



Joint Programme 2022 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Lesotho

Reporting Period: 1 January - 31 December 2022

JP title: Joint Programme on Economic and Financial Management Integration for the Achievement of SDGs

Stakeholder partner: National Government;Sub-national Governments;Civil Society Organizations;Parliamentarians;IFIs/DFIs;Private sector;NA;

Thematic SDG Areas: Digital transformation;SDG localization;

PUNOs: UNICEF, UNDP, IOM

Top- up received as part of DEM: No

Total estimated expenditures: US\$ \$ 484,408.0

Total estimated commitments (including expenditures): US\$ \$ 659,323.0

Gender Marker: Gender-transformative (for example, the JP explicitly aimed to address the structural and root causes of gender inequality, such as by combining social protection with community dialogues and economic empowerment activities that aim to shift gender social norms and power relations)

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Executive Summary

1. Strengthened PFM systems for SDG aligned MTEF budgeting. This followed an assessment of the existing systems and processes and the recommendations thereof led to the development of an MTEF implementation roadmap and manuals.
2. Established mechanisms to ensure domestic and international public and private partnerships for sustainable development and financing through the private sector capabilities assessment and the SDG investor map.
3. Created an enabling policy environment for mobilization of diaspora investment and remittances. In that regard, two assessments on remittances and policy analysis were completed. These will culminate in the development of the Lesotho National Remittances Strategy.

Annual Progress

Overall JP self-assessment of 2022 progress:

On-track (expected annual results-achieved)

Overall progress and key developments to date (3 key JP milestones)

Governance and Coordination: The Programme Technical Committee consisting of PUNOs and Ministry of Finance and Development Planning representatives continued to hold monthly meetings to monitor implementation progress. The Programme Steering Committee (PSC) was unable to meet in 2022 due to conflicting schedules of the Ministers of Finance and Development Planning who co-chair the PSC with the RC. Further complications were added by the preparations for the National elections in October 2022, which saw Ministers devote time to the election campaign. A National SDG Coordination Mechanism, which was revived in 2021 engaged in the multi-stakeholder and participatory preparation of the 2022 Voluntary National Review (VNR), which has been completed.

Research, Assessments and Feasibility Studies on SDG Financing: An assessment of the Lesotho Medium-term Expenditure Framework (MTEF) was concluded in June 2022. The purpose of the assessment was to establish the extent to which the Lesotho budget processes and systems conform to the principles of MTEF budgeting and to determine the required process and system changes. Recommendations of the assessment have informed the MTEF User Manual and Handbooks.

To facilitate participation of the local private sector in development financing, the Ministry of Finance conducted a country-wide private sector assessment to establish a foundational overview of local private sector actors and their current capabilities to contribute to national development. The assessment identified bottlenecks to local private investment and proposed mechanisms and incentives for promoting private sector investment for development. A total of 172 businesses across 30 private sector networks were engaged. The assessment is aimed at informing the national private sector development strategy to provide policy framework for private sector development.

Financial Strategy Development and advocacy for Financial Reforms: The JP officially launched the DFA and the INFF roadmap. The launch was led by the Honorable Minister of Development Planning with UNDP Resident and IOM Head of Office. Present at the launch were UN agencies and development partners, representatives from the private sector, Non-Governmental Organizations, Government Ministries, and agencies. The DFA and INFF roadmap will serve as basis for the planned financing dialogues to be hosted in preparation of the integrated financing strategy.

Following the adoption of the roadmap toward the INFF in 2022, Lesotho is developing an integrated SDG Financing Strategy, aimed at identifying policy and institutional mechanisms, as well as tools to enable Lesotho to identify, mobilize and manage development financing resources. In this process, the government has established platforms for national dialogues and engagement with the public, private and social sectors to ensure inclusive development and oversight mechanisms of the Strategy.

