



## LS-PFM Reform Support Project (P143197)

AFRICA | Lesotho | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2014 | Seq No: 6 | ARCHIVED | ISR30816 |

Implementing Agencies: Ministry of Finance, Ministry of Finance

### Key Dates

#### Key Project Dates

Bank Approval Date:06-Feb-2014

Effectiveness Date:25-Jul-2014

Planned Mid Term Review Date:08-Apr-2016

Actual Mid-Term Review Date:24-May-2016

Original Closing Date:03-Jul-2017

Revised Closing Date:03-Jun-2019

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The project development objective (PDO) is to improve the quality and timeliness of public financial management information in support of the Government's PFM Reform Action Plan (PFMRAP) to improve budget execution.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components

Name

Support for improving the stability and reliability of existng IFMIS:(Cost \$0.53 M)

Support for modernization of IFMIS platform:(Cost \$2.94 M)

Support for change management, training and project management:(Cost \$1.51 M)

### Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Unsatisfactory	● Moderately Unsatisfactory
Overall Implementation Progress (IP)	● Moderately Unsatisfactory	● Moderately Unsatisfactory
Overall Risk Rating	● Substantial	● Substantial

### Implementation Status and Key Decisions



The project has been successfully restructured and the closing date extended to June 3, 2019. The Government of Lesotho has made progress with some of the key actions agreed during the restructuring process. Among the most significant are the following:

1. The new TSA bank accounts for recurrent and development expenditures in the current version of IFMIS are operational since October 10, 2017, and are being reconciled with the bank statements of the Central Bank of Lesotho (with a 96 percent auto matching of transactions achieved through to end November). The implication of this achievement is that a new starting point for forthwith timely and reliable reconciliation of the main expenditure bank accounts for budget execution has been created, which revives an essential control mechanism over the completeness and accuracy of expenditure data in the current version of the IFMIS. Linked to the issue of improving reliability of the current IFMIS data is progress with the implementation of month-end closing procedures, through a pilot process.
2. Issue resolution through piloting of the new Electronic Funds Transfer system continues, and an additional ten line ministries are in process. Once in full production, it will also enable payment processing by sub-accountancies on behalf of district offices of line ministries (not connected to the IFMIS) against the main Treasury accounts in the Central Bank of Lesotho - this will reduce the current dependency on pre-financed commercial bank accounts, greatly simplify the accounting and reconciliation of such expenditures and simplify the current cumbersome paper driven payment process.
3. The implementation of the central budget preparation and control system CBMS has significantly progressed under the component to modernize the IFMIS. The CBMS system has been configured and is already web accessible to users, and training of about 90 users are near complete. The system will be used to support the preparation of the FY18/19 budget, which will inter alia help to guide and monitor budget data input by line ministries, and eliminate past cumbersome processes to exchange and consolidate budget data using Excel files.

In addition to the above, the consultant team to support the modernization component of the IFMIS has been deployed, and changes have been made to improve the functioning of the Improvement and Reform Steering Committee (IRSC) - since the restructuring approved in July 2017, three IRSC meetings have been held, chaired by the new Minister of Finance and attended by the Governor of the Central Bank of Lesotho.

Key actions that require further attention include the procurement of new hardware for the upgrade of the IFMIS, as well as the associated business process review, system configuration requirements, change management and training. It is also critically important for Government to complete the processes to fill key vacancies in the Office of the Accountant-general.





## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● Substantial
Macroeconomic	--	● Substantial	● Substantial
Sector Strategies and Policies	--	● Moderate	● Moderate
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Substantial	● Substantial
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Low	● Low
Stakeholders	--	● Moderate	● Moderate
Other	--	--	--
Overall	--	● Substantial	● Substantial

## Results



### Project Development Objective Indicators

#### ► 1. Improved reliability of in-year budget execution reports from IFMIS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	In-year budget execution reports from IFMIS are generally considered not to be reliable, due to lack of bank accounts reconciliations and no month-end closing of the IFMIS.	There are significant concerns regarding data reliability of IFMIS in-year budget execution reports as bank reconciliations are not done monthly and there is still no month-end closing of the IFMIS.	Steps have been taken by Government to improve the reliability of data in the IFMIS, including operationalization of new TSA expenditure bank accounts and their reconciliation with the CBL, and piloting of month-end closing procedures for the IFMIS. In-year budget execution reports have been developed, but are not yet published on the web.	In-year budget execution reports from the upgraded IFMIS have no material concerns regarding data reliability, since month-end closures are operational and TSA bank reconciliations are done monthly.
Date	30-Nov-2012	12-Jun-2017	04-Dec-2017	03-Jun-2019

