified (e.g., a grant from the central government to the local government), the corresponding receipt should be found in the accounts of the counterparty (in this case the local government).**

However, when the counterparts' accounts are reviewed, there may be no record of the grant, or the grant may be credited in a different period, or the grant receivable may have a different value from the grant payable, or it may be classified as something other than a grant. There are many reasons for such discrepancies (timing differences, classification differences, accounting discrepancies, valuation differences, etc.). Addressing these discrepancies not only promotes proper consolidation, but also improves the overall quality of the data.

**11. A practical way to address discrepancies when consolidating data is to use the following rules of thumb:**

- (a) The "one-side" rule of thumb. If there is convincing evidence from one of the parties that a transaction took place, it can be imputed to the other side, even in the absence of the counterpart records. When such an adjustment is made in the data for a unit where the transactions cannot be directly identified, the records for that unit need to be properly modified.
- (b) The "top-down" rule of thumb. Often, budgetary accounts, or central government accounts as a whole, are more complete, timely, detailed, and accurate than, for example, the local government accounts (or even extra-budgetary accounts). When there is clear evidence that the central government made a transfer (or any other transaction) to a local government, the transaction, its timing, and its value can be imputed to the local government. Similarly, one can often rely on the originator of a transaction to have more reliable accounting records.
- (c) The "creditor is right" rule of thumb. For transactions in financial assets and liabilities, normally the creditor can be expected to maintain the most reliable records. For loans, the creditor unit usually maintains the most complete records, although in some cases the debtor unit may be equally reliable. For securities, especially bearer instruments, only the creditor may have the information needed for consolidation. For example, when a central government issues bearer securities, some may be acquired by local governments, and the central government may have no direct information on who is holding the securities, especially if they can be acquired on secondary markets. It is, therefore, necessary to rely on the creditor records of the local governments.

**12. Judgment and the cost/benefit rule must always be applied during consolidation,** the effort and cost to identify an amount to be consolidated should be directly proportional to the expected amount and its impact on the aggregates.

**13. An effective tool to use during the consolidation process is a table that presents both parties to the flows or stocks and shows the amounts each party has recorded for each item to be consolidated.** Then the rules of thumb can be applied to reach consistency on the amounts between both parties, while at the same time keeping the balancing items unchanged. Applying the rules of thumb often leads to making corrections to the accounts of one or even both parties, thereby modifying the values of balancing items. However, these

corrections are a benefit of the consolidation process, and not a result of the consolidation itself, which is always symmetric. In other words, the consolidation takes place after the amounts have been reconciled and involves eliminating the same amount for both parties.