Government of Lesotho has initiated an SDG investor map process meant to promote public-private partnerships and private investments for accelerating achievement of the SDGs. The Lesotho SDG Investor Map builds on the existing nationally determined investment opportunities and focuses on sectors that may promote SDG acceleration and development impact. The identified priority sectors for driving SDG-enabling investments and capital flows in Lesotho are agriculture, renewable energy, health care, financial services, and consumer goods manufacturing. The process will conclude by development of the investment opportunity areas within the recommend sectors, to aid mobilization of investment and appropriate business models for Lesotho

Capacity Building for Key Stakeholders on SDG Financing: Capacity building was conducted for Government officials in Programme-Based Budgeting (PBB) and how to link budgets with SDGs. While the Government has been implementing PBB since 2007, it was not linked to SDGs.

Main Challenges, adjustments and lessons:

- During the first half of 2022, attempts to secure availability of the Ministers of Finance and Development Planning to hold quarterly Programme Steering Committee (PSC) meetings were unsuccessful. Their availability was mostly affected by preparations for the national elections that were held in October 2022. Hence Programme governance, including decisions affecting programme activities, was affected.
- Securing consultants has also been a constraint that has hampered efficient implementation of project activities.

SDG Acceleration

- Ministry of Finance and Development Planning capacitated in MTEF budgeting that will ensure that the National Budget is aligned to SDG and National Strategic Plan targets (SDG 16.6)
 - The JP is mobilizing multistakeholder partnerships in the context of SDG 17. The ongoing SDG investor map in meant to encourage and promote public-private partnerships and investments in high development impact sectors, fill the development financing gap and accelerate attainment of the SDGs and national priorities. The JP is also assisting in sustaining the partnerships with civil society organizations and development partners through development of relevant policy frameworks and facilitating inclusive platforms for dialogues.
 - The recommendations of the two assessments conducted to identify bottlenecks and hinderances to diaspora investment, have sensitized the Government on the actions required to promote diaspora investment and leverage remittances.

Updates on SDG financing framework

	Assessment Diagnostics	Financing Strategy	Monitoring	Governance
Inception phase			Review	Coordination
Previously Completed	Previously Completed	Emerging (1-49%)	Emerging (1-49%)	Emerging (1-49%)

Descriptions on progress by INFF building blocks

Inception Phase:An INFF roadmap has been developed and adopted by Government. Some of the key recommendations of the INFF roadmap are aimed at strengthening public financial management; mobilization of domestic investments including improved access to credit for MSMEs through more accessible lines of credit for MSMEs e.g. partial credit guarantee facilities and mobilization of free financial resources through savings, which can then be used for investment in development purposes. The recommendations also include alignment of FDIs with the national development goals (and SDGs) and improving management and overall absorption capacity for ODA. The INFF roadmap has recommendations that will be implemented in the short, medium to long term.

Assessment & Diagnostics: The Lesotho Development Finance Assessment Report, published in 2021, provides an overview of the current state of development finance in Lesotho. The report highlights the challenges facing the country in terms of access to finance, particularly for small and medium-sized enterprises (SMEs) and low-income households. The report suggests that there are several key factors that contribute to these challenges, including a lack of access to credit information, limited capacity for financial intermediaries, and a lack of appropriate financial products and services. The report also notes that the government of Lesotho has made efforts to address these challenges through various initiatives, however, the report suggests that these efforts have not been fully effective in addressing the country's financing needs. The report recommends several key actions to improve development finance in Lesotho, including increasing access to credit information, expanding the capacity of financial intermediaries, development of appropriate financial products and services for SMEs and low-income households and strengthening of the regulatory and supervisory framework for the financial sector. The report also emphasizes the need for greater collaboration between the government, private sector and civil society, and need for data collection and analysis to better understand the needs of different segments of population and to inform policy and

programmatic decisions. The report also emphasizes the need for digitalization of financial services in Lesotho and providing more affordable and accessible digital financial services to the population.