#### ► 2. Improved timeliness and completeness of annual financial statements (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Three-year backlog in the preparation of annual financial statements - 2008/09, 2009/10, and 2010/11. IFMIS data to support annual financial statements for budgetary central government lacks balances for financial assets and financial liabilities.	Government eradicated the 3-year backlog of annual financial statements, and the consolidated annual financial statements for 2015/2016 were submitted within the legal timeframe by 31 August 2016 to the Office of the Auditor-general. IFMIS continues to lack complete balances for financial assets and financial liabilities to support annual financial statements for budgetary central government.	Government eradicated the 3-year backlog of annual financial statements, and the consolidated annual financial statements for 2016/2017 were submitted within the legal timeframe to the Office of the Auditor-general. IFMIS continues to lack complete balances for financial assets and financial liabilities to support annual financial statements for budgetary central government.	The FY2018/19 annual financial statements for budgetary central government continue to be submitted to the Office of the Auditor-general within the legal timeframe by 31 August 2019, and contain data from the upgraded IFMIS on all financial assets and financial liabilities.
Date	30-Nov-2012	12-Jun-2017	04-Dec-2017	02-Sep-2019



► 3. Stock of expenditure arrears available in IFMIS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	There is no IFMIS data on the stock of expenditure arrears.	There is no IFMIS data on the stock of expenditure arrears.	There is no IFMIS data on the stock of expenditure arrears.	Stock of expenditure arrears is available online in the upgraded IFMIS.
Date	30-Nov-2012	12-Jun-2017	04-Dec-2017	03-Jun-2019

► 4. New Treasury Single Account (TSA) bank balances in the IFMIS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No new TSA balances are available in the IFMIS.	New TSA bank accounts opened and created in the IFMIS, but not yet in operation.	New TSA recurrent and development expenditure bank accounts are in operation since October 10, 2017, and is being reconciled with the CBL.	New TSA bank accounts are operational and carried forward into the upgraded IFMIS.
Date	30-Nov-2012	12-Jun-2017	04-Dec-2017	03-Jun-2019

Overall Comments

**Intermediate Results Indicators**

► 1. Improved wide-area network uptime (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	71.42	97.14	97.14	98.50
Date	30-Nov-2012	12-Jun-2017	12-Jun-2017	03-Jun-2019



► 2. Improved IFMIS server uptime (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	92.86	97.17	97.17	98.50
Date	30-Nov-2012	12-Jun-2017	12-Jun-2017	03-Jun-2019

► 3. IFMIS users trained (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	40.00	60.00	60.00	80.00
Date	30-Nov-2012	14-Jun-2017	12-Jun-2017	03-Jun-2019

► 4. Line ministry revenue transactions not captured in the IFMIS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Non-tax revenues collected by line ministries are not routinely captured in the IFMIS, and there is ineffective monitoring at Treasury to ensure that this happens.	Actual non-tax revenue, according to the 2015/2016 unaudited consolidated financial statements, was M1.3bn, but this figure is not supported by timely bank reconciliations.	Bank reconciliation of revenue transactions since 2009 for all except 7 Ministries have been completed through to end March 2017.	Non-tax revenue transactions are recorded reliably in the IFMIS, supported by timely bank reconciliations.
Date	30-Nov-2012	12-Jun-2017	06-Dec-2017	03-Jun-2019

► 5. Business process review completed (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Business process review to support configuration of the new version of IFMIS contracted by not yet started	Business process review to support configuration of the new version of IFMIS contracted by not yet started	Business process review to support configuration of the new version of IFMIS contracted by not yet started	Business process review to support configuration of the new version of IFMIS completed
Date	23-Jun-2017	23-Jun-2017	06-Dec-2017	31-Oct-2017



► 6. IFMIS servers upgraded (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Servers for new upgraded version of IFMIS not yet procured	Servers for new upgraded version of IFMIS not yet procured	Servers for new upgraded version of IFMIS not yet procured	Servers for new upgraded version of IFMIS operational
Date	23-Jun-2017	23-Jun-2017	06-Dec-2017	28-Feb-2018

► 7. End-user equipment upgraded (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	End-user equipment to operate upgraded IFMIS not yet procured	End-user equipment to operate upgraded IFMIS not yet procured	End-user equipment to operate upgraded IFMIS not yet procured	End-user equipment upgraded to work on new IFMIS
Date	23-Jun-2017	23-Jun-2017	06-Dec-2017	31-May-2018

► 8. Change management plan initiated (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Change management plan not yet developed	Change management plan not yet developed	Change management plan not yet developed	Change management plan initiated
Date	23-Jun-2017	23-Jun-2017	06-Dec-2017	31-Oct-2017






► 9. Initial operational acceptance of the upgraded IFMIS (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	IFMIS upgrade contracted but not yet started	IFMIS upgrade contracted but not yet started	IFMIS upgrade contracted and initiated. CBMS configured and in process of being deployed.	Initial operational acceptance of the upgraded IFMIS achieved
Date	23-Jun-2017	23-Jun-2017	04-Dec-2017	29-Jun-2018

Overall Comments

## Data on Financial Performance

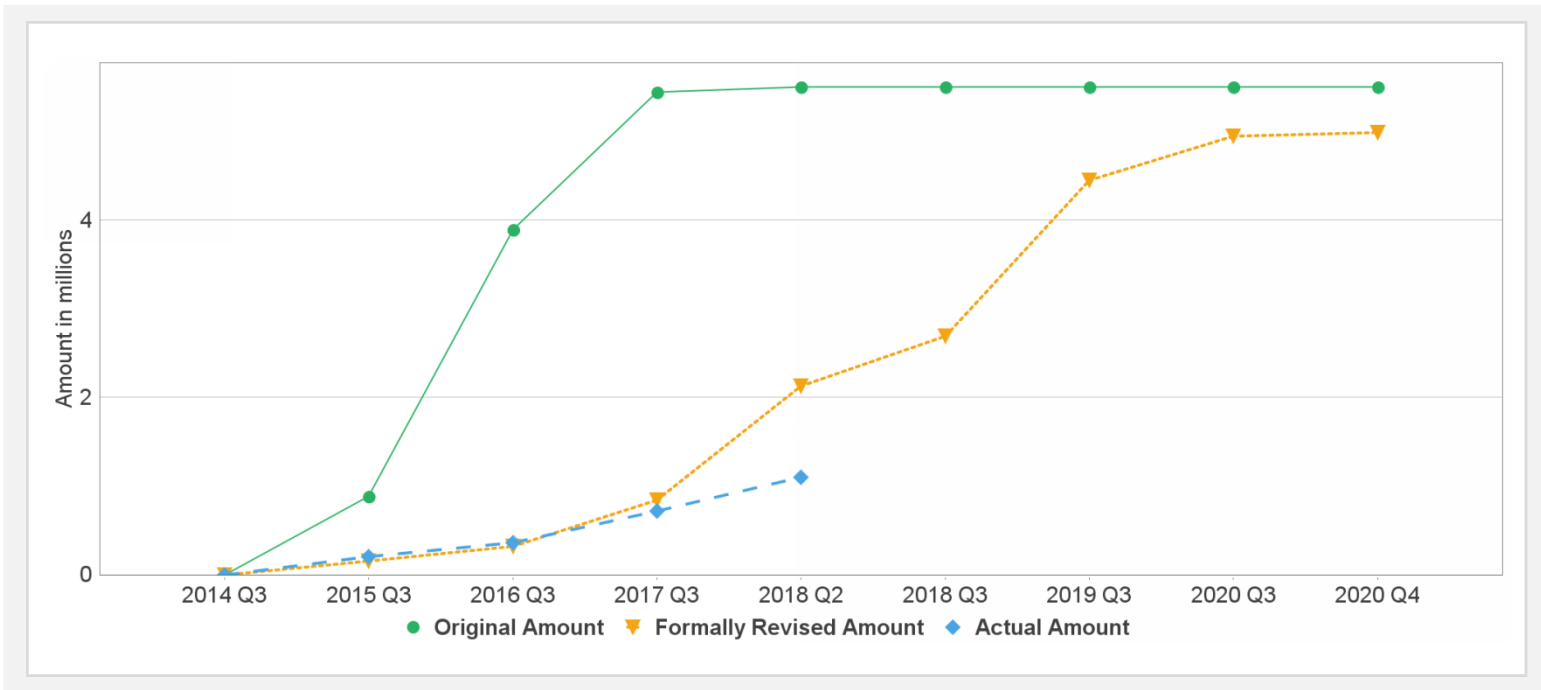
### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P143197	IDA-53550	Effective	USD	5.50	5.50	0.00	1.10	3.97	 20%

### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P143197	IDA-53550	Effective	06-Feb-2014	24-Feb-2014	25-Jul-2014	03-Jul-2017	03-Jun-2019

### Cumulative Disbursements



### Restructuring History

Level 2 Approved on 30-Jun-2017

### Related Project(s)

There are no related projects.