Financing Strategy: N/A – The financing strategy is currently in the process of being developed. The process was initiated with multistakeholder financing dialogues that also provided a basis for monitoring and oversight of the mobilization and utilization of development financing resources.

Monitoring & Review: N/A – The monitoring and review mechanism will be proposed during development of the financing strategy implementation framework.

Governance & Coordination: The program steering committee was proposed to also serve as the INFF oversight committee because of the membership requirements that would create duplication of the structures. The functions of the steering committee are as follows: - Provide oversight and strategic guidance to implementation and evaluation of the program, based on updates received from implementing stakeholders and the PTC - Monitor alignment of the project activities and results with NSDP II objectives and SDGs targeted by the program, following the template in annex 2. - Address implementation bottlenecks requiring high-level political decision-making from Government of Lesotho. The PSC is composed of the following members: - UN Resident Coordinator (co-chair); - Office of the Prime Minister; - Minister of Finance (MOF); - Minister of Development Planning (MODP, co-chair); - Heads of implementing UN Agencies (UNDP, IOM, and UNICEF); - Invited Technical level Managers of MOF, MODP, and other relevant ministries; - Lesotho Council of NGOs representing participating Civil Society Organizations (CSO); - Lesotho Chamber of Commerce and Industry representing participating private sector networks; - International development partners (European Union, World Bank, International Monetary Fund, African Development Bank, etc.). - Other strategic partners to attend on invitation of the Chair/s of the PSC

Annual Reporting on Results

JP contributions to the Joint SDG Fund's global cost of living crisis

Next steps, scaling and sustainability [400 words]

The following activities are planned during the last three months of Programme implementation (January to March 2023):

- Finalize the integrated financing strategy and the supporting implementation framework. The integrated financing strategy will be aligned to the SDGs and the NSDP II to ensure its implementation and sustainability.
- Support training on SDGs planning and budgeting for Government Planners to ensure that planning and budgeting processes are NSDP/ SDGs aligned.
- Support review of the Public Sector Investment Programme (PSIP) process - formulate a criterion for PSIP prioritization and conduct capacity building of the Public Sector Investment Committee to adopt the revised criteria.
- Updating of the Central Budget Management System (CBMS) of the Ministry of Finance and Development Planning to render it compatible with MTEF budgeting;
- Finalisation of the Programme Based Budgeting Manual;
- Finalise the Remittances Strategy

Priority Cross-cutting Issues

Cross-cutting results/issues

This is a continuation of the overall progress (above) Mobilisation of New Partnerships: As a strategy towards promoting public participation in budgeting, Local Government Authorities, CSOs, private sector representatives, media, youth, and academia were introduced to principles of fiscal transparency and public participation as well as international best practices that can be applicable to Lesotho. Workshops were conducted for approximately 75 participants to provide guidance in designing impactful public participation mechanisms in the budget process and to explore areas of opportunities and feasibility of implementing public participation in the budget process in Lesotho. Discussions have been initiated with the IMF on possible collaboration for SDG-aligned planning and budgeting, which will be pursued further in 2023. Through structured workshops, CSOs, private sector, youth, media, local government, and academia were empowered on the key principles of transparency and public participation in order to enhance their participation in the budget decisions and processes in Lesotho.

Through the JP, the Government of Lesotho has streamlined mechanisms for partnership development, including with the civil society organizations, by developing the public partnership policy and CSO engagement policies. The policies follow the principles of the Paris Declaration, and are expected to catalyze development finance flows, monitoring, and oversight. The Government convened a forum for Basotho Diaspora Association to establish partnerships with the diaspora with the aim of leveraging diaspora resources.

Cross-cutting issues are

i) The integrated national financing framework recommends implementation of gender responsive strategies ensure women’s empowerment and gender equality in delivery of public services and private sector development. Following the initial gender audit studies carried out with UNDP’s support, the Ministry of Finance and Development Planning is institutionalizing gender-responsive budgeting processes, and enlisting participation of key partners such as the IMF for technical support.

ii) The Lesotho SDG investor map has considered gender equality in the prioritization of investment priority sectors by determining sectors that may be promoted for women’s empowerment and participation in the selection of priority sectors. The assessment also included gender and marginalization analysis of current and proposed policies and initiatives, including the National Gender and Development Policy (2018 – 2030). Complementary to the SDGs investor map process, the government undertook a private sector assessment which included nation-wide consultations ensuring leaving no one behind and that solutions are localized to provide benefits to people that are most left behind.

iii) The two assessments conducted ensured inclusion of both men and women in the consultations and focus group discussions to gather information on challenges they encounter when they remit money to Lesotho and the accessibility remittances and financial products in Lesotho to identify financial inclusion gaps

How did the JP apply the Gender Marker

The JP is Gender-transformative (for example, the JP explicitly aimed to address the structural and root causes of gender inequality, such as by combining social protection with community dialogues and economic empowerment activities that aim to shift gender social norms and power relations). Evidence, data collection and analysis (e.g. gender assessments of programmes; policy briefs, costing for scale-up of social services); Capacity development (e.g. training of social workers, local governments, local communities);

Focus on LNOB cross cutting principles

Human Rights	Persons with disabilities	Youth	Environmental and social standards
No	No	No	No

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

The JP has fostered strategic partnerships with CSOs, Local Authorities, private sector, youth representatives and citizens in general in the context of the promotion of public participation and transparency in budget processes. Citizens have been capacitated on international best practices in public participation, which will be applied going forward to enhance collaboration between the Ministry of Finance and Development Planning and citizens in the budget preparation process. Discussions were initiated with IFIs and other development partners on the possibility of partnering to enhance sustainability of the MTEF and SDG-aligned planning and budgeting.

The project has been implemented jointly with IOM and UNICEF with the Ministry of Finance and Development Planning as the national coordinating authority and implementing partners. Implementation was led by the technical committee that comprised of key Ministries and agencies including LNDC, LTDC, LRA and CBL together with private sector representatives. The IFIs (WB, ADB, IMF) have continuously participated in the project activities specifically consultation meetings to provide the required technical inputs. To advance implementation of the SDG investor map and ensure its sustainability, the JP will work with close collaboration with LNDC as the National investment promotion agency.

With support of the regional SDG Finance Hub, funding has been mobilized towards a joint program on promoting diaspora engagement and mobilization of remittance flows from the MPTF Migration. The project will be implemented in collaboration with IOM to scale the recommendations of the development finance assessment relative to remittances and diaspora contribution to development financing flows.

Donor and Strategic events attended by JP in 2022

JP steering committee/ programme board meeting	Strategic partners/ donors event	Closing meeting/ event
No	No	No

JP contribution to SDG Financing

Drafted a bill, strategy, and/or approved a law increasing the fiscal space for the policy focus	Produced financing, costing, diagnostic and feasibility analyses as a basis to invest or increase spending on the SDGs	Improved efficiency (cost savings) in management programmes/scheme s	Improved effectiveness of (value for money; i.e. social impact of \$1 spent) sector investment on the SDGs	Drafted policies/regulatory frameworks i.e. developed tools to incentivize sector investment on the SDGs	Structured financial instruments (public, private or blended) to leverage additional funding	new private or additional funding
No	Yes	No	No	Yes	No	No

Main capacity building activities supported by the JP that allowed people to expand their knowledge on SDG Financing and INFFs

The Integrated Financing Strategy process started with a 3-day financing dialogues to bring together the public, private, and third sector development players to consider the existing policies, assess their effectiveness, recommend realignment and/or introduction of new policies addressing public, private, ODA and the enabling environment. The dialogues also served as a platform to sensitize various stakeholders (Public and Private), on the INFFs and its linkages with strategies to advance implementation of the national priorities and the SDGs